

TAX EXPENDITURE REVIEW

TAX EXPENDITURE WORKSHEET 8/30/16

CONSIDERATIONS FOR EXPEDITED REVIEW:

I. TAX POLICY: NECESSITIES OF LIFE SHOULD BE EXEMPT FROM SALES TAX

1. The reason the tax policy was adopted

- A. Does OPEGA definition adequately reflect legislative intent or should changes be made?
- B. It is unclear that the Legislature has explicitly adopted this policy. Exemptions are generally adopted individually and on their own merits. “Necessity of life” may be identified as a reason for an exemption; however, there has been no overall effort to identify and exempt all items that might be considered “necessities of life.

2. The extent to which the reason for adoption still remains or whether policy should be reconsidered

- A. Does the need or concern that this broad tax policy intends to address still exist in the State?
- B. Has anything changed that diminishes the need/desire to continue with this broad tax policy?

3. The extent to which the tax policy is consistent with other state goals

- A. Generic tax policy goals (NCSL)
 - i. Reliable revenue stream
 - ii. Equity (horizontal and vertical)
 - iii. Compliance ease and administrative burden
 - iv. Economic neutrality – degree of influence on other economic decisions (broad base/low rates)
 - V. Accountability (benefit/burden are explicit)
- B. Other policy goals

4. The fiscal past and future impact of the tax policy

- A. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS?
- B. If not, are there other sources of statistical information and what effort would be involved in obtaining it?

II. INDIVIDUAL TAX EXPENDITURES

| | Tax Expenditure | OPEGA rept page | Est. GF revenue loss | | Notes |
|----------|---|-----------------------|----------------------|---------------|-------------------------|
| | | | FY 18 | FY 19 | |
| 1 | Grocery staples 36§1760.3 | 5 | \$184,100,000 | \$191,130,000 | |
| | A. Past and future fiscal impact i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
| | B. Administrative costs or burdens i. MRS costs/burdens (collection, enforcement, administrative rules/guidance/retailer assistance) ii. Retailer costs/burdens (collection, accounting and payment, computer programming, employee training) iii. Taxpayer costs/burdens iv. Other | | | | |
| | C. Extent to which this TE is consistent with the broad tax policy and other TEs i. Does the need or concern for this exemption still exist in the State? ii. Has anything changed that diminishes the need/desire to continue with this exemption? | | | | |
| | D. Extent to which the design of the TE is effective in accomplishing its purpose i. Are statutes/rules/guidelines adequate to define scope of exemption? ii. Is there a better way to pursue the goal? | | | | |
| | E. Extent to which the benefits reach intended | | | | |

| | Tax Expenditure | OPEGA rept page | Est. GF revenue loss | | Notes |
|----------|---|-----------------------|----------------------|---------------------|-------------------------|
| | | | FY 18 | FY 19 | |
| | beneficiaries including consideration of enforcement mechanisms 1. How is the TE enforced? 2. How effective is the enforcement? | | | | |
| | F. Extent to which the original reasons for the TE still exist | | | | |
| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 2 | Meals served to patients in hospitals and nursing homes and similar institutions licensed by the State 36§1760.6.B | 6 | \$10,679,600 | \$11,270,700 | |
| | A. Past and future fiscal impact i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
| | B. Administrative costs or burdens i. MRS costs/burdens (collection, enforcement, administrative rules/guidance/retailer assistance) ii. Retailer costs/burdens (collection, accounting and payment, computer programming, employee training) iii. Taxpayer costs/burdens iv. Other | | | | |
| | C. Extent to which this TE is consistent with the broad tax policy and other TEs i. Does the need or concern for this exemption still exist in the State? ii. Has anything changed that diminishes the need/desire to continue with this exemption? | | | | |

| | Tax Expenditure | OPEGA rept page | Est. GF revenue loss | | Notes |
|----------|--|-----------------------|----------------------|---------------------|-------------------------|
| | | | FY 18 | FY 19 | |
| | D. Extent to which the design of the TE is effective in accomplishing its purpose <ul style="list-style-type: none"> i. Are statutes/rules/guidelines adequate to define scope of exemption? ii. Is there a better way to pursue the goal? | | | | |
| | E. Extent to which the benefits reach intended beneficiaries including consideration of enforcement mechanisms <ul style="list-style-type: none"> 1. How is the TE enforced? 2. How effective is the enforcement? | | | | |
| | F. Extent to which the original reasons for the TE still exist | | | | |
| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 3 | Fuels for cooking and heating in residences (excluding gas and electricity) 36§1760.9 | 7 | \$65,810,000 | \$73,760,000 | |
| | A. Past and future fiscal impact <ul style="list-style-type: none"> i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
| | B. Administrative costs or burdens <ul style="list-style-type: none"> i. MRS costs/burdens (collection, enforcement, administrative rules/guidance/retailer assistance) ii. Retailer costs/burdens (collection, accounting and payment, computer programming, employee training) iii. Taxpayer costs/burdens iv. Other | | | | |

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| | F. Extent to which the original reasons for the TE still exist | | | | |
| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 4 | Gas used for cooking and heating in residences 36§1760.9-C | 8 | \$14,540,000 | \$15,430,000 | |
| | A. Past and future fiscal impact i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
| | B. Administrative costs or burdens | | | | |

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| | <p>D. Extent to which the design of the TE is effective in accomplishing its purpose</p> <ul style="list-style-type: none"> i. Are statutes/rules/guidelines adequate to define scope of exemption? ii. Is there a better way to pursue the goal? | | | | |
| | <p>E. Extent to which the benefits reach intended beneficiaries including consideration of enforcement mechanisms</p> <ul style="list-style-type: none"> 1. How is the TE enforced? 2. How effective is the enforcement? | | | | |
| | F. Extent to which the original reasons for the TE still exist | | | | |
| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 5 | Water purchased for use in residences (excluding hotels) | 9 | \$24,740,000 | \$25,590,000 | |

| | Tax Expenditure | OPEGA rept page | Est. GF revenue loss | | Notes |
|--|---|-----------------------|----------------------|-------|-------------------------|
| | | | FY 18 | FY 19 | |
| | 36§1760.39 Excludes retail sales of bottled water | | | | |
| | A. Past and future fiscal impact i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
| | B. Administrative costs or burdens i. MRS costs/burdens (collection, enforcement, administrative rules/guidance/retailer assistance) ii. Retailer costs/burdens (collection, accounting and payment, computer programming, employee training) iii. Taxpayer costs/burdens iv. Other | | | | |
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|----------|---|-----------------------|----------------------|---------------------|-------------------------|
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| | exist | | | | |
| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 6 | Residential electricity (including transmission and distribution) – first 750 KWHs per month 36§1760.9-B | 10 | \$30,550,000 | \$33,290,000 | |
| | A. Past and future fiscal impact i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
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| | beneficiaries including consideration of enforcement mechanisms 1. How is the TE enforced? 2. How effective is the enforcement? | | | | |
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| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 7 | Rental charges for living quarters in hospitals and nursing facilities licensed by the State 36§1760.18 | 11 | \$1 million to \$3 million | \$1 million to \$3 million | FY 17 estimate was \$250,000 to \$1 million |
| | A. Past and future fiscal impact i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
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| | E. Extent to which the benefits reach intended beneficiaries including consideration of enforcement mechanisms <ul style="list-style-type: none"> 1. How is the TE enforced? 2. How effective is the enforcement? | | | | |
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| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 8 | Rental charges for continuous residence for 28 days or more if: <ul style="list-style-type: none"> • Renter does not have primary residence elsewhere; or • Rental is in connection with employment or education 36§1760.20 | 12 | \$259,260,000 | \$268,180,000 | FY 17 estimate was \$830,473 |
| | A. Past and future fiscal impact <ul style="list-style-type: none"> i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
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| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 9 | Prescription drugs (excludes marijuana) | 13 | \$78,780,000 | \$81,480,000 | |

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| | 36§1760.5 | | | | |
| | A. Past and future fiscal impact i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
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|-----------|---|-----------------------|----------------------|-------------------|--|
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| | exist | | | | |
| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 10 | Prosthetic or orthotic devices sold on prescription and crutches and wheelchairs 36§1760.5-A | 14 | \$8,400,000 | \$8760,000 | Expanded in 2016 to include orthotic devices and to require prescription to be exempt |
| | A. Past and future fiscal impact i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
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| 11 | Diabetic supplies 36§1760.33 | 15 | \$1,898,000 | \$1,962,100 | |
| | A. Past and future fiscal impact i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
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|-----------|---|-----------------------|----------------------|------------------|-------------------------|
| | | | FY 18 | FY 19 | |
| | <p>accomplishing its purpose</p> <ul style="list-style-type: none"> i. Are statutes/rules/guidelines adequate to define scope of exemption? ii. Is there a better way to pursue the goal? | | | | |
| | <p>E. Extent to which the benefits reach intended beneficiaries including consideration of enforcement mechanisms</p> <ul style="list-style-type: none"> 1. How is the TE enforced? 2. How effective is the enforcement? | | | | |
| | F. Extent to which the original reasons for the TE still exist | | | | |
| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 12 | Positive airway pressure equipment and supplies 36§1760.94 | 16 | \$350,000 | \$365,000 | |
| | <p>A. Past and future fiscal impact</p> <ul style="list-style-type: none"> i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
| | <p>B. Administrative costs or burdens</p> <ul style="list-style-type: none"> i. MRS costs/burdens (collection, enforcement, administrative rules/guidance/retailer assistance) ii. Retailer costs/burdens (collection, accounting and payment, computer programming, employee training) iii. Taxpayer costs/burdens iv. Other | | | | |
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| | G. Are there other reasons to amend or repeal | | | | |
| | H. Recommendations (retain, repeal, amend) | | | | |
| 13 | Funeral services 36§1760.24 | 17 | \$5,600,000 | \$5,800,000 | |
| | A. Past and future fiscal impact i. Is the Committee satisfied with the fiscal estimates provided by OPEGA/MRS? ii. If not, are there other sources of statistical information and what effort would be involved in obtaining it? | | | | OPEGA/MRS provided info |
| | B. Administrative costs or burdens | | | | |

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