



GOVERNOR OF MISSOURI

JEFFERSON CITY

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JEREMIAH W. (JAY) NIXON
GOVERNOR

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June 11, 2014

TO THE SECRETARY OF STATE OF THE STATE OF MISSOURI

Herewith I return to you House Committee Substitute for Senate Bill No. 727 entitled:

AN ACT

To amend chapters 144 and 208, RSMo, by adding thereto three new sections relating to farmers' markets.

I disapprove of House Committee Substitute for Senate Bill No. 727. My reasons for disapproval are as follows:

House Committee Substitute for Senate Bill No. 727 would continue a damaging trend by the General Assembly to enact special tax exemptions and credits that pick winners and losers through the tax code and shift a greater proportion of the tax burden to the majority of Missourians unable to utilize such loopholes. Not a penny of the special breaks in this bill or in the others that I am vetoing today¹ was taken into account in the Fiscal Year 2015 budget passed by the General Assembly, leaving it significantly out of balance and requiring swift action to protect the State's fiscal well-being. This is fiscally irresponsible and cannot receive my support.

House Committee Substitute for Senate Bill No. 727 contains a number of provisions that could become law with my action on other legislation. However, I cannot support adding to the more than 200 sales tax exemptions in current law that divert funding from education, public safety, and other vital public services, particularly when the General Assembly has failed to account for it in the budget they passed.

¹ Conference Committee Substitute for House Committee Substitute for Senate Bill No. 584; Conference Committee Substitute for Senate Committee Substitute for Senate Bill No. 612; Conference Committee Substitute for House Committee Substitute for Senate Bill No. 662; Conference Committee Substitute No. 2 for House Committee Substitute for Senate Bill No. 693; Senate Committee Substitute for Senate Bill No. 829; Conference Committee Substitute for House Committee Substitute for Senate Substitute for Senate Bill No. 860; Senate Committee Substitute for House Committee Substitute for House Bill No. 1296; House Bill No. 1455; and Senate Substitute for Senate Committee Substitute for House Bill No. 1865.

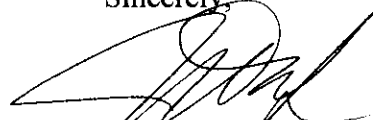
House Committee Substitute for Senate Bill No. 727 would provide a new exemption from state and local taxes for sales of farm products at a farmers' market by entities who estimate that their annual farmers' market sales will be less than \$25,000. This means that entities who estimate that their annual farmers' market sales will be \$25,000 or more would be subject to state and local tax. The sale of agricultural products grown in Missouri as well as those grown in other states would be subject to the exemption.

This provision, as drafted, would create confusion among both sellers and customers at farmers' markets and lead to significant governmental intrusion into their affairs. First, the bill contains an arbitrary limitation as to who is eligible for the exemption and who would have to collect tax based solely on whether they estimate they will have more or less than \$25,000 in farmers' markets sales. Thus, an individual who estimates sales of \$24,999 would not have to collect tax, but an individual estimating a dollar more in sales would. This could result in a consumer paying sales tax on the corn they purchase at one booth, while buying the corn tax free at the booth right next door. In addition, whether the tax applies is based on *estimated*, rather than *actual* sales. This would mean that a seller with actual sales far in excess of the \$25,000 limitation could continue to sell products tax-free, so long as they had previously "estimated" that their sales would be below the \$25,000 threshold. For example, under the bill a seller who estimates \$20,000 in sales but who actually has \$30,000 would not have to collect taxes on any of their sales, while a seller who estimates their sales at \$30,000 but has actual sales of just \$20,000 would have to collect taxes.

The provision would also increase governmental intrusion in order to police the limitation for \$25,000 in estimated annual sales. There is nothing in the bill directing how the estimated annual sales are to be derived, or to whom or how the required estimate is to be reported. Presumably, it will require all farmers' market sellers to complete paperwork and be subject to an audit of their sales information from at least the three previous years to determine the validity of the annual sales estimate. This would result in significant government access into otherwise private business information, which would appear inconsistent with the overall intent of this new exemption.

In accordance with the above-stated reasons for disapproval, I am returning House Committee Substitute for Senate Bill No. 727 without my approval.

Sincerely,



Jeremiah W. (Jay) Nixon
Governor