

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6745-01
Bill No.: HB 2676
Subject: Taxation and Revenue - Sales and Use; Counties; Law Enforcement Officers and Agencies;
Type: Original
Date: April 4, 2016

Bill Summary: This proposal authorizes certain counties to impose a sales tax to provide law enforcement services.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-------------------------------------|-----------------------------------|-----------------------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| General Revenue | \$0 or Up to (\$261,835) | \$0 or Up to \$430,000 | \$0 or Up to \$430,000 |
| Total Estimated Net Effect on General Revenue | \$0 or Up to (\$261,835) | \$0 or Up to \$430,000 | \$0 or Up to \$430,000 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|---------------------------|----------------------------------|----------------------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| Local Government | Up to \$10,342,500 | \$0 or Up to \$43,570,000 | \$0 or Up to \$43,570,000 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume this proposal changes the makeup of “Group A” and “Group B” cities within St. Louis County if the sales tax of up to one-quarter of one percent to fund law enforcement is approved by voters, and adjusts the distribution of local sales tax to those cities in the county.

DOR officials provided an estimate of IT costs of \$369,335 to make changes to the Integrated Revenue System.

Officials from **St. Louis County** assumed that if approved by the voters, a sales tax imposed in unincorporated areas for law enforcement would generate approximately \$43 million annually, and would eliminate St. Louis County from sharing in the proceeds of the quarter-cent local option sales tax at an annual loss of \$17 million, with a resulting net benefit of \$26 million.

St. Louis County officials assumed the cost of holding a countywide election in St. Louis County would vary depending on the timing of the election with no additional cost for an August or November election in even numbered years when countywide elections are held. The earliest possible election would be November 2016, which could result in tax collection beginning April 2017 and affecting 3 months of FY 2017. For fiscal note purposes, **Oversight** assumes an election would be held in November of 2016.

St. Louis County officials assumed a one-time cost of approximately \$300,000 to reprogram the county’s tax distribution system.

Officials from the **Joint Committee on Administrative Rules** assume this proposal would have no fiscal impact on their organization.

Oversight assumes the revenue projections furnished by officials of St. Louis County, and the costs furnished by DOR and officials of St. Louis County accurately estimate the fiscal impact of this proposal.

Oversight assumes DOR will receive a 1% fee for collection of the sales tax receipts.

| <u>FISCAL IMPACT - State Government</u> | FY 2017 (3 Mo.) | FY 2018 | FY 2019 |
|---|--|---|---|
| GENERAL REVENUE FUND | | | |
| <u>Revenue - DOR</u> | | | |
| Collection Fee | \$0 or Up to \$107,500 | \$0 or Up to \$430,000 | \$0 or Up to \$430,000 |
| <u>Cost - DOR</u> | | | |
| IT | \$0 or Up to (\$369,335) | \$0 | \$0 |
| ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND | \$0 or Up to <u>(\$261,835)</u> | \$0 or Up to <u>\$430,000</u> | \$0 or Up to <u>\$430,000</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2017 (3 Mo.) | FY 2018 | FY 2019 |
| LOCAL GOVERNMENT | | | |
| <u>Revenue - St. Louis County</u> | | | |
| Sales Tax | \$0 or Up to \$10,750,000 | \$0 or Up to \$43,000,000 | \$0 or Up to \$43,000,000 |
| <u>Revenue - Municipalities</u> | | | |
| Sales Tax Pool | \$0 or Up to \$4,250,000 | \$0 or Up to \$17,000,000 | \$0 or Up to \$17,000,000 |
| <u>Loss - St. Louis County</u> | | | |
| Sales Tax Pool | (\$0 or Up to \$4,250,000) | (\$0 or Up to \$17,00,000) | (\$0 or Up to \$17,000,000) |
| <u>Cost- St. Louis County</u> | | | |
| Reprogramming expenses | (\$0 or \$300,000) | \$0 | \$0 |
| <u>Cost - St. Louis County</u> | | | |
| DOR collection fee | (\$0 or Up to \$107,500) | (\$0 or Up to \$430,000) | (\$0 or Up to \$430,000) |
| ESTIMATED NET EFFECT ON LOCAL GOVERNMENT | Up to <u>\$10,342,500</u> | \$0 or Up to <u>\$43,570,000</u> | \$0 or Up to <u>\$43,570,000</u> |

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses in St. Louis County which purchase items subject to sales tax.

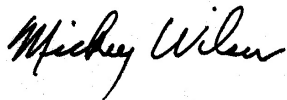
FISCAL DESCRIPTION

The proposed legislation allows St. Louis County, upon voter approval, to impose a sales tax of up to .25% on all retail sales in all areas of the county for purposes of providing law enforcement services to the county..

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
St. Louis County
Joint Committee on Administrative Rules



Mickey Wilson, CPA
Director
April 4, 2016

Ross Strobe
Assistant Director
April 4, 2016