

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0648-01
Bill No.: HB 209
Subject: Business and Commerce; Cities, Towns, and Villages; Revenue Dept.; Taxation and Revenue – General; Taxation and Revenue – Sales and Use
Type: Original
Date: February 14, 2005

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2006	FY 2007	FY 2008
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **State Auditor’s Office, Department of Economic Development – Public Service Commission and Department of Economic Development – Office of Public Counsel** assume this proposal would have no fiscal impact on their agencies.

Officials with the **Department of Revenue (DOR)** assume that the number of municipalities which enact this tax will determine how much revenue will be collected and how many municipalities will be impacted. Supposing that number is rather large, and the field offices are involved in the “collection and administration”, then Taxation would require one Taxpayer Services Representative I for every 4,800 contacts. The delinquent phone lines would require one Tax Collection Technician I for every 15,000 calls.

This legislation could require Taxation to maintain a separate system for tracking and maintenance of the new tax, Taxation would require 6,228 programming hours resulting in a cost of \$207,766.

Multiple locations would require the taxpayer to use a long form return, for reporting purposes, causing Taxation to manually key the returns. Due to the manual process of the returns, Taxation would require three Tax Processing Technicians I (1 – Pre-edit, 1- Data Entry, and 1 – Error

ASSUMPTION (continued)

Corrections). The number of FTE may need to be increased, depending on the volume of customers affected.

Oversight assumes that collection fees paid to DOR for this tax would offset additional costs brought about by this proposal.

Officials with the **City of Raytown and City of Springfield** assume their municipalities could lose significant revenues as a result of this proposal. **Oversight** assumes the equalization mechanism outlined in Section 92.092.1, RSMo, in this proposal would ensure revenue neutrality to municipalities currently receiving gross receipts tax revenue from telecommunications companies.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses could pay higher telecommunications costs as a result of the taxes contained in this proposal.

DESCRIPTION

This bill authorizes the simplified municipal telecommunications business license tax. After August 28, 2005, any municipality may impose this tax on a telecommunications company for the privilege of doing business within its borders. The telecommunications company can pass the tax onto its retail customers only if the company itemizes the tax on the customer's bill. The Director of the Department of Revenue will publish a list of the municipalities

DESCRIPTION (continued)

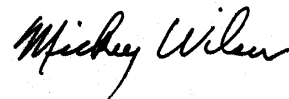
imposing this tax.

The maximum rate of the gross receipts percentage for any municipality is 5% for tax years 2006 and 2007; 3% for 2008 and 2009; and 1% for 2010 and thereafter.

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
State Auditor's Office
Department of Economic Development
 Public Service Commission
 Office of Public Counsel
City of Raytown
City of Springfield



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Director
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