

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0648-04
Bill No.: HCS for 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: April 1, 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 5 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	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

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

Officials with the **Department of Revenue (DOR)** assume this proposal would require DOR to publish a list of municipalities which have enacted the business license tax. DOR assumes it could maintain such a listing on its internet site.

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

RK:LR:OD (12/02)

ASSUMPTION (continued)

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

Officials with the **State Auditor's Office** assume the requirements imposed by this legislation would require one additional Staff Auditor I to be hired. **Oversight** assumes that any additional workload creating this proposal could be absorbed by existing personnel.

Officials from the **Office of Secretary of State (SOS)** assume the proposal may result in the Department of Revenue rescinding, amending, or promulgating rules to implement the provisions of this act. These rules would be published in the Missouri Register and the Code of State Regulations. These rules could require as many as 10 pages in the Code of State Regulations and half again as many pages in the Missouri Register, as cost statements, fiscal notes, and the like are not repeated in the Code. The estimated cost of a page in the Missouri Register is \$23 and the estimated cost of a page in the Code of State Regulations is \$27. Based on these costs, the estimated cost of the proposal is \$615 in FY 06 and unknown in subsequent years. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded, or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which would require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials with the **City of Columbia, City of North Kansas City, City of Raytown, City of Springfield, and City of St. Louis** assume their municipalities could lose significant revenues as a result of business license tax modifications outlined in this proposal. **Oversight** acknowledges the likelihood of such revenues and also the cost of paying DOR to collect reformulated taxes; however, the simplified tax could permit revenues to stabilize and increase if the use of cellular and wireless phones increases and traditional "land-line" usage continues to decline. **Oversight** cannot estimate the statewide fiscal impact upon municipalities as a result of this tax.

<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>Municipalities – Simplified</u>			
Telecommunications Business License Tax	<u>Unknown to</u> <u>(Unknown)</u>	<u>Unknown to</u> <u>(Unknown)</u>	<u>Unknown to</u> <u>(Unknown)</u>

FISCAL IMPACT - Small Business

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

DESCRIPTION

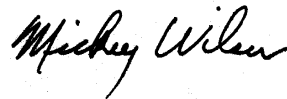
This bill authorizes the simplified municipal telecommunications business license tax. After August 28, 2005, any municipality may impose this tax on a telecommunications company for the privilege of doing business within its borders. The telecommunications company can pass the tax onto its retail customers 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 imposing this tax.

The maximum rate of the gross receipts percentage for any municipality is 5% for tax years 2006 and 2007, and 3% for 2008 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
Office of Secretary of State
Office of State Courts Administrator
City of Columbia
City of North Kansas City
City of Raytown
City of Springfield
City of St. Louis



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