

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6265-01  
Bill No.: HB 2034  
Subject: Taxation and Revenue - Sales and Use; Saint Louis County  
Type: Original  
Date: March 24, 2014

Bill Summary: This proposal would phase out the current distribution method for the St. Louis County sales tax over 10 years, until all sales tax revenue is distributed based on the location in which the sales were made.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
<b>Local Government *</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Net of offsetting increases and reductions in revenues.

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 66.602, RSMo. - Distribution of St. Louis County Sales Tax:

Officials from the **Department of Revenue (DOR)** assume this proposal would, if implemented, change the distribution method for the current St. Louis County sales tax.

Beginning on January 1, 2015, ten percent of the funds would be appropriated to the cities, towns, villages, and unincorporated areas of the county based on the location where the sales were made; the remaining funds would be appropriated under current law.

Each following year, an additional ten percent of the funds would be appropriated according to the sales location until all county sales tax revenues would be appropriated to the cities, towns, villages, and unincorporated areas based on the location where the sales were made.

DOR officials noted the Department distributes sales tax receipts by the 10th of the following month, and assume the first distribution under the new formula would be on February 10th, 2015, for January, 2015 receipts.

#### IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$6,552 based on 240 hours of programming to make changes to DOR computer systems.

**Oversight** assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

DOR officials did not indicate an administrative impact to their organization, and **Oversight** assumes there would be no other cost to DOR if this proposal is implemented.

**Oversight** assumes this proposal would have no fiscal impact to the state since it is limited to changing the distribution of local government sales tax revenues.

ASSUMPTION (continued)

Officials from **St. Louis County**, the **City of Florissant**, the **City of Frontenac**, the **City of Ladue**, the **City of Maryland Heights**, the **City of O'Fallon**, and the **City of Pacific** did not respond to our request for information.

**Oversight** assumes this proposal would alter the distribution of sales tax revenues among local governments in St. Louis County. According to the Department of Revenue website, \$435,895,559 in sales tax revenues were distributed to St. Louis County for the year ended June 30, 2013.

Under current provisions, the proceeds of the county-wide sales tax are remitted to the county; the county then distributes sales tax revenues among the incorporated municipalities and the county according to a statutory formula. This proposal would provide for the phased-in distribution of the county-wide sales tax revenues based on where the underlying sales were actually made. For the year beginning January 1, 2015, ten percent of the county-wide sales tax revenues would be distributed based on where the sales were made and the balance would be distributed according to the existing statutory formula. For the year beginning January 1, 2016, twenty percent of the sales tax revenues would be distributed based on where the sales were made and eighty percent would be distributed based on the formula. When the proposal is fully implemented, all county-wide sales tax revenues would be distributed according to where the sales were made.

**Oversight** notes this proposal would have no net impact on local governments overall, since it would not result in an increase or reduction of sales tax revenues. Oversight also assumes the proposal could have a significant impact on individual local governments depending on the relative level of retail business activity in that local government. Oversight does not have information on the relative impact this proposal might have on individual local governments if this proposal is implemented, and for fiscal note purposes will include unknown offsetting revenue increases and reductions for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
<b>LOCAL GOVERNMENTS</b>			
<u>Additional revenue</u> - local governments			
Sales tax distribution changes			
Section 66.602	Unknown	Unknown	Unknown
<u>Revenue reduction</u> - local governments			
Sales tax distribution changes			
Section 66.602	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This proposal would implement a phased-in change in the distribution of sales tax revenues from the St. Louis County sales tax.

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

**Not responding:**

St. Louis County

City of Florissant

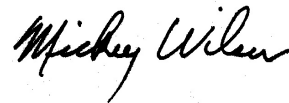
City of Frontenac

City of Ladue

City Maryland Heights

City of O'Fallon

City of Pacific



Mickey Wilson, CPA  
Director  
March 24, 2014

Ross Strobe  
Assistant Director  
March 24, 2014