

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0679-01
Bill No.: HB 69
Subject: Taxation and Revenue - Sales and Use; Fire Protection
Type: Original
Date: January 23, 2017

Bill Summary: This proposal would authorize the Ripley County Rural Fire Protection District to submit a proposal for a sales tax to the voters.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0 or Less than \$122,040	\$0 or \$488,159	\$0 or \$488,159

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would authorize the Ripley County Rural Fire Protection District to submit a proposal for a sales tax to the voters

BAP officials used historical tax collection data for Ripley County dating back to 2010 to estimate a fiscal impact and noted that during the period FY2010 to FY2016, Ripley County saw average tax income growth of 0.87%, and from FY2014 to FY2016 Ripley County saw average taxable revenue growth (sales and use) of 0.18%. It was assumed that FY 2017 taxable revenues would grow at this rate as well and then remain constant through FY 2020 for analysis.

Historical total revenues were then multiplied by .50% to obtain the predicted income from the fire protection tax. 1% of this number was then subtracted to factor in DOR collection costs. This yields final local collections of \$388,997 per year, with \$3,929 per year going to DOR for collection costs.

It should be noted that this tax requires voter approval, and therefore could not be implemented until January, 2018 at the earliest. Therefore, the first full Fiscal Year impact would be FY 2019, with one quarter of impact expected in FY 2018.

Officials from **Ripley County** advised us there was not currently an organized Rural Fire Protection District in Ripley County.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** provided the following information.

This proposal would authorize the Ripley County Rural Fire Protection District to submit a proposal for a sales tax to the voters for up to one-half of one percent.

The Ripley County sales tax base has averaged \$98,130,757 over the last three years. Should a new one-half percent sales tax be implemented throughout Ripley County causing the after-tax price for all goods to increase by one-half percent, we estimate an approximate one-half percent decline in the demand for all goods reducing the tax base to \$97,642,544.

ASSUMPTION (continued)

EPARC officials assumed the sales tax on this base would yield new collections of \$488,213; \$483,331 for Ripley County for a rural fire protection district and \$4,882 to General Revenue for the state collection fee of 1%.

EPARC officials assume a reduction in the sales tax base by approximately ½ % would reduce all other sales tax collections within Ripley County by approximately ½ %, an aggregate reduction of \$12,710 of which \$254 represents the decrease in the 2% General Revenue Collection Fee. The reduction in the Ripley County sales tax base would reduce the 3% General Revenue Sales Tax collection from \$2,943,923 to \$2,929,276, a reduction of \$14,646.

Oversight will not include any potential secondary impacts from this proposal in this fiscal note.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, and the **Department of Revenue** assume this proposal would have no fiscal impact on their organizations.

Oversight reviewed information available from Department of Revenue reports and noted that sales tax collections for Ripley County for the years ended June 30, 2014, 2015, and 2016 were \$1,386,463, \$1,542,970, and \$1,463,995, respectively. Therefore, average annual collections would be $(\$1,386,463 + \$1,542,970 + \$1,463,995) = \$4,393,428 / 3 = \$1,464,476$ with a tax rate of 1.5%.

Oversight assumes a one-half percent sales tax rate would generate $(\$1,464,476/3) = \$488,159$ if the proposition is approved by the voters and will include an impact of \$0 or that amount for fiscal note purposes. For FY 2018, the fiscal impact for one quarter would be \$0 or $(\$488,159/4 = \$122,040)$.

Oversight notes that an election to approve the creation of a Ripley County Rural Fire Protection District and a sales tax could be held as part of a statewide General Election, at the time of municipal elections, or it could be decided by the voters at a special election called for that purpose. We do not have any information as to the cost of such a special election; therefore, Oversight will include in this fiscal note an impact of \$0 (no election held) to an unknown cost for a special election to be held in FY 2018.

ASSUMPTION (continued)

Oversight assumes the amounts collected for a Fire Protection District would be spent for fire safety purposes but will not include those expenditures in this fiscal note. For simplicity, Oversight will not include the 1% withholding for Department of Revenue collection costs in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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LOCAL GOVERNMENTS

<u>Additional revenue</u> - Ripley County Fire Protection District	\$0 or \$122,040	\$0 or \$488,159	\$0 or \$488,159
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<u>Election costs</u> - Ripley County Fire Protection District	\$0 or (Unknown)	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or Less than \$122,040</u>	<u>\$0 or \$488,159</u>	<u>\$0 or \$488,159</u>
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FISCAL IMPACT - Small Business

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

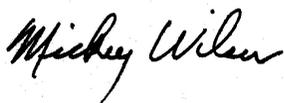
FISCAL DESCRIPTION

The proposed legislation would authorize the Ripley County Rural Fire Protection District to submit a proposal for a sales tax to the voters.

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

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
Ripley County
University of Missouri
 Economic and Policy Analysis Research Center



Mickey Wilson, CPA
Director
January 23, 2017

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January 23, 2017