

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5230-04
Bill No.: Truly Agreed To and Finally Passed CCS for SS for HB 1858
Subject: Department of Revenue, Taxation and Revenue - Property, Taxation and Revenue
- Sales and Use, Taxation and Revenue - General
Type: Original
Date: June 11, 2018

Bill Summary: This proposal changes provisions relating to the Department of Revenue.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	(\$20,000)	(\$2,695,000)	(\$2,695,000)
Total Estimated Net Effect on General Revenue	(\$20,000)	(\$2,695,000)	(\$2,695,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§32.069 and §143.811 DOR's Interest Paid

In response to the similar legislation filed this year, HB 2165, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this would change the interest calculation for refunds that are not refunded within 45 days. Currently, interest is calculated under Section 32.068. Beginning on January 1, 2019, this proposal would change the calculation to reflect the methodology in Section 32.065. During FY 2016, the interest rate under Section 32.068 was 0.6% while the interest rate under Section 32.065 was 4.0%.

Section 143.811 would require all interest of less than one dollar to be paid on refunds that are not refunded within the 45-day allowance.

Based on information provided by DOR, there was \$339,000 in interest payments during FY 2016. In addition, another \$116,000 in interest payments of less than one dollar each, could have been paid in FY 2016. Therefore, B&P estimates that in FY 2016 there was a total of \$455,000 (\$339,000 + \$116,000) in interest at the average interest rate of 0.6%. Based on these numbers, B&P estimates that a 4.0% interest rate would have created total interest payments of \$3,034,000 in FY 2016. Therefore, B&P estimates that this proposal will reduce Total State Revenue and General Revenue by \$2,695,000 (\$3,034,000 - \$339,000) annually, beginning in FY 2020.

Oversight notes the current proposal starts July 1, 2019 (FY 2020).

Officials at the **Department of Revenue (DOR)** assume this proposed language states that before July 1, 2019, such interest rate shall be determined by Section 32.068. On and after July 1, 2019, such interest rate shall be determined by Section 32.065. Thus, the interest rate on delinquent refunds would match the adjusted prime rate charged by banks.

Additionally, this proposed language would remove the provision that prohibits the allowance or release of interest if the amount thereof is less than one dollar.

Section 32.069 states that any interest owed on an overpayment that has not yet been issued after 45 days shall now be calculated using Section 32.065 not Section 32.068. In FY 2016, using Section 32.068 to calculate interest on delinquent refunds, which was a 0.6%, Total State Revenue was decreased by \$339,163.66.

Section 143.811 removes the provision that states "No interest shall be allowed or paid if the amount thereof is less than one dollar." Removing this language from Section 143.811 could

ASSUMPTION (continued)

have potentially decreased Total State Revenue by an estimated \$116,000.00 in FY 2016.

Subsequently, the Department believes that total FY 2016 refund interest was an estimated \$455,163.

Using Section 32.065, which would be 4%, total interest paid on delinquent refunds in FY 2016 would have been \$3,034,424.40. The Department estimates that implementation of this proposed legislation could potentially decrease Total State Revenue by an estimated \$2,695,260.74 each fiscal year.

Officials at the **Office of the State Treasurer** assume there is no fiscal impact from this proposal.

§32.310 DOR Special Taxing Districts on Website

Officials at the **DOR** assume this proposed language requires the Department of Revenue to create and maintain a mapping feature on its official public website that displays sales tax information of political subdivisions of this state that having taxing authority, including the current tax rate for each sales tax imposed and collected. Such display shall have the option to showcase the borders and jurisdiction of the following political subdivisions on a map of the state to the extent that such political subdivisions collect sales tax: ambulance, community improvements, fire protection, levee, library, neighborhood improvement, port authority, tax increment financing, transportation development, school, and any other political subdivision that imposes a sales tax within its borders and jurisdiction.

The mapping feature shall also have the option to superimpose state house of representative districts and state senate districts over the political subdivisions.

A political subdivision collecting sales tax listed in subsection 1 of this section shall provide to the Department of Revenue mapping and geographic data pertaining to the political subdivision's borders and jurisdictions. The political subdivision shall certify the accuracy of the data by affidavit, and shall provide the data in a format specified by the Department of Revenue. Such data shall be sent to the Department of Revenue by April 1, 2019, and shall be updated and sent to the Department thereafter whenever a change in the political subdivision's borders or jurisdiction occurs.

The Department of Revenue may contract with another entity to build and maintain the mapping feature. By July 1, 2019, the Department shall implement the mapping feature using the data provided to it under subsection 3 of this section.

ASSUMPTION (continued)

ITSD costs would consist of \$20,000 to complete and create the proposed jurisdictional map. Creating the functionality of the product could potentially take a few months to develop depending on complexity of the requests.

Officials at the **City of Kansas City** assume requiring the city to provide the tax data to DOR could have a small negative fiscal impact in an indeterminate amount.

Bill as a Whole

Officials at the **City of Houston, St. Louis County** and the **Wellsville-Middletown R-I School District** assume no impact.

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020	FY 2021
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GENERAL REVENUE

<u>Cost</u> - DOR change in the interest rate paid from the current .06% to 4.0% §32.069 & §143.811	\$0	(\$2,695,000)	(\$2,695,000)
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<u>Cost</u> - DOR computer upgrades §32.310	<u>(\$20,000)</u>	<u>\$0</u>	<u>\$0</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$20,000)</u>	<u>(\$2,695,000)</u>	<u>(\$2,695,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019	FY 2020	FY 2021
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<u>FISCAL IMPACT - Small Business</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Beginning July 1, 2019, this bill requires interest on a tax overpayment be paid after 45 days at the same rate of interest as the rate imposed for an underpayment of income tax and removes the provision exempting interest on amounts of less than \$1.

This bill directs the Department of Revenue to create an online mapping feature whereby the taxing information of political subdivisions and special taxing districts will be made readily available. The mapping feature will display the geographical boundaries of such political subdivisions and taxing districts, and shall have the option of superimposing those boundaries on Missouri House of Representatives and Senate districts. Political subdivisions collecting sales tax are required to provide to the department mapping and geographic data pertaining to the its borders and jurisdictions. The department may contract with a third party to maintain the mapping feature. The department shall implement the mapping feature by July 1, 2019.

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

City of Houston
City of Kansas City
Department of Revenue
Office of Administration
 Division of Budget and Planning
Office of the State Treasurer
St. Louis County
Wellsville-Middletown R-I School District

Ross Strobe



Acting Director
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