

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6393-03  
Bill No.: HB 2457  
Subject: Motels and Hotels; Business and Commerce; Property, Real and Personal  
Type: Original  
Date: February 26, 2018

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Bill Summary: This proposal changes the laws regarding residential dwelling rentals.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$863,928	\$863,928	\$863,928
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$863,928</b>	<b>\$863,928</b>	<b>\$863,928</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Parks, Soil and Water	\$24,336	\$24,336	\$24,336
Conservation Commission	\$36,504	\$36,504	\$36,504
School District Trust Fund	\$292,032	\$292,032	\$292,032
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$352,872</b>	<b>\$352,872</b>	<b>\$352,872</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>Could exceed \$1,000,000</b>	<b>Could exceed \$1,000,000</b>	<b>Could exceed \$1,000,000</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials at the **Department of Revenue (DOR)** assume the proposed legislation could potentially increase state revenues by an estimated \$1,216,800 each fiscal year. Between the Clayton Times and STL Today, it was estimated that residential dwelling rentals (AirBnB) earned an approximate \$28.8 million in Missouri. Subsequently, if the state were to require such rentals have sales tax paid, collected, and remitted, the Department estimates \$1,216,800 would be added to state revenues.  $\$28.8 \text{ million} \times 4.225\% = \$1,216,800$ .

Fund	Impact		
	FY19	FY20	FY21
General Revenue	\$863,928.00	\$863,928.00	\$863,928.00
Conservation	\$36,504.00	\$36,504.00	\$36,504.00
Education	\$292,032.00	\$292,032.00	\$292,032.00
Parks and Soils	\$24,336.00	\$24,336.00	\$24,336.00
<b>Total</b>	<b>\$1,216,800.00</b>	<b>\$1,216,800.00</b>	<b>\$1,216,800.00</b>

**Section 144.020**

A tax equivalent to four percent on the amount of sales or charges for all rooms, meals, and drinks furnished at any hotel, motel, tavern, inn, restaurant, eating house, drugstore, dining car, tourist cabin, tourist camp, residential dwelling rental as defined under section 67.5110, or other place in which rooms, meals or drinks are regularly served to the public. The four percent is statutory (3% GR, 1% Education) is statutory while the other .225% (split out amongst conservation and parks and soils) is the full 4.225% sales tax imposed within this proposed legislation.

Utilizing DOR’s estimates, **Oversight** will assume a potential increase in local sales tax of approximately \$1,000,000 (3.5% sales tax rate - for a combined rate of 7.725%) per year.

Officials at the **Callaway County Commission** assume a positive impact from this proposal.

Officials at the **Greene County Collector’s Office** assume this proposal would negatively impact the economy.

Officials at the **City of Springfield** assume a negative fiscal impact to the City. This proposal eliminates the City’s ability to collect licensing fees which will affect the City’s general fund. The City estimates an amount less than \$100,000.

**Oversight** assumes local political subdivisions could also collect sales tax revenue from residential dwelling rentals and could also experience a loss in revenue from licensing fees.

ASSUMPTION (continued)

Oversight assumes the potential sales tax revenues collected from the rentals would outweigh the revenues loss from the licensing fees. Therefore, Oversight will reflect a positive impact to local political subdivisions from this proposal.

Officials at the **Department of Economic Development**, the **Office of State Auditor**, the **Department of Labor and Industrial Relations** and the **State Tax Commission** each assume no fiscal impact to their respective agencies from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Revenue - DOR - increase in sales tax on residential dwelling rentals</u>	<u>\$863,928</u>	<u>\$863,928</u>	<u>\$863,928</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$863,928</u></b>	<b><u>\$863,928</u></b>	<b><u>\$863,928</u></b>
<b>PARKS, SOIL AND WATER</b>			
<u>Revenue - DOR - increase in sales tax on residential dwelling rentals</u>	<u>\$24,366</u>	<u>\$24,366</u>	<u>\$24,366</u>
<b>ESTIMATED NET EFFECT ON THE PARKS, SOIL AND WATER FUND</b>	<b><u>\$24,366</u></b>	<b><u>\$24,366</u></b>	<b><u>\$24,366</u></b>
<b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue - DOR - increase in sales tax on residential dwelling rentals</u>	<u>\$36,504</u>	<u>\$36,504</u>	<u>\$36,504</u>
<b>ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND</b>	<b><u>\$36,504</u></b>	<b><u>\$36,504</u></b>	<b><u>\$36,504</u></b>

**SCHOOL DISTRICT TRUST FUND**

<u>Revenue</u> - DOR - increase in sales tax on residential dwelling rentals	<u>\$292,032</u>	<u>\$292,032</u>	<u>\$292,032</u>
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<b>ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND</b>	<b><u>\$292,032</u></b>	<b><u>\$292,032</u></b>	<b><u>\$292,032</u></b>
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<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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**LOCAL POLITICAL SUBDIVISIONS**

<u>Revenue</u> - Local Political Subdivisions - increase in sales tax on residential dwelling rentals	Could exceed \$1,000,000	Could exceed \$1,000,000	Could exceed \$1,000,000
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<u>Revenue</u> - Local Political Subdivisions - tourism and other taxes on residential dwelling rentals	Unknown	Unknown	Unknown
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<u>Loss</u> - Local Political Subdivisions - in business license revenue	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>Could exceed <u>\$1,000,000</u></b>	<b>Could exceed <u>\$1,000,000</u></b>	<b>Could exceed <u>\$1,000,000</u></b>
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FISCAL IMPACT - Small Business

There could be a direct fiscal impact to small businesses that rent rooms within residential dwellings as a result of this proposal.

FISCAL DESCRIPTION

This bill prohibits political subdivisions from imposing a fee or enacting an ordinance that prohibits residential dwelling rentals after August 28, 2018. The bill prohibits political

FISCAL DESCRIPTION (continued)

subdivisions from enforcing an ordinance that prohibits residential dwelling rentals after August 28, 2019.

This bill clarifies that sales taxes, tourism taxes, and other taxes on the use of hotels and motels shall also apply to guests of residential dwelling rentals. An owner, or a facilitation platform if one is used, must collect and remit any taxes a transient guest is required to pay. Intermediaries that facilitate rentals of residential dwellings that do not meet the definition of a facilitation platform must retain records of rentals and notify transient guests that they are obligated to pay certain taxes. Some of the provisions of this bill relating to taxes and the requirements of facilitation platforms and marketing platforms will not go into effect until January 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

Department of Revenue  
Callaway County Commission  
Greene County Collector's Office  
City of Springfield  
Department of Economic Development  
Office of State Auditor  
Department of Labor and Industrial Relations  
State Tax Commission

Ross Strobe



Acting Director  
February 26, 2018