

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6393-05
Bill No.: HCS for HB 2457
Subject: Motels and Hotels; Business and Commerce; Property, Real and Personal
Type: Original
Date: March 13, 2018

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$719,940	\$863,928	\$863,928
Total Estimated Net Effect on General Revenue	\$719,940	\$863,928	\$863,928

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Parks, Soil and Water	\$20,305	\$24,336	\$24,336
Conservation Commission	\$30,420	\$36,504	\$36,504
School District Trust Fund	\$243,360	\$292,032	\$292,032
Total Estimated Net Effect on <u>Other</u> State Funds	\$294,085	\$352,872	\$352,872

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 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	Could exceed \$1,000,000	Could exceed \$1,000,000	Could exceed \$1,000,000

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
Total	\$1,216,800.00	\$1,216,800.00	\$1,216,800.00

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.

ASSUMPTION (continued)

Officials at the **City of St. Louis** assume the proposed legislation would impose state and local sales tax and hotel/motel taxes upon residential housing rentals. Based on reports of just over \$9.1M in total sales activity from Airbnb in 2017, estimated receipts to the City from sales and hotel taxes as contemplated in the proposed legislation can be estimated as follows:

2017 Reported Sales		\$9,140,000
<u>City Sales taxes</u>		
City General and Capital Fund	1.875%	\$171,000
City Transportation (& Metro)	1.000%	\$91,000
City Regional Parks	0.288%	\$26,000
City Local Parks	0.125%	\$11,000
City Economic Development	0.500%	\$46,000
City Public Safety	0.500%	\$46,000
City Public Safety (effective 4/1/18)	0.500%	\$46,000
3.5% Hotel Gross Receipts tax *	3.500%	<u>\$319,900</u>
Total Increase in Revenue		\$756,900

Note: A separate Hotel/Motel tax of 3.75% that is allocated directly to the Convention and Visitors Commission and Regional Arts Commission (not City) would generate an estimated additional \$343,000.

In response to a previous version, officials at the **Callaway County Commission** assumed a positive impact from this proposal.

In response to a previous version, officials at the **Greene County Collector's Office** assumed this proposal would negatively impact the economy.

In response to a previous version, officials at the **City of Kansas City** assumed a positive fiscal impact on the City of an indeterminate amount.

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.

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.

ASSUMPTION (continued)

Officials at the **Department of Insurance, Financial Institutions and Professional Registration**, the **Department of Economic Development**, the **Office of State Auditor**, the **Department of Labor and Industrial Relations**, the **Department of Public Safety's Office of the Director** and the **State Tax Commission** each assume no fiscal impact to their respective agencies from this proposal.

In response to a previous version, officials at the **Department of Natural Resources** and the **Department of Health and Senior Services** each assumed no fiscal impact to their respective agencies from this proposal.

Officials at the **City of Springfield** and the **Metropolitan St. Louis Sewer District** each assume no fiscal impact to their respective entities from this proposal.

Oversight will reflect 10 months of impact in FY 2019.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Revenue - DOR - increase in sales tax on residential dwelling rentals</u>	<u>\$719,940</u>	<u>\$863,928</u>	<u>\$863,928</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$719,940</u>	<u>\$863,928</u>	<u>\$863,928</u>
PARKS, SOIL AND WATER			
<u>Revenue - DOR - increase in sales tax on residential dwelling rentals</u>	<u>\$20,305</u>	<u>\$24,366</u>	<u>\$24,366</u>
ESTIMATED NET EFFECT ON THE PARKS, SOIL AND WATER FUND	<u>\$20,305</u>	<u>\$24,366</u>	<u>\$24,366</u>
CONSERVATION COMMISSION FUND			
<u>Revenue - DOR - increase in sales tax on residential dwelling rentals</u>	<u>\$30,420</u>	<u>\$36,504</u>	<u>\$36,504</u>
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	<u>\$30,420</u>	<u>\$36,504</u>	<u>\$36,504</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue - DOR - increase in sales tax on residential dwelling rentals</u>	<u>\$243,360</u>	<u>\$292,032</u>	<u>\$292,032</u>
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	<u>\$243,360</u>	<u>\$292,032</u>	<u>\$292,032</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
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
<u>Revenue</u> - Local Political Subdivisions - tourism and other taxes on residential dwelling rentals	Unknown	Unknown	Unknown
<u>Loss</u> - Local Political Subdivisions - in business license revenue	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed <u>\$1,000,000</u>	Could exceed <u>\$1,000,000</u>	Could exceed <u>\$1,000,000</u>

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 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.

FISCAL DESCRIPTION (continued)

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 Kansas City
City of Springfield
Department of Insurance, Financial Institutions and Professional Registration
Department of Natural Resources
Department of Health and Senior Services
Department of Economic Development
Office of State Auditor
Department of Labor and Industrial Relations
Department of Public Safety
 Office of the Director
State Tax Commission
Metropolitan St. Louis Sewer District

Ross Strope



Acting Director
March 13, 2018