

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 6778-01  
Bill No.: HB 2712  
Subject: Political Subdivisions, Law Enforcement, Officers and Agencies, Taxation and Revenue - Sales and Use, Department of Revenue  
Type: Original  
Date: March 13, 2018

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Bill Summary: This proposal adds the City of Lebanon to the cities authorized to levy a sales tax whose revenues are dedicated to public safety purposes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	\$0 or Up to \$46,694	\$0 or Up to \$62,258
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 or Up to \$46,694</b>	<b>\$0 or Up to \$62,258</b>

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 12 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>\$0</b>	<b>\$0 or Up to \$4,619,073</b>	<b>\$0 or Up to \$6,158,764</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **City of Lebanon**

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume the stated intent of this proposal is to allow voters in the City of Lebanon to impose a sales tax up to 0.50% for the purpose of funding public safety for the city. Using forecast estimates for statewide average growth in local sales taxes and state taxes (including food), the estimated average growth for FY 2018 and FY 2019 is 2.50% and 1.90%, respectively.

Budget and Planning estimates the City of Lebanon's FY 2019 taxable sales at \$363 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2019 sales collections. For the City of Lebanon, with estimated Q4 sales collections of \$90.8 million, this proposed sales tax could generate approximately \$454,298 for the city for FY 2019. As a voter approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, that portion could increase General and Total State Revenues by approximately \$4,543 in FY 2019.

Using the same methodology to estimate FY 2020 and FY 2021 sales, we estimate taxable sales in the City of Lebanon to total \$363 million. This proposed sales tax might generate approximately \$1.8 million for the city in FY 2020, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, General and Total State Revenues could increase by approximately \$18,172 in FY 2020 and annually thereafter if the county sales tax is approved.

Budget and Planning defers to DOR for more specific estimates of actual collection costs.

Officials at the **City of Lebanon** assume they would generate approximately \$1,700,000 annually in sales tax if adopted.

**Oversight** notes this proposal would give the City of Lebanon the option to vote to increase their local sales tax by .50% in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2018. Oversight assumes the question would be put before the voters at the general municipal election in April 2019 (FY 2019). Therefore, the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2019 general municipal election would be October 1, 2019 (FY 2020). Therefore, only nine months of taxes would be collected in FY 2020.

ASSUMPTION (continued)

**Oversight** notes that if the proposal is adopted DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$17,000. Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the City of Lebanon and/or voters fail to approve the sales tax) to up to \$1,700,000 for a full year of tax collections estimated by the City of Lebanon.

City of Lebanon - Taxable Sales & Use Report	
FY 2017	\$173,735,023 (6 month total)
FY 2016	\$351,609,337
FY 2015	\$340,006,611

Source: Department of Revenue website

**City of Jennings**

Officials at the **B&P** estimates the City of Jennings' FY 2019 taxable sales at \$95.2 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2019 sales collections. For the City of Jennings, with estimated Q4 sales collections of \$23.8 million, this proposed sales tax could generate approximately \$117,755 for the city for FY 2019. As a voter approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, that portion could increase General and Total State Revenues by approximately \$1,189 in FY 2019.

Using the same methodology to estimate FY 2020 and FY 2021 sales, we estimate taxable sales in the City of Jennings to total \$95.2 million. This proposed sales tax might generate approximately \$471,022 for the city in FY 2020, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, General and Total State Revenues could increase by approximately \$4,758 in FY 2020 and annually thereafter if the county sales tax is approved.

Budget and Planning defers to DOR for more specific estimates of actual collection costs.

ASSUMPTION (continued)

**Oversight** notes this proposal would give the City of Jennings the option to vote to increase their local sales tax by .50% in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2018. Oversight assumes the question would be put before the voters at the general municipal election in April 2019 (FY 2019). Therefore, the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2019 general municipal election would be October 1, 2019 (FY 2020). Therefore, only nine months of taxes would be collected in FY 2020.

**Oversight** notes that if the proposal is adopted DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$4,758. Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the City of Jennings and/or voters fail to approve the sales tax) to up to \$471,022 for a full year of tax collections estimated by the B&P.

City of Jennings - Taxable Sales & Use Report	
FY 2017	\$23,848,961 (6 month total)
FY 2016	\$42,402,801
FY 2015	\$43,456,920

Source: Department of Revenue website

**City of Marshall**

Officials at the **B&P** estimates the City of Marshall's FY 2019 taxable sales at \$164.3 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2019 sales collections. For the City of Marshall, with estimated Q4 sales collections of \$41.1 million, this proposed sales tax could generate approximately \$203,299 for the city for FY 2019. As a voter approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, that portion could increase General and Total State Revenues by approximately \$2,054 in FY 2019.

ASSUMPTION (continued)

Using the same methodology to estimate FY 2020 and FY 2021 sales, we estimate taxable sales in the City of Marshall to total \$164.3 million. This proposed sales tax might generate approximately \$813,196 million for the city in FY 2020, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, General and Total State Revenues could increase by approximately \$8,214 in FY 2020 and annually thereafter if the county sales tax is approved.

Budget and Planning defers to DOR for more specific estimates of actual collection costs.

Officials at the **City of Marshall** assume this could generate \$850,000 in sales tax annually.

**Oversight** notes this proposal would give the City of Marshall the option to vote to increase their local sales tax by .50% in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2018. Oversight assumes the question would be put before the voters at the general municipal election in April 2019 (FY 2019). Therefore, the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2019 general municipal election would be October 1, 2019 (FY 2020). Therefore, only nine months of taxes would be collected in FY 2020.

**Oversight** notes that if the proposal is adopted DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$8,500. Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the City of Marshall and/or voters fail to approve the sales tax) to up to \$850,000 for a full year of tax collections estimated by the City of Marshall.

City of Marshall - Taxable Sales & Use Report	
FY 2017	\$80,811,164 (6 month total)
FY 2016	\$167,845,702
FY 2015	\$169,803,808

Source: Department of Revenue website

ASSUMPTION (continued)

**City of Moberly**

Officials at the **B&P** estimates the City of Moberly's FY 2019 taxable sales at \$238.4 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY19 sales collections. For the City of Moberly, with estimated Q4 sales collections of \$59.6 million, this proposed sales tax could generate approximately \$295,023 for the city for FY 2019. As a voter approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, that portion could increase General and Total State Revenues by approximately \$2,980 in FY 2019.

Using the same methodology to estimate FY 2020 and FY 2021 sales, we estimate taxable sales in the City of Moberly to total \$238.4 million. This proposed sales tax might generate approximately \$1.2 million for the city in FY 2020, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, General and Total State Revenues could increase by approximately \$11,920 in FY 2020 and annually thereafter if the county sales tax is approved.

Budget and Planning defers to DOR for more specific estimates of actual collection costs.

Officials at the **City of Moberly** assume this could generate \$1.1 million in sales tax annually.

**Oversight** notes this proposal would give the City of Moberly the option to vote to increase their local sales tax by .50% in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2018. Oversight assumes the question would be put before the voters at the general municipal election in April 2019 (FY 2019). Therefore, the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2019 general municipal election would be October 1, 2019 (FY 2020). Therefore, only nine months of taxes would be collected in FY 2020.

**Oversight** notes that if the proposal is adopted DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$11,000. Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the City of Moberly and/or voters fail to approve the sales tax) to up to \$1,100,000 for a full year of tax collections estimated by the City of Moberly.

ASSUMPTION (continued)

City of Moberly - Taxable Sales & Use Report	
FY 2017	\$122,460,213 (6 month total)
FY 2016	\$248,546,447
FY 2015	\$253,712,103

Source: Department of Revenue website

**City of Washington**

Officials at the **B&P** estimates the City of Washington's FY 2019 taxable sales at \$449.9 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY19 sales collections. For the City of Washington, with estimated Q4 sales collections of \$112.5 million, this proposed sales tax could generate approximately \$556,775 for the city for FY 2019. As a voter approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, that portion could increase General and Total State Revenues by approximately \$5,624 in FY 2019.

Using the same methodology to estimate FY 2020 and FY 2021 sales, we estimate taxable sales in the City of Washington to total \$449.9 million. This proposed sales tax might generate approximately \$2.2 million for the city in FY 2020, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, General and Total State Revenues could increase by approximately \$22,496 in FY 2020 and annually thereafter if the county sales tax is approved.

Budget and Planning defers to DOR for more specific estimates of actual collection costs.

Officials at the **City of Washington** assume this could generate \$2.1 million in sales tax annually.

**Oversight** notes this proposal would give the City of Washington the option to vote to increase their local sales tax by .50% in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2018. Oversight assumes the question would be put before the voters at the general municipal election in April 2019 (FY 2019). Therefore, the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2019 general municipal election would be October 1, 2019 (FY 2020). Therefore, only nine months of taxes would be collected in FY 2020.



ASSUMPTION (continued)

**Oversight** notes that if the proposal is adopted DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$21,000. Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the City of Washington and/or voters fail to approve the sales tax) to up to \$2,100,000 for a full year of tax collections estimated by the City of Washington.

City of Washington - Taxable Sales & Use Report	
FY 2017	\$222,758,904 (6 month total)
FY 2016	\$452,161,713
FY 2015	\$439,305,232

Source: Department of Revenue website

Bill as a Whole

Officials at the **Department of Revenue (DOR)** assume there is no fiscal impact from this proposal.

B&P Summary

Municipalities	FY 2019 Taxable Sales	4Q FY 19 Taxable Sales	FY 19 DOR Collection Fee	FY 19 Sales Tax Collections	FY 20-21 DOR Collection Fees	FY 20-FY21 Sales Tax Collections
Lebanon	\$363,438,568	\$90,859,642	\$4,543	\$449,755	\$18,172	\$1,799,021
Jennings	\$95,155,933	\$23,788,983	\$1,189	\$117,755	\$4,758	\$471,022
Marshall	\$164,282,043	\$41,070,511	\$2,054	\$203,299	\$8,214	\$813,196
Moberly	\$238,402,457	\$59,600,614	\$2,980	\$295,023	\$11,920	\$1,180,092
Washington	\$449,919,498	\$112,479,875	\$5,624	\$556,775	\$22,496	\$2,227,102

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020 (9 Mo.)	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Additional Revenue</u> - DOR		\$0 or Up to	\$0 or Up to
Collection charges	<u>\$0</u>	<u>\$46,694</u>	<u>\$62,258</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<u><b>\$0</b></u>	<u><b>\$0 or Up to \$46,694</b></u>	<u><b>\$0 or Up to \$62,258</b></u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019	FY 2020 (9 Mo.)	FY 2021
<b>CITIES OF LEBANON, MARSHALL, MOBERLY, JENNINGS &amp; WASHINGTON</b>			
<u>Additional Revenues</u> -additional half cent Sales taxes for Public Safety for Lebanon	\$0	\$0 to Up to \$1,275,000	\$0 to Up to \$1,700,000
<u>Additional Revenues</u> -additional half cent Sales taxes for Public Safety for Jennings	\$0	\$0 or Up to \$353,267	\$0 or Up to \$471,022
<u>Additional Revenues</u> -additional half cent Sales taxes for Public Safety for Marshall	\$0	\$0 or Up to \$637,500	\$0 or Up to \$850,000
<u>Additional Revenues</u> -additional half cent Sales taxes for Public Safety for Moberly	\$0	\$0 or Up to \$825,000	\$0 or Up to \$1,100,000
<u>Additional Revenues</u> -additional half cent Sales taxes for Public Safety for Washington	\$0	\$0 or Up to \$1,575,000	\$0 or Up to \$2,100,000
<u>Loss</u> - Collection Fee kept by DOR	<u>\$0</u>	\$0 or (Up to <u>\$46,694</u> )	\$0 or (Up to <u>\$62,258</u> )
<b>ESTIMATED NET EFFECT ON THE CITIES OF LEBANON, MARSHALL, MOBERLY, JENNINGS &amp; WASHINGTON</b>	<b><u>\$0</u></b>	<b><u>\$0 or Up to \$4,619,073</u></b>	<b><u>\$0 or Up to \$6,158,764</u></b>

FISCAL IMPACT - Small Business

Businesses that collect sales taxes will be impacted.

### FISCAL DESCRIPTION

This bill adds certain cities to the list of cities authorized to impose, upon voter approval, a retail sales tax of up to 0.5% for the purpose of improving the public safety of the city, including expenditures of equipment, city employee salaries and benefits, and facilities for police, fire and emergency medical providers.

Currently, the additional cities only include Jennings, Lebanon, Marshall, Moberly, and Washington.

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 Lebanon  
City of Marshall  
City of Moberly  
City of Washington  
Department of Revenue  
Office of Administration  
Division of Budget and Planning

Ross Strope



Acting Director  
March 13, 2018