

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0714-01  
Bill No.: HB 374  
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use  
Type: Original  
Date: January 28, 2019

---

Bill Summary: This proposal changes the laws regarding local sales taxes so that no political subdivision may raise the rates above 14%.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</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 2020</b>	<b>FY 2021</b>	<b>FY 2022</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 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Office of the **Office of Administration Division of Budget and Planning (B&P)** assume that §67.495 seeks to set a 14% cap for the cumulative sales tax rate that no political subdivision shall exceed. However, in drafting the new provision, the proposal includes the state use tax that is not part of the cumulative sales tax rate resulting in a provision that has no impact on Total State Revenue or the calculation for Title X, Section 18(e).

Section 67.1300 codifies existing current taxing authority for local governments and makes technical clean-up changes to subdivision numbering.

The rest of the provisions in this proposal make clean-up changes, and inter-sectional references to the new provision in §67.495. BAP defers to DOR for any detailed explanations and estimates on this proposal.

Officials at the **Department of Revenue (DOR)** assume there is no fiscal impact from this proposal. DOR notes that currently there are no taxing jurisdictions with a combined sales tax rate over 14%. The highest rate is currently 11.679%.

Officials at the **City of Kansas City** assume this bill poses a potential negative fiscal impact to Kansas City. The proposed ceiling would curtail the ability to impose local sales taxes even if approved by the voters. This could negatively impact important programs or prevent the City from responding to an emergency. This legislation would take away local authority and create an unfair competition between taxing entities and result in creating winners and losers on priorities. It will force local voters, perhaps not equally situated depending on the taxing level at issue, to arbitrarily grant and limit the reach of their tax dollar. A voter may have to decide between municipal transit and county crime prevention; between anti-drug police efforts and flooding abatement. While the voter is fully capable of making this decision, adding a global local tax cap changes the calculus that existing authorizations could not have contemplated.

Most concerning, this proposal fails to establish priorities or the mechanics of managing competing ballot measures. For example, whichever local authority received approval for the last tax increase and thereby reaches the overall 14% rate would block out others from implementing their taxes. Specific to Kansas City, most if not all taxing jurisdictions that overlap with KCMO jurisdictional limits have some grants of authority relative to taxation that have not been utilized/subjected to voter authorization; there is available capacity bestowed by the Legislature. A Clay County elector, voting on a Kansas City issue, should not have his or her ballot choices dictated to them due to an unrelated Jackson County voter decision and vice versa,

ASSUMPTION (continued)

simply because both residents live in Kansas City. The fiscal damage this bill could create is not currently quantifiable.

Officials at the **City of Columbia** and **Monroe County Assessor** each assume there is no fiscal impact from this proposal.

Officials at the **Wellsville-Middleton R-I School District** assume no immediate fiscal impact.

Officials at the **Francis Howell School District** does not levy a sales tax, so they cannot calculate a fiscal impact.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties and school districts were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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 appears to have no direct fiscal impact.

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 Columbia  
City of Kansas City  
Department of Revenue  
Francis Howell School District  
Monroe County Assessor  
Office of Administration Division of Budget and Planning  
Wellsville-Middleton R-I School District



Kyle Rieman  
Director  
January 28, 2019

Ross Strobe  
Assistant Director  
January 28, 2019