

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0714-02
Bill No.: HCS for HB 374
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use
Type: Original
Date: March 4, 2019

Bill Summary: This proposal changes the laws regarding local sales taxes by requiring certain language on ballots proposing a tax increase.

FISCAL SUMMARY

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

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

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume that Section 67.495 establishes a methodology that political subdivisions must use when presenting sales tax increases to the voters for approval. The provision 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 intersectional references to the new provision in section 67.495. BAP defers to DOR for any detailed explanations and estimates on this proposal.

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

Officials at the **City of Kansas City** assume this legislation would likely have a negative fiscal impact on the City of Kansas City, Missouri, because of the difficulties in implementing §67.495. This is because Kansas City is in four counties but this legislation would mandate non-uniform ballot language for all of Kansas City's voters. A Kansas City resident who is also a Cass County resident has a different sales tax than a Kansas City resident who is also a Clay County resident; and this situation would be the same for Kansas City residents living in Platte County or Jackson County. Kansas City residents would be voting on different versions of the same measure. The problem becomes even worse when all the various taxing jurisdictions, which vary within a county, are factored in.

Officials at the **City of Liberty** assume while difficult to calculate any fiscal impact this may have on the City, it creates a situation that makes local taxing jurisdictions to be in competition with one another. Who might be the political subdivision who causes the cumulative rate to be too much for the local voters? Further, the methodology used to calculate the average sales tax rate would require inclusion of any CID or TDD development district(s) rates.

The City has a ½ cent Transportation Sales Tax that sunsets in 2030. All of Missouri struggles to maintain its road infrastructure. If the proposed law's disclosures caused competition within the local taxing entities and provided an inflated cumulative rate due to the inclusion of any CID or TDD district rates, the City could well lose this important revenue source which provides \$2.5 million in annual revenues for road maintenance and street improvements.

Liberty always discloses its collective City rate within its voter education information prior to ballot questions. Some of our local sales taxes sunset. CID and TDD Districts do not require a

ASSUMPTION (continued)

city-wide vote to implement their sales taxes. Further to require the inclusion of CID and TDD rates in the calculation methodology could potentially harm economic development efforts.

Officials at the **St. Louis County** assume that the additional information required on future ballot language would not cause any significant increase in cost.

Officials at the **City of Columbia** assume no direct impact at this time.

Officials at **Ray County** assume there is no fiscal impact from this proposal.

Officials at the **Wellsville-Middletown R-1 School District** responded to Oversight's request but did not indicate a fiscal impact.

Oversight notes this proposal would require all ballot language proposing sales and use tax increases to include certain information about the current sales and use tax rates of that taxing jurisdiction. Oversight notes this proposal would not have a fiscal impact until such time as a local political subdivision would want to place a tax increase/decrease on the ballot. Therefore, Oversight will not show a fiscal impact from this proposal.

Oversight notes in §61.1300 it appears to add language clarifying that counties and municipalities can collect an economic development sales tax. Oversight confirmed with the Department of Revenue that counties and municipalities can already collect this sales tax under §61.1300.2 and that currently no county or municipality is collecting this sales tax. Therefore, Oversight will not show a fiscal impact from this proposal.

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.

<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
City of Liberty
Department of Revenue
Office of Administration Division of Budget and Planning
Ray County
St. Louis County
Wellsville-Middletown R-1 School District



Kyle Rieman
Director
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Ross Strobe
Assistant Director
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