

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0714-04
Bill No.: HCS No. 2 for HB 374
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use
Type: Original
Date: March 29, 2019

Bill Summary: This proposal modifies provisions relating to sales tax.

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

Office of the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal 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 inter-sectional references to the new provision in §67.495. BAP defers to DOR for any detailed explanations and estimates on this proposal.

This proposal in §144.088 includes a requirement that any seller who sells more than \$250,000 annually and provides purchasers with a sales receipt or sales invoice must show the total rate of all sales tax imposed on the sale. The provision has no impact on total state revenue or the calculation for Title X, Section 18(e).

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 legislation would likely have a negative fiscal impact on the City 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 this proposed language would be very damaging to local jurisdictions. The proposed language introduced in §67.495 does not exclude local TDD and CID sales taxes from the requirements. Further it does not clearly carve out sales tax renewals from the requirements. Requiring the inclusion of TDD/CID sales tax rates, when such rates are imposed only in limited geographic areas of Liberty, will distort the total local sales tax rate and create voter confusion. Additionally, the City believes sales tax renewals should be excluded

ASSUMPTION (continued)

from the proposed requirements. Again this issue is voter confusion. If the desire is to focus requirements on new sales taxes, that should be explicit in the proposed legislation. Not excluding sales tax renewals and continuing to include TID/CID sales tax rates could well cause the City of Liberty to lose \$6.5 million in annual revenues currently dedicated to road improvements and street maintenance starting in 2030.

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 §67.1300 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 §67.1300.2 and that currently no county or municipality is collecting this sales tax. Therefore, Oversight will not show a fiscal impact from this proposal.

Oversight notes this proposal requires the posting of sales tax rates on receipts beginning January 1, 2021. Oversight assumes this will not have 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.

<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

Small businesses that charge & collect sales tax could be impacted by 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 Kansas City
City of Liberty
Department of Revenue
Office of Administration Division of Budget and Planning



Kyle Rieman
Director
March 29, 2019

Ross Strobe
Assistant Director
March 29, 2019