

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3307-01
Bill No.: HB 1601
Subject: Taxation and Revenue - Sales and Use; Motels and Hotels; Political Subdivisions;
 Department of Revenue; Tourism
Type: Original
Date: February 20, 2020

Bill Summary: This proposal authorizes a transient guest tax in the City of Ashland upon voter approval.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget & Planning (B&P)** assume this proposed legislation has no direct impact on B&P, has no direct impact on General Revenue and Total State Revenue, and will not impact the calculation pursuant to Article X, Section 18(e).

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation will not have a direct impact on their organization. Transient guest taxes are collected by the political subdivision and not DOR.

Oversight notes DOR does not anticipate a direct fiscal impact as a result of this proposed legislation. Oversight does not have any information to the contrary. Therefore, Oversight will report a zero fiscal impact for this organization. However, Oversight notes DOR may collect transient guest tax(es) if an agreement is made between DOR and the political subdivision so long as such an agreement is permitted by law.

Officials from the **City of Ashland (Ashland)** state, while Ashland does not currently have any hotels located in Ashland, Ashland is working with developers to attract hotel development to help boost overnight stays in the community.

Ashland assumes, when using a sixty-three percent (63%) occupancy rate, Ashland could recognize an increase in revenue as a result of transient guest tax(es) of approximately \$137,510 from each lodging facility. The calculation used by Ashland to estimate the revenue increase is shown below:

115	*	365 Days of	*	\$130 Cost per Room	*	4% Lodging Tax	*	63% Occupancy
Rooms		the Year		per Night		Rate		Rate

Ashland has indicated Ashland is hopeful that within the next two to three years, Ashland will have three or more hotels in Ashland.

Oversight assumes the estimated increase in revenue as a result of transient guest tax equal to \$137,510 is specific to each hotel. Therefore, Oversight assumes, if Ashland has three hotels developed in Ashland, the increase in revenue could total \$412,530 ($\$137,510 * 3$) annually.

Officials from the **University of Missouri's Economic & Policy Analysis Research Center (EPARC)** states, if enacted, this proposed legislation would authorize a transient guest tax in Ashland upon voter approval. Currently, EPARC does not possess the data necessary to estimate the impact of this proposed legislation.

ASSUMPTION (continued)

Oversight notes this proposed legislation would allow the governing body of Ashland to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels and motels situated in Ashland. This proposed legislation limits the tax rate of the transient guest tax so that the tax rate does not exceed five percent (5%)

Oversight notes the transient guest tax proposed shall not become effective unless the governing body of Ashland submits to its respective voters a proposal to authorize Ashland to impose a transient guest tax and the voters of Ashland approve the proposal.

The revenue generated as a result of the transient guest tax(es) collected in Ashland are to be used by Ashland for the promotion of tourism, growth of the region, economic development and public safety purposes.

For the purposes of this fiscal note, Oversight will report a zero fiscal impact to the State of Missouri as DOR does not collect transient guest taxes (unless an agreement with the political subdivision is made) and a zero fiscal impact to Local Political Subdivisions as Ashland does not currently have any hotels/motels operating within the boundaries of Ashland.

Oversight notes if hotel/motel development takes place within the boundaries of Ashland, in which such hotel(s)/motel(s)/ become fully operational, Ashland could recognize revenue gain as a result of this proposed legislation being enacted.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<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

Office of Administration - Budget & Planning Division
Missouri Department of Revenue
City of Ashland



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Director
February 20, 2020



Ross Strobe
Assistant Director
February 20, 2020