

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3307-04
Bill No.: HCS for HB 1601
Subject: Taxation and Revenue - Sales and Use; Motels and Hotels; Political Subdivisions; Department of Revenue; Tourism
Type: Original
Date: March 11, 2020

Bill Summary: This proposal authorizes a transient guest tax in the City of Ashland and Cameron 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 7 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 - City of Cameron	\$0	\$0 up to \$183,960	\$0 up to \$183,960

FISCAL ANALYSIS

ASSUMPTION

Section 67.1360 - City of Cameron Transient Guest Tax

Officials from the **Office of Administration - Division of Budget & Planning (B&P)** assume this section of the 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 section of the 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.

In response to similar legislation (HB 2418 - 2020), officials from the **City of Cameron (Cameron)** assumed, when using a sixty percent (60%) occupancy rate, Cameron could recognize an increase in revenue as a result of transient guest tax(es) of approximately \$147,168. The calculation used by Cameron to estimate the revenue increase is shown below:

$$\begin{array}{ccccccc} 280 & & 60\% & & & & \\ \text{Rooms} & * & \text{Occupancy} & * & \$60 \text{ Per Room} & * & 365 \text{ Days In the} \\ & & \text{Rate} & & & & \text{Year} \\ & & & & & * & 4\% \text{ Tax Rate} \end{array}$$

Oversight notes this proposed legislation would allow the governing body of Cameron to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels, motels, bed and breakfast inns, campgrounds and any docking facility that rents slips to recreational boats that are used by transients for sleeping. This proposed legislation permits the transient guest tax to be at least two percent (2%) but not more than five percent (5%) per occupied room per night.

Oversight notes Cameron has used a transient guest tax rate equal to four percent (4%) when calculating the impact anticipated by Cameron. Oversight provides below, using the calculation used by Cameron, the possible fiscal impact provided Cameron puts forth a rate other than, but including, four percent (4%):

ASSUMPTION (continued)

Transient Guest Tax Rate	Estimated Revenue Increase to Cameron
2%	\$73,584
3%	\$110,376
4%	\$147,168
5%	\$183,960

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

The revenue generated as a result of the transient guest tax(es) collected in Cameron are to be used by Cameron for the promotion of tourism.

For the purposes of this fiscal note, **Oversight** will report a zero fiscal impact to the State of Missouri as a result of a transient guest tax imposed by Cameron as DOR does not collect transient guest taxes (unless an agreement with the political subdivision is made) and a fiscal impact for the City of Cameron ranging from \$0 (Cameron does not propose to its respective voters the transient guest tax or the voters of Cameron reject the proposal) to an amount “up to” Oversight’s estimated revenue increase to Cameron provided Cameron puts forth a transient guest tax equal to the maximum rate permitted of five percent (5%).

Furthermore, for purposes of this fiscal note, **Oversight** assumes Cameron will put forth this proposal during a state special election. Therefore, Oversight will report the fiscal impact of Cameron beginning in Fiscal Year 2022.

Section 94.1014 - Transient Guest Tax for the City of Ashland

Officials from the **B&P** assume this section of the 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 **DOR** state this section of the 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.

ASSUMPTION (continued)

In response to the a previous version of this proposed legislation, officials from the **City of Ashland (Ashland)** stated, 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:

$$\begin{array}{ccccccc} 115 & * & 365 \text{ Days} & * & \$130 \text{ Cost per Room} & * & 4\% \text{ Lodging Tax} & * & 63\% \text{ Occupancy} \\ \text{Rooms} & & \text{of the Year} & & \text{per Night} & & \text{Rate} & & \text{Rate} \end{array}$$

Ashland 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.

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 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 a result of a transient guest tax imposed by the City of Ashland as DOR does not collect transient guest taxes (unless an agreement with the political subdivision is made) and a zero fiscal impact as it relates to Ashland as Ashland does not currently have any hotels/motels operating within the boundaries of Ashland.

ASSUMPTION (continued)

Oversight notes, should hotel/motel development take place within the boundaries of Ashland, in which such hotel(s)/motel(s)/ become fully operational, Ashland could recognize increased revenue 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
CITY OF CAMERON			
<u>Revenue Gain</u> - Section 67.1360 - City of Cameron Transient Guest Tax	<u>\$0</u>	\$0 up to <u>\$183,960</u>	\$0 up to <u>\$183,960</u>
ESTIMATED NET EFFECT ON CITY OF CAMERON	<u>\$0</u>	\$0 up to <u>\$183,960</u>	\$0 up to <u>\$183,960</u>

FISCAL IMPACT - Small Business

This proposed legislation could impact any small business that operates as a hotel, motel, breakfast inn, campgrounds or any docking facility that rents slips to recreational boats that are used by transients for sleeping as these small businesses would be required to collect and remit the transient guest tax, if approved by the voters, to the collecting authority, increasing the small businesses administrative costs.

FISCAL DESCRIPTION

The proposed legislation would allow the City of Cameron to impose, upon voter approval, a transient guest tax in an amount that shall not be less than two percent but shall not exceed five percent.

Also, this proposed legislation would allow the City of Ashland to impose, upon voter approval, a transient guest tax in an amount that shall not exceed five percent.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

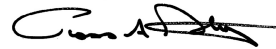
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SOURCES OF INFORMATION

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



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March 11, 2020



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