

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4572-01
Bill No.: HB 1895
Subject: Taxation and Revenue - General; Department of Revenue; Taxation and Revenue
- Sales and Use
Type: Original
Date: January 21, 2020

Bill Summary: This proposal modifies provisions relating to use taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	Less than \$49,129,089 to \$76,729,089	Less than \$71,231,748 to \$109,831,748	Less than \$74,715,868 to \$115,215,868
Total Estimated Net Effect on General Revenue	Less than \$49,129,089 to \$76,729,089	Less than \$71,231,748 to \$109,831,748	Less than \$74,715,868 to \$115,215,868

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 17 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
School District Trust Fund (0688)	Less than \$17,400,000 to \$26,600,000	Less than \$24,400,000 to \$37,300,000	Less than \$25,600,000 to \$39,100,000
Conservation Commission Fund (0609)	Less than \$2,200,000 to \$3,300,000	Less than \$3,100,000 to \$4,700,000	Less than \$3,200,000 to \$4,900,000
Parks and Soils State Sales Tax Funds (0613 & 0614)	Less than \$1,700,000 to \$2,700,000	Less than \$2,400,000 to \$3,700,000	Less than \$2,600,000 to \$3,900,000
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$21,300,000 to \$32,600,000	Less than \$29,900,000 to \$45,700,000	Less than \$31,400,000 to \$47,900,000

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
General Revenue	33 FTE	33 FTE	33 FTE
Total Estimated Net Effect on FTE	33 FTE	33 FTE	33 FTE

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	Less than \$27,000,000 to \$41,200,000	Less than \$37,900,000 to \$57,900,000	Less than \$39,700,000 to \$60,700,000

FISCAL ANALYSIS

ASSUMPTION

Section 32.310 - DOR Map to Include Use Tax Information

Officials from the **Office of Administration - Budget and Planning Division (B&P)** state this section adds use tax information to the DOR mapping system. This section will not impact Total State Revenue (TSR) or the calculation under Article X, Section 18(e).

Officials from the **Missouri Department of Revenue (DOR)** state this proposal adds "use tax" to the DOR mapping feature which currently states sales tax. DOR assumes this will not have a fiscal impact as use tax is already included in the map.

Section 144.605 - Out-of-State Sellers Use Tax

Officials from **B&P** state this proposal would require out-of-state vendors with at least \$100,000 in in-state sales or 200 separate in-state transactions to collect and remit state and local use tax, beginning October 1, 2020.

B&P and DOR worked together to estimate the potential revenue gains from the U.S. Supreme Court Wayfair decision, which overturned the Quill decision and held that states may charge a tax on purchases made from out-of-state sellers, even if the seller doesn't have a physical presence in the taxing state. In November 2017, the U.S. Government and Accountability Office (GAO) released state-by-state estimates for potential revenue gains if the 1992 Quill decision were overturned during the Wayfair case. In the report, the GAO estimated that Missouri could gain \$180 million to \$275 million in state and local sales taxes during 2017 from e-commerce sales tax revenue.

B&P notes that there were three limitations to the study which B&P and DOR attempted to

ASSUMPTION (continued)

address by further refining the GAO estimates. At the time of the study, the GAO did not remove the sales of digital downloads from the state and local estimates due to data limitations and different tax treatments across states. B&P notes that digital downloads are currently exempt from sales tax under Missouri law. B&P and DOR were able to find limited studies on the e-commerce market share for such sales. The studies indicated that digital downloads account for approximately 14.1% of all e-commerce sales. B&P and DOR then reduced the original GAO estimates by that 14.1%.

The GAO provided a point-in-time estimate for potential state and local revenue gains during 2017. This estimate, though, does not account for anticipated growth in e-commerce sales. To address this, B&P and DOR adjusted the GAO estimate to incorporate e-commerce sales growth for tangible personal property from 2018 through 2022. Only growth for e-commerce sales of tangible personal property were used, rather than growth in the full e-commerce market, in order to accurately reflect growth in the online sales tax base. B&P notes that using growth in the full e-commerce market would overestimate the sales tax base as services and digital download products are not currently taxable in Missouri.

At the time of the study, the GAO did not incorporate potential in-state sales or in-state transaction requirements that would limit the companies required to comply with e-commerce sales tax collections. Using data published by the U.S. Census Bureau and industry reports, B&P and DOR were able to estimate the percent of sales that would remain taxable if Missouri instituted an in-state sales threshold of \$100,000. If Missouri were to enact a \$100,000 in-state sales threshold, B&P and DOR estimate that approximately 86.7% of all e-commerce sales would remain taxable. B&P and DOR used this estimate to further adjust the GAO provided revenue estimate.

B&P and DOR were unable to estimate the impact from a potential in-state transaction requirement. B&P notes that the majority of states are currently enacting e-commerce sales tax requirements of \$100,000 in in-state sales or 200 in-state transactions.

B&P and DOR estimate that in Calendar Year 2020 Missouri could gain up to \$23.3 million to \$35.6 million in Total State Revenues (TSR), of which \$16.6 million to \$25.3 million would be General Revenue (GR). By Calendar Year 2022, B&P and DOR estimate that TSR could be increased by \$106.0 million to \$161.9 million, of which \$75.2 million to \$115.0 million would be GR. Table 1 shows the estimated impact by calendar year.

ASSUMPTION (continued)

Table 1: Collections by Calendar Year

Revenue Estimates	2020		2021		2022	
	Low	High	Low	High	Low	High
GR (approx. 36% of total collections)	\$16.60	\$25.30	\$71.20	\$108.70	\$75.20	\$115.00
Education	\$5.50	\$8.40	\$23.70	\$36.20	\$25.10	\$38.30
Conservation	\$0.70	\$1.10	\$3.00	\$4.50	\$3.10	\$4.80
Parks, Soil, Water	\$0.60	\$0.80	\$2.40	\$3.60	\$2.50	\$3.80
TSR	\$23.30	\$35.60	\$100.20	\$153.10	\$106.00	\$161.90
Local* (Pop Weighted Rate 1.385%)	\$8.60	\$13.10	\$36.80	\$56.30	\$38.90	\$59.50

Figures in \$M

*Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.

Oversight notes Calendar Year 2020/Tax Year 2020 reports revenues for three months only, as this proposed legislation would require out-of-state vendors to remit sales tax beginning October 1, 2020).

B&P notes that these estimates reflect the full potential revenue and do not include adjustments for implementation timing or business compliance. Therefore, the actual revenue collected in earlier years may be significantly lower than the estimated amount.

B&P further notes that this proposal does not specifically address whether marketplace facilitators would be required to collect and remit sales taxes on behalf of all their marketplace sellers. If it is determined that this proposal does not apply to marketplace facilitators, than the amount actually collected from online use tax could be significantly less than the estimates shown.

B&P and DOR estimate that in Fiscal Year 2021 Missouri could gain up to \$73.4 million to \$112.2 million in TSR, of which \$52.1 million to \$79.7 million would be GR. By Fiscal Year 2023, B&P and DOR estimate that TSR could be increased by \$108.1 million to \$165.1 million, of which \$76.7 million to \$117.2 million would be GR.

Due to the lack of specific direction regarding marketplace facilitators, B&P will show all estimates as "Could be significantly less than". Table 2 shows the summary of impacts from this proposal.

ASSUMPTION (continued)

Table 2: Summary Collections by Fiscal Year

Revenue Estimates	2021	2022	2023
GR	Could be significantly less than \$52.1 to \$79.7	Could be significantly less than \$73.2 to \$111.8	Could be significantly less than \$76.7 to \$117.2
Education	Could be significantly less than \$17.4 to \$26.6	Could be significantly less than \$24.4 to \$37.3	Could be significantly less than \$25.6 to \$39.1
Conservation	Could be significantly less than \$2.2 to \$3.3	Could be significantly less than \$3.1 to \$4.7	Could be significantly less than \$3.2 to \$4.9
Parks, Soil, Water	Could be significantly less than \$1.7 to \$2.7	Could be significantly less than \$2.4 to \$3.7	Could be significantly less than \$2.6 to \$3.9
TSR	Could be significantly less than \$73.4 to \$112.2	Could be significantly less than \$103.1 to \$157.5	Could be significantly less than \$108.1 to \$165.1
Local*	Could be significantly less than \$27.0 to \$41.2	Could be significantly less than \$37.9 to \$57.9	Could be significantly less than \$39.7 to \$60.7

Figures in \$M

*Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.

Oversight notes Fiscal Year 2021 estimates include three months from Calendar/Tax Year 2020 and six months from Calendar/Tax Year 2021. Fiscal Year 2022 includes the remaining six months of Calendar/Tax Year 2021 and six months of Calendar/Tax Year 2022; which each fiscal year thereafter will follow suit.

Officials from **DOR** state B&P and DOR worked together to estimate the potential revenue gains from the U.S. Supreme Court Wayfair decision, which overturned the Quill decision and held that states may charge a tax on purchases made from out-of-state sellers, even if the seller doesn't have a physical presence in the taxing state. In November 2017, the U.S. Government and Accountability Office (GAO) released state-by-state estimates for potential revenue gains if the 1992 Quill decision were overturned during the Wayfair case. In the report, the GAO estimated that Missouri could gain \$180 million to \$275 million in state and local sales taxes during 2017 from e-commerce sales tax revenue. B&P notes that there were three limitations to the study which B&P and DOR attempted to address by further refining the GAO estimates.

At the time of the study, the GAO did not remove the sales of digital downloads from the state and local estimates due to data limitations and different tax treatments across states. B&P notes that digital downloads are currently exempt from sales tax under Missouri law. B&P and DOR were able to find limited studies on the e-commerce market share for such sales. The studies indicated that digital downloads account for approximately 14.1% of all e-commerce sales. B&P

ASSUMPTION (continued)

and DOR then reduced the original GAO estimates by that 14.1%.

The GAO provided a point-in-time estimate for potential state and local revenue gains during 2017. This estimate, though, does not account for anticipated growth in e-commerce sales. To address this, B&P and DOR adjusted the GAO estimate to incorporate e-commerce sales growth for tangible personal property from 2018 through 2022. Only growth for e-commerce sales of tangible personal property were used, rather than growth in the full e-commerce market, in order to accurately reflect growth in the online sales tax base. B&P notes that using growth in the full e-commerce market would overestimate the sales tax base as services and digital download products are not currently taxable in Missouri.

At the time of the study, the GAO did not incorporate potential in-state sales or in-state transaction requirements that would limit the companies required to comply with e-commerce sales tax collections. Using data published by the U.S. Census Bureau and industry reports, B&P and DOR were able to estimate the percent of sales that would remain taxable if Missouri instituted an in-state sales threshold of \$100,000. If Missouri were to enact a \$100,000 in-state sales threshold, B&P and DOR estimate that approximately 86.7% of all e-commerce sales would remain taxable. B&P and DOR used this estimate to further adjust the GAO provided revenue estimate.

B&P and DOR were unable to estimate the impact from a potential in-state transaction requirement. B&P notes that the majority of states are currently enacting e-commerce sales tax requirements of \$100,000 in in-state sales or 200 in-state transactions.

B&P and DOR estimate that in Tax Year 2020 Missouri could gain up to \$23.3 million to \$35.6 million in TSR, of which \$16.6 million to \$25.3 million would be GR. By 2023, B&P and DOR estimate that TSR could be increased by \$110.2 million to \$168.3 million, of which \$78.2 million to \$119.5 million would be GR. B&P notes that these estimates reflect the full potential revenue and do not include adjustments for implementation timing or business compliance. Therefore, the actual revenue collected in earlier years may be significantly lower than the estimated amount.

The following tables show the potential state and local revenue gains from expanding Missouri sales tax law to include online sales.

ASSUMPTION (continued)

By Sales/Calendar Tax Year:

Revenue Estimates	2020 (3 Months)		2021		2022		2023	
GR (approx. 36% of total collections)	16.6	25.2	71.2	108.7	75.2	114.9	78.2	119.5
Education	5.5	8.4	23.7	36.2	25.1	38.3	26.1	39.8
Conservation	0.7	1.1	3	4.5	3.1	4.8	3.3	5
Parks, Soil, Water	0.55	0.8	2.4	3.6	2.5	3.8	2.6	4
TSR	23.3	35.5	100.2	153.1	106	161.9	110.2	168.3
Local* (Pop Weighted Rate 1.385%)	8.6	13.1	36.8	56.3	38.9	59.5	40.5	61.9

Figures in \$M

Because this legislation does not address marketplace facilitators collecting and remitting this tax on behalf of their clients, DOR believes the collectability of these taxes will be greatly diminished. We cannot estimate how much will be uncollectable, but any increased revenues will likely be significantly lower than the above stated numbers.

DOR notes this use tax is to begin October 1, 2020. Therefore, 9 months of use tax will be collected in Fiscal Year 2021.

ASSUMPTION (continued)

By Fiscal Year:

Revenue Estimates	2021		2022		2023	
	Low	High	Low	High	Low	High
GR (approx. 36% of total collections)	Could be significantly less than 52.15	Could be significantly less than 79.55	Could be significantly less than 75.2	Could be significantly less than 114.9	Could be significantly less than 78.2	Could be significantly less than 119.5
Education	Could be significantly less than 17.35	Could be significantly less than 26.5	Could be significantly less than 25.1	Could be significantly less than 38.3	Could be significantly less than 26.1	Could be significantly less than 39.8
Conservation	Could be significantly less than 2.2	Could be significantly less than 3.35	Could be significantly less than 3.1	Could be significantly less than 4.8	Could be significantly less than 3.3	Could be significantly less than 5.0
Parks, Soil, Water	Could be significantly less than 1.8	Could be significantly less than 2.6	Could be significantly less than 2.5	Could be significantly less than 3.8	Could be significantly less than 2.6	Could be significantly less than 4.0
TSR	Could be significantly less than 73.4	Could be significantly less than 112.1	Could be significantly less than 106.0	Could be significantly less than 161.9	Could be significantly less than 110.2	Could be significantly less than 168.3
Local* (Pop Weighted Rate 1.385%)	Could be significantly less than 22	Could be significantly less than 41.25	Could be significantly less than 38.9	Could be significantly less than 59.5	Could be significantly less than 40.5	Could be significantly less than 61.9

Figures in \$M

DOR would notify an estimated 200,000 sellers of their potential reporting requirements, estimated postage and printing costs for notifications to online sellers may be up to an estimated **\$100,000**.

DOR assumes the Sales Tax Unit would require three (3) Revenue Processing Technician(s) I to process additional sales tax returns, one (1) Revenue Processing Technician I to answer additional correspondence; and two (2) Revenue Processing Technician(s) I to process additional

ASSUMPTION (continued)

registration applications and perform location maintenance.

DOR assumes their Field Compliance Bureau (Audit) would need to increase the number of auditors, especially those in out-of-state offices in order, in order to address the potential of a greater non-compliant tax base. DOR would need to add twenty-five (25) auditors. DOR believes the twenty-five (25) auditors could increase over a period of time, as DOR generally performs three-year audits and there will be limited records to audit in the first several years following implementation of this proposed legislation. DOR requires two (2) additional auditors in training to perform discovery work needed to identify potential audit leads from non-registered businesses.

Oversight will include DOR's administrative and personal costs in this fiscal note as reported by DOR.

Officials from the **Missouri Department of Conservation (MDC)** assume an unknown fiscal impact but greater than \$100,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. MDC assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes MDC's Conservation Commission Fund (0609) receives one-eighth of one percent of the revenues generated from sales and use tax. Oversight will report the impact to the Conservation Commission Fund as reported by B&P.

Officials from the **Missouri Department of Natural Resources (DNR)** state the Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Any increase in sales tax collected could increase revenue to the Parks and Soils Sales Tax Funds. DNR assumes any increase in revenue to the Parks and Soils Sales Tax fund would be used for the purposes established in Article IV Section 47(a) of the Missouri Constitution.

DNR assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes DNR's Parks and Soils State Sales Tax Funds (0613 & 0614) receives one-tenth

ASSUMPTION (continued)

of one percent of the revenues generated from sales and use tax. Oversight will report the impact to the Parks and Soils State Sales Tax Fund(s) as reported by B&P.

Officials from the **City of St. Louis (St. Louis)** state the proposed legislation contains provisions that would codify most online sales as subject to sales and use tax laws of the state. It further provides for the use tax as a mechanism for collecting the equivalent sales taxes on sales originating outside of the state. It is difficult to estimate the potential revenue that is currently not being collected from online sales. However, a range of potential revenue can be estimated by comparing the percentage of actual sales and use tax distributions to St. Louis per statewide distributions reports of the Missouri Department of Revenue with statewide estimates of potential online sales revenue per a 2017 GAO report. St. Louis estimates the potential increase in use tax revenues range between \$6.9 million to \$10.6 million.

Oversight notes St. Louis has estimated an increase in use tax revenues equal to the range beginning at \$6.9 million and ending at \$10.6 million.

Officials from the **City of Springfield (Springfield)** state there is a positive fiscal impact to Springfield but the impact is unquantifiable without knowing the amount of online sales tax revenue that would be taxed.

Officials from the **City of Columbia (Columbia)** state if local voters approve a use tax, Columbia could see some positive fiscal impact from taxes that were previously not collected or remitted for out-of-state sellers.

Oversight notes Columbia does not currently impose a use tax. Therefore, their respective city would not be impacted until a use tax is imposed. Oversight further notes any city that does not currently impose a use tax would remain unaffected unless or until a use tax is imposed.

Officials from the **City of Kansas City (Kansas City)** assume this legislation would facilitate the collection of use taxes. Therefore, it would have a positive fiscal impact on Kansas City in the use tax revenues. However, Kansas City is currently unable to estimate the impact.

Oversight notes, for the purposes of this fiscal note, Oversight will report the impact to local political subdivisions as reported by B&P.

Section 144.637 - Tax Database(s)

Officials from **B&P** state this section requires DOR to create, maintain, and provide a database that assigns each nine-digit and five-digit zip code with the lowest combined local tax rate for that zip code. Vendors are required to use the database in determining the amount of use tax to collect and remit.

ASSUMPTION (continued)

DOR may provide an address level database with the corresponding tax rate for each address. If such a database is created, vendors must use the address level database in lieu of the zip code database when determining the amount of use tax to collect and remit.

Once DOR has created a zip code level database, they may also certify address-based databases provided by third party vendors. Vendors may then choose whether to use the DOR provided zip code database or the third party certified address-based database.

Any and all databases created, maintained, or certified by DOR must be provided at no cost to vendors for their use in collecting and remitting use taxes.

This section will not impact TSR or the calculation under Article X, Section 18(e). B&P defers to DOR for the estimated cost to the agency from this section.

Officials from **DOR** state this proposed section requires that the Director of Revenue shall provide and maintain a database that describes boundary changes for all taxing jurisdictions and the effective dates of such changes for the use of vendors collecting the tax imposed under Sections 144.600 to 144.745.

This proposed section states that for the identification of counties and cities, codes corresponding to the rates shall be provided according to Federal Information Processing Standards. For the identification of all other jurisdictions, codes corresponding to the rates shall be in a format determined by the director.

This proposed section states that the electronic databases provided for in subsections 1, 2, 3, and 4 of this section shall be in downloadable format as determined by the director. The databases shall be provided at no cost to the user of the database, and no vendor shall be liable for reliance upon erroneous data provided by the director on tax rates, boundaries, or taxing jurisdiction assignments.

DOR anticipates that this proposed section would require a total new program that would require DOR to contract with a certified service provider. DOR believes the fiscal impact for this would be **significantly greater than \$1 million**. DOR has reached out to multiple CSP providers, though we have yet to get any definitive fiscal response. DOR will continue to research and update when needed.

Oversight will show the estimated impact of (Greater than \$1,000,000) as reported by DOR in Fiscal Year 2021 as the proposed legislation does not provide a date in which the systems are required to be completed but would assist in the collection of Use Tax from out-of-state sellers as provided in Section 144.605 which would begin October 1, 2020 (Fiscal Year 2021).

ASSUMPTION (continued)

Section 144.757 - Sales and Use Tax Ballot Language

Officials from **B&P** state this section would alter the ballot language for certain local sales and use taxes which must be voter approved. The language removes the \$2,000 minimum threshold required before a purchaser must file a use tax return. B&P notes that currently Missouri residents are not required to file a use tax return until total purchases within a calendar year reaches \$2,000. However, once that minimum threshold has been reached, taxpayers are already required to pay use tax on the full amount of purchases, not just the amount over \$2,000. While use tax is legally due on all out-of-state purchases, B&P notes that it is not cost effective to audit taxpayers whose online purchases are lower than \$2,000. Therefore, B&P estimates that this section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this proposal modifies the ballot language for sales and use tax issues. DOR assumes no fiscal impact from changing the ballot language.

Oversight notes the **Missouri Department of Transportation** has stated the proposed legislation would not have a direct fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this organization.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Revenue Gain</u> - Section 144.605 - Out-of-State Use Tax Collection	\$52,100,000 to \$79,700,000	\$73,200,000 to \$111,800,000	\$76,700,000 to \$117,200,000
<u>Cost</u> - Section 144.605 - DOR - 6 Revenue Processing Technicians and 27 Auditors p. 9-10			
Personal Services	(\$983,640)	(\$1,192,172)	(\$1,204,093)
Fringe Benefits	(\$643,467)	(\$776,080)	(\$780,039)
Equipment and Expense	(\$243,804)	\$0	\$0
Postage and Printing Costs to Notify Out-of-State Sellers of Reporting Requirements p. 9	(\$100,000)	\$0	\$0
<u>Cost</u> - Section 144.637 - DOR Tax Database(s) p. 12	(Greater than \$1,000,000)	(Unknown)	(Unknown)
<u>Total Cost</u>	<u>(Greater than \$2,970,911)</u>	<u>(Could exceed \$1,968,252)</u>	<u>(Could exceed \$1,984,132)</u>
FTE Change	33 FTE	33 FTE	33 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	Less than \$49,129,089 to \$76,729,089	Less than \$71,231,748 to \$109,831,748	Less than \$74,715,868 to \$115,215,868
Estimated Net FTE Change for General Revenue Fund	33 FTE	33 FTE	33 FTE
SCHOOL DISTRICT TRUST FUND (0688)			
<u>Revenue Gain</u> - Section 144.605 - Out-of-State Use Tax Collection	<u>Less than \$17,400,000 to \$26,600,000</u>	<u>Less than \$24,400,000 to \$37,300,000</u>	<u>Less than \$25,600,000 to \$39,100,000</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u><u>Less than \$17,400,000 to \$26,600,000</u></u>	<u><u>Less than \$24,400,000 to \$37,300,000</u></u>	<u><u>Less than \$25,600,000 to \$39,100,000</u></u>

FISCAL IMPACT - Small Business

The collection of use tax from out-of-state sellers could even the playing field for local in-state small businesses; therefore, they could experience revenue growth. Out-of-state small businesses would be required to collect and remit the tax to the Missouri Department of Revenue; increasing their administrative costs and decreasing their net revenues.

FISCAL DESCRIPTION

Currently, the Department of Revenue must maintain a mapping feature on its website that displays various sales tax information. This bill requires the mapping feature to include use tax information (Section 32.310, RSMo).

Beginning October 1, 2020, this bill provides that a vendor will be considered to be engaging in business activities in this state when certain criteria specified in the bill is met. Vendors meeting such criteria will be required to collect and remit the use tax as provided under current law (Section 144.605).

This bill requires the Department of Revenue to provide and maintain a downloadable electronic database at no cost to the user of the database for taxing jurisdiction boundary changes and tax rates. Vendors will not be liable for reliance upon inaccurate data provided by the department on tax rates, boundaries, or taxing jurisdiction assignments (Section 144.637).

This bill modifies ballot language required for the submission of a local use tax to voters by including that the approval of the local use tax will eliminate the difference in tax rates collected by local and out-of-state sellers by imposing the same rate on all sellers (Section 144.757).

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
Missouri Department of Conservation
Missouri Department of Natural Resources
Missouri Department of Transportation
City of Kansas City
City of Columbia
City of Springfield
City of St. Louis



Julie Morff
Director
January 21, 2020



Ross Strobe
Assistant Director
January 21, 2020