

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5115-01
Bill No.: HB 2386
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use;
 Department of Revenue; Ambulances and Ambulance Districts; Fire Protection;
 Political Subdivisions; Emergencies
Type: Original
Date: March 3, 2020

Bill Summary: This proposal modifies the maximum sales tax rate that certain fire protection districts and ambulance districts are authorized to impose.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue*	\$0	\$0 or up to \$739,981	\$0 or up to \$739,981
Total Estimated Net Effect on General Revenue*	\$0	\$0 or up to \$739,981	\$0 or up to \$739,981

*This proposal increases the top sales tax rate that can be approved for ambulance districts and fire protection districts (from 0.5% to 1%) - this amount represents the 1% collection fee if every district that currently collects a sales tax gets voter approval to raise the sales tax rate to the new ceiling (1%).

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*	\$0	\$0 or up to \$73,258,108	\$0 or up to \$73,258,109

*This proposal increases the top sales tax rate that can be approved for ambulance districts and fire protection districts (from 0.5% to 1%) - this amount represents the tax revenue if every district that currently collects a sales tax gets voter approval to raise the sales tax rate to the new ceiling (1%).

FISCAL ANALYSIS

ASSUMPTION

Officials from **Department of Revenue (DOR)** assume this proposal would allow any governing body of an ambulance or fire protection district to impose a sales tax in an amount up to one percent on all retail sales made in such district. Previously the cap was at one-half of one percent. This proposal would not allow the districts in Cape Girardeau, Christian, Cole, Clay, Greene, Jackson, Jefferson, St. Charles County, St. Charles County and St. Louis City to increase their rates. In order to increase the sales tax the district would be required to hold an election and notify the Department of the increase. If the election were held in April 2021, then the tax would not be remitted until July 2021 (FY 2022).

Using information on the amount of sales tax collected, DOR calculated how much additional revenue would be raised by the districts if all raised their sales tax to the maximum 1% allowed by this proposal bellow.

Districts - Various Percentages	0.005	0.0025	0.00375	0.0045
Tax Base	10,240,964,864	1,843,205,900	849,942,243	664,923,916
New 1% Rate	\$ 102,409,649	\$ 18,432,059	\$ 8,499,422	\$ 6,649,239
Net Increase	\$ 51,204,824	\$ 13,824,044	\$ 5,312,139	\$ 3,657,082
1% DOR Fee*	\$ 512,048	\$ 138,241	\$ 53,121	\$ 36,571
District Increase*	\$ 50,692,776	\$ 13,685,804	\$ 5,259,018	\$ 3,620,511

* 1% DOR Fee = \$512,048+\$138,240+\$53,120+\$36,571 = 739,981

*District Increase total = \$50,692,776+\$13,685,804+\$5,259,018+\$3,620,511 = 73,258,108

The Department is allowed to retain 1% for collection costs, so this would be an increase to General Revenue of \$739,981 if all the subdivisions raised the tax to the maximum allowed.

This would impact General Revenue \$0 or up to \$739,981 starting in FY 2022

This would impact local political subdivisions \$0 or up to \$73,258,108 starting in FY 2022.

ASSUMPTION (continued)

Officials from the **Office of Administration Budget & Planning (B&P)** defer to the Department of Revenue for estimates of specific collection costs and projected sales tax revenues.

B&P also assumes the proposal allows increasing the sales tax for the described fire protection district from 0.50% up to 1% for the purpose of funding ambulance or fire protection districts.

According to the State Demographer, the description of any first class county or charter county in subsection 1 excludes counties with the population parameters fitting the counties of Greene, Clay, Platte, St. Louis, and St. Charles. This means any other county not excluded could raise its 0.5% sales tax to 1% on retail sales in its ambulance or fire protection districts.

It is assumed that districts with sales taxes below 0.5% could also raise their sales taxes. The chart below shows the revenue collection and DOR fee impact for each sales tax level increasing to 1%.

	1% Collections	DOR Fee	District Collections	Net Increase
0.250%	\$30,998,787	\$309,988	\$30,688,799	\$23,249,090
0.375%	\$8,499,422	\$84,994	\$8,414,428	\$5,312,139
0.450%	\$6,649,239	\$66,492	\$6,582,747	\$3,657,082
0.500%	\$131,717,947	\$1,317,179	\$130,400,767	\$65,858,973
1.000%	\$177,865,395	\$1,778,654	\$176,086,741	\$98,077,284

Voter-approved taxes do not impact TSR or 18e. However, DOR's retained collection fee will increase TSR.

The overall fiscal impact would be \$0 to \$178 million based upon the sales tax actions of existing ambulance and fire protection district policies, resulting in a potential \$98 million increase.

Oversight notes currently there are 78 districts that collect a sales tax (60 ambulance districts and 18 fire protection districts). For FY 2019, the distribution of sales tax revenue to the 60 ambulance districts totaled \$58 million, while the distribution to the 18 fire protection districts totaled \$19.7 million. Assuming most of these are collecting .5% sales tax, the potential to double the sales tax rate (depending upon voter approval) would total \$77.7 million (\$58 m + \$19.7 m), which is similar to the estimate provided by DOR. Therefore, Oversight will utilize DOR's estimate

ASSUMPTION (continued)

Officials from the **Department of Conservation (MDC)** assume the proposal will have 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. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from **Department of Natural Resources (DNR)** assume the proposal will have no direct impact to their organization.

Oversight notes that Article IV, Section 47 of the Missouri Constitution, allows revenue received from an additional sales tax of one-tenth (1/10) of percent (1%) to be used for the conservation and management of the soil and water resources of Missouri and for the proper management of the state parks. The Parks Sales Tax Fund (0613) and the Soil and Water Sales Tax Fund (0614) each are to receive 50% of this additional sales tax funding. However, the proposal specifically allocates the monies into the Ambulance or Fire Protection District Sales Tax Trust Fund. Therefore, Oversight will note no fiscal impact to MDC or DNR organizations.

Officials from **Department of Public Safety - Fire Safety** and **Department of Public Safety Missouri Highway Patrol** both assume the proposal will have no impact on their respective organizations.

Officials from **City of Kansas City, Kansas City Election Board, Jackson County Election Board,** and **Saint Louis County Board of Election** each assume the proposal will have no impact on their respective organizations.

Oversight notes the proposal will increase revenues to the local fire district and ambulance districts. Therefore, Oversight will note fiscal impact to the local political subdivisions \$0 (if not passed by constituents) or up to \$73,258,108 (estimated by DOR, passed by constituents) starting in FY 2022.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, clerks, election officials, were requested to respond to this proposed legislation but did not.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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GENERAL REVENUE

<u>Revenue - DOR 1% collection fee p.3</u>	<u>\$0</u>	\$0 or Up to <u>\$739,981</u>	\$0 or Up to <u>\$739,981</u>
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ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 or Up to \$739,981</u>	<u>\$0 or Up to \$739,981</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
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LOCAL POLITICAL SUBDIVISIONS

<u>Revenue - Sales Tax Disbursement to Fire Protection Districts and/or Ambulance Districts</u>	<u>\$0</u>	\$0 or Up to <u>\$73,258,108</u>	\$0 or Up to <u>\$73,258,108</u>
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ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or Up to \$73,258,108</u>	<u>\$0 or Up to \$73,258,108</u>
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FISCAL IMPACT - Small Business

Small businesses in the districts where the tax is increased will be negatively impacted by paying the higher tax.

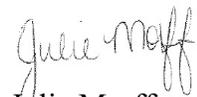
FISCAL DESCRIPTION

Currently, the governing body of ambulance and fire protection districts in certain counties are authorized to propose a sales tax at a rate of up to 0.5%. This bill allows such districts to propose a sales tax of up to 1.0%.

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

Department of Revenue
Office of Administration - Budget & Planning
Department of Conservation
Department of Natural Resources
Department of Public Safety - Fire Safety
Department of Public Safety Missouri Highway Patrol
City of Kansas City
Kansas City Elections Board
Jackson County Election Board
Saint Louis County Election



Julie Morff
Director
March 3, 2020



Ross Strope
Assistant Director
March 3, 2020