

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5151-01
Bill No.: HB 2483
Subject: Taxation and Revenue - General; Counties; Taxation and Revenue - Sales and Use
Type: Original
Date: March 3, 2020

Bill Summary: This proposal updates language relating to the recreation sales tax for certain counties.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0	\$0 or Could Exceed \$114,268	\$0 or Could Exceed \$155,405
Total Estimated Net Effect on General Revenue*	\$0	\$0 or Could Exceed \$114,268	\$0 or Could Exceed \$155,405

*Fiscal impact represents voter approval of a joint 1% sales tax in both Bollinger County and Cape Girardeau County for recreational projects and programs. This is the Department of Revenue's 1% collection fee.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 10 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			

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 Could Exceed \$11,312,540	\$0 or Could Exceed \$15,385,055

*Fiscal impact represents voter approval of a joint 1% sales tax in both Bollinger County and Cape Girardeau County for recreational projects and programs.

FISCAL ANALYSIS

ASSUMPTION

Officials from **Office of Administration - Budget & Planning (B&P)** notes:

B&P defers to DOR for more specific estimates of actual collection costs.

Section 67.782 - This proposal allows voters in the County of Osage to vote on a 1.0% recreation sales tax. This expands the availability of this tax beyond Bollinger and Cape Girardeau counties.

County of Osage - Based upon the County of Osage's FY19 taxable sales revenues, Budget & Planning estimates that a 1.00% tax will generate collections of \$985,768. This sales tax would take effect following a public vote, this analysis assumes an April 1 start, so only Q4 of FY21 sales collections would be impacted with the full year collection amounts generated in FY22 and FY23. Collections in Q4 of FY21 would be \$246,442 and \$985,768 in FY22 and FY23.

As a voter-approved tax, the collected revenues will not impact general and total state revenues; however, DOR will retain 1% to offset collection costs. Therefore, this portion could increase general and total state revenues by the DOR fee amounts of \$2,489 in Q4 of FY21 and of \$9,957 in FY22 and FY23.

Oversight notes the officials from B&P defer to the Department of Revenue to estimate the fiscal impact of the proposed legislation.

Officials from the **Department of Revenue (DOR)** assume this proposal previously stated any county of the third class having a population of more than ten thousand and less than fifteen thousand and any county of the second class having a population of more than fifty-eight thousand and less than seventy thousand adjacent to such third class county, both counties making up the same judicial circuit, could jointly impose a sales tax for public recreational purposes.

ASSUMPTION (continued)

The Department notes the following counties are of the third class with a population between 10,000 and 15,000.

BARTON	12,402.00
BOLLINGER	12,363.00
CEDAR	13,982.00
DeKALB	12,892.00
DOUGLAS	13,684.00
GRUNDY	10,261.00
HOWARD	10,144.00
IRON	10,630.00
LEWIS	10,211.00
LINN	12,761.00
MADISON	12,226.00
MISSISSIPPI	14,358.00
MONTGOMERY	12,236.00
OREGON	10,881.00
OSAGE	13,878.00
RALLS	10,167.00
RIPLEY	14,100.00
WAYNE	13,521.00

Any county of the second class having a population of more than fifty-eight thousand and less than seventy thousand, the only county that meets this definition is Newton County which as stated above must be next to one of the above listed counties. Looking at a map, shows that Newton County is not next to any of these counties and is the reason no counties have collected the tax.

ASSUMPTION (continued)

Both Bollinger County and Cape Girardeau County would have to adopt this tax or the tax would not be implemented.

Bollinger County had taxable sales of (as shown in the below table)

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2016	11,964,886	12,721,797	12,373,127	12,369,980	49,429,789
2017	12,283,021	12,270,147	11,903,277	11,684,252	48,140,697
2018	14,165,368	12,595,268	12,629,610	12,969,344	52,356,591
2019	12,653,424	12,174,387			

Converting calendar year taxable sales to fiscal year taxable sales and using a 2% inflation rate annually, we are able to determine the amount of collection Bollinger County could expect if they pass this proposal.

Bollinger County:

FY	Total	% Growth	Collections (1% tax)	DOR Fee (1% of collections)	Final Collection
2016	24,686,683				
2017	49,296,275				
2018	50,348,165	2.00%	503,482	5,035	498,477
2019	51,355,128	2.00%	513,551	5,136	508,416
2020	52,382,231	2.00%	523,822	5,238	518,584
2021	53,429,875	2.00%	534,299	5,343	528,956
2022	54,498,473	2.00%	544,985	5,450	539,535
2023	55,588,442	2.00%	555,884	5,559	550,326

ASSUMPTION (continued)

Cape Girardeau had taxable of (as shown in the below table)

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2016	320,777,153	331,167,800	334,639,295	363,471,807	1,350,059,054
2017	317,321,199	338,602,549	333,329,400	354,698,971	1,343,952,118
2018	326,759,327	342,411,413	344,721,208	359,599,262	1,373,491,210
2019	316,378,625	331,784,350			

Cape Girardeau County:

FY	Total	% Growth	Collections (1% tax)	DOR Fee (1% collection fee)	Final Collection
2016	651,944,953				
2017	1,354,034,850				
2018	1,357,199,111	2.00%	13,571,991	135,720	13,436,271
2019	1,384,343,093	2.00%	13,843,431	138,434	13,704,997
2020	1,412,029,955	2.00%	14,120,300	141,203	13,979,097
2021	1,440,270,554	2.00%	14,402,706	144,027	14,258,678
2022	1,469,075,965	2.00%	14,690,760	146,908	14,543,852
2023	1,489,457,485	2.00%	14,984,575	146,846	14,834,729

DOR notes that this proposal would become effective on August 28, 2020 and the first election would be the April 6, 2021 election. Therefore this will not have a fiscal impact in FY 2021. This sales tax would begin October 1, 2021 (FY 2022) if adopted by the voters. Therefore the impact in FY 2022 would be for 9 months.

ASSUMPTION (continued)

The impact of the bill is estimated to be:

	1% DOR Fee	County Recreation Fund
FY 2021	\$0	\$0
FY 2022 (9 Months)	\$114,268	\$11,312,540
FY 2023	\$155,405	\$15,385,055

Oversight notes the DOR's assumption shows there are only two counties meeting the criteria of possible cooperation under this proposal. Oversight does not have any information to the contrary. Therefore, Oversight will reflect the DOR's cost ranging from \$0 (if not passed by constituents) or \$11,312,540 FY 2022 and \$15,385,055 FY 2023 (passed by constituents) to the general revenue and local political subdivisions on the fiscal note.

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 change in sales and use tax collected would affect 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.

Oversight notes that Article IV, Sections 43(a) and 43(b) of the Missouri Constitution, allows revenue received from an additional sales tax of one-eighth (1/8) of one percent (1%) to be used for the operations and administration of the Conservation Commission and the MDC.

Oversight notes the proposal specifically allocates the monies from the local sales tax into the Ambulance or County Recreation Sales Tax Trust Fund. Therefore, Oversight will note no fiscal impact to MDC.

Officials from the **State Treasurer's Office** and **Missouri Department of Transportation** both assume the proposal will have no fiscal impact to their respective organizations.

ASSUMPTION (continued)

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

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.

Oversight will range the fiscal impact from \$0 (voter approval not acquired) to the estimates provided by DOR.

<u>FISCAL IMPACT - State Government</u>	FY 2021	FY 2022 (9 Mo.)	FY 2023
GENERAL REVENUE			
<u>Revenue</u> - DOR collection fee 1% p. 3	<u>\$0</u>	\$0 or Could Exceed <u>\$114,268</u>	\$0 or Could Exceed <u>\$155,405</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>\$0</u>	\$0 or Could Exceed <u>\$114,268</u>	\$0 or Could Exceed <u>\$155,405</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2021	FY 2022 (9 Mo.)	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - DOR disbursement from County Recreation Sales Tax Trust Fund p. 6,5,7	<u>\$0</u>	\$0 or Could Exceed <u>\$11,312,540</u>	\$0 or Could Exceed <u>\$15,385,055</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	\$0 or Could Exceed <u>\$11,312,540</u>	\$0 or Could Exceed <u>\$15,385,055</u>

FISCAL IMPACT - Small Business

Sales tax may impact a small business' purchasing ability and as well as the sale of its own goods.

FISCAL DESCRIPTION

Currently, any county of the third class having a population of more than 10,000 and less than 15,000 and any county of the second class having a population of more than 58,000 and less than 70,000 adjacent to such third class county, both counties making up the same judicial circuit, may jointly impose a sales tax throughout each of their respective counties for public recreational purposes including the financing, acquisition, construction, operation and maintenance of recreational projects and programs, but the sales taxes will not become effective unless the governing body of each such county submits to the voters of their respective counties a proposal to authorize the counties to impose the sales tax and such proposal is approved by a majority of the voters in each county.

This bill changes the counties having authority to impose such a tax to any county of the third classification without a township form of government and with more than 12,000 but fewer than 14,000 inhabitants and with a city of the fourth classification with more than 1,350 but fewer than 1,500 inhabitants as the county seat and any county of the first classification with more than 70,000 but fewer than 83,000 inhabitants and with a city of the fourth classification with more than 13,500 but fewer than 16,000 inhabitants as the county seat.

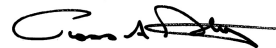
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget & Planning
Missouri Department of Transportation
Department of Conservation
Kansas City Election Board
Jackson County Election Board
Plate County Board of Elections
Saint Louis County Board of Elections
Davies County Clerk Office
City of Kansas City



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March 3, 2020



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