

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1121H.011
 Bill No.: HB 394
 Subject: Taxation and Revenue - Sales and Use; Taxation and Revenue - General; Political Subdivisions; Cities, Towns, and Villages; Fire Protection; Law Enforcement Officers and Agencies; Ambulances and Ambulance Districts
 Type: Original
 Date: January 25, 2021

Bill Summary: The proposal authorizes a sales tax dedicated to public safety in the cities of Clinton and Lincoln upon voter approval.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue *	\$0	\$0 to \$8,876	\$0 to \$12,073
Total Estimated Net Effect on General Revenue	\$0	\$0 to \$8,876	\$0 to \$12,073

*Represents the potential 1% Department of Revenue collection fee if voters approve the sales tax(es).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0 to \$878,835	\$0 to \$1,195,215

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (B&P)** defer to the local government for the fiscal impact. The Department of Revenue's retained collection fee (1%) will increase Total State Revenue because DOR will be able to collect its 1% administration fee for handling the collection of the tax.

Officials from **Department of Revenue (DOR)** assume:

Section 94.902

This proposal would allow any city of the third classification with more than nine thousand but fewer than ten thousand inhabitants and located in any county of the third classification with a township form of government and with more than twenty thousand but fewer than twenty-three thousand inhabitants to implement a sales tax for public safety. DOR believes the only City to qualify under this description is the City of Clinton.

Additionally, this proposal would allow any city of the fourth classification with more than one thousand fifty but fewer than one thousand two hundred inhabitants and located in any county of the third classification without a township form of government and with more than eighteen thousand but fewer than twenty thousand inhabitants and with a city of the fourth classification with more than two thousand one hundred but fewer than two thousand four hundred inhabitants as the county seat to also implement a sales tax for public safety. DOR believes this would apply to the City of Lincoln and the City of Cole Camp.

The sales tax may be imposed in an amount of up to one-half of one percent. The tax shall be imposed solely for the purpose of improving the public safety.

CITY OF CLINTON

DOR shows that the **City of Clinton** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	40,147,895	44,618,974	44,443,717	44,037,435	173,248,021
2016	41,389,150	45,465,065	45,533,177	44,893,260	177,280,651
2017	40,038,915	47,066,194	45,477,582	43,884,475	176,467,167
2018	40,961,939	47,940,212	46,462,280	46,505,858	181,870,288
2019	41,412,692	48,554,205	48,146,261	47,602,031	185,715,189
2020	46,200,897	55,540,348			101,741,245

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact we will assume the full one-half of one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a quarter of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Clinton would collect and the fee retained by DOR as:

Clinton	1/4 of 1% Tax		1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2022	\$0	\$0	\$0	\$0
2023	\$5,239	\$518,704	\$10,479	\$1,037,409
2024	\$5,344	\$529,078	\$10,688	\$1,058,157

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

Clinton	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Clinton Revenues
2022	\$0	\$0
2023	\$7,859	\$778,057
2024	\$10,688	\$1,058,157

CITY OF LINCOLN

DOR shows that the **City of Lincoln** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	2,124,060	2,412,496	2,368,178	2,014,074	8,918,808
2016	2,138,130	2,369,529	2,437,892	2,142,464	9,088,015
2017	2,177,513	2,602,875	2,547,296	2,120,049	9,447,734
2018	2,444,106	2,542,249	2,617,362	2,318,717	9,922,434
2019	2,031,857	2,243,606	2,706,418	2,367,247	9,349,128
2020	2,464,802	3,151,201			5,616,003

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact we will assume the full one-half of one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a quarter of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Lincoln would collect and the fee retained by DOR as:

Lincoln	1/4 of 1% Tax		1/2 of 1% Tax	
	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
Fiscal Year				
2022	\$0	\$0	\$0	\$0
2023	\$284	\$28,076	\$567	\$56,153
2024	\$289	\$28,638	\$579	\$57,276

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

Lincoln	1/2 of 1% Tax	
	DOR 1% Fee	Lincoln Revenue
Fiscal Year		
2022	\$0	\$0
2023	\$425	\$42,115
2024	\$579	\$57,276

CITY OF COLE CAMP

DOR shows that the **City of Cole Camp** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	3,229,113	3,002,081	3,402,238	3,196,016	12,829,447
2016	3,095,340	3,003,988	3,225,042	3,279,187	12,603,558
2017	3,081,084	2,956,959	3,249,944	3,336,067	12,624,054
2018	3,278,248	3,220,758	3,474,064	4,684,461	14,657,531
2019	3,402,802	3,687,581	3,745,639	3,618,415	14,454,437
2020	3,688,039	3,837,967			7,526,006

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact we will assume the full one-half of one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a quarter of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Cole Camp would collect and the fee retained by DOR as:

Cole Camp Fiscal Year	1/4 of 1% Tax		1/2 of 1% Tax	
	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2022	\$0	\$0	\$0	\$0
2023	\$395	\$39,109	\$790	\$78,217
2024	\$403	\$39,891	\$806	\$79,782

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

Cole Camp Fiscal Year	1/2 of 1% Tax	
	DOR 1% Fee	Local Collection
2022	\$0	\$0
2023	\$592	\$58,663
2024	\$806	\$79,782

Clinton, Lincoln, & Cole Camp combined:

All Together Fiscal Year	1/2% of 1% Tax	
	DOR 1% Fee	Local Collection
2022	\$0	\$0
2023	\$8,876	\$878,835
2024	\$12,073	\$1,195,215

Officials from the **DOR** do not anticipate any administrative costs stemming from the proposal.

In response to the similar proposal, HCS for HB 1701 (3883-02) 2020, Officials from the **City of Clinton** assumed, based on financial data from FY 18-19, the City would expect to generate annual revenues of \$950,000 based on a one-half percent sales tax.

Additionally, Officials at the **City of Branson West** assumed if the Board of Alderman of the City decide to approve the tax at half a percent and it is passed, the approximate revenue that will be brought in is \$500,000 annually.

Oversight notes while the cities within this proposal could start to generate sale tax revenue beginning October 1, 2022, the reporting will not occur until 1 month later. Therefore, Oversight will range the fiscal impact from \$0 (not approved by voters) the estimates calculated by Oversight for 8 months in FY 22 and reflect a full year of sales tax revenue for FY 23 in this proposal.

Officials from the **City of Ballwin** and **City of Hale** assume the proposal would not have direct fiscal impact on their respective organizations.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Additional Revenue - DOR - '94.902 - 1% DOR Collection fee</u>	<u>\$0</u>	<u>\$0 to \$8,876</u>	<u>\$0 to \$12,073</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 to \$8,876</u>	<u>\$0 to \$12,073</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
CITY OF CLINTON			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902	\$0	\$0 to \$785,916	\$0 to \$1,068,845
<u>Loss - 1% collection fee kept by DOR</u>	\$0	\$0 to (\$7,859)	\$0 to (\$10,688)
ESTIMATED NET EFFECT ON CITY OF CLINTON	\$0	\$0 to \$778,057	\$0 to \$1,058,157
CITY OF LINCOLN			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902	\$0	\$0 to \$42,540	\$0 to \$42,115
<u>Loss - 1% collection fee kept by DOR</u>	\$0	(\$425)	(\$579)
ESTIMATED NET EFFECT ON CITY OF LINCOLN	\$0	\$0 to \$42,115	\$0 to \$57,276

<u>FISCAL IMPACT – Local Government</u> (continued)	FY 2022 (10 Mo.)	FY 2023	FY 2024
CITY OF COLE CAMP			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902	\$0	\$0 to \$58,663	\$0 to \$79,782
<u>Loss - 1% collection fee kept by DOR</u>	\$0	(\$592)	(\$806)
ESTIMATED NET EFFECT ON CITY OF LINCOLN	<u>\$0</u>	<u>\$0 to \$59,255</u>	<u>\$0 to \$80,588</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 to \$878,835</u>	<u>\$0 to \$1,195,215</u>

FISCAL IMPACT – Small Business

This proposal would allow for a sales tax increase in the cities listed above that would impact small businesses depending on the tax rate approved by the voters.

FISCAL DESCRIPTION

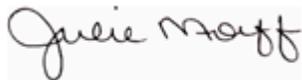
This bill adds any city of the third classification with more than 9,000 but fewer than 10,000 inhabitants and located in any county of the third classification with a township form of government and with more than 20,000 but fewer than 23,000 inhabitants and any city of the fourth classification with more than 1,050 but fewer than 1,200 inhabitants and located in any county of the third classification without a township form of government and with more than 18,000 but fewer than 20,000 and with a city of the fourth classification with more than 2,100 but fewer than 2,400 inhabitants as the county seat to the list of cities authorized to impose, upon voter approval, a sales tax in an amount of up to one-half of one percent for public safety purposes, including expenditures on equipment, city employee salaries and benefits, and facilities for police, fire and emergency medical providers.

Currently, the only additional cities described are Lincoln and Clinton.

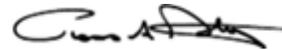
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration – Budget & Planning
City of Ballwin
City of Hale



Julie Morff
Director
January 25, 2021



Ross Strobe
Assistant Director
January 25, 2021