

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3862-01
Bill No.: HB 1308
Subject: Tourism; Taxation and Revenue
Type: Original
Date: February 16, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue*	\$353	\$97,744	\$95,579
Total Estimated Net Effect on General Revenue Fund	\$353	\$97,744	\$95,579

*Oversight assumes the maximum (2%) tax will pass.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this proposal establishes a sales tax on certain items (food and drinks) and at two different rates. The DOR would need two Tax Processing Technician I's (one for every additional 34,000 errors generated and one for every 170,000 returns impacted). DOR would also need one Office Support Assistant to pre-edit for every 184,000 returns impacted. The Division of Taxation would need to program (2,768 hours for a cost of \$92,340) DOR existing systems to handle the new item tax. **Oversight** assumes the voters will approve the tax, therefore requiring costs to the DOR. **Oversight** assumes that upon passage by the voters, the cities will enter into an agreement with the DOR for collection of the tax.

Officials from the **City of Independence** state since this is enabling legislation, there will be no impact until a local ballot is prepared and approved. The City of Independence states the local fiscal impact per year will depend on the decision of when to hold the local vote. The City of Independence states current revenue estimates for a 1% restaurant tax is \$1,600,000 annually. Additional restaurant growth and cost of living increases would result in increased revenues.

Officials from the **City of Kansas City** state for every 1/8 of a percent increase in Museum and Tourism-Related Activities tax, the city would generate approximately \$940,000 to \$960,000 in revenue. The City of Kansas City currently collects a Convention and Tourism tax. Any costs

ASSUMPTION (continued)

incurred to collect a Museum and Tourism-Related Activities tax would be negligible.

Oversight assumes this proposal is enabling legislation and would have no fiscal impact without action of the governing body with voter approval. **Oversight will show fiscal impact as though a sales tax were adopted. Oversight assumes the maximum 2% tax will be imposed. However, if a lower rate is set, General Revenue will receive less money.**

FISCAL IMPACT - State Government FY 2005 FY 2006 FY 2007

GENERAL REVENUE

Income - Department of Revenue

1% collection fee	\$184,000	\$184,000	\$184,000
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Costs - Department of Revenue

Personal Services (3 FTE)	(\$48,585)	(\$59,760)	(\$61,254)
Fringe Benefits	(\$20,114)	(\$24,741)	(\$25,359)
Expense and Equipment	(\$22,608)	(\$1,755)	(\$1,808)
Programming	<u>(\$92,340)</u>	<u>\$0</u>	<u>\$0</u>
	<u>(\$183,647)</u>	<u>(\$86,256)</u>	<u>(\$88,421)</u>

ESTIMATED NET EFFECT TO

GENERAL REVENUE*	<u>\$353</u>	<u>\$97,744</u>	<u>\$95,579</u>
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*Income and costs are presented but are subject to voter approval. Oversight assumes the maximum (2%) tax will pass. However, if a lower rate is set, General Revenue will be less.

FISCAL IMPACT - Local Government FY 2005 FY 2006 FY 2007

MUSEUM TRUST FUND

Income to Museum Trust Fund

Tax Collected	Unknown	Unknown	Unknown
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Costs to Museum Fund

Providing for museum purposes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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Estimated Net Effect to Museum Trust

Fund **	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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**** Oversight assumes costs would equal income resulting in an annual zero fiscal impact.**

TOURISM-RELATED TRUST FUND

Income to Tourism-Related Trust Fund

Tax Collected	Unknown	Unknown	Unknown
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Cost to Tourism-Related Trust Fund

Providing for tourism-related purposes	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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Estimated Net Effect to Tourism-Related Trust Fund *

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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*** Oversight assumes costs would equal income resulting in an annual zero fiscal impact.**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

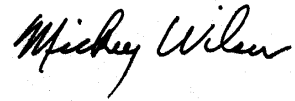
This proposal allows the cities of Kansas City and Independence, to impose, upon voter approval, an additional sales tax on food establishments within the city. The tax may be imposed in increments of one-eighth of 1% up to a maximum of 2% of the gross receipts. This tax will be known as the Museum and Tourism-Related Activities Tax and will be used to fund these purposes. The proposal spells out the ballot language and the collection procedure.

The proposal contains an emergency clause.

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
City of Kansas City
City of Independence

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 16, 2004