

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2157-01
Bill No.: HJR 21
Subject: Cities, Towns, and Villages: Constitutional Amendments; Counties; Taxation;
Telecommunications
Type: Original
Date: February 19, 2007

Bill Summary: Proposes a constitutional amendment prohibiting political subdivisions from imposing gross receipts tax on telecommunications providers at rates higher than business license tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>Other</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 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0 to (Exceeding \$11,200,000)	\$0 to (Exceeding \$11,200,000)	\$0 to (Exceeding \$11,200,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Public Service Commission** and **Office of Public Counsel** and the **Department of Revenue** state this proposal will have no fiscal impact on their respective agencies.

Officials from the **Office of the Secretary of State (SOS)** assume many joint resolutions are considered by the General Assembly that would require the SOS to pay for publishing in local newspapers the full text of each statewide ballot measure as directed by Article XII, Section 2(b) of the Missouri Constitution and Section 116.230-116.290, RSMo. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. Funding for this item is adjusted each year depending upon the election cycle with \$1.6 million historically appropriated in even numbered fiscal years and \$100,000 appropriated in odd numbered fiscal years to meet these requirements. The appropriation has historically been an estimated appropriation because the final cost is dependent upon the number of ballot measures approved by the General Assembly and the initiative petitions certified for the ballot. In FY 2006 at the August and November elections there were 6 statewide Constitutional Amendments or ballot propositions that cost \$1 million to publish (an average of \$167,000 per issue). Therefore, the SOS assumes, for the purposes of this fiscal note, that it should have the full appropriation authority it needs to meet the publishing requirements. However, because these requirements are mandatory, SOS will request funding to meet the cost of our publishing requirements if the Governor and the General Assembly change the amount or eliminate the estimated nature of the appropriation.

Officials from the **City of Grandview** state they will have a loss of revenue from telecommunications service providers estimated to be at least \$340,000. The figure does include SW Bell telephone franchise tax revenue.

Officials from the **City of Maryland Heights** state this proposal would have a negative fiscal impact of not less than \$1 million per year. The city imposes a business license tax of \$.02 per square foot of business structure. This proposal would prohibit any imposition of this tax on the telecommunications companies doing business in their community.

The City of **Independence** assume they will incur losses of \$1,860,000 as a result of this proposal.

Officials from St Louis County that their County currently receives gross receipts taxes totaling
ASSUMPTION (continued)

more than 2.7 million dollars per year from land line telephone service providers. In addition, St. Louis County is currently receiving payments of gross receipts taxes under protest from several wireless telephone service providers. All revenues from gross receipts tax are dedicated for police and law enforcement purposes. This proposal would endanger the County's ability to levy the tax on telephone service providers. The proposal would create additional costs to tax payers, since the loss of revenue from the gross receipts taxes will need to be replaced with other tax revenue. If not replaced, the loss of gross receipts taxes will result in a reduction of police and law enforcement services. The County could lose as much as \$8 million dollars per year in prospective tax payments from land line and cell phone service providers.

Officials from the **City of West Plains** state this proposal could have a major negative fiscal impact to their city; their business license is \$35, while franchise fees are 5.5%.

Oversight was unable to get a complete estimate of the costs to political subdivision; however, based on the responses received, the estimate of costs will be ranged from \$0 to (Exceeding \$11,200,000) annually. The losses to the political subdivisions will not occur unless the constitutional amendment is approved by the voters of the state.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
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POLITICAL SUBDIVISIONS

Loss - Tax revenues from telecommunications providers that exceed business license tax rate

\$0 to (Exceeding <u>\$11,200,000</u>)	\$0 to (Exceeding <u>\$11,200,000</u>)	\$0 to (Exceeding <u>\$11,200,000</u>)
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ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS

<u>\$0 to (Exceeding \$11,200,000)</u>	<u>\$0 to (Exceeding \$11,200,000)</u>	<u>\$0 to (Exceeding \$11,200,000)</u>
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FISCAL IMPACT - Small Business

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

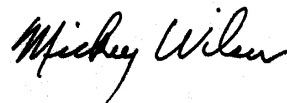
FISCAL DESCRIPTION

This constitutional amendment, upon voter approval, would provide that county, city, or other political corporation or subdivision of the state shall tax the gross receipts of a provider of telecommunications services at a rate greater than the generally applicable business license tax rate imposed on the gross receipts of retail establishments operating within the boundaries of such county, city, or other political corporation or subdivision.

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
Department of Economic Development
 Public Service Commission
 Office of Public Counsel
Office of Secretary of State
 Division of Elections
Cities
 Grandview
 Maryland Heights
 Independence
 West Plains
Counties
 St Louis County



Mickey Wilson, CPA
Director
February 19, 2007