

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4109-01
Bill No.: HB 1067
Subject: Taxation and Revenue - Property; Taxation and Revenue - Sales and Use;
Counties
Type: Original
Date: January 15, 2014

Bill Summary: This proposal would require any business in which tobacco use is prohibited by a political subdivision to remit its property and county and municipal sales tax revenues on tobacco products to local school districts instead of that political subdivision.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$121,540)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$121,540)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Section 191.778, RSMo. - Property and Sales Tax Allocation:

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

BAP officials noted this proposal would require that when a political subdivision prohibits the use of tobacco in a private business, and a particular business would otherwise allow tobacco use on its premises, all of the property tax related to that business as well as all county and municipal sales taxes on tobacco products that otherwise would go to the political subdivision's general fund must be remitted to the local school district.

BAP officials assume this proposal would have no direct impact on Total State Revenues.

Officials from the **Department of Revenue - Division of Taxation (DOR)** assume this proposal would require all tax revenue generated by a private business through property taxes, county sale taxes, and city sales taxes that would fund the general revenue or operating fund of any political subdivision which prohibits the use of tobacco in that business would be remitted to the local school district in lieu of that political subdivision.

ASSUMPTION (continued)

Fiscal impact

DOR officials assume this proposal would have no direct impact on Total State Revenue.

Administrative Impact

DOR officials assume each political subdivision which has enacted or enacts an ordinance prohibiting the use of tobacco in a private business would be required to inform the Department of the ordinance. In addition, the political subdivision would be required to assist in the identification of all the affected businesses and provide that information to the Department. Each business would need to be matched to a school district.

DOR officials noted that programming would be needed to identify the affected businesses and create registration records for those businesses. Something similar to a special district would need to be set up to report the sales of the affected businesses, and additional programming would be needed for the distribution program to match the affected businesses to a school district and to distribute the city sales tax to the school district.

Oversight notes the DOR response did not include any estimate for additional administration or processing costs and assumes those anticipated costs are minimal and could be absorbed by DOR.

IT impact

DOR officials assume 4,452 hours of programming would be required to make changes for the distribution to school districts, and provided an estimated cost of \$121,540 for that effort.

Officials from the **Boone County Collector of Revenue** assume the fiscal impact of this proposed legislation to the Collector's office is unknown but programming and adaptation of our current collection and distribution systems will be very costly in addition to the staff resources for fulfilling the accounting and oversight functions.

Officials from the **City of Columbia**, the **Francis Howell School District**, and the **Fulton School District** stated they were not able to provide an estimate of the impact of this proposal to their organization.

ASSUMPTION (continued)

Oversight notes this proposal would require a local government to forfeit property and sales tax revenues from a private business if that local government had prohibited tobacco use in that business. The forfeited taxes would be paid to the local school district, instead of the local government which levied the taxes. Thus, the forfeiture of tax revenue to another local government would result from the action of the local government and there would be no net effect to local governments. Oversight will indicate a reduction of revenue to local government for the forfeiture of tax revenues and additional revenue to school districts for the redirected tax revenues.

Oversight assumes local governments which collect property tax revenues would have an unknown cost to redistribute property taxes on private businesses which are or would become subject to tobacco use prohibitions by local ordinance or other local action. For fiscal note purposes, Oversight will indicate cost of less than \$100,000 for local governments.

Officials from the **Joint Committee on Administrative Rules**, the **Department of Public Safety - Division of Alcohol and Tobacco Control** and the **St. Louis County Directors of Elections** assume the proposal would have no fiscal impact to their respective agencies.

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kansas City, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following school districts: Blue Springs, Branson, Charleston R-I, Cole R-I, Columbia, Fair Grove, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Nixa, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
IT cost			
Sales tax reallocation			
Section 191.778	<u>(\$121,540)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$121,540)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL GOVERNMENT			
<u>Additional revenue</u> - school districts			
Property and sales taxes redirected			
Section 191.778	Unknown	Unknown	Unknown
<u>Revenue reduction</u> - local governments			
Property and sales taxes forfeited			
Section 191.778	(Unknown)	(Unknown)	(Unknown)
<u>Cost</u> - local governments			
Processing of tax forfeiture			
Section 191.778	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENT	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

FISCAL IMPACT - Small Business

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

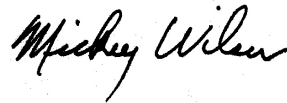
FISCAL DESCRIPTION

This bill specifies that if a political subdivision prohibits the use of tobacco in a private business, and a particular business would allow the use on its premises if the prohibition was not in effect, all tax revenue generated by that business through property taxes and county and municipal sales taxes on tobacco products that would otherwise accrue to the benefit of the political subdivision's general revenue or operating fund and not to the benefit of any dedicated fund must be remitted to the local school district or districts in lieu of that political subdivision. The private business must submit a written record of its preference to the political subdivision. The bill also specifies that "private business" means an entertainment venue including, but not limited to a casino gaming facility, cigar bar or lounge, tobacco retail establishment, bowling alley, or restaurant.

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

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Public Safety
 Division of Alcohol and Tobacco Control
Department of Revenue
 Division of Taxation
Boone County Collector of Revenue
City of Columbia
St. Louis County Directors of Elections
Francis Howell School District
Fulton School District



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Director
January 15, 2014

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Assistant Director
January 15, 2014