

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4635-01
Bill No.: HB 1179
Subject: Entertainment, Sports and Amusements; Taxation and Revenue - Sales and Use
Type: Original
Date: February 7, 2014

Bill Summary: This proposal would specify which places of amusement, entertainment, recreation, games, and athletic events must collect sales tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on General Revenue Fund	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Conservation Commission	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Parks, and Soil and Water	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
School District Trust	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

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	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Section 144.010 RSMo. - Taxable sales defined:

Changes to the provisions in this legislation would specify which places of amusement, entertainment, recreation, games, and athletic events must collect sales tax. The proposal would only require sales tax to be charged and remitted for "places of dance, theater, orchestra and other performing arts productions, commercial sports, spectator sports, gambling, racetracks, arcades, theme and amusement parks, water parks, circuses, carnivals, festivals, air shows, museums, marinas, motion picture theaters, and other commercial attractions." All other sales of admission tickets, cash admissions, charges or fees to or in places of amusement, entertainment and recreation, games and athletic events would not be taxable.

SAS:LR:OD

ASSUMPTION (continued)

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 **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

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 assume this proposal would provide a specific list of taxable places of entertainment and recreation. Based on taxable sales data reported by DOR for 2012, this proposal may exclude taxable sales from Bowling and Billiard Establishments and Miscellaneous Amusements. In 2012, sales in those industry categories totaled \$720.5 million. This proposal could reduce Total State Revenues by these amounts, but losses could be higher if additional retail business categories are also excluded.

BAP officials provided a calculation of the sale tax revenue which would be foregone if the \$720.5 million in sales are exempted from tax when this proposal is implemented.

<u>Fund</u>	<u>Amount</u>
General Revenue	\$21,600,000
School District Trust	\$7,200,000
Conservation Commission	\$900,000
Parks, and Soil and Water	\$700,000
Total	<u>\$30,400,000</u>

ASSUMPTION (continued)

BAP officials also assume this proposal would impact the calculation under Article X, Section 18(e).

Officials from the **Department of Revenue (DOR)** assume this proposal would redefine which entities making sales at retail constitute a place of amusement, entertainment and recreation, or games and athletic events for sales and use tax purposes. Additionally, the legislation would provide a specific list of activities that define those sales.

Fiscal impact

DOR officials assume this proposal could reduce Total State Revenue by an estimated \$30.4 million annually by exempting those entities that do not fall within the definition of a place of amusement, entertainment or recreation, games, or athletic events.

Administrative impact

DOR officials assume Collections and Tax Assistance (CATA) would receive additional customer contacts but would handle these contacts with current staff. DOR officials would plan to cancel sales tax registration for currently registered businesses that no longer need to collect and remit sales tax.

DOR officials assume reports would need to be produced by ITSD-DOR to determine the number of registered businesses.

DOR officials assume Business Tax could have a reduction in the number of businesses registered.

In summary, DOR officials assume no additional staff would be required as a result of this legislation; however, the legislation may result in overtime required to adjust procedures and documents posted on the website.

Officials from the **City of Columbia** assume this proposal would result in a revenue reduction of approximately \$125,000 per year.

Officials from the **City of Kansas City** assume this proposal would result in a loss of sales tax revenues but stated they could not estimate the loss.

ASSUMPTION (continued)

Officials from the **St. Louis County Directors of Elections** assume the proposal would have no fiscal impact their organization.

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, 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.

Officials from the following school districts: Blue Springs, Branson, Charleston R-I, Cole R-I, Columbia, Fair Grove, Francis Howell, Fulton, 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.

Oversight notes this proposal would provide a sales and use tax exemption for certain businesses which are involved in activities that are subject to tax under current provisions. Oversight has no information as to the number of business nor the amount of sales which would be exempted by the proposal and we are concerned the estimates prepared by the Office of Administration - Division of Budget and Planning and the Department of Revenue may be based on exempting more business types than intended by the General Assembly.

ASSUMPTION (continued)

Oversight will indicate a revenue reduction greater than \$100,000 for the General Revenue Fund, School District Trust Fund, Conservation Commission Fund, the Parks, and Soil and Water funds, and for local governments. The proposal would become effective in August, 2014 (FY 2015).

Oversight also notes that revenues in the School District Trust Fund are distributed, along with other revenues, to local school districts, but will not include those distributions in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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GENERAL REVENUE FUND

Revenue reduction - DOR

Sales tax exemption Section 144.010	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
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SCHOOL DISTRICT TRUST FUND

Revenue reduction - DOR

Sales tax exemption Section 144.010	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)	(More than <u>\$100,000</u>)
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FISCAL IMPACT - State Government
 (Continued)

FY 2015
 (10 Mo.)

FY 2016

FY 2017

**CONSERVATION COMMISSION
 FUND**

Revenue reduction - DOR

Sales tax exemption
 Section 144.010

(More than
\$100,000)

(More than
\$100,000)

(More than
\$100,000)

**ESTIMATED NET EFFECT ON
 CONSERVATION COMMISSION
 FUND**

**(More than
\$100,000)**

**(More than
\$100,000)**

**(More than
\$100,000)**

**PARKS, AND SOIL AND WATER
 FUNDS**

Revenue reduction - DOR

Sales tax exemption
 Section 144.010

(More than
\$100,000)

(More than
\$100,000)

(More than
\$100,000)

**ESTIMATED NET EFFECT ON
 PARKS, AND SOIL AND WATER
 FUNDS**

**(More than
\$100,000)**

**(More than
\$100,000)**

**(More than
\$100,000)**

FISCAL IMPACT - Local Government

FY 2015
 (10 Mo.)

FY 2016

FY 2017

LOCAL GOVERNMENTS

Revenue reduction - DOR

Sales tax exemption
 Section 144.010

(More than
\$100,000)

(More than
\$100,000)

(More than
\$100,000)

**ESTIMATED NET EFFECT ON
 LOCAL GOVERNMENTS**

**(More than
\$100,000)**

**(More than
\$100,000)**

**(More than
\$100,000)**

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses that previously paid sales tax but may be exempted from that requirement.

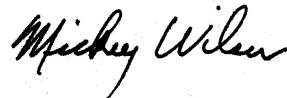
FISCAL DESCRIPTION

This proposal would specify which places of amusement, entertainment, recreation, games, and athletic events must collect sales tax.

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
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue
City of Columbia
City of Kansas City
St. Louis County Directors of Elections



Mickey Wilson, CPA
Director
February 7, 2014

Ross Strobe

L.R. No. 4635-01
Bill No. HB 1179
Page 10 of 10
February 7, 2014

Assistant Director
February 7, 2014

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