

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5751-02
Bill No.: HCS for HB 1725
Subject: Taxation and Revenue - Sales and Use; Business and Commerce; Licenses -
Miscellaneous; Revenue Department
Type: Original
Date: April 16, 2014

Bill Summary: Modifies provisions relating to retail sales licenses

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue Fund	(Unknown)	(Unknown)	(Unknown)

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 6 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	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** noted this proposal would eliminate the requirement that a new business applying for a retail sales license file a bond with the Department of Revenue, beginning January 1, 2015. DOR officials stated in FY 2013, Business Tax Registration forfeited 3,695 bonds totaling \$3,153,894 on delinquent accounts.

Oversight notes current provisions require the Department of Revenue to return bonds posted by existing retail sales licensees after a reasonable period of satisfactory tax compliance, not to exceed two years. This proposal would, as of January 1, 2015, remove the existing requirement for a new retail licensee to post a compliance bond.

Oversight assumes the forfeited bonds reported by the Department of Revenue were applied to delinquent sales taxes; the Department of Revenue would still be able to require a bond before reinstating the license of retailer after a default. This proposal would reduce the number and amount of bonds available to cover defaults which could potentially lead to increased losses of sales tax revenue and increased costs of collection for the Department of Revenue; however, those losses and costs would not be considered a direct impact of this proposal.

Oversight assumes existing bonds would, beginning January 1, 2015, be refunded as the licensees demonstrate satisfactory tax compliance, and new licensees would not be required to post a bond. Since cash bonds are deposited into the General Revenue Fund, this proposal would result in a net reduction in deposits to the General Revenue Fund.

Oversight has no information regarding the number of new licensees that would be affected or the potential bond amounts that would not be collected for those new licensees and will indicate an unknown reduction in revenue to the General Revenue Fund due to the elimination of the bonding requirement.

Administrative impact

DOR officials did not indicate any administrative impact from this proposal and **Oversight** assumes any administrative cost would be minimal and could be absorbed with existing resources.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$1,092 based on 40 hours of programming to make changes to DOR systems.

Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

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 **City of Columbia** assume this proposal would have little or no impact on their organization.

Officials from the **Joint Committee on Administrative Rules , Cole County, St. Louis County, the Platte County Board of Elections, and the St. Louis County Directors of Elections** assume this proposal would not have a fiscal impact on their organization.

ASSUMPTION (continued)

Not responding

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, 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. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains 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>Revenue reduction - DOR</u>			
Sales tax compliance bonds not required			
Section 144.087	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2015 (10 Mo.)	 FY 2016	 FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to any small business which has retail sales activity.

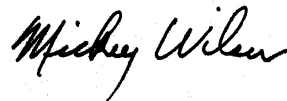
FISCAL DESCRIPTION

This proposal would eliminate the requirement that a new business applying for a retail sales license file a bond with the Department of Revenue, beginning January 1, 2015.

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
Department of Revenue
Cole County
St. Louis County
Platte County Board of Elections
St. Louis County Directors of Elections



Mickey Wilson, CPA
Director
April 16, 2014

Ross Strobe
Assistant Director
April 16, 2014