

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2391-01
Bill No.: HB 1067
Subject: Taxation and Revenue - Sales and Use; Revenue, Department Of; Political Subdivisions
Type: Original
Date: March 17, 2015

Bill Summary: This proposal would make changes to local sales tax provisions, and would require the Department of Revenue to collect local sales tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(More than \$100,000)	\$0	\$0
Total Estimated Net Effect on General Revenue	(More than \$100,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume this proposal would require changes to the Department's forms and computer systems, including changes to the Integrated Revenue System. The cost of those changes is unknown but would exceed \$100,000.

Oversight will include in this fiscal note an unknown cost for the Department of Revenue to implement this proposal greater than \$100,000 for FY 2016. If additional resources are need in FY 2017 or FY 2018, they could be requested through the budget process.

Officials from the **Office of Administration - Division of Budget and Planning** stated this proposal would change and update local sales tax language, and assumed the proposal would have no state or local government impact.

Oversight notes the proposal includes a requirement that all state and local sales taxes have the same base, which means that exemptions at the state and local level would be identical. Oversight notes this would eliminate current opt-in provisions for sales tax exemptions and sales tax holidays, and assumes this requirement would result in unknown revenue reductions for local governments. Oversight will include those revenue reductions in this fiscal note.

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 greater than 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.

ASSUMPTION (continued)

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

Officials from the **Department of Conservation**, the **Department of Natural Resources**, and the **Platte County Board of Elections** assume this proposal would have no fiscal impact on their organization.

Not responding:

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kansas City, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, 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 counties: Andrew, Atchison, Audrain, Barry, Bollinger, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, McDonald, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, Shelby, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - DOR</u>	(More than		
IT cost and additional employees	<u>\$100,000)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(More than <u>\$100,000)</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2016 (10 Mo.)	 FY 2017	 FY 2018
	 <u>\$0</u>	 <u>\$0</u>	 <u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation would simplify local sales and use tax administration and collection.

The legislation would specify that:

- (1) When a city annexes or detaches property, the city clerk would be required to forward a certified copy of the ordinance to the Director of the Department of Revenue within 10 days of adoption of the ordinance. The tax rate in the added or abolished territory would become effective on the first day of the calendar quarter 120 days after sellers receive notice of the change;
- (2) When a political subdivision changes the tax rate or the local sales tax boundary, the change would become effective on the first day of the calendar quarter 120 days after the sellers receive notice of the change; and
- (3) When specified political subdivisions repeal an existing tax, the repeal would become effective on the first day of the calendar quarter 120 days after notice to sellers.

The proposal would also:

- (1) Authorize the Department of Revenue to retain 1% of local sales or use taxes collected by the department for the cost of collection; and
- (2) Require the Department of Revenue to perform all functions regarding the administration, collection, enforcement, and operation of all sales taxes.


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 Conservation
Department of Natural Resources
Department of Revenue
Platte County Board of Elections

Mickey Wilson, CPA

Director
March 17, 2015



Ross Strope
Assistant Director
March 17, 2015