

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5952-03
Bill No.: HCS for HB 2349
Subject: Taxation and Revenue - Sales and Use; Revenue, Department; Political Subdivisions
Type: Original
Date: March 16, 2016

Bill Summary: This proposal requires the Department of Revenue to collect local sales tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
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 2017	FY 2018	FY 2019
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assumed this proposal would require changes to the Department's forms and computer systems, including changes to the Integrated Revenue System. DOR officials estimated that cost at \$11,430.

Oversight assumes that cost could be absorbed by DOR with existing resources. If additional resources are needed in FY 2018 or FY 2019, they could be requested through the budget process.

Officials from the **Office of Administration - Division of Budget and Planning** stated this proposal changes and updates local sales tax language. Section 67.1300 adds new categories for imposing a sales tax for economic purposes. This section would allow Schuyler, Scotland, Grundy, Howard, Lewis, and Ralls counties to impose economic sales tax subject to voter approval. This proposal will not impact state revenues and will not impact the calculation under Article X, Section 18(e).

Officials from the **Office of the Secretary of State (SOS)** assumed 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.

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

Officials from the **Department of Conservation** assumed this proposal would not have a fiscal impact to their organization in excess of existing resources.

ASSUMPTION (continued)

Officials from the **Platte County Board of Elections**, the **St. Louis County Director of Elections**, and the **City of Kansas City** assume this proposal would have no fiscal impact on their organization.

In a similar proposal, officials from the **Jackson County Election Board** and the **Mississippi County** assumed no fiscal impact on their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
---	---------------------	---------	---------

LOCAL GOVERNMENTS

<u>Revenue</u> -Section 67.1300 Economic Development Sales Taxes	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
---	-----------------------	-----------------------	-----------------------

ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</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 must 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 after 120 days notice to sellers of the change;
- (2) When a political subdivision changes the tax rate or the local sales tax boundary, the change must become effective on the first day of the calendar quarter after 120 days notice to sellers;
- (3) When specified political subdivisions repeal an existing tax, the repeal must become effective on the first day of the calendar quarter after 120 days notice to sellers; and
- (4) When a city or county abolishes an existing tax, the repeal will be effective December 31 of the same year and the director must be notified 90 days prior to the effective date.

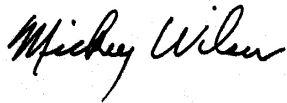
The proposal also:

- (1) Authorizes the department director to retain 1% of the amount of any local sales or use taxes collected by the department for the cost of collection; and
- (2) Requires the department director 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
Jackson County
Mississippi County
St. Louis County
Kansas City



Mickey Wilson, CPA
Director
March 16, 2016

Ross Strobe
Assistant Director
March 16, 2016