

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0787-01  
Bill No.: HB 495  
Subject: Cities, Towns, and Villages; Taxation and Revenue - Sales and Use; Political Subdivisions  
Type: Original  
Date: January 24, 2017

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Bill Summary: This proposal would authorize the City of Peculiar to submit to the voters a proposition for a public safety sales tax.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
<b>Local Government</b>	<b>\$0 or Less than \$56,682</b>	<b>\$0 or \$226,730</b>	<b>\$0 or \$226,730</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would allow the City of Peculiar to submit a sales tax proposition to the voters for approval.

BAP officials stated that, using Department of Revenue (DOR) FY 2016 taxable sales and use tax data, the proposed sales tax would generate \$209,192 in additional revenue per fiscal year. BAP officials noted that a voter approved sales tax would not impact Total State Revenues or the revenue limit calculations under the state constitution, but the DOR collection fees would increase Total State Revenues.

BAP officials also noted the earliest the proposal could be implemented was April, 2018; therefore the FY 2018 impact would be limited to one quarter's collections and the first full year of additional revenue would be FY 2019.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center (EPARC)** provided the following response.

The City of Peculiar sales tax base has averaged \$43,885,905 over the last three years. Should a new one-half percent sales tax be implemented throughout the City of Peculiar causing the after-tax price for all goods to increase by one-half percent, we estimate there would be a reduction of approximate one-half percent in the demand for all goods, reducing the tax base to \$43,667,567.

The impact of the reduction in tax base by approximately one-half percent would reduce collections for all current sales taxes for the City of Peculiar by approximately one-half percent, or \$5,463 of which \$109 represents the reduction in the state collection fee. The impact of the reduction in tax base by approximately one-half percent would also reduce collections for existing county-wide sales taxes for Cass County, an aggregate reduction of \$3,821 of which \$76 represents the reduction in the state collection fee. Finally, the reduction in the tax base in City of Peculiar from \$43,885,905 to \$43,667,567 would reduce the 3% state general sales tax from \$1,316,577 to \$1,310,027, a reduction of \$6,550.

Using the adjusted sales tax base, the proposed one-half percent sales tax would yield new collections of \$218,338; \$216,155 for the City of Peculiar for public safety and \$2,183 for the state collection fee.

ASSUMPTION (continued)

**Oversight** will not include any potential secondary impacts from this proposal in this fiscal note and, for simplicity, will not include the 1% withholding for Department of Revenue collection costs.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, and the **Department of Revenue** assume this proposal would have no fiscal impact on their organizations.

**Oversight** did not receive any information from the City of Peculiar or Cass County.

Oversight reviewed information available from Department of Revenue reports and noted that sales and use tax distributions for the City of Peculiar for the years ended June 30, 2014, 2015, and 2016 were \$1,173,920, \$1,158,841, and \$1,068,185, respectively, and the average annual collections would be  $((\$1,173,920 + \$1,158,841 + \$1,068,185) / 3) = \$1,133,649$  at the current tax rate of 2.5%.

Oversight assumes a one-half percent sales tax rate would generate net distributions to the city of  $(\$1,133,649 / 5) = \$226,730$  if the proposition is approved by the voters and will include an impact of \$0 or that amount for fiscal note purposes. For FY 2018, the fiscal impact for one quarter would be \$0 or  $(\$226,730 / 4 = \$56,682)$ .

Oversight notes that an election to approve the sales tax could be held as part of a statewide General Election, at the time of municipal elections, or it could be decided by the voters at a special election called for that purpose. We do not have any information as to the cost of such a special election; therefore, Oversight will include in this fiscal note an impact of \$0 (no election held) to an unknown cost for a special election to be held in FY 2018.

Oversight assumes the amounts collected would be spent for public safety purposes but will not include those expenditures in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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## LOCAL GOVERNMENTS

<u>Additional revenue</u> - City of Peculiar public safety sales tax	\$0 or \$56,682	\$0 or \$226,730	\$0 or \$226,730
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<u>Election costs</u> - City of Peculiar	\$0 or <u>(Unknown)</u>	<u>\$0</u>	<u>\$0</u>
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<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b>\$0 or Less than <u>\$56,682</u></b>	<b><u>\$0 or \$226,730</u></b>	<b><u>\$0 or \$226,730</u></b>
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## FISCAL IMPACT - Small Business

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

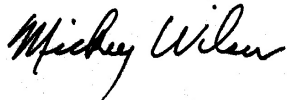
## FISCAL DESCRIPTION

The proposed legislation would authorize the City of Peculiar to submit to the voters a proposition for a public safety 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  
University of Missouri  
    Economic and Policy Analysis Research Center

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 24, 2017

Ross Strobe  
Assistant Director  
January 24, 2017