

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1247-01
Bill No.: HB 589
Subject: Taxation and Revenue - Sales and Use; Fire Protection; Law Enforcement
Officers and Agencies; Political Subdivisions; Ambulances and Ambulance
Districts
Type: Original
Date: February 28, 2017

Bill Summary: This proposal authorizes the City of Eureka to levy a sales tax, upon voter approval, whose revenue is dedicated to public safety.

FISCAL SUMMARY

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

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0 or Up to \$2,316,092	\$0 or Up to \$3,088,123

FISCAL ANALYSIS

ASSUMPTION

Officials at the **City of Eureka** assume the following fiscal impacts based on various percentage scenarios:

<u>Sales Tax Percentage</u>	<u>Annual Sales Tax Revenue</u>
1/8 Cent	\$289,148
1/4 Cent	\$578,296
1/2 Cent	\$1,156,592

Officials at the **Department of Revenue (DOR)** assume the legislation allows any city of the fourth classification with more than 9,500 but less than 10,900 inhabitants to impose a one-half of one percent sales tax for improving public safety. Based on the 2010 Census, the following cities in St. Louis County would be authorized to impose the sales tax:

<u>City</u>	<u>Classification</u>	<u>Population</u>
Eureka	4 th	10,189
Town & Country	4 th	10,815
Bellefontaine Neighbors	4 th	10,860

The legislation adds the provisions that if a city imposes a sales tax based on this section, it automatically expires December 31, 2038. The DOR assumes the integrated tax system incurs additional costs of \$5,195 to implement the provisions of this legislation.

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

Officials at **St. Louis County** assume no fiscal impact from this proposal.

In response to similar legislation this year, HCS for HB 48, officials at the **City of Town and Country** assumed \$0 to \$1,700,000 in sales tax revenue from this proposal after Missouri Department of Revenue collection fee. This is an estimated amount based on the annual revenue that is generated (after the 1% Missouri Department of Revenue collection fee) from a one-half cent parks and stormwater sales tax that is currently levied.

ASSUMPTION (continued)

Oversight assumes this proposal is enabling legislation and would have no fiscal impact unless the governing body would request and the voters of their city approve, the imposition of a sales tax. Should the voters approve the imposition of a sales tax, the city could expect revenue to be generated and there would be costs for improving the public safety of the city. Oversight assumes the Department of Revenue would collect the sales tax and retain a 1% collection fee which would be deposited into the State's General Revenue Fund.

According to information found on the Tax and Fee Distribution Summary for Cities from the Department of Revenue's Financial and Statistical Report, the following are the local sales tax revenues for FY16, FY15 and FY14:

	<u>FY16</u>	<u>FY15</u>	<u>FY14</u>
Bellefontaine Neighbors (.5% city)	\$726,076	\$713,669	\$651,376
Eureka (1% city)	\$2,547,485	\$2,416,480	\$2,233,936
Town and Country (1.25% city)	\$2,720,762	\$2,680,179	\$2,376,602

Dividing the FY16 revenues by the city sales tax rate yields the following sales bases:

Bellefontaine Neighbors	\$145,215,200
Eureka	\$254,748,500
Town and Country	<u>\$217,660,960</u>
Total	\$617,624,660

This would yield a sales base of \$617,624,660 for these three cities. Multiplying the combined base by ½% would yield up to \$3,088,123 in new tax revenue for these cities, annually.

Bellefontaine Neighbors	\$ 726,076
Eureka	\$1,273,743
Town and Country	<u>\$1,088,304</u>
Total	\$3,088,123

Therefore, **Oversight** will assume \$0 (not approved) or up to \$3,088,123 for a fiscal impact for this proposal. Oversight also assumes a municipal election in April 2018. If the new tax rate for the cities is approved by the majority of voters, the additional tax would begin October 1, 2018 (9 months in FY 2019).

<u>FISCAL IMPACT - State Government</u>	FY 2018	FY 2019 (9 Mo.)	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2018	FY 2019 (9 Mo.)	FY 2020
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - from additional sales tax increase	<u>\$0</u>	\$0 or Up to <u>\$2,316,092</u>	\$0 or Up to <u>\$3,088,123</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	\$0 or Up to <u>\$2,316,092</u>	\$0 or Up to <u>\$3,088,123</u>
<u>FISCAL IMPACT - Small Business</u>			

There could be a direct fiscal impact to small businesses as a result of this proposal.

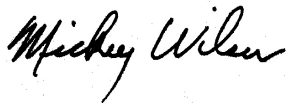
FISCAL DESCRIPTION

This bill adds certain cities to the list of cities authorized to impose, upon voter approval, a sales tax of up to 0.5% for public safety purposes, including expenditures on equipment, city employee salaries and benefits, and facilities for police, fire, and emergency medical providers. The additional cities include the City of Eureka, Town & County, and Bellefontaine Neighbors. The bill specifies that any sales tax imposed by the additional cities will automatically expire on December 31, 2038.

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

Department of Revenue
St. Louis County
City of Eureka
City of Town and Country

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

Mickey Wilson, CPA
Director
February 28, 2017

Ross Strobe
Assistant Director
February 28, 2017