

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4497-03  
Bill No.: SCS for HB 1291  
Subject: Counties; Roads and Highways; Taxation and Revenue - General  
Type: Original  
Date: March 9, 2018

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Bill Summary: This proposal modifies provisions relating to local taxing districts.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	\$0 or Up to \$14,745	\$0 or Up to \$19,434
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 or Up to \$14,745</b>	<b>\$0 or Up to \$19,434</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<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 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0 or Unknown</b>	<b>\$0 or Could exceed \$1,471,206</b>	<b>\$0 or Could exceed \$1,939,363</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §§65.610 & 65.620

In response to a similar proposal from this year (SB 940), officials at **Dade County** assumed at the time the County was a township form of government, the County generated approximately \$500,000 in road tax per tax collecting year. Each township had its own distinct levy which lead to the approximate amount. Now that the County is not a township form of government, the County is allowed by statute to collect the lowest township tax that was in place prior to the abolishment of townships, or \$.22. This generated approximately \$250,000 per year. In the upcoming General Municipal Election, April 3, 2018, the County will be asking for a \$.50 tax rate. That proposed amount will generate approximately \$588,000 per year.

In response to a similar proposal from this year (SB 940), officials at **Stoddard County** assumed a negative unknown fiscal impact. There are 7 townships in the County.

In response to a similar proposal from this year (SB 940), officials at **Linn County** assumed this legislation would not have a fiscal impact, as long as, the new tax collected is equal to what the township was receiving before abolishment.

**Oversight** assumes that with the removal of subsection 65.620.4 could allow the county to immediately set a rate on the ballot that would allow the county to collect an amount which is equal to the current amount being collected by the townships for road and bridge funding. Under current law the affected county's tax rate is, for a year, the lowest tax rate charged by any of the former townships within the county. This removal also allows the question to be answered at the time it is put on the ballot, instead of waiting an extra amount of time, even up to a calendar year, to set the rate. Oversight assumes this could prevent a decrease in road and bridge funding for counties which would abolish townships compared tor current statute. Oversight assumes the language in this proposal could avert losses of road and bridge funds by counties which abolish the township form of government. Therefore, Oversight will reflect a \$0 (if no abolition of townships or the county does not choose to have an election to set tax rates) or a positive unknown (if there is an abolition of townships and the county government has a successful election to set a countywide property tax rate for roads and bridges) for this proposal.

ASSUMPTION (continued)

§94.900

In response to a similar proposal from this year (SB 885), officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed this proposal allows voters in the City of Centralia to impose a sales tax up to 0.50% for the purpose of funding public safety for the city. Using forecast estimates for statewide average growth in local sales taxes and state taxes (including food), the estimated average growth for FY 2018 and FY 2019 is 2.5% and 1.90%, respectively. Budget and Planning estimates the City of Centralia FY 2019 taxable sales totals \$40 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2019 sales collections. With estimated Q4 sales collections of \$10.1 million, this proposed sales tax could generate approximately \$51,349 for the city for FY 2019. As a voter approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, that portion could increase General and Total State Revenues by approximately \$509 in FY 2019.

Using the same methodology to estimate FY 2020 and FY 2021 sales, we estimate taxable sales in the City of Centralia to total \$40.7 million in FY 2019. This proposed sales tax might generate approximately \$201,397 for the city in FY 2020, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, General and Total State Revenues could increase by approximately \$2,034 in FY 2020 and annually thereafter if the county sales tax is approved.

B&P deferred to DOR for estimates of actual collection costs.

Officials at the **City of Centralia** assume the City would reap almost all of the revenue, except the small percentage retained by the Department of Revenue for collection and disbursement. A ½ cent sales tax for transportation is anticipated to raise \$210,000 annually for the City of Centralia. Most of those funds would come from expenditures by Centralia residents.

**Oversight** notes this proposal would give the City of Centralia the option to vote to increase their local sales tax by .50% in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2018. Oversight assumes the question would be put before the voters at the general municipal election in April 2019 (FY 2019). Therefore, the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2019 general municipal election would be October 1, 2019 (FY 2020). Therefore, only nine months of taxes would be collected in FY 2020.

ASSUMPTION (continued)

**Oversight** notes that if the proposal is adopted DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$2,034 Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the City of Centralia and/or voters fail to approve the sales tax) to up to \$201,397 for a full year of tax collections estimated by B&P.

City of Centralia - Taxable Sales Report	
FY 2017	\$19,490,976 (6 month total)
FY 2016	\$38,458,884
FY 2015	\$37,677,040

Source: Department of Revenue website

Officials at the **City of Lebanon** assume the City would receive approximately \$1,700,000 annually in sales tax revenue for public safety purposes from this proposal.

**Oversight** notes that Section 94.900 also allows the city of Lebanon to put before its voters a ½ cent sales tax for public safety. According to DOR's reports, the City of Lebanon collected \$6.96 million from a 2 cent sales tax during FY 2017. Therefore, a ½ cent sales tax would collect approximately \$1.74 million

§137.556

In response to similar legislation from 2017, SCS for HB 87, officials at **St. Francois County** stated this proposal would save the county twenty five percent of the taxes collected in the city which will allow the county to maintain the county roads. County officials estimated the savings from the City of Farmington would be \$130,000 for 2016.

**Oversight** assumes the proposal updates the description of St. Francois County in Section 137.556, RSMo and would not have a fiscal impact.

ASSUMPTION (continued)

§162.441

In response to a similar proposal (SB 990), officials from the **Kirksville R-III School District** assumed the proposal will have no fiscal impact on their organization.

Bill as a Whole

Officials at the **Department of Revenue**, the **Department of Elementary and Secondary Education**, the **Department of Higher Education**, the **Office of State Auditor**, the **Missouri Department of Transportation**, the **State Tax Commission** and the **Office of the Secretary of State** each assume no fiscal impact to their respective agencies from this proposal.

Officials at the **St. Louis County Board of Election Commission**, the **Jackson County Board of Election Commission**, the **Platte County Board of Election Commission**, **Missouri Western State University**, the **State Technical College of Missouri**, **Missouri State University** and the **Wellsville-Middletown R-1 School District** each assume no fiscal impact to their respective entities from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>GENERAL REVENUE</b>			
<u>Revenue - DOR - 1% collection charge on sales tax in Centralia</u> §94.900	\$0	\$0 or Up to \$1,695	\$0 or Up to \$2,034
<u>Revenue - DOR - 1% collection charge on sales tax in Lebanon</u> §94.900	<u>\$0</u>	<u>\$0 or Up to \$13,050</u>	<u>\$0 or Up to \$17,400</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 or Up to \$14,745</u></b>	<b><u>\$0 or Up to \$19,434</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Savings</u> - on road and bridge funding in counties with townships who abolish their government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue</u> - City of Centralia - additional half cent sales tax for public safety §94.900	\$0	\$0 or Up to \$166,206	\$0 or Up to \$199,363
<u>Revenue</u> - City of Lebanon - additional half cent sales tax for public safety §94.900	<u>\$0</u>	<u>\$0 or Up to \$1,305,000</u>	<u>\$0 or Up to \$1,740,000</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Could exceed \$1,471,206</u></b>	<b><u>\$0 or Could exceed \$1,939,363</u></b>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This proposal specifies that ballot questions to abolish the township form of government in a county shall also provide for a countywide tax for road and bridge purposes.

This proposal adds the City of Centralia and the City of Lebanon to the list of cities authorized to propose a sales tax for the purposes of improving public safety. Such sales tax, if approved by the voters, would be at a rate of 0.5%.

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

Dade County  
Stoddard County  
Linn County  
City of Centralia  
City of Lebanon  
Department of Revenue  
Department of Elementary and Secondary Education  
Department of Higher Education  
Office of State Auditor  
Missouri Department of Transportation  
State Tax Commission  
Office of the Secretary of State  
St. Louis County Board of Election Commission  
Jackson County Board of Election Commission  
Platte County Board of Election Commission  
Missouri Western State University  
State Technical College of Missouri  
Missouri State University  
Wellsville-Middletown R-1 School District  
St. Francois County  
Kirksville R-III School District

Ross Strope



Acting Director  
March 9, 2018