

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1465-01  
Bill No.: HB 610  
Subject: Political Subdivisions; Cities, Towns and Villages; Taxation and Revenue - Sales and Use  
Type: Original  
Date: March 7, 2019

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0	\$0 to \$956	\$0 to \$1,147
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 to \$956</b>	<b>\$0 to \$1,147</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<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.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<b>Local Government</b>	<b>\$0</b>	<b>\$0 to \$94,661</b>	<b>\$0 to \$113,593</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal allows voters in the Village of Claycomo to impose a sales tax up to 0.50% for the purpose of funding public safety for the city. It also adds "villages" to the governing bodies that may impose the tax.

Using forecast estimates for statewide average growth in local sales taxes and state taxes (including food), the estimated average growth for FY 2019 and FY 2020 is 3.4% and 3.1%, respectively.

B&P estimates the Village of Claycomo FY 2020 taxable sales to total \$22.2 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2020 sales collections. For the Village of Claycomo, with estimated Q4 sales collections of \$5.6 million, this proposed sales tax could generate approximately \$27,500 for the city for FY 2020. 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, this portion could increase General and Total State Revenues by approximately \$278 in FY 2020.

Using the same methodology to estimate FY 2021 and FY 2022 sales, we estimate taxable sales in the Village of Claycomo to total \$22.2 million in FY 2020. This proposed sales tax might generate approximately \$110,155 for the city in FY 2021, 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, which could therefore increase General and Total State Revenues by approximately \$1,113 in FY 2021 and annually thereafter if the city sales tax is approved.

Budget and Planning defers to DOR for more specific estimates of actual collection costs.

Officials at the **Department of Revenue (DOR)** assume this section states that any village with more than one thousand three hundred fifty but fewer than one thousand five hundred inhabitants and located in any county of the first classification with more than two hundred thousand but fewer than two hundred sixty thousand inhabitants may impose, by order or ordinance, a sales tax on all retail sales made in the city or village which are subject to taxation under Chapter 144. The tax authorized in this section may be imposed in an amount of up to one-half of one percent and shall be imposed solely for the purpose of improving the public safety for such city or village.

ASSUMPTION (continued)

In Fiscal Year 2017, the City of Claycomo collected \$420,554 in local sales tax. This amount is minus the one percent that the Department of Revenue retains and deposits into General Revenue. If extrapolated, the total local sales tax collected from the City of Claycomo could be estimated at \$424,802 ( $\$420,554 / 99$  percent).

At a city sales tax rate of 2.25 percent, the City of Claycomo's total taxable sales in Fiscal Year 2017 could be estimated at \$18,880,090 ( $\$424,802 / 2.25$  percent).

If the maximum allowed increase to the City of Claycomo's sales tax rate is applied to the estimated taxable sales, the projected increase in local sales tax revenues to the City of Claycomo equals \$93,456 ( $\$18,880,090 \times 2.75$  percent - ( $\$519,202 \times 1$  percent) - \$420,554).

The Department estimates that General Revenue could increase by an estimated \$944 each fiscal year if this sales tax increase was approved by voters. ( $\$519,202 \times 1$  percent) - ( $424,802 \times 1$  percent)

The **Village of Claycomo** did not respond to Oversight's request for fiscal impact.

**Oversight** notes this proposal would give the Village of Claycomo the option to vote to increase its local sales tax by up to ½ cent in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2019. Oversight assumes the question would be put before the voters at the general municipal election in April 2020 (FY 2020). 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 2020 general municipal election would be October 1, 2020 (FY 2021). Therefore, only nine months of taxes would be collected in FY 2021.

**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 \$1,147 ( $\$114,740 \times .01$ ). 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 Village of Claycomo and/or voters fail to approve the sales tax) to up to \$114,740 ( $\$22,947,960$  three year sales tax average  $\times .005$ ) for a full year of tax collections estimated by B&P.

ASSUMPTION (continued)

Village of Claycomo - Taxable Sales Report	
FY 2018	\$ 7,780,077 (6 month total)
FY 2017	\$21,013,909
FY 2016	\$24,066,236
FY 2015	\$23,763,736

Source: Department of Revenue

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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**GENERAL REVENUE FUND**

Additional Revenue - DOR - §94.902

1% DOR Collection fee - Claycomo	<u>\$0</u>	<u>\$0 to \$956</u>	<u>\$0 to \$1,147</u>
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**ESTIMATED NET EFFECT ON  
GENERAL REVENUE FUND**

<u><b>\$0</b></u>	<u><b>\$0 to \$956</b></u>	<u><b>\$0 to \$1,147</b></u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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**VILLAGE OF CLAYCOMO**

Additional Revenues -additional half cent  
sales tax for Public Safety - Claycomo  
§94.902

\$0	\$0 to \$95,617	\$0 to \$114,740
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Loss - 1% collection fee kept by DOR  
§94.902

<u>\$0</u>	<u>\$0 to (\$956)</u>	<u>\$0 to (\$1,147)</u>
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**ESTIMATED NET EFFECT ON THE  
VILLAGE OF CLAYCOMO**

<u><b>\$0</b></u>	<u><b>\$0 to \$94,661</b></u>	<u><b>\$0 to \$113,593</b></u>
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FISCAL IMPACT - Small Business

Small businesses in the Village of Claycomo would be impacted.

FISCAL DESCRIPTION

This bill adds certain villages to the list of cities and villages authorized to impose, upon voter approval, a sales tax of up to .05% for public safety purposes, including expenditures on equipment, city employee salaries and benefits, and facilities for police, fire, and emergency medical providers.

Currently, this only applies to the Village of Claycomo.

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  
Office of Administration Division of Budget and Planning



Kyle Rieman  
Director  
March 7, 2019

Ross Strobe  
Assistant Director  
March 7, 2019