

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1822-01
Bill No.: HB 863
Subject: Taxation and Revenue - Sales and Use; Tourism; Motels and Hotels; Political Subdivisions; Cities, Towns and Villages
Type: Original
Date: February 27, 2019

Bill Summary: This proposal modifies provisions regarding transient guest taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume no fiscal impact from this proposal.

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume that §67.662 would broaden the entities subject to transient guest taxes. While the existing transient guest taxes have been voter approved, the broadening of their application could generate additional revenue that impacts local 18(e).

Because the proposal does not enact a DOR collection cost fee, and the transient tax is not deposited in the state treasury, there should be no Total State Revenue or state 18(e) impact.

Officials at the **St. Louis City** assume the proposal would amend existing legislation for collection of transient guest taxes to include brokers and other intermediaries working on behalf of hotel, motel and other transient guest facility operators. In the City of St. Louis, it has been only recently that sales and hotel taxes are now being collected on such entities as AirBnB. While these collections are paid through mutual agreement, the proposed legislation would codify that these collections as well as potentially other internet based brokerage services are due under the statute. Based on 2017 reported sales of over \$9 million per year, sales tax and hotel tax revenues on AirBnB alone were estimated to approach \$1 million per year. The addition of other brokerage services could add significantly to this revenue total.

Officials at the **City of Kansas City** assume an unknown impact.

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

Officials at the **St. Francois County Assessor's Office** has no information to determine impact.

Oversight notes this proposal clarifies that brokers, travel agents or other intermediary operators of facilities are also required to collect transient guest taxes. Oversight does not have any information to indicate whether there were brokers, travel agents or other intermediary operators that were not collecting the tax already. Oversight will show the impact as \$0 (all were collecting) to Unknown (should additional operators owe the tax) to local governments.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities or counties were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
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LOCAL POLITICAL SUBDIVISIONS

<u>Revenue</u> - Local Governments - §67.662 transient guest taxes owed by additional operators	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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FISCAL IMPACT - Small Business

Certain small businesses that may collect and/or pay transient guest taxes could be impacted by this proposal.

FISCAL DESCRIPTION

This bill allows a municipality, county, or local taxing entity to collect transient guest taxes on any amount received by a broker, travel agent, or other intermediary working on behalf of an operator of a hotel, motel, tavern, inn, tourist cabin or camp, or other place in which rooms are furnished to the public.

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

City of Kansas City
Department of Revenue
Office of Administration Division of Budget and Planning
St. Louis City
St. Louis County
St. Francois County Assessor



Kyle Rieman
Director
February 27, 2019

Ross Strobe
Assistant Director
February 27, 2019