

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3883-02
Bill No.: HCS for HB 1701
Subject: Taxation and Revenue - Sales and Use; Political Subdivisions; Cities, Towns and Villages; Fire Protection; Law Enforcement Officers and Agencies; Ambulances and Ambulance Districts
Type: Original
Date: February 17, 2020

Bill Summary: This proposal authorizes a sales tax dedicated to public safety in the cities of Branson West, Claycomo, Clinton, Cole Camp, Hallsville, Kearney, Lincoln and Smithville upon voter approval.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0	\$0 to \$19,603	\$0 to \$29,993
Total Estimated Net Effect on General Revenue	\$0	\$0 to \$19,603	\$0 to \$29,993

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 11 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0	\$0 to \$1,940,698	\$0 to \$2,969,267

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some of the agency responses in a timely manner and performed limited analysis. Oversight has presented his fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

In response to a previous version, officials at the **Office of Administration’s Division of Budget and Planning (B&P)** assumed this proposal allows the cities of Clinton in Henry County, and Cole Camp and Lincoln in Benton County to impose a public safety sales tax of 0.25%, 0.5%, 0.75% or 1%. The impact of this will depend upon the sales tax rate the cities select. The charts below show the DOR collections fees and sales tax collections each city may generate based upon each tax rate:

0.25%	DOR Collections			Sales Tax Collections Data		
City	FY 2021	FY 2022	FY 2023	FY 2021	FY 2022	FY 2023
Clinton	1,135	4,539	4,539	112,339	449,356	449,356
Cole Camp	93	373	373	9,222	36,888	36,888
Lincoln	58	230	230	5,699	22,796	22,796
	1,286	5,142	5,142	127,260	509,040	509,040

0.50%	DOR Collections			Sales Tax Collections Data		
City	FY 2021	FY 2022	FY 2023	FY 2021	FY 2022	FY 2023
Clinton	2,269	9,078	9,078	224,678	898,712	898,712
Cole Camp	186	745	745	18,444	73,776	73,776
Lincoln	115	461	461	11,398	45,591	45,591
	2,570	10,284	10,284	254,520	1,018,079	1,018,079

0.75%	DOR Collections			Sales Tax Collections Data		
City	FY 2021	FY 2022	FY 2023	FY 2021	FY 2022	FY 2023
Clinton	3,404	13,617	13,617	337,017	1,348,068	1,348,068
Cole Camp	279	1,118	1,118	27,666	110,664	110,664
Lincoln	173	691	691	17,097	68,387	68,387
	3,856	15,426	15,426	381,780	1,527,119	1,527,119

1.00%	DOR Collections			Sales Tax Collections Data		
City	FY 2021	FY 2022	FY 2023	FY 2021	FY 2022	FY 2023
Clinton	4,539	18,156	18,156	449,356	1,797,424	1,797,424
Cole Camp	373	1,490	1,490	36,888	147,552	147,552
Lincoln	230	921	921	22,796	91,183	92,183
	5,142	20,567	20,567	509,040	2,036,159	2,037,159

ASSUMPTION (continued)

Since the bill indicates that this sales tax would take effect starting April 1, only Q4 of FY21 sales collections would be impacted with the full year collection amounts generated in FY22 and FY23.

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 the DOR fee amounts shown in the charts above.

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

In response to a previous version, officials at the **Department of Revenue (DOR)** assumed this proposal would allow any city of the third classification with more than nine thousand but fewer than ten thousand inhabitants and located in any county of the third classification with a township form of government and with more than twenty thousand but fewer than twenty-three thousand inhabitants to implement a sales tax for public safety. DOR believes the only City to qualify under this description is the City of Clinton.

Additionally, this proposal would allow any city of the fourth classification with more than one thousand fifty but fewer than one thousand two hundred inhabitants and located in any county of the third classification without a township form of government and with more than eighteen thousand but fewer than twenty thousand inhabitants and with a city of the fourth classification with more than two thousand one hundred but fewer than two thousand four hundred inhabitants as the county seat to also implement a sales tax for public safety. DOR believes this would apply to the City of Lincoln and the City of Cole Camp.

The sales tax may be imposed in an amount of up to one-fourth, one-half, three-fourths, or one percent. The tax shall be imposed solely for the purpose of improving the public safety.

ASSUMPTION (continued)

DOR shows that the **City of Clinton** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	40,147,895	44,618,974	44,443,717	44,037,435	173,248,021
2016	41,389,150	45,465,065	45,533,177	44,893,260	177,280,651
2017	40,038,915	47,066,194	45,477,582	43,884,475	176,467,167
2018	40,961,939	47,940,212	46,462,280	46,505,858	181,870,288
2019	41,173,575	47,416,316			
Source: http://dor.mo.gov/publicreports/					
Sales Tax only (no use tax)					
DOR reports are generated by calendar year not fiscal year					
City of Clinton Taxable Sales Report Data					

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the City of Clinton would collect as:

Clinton		1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax	
Fiscal Year	DOR 1% Fee	Clinton County Collection							
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
2022	\$3,618	\$358,180	\$7,236	\$716,360	10,854	1,074,540	\$14,472	\$1,432,720	
2023	\$4,920	\$487,125	\$9,841	\$974,250	14,761	1,461,374	\$19,682	\$1,948,499	

DOR notes that this proposal would become effective on August 28, 2020, and the first election would be the April 6, 2021, election. Therefore this will not have a fiscal impact in FY 2021. This sales tax would begin October 1, 2021 (FY 2022) if adopted by the voters. Therefore the impact in FY 2022 would be for 9 months.

ASSUMPTION (continued)

DOR shows that the **City of Lincoln** has taxable sales of:

CY	Jan-Mar	Apr-Jun	July-Sept	Oct-Dec	Total
2015	2,124,060	2,412,496	2,368,178	2,014,074	8,918,808
2016	2,138,130	2,369,529	2,437,892	2,142,464	9,088,015
2017	2,177,513	2,602,875	2,547,296	2,120,049	9,447,733
2018	2,444,106	2,542,249	2,617,362	2,318,717	9,922,434
2019	2,030,154	2,244,162			

Source: <http://dor.mo.gov/publicreports/>
 Sales Tax only (no use tax)
 DOR reports are generated by calendar year not fiscal year
 City of Lincoln Taxable Sales Report Data

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the City of Lincoln would collect as:

Lincoln	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax	
	Fiscal Year	DOR 1% Fee	Fiscal Year	DOR 1% Fee	Fiscal Year	DOR 1% Fee	Fiscal Year	DOR 1% Fee
		Lincoln County Collection		Lincoln County Collection		Lincoln County Collection		Lincoln County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$196	\$19,397	392	38,794	588	58,191	\$784	\$77,587
2023	\$266	\$26,380	533	52,759	799	79,139	\$1,066	\$105,519

DOR notes that this proposal would become effective on August 28, 2020, and the first election would be the April 6, 2021 election. Therefore this will not have a fiscal impact in FY 2021. This sales tax would begin October 1, 2021, (FY 2022) if adopted by the voters. Therefore the impact in FY 2022 would be for 9 months.

ASSUMPTION (continued)

DOR shows that the **City of Cole Camp** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	3,229,113	3,002,081	3,402,238	3,196,016	12,829,447
2016	3,095,340	3,003,988	3,225,042	3,279,187	12,603,558
2017	3,081,084	2,956,959	3,249,944	3,360,607	12,623,994
2018	3,278,248	3,220,758	3,474,064	4,684,461	14,657,531
2019	3,243,595	3,502,112			
Source: http://dor.mo.gov/publicreports/					
Sales Tax only (no use tax)					
DOR reports are generated by calendar year not fiscal year					
City of Cole Camp Taxable Sales Report Data					

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the City of Cole Camp would collect as:

Cole Camp								
Fiscal Year	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax	
	DOR 1% Fee	Cole Camp County Collection	DOR 1% Fee	Cole Camp County Collection	DOR 1% Fee	Cole Camp County Collection	DOR 1% Fee	Cole Camp County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$266	\$26,341	\$532	\$52,681	798	79,022	\$1,064	\$105,362
2023	\$362	\$35,823	\$724	\$71,646	1,086	107,470	\$1,447	\$143,293

DOR notes that this proposal would become effective on August 28, 2020, and the first election would be the April 6, 2021, election. Therefore this will not have a fiscal impact in FY 2021. This sales tax would begin October 1, 2021 (FY 2022) if adopted by the voters. Therefore the impact in FY 2022 would be for 9 months.

ASSUMPTION (continued)

Officials at the **City of Clinton** assume, based on financial data from FY 18-19, the City would expect to generate annual revenues of \$950,000 based on a one-half percent sales tax.

Officials at the **City of Branson West** assume if the Board of Alderman of the City decide to approve the tax at half a percent and it is passed, the approximate revenue that will be brought in is \$500,000 annually.

Oversight has calculated those cities within this proposal as follows:

Taxable Sales by City					
	CY 19 Taxable Sales Tax Jan- Mar	CY 19 Taxable Sales Tax Apr- Jun	CY 18 Taxable Sales Tax Jul- Sept	CY 18 Taxable Sales Tax Oct- Dec	Total FY 19 Taxable Sales Tax
Branson West	19,962,599	27,108,143	27,300,134	24,081,341	98,452,217
Claycomo	6,300,774	6,332,614	5,959,771	6,450,921	25,044,080
Clinton	41,173,575	47,416,316	46,462,280	46,505,858	181,558,029
Cole Camp	3,243,595	3,502,112	3,474,064	4,684,461	14,904,232
Hallsville	2,272,117	2,266,564	2,156,592	2,249,081	8,944,353
Kearney	30,832,259	34,565,728	33,602,628	32,563,846	131,564,461
Lincoln	2,030,154	2,244,162	2,617,362	2,318,717	9,210,395
Smithville	18,956,527	22,859,235	22,213,205	20,463,774	84,492,740
	124,771,599	146,294,873	143,786,036	139,317,998	554,170,507

ASSUMPTION (continued)

2% Growth each year based on FY 19 Taxable Sales Tax

	2% Growth for FY 20 Taxable Sales	2% Growth for FY 21 Taxable Sales	2% Growth for FY 22 Taxable Sales	2% Growth for FY 23 Taxable Sales
Branson West	100,421,261	102,429,686	104,478,280	106,567,846
Claycomo	25,544,962	26,055,861	26,576,978	27,108,518
Clinton	185,189,190	188,892,974	192,670,833	196,524,250
Cole Camp	15,202,317	15,506,363	15,816,490	16,132,820
Hallsville	9,123,240	9,305,705	9,491,819	9,681,656
Kearney	134,195,750	136,879,665	139,617,258	142,409,603
Lincoln	9,394,603	9,582,495	9,774,145	9,969,627
Smithville	86,182,595	87,906,247	89,664,372	91,457,659
	565,253,917	576,558,995	588,090,175	599,851,979

Oversight notes that this version of the proposal is based on a half-percent sales tax for the cities. Therefore, Oversight has generated those totals below based on the 2% growth in sales tax per year above.

Half-Percent Revenue Generated for each City

	.5% Revenue for FY 21	.5% Revenue for FY 22	.5% Revenue for (12 mo) FY 22	.5% Revenue for (8 mo)	.5% Revenue for FY 23
Branson West	-	-	522,391	348,261	532,839
Claycomo	-	-	132,885	88,590	135,543
Clinton	-	-	963,354	642,236	982,621
Cole Camp	-	-	79,082	52,722	80,664
Hallsville	-	-	47,459	31,639	48,408
Kearney	-	-	698,086	465,391	712,048
Lincoln	-	-	48,871	32,580	49,848
Smithville	-	-	448,322	298,881	457,288
	-	-	2,940,451	1,960,301	2,999,260

ASSUMPTION (continued)

Oversight notes while the cities within this proposal could start to generate sale tax revenue beginning October 1, 2021, the reporting will not occur until 1 month later. Therefore, Oversight will range the fiscal impact from \$0 (not approved by voters) the estimates calculated by Oversight for 8 months in FY 22. FY 23 will reflect a full year of sales tax revenue for this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2021	FY 2022 (8 Mo.)	FY 2023
GENERAL REVENUE FUND			
<u>Additional Revenue - DOR - §§94.900 & 94.902 - 1% DOR Collection fee</u>	<u>\$0</u>	<u>\$0 to \$19,603</u>	<u>\$0 to \$29,993</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 to \$19,603</u>	<u>\$0 to \$29,993</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021	FY 2022 (8 Mo.)	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Additional Revenues - additional sales tax for Public Safety - §§94.900 & 94.902</u>	\$0	\$0 to \$1,960,301	\$0 to \$2,999,260
<u>Loss - 1% collection fee kept by DOR</u>	<u>\$0</u>	<u>\$0 to (\$19,603)</u>	<u>\$0 to (\$29,993)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 to \$1,940,698</u>	<u>\$0 to \$2,969,267</u>

FISCAL IMPACT - Small Business

This proposal would allow for a sales tax increase in the cities listed above that would impact small businesses depending on if a half percent sales tax rate is approved by the voters.

FISCAL DESCRIPTION

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

FISCAL DESCRIPTION (continued)

Currently, the only additional cities described in Section 94.900 are Branson West, Smithville, Kearney, and Hallsville, and the only additional cities described in Section 94.902 are Clinton, Lincoln, Cole Camp and 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

Office of Administration
Division of Budget & Planning
Department of Revenue
City of Clinton
City of Branson West



Julie Morff
Director
February 17, 2020



Ross Strope
Assistant Director
February 17, 2020