

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4441-01
Bill No.: Perfected HB 1700
Subject: Taxation and Revenue - Sales; Motels and Hotels; Cities, Towns, and Villages;
Tourism.
Type: Original
Date: February 12, 2020

Bill Summary: This proposal authorizes the City of Springfield to levy a transient guest tax upon voter approval.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0 or up to \$22,000	\$0 or up to \$88,000	\$0 or up to \$88,000
Total Estimated Net Effect on General Revenue	\$0 or up to \$22,000	\$0 or up to \$88,000	\$0 or up to \$88,000

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 6 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 or up to \$2,200,000	\$0 or up to \$8,800,000	\$0 or up to \$8,800,000

FISCAL ANALYSIS

ASSUMPTION

Section 94.842 - Springfield Transient Guest Tax

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposed legislation allows voters in the City of Springfield (the City) to impose a transient guest tax up to 7.5% for the purpose of funding capital investments that can be demonstrated to increase the number of overnight visitors.

The analysis assumes that an agreement is entered into by the City and the State of Missouri's Director of Revenue for the collection of the tax.

Based upon the City's Calendar Year 2019 estimated \$117.0 million of taxable room sales, B&P estimates that a 7.5% tax will generate \$8.8 million in collections (\$117 million * 7.5%). Since the legislation indicates that this sales tax would take effect starting April 1, only Quarter 4 of Fiscal Year 2021 sales collections would be impacted. This results in the proposed sales tax generating approximately \$2.2 million for the City in Fiscal Year 2021. As a voter-approved tax, the collected revenues will not impact General Revenue (GR) and Total State Revenues (TSR); however, the Department of Revenue (DOR) will retain 1% to offset collection costs (if an agreement is entered into by the City and DOR for DOR to collect the tax). Therefore, this portion could increase GR and TSR by approximately \$22,000 in Fiscal Year 2021.

B&P defers to DOR for more specific estimates of actual collection costs.

Oversight notes B&P estimates the City could recognize \$8.8 million in tax revenue when fully implemented. Oversight further notes B&P estimates that GR and TSR could increase by one percent (1%) of the total amount collected from the City's transient guest tax if the City and DOR come to an agreement for DOR to collect the tax on behalf of the City.

In response to the previous version of this proposed legislation, officials from the **City of Springfield (City)** state there is a positive impact to the City. The City assumes, if voters approved the tax increase, the positive impact is likely to be more than \$2.5 million per year.

Oversight notes the City assumes the City's tax revenues would increase by an amount greater than \$2.5 million per year.

Oversight notes this proposed legislation would allow the City, if approved by the City's voters, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels located in the City equal at a rate not to exceed seven and one-half percent (7.5%). Oversight further notes the tax revenues generated would be designated solely for capital investments that can be demonstrated to increase the number of overnight visitors in the City.

ASSUMPTION (continued)

Oversight assumes that the City would not recognize a gain in tax revenues unless the tax was approved by the voters of the City. Therefore, for purposes of this fiscal note, Oversight will show a range for Springfield from \$0 (governing body of the city does not submit the proposal to the voters or the voters defeat the proposal) up to \$2.2 million in Fiscal Year 2021 and \$8.8 million each fiscal year thereafter, as estimated by B&P using data provided by to them by the City's Convention and Visitors Bureau.

For the purposes of this fiscal note, Oversight will show a range for General Revenue beginning at \$0 (City collects the tax) to \$22,000 in Fiscal Year 2021 and \$88,000 each fiscal year thereafter (City and DOR agree for DOR to collect the tax on behalf of the City).

Oversight notes the **Missouri Department of Revenue** and the **Missouri Secretary of State's Office** have each stated the proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

Oversight notes if an agreement was entered into by the City of Springfield and Missouri Department of Revenue, GR and TSR could increase by one percent (1%) of the total amount of tax generated.

Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Oversight notes the **University of Missouri's Economic and Policy Analysis Research Center** indicated they do not possess the data to estimate the impact of this proposed legislation.

House Amendment No. 1 (HA-1) -

Oversight notes House Amendment No. 1 for HB 1700 amends the Title by replacing, within the title, the words "transient guest taxes" with "taxation in certain political subdivisions". Oversight assumes House Amendment No. 1 does not have a fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Revenue Gain</u> - (Section 94.842) - one percent of total tax revenues collected by DOR on behalf of the City of Springfield (if agreement is made with City)	<u>\$0 or up to</u> <u>\$22,000</u>	<u>\$0 or up to</u> <u>\$88,000</u>	<u>\$0 or up to</u> <u>\$88,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0 or up to</u> <u>\$22,000</u>	<u>\$0 or up to</u> <u>\$88,000</u>	<u>\$0 or up to</u> <u>\$88,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
CITY OF SPRINGFIELD			
<u>Revenue Gain</u> - (Section 94.842) - Transient guest tax	<u>\$0 or up to</u> <u>\$2,200,000</u>	<u>\$0 or up to</u> <u>\$8,800,000</u>	<u>\$0 or up to</u> <u>\$8,800,000</u>
ESTIMATED NET EFFECT ON THE CITY OF SPRINGFIELD	<u>\$0 or up to</u> <u>\$2,200,000</u>	<u>\$0 or up to</u> <u>\$8,800,000</u>	<u>\$0 or up to</u> <u>\$8,800,000</u>

FISCAL IMPACT - Small Business

This proposed legislation could impact small businesses, such as motels' and hotels' as they would be required to collect and remit the tax(es) to the appropriate authority (City of Springfield or Missouri Department of Revenue).

FISCAL DESCRIPTION

This bill authorizes any home rule city with more than 155,000 but fewer than 200,000 inhabitants to submit to the voters a transient guest tax not to exceed 7.5% of the charges per occupied room per night. Such tax shall be used solely for capital investments that can be demonstrated to increase the number of overnight visitors. This currently only applies to the City of Springfield. Upon voter approval, the city may adopt rules and regulations for the internal collection of the tax, or may enter into an agreement with the Department of Revenue for the collection of the tax. (Section 94.842)

FISCAL DESCRIPTION (continued)

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 - Budget & Planning Division
Missouri Department of Revenue
City of Springfield
Joint Committee on Administrative Rules
Missouri Secretary of State's Office
University of Missouri's Economic and Policy Research Center



Julie Morff
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February 12, 2020



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February 12, 2020