

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4441-03
Bill No.: SCS for HB 1700
Subject: Taxation and Revenue - General; Cities, Towns and Villages
Type: Original
Date: May 4, 2020

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue*	Greater than (\$7,456,931) or greater than (\$8,124,865)	Less than or greater than \$(2,247,430)	Less than or greater than (\$2,266,620)	Less than or greater than (\$2,311,996)
Total Estimated Net Effect on General Revenue	Greater than (\$7,456,931) or greater than (\$8,124,865)	Less than or greater than \$(2,247,430)	Less than or greater than (\$2,266,620)	Less than or greater than (\$2,311,996)

* The net fiscal impact to the General Revenue Fund is dependent upon local political subdivisions approval of various tax ballot measures authorized in the proposal. The Department of Revenue is allowed to retain one percent of the taxes it collects for the political subdivisions.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 52 pages

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Cash Operating Expense Fund	\$0	\$37,800,000 or could exceed \$57,800,000	\$77,600,000 or could exceed \$118,500,000	\$80,900,000 or could exceed \$123,700,000
School District Trust Fund	\$0	\$12,600,000 or could exceed \$19,300,000	\$25,900,000 or could exceed \$39,500,000	\$27,000,000 or could exceed \$41,200,000
Conservation	\$0	\$1,600,000 or could exceed \$2,400,000	\$3,200,000 or could exceed \$4,900,000	\$3,400,000 or could exceed \$5,200,000
Parks and Soils	\$0	\$1,300,000 or could exceed \$1,900,000	\$2,600,000 or could exceed \$3,900,000	\$2,700,000 or could exceed \$4,100,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$53,300,000 or could exceed \$81,400,000	\$109,300,000 or could exceed \$166,800,000	\$114,000,000 or could exceed \$174,200,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue	37 FTE	37 FTE	37 FTE	37 FTE
Total Estimated Net Effect on FTE	37 FTE	37 FTE	37 FTE	37 FTE

☒ 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	Fully Implemented (FY 2024)
Local Government	\$0 or Could exceed \$66,901,769	\$19,600,000 or Could exceed \$116,138,678	\$40,100,000 or Could exceed \$149,263,451	\$41,900,000 or Could exceed \$204,415,496

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 this fiscal note on the best current information that we have or on information regarding a similar bill(s). 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.

Section 32.310 - DOR Sales and Use Tax Map

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this section adds use tax information to the Missouri Department of Revenue (DOR) mapping system. This section further requires local jurisdictions to provide use tax information by January 1, 2021. In the event local jurisdictions do not supply sales or use tax data to DOR then DOR will use the last known information. This section requires DOR to implement the use tax map by August 28, 2021.

This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Missouri Department of Revenue (DOR)** state this proposal adds "use tax" to the DOR mapping feature which currently states sales tax. This section further requires all political subdivisions to submit their use tax information to DOR by January 1, 2021 and for DOR to have the updated website working by August 28, 2021. DOR assumes this will not have a fiscal impact as use tax is already included in the map where it was provided by the political subdivision.

Oversight notes B&P and DOR do not anticipate this section of this proposed legislation to have a fiscal impact on their agencies. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact as it relates to DOR updating the mapping feature on its website to include use taxes as required by this section.

Section 33.575 - Cash Operating Expense Fund and Debt Retirement Fund

Officials from **B&P** state this section creates the "Cash Operating Expense Fund" (COEF). The State Treasurer will be the custodian of the fund, and funds remaining at the biennium shall not revert to the credit of the general revenue fund. Section B contains an emergency clause for this provision. Therefore, for the purpose of this fiscal note B&P will assume that this section would become effective July 1, 2020.

ASSUMPTION (continued)

Deposits into the fund will come from: 1) the general revenue portion of the use taxes collected on behalf of the state under Section 144.752 and Paragraph 144.605(3)(e), except for revenues from Section 144.701 as well as Article IV, Section 43(a), and Article IV 47(a) of the Missouri constitution; subject to appropriation, funds appropriated to the Governor's Office for emergency duties that were unexpended at the end of the fiscal year; and funds appropriated by the General Assembly.

B&P noted that Section 144.701 contains the 1% sales tax dedicated to the School District Trust Fund. Article IV, Section 43(a) contains the 0.125% sales tax dedicated to Conservation. Article IV, Section 47(a) contains the 0.1% sales tax dedicated to the Parks, Soil and Water funds. Therefore, this proposal would only divert the 3% use taxes that would have otherwise been deposited into General Revenue (GR).

In any fiscal year where actual revenues are less than the revenue estimates used in the budgeting process, or when there is a budget need due to a natural disaster, the Governor may, subject to appropriation, transfer from the COEF to GR.

If, at the end of any fiscal year, the balance in the fund exceeds two and one-half percent (2.5%) of the net general revenue for the previous fiscal year, the excess amount shall be transferred, subject to appropriation, as follows: 1) fifty percent (50%) shall be transferred to the State Road Fund (0320) to cover transportation cost-share programs and 2) fifty percent (50%) shall be transferred to the newly created debt retirement fund.

This section creates the "Debt Retirement Fund" where monies in the fund shall be used for the retirement of debt related to bonds issued on or behalf of the state and for which the Office of Administration (OA) is required to file annual continuing disclosure reports.

This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this provision has an emergency clause that would create this fund upon passage. For the simplicity of the fiscal note, DOR will assume this fund will start on July 1, 2020. However, DOR notes that the funding from the out-of-state sales does not begin until January 1, 2022.

This proposed section creates the Cash Operating Expense Fund. The Fund is to receive the use tax collected per Sections 144.605(3)(e) and 144.752. This Fund however, would not receive any of the funds outlined in Section 144.020 which is the School District Trust Fund, the Conservation Commission Fund and the Parks, Soil & Water Funds which are constitutionally created. It appears it would receive the 3% general revenue portion of the use tax collected.

Therefore the following amounts are expected to be deposited into the Cash Operating Expense Fund. DOR notes only six months of collection would occur in Fiscal Year 2022.

ASSUMPTION (continued)

Revenue Estimates	2022		2023		2024	
	Low	High	Low	High	Low	High
Cash Operating Expense Fund	\$37,844,387	\$57,817,814	\$77,557,345	\$118,490,389	\$80,942,090	\$123,661,526
Education	\$12,614,796	\$19,272,605	\$25,852,448	\$39,496,796	\$26,980,697	\$41,220,509
Conservation	\$1,576,849	\$2,409,076	\$3,231,556	\$4,937,100	\$3,372,587	\$5,152,564
Parks, Soil, Water	\$1,261,480	\$1,927,260	\$2,585,245	\$3,949,680	\$2,698,070	\$4,122,051
TSR	\$53,297,512	\$81,426,755	\$109,226,595	\$166,873,964	\$113,993,443	\$174,156,649
Local (Pop Weighted Rate 1.385%)	\$19,584,915	\$29,921,398	\$40,136,837	\$61,320,168	\$41,888,482	\$63,996,293

Oversight notes this proposed legislation creates the Cash Operating Expense Fund (the Fund) which shall consist of money (GR portion) generated from the use tax collection from online retail sellers and marketplace facilitators, money appropriated to the Governor's office for expenses related to emergency duties performed by the national guard when ordered out by the Governor, for matching funds for federal grants and for emergency assistance as provided in Section 44.032, and for expenses of any state agency responding during a declared emergency to provided the services furnish immediate aid and relief.

Oversight notes, in any fiscal year in which the actual revenues are less than the revenue estimates upon which appropriations were based or in any fiscal year in which there is a budget need due to a natural disaster, the Governor may, subject to appropriation, transfer from the Fund to GR so that it makes up all or part of the deficit between the actual revenues and the revenue estimates or to meet the needs of the natural disaster. Section B contains an emergency clause for this provision.

Oversight further notes this proposed legislation allows for, when the balance in the Fund at the close of any fiscal year exceeds two and one-half percent (2.5%) of net general revenue collections from the previous fiscal year, the excess balance may be transferred; with the State Road Fund receiving fifty percent (50%) of the excess and the newly created Debt Retirement Fund receiving fifty percent (50%) of the excess.

Oversight notes this proposed legislation creates and establishes the Debt Retirement Fund in the Missouri State Treasury.

ASSUMPTION (continued)

Section 67.730 - Capital Improvements Sales Tax - Clay County and Platte County

Oversight notes this section would authorize the counties of Clay and Platte, upon voter approval, to impose a capital improvement sales tax. The capital improvement sales tax is permitted to be in addition to or in lieu of all and any other sales tax authorized by law to be imposed by the county. The purposes of the capital improvement sales tax is to retire revenue bonds issued for capital improvement projects designated by the counties.

Officials from **B&P** state this section changes the amount of a city that must fall within the first class county or charter county by replacing "the major portion" with "a portion" of a city. This change decreases the portion of a city that must fall in the county, which may broaden the number of cities that meet this parameter and therefore would be eligible to issue and sell revenue bonds and pass a retail sales tax to retire the revenue bonds pursuant to this section.

Currently, the language only includes Jackson County. With this change, counties of Cass, Clay, Platte, and Jackson are included. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section would allow any county of the first classification or any county having a charter form of government, and containing a portion of a city with a population of over three hundred fifty thousand may, upon the vote of a majority of the qualified voters of the county voting thereon, issue and sell its negotiable interest-bearing revenue bonds for the purpose of paying all or part of the cost of any capital improvements project or projects designated by the governing body of the county. The bonds shall be retired from the proceeds of a countywide sales tax on all retail sales made in such county which are subject to taxation under the provisions of sections 144.010 to 144.525.

DOR believes this would allow Clay County or Platte County to implement this sales tax. DOR noted the sales tax authorized under sections 67.730 to 67.739 may be imposed at a rate of one-fourth of one percent, three-eighths of one percent, one-half of one percent, or one percent, on the receipts from the sale at retail of all tangible personal property or taxable services at retail within the county adopting such tax, if such property and services are subject to taxation by the state of Missouri under the provisions of sections 144.010 to 144.525 per Section 67.734. DOR assumes they would also allow them to retain the 1% collection fee.

DOR shows that Clay County has taxable sales of:

ASSUMPTION (continued)

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	702,745,578	771,122,446	793,087,320	810,109,463	3,077,064,807
2016	732,164,387	808,448,572	821,916,169	837,382,432	3,199,911,560
2017	746,348,023	842,661,889	947,152,129	846,559,801	3,382,721,842
2018	784,889,983	888,127,499	879,858,691	876,777,127	3,429,653,300
2019	779,426,377	895,323,501			
Source: http://dor.mo.gov/publicreports/					
Sales Tax only (no use tax)					
DOR reports are generated by calendar year not fiscal year					
County of Clay Taxable Sales Report Data					

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

	1/4 of 1% Tax		3/8 of 1% Tax		1/2 of 1% Tax		1% Tax	
Fiscal Year	DOR 1% Fee	Clay County Collection	DOR 1% Fee	Clay County Collection	DOR 1% Fee	Clay County Collection	DOR 1% Fee	Clay County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$70,359	\$6,965,577	\$105,539	\$10,448,366	\$140,719	(185,748,720.575)	\$281,437	\$27,862,308
2023	\$95,689	\$9,473,185	\$143,533	\$14,209,777	\$191,377	\$18,946,369	\$382,755	\$37,892,739

ASSUMPTION (continued)

DOR shows that Platte County has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	365,865,541	409,786,658	411,602,708	432,860,389	1,620,115,296
2016	377,068,890	426,097,999	422,188,416	434,914,968	1,660,270,274
2017	385,736,669	437,968,532	441,162,583	433,941,089	1,698,808,872
2018	408,834,808	456,408,948	457,982,789	458,580,775	1,781,807,319
2019	393,179,864	451,551,162			
Source: http://dor.mo.gov/publicreports/					
Sales Tax only (no use tax)					
DOR reports are generated by calendar year not fiscal year					
County of Platte Taxable Sales Report Data					

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

	1/4 of 1% Tax		3/8 of 1% Tax		1/2 of 1% Tax		1% Tax	
Fiscal Year	DOR 1% Fee	Platte County Collection	DOR 1% Fee	Platte County Collection	DOR 1% Fee	Platte County Collection	DOR 1% Fee	Platte County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$35,321	\$3,496,819	\$52,982	\$5,245,228	\$70,643	\$6,993,637	\$141,286	\$13,987,275
2023	\$48,037	\$4,755,673	\$72,056	\$7,133,510	\$96,074	\$9,511,347	\$192,148	\$19,022,693

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 Fiscal Year 2021. This sales tax would begin October 1, 2021 (Fiscal Year 2022) if adopted by the voters. Therefore the impact in Fiscal Year 2022 would be for 9 months.

ASSUMPTION (continued)

It is unclear if either or both of the counties will choose to collect these taxes. If neither adopt the sales tax the impact would be \$0.

	Clay County	Clay 1% DOR Fee	Platte County	Platte 1% DOR Fee
FY 2021	\$0	\$0	\$0	\$0
FY 2022	\$0 or Up to \$27,862,308	\$0 or Up to \$281,437	\$0 or Up to 13,987,275	\$0 or Up to \$141,286
FY 2023	\$0 or Up to \$37,892,739	\$0 or Up to \$382,755	\$0 or Up to \$19,022,693	\$0 or Up to \$192,148

Oversight notes the following taxable sales for Clay County and Platte County, per published reports on Missouri Department of Revenue's website:

Clay County Taxable Sales - FY 2019	\$3,951,165,349
Platte County Taxable Sales - FY 2019	\$2,120,305,860

Oversight used the taxable sales reported above to calculate the following: the minimum sales tax collections recognized by either county, the maximum collections recognized by each county; DOR's 1% collection fee for each of the aforementioned and DOR's total minimal 1% collection fee to be deposited into GR and DOR's total maximum 1% collection fee to be deposited into GR:

Clay County Taxable Sales - FY 2019	\$3,951,165,349
Clay County Sales Tax at Minimum % (.25%)	\$9,877,913
Clay County Sales Tax at Maximum % (1%)	\$39,511,653
DOR 1% Collection Fee - Minimum	\$98,779
DOR 1% Collection Fee - Maximum	\$395,117
Platte County Taxable Sales - FY 2019	\$2,120,305,860
Platte County Sales Tax at Minimum % (.25%)	\$5,300,765
Platte County Sales Tax at Maximum % (1%)	\$21,203,059
DOR 1 % Collection Fee - Minimum	\$53,008
DOR 1% Collection Fee - Maximum	\$212,031
Total DOR 1% Collection Fee Minimum - Deposited to GR	\$151,787
Total DOR 1% Collection Fee Maximum - Deposited to GR	\$607,147

Oversight notes the earliest this proposal could be implemented is if the State of Missouri holds a special election and the counties put forth this issue. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2021.

ASSUMPTION (continued)

Therefore, **Oversight** estimates, should Clay County’s voters vote in favor of such a sales tax in Fiscal Year 2021, this section could increase Clay County’s revenues by a range equal to \$9,877,913 to \$39,511,653. Furthermore, as a result, Oversight estimates GR could increase by a range equal to \$98,779 to \$395,117.

Oversight further estimates, should Platte County’s voters vote in favor of such a sales tax in Fiscal Year 2021, this section could increase Platte County’s revenues by a range equal to \$5,300,765 to \$21,203,059. Furthermore, as a result, Oversight estimates GR could increase by a range equal to \$53,008 to \$212,031.

Oversight estimates, provided the voters of both counties mentioned above vote in favor of such sales tax during Fiscal Year 2021, this section could increase revenue to local political subdivisions (Clay County and Platte County) by a range equal to \$15,178,678 to \$60,714,712.

Oversight estimates, provided the voters of both counties mentioned above vote in favor of such a sales tax during Fiscal Year 2021, this section could increase GR by a range equal to \$151,787 to \$607,147.

Oversight provides the low and high estimates provided both counties vote in favor of the sales tax below. Oversight has increased the total estimated collections each year assuming a growth percentage of 2% annually. Therefore, Oversight estimates following fiscal impact to each county for each fiscal year as it relates to this section should each county’s voters approve such tax:

	Fiscal Year 2021		Fiscal Year 2022		Fiscal Year 2023	
	Low	High	Low	High	Low	High
Clay County	\$9,877,913	\$39,511,653	\$10,075,472	\$40,301,887	\$10,276,981	\$41,107,924
Platte County	\$5,300,765	\$21,203,059	\$5,406,780	\$21,627,120	\$5,514,916	\$22,059,662

	Fiscal Year 2024		Fiscal Year 2025		Fiscal Year 2026	
	Low	High	Low	High	Low	High
Clay County	\$10,482,521	\$41,930,083	\$10,692,171	\$42,768,684	\$10,906,015	\$43,624,058
Platte County	\$5,625,214	\$22,500,855	\$5,737,718	\$22,950,873	\$5,852,472	\$23,409,890

ASSUMPTION (continued)

As a result of the estimated fiscal impact(s) to each county shown above, DOR's 1% collection fee reports a growth percentage of 2% annually.

Fiscal Year 2021		Fiscal Year 2022		Fiscal Year 2023	
Low	High	Low	High	Low	High
\$151,787	\$607,147	\$154,823	\$619,290	\$157,919	\$631,676

Fiscal Year 2024		Fiscal Year 2025		Fiscal Year 2026	
Low	High	Low	High	Low	High
\$161,077	\$644,309	\$164,299	\$657,196	\$167,585	\$670,339

For purposes of this fiscal note, Oversight will report an increase to local political subdivisions (Clay and Platte County) equal to \$0 (voters reject the proposal or the proposal is not put forth on a ballot) to \$60,714,712 in Fiscal Year 2021 (the estimated maximum sales tax collections of both counties), increased by an assumed two percent (2%) growth rate each fiscal year thereafter.

For purposes of this fiscal note, Oversight will report an increase to GR equal to \$0 (voters reject the proposal or the proposal is not put forth on a ballot) to \$607,147 (the estimated maximum sales tax collections of both counties multiplied by 1%).

Oversight notes this proposed section states this proposal could be brought forth to the county's respective voters at a county or state general, primary or special election.

Section 67.1011 - Transient Guest Tax - City of Butler

Oversight note this section would permit the City of Butler to impose a transient guest tax provided the governing body of the city submits to the voters of the city at an election a question to authorize the city to impose such tax. Such tax shall not exceed six percent (6%) per occupied room per night.

ASSUMPTION (continued)

Officials from **B&P** state this section would allow the City of Butler to levy a transient guest tax. B&P was unable to obtain data regarding occupancy rates and room sales, consequently B&P cannot calculate an estimate. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this provision allows the City of Butler to establish a transient guest tax. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR.

Oversight is unable to determine how many sleeping rooms are located in the City of Butler, the average cost of such rooms, and the average occupancy rate. Therefore, for purposes of this fiscal note, Oversight will report a fiscal impact ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal) to “Unknown” beginning in Fiscal Year 2021 as it relates to this section.

Oversight also notes this section should not impact GR, as transient guest taxes are collected by the local political subdivision (unless a mutual agreement is permitted per law and mutually agreed upon between the political subdivision and DOR).

Oversight notes this section permits the City of Butler to put forth the proposal for a transient guest tax to its respective voters at “an election.” Therefore, for purposes of this fiscal note, Oversight assumes this could include a special election called for by the Governor. Oversight will reflect the cost (once) to the state for reimbursing local political subdivisions the cost for having this proposal voted on during a special election in Fiscal Year 2021. This reflects the decision made by the Joint Committee on Legislative Research that the cost of special elections should be shown in the fiscal note. The next scheduled statewide primary election is August 2020 and the next scheduled general election is in November 2020 (both in FY 2021). It is assumed the subject matter within this proposed legislation could be on the ballots of one of these elections; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect, in this fiscal note, the potential election cost of the reimbursement to local political subdivisions in Fiscal Year 2021 if a special election is called. Potential election costs will be ranged from \$0 (no special election) to \$7.8 million (special election is called).

Section 67.1360 - Transient Guest Tax - City of Cameron

Oversight notes this section would permit the City of Cameron to impose a transient guest tax provided the governing body of the city submits to the voters of the city at an election a question to authorize the city to impose such tax which shall be at least two percent (2%) but no more than five percent (5%).

ASSUMPTION (continued)

Officials from **B&P** state this section would allow the City of Cameron and the City of Clinton to levy a transient guest tax. B&P was unable to obtain data regarding occupancy rates and room sales, consequently B&P cannot calculate an estimate. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state This provision allows the City of Cameron to establish a transient guest tax. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR.

Oversight notes, in response to similar legislation (HB 2418 - 2020), the **City of Cameron** assumed this section could increase the City of Cameron's revenues by an estimated \$147,168 annually (280 rooms * 60% occupancy * \$60 per room * 365 nights = \$3,679,200 * 4% transient guest tax = \$147,168 revenue increase to the City of Cameron Tourism Bureau).

In response to similar legislation (HB 2418 - 2020), officials from **B&P** stated this section would not have a direct impact on B&P, has no direct impact on GR or TSR and will not impact the calculation pursuant to Article X, Section 18(e).

In response to similar legislation (HB 2418 - 2020), officials from **DOR** stated this section would not have a direct fiscal impact on their organization as transient guest tax(es) are collected by the local political subdivision.

For purposes of this fiscal note, **Oversight** will show an increase to local political subdivisions (City of Cameron) ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal) to \$147,168 (estimates provided by the City of Cameron) beginning in Fiscal Year 2021 and assume a 2% growth rate each fiscal year thereafter.

Oversight also notes this section should not impact GR, as transient guest taxes are collected by the local political subdivision (unless a mutual agreement is permitted per law and mutually agreed upon between the political subdivision and DOR).

Oversight assumes the earliest this proposal could be implemented is if the State of Missouri holds a special election and the counties put forth this issue. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2021.

ASSUMPTION (continued)

Oversight notes this section permits the City of Cameron to put forth the proposal for a transient guest tax to its respective voters at a special election. Oversight will reflect the cost (once) to the state for reimbursing local political subdivisions the cost for having this proposal voted on during a special election in Fiscal Year 2021. This reflects the decision made by the Joint Committee on Legislative Research that the cost of special elections should be shown in the fiscal note. The next scheduled statewide primary election is August 2020 and the next scheduled general election is in November 2020 (both in FY 2021). It is assumed the subject matter within this proposed legislation could be on the ballots of one of these elections; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect, in this fiscal note, the potential election cost of the reimbursement to local political subdivisions in Fiscal Year 2021 if a special election is called. Potential election costs will be ranged from \$0 (no special election) to \$7.8 million (special election is called).

Section 67.1790 - Early Childhood Education Programs Sales Tax - Greene County (and Any Cities Within)

Oversight notes this section would permit Greene County, or any city within Greene County, to impose by order or ordinance a sales tax on all retail sales made within the county or city that are subject to sales tax under Chapter 144. The sales tax is to provide funding for early childhood education programs in Greene County or the city. Such tax shall not exceed one-quarter of one percent (.25%). The childhood education program sales tax, though, must be approved by voter approval at a general election.

Provided the sales tax is voter approved, Greene County or the city must enter into an agreement with DOR to collect the tax. DOR is permitted to retain 1% for the cost of collection.

Officials from **B&P** state this section would allow voters whose voting jurisdictions meet the criteria described in section 1 to impose a sales tax up to 0.25% for the purpose of funding early childhood education. According to the State Demographer, the description of any first class county in section 1 has population parameters that fit the cities of Ash Grove, Battlefield, Fair Grove, Strafford, Walnut Grove, Willard, Republic, Rogersville, and Springfield. The bill also adds a provision that requires the governing body of any county or city that has adopted the sales tax to submit to voters the question of whether to repeal the sales tax if the governing body receives a petition signed by ten percent of the registered voters of their jurisdiction. The chart below provides the DOR and sales tax collections data for the jurisdictions impacted by this proposal.

ASSUMPTION (continued)

0.25%	DOR Collections				Sales Tax Collections Data		
City	FY 2021	FY 2022	FY 2023		FY 2021	FY 2022	FY 2023
Ash Grove	74	297	297		7,353	29,414	29,414
Battlefield	102	407	407		10,078	40,313	40,313
Fair Grove	110	440	440		10,895	43,578	43,578
Strafford	282	1,129	1,129		27,933	111,734	111,734
Walnut Grove	23	91	91		2,252	9,010	9,010
Willard	271	1,084	1,084		26,839	107,356	107,356
Republic	1,593	6,373	6,373		157,726	630,905	630,905
Rogersville	229	916	916		22,664	90,657	90,657
Springfield	28,373	113,491	113,491		2,808,914	11,235,656	11,235,656
	31,057	124,228	124,228		3,074,654	12,298,623	12,298,623

Officials from **DOR** state this section states that the governing body of any county of the first classification with more than two hundred sixty thousand but fewer than three hundred thousand inhabitants (Greene County), or any city within such county, may impose by order or ordinance a sales tax on all retail sales made within the county or city that are subject to sales tax under Chapter 144 for the purpose of funding early childhood education programs in the county or city.

This proposed section states that the tax shall not exceed one quarter of one percent (.25%) and shall be imposed solely for the purpose of funding early childhood education programs in the county or city.

This proposed section states that the order or ordinance imposing a sales tax under this section shall not become effective unless the governing body of the county or city submits to the voters residing within the county or city to impose a tax under this section.

This proposed section states that if a majority of the votes cast on the question by the qualified voters voting thereon are in favor of the question, the order or ordinance shall become effective on the first day of the second calendar quarter after the Director of the Department of Revenue receives notice of the adoption of the tax.

This proposed section states that all revenue collected under this section by the Director of the Department of Revenue on behalf of any county or city, except for one percent for the cost of collection deposited in the state's general revenue fund, shall be deposited in a special trust fund, which is hereby created and shall be known as the Early Childhood Education Sales Tax Trust Fund.

ASSUMPTION (continued)

This proposed section states that in order to permit sellers required to collect and report the sales tax to collect the amount required to be reported and remitted, but not change the requirements of reporting or remitting the tax, or to serve as a levy of the tax, and in order to avoid fractions of pennies, the governing body of the county or city may authorize the use of a bracket system similar to that authorized in Section 144.285 and this new bracket system shall be used where this tax is imposed and shall apply to all taxable transactions.

This proposed section states that, beginning with the effective date of the tax, every retailer in the county or city shall add the sales tax to the sale price, and this tax shall be a debt of the purchaser to the retailer until paid and shall be recoverable at law in the same manner as the purchase price.

DOR estimates that General Revenue could increase by \$236,244 each fiscal year due to the one percent collection fee, which is to be deposited into the General Revenue Fund, allowable pursuant to this proposed legislation.

DOR has estimated the potential local impact should the county and all cities within the county approve a ballot measure approving this one quarter of one percent tax increase to the sales/use tax rate. These revenues would not be seen until two quarters after the ballot measure passed. If this legislation were passed and signed, the earliest a measure could be on the ballot is April 2021; and therefore the tax would start October 1, 2021 (Fiscal Year 2022).

ASSUMPTION (continued)

Entity	Total Increase to General Revenue (DOR 1% Fee)	Total Potential Increase to Early Childhood Education Sales Tax Trust Fund
Greene County	\$103,097	\$10,206,620
Ash Grove	\$388	\$38,394
Battlefield	\$676	\$66,967
Bois D’Arc	\$0	\$0
Fair Grove	\$405	\$40,090
Republic	\$6,227	\$616,449
Rogersville	\$930	\$92,307
Springfield	\$121,882	\$12,066,329
Strafford	\$1,143	\$113,179
Turners	\$0	\$0
Walnut Grove	\$141	\$13,949
Willard	\$1,355	\$134,159
TOTAL	\$236,244	\$23,388,173

** “Greene County” reports the increase to revenues specific to Greene County

*** The “Total” reports the increase to revenues for all cities within Greene County as well as Greene County.

In response to similar legislation (SS No. 2 for SB 704 - 2020), officials from the **Missouri Department of Elementary and Secondary Education (DESE)** stated, contingent upon the action of voters (and, subsequently, the governing bodies of Greene County and the cities within), DESE assumes this section could have an impact on the revenues received into the Early Childhood Education Sales Tax Fund; however, DESE has no means to calculate the potential impact.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact for local political subdivisions (Greene County and/or Cities within) ranging from \$0 (voters reject the proposal or it is not put forth to voters) to \$3,074,654 in Fiscal Year 2021 and \$12,298,623 in Fiscal Year 2022 as estimated by B&P, increased by an assumed two percent (2%) annual growth rate each year after, as it relates to this section.

ASSUMPTION (continued)

Furthermore, **Oversight** will report a positive fiscal impact to GR (DOR 1% collection fee) equal to \$0 (voters reject the proposal or the governing body does not put forth the proposal) to \$31,057 in Fiscal Year 2021 and \$124,228 in Fiscal Year 2022 as estimated by B&P, increased by an assumed two percent (2%) annual growth rate each year thereafter, as it relates to this section.

Section 94.838 - Municipal Tourism Tax - Transient Guest Tax and Tax on Retail Sales of Food - Lamar Heights

Oversight notes this section increases the tax on gross receipts derived from the retail sale of food by every person operating a food establishment in Lamar Heights from two percent (2%) to six percent (6%).

Oversight also notes, under current law, Lamar Heights is only permitted to use the revenues derived from such tax for funding: the construction, maintenance and operation of capital improvements. This section permits Lamar Heights to use the tax revenues for general revenue purposes.

Officials from **B&P** state this section would allow voters in the Village of Lamar Heights to increase the gross receipts derived from retail sales from 2% to 6% and to change the purpose of the taxes through a ballot measure from capital improvements to general revenues.

Since the bill indicates that this sales tax would take effect starting April 1, only Q4 of Fiscal Year 2021 sales collections would be impacted with the full year collection amounts generated in Fiscal Year 2022 and Fiscal Year 2023. The estimated \$321,004 increase in sales tax revenue was generated based upon 2019 collections using a tax base calculation showing the 2% to 6% increase in the tax rate. For Fiscal Year 2021, the collections would be \$79,448. In subsequent years, \$317,794 of collections would be generated.

As a voter-approved tax, the collected revenues will not impact GR and TSR; however, if DOR collects the tax revenue, DOR will retain 1% to offset collection costs. Therefore, this portion could increase GR and TSR by the DOR fee amounts of \$803 in Fiscal Year 2021 and \$3,210 annually thereafter.

Officials from **DOR** state this proposal allows the Village of Lamar Heights to change their sales tax from a not to exceed two percent (2%) sales tax for the purpose of construction, maintenance and operation of capital improvements to a not to exceed six percent (6%) sales tax for general revenue purposes. This proposal does require a vote of the citizens prior to becoming effective.

ASSUMPTION (continued)

Should the vote fail, there would be no fiscal impact. Information on the amount of sales tax collected by the Village of Lamar Heights over the past four calendar years.

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	1,452,189	1,572,177	1,302,550	892,271	5,219,189
2016	2,194,059	2,334,111	2,386,004	2,113,133	9,027,306
2017	1,836,428	2,113,725	2,020,972	1,709,198	7,680,323
2018	1,720,000	2,165,846	2,074,299	1,991,001	7,951,146
2019	1,736,801	2,223,009			

Using the current expected tax base for the future fiscal years and a 2% inflation rate, the Department was able to calculate the amount of tax that would be collected with a 6% tax. DOR notes it would be allowed to retain the 1% collection fee. DOR is going to show the difference between the 2% that is currently collected and the 6% that could be collected.

FY	Tax Base	Current Collections	New 6% Fee	Difference	1% DOR Fee	City Keeps
20	7,923,703	158,474.06	475,422.18	316,948.12	3,169.48	313,778.64
21	8,082,177	161,643.54	484,930.63	323,287.08	3,232.87	320,054.21
22	8,243,821	164,876.41	494,629.24	329,752.83	3,297.53	326,455.30
23	8,408,697	168,173.94	504,521.82	336,347.88	3,363.48	332,984.40

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to political subdivisions (Lamar Heights) ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal) to \$79,448 in Fiscal Year 2021 and \$317,794 in Fiscal Year 2022 as estimated by B&P, increased by an assumed two percent (2%) growth rate each year thereafter.

Furthermore, **Oversight** will report a positive fiscal impact to GR equal to \$0 (voters reject the proposal or the governing body does not put forth the proposal) to \$803 in Fiscal Year 2021 and \$3,210 in Fiscal Year 2022 as estimated by B&P, increased by an assumed two percent (2%) growth rate each year thereafter.

Oversight notes this section states any tax on the retail sales of food shall be administered, collected, enforced and operated as required in Section 32.087 which states “on and after the effective date of any local sales tax imposed under the provisions of the local sales tax law, the Director of Revenue shall perform all functions incident to the administration, collection, enforcement and operation of the tax...”

ASSUMPTION (continued)

Oversight notes this section permits Lamar Heights to put forth this proposal at a state general or primary election. Oversight assumes the next primary or general election available for Lamar Heights to put forth this proposal would be in Fiscal Year 2022. Therefore, Oversight will report the fiscal impact beginning Fiscal Year 2022.

Section 94.842 - Transient Guest Tax - Springfield

Oversight notes this proposed legislation would allow the City of Springfield, if approved by the City's voters, at a state general, primary or special election, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels located in the City equal to 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.

This section would permit, upon mutual agreement between the City of Springfield and DOR, DOR to collect the transient guest tax on behalf of the City of Springfield.

Officials from **B&P** state this proposed section 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.

B&P's analysis assumed that an agreement is entered into by the City and the Director of Revenue for DOR to collect the tax on behalf of the City.

Based upon the City of Springfield's estimated Calendar Year 2019 \$117.0 million of taxable room sales, Budget & Planning estimates that a 0.75% tax will generate \$8.8 million in collections. Since the bill indicates that this sales tax would take effect starting April 1, only Q4 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 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 \$22,000 in Fiscal Year 2021.

As a voter-approved tax, the collected local revenues will not impact general and total state revenues; however, the DOR 1% to offset collection costs will increase TSR.

ASSUMPTION (continued)

Officials from **DOR** state this provision allows the City of Springfield to establish a transient guest tax and allows them to contract with DOR to collect the tax on their behalf. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR. Should the City want to enter into an agreement for DOR to collect this tax, DOR would be allowed to retain 1% to cover any administrative costs.

In response to a previous version of this proposed legislation, officials from the **City of Springfield (City)** stated 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 \$2,500,000 per year.

In response to the previous version of this proposed legislation, officials from the **Missouri Secretary of State** and the **Joint Committee on Administrative Rules** stated the proposed section 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 fiscal impact in the fiscal note for these organizations.

Oversight will report the fiscal impact to local political subdivisions (Springfield) ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal) to \$2,200,000 beginning in Fiscal Year 2021 and \$8,800,000 in Fiscal Year 2022, increased annually assuming a growth rate of two percent (2%).

Furthermore, **Oversight** will report the fiscal impact to GR (DOR 1% collection fee) ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal) to \$22,000 in Fiscal Year 2021 and \$88,000 in Fiscal Year 2022, increased annually assuming a growth rate of two percent (2%) [growth rate is calculated automatically when multiplying the growth of the transient sales tax by one percent (1%)].

Oversight assumes the earliest this proposal could be implemented is if the State of Missouri holds a special election and the counties put forth this issue. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2021.

ASSUMPTION (continued)

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.

Section 94.844 - Transient Guest Tax - Joplin

Oversight notes this section would allow the City of Joplin, if approved by the City's voters, to impose a tax on the chargers for all sleeping rooms paid by transient guests of hotels or motels located in the City equal to a rate not to exceed seven percent (7%) per occupied room per night.

Oversight further notes the tax revenues generated would be designated solely for the construction, maintenance and operation of convention and tourism facilities.

Oversight notes this section would permit, upon mutual agreement between the City of Joplin and DOR, DOR to collect the transient guest tax on behalf of the City of Joplin.

Officials from **B&P** state this section allows voters in the City of Joplin to impose a transient guest tax up to 7.0% for the purpose of funding tourism attractions. B&P was unable to obtain data regarding occupancy rates and room sales, consequently B&P cannot calculate an estimate. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this provision allows the City of Joplin to establish a transient guest tax and allows them to contract with DOR to collect the tax on their behalf. This does **NOT** have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR. Should the City want to enter into an agreement for DOR to collect this tax, DOR would be allowed to retain 1% to cover any administrative costs.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (City of Joplin) ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal) to "Unknown" beginning in Fiscal Year 2021.

ASSUMPTION (continued)

Furthermore, **Oversight** will report a positive fiscal impact to GR (DOR 1% collection fee) equal to \$0 (voters reject the proposal or the governing body does not put forth the proposal) to “Unknown” beginning in Fiscal Year 2021.

Oversight assumes the earliest this proposal could be implemented is if the State of Missouri holds a special election and the counties put forth this issue. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2021.

Oversight notes this section permits the City of Joplin to put forth the proposal for a transient guest tax to its respective voters at a state general, primary or special election. Oversight will reflect the cost (once) to the state for reimbursing local political subdivisions the cost for having this proposal voted on during a special election in Fiscal Year 2021. This reflects the decision made by the Joint Committee on Legislative Research that the cost of special elections should be shown in the fiscal note. The next scheduled statewide primary election is August 2020 and the next scheduled general election is in November 2020 (both in FY 2021). It is assumed the subject matter within this proposed legislation could be on the ballots of one of these elections; however, it could also be on a special election called for by the Governor (a different date). Therefore, Oversight will reflect, in this fiscal note, the potential election cost of the reimbursement to local political subdivisions in Fiscal Year 2021 if a special election is called. Potential election costs will be ranged from \$0 (no special election) to \$7.8 million (special election is called).

Section 94.900 and 94.902 - Public Safety Sales Tax - Hallsville, Kearney, Smithville and Branson West, Clinton, Cole Camp, Lincoln and Claycomo

Oversight notes these proposed sections would permit the cities of Hallsville, Kearney, Smithville and Branson West, Clinton, Cole Camp, Lincoln and Claycomo to impose a sales tax up to .5% for the purpose of funding public safety for each city. Furthermore, no such tax shall become effective unless the governing body of any city submits to the voters of the city, at a county or state general, primary or special election, a proposal to authorize the tax.

Officials from **B&P** state Section 94.900 allows the cities of Branson West in Stone County, Kearney, and Smithville in Clay County, and Hallsville in Boone County to impose a public safety sales tax of 0.5%. The impact of this is shown in the chart below for the DOR collections fees and sales tax collections each city may generate based the tax rate.

Section 94.902 allows the cities of Clinton in Henry County, Cole Camp, and Lincoln in Benton County, and the Village of Claycomo in Clay County to impose a public safety sales tax of 0.5%. The impact of this is shown in the chart below for the DOR collections fees and sales tax collections each city may generate based the tax rate.

ASSUMPTION (continued)

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
Claycomo	313	1,252	1,252		30,992	123,968	123,968
0.50%	DOR Collections				Sales Tax Collections Data		
Hallsville	112	447	447		11,069	44,275	44,275
Kearney	1,645	6,578	6,578		162,811	651,244	651,244
Smithville	1,056	4,225	4,225		104,560	418,239	418,239
Branson West	1,231	4,923	4,923		121,835	487,338	487,338
	6,927	27,709	27,709		685,787	2,743,143	2,743,143

As a voter-approved tax, the collected local revenues will not impact general and total state revenues; however, the DOR 1% to offset collection costs will increase TSR. Budget and Planning defers to DOR for more specific estimates of actual collection costs.

Officials from **DOR** state This proposal would allow the City of Hallsville to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the City of Hallsville, DOR estimates the impact as follows:

City of Hallsville Taxable Sales by Calendar Year

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	2,120,442	2,206,788	2,374,865	2,281,633	8,983,728
2016	2,209,520	2,277,424	2,389,793	2,287,573	9,164,310
2017	2,283,198	2,479,424	2,423,003	2,283,876	9,469,500
2018	2,305,757	2,424,249	2,156,592	2,249,081	9,135,679
2019	2,272,117	2,266,564			

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

ASSUMPTION (continued)

FY	Total		% Growth	check	Collections	DOR Fee	Final Collection
FY16	9,143,442						
FY17	9,439,988						
FY18	9,436,885				47,184	472	46,713
FY19	9,625,623		2.00%	-5.34%	48,128	481	47,647
FY20	9,818,135		2.00%	3.40%	49,091	491	48,600
FY21	10,014,498		2.00%		50,072	501	49,572
FY22	10,214,788		2.00%		51,074	511	50,563
FY 23	10,419,084		2.00%		52,095	521	51,574

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.

Fiscal Year	DOR Fee	Hallsville Collection
2021	\$0	\$0
2022	\$383	\$37,922
2023	\$521	\$51,574

This proposal would allow the City of Kearney to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the City of Kearney, DOR estimates the impact as follows:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	27,519,194	30,433,910	30,585,656	30,499,212	119,037,972
2016	29,649,506	32,472,290	32,177,705	31,615,729	125,915,230
2017	30,965,917	33,837,063	33,228,851	31,556,051	129,587,881
2018	31,091,023	34,389,327	33,602,628	32,563,846	131,646,825
2019	30,832,259	34,565,728			

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

ASSUMPTION (continued)

FY	Total		% Growth	check	Collections	DOR Fee	Final Collection
FY16	123,206,664						
FY17	128,596,414						
FY18	130,265,252				651,326	6,513	644,813
FY19	132,870,557		2.00%	-5.34%	664,353	6,644	657,709
FY20	135,527,968		2.00%	3.40%	677,640	6,776	670,863
FY21	138,238,528		2.00%		691,193	6,912	684,281
FY22	141,003,298		2.00%		705,016	7,050	697,966
FY 23	143,823,364		2.00%		719,117	7,191	711,926

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 Fiscal Year 2021. This sales tax would begin October 1, 2021 (Fiscal Year 2022) if adopted by the voters. Therefore the impact in Fiscal Year 2022 would be for 9 months.

Fiscal Year	DOR Collection Fee	Kearney Sales Tax Amount
2021	\$0	\$0
2022	\$5,288	\$523,475
2023	\$7,191	\$711,926

This proposal would allow the City of Smithville to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the City of Smithville, DOR estimates the impact as follows:

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

ASSUMPTION (continued)

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	18,324,168	21,003,657	20,543,911	18,606,705	78,478,441
2016	18,563,002	21,339,111	21,767,674	19,455,853	81,125,639
2017	18,671,654	22,070,560	21,628,460	19,691,818	82,062,492
2018	19,056,529	22,849,004	22,213,205	20,463,774	84,582,512
2019	18,956,527	22,859,235			

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 Fiscal Year 2021. This sales tax would begin October 1, 2021 (Fiscal Year 2022) if adopted by the voters. Therefore the impact in Fiscal Year 2022 would be for 9 months.

Fiscal Year	DOR Collection	Smithville Collection Amount
2021	\$0	\$0
2022	\$3,378	\$334,445
2023	\$4,594	\$454,846

This proposal would allow the City of Branson West to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the City of Branson West, DOR estimates the impact as follows:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015					
2016	18,901,040	25,156,599	26,716,172	23,132,889	93,906,700
2017	18,850,783	25,742,289	26,723,871	22,779,379	94,096,322
2018	19,229,746	26,277,102	27,300,134	24,081,341	96,888,323
2019	19,962,599	27,108,143			

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

ASSUMPTION (continued)

FY	Collections	DOR Fee	Final Collection
FY16			
FY17			
FY18	475,050	4,751	470,300
FY19	484,551	4,846	479,706
FY20	494,243	4,942	489,300
FY21	504,127	5,041	499,086
FY22	514,210	5,142	509,068
FY 23	524,494	5,245	519,249

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 Fiscal Year 2021. This sales tax would begin October 1, 2021 (Fiscal Year 2022) if adopted by the voters. Therefore the impact in Fiscal Year 2022 would be for 9 months.

Fiscal Year	DOR Collection Fee	Branson West Sales Tax Amount
2021	\$0	\$0
2022	\$3,857	\$381,801
2023	\$5,245	\$519,249

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

ASSUMPTION (continued)

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			

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		½ of 1% Tax		3/4 of 1% Tax		1% Tax	
Fiscal Year	DOR 1% Fee	Clinton County Collection	DOR 1% Fee	Clinton County Collection	DOR 1% Fee	Clinton County Collection	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 Fiscal Year 2021. This sales tax would begin October 1, 2021 (Fiscal Year 2022) if adopted by the voters. Therefore the impact in Fiscal Year 2022 would be for 9 months.

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

CY	Jan-Mar	Apr-Jun	Jul-Sep	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	9,447,734
2018	2,444,106	2,542,249	2,617,362	2,318,717	9,922,434
2019	2,030,154	2,244,162			

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:

ASSUMPTION (continued)

Lincoln	1/4 of 1% Tax		½ of 1% Tax		3/4 of 1% Tax		1% Tax	
Fiscal Year	DOR 1% Fee	Lincoln County Collection	DOR 1% Fee	Lincoln County Collection	DOR 1% Fee	Lincoln County Collection	DOR 1% Fee	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 Fiscal Year 2021. This sales tax would begin October 1, 2021 (Fiscal Year 2022) if adopted by the voters. Therefore the impact in Fiscal Year 2022 would be for 9 months.

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			

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	1/4 of 1% Tax		½ of 1% Tax		3/4 of 1% Tax		1% Tax	
Fiscal Year	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 Fiscal Year 2021. This sales tax would begin October 1, 2021 (Fiscal Year 2022) if adopted by the voters. Therefore the impact in Fiscal Year 2022 would be for 9 months.

DOR assumes this proposal would allow the Village of Claycomo to authorize and impose up to one-fourth, one-half, three-fourths, or one percent shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the Village of Claycomo, DOR

ASSUMPTION (continued)

estimates the impact as follows:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	5,987,942	5,945,109	5,798,774	6,032,010	\$23,763,736
2016	6,312,917	6,245,000	6,027,650	5,480,769	\$24,066,236
2017	5,349,230	5,570,093	5,149,850	4,944,736	\$21,013,909
2018	5,150,294	5,761,090	5,959,771	6,450,921	\$23,322,075
2019	6,300,774	6,332,614	0	0	\$12,633,388

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

Claycomo	1/4 of 1% Tax		½ of 1% Tax		3/4 of 1% Tax		1% Tax	
Fiscal Year	DOR 1% Fee	Claycomo County Collection	DOR 1% Fee	Claycomo County Collection	DOR 1% Fee	Claycomo County Collection	DOR 1% Fee	Claycomo County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$425	\$42,206	\$853	\$84,413	\$1,279	\$126,619	1,705	168,826
2023	\$580	\$57,401	\$1,160	\$114,802	\$1,739	\$172,203	2,319	229,604

DOR notes that this proposal would become effective on August 28, 202 and the first election would be the April 6, 2021 election. Therefore this will not have a fiscal impact in Fiscal Year 2021. This sales tax would begin October 1, 2021 (Fiscal Year 2022) if adopted by the voters. Therefore the impact in Fiscal Year 2022 would be for 9 months.

In response to similar legislation (HB 1731 - 2020), the **City of Hallsville** stated the City's current base sales tax rate is 1.625%. In the event the Board of Aldermen approve to put on the ballot a ½ cent public safety sales tax to go to the voters and it is approved, our base tax rate will be 2.125%. The total sales tax rate for purchases within the City is 7.6%, which includes 4.225% for the State of Missouri and 1.750% for (Boone) County. With the ½ cent sales tax the total sales tax will be 8.1%. This tax rate is comparable to other communities in the City's area. The City anticipates a ½ cent public safety sales tax will generate approximately \$55,000 a year for the Police Department. With these funds, the City could increase their department from three full time officers to four full time officers. Adding another full time officer will give the City near 24/7 coverage for the first time. The funds will also allow the department to increase their fleet of patrol vehicles and keep up with the upgrades in technology and the replacement of outdated equipment.

ASSUMPTION (continued)

Oversight notes Hallsville anticipates its sales tax revenues to increase by approximately \$55,000 each year if the voters of the City approved the one-half of one percent sales tax for public safety.

In response to similar legislation (HB 1726 - 2020), officials from the **City of Smithville** estimated this proposed legislation could generate approximately \$450,000 annually.

For purposes of this fiscal note, Oversight will report a positive fiscal impact to local political subdivisions (Hallsville, Kearney, Smithville, Branson West, Clinton, Cole Camp, Lincoln and Claycomo) ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal) to \$685,787 in Fiscal Year 2021 and \$2,743,143 in Fiscal Year 2022 as estimated by B&P, increased by an assumed two percent (2%) annual growth rate each fiscal year thereafter.

Furthermore, Oversight will report a positive fiscal impact to GR (DOR 1% collection fee) ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal) to \$6,927 in Fiscal Year 2021 and \$27,709 in Fiscal Year 2022 as estimated by B&P, increased by an assumed two percent (2%) annual growth rate each fiscal year thereafter.

Section 94.1014 - Transient Guest Tax - Ashland

Officials from **B&P** state this section would allow the City of Ashland to levy a transient guest tax. B&P was unable to obtain data regarding occupancy rates and room sales, consequently B&P cannot calculate an estimate. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this provision allows the City of Ashland to establish a transient guest tax. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR.

In response to similar legislation (HB 1601 - 2020), officials from the **City of Ashland (Ashland)** stated while Ashland does not currently have any hotels located in Ashland, Ashland is working with developers to attract hotel development to help boost overnight stays in the community. Ashland assumes, when using a sixty-three percent (63%) occupancy rate, Ashland could recognize an increase in revenue as a result of transient guest tax(es) of approximately \$137,510 from each lodging facility. The calculation used by Ashland to estimate the revenue increase is shown below:

115	*	365 Days of	*	\$130 Cost per Room	*	4% Lodging Tax	*	63% Occupancy
Rooms		the Year		per Night		Rate		Rate

ASSUMPTION (continued)

Ashland has indicated Ashland is hopeful that within the next two to three years, Ashland will have three or more hotels in Ashland.

Oversight assumes the estimated increase in revenue as a result of transient guest tax equal to \$137,510 is specific to each hotel. Therefore, Oversight assumes, if Ashland has three hotels developed in Ashland, the increase in revenue could total \$412,530 ($\$137,510 * 3$) annually.

Oversight notes this proposed legislation would allow Ashland, if approved by the City's voters, at a state general or primary election 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 five percent (5%). Oversight further notes the tax revenues generated would be designated solely for the promotion of tourism, growth of the region and economic development purposes.

For the purposes of this fiscal note, **Oversight** will report a zero fiscal impact to the State of Missouri as DOR does not collect transient guest taxes (unless an agreement with the political subdivision is made) and a zero fiscal impact for the City of Ashland as the city does not currently have any hotels/motels operating within the boundaries of Ashland.

Oversight notes if hotel/motel development takes place within the boundaries of Ashland, in which such hotel(s)/motel(s)/ become fully operational, Ashland could recognize revenue gain as a result of this proposed legislation being enacted.

Section 137.180 - Assessments - Valuation Increase

Officials from **B&P** state this section details the information required in notifications for increased assessed values within St. Louis County. This section will not have a direct impact to TSR or the calculation under Article X, Section 18(e).

Oversight notes this proposed section, beginning January 1, 2021, would require the St. Louis County Assessor to provide, when such property valuation used sales of comparable properties, in addition to the notice of the information regarding the assessment method and computation of value for an increased property valuation, a list of such comparable properties and the address or location and purchase prices from sales therefor that the assessor used in determining the assessed valuation of the owner's property.

Officials from the **Missouri State Tax Commission** state this section has no fiscal impact on their respective organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization as it relates to this section.

ASSUMPTION (continued)

Officials from **Ste. Genevieve County** state Ste. Genevieve County does not have the software to prepare projected tax liabilities.

Officials from **DOR** state this section will not fiscally impact their organization. Oversight does not have any information to the contrary. Therefore, Oversight will report a zero fiscal impact for this organization as it relates to this section.

Section 138.434 - State Tax Commission - St. Louis County Appeals Reimbursement

Officials from **B&P** state this section changes the amount of reimbursable attorney fees in St. Louis County. This provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Missouri State Tax Commission (MTC)** state this section increases the limits for St. Louis County's reimbursement to taxpayers for successful residential appeals to the State Tax Commission for appraisal cost, attorney fees and court costs to \$6,000 for residential appeals and the lesser of \$10,000 or 25% of the tax savings for other non-residential appeals. This section would have an unknown fiscal impact on the County.

Oversight notes MTC anticipates this proposed section could potentially [negatively] impact St. Louis County by an unknown amount.

Officials from **DOR** state this section will not fiscally impact their organization. Oversight does not have any information to the contrary. Therefore, Oversight will report a zero fiscal impact for this organization as it relates to this section.

Section 144.140 - Sales Tax - Two Percent Timely Filing Discount

Officials from **B&P** state this section would grant a monetary allowance to Certified Service Providers (CSPs).

Oversight notes this section requires the Director of Revenue to provide monetary allowance from taxes collected to a certified service provider under the terms of the contract signed between the Director and Revenue and such certified service provider. Such monetary allowance is required to be funded specifically through revenues collected by the certified service provider. This section provides that any certified service provider that collects a monetary allowance under subsection 2 shall not be entitled to deduct the allowance permitted under subsection 1 (two percent timely filing discount).

ASSUMPTION (continued)

Section 144.605 and 144.752 - Use Tax - Definitions - Out of State Retailer Language - Market facilitators - Section C

Officials from **B&P** state Section 144.605 requires retailers that do not have a physical presence within Missouri to collect and remit sales tax on purchases delivered into Missouri beginning January 1, 2022. Only retailers with gross revenue greater than \$100,000 from deliveries into Missouri would be required to collect Missouri sales tax.

B&P notes that this proposal would delete the existing language in Section 144.605 Paragraphs (e) and (f) replacing that language with the online use tax vendor language. Paragraph (e) contains a \$10,000 threshold for certain vendor activity. Based on information provided by DOR, no sales tax money has been collected under the current provision. Therefore, B&P estimates that this provision will not impact TSR or the calculation under Article X, Section 18(e). Section 144.752 defines market place facilitators and states that a facilitator counts as one seller.

Starting January 1, 2022 market place facilitators must register with DOR and begin remitting sales tax on behalf of individual marketplace sellers. B&P notes that this provision would apply to retailers such as Amazon's market place, ETSY, EBAY, etc. Subsection 144.752.4 grants eligible marketplace facilitators a 2% timely filing discount. This section explicitly excludes travel agencies and third party financial institutions from the definition of marketplace facilitators. This exclusion will not impact the estimates provided in this analysis.

Online Use Tax Estimates

B&P and DOR worked together to estimate the potential revenue gains from the U.S. Supreme Court *Wayfair* decision, which overturned the *Quill* decision and held that states may charge a tax on purchases made from out-of-state sellers, even if the seller doesn't have a physical presence in the taxing state. In November 2017, the U.S. Government and Accountability Office (GAO) released state-by-state estimates for potential revenue gains if the 1992 *Quill* decision were overturned during the *Wayfair* case. In the report, the GAO estimated that Missouri could gain \$180 million to \$275 million in state and local sales taxes during 2017 from e-commerce sales tax revenue. B&P notes that there were three limitations to the study which B&P and DOR attempted to address by further refining the GAO estimates.

At the time of the study, the GAO did not remove the sales of digital downloads from the state and local estimates due to data limitations and different tax treatments across states. B&P notes that digital downloads are currently exempt from sales tax under Missouri law. B&P and DOR were able to find limited studies on the e-commerce market share for such sales. The studies indicated that digital downloads account for approximately 14.1% of all e-commerce sales. B&P and DOR then reduced the original GAO estimates by that 14.1%.

ASSUMPTION (continued)

The GAO provided a point-in-time estimate for potential state and local revenue gains during 2017. This estimate, though, does not account for anticipated growth in e-commerce sales. To address this, B&P and DOR adjusted the GAO estimate to incorporate e-commerce sales growth for tangible personal property from 2018 through 2022. Only growth for e-commerce sales of tangible personal property were used, rather than growth in the full e-commerce market, in order to accurately reflect growth in the online sales tax base. B&P notes that using growth in the full e-commerce market would overestimate the sales tax base as services and digital download products are not currently taxable in Missouri.

At the time of the study, the GAO did not incorporate potential in-state sales or in-state transaction requirements that would limit the companies required to comply with e-commerce sales tax collections. Using data published by the U.S. Census Bureau and industry reports, B&P and DOR were able to estimate the percent of sales that would remain taxable if Missouri instituted an in-state sales threshold of \$100,000. If Missouri were to enact a \$100,000 in-state sales threshold, B&P and DOR estimate that approximately 86.7% of all e-commerce sales would remain taxable. B&P and DOR used this estimate to further adjust the GAO provided revenue estimate.

B&P and DOR were unable to estimate the impact from a potential in-state transaction requirement. B&P notes that the majority of states are currently enacting e-commerce sales tax requirements of \$100,000 in in-state sales or 200 in-state transactions. B&P and DOR estimate that in Calendar Year 2022 Missouri could gain up to \$106.6 million to \$162.9 million in total state revenues, of which \$75.7 million to \$115.6 million would be deposited into the Cash Operating Expense Fund (COEF). By Calendar Year 2024, B&P and DOR estimate that total state revenues could be increased by \$116.1 million to \$177.4 million, of which \$82.5 million to \$126.0 million would be deposited into the COEF. Table 1 shows the estimated impact by calendar year.

Revenue Estimates	2022		2023		2024	
	Low	High	Low	High	Low	High
Cash Operating Expense Fund	\$75.70	\$115.60	\$79.40	\$121.30	\$82.50	\$126.00
Education	\$25.20	\$38.50	\$26.50	\$40.40	\$27.50	\$42.00
Conservation	\$3.20	\$4.80	\$3.30	\$5.10	\$3.40	\$5.20
Parks, Soil, Water	\$2.50	\$3.90	\$2.60	\$4.00	\$2.70	\$4.20
TSR	\$106.60	\$162.90	\$111.90	\$170.90	\$116.10	\$177.40
Local (Pop Weighted Rate 1.385%)	\$39.20	\$59.80	\$41.10	\$62.80	\$42.70	\$65.20

ASSUMPTION (continued)

B&P notes that these estimates reflect the full potential revenue and do not include adjustments for implementation timing or business compliance. Therefore, the actual revenue collected in earlier years may be significantly lower than the estimated amount.

B&P and DOR estimate that in Fiscal Year 2022 Missouri could gain up to \$53.3 million to \$81.4 million in total state revenues, of which \$37.8 million to \$57.8 million would be deposited into the COEF. By Fiscal Year 2024, B&P and DOR estimate that total state revenues could be increased by \$114.0 million to \$174.2 million, of which \$80.9 million to \$123.7 million would be deposited into the COEF. Table 2 shows the estimated impact by fiscal year.

Revenue Estimates	2022		2023		2024	
	Low	High	Low	High	Low	High
Cash Operating Expense Fund (3% tax)	\$37.80	\$57.80	\$77.60	\$118.50	\$80.90	\$123.70
Education (1% tax)	\$12.60	\$19.30	\$25.90	\$39.50	\$27.00	\$41.20
Conservation (0.125% tax)	\$1.60	\$2.40	\$3.20	\$4.90	\$3.40	\$5.20
Parks, Soil, Water (0.1% tax)	\$1.30	\$1.90	\$2.60	\$3.90	\$2.70	\$4.10
TSR	\$53.30	\$81.40	\$109.30	\$166.80	\$114.00	\$174.20
Local	\$19.60	\$29.90	\$40.10	\$61.30	\$41.90	\$64.00

Officials from **DOR** state B&P and DOR worked together to estimate the potential revenue gains from the U.S. Supreme Court *Wayfair* decision, which overturned the *Quill* decision and held that states may charge a tax on purchases made from out-of-state sellers, even if the seller doesn't have a physical presence in the taxing state. In November 2017, the U.S. Government and Accountability Office (GAO) released state-by-state estimates for potential revenue gains if the 1992 *Quill* decision were overturned during the *Wayfair* case. In the report, the GAO estimated that Missouri could gain \$180 million to \$275 million in state and local sales taxes during 2017 from e-commerce sales tax revenue. B&P notes that there were three limitations to the study which B&P and DOR attempted to address by further refining the GAO estimates.

At the time of the study, the GAO did not remove the sales of digital downloads from the state and local estimates due to data limitations and different tax treatments across states. B&P notes that digital downloads are currently exempt from sales tax under Missouri law. B&P and DOR were able to find limited studies on the e-commerce market share for such sales. The studies

ASSUMPTION (continued)

indicated that digital downloads account for approximately 14.1% of all e-commerce sales. B&P and DOR then reduced the original GAO estimates by that 14.1%.

The GAO provided a point-in-time estimate for potential state and local revenue gains during 2017. This estimate, though, does not account for anticipated growth in e-commerce sales. To address this, B&P and DOR adjusted the GAO estimate to incorporate e-commerce sales growth for tangible personal property from 2018 through 2022. Only growth for e-commerce sales of tangible personal property were used, rather than growth in the full e-commerce market, in order to accurately reflect growth in the online sales tax base. B&P notes that using growth in the full e-commerce market would overestimate the sales tax base as services and digital download products are not currently taxable in Missouri.

At the time of the study, the GAO did not incorporate potential in-state sales or in-state transaction requirements that would limit the companies required to comply with e-commerce sales tax collections. Using data published by the U.S. Census Bureau and industry reports, B&P and DOR were able to estimate the percent of sales that would remain taxable if Missouri instituted an in-state sales threshold of \$100,000. If Missouri were to enact a \$100,000 in-state sales threshold, B&P and DOR estimate that approximately 86.7% of all e-commerce sales would remain taxable. B&P and DOR used this estimate to further adjust the GAO provided revenue estimate.

B&P and DOR were unable to estimate the impact from a potential in-state transaction requirement. B&P notes that the majority of states are currently enacting e-commerce sales tax requirements of \$100,000 in in-state sales or 200 in-state transactions.

ASSUMPTION (continued)

This proposal has an effective date of January 1, 2022. The following tables show the potential state and local revenue gains from expanding Missouri sales tax law to include online sales.

Collections by Calendar Year

Revenue Estimates	2022		2023		2024	
	Low	High	Low	High	Low	High
3% GR tax (deposited into COEF)	\$75,688,775	\$115,635,628	\$79,425,916	\$121,345,149	\$82,458,264	\$125,977,903
Education	\$25,229,592	\$38,545,209	\$26,475,305	\$40,448,383	\$27,486,088	\$41,992,634
Conservation	\$3,153,699	\$4,818,151	\$3,309,413	\$5,056,048	\$3,435,761	\$5,249,079
Parks, Soil, Water	\$2,522,959	\$3,854,521	\$2,647,531	\$4,044,838	\$2,748,609	\$4,199,263
TSR	\$106,595,025	\$162,853,510	\$111,858,165	\$170,894,419	\$116,128,722	\$177,418,880
Local (Pop Weighted Rate 1.385%)	\$39,169,830	\$59,842,796	\$41,103,845	\$62,797,540	\$42,673,120	\$65,195,045

B&P and DOR estimate that in Tax Year 2022 Missouri could gain up to \$53.3 million to \$81.4 million in total state revenues. By 2024, B&P and DOR estimate that total state revenues could be increased by \$114.0 million to \$174.2 million. B&P and DOR notes that these estimates reflect the full potential revenue and do not include adjustments for implementation timing or business compliance. Therefore, the actual revenue collected in earlier years may be significantly lower than the estimated amount.

Collections by Fiscal Year

Revenue Estimates	2022		2023		2024	
	Low	High	Low	High	Low	High
GR (approx 36% of total collections)	\$37,844,387	\$57,817,814	\$77,557,345	\$118,490,389	\$80,942,090	\$123,661,526
Education	\$12,614,796	\$19,272,605	\$25,852,448	\$39,496,796	\$26,980,697	\$41,220,509
Conservation	\$1,576,849	\$2,409,076	\$3,231,556	\$4,937,100	\$3,372,587	\$5,152,564
Parks, Soil, Water	\$1,261,480	\$1,927,260	\$2,585,245	\$3,949,680	\$2,698,070	\$4,122,051
TSR	\$53,297,512	\$81,426,755	\$109,226,595	\$166,873,964	\$113,993,443	\$174,156,649
Local (Pop Weighted Rate 1.385%)	\$19,584,915	\$29,921,398	\$40,136,837	\$61,320,168	\$41,888,482	\$63,996,293

ASSUMPTION (continued)

DOR would notify an estimated 200,000 sellers of their potential reporting requirements. Estimated postage and printing costs for such notification to online sellers is estimated to be up to \$100,000.

Oversight notes DOR anticipates the postage and printing costs for notifying online sellers of their potential reporting requirements to equal up to \$100,000 (Fiscal Year 2021). Oversight assumes DOR could anticipate additional postage and printing costs each year thereafter, depending on the amount of “new” businesses DOR deems responsible for such reporting requirements. Therefore, Oversight will report on the fiscal impact for these costs each year after Fiscal Year 2021 equal to Fiscal Year 2021's estimate increased by an assumed two percent (2%) annual growth rate.

DOR assumes it will require the following for their Sales and Use Tax Section: DOR estimates it will need three (3) Revenue Processing Technician I (RPT) to process the additional use tax returns. DOR estimates it will need one (1) RPT to answer additional correspondence. DOR estimates it will need two (2) RPT to process the additional registration applications and perform location maintenance.

DOR assumes it will require the following for their Field Compliance Bureau (Audit): DOR will need to increase the number of auditors, especially those in out-of-state offices in order to address the potential of a greater non-compliance tax base. DOR would need to add twenty-five (25) auditors. DOR believes the twenty-five total auditors could increase over a period of time as DOR generally performs three-year audits and there will be limited records to audit in the first several years following the implementation of this proposed legislation. DOR further estimates it will need two (2) additional auditors in training to perform discovery work needed to identify potential audit leads from non-registered businesses.

Oversight will include DOR's administrative and personnel costs in this fiscal note as reported by DOR and Oversight's assumption for the cost for Fiscal Year 2022 and each year thereafter for postage and printing.

In response to similar legislation (SS for SCS for SB 648 - 2020), officials from the **Missouri Department of Natural Resources (DNR)** stated DNR'S Parks and Soils Sales Tax Funds are derived from one-tenth of one percent of sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Any increase in sales tax collected could increase revenue to the Parks and Soils Sales Tax Funds. DNR assumes any increase in revenue to the Parks and Soils Sales Tax Fund would be used for the purposes established in Article IV Section 47(a) of the Missouri Constitution.

ASSUMPTION (continued)

Oversight notes DNR's Parks and Soils State Sales Tax Funds (0613 & 0614) receives one-tenth of one percent of the revenues generated from sales and use tax. Oversight will report the impact to the Parks and Soils State Sales Tax Fund(s) as reported by B&P.

In response to similar legislation (SS for SCS for SB 648 - 2020), officials from the **Missouri Department of Conservation (MDC)** assume an unknown fiscal impact but greater than \$100,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. MDC assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes MDC's Conservation Commission Fund (0609) receives one-eighth of one percent of the revenues generated from sales and use tax. Oversight will report the impact to the Conservation Commission Fund as reported by B&P.

Officials from the **City of Hazelwood (Hazelwood)** state Hazelwood anticipates to gain at least several hundred thousand dollars in new revenue.

Officials from the **City of Columbia (Columbia)** state this legislation could result in a positive fiscal impact for Columbia if local voters approve a use tax.

144.608 - Department of Revenue Consulting Authority - Streamlined Sales and Use Tax Agreement's Governing Board or Certified Service Providers

Officials from **B&P** state Section 144.608 would allow DOR to consult, contract, and work with the Streamlined Sales and Use Tax Agreement's (SSUTA) governing board and independently with CSPs.

Oversight notes this section permits the Missouri Department of Revenue to consult, contract and work jointly with the Streamlined Sales and Use Tax Agreement's Board to allow sellers to use the governing board's certified service providers and central registration system. Or, the Missouri Department of revenue may consult, contract and work jointly with certified service providers independently. This section permits the Missouri Department of Revenue to freely determine the method and amount in which the certified service provider(s) are to be

ASSUMPTION (continued)

compensated so long as the certified service provider(s) are not awarded, in addition to such compensation, the sales/use tax two percent timely filing discount.

Oversight does not anticipate this section alone creating a fiscal impact. Therefore, for purposes of this fiscal note, Oversight will report a zero fiscal impact for this section.

144.637 - Department of Revenue Taxing Jurisdiction Database

Officials from **B&P** state this section requires DOR to provide and maintain an address-based database for assigning taxing jurisdictions and the associated rates. Vendors are required to use the database in determining the amount of use tax to collect and remit.

Any and all databases created, maintained, or certified by DOR must be downloaded and provided at no cost to vendors for their use in collecting and remitting use taxes.

This section will not impact TSR or the calculation under Article X, Section 18(e). B&P defers to DOR for the estimated cost to the agency from this section.

Officials from **DOR** state this proposed section states that the electronic databases provided for in subsections 1, 2, 3, and 4 of this section shall be in downloadable format as determined by the director. The databases shall be provided at no cost to the user of the database, and no vendor shall be liable for reliance upon erroneous data provided by the director on tax rates, boundaries, or taxing jurisdiction assignments.

DOR anticipates that this proposed section would require a totally new program that would require DOR to contract with a certified service provider. DOR believes the fiscal impact for this would be significantly greater than \$1 million. DOR has reached out to multiple CSP providers, though we have yet to get any definitive fiscal response. DOR will continue to research and update when needed.

Oversight will, for purposes of this fiscal note, report DOR's estimate of "significantly greater than \$1 million" contracting cost in Fiscal Year 2021 and an (Unknown) impact each fiscal year thereafter since no definitive cost has been provided.

144.638 - Department of Revenue Taxability Matrix

Officials from **DOR** state this provision would require DOR to complete and maintain a taxability matrix for sellers to use. DOR anticipates this would require a totally new program that would require DOR to contract with a vendor. DOR believes the fiscal impact for this would be significantly greater than \$5 million. This legislation requires DOR to have a specific code for

ASSUMPTION (continued)

every single product and taxing district, and to update when new products hit the market. This will result in an unknown, but potentially significant administrative impact. For the purposes of this fiscal note, DOR will estimate a need for 3 FTE. If the administrative impact is more significant than anticipated, additional FTE will be requested through the appropriations process. **Oversight** notes DOR estimates this section will result in a cost equal to an amount greater than \$5,000,000. Also, Oversight notes DOR anticipates the need for an additional three (3) FTE (Revenue Processing Technician I(s)).

For purposes of this fiscal note, **Oversight** will include DOR's cost being paid from GR.

Section 144.757 - Local Use Tax

Officials from **B&P** state this section would alter the ballot language for local sales and use taxes which must be voter approved. The language removes the \$2,000 minimum threshold required before a purchaser must file a use tax return. B&P notes that currently Missouri residents are not required to file a use tax return until total purchases within a calendar year reaches \$2,000. However, once that minimum threshold has been reached, taxpayers are already required to pay use tax on the full amount of purchases, not just the amount over \$2,000. While use tax is legally due on all out-of-state purchases, B&P notes that it is not cost effective to audit taxpayers whose online purchases are lower than \$2,000. Therefore, this section will not impact TSR or the calculation under Article X, Section 18(e).

Oversight notes B&P does not anticipate this section to impact TSR. Oversight does not have any information to the contrary. Therefore, for purposes of this fiscal note, Oversight will report a zero fiscal impact as it relates to this section.

Section 144.759 - Collection/Disbursement of Local Use Tax - St. Louis County

Officials from **B&P** state this section would change how use taxes are distributed within St. Louis County. This section will not impact TSR or the calculation under Article X, Section 18(e).

Section 205.202 - Hospital Districts - Wayne County - Sales Tax in Lieu of Property Tax

Officials from **DOR** state this section clarifies what happens upon dissolution of a hospital district that was levying a sales tax. The sales tax is to be distributed 25% to the county public health center and 75% to the federally qualified health center. This proposal would not have a fiscal impact on DOR but would clarify where the money DOR receives is to be distributed.

ASSUMPTION (continued)

Oversight notes DOR does not anticipate this section to result in a fiscal impact. Oversight does not have any information to the contrary. Therefore, for purposes of this fiscal note, Oversight will a zero fiscal impact as it relates to this section.

Oversight notes in response to similar legislation, (SCS for SB 616 - 2020) the **Department of Health and Senior Services** and the **Department of Social Services** have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

Section 321.552 - Ambulance/Fire Protection Districts - Sales Tax

Officials from **DOR** state this section would allow any governing body of an ambulance or fire protection district to impose a sales tax in an amount up to one percent on all retail sales made in such district. Previously the cap was at one-half of one percent. This proposal would not allow the districts in Cape Girardeau, Christian, Cole, Clay, Greene, Jackson, Jefferson, St. Charles County, St. Charles County and St. Louis City to increase their rates. In order to increase the sales tax the district would be required to hold an election and notify the Department of the increase. This proposal would allow this to be voted on at the general election in November 2022. And therefore, this would not go into effect until April 2023.

Using information on the amount of sales tax collected, DOR calculated how much additional revenue would be raised by the districts if all raised their sales tax to the maximum 1% allowed by this proposal.

Districts - Various Percentages	0.005	0.0025	0.00375	0.0045
Tax Base	10,240,964,864	1,843,205,900	849,942,243	664,923,916
New 1% Rate	\$ 102,409,649	\$ 18,432,059	\$ 8,499,422	\$ 6,649,239
Net Increase	\$ 51,204,824	\$ 13,824,044	\$ 5,312,139	\$ 3,657,082
1% DOR Fee*	\$ 512,048	\$ 138,241	\$ 53,121	\$ 36,571
District Increase*	\$ 50,692,776	\$ 13,685,804	\$ 5,259,018	\$ 3,620,511

* 1% DOR Fee = \$512,048+\$138,240+\$53,120+\$36,571 = 739,981

*District Increase total = \$50,692,776+\$13,685,804+\$5,259,018+\$3,620,511 = 73,258,108

The Department is allowed to retain 1% for collection costs, so this would be an increase to General Revenue of \$739,981 if all the subdivisions raised the tax to the maximum allowed.

ASSUMPTION (continued)

DOR is allowed to retain 1% for collection costs, so this would be an increase to General Revenue of \$739,981 if all the subdivisions raised the tax to the maximum allowed.

DOR anticipates this section will result in a significant enough increase to require one FTE (Revenue Processing Technician I).

Oversight notes DOR anticipates the sales tax revenue increase for ambulance and fire protection districts to occur in April 2023. For purposes of this fiscal note, Oversight will report the fiscal impact beginning in Fiscal Year 2024.

Furthermore, **Oversight** notes DOR anticipates the need for one FTE, as it relates to this section. Oversight will include the FTE in this fiscal note.

For purpose of this fiscal note, **Oversight** will report the positive fiscal impact to local political subdivisions (ambulance and fire protection districts) ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal) to \$50,692,776 (maximum) beginning in Fiscal Year 2024.

For purpose of this fiscal note, **Oversight** will report the positive fiscal impact to GR ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal) to \$739,981 (maximum) beginning in Fiscal Year 2024.

Oversight notes the **Department of Public Safety**, the **Missouri Department of Natural Resources**, the **Missouri State Treasurer's Office**, the **St. Louis County Board of Elections**, and the **Jackson County Election Board** have 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 fiscal impact in the fiscal note for these organizations.

FISCAL IMPACT -
State Government

FY 2021
 (10 Mo.)

FY 2022

FY 2023

Fully
 Implemented
 (FY 2024)

GENERAL
REVENUE FUND

Revenue Gain -
 Section(s) 67.730,
 67.1790, 94.838,
 94.842, 94.844,
 94.900, 94.902,
 321.552 - DOR 1%
 Collection Fee

\$0 or could
 exceed \$667,934

\$0 or could
 exceed \$862,437

\$0 or could
 exceed \$879,686

\$0 or could
 exceed
 \$1,637,261

Cost - DOR -
 Section 144.637 -
 DOR Tax
 Database(s) p. 43

(Greater than
 \$1,000,000)

(Unknown)

(Unknown)

(Unknown)

Cost - DOR -
 Section 144.638 -
 Taxability Matrix
 p. 43

(Greater than
 \$5,000,000)

\$0

\$0

\$0

Cost - DOR -
 Section(s) 144.605
 and 144.752 -
 Postage and Printing

(\$100,000)

(\$102,000)

(\$104,040)

(\$106,121)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
Cost - DOR - Section(s) 144.605, 144.752, 144.638 - Online Use Tax Collection				
Personal Services	(\$1,064,840)	(\$1,290,586)	(\$1,303,492)	(\$1,329,562)
Fringe Benefits	(\$708,833)	(\$854,844)	(\$859,130)	(\$876,313)
Equipment and Expense	(\$251,192)	\$0	\$0	\$0
Total Cost - DOR	(\$2,024,865)	(\$2,145,430)	(\$2,162,622)	(\$2,205,875)
FTE Change - DOR	37 FTE	37 FTE	37 FTE	37 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>Greater than</u> <u>(\$7,456,931) or</u> <u>greater than</u> <u>(\$8,124,865)</u>	<u>Less than or</u> <u>greater than</u> <u>\$(2,247,430)</u>	<u>Less than or</u> <u>greater than</u> <u>\$(2,266,620)</u>	<u>Less than or</u> <u>greater than</u> <u>\$(2,311,996)</u>

**CASH
OPERATING
EXPENSE FUND**

Revenue Gain - Section(s) 144.605 - 144.752 - Online Use Tax Collection p. 6, 38		\$37,800,000 or could exceed \$57,800,000	\$77,600,000 or could exceed \$118,500,000	\$80,900,000 or could exceed \$123,700,000
	\$0			

ESTIMATED NET EFFECT ON CASH OPERATING EXPENSE FUND	\$0	<u>\$37,800,000 or</u> <u>could exceed</u> <u>\$57,800,000</u>	<u>\$77,600,000 or</u> <u>could exceed</u> <u>\$118,500,000</u>	<u>\$80,900,000 or</u> <u>could exceed</u> <u>\$123,700,000</u>
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FISCAL IMPACT -
State Government
 (continued)

FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
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**SCHOOL
 DISTRICT TRUST
 FUND (0688)**

Revenue Gain -
 Section(s) 144.605 -
 144.752 - Online
 Use Tax Collection
 p. 6, 38

\$12,600,000 or could exceed	\$25,900,000 or could exceed	\$27,000,000 or could exceed
<u>\$0</u>	<u>\$19,300,000</u>	<u>\$39,500,000</u>

**ESTIMATED NET
 EFFECT ON
 SCHOOL
 DISTRICT TRUST
 FUND**

<u>\$12,600,000 or</u> <u>could exceed</u>	<u>\$25,900,000 or</u> <u>could exceed</u>	<u>\$27,000,000 or</u> <u>could exceed</u>
<u>\$0</u>	<u>\$19,300,000</u>	<u>\$41,200,000</u>

**CONSERVATION
 COMMISSION
 FUND (0609)**

Revenue Gain -
 Section(s) 144.605 -
 144.752 - Online
 Use Tax Collection
 p. 6, 38

\$1,600,000 or could exceed	\$3,200,000 or could exceed	\$3,400,000 or could exceed
<u>\$0</u>	<u>\$2,400,000</u>	<u>\$4,900,000</u>

**ESTIMATED NET
 EFFECT ON
 CONSERVATION
 COMMISSION
 FUND**

<u>\$1,600,000 or</u> <u>could exceed</u>	<u>\$3,200,000 or</u> <u>could exceed</u>	<u>\$3,400,000 or</u> <u>could exceed</u>
<u>\$0</u>	<u>\$2,400,000</u>	<u>\$5,200,000</u>

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
PARKS AND SOILS STATE SALES TAX FUND(S) (0613 & 0614)				
<u>Revenue Gain -</u> Section(s) 144.605 - 144.752 - Online Use Tax Collection p. 6, 38		\$1,300,000 or could exceed <u>\$0</u> <u>\$1,900,000</u>	\$2,600,000 or could exceed <u>\$3,900,000</u>	\$2,700,000 or could exceed <u>\$4,100,000</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUND(S)	<u>\$0</u>	<u>\$1,300,000 or</u> <u>could exceed</u> <u>\$1,900,000</u>	<u>\$2,600,000 or</u> <u>could exceed</u> <u>\$3,900,000</u>	<u>\$2,700,000 or</u> <u>could exceed</u> <u>\$4,100,000</u>

<u>FISCAL IMPACT -</u>				Fully
<u>Local Government</u>	FY 2021	FY 2022	FY 2023	Implemented
	(10 Mo.)			(FY 2024)

**LOCAL
 POLITICAL
 SUBDIVISIONS**

<u>Revenue Gain -</u> Section(s) 67.730, 67.1790, 94.838, 94.842, 94.844, 94.900, 94.902, 321.552 - Local Taxes	\$0 or could exceed \$66,901,769	\$19,600,000 or could exceed \$86,238,678	\$40,100,000 or could exceed \$87,963,451	\$41,900,000 or could exceed \$140,415,496
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<u>Revenue Gain -</u> Section(s) 144.605 - 144.752 - Online Use Tax Collection	\$0	\$19,600,000 or could exceed \$29,900,000	\$40,100,000 or could exceed \$61,300,000	\$41,900,000 or could exceed \$64,000,000
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**ESTIMATED NET
 EFFECT ON**

LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or could exceed \$66,901,769</u>	<u>\$19,600,000 or could exceed \$116,138,678</u>	<u>\$40,100,000 or could exceed \$149,263,451</u>	<u>\$41,900,000 or could exceed \$204,415,496</u>
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FISCAL IMPACT - Small Business

The collection of use tax from out-of-state sellers could even the playing field for local in-state small businesses; therefore, they could experience revenue growth. Out-of-state businesses would be required to collect and remit the tax to the Missouri Department of Revenue; increasing their administrative costs and decreasing their net revenues. (Section(s) 144.605 & 144.752)

This legislation could impact any small business operating in one of the various political subdivisions mentioned in this legislation, as they would be required to collect and remit the new or additional sales tax(es) permitted by this legislation, potentially increasing their administrative costs.

FISCAL DESCRIPTION

This proposed legislation modifies provisions relating to local taxation and the remittance of use tax from online retailers and marketplace facilitators.

This legislation modifies provisions relating to the notifications for increased assessed values of properties within St. Louis County.

This legislation modifies provisions relating to the amounts of reimbursable attorney fees in St. Louis County.

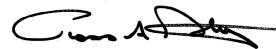
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget & Planning Division
Missouri Department of Revenue
Missouri State Tax Commission
Missouri Department of Secondary and Elementary Education
Joint Committee on Administrative Rules
City of Hazelwood
Ste. Genevieve County
City of Columbia
Jackson County Election Board
St. Louis County Board of Elections
Missouri State Treasurer's Office
Missouri Department of Natural Resources
Missouri Department of Conservation
Missouri Department of Public Safety



Julie Morff
Director
May 4, 2020



Ross Strobe
Assistant Director
May 4, 2020