

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0298H.02C
Bill No.: HCS for HB 382
Subject: Taxation and Revenue - General; Cities, Towns, and Villages; Capital
Improvements; Motels and Hotels; Food
Type: Original
Date: March 18, 2021

Bill Summary: Modifies provisions regarding a transient guest tax and sales tax on food in the City of Lamar Heights.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	\$0	\$0 or \$2,857	\$0 or \$3,886
Total Estimated Net Effect on General Revenue	\$0	\$0 or \$2,857	\$0 or \$3,886

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- ☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government*	\$0	\$0 or \$282,861	\$0 or \$384,691

* The House Committee Substitute changes the description of Lamar Heights.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Budget & Planning (B&P)** assume Section 94.838.1(3) – The HCS change updates the demographic description in the definition of municipality for the City of Lamar Heights. The tax rate changes from 2% to 6% with proceeds directed to the general revenue fund instead of capital improvements.

B&P defers to the local government for the fiscal impact. DOR's retained collection fee will increase TSR because DOR will be able to collect its 1% administration fee for handling the collection and to DOR for more specific estimates of actual collection costs. Historically, DOR collections fees have totaled less than \$10,000 per year on similar discrete local tax collections.

Oversight notes officials from B&P defer to the Lamar Heights for the potential fiscal impact of this proposal.

Officials from the **Department of Revenue (DOR)** assume this proposal allows the Village of Lamar Heights to change their sales tax from not to exceed two percent sales tax for the purpose of construction, maintenance and operation of capital improvements to a not to exceed six percent for general revenue purposes. This proposal does require a vote of the citizens prior to becoming effective. 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	2,223,930	2,441,185	2,526,234	8,928,150
2020	1,817,966	2,189,249			4,007,215

Sales Tax only (no use tax)

DOR reports are generated by calendar year not fiscal year

City of Lamar Heights Taxable Sales Report Data

Source: <http://dor.mo.gov/publicreports/>

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. The Department notes it would be allowed to retain the 1% collection fee. The Department is going

to show the difference between the 2% that is currently collected and the 6% that could be collected.

Fiscal Year	Tax Base	Current Collections (2%)	Proposed Tax (6%)	Difference	1% DOR Fee	City Retains
2022	\$9,337,208.19	\$186,744.16	\$560,232.49	\$373,488.33	\$3,734.88	\$369,753.44
2023	\$9,523,952.36	\$190,479.05	\$571,437.14	\$380,958.09	\$3,809.58	\$377,148.51
2024	\$9,714,431.41	\$194,288.63	\$582,865.88	\$388,577.26	\$3,885.77	\$384,691.48

DOR notes that this proposal would become effective on August 28, 2021 and the first election would be the April 6, 2022 election. There is no November 2021 general election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would begin October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

Fiscal Year	DOR retains 1%	Lamar Heights
2022	\$0	\$0
2023	\$2,857	\$282,861
2024	\$3,886	\$384,691

DOR does not anticipate any fiscal impact stemming from Administrative changes.

Oversight notes that the DOR has stated the proposal would have a direct fiscal impact on their organization. Additionally, DOR confirmed that above sales numbers only represent current 2% special food tax sales and collection instituted by Village of Lamar Heights.

Oversight does not have any information to the contrary. The bill changes the designation of the monies from Capital Improvements into the General Revenue Funds of City of Lamar Heights. Therefore, Oversight will reflect the DOR's estimated impact and range the impact from \$0 (not approved by voters) or \$282,861 for FY 23 and \$384,691 for FY 24 (approved by voters) on the fiscal note.

Additionally, if approved by voters, the DOR may be able to collect 1% collection fee stemming from the additional food sales tax. **Oversight** will note the DOR's positive fiscal impact to the General Revenue Fund on the fiscal note.

Oversight only reflects the responses that we have received from state agencies; however Village of Lamar Heights was requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Revenue Gain – Village of Lamar 1% DOR Fee</u>	<u>\$0</u>	<u>\$0 or \$2,857</u>	<u>\$0 or \$3,886</u>
NET ESTIMATED EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 or \$2,857</u>	<u>\$0 or \$3,886</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenues - increase in sales tax collections (p. 4 & 5)</u>	<u>\$0</u>	<u>\$0 or \$285,718</u>	<u>\$0 or \$388,577</u>
<u>Cost – DOR 1% collection fee</u>	<u>\$0</u>	<u>\$0 or (\$2,857)</u>	<u>\$0 or (\$3,886)</u>
ESTIMATED NET EFFECT TO LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or \$282,861</u>	<u>\$0 or \$384,691</u>

FISCAL IMPACT – Small Business

Small businesses in the Village of Lamar Heights could be impacted by collecting additional sales tax.

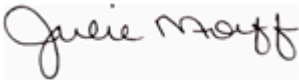
FISCAL DESCRIPTION

The proposed legislation would allow the Village of Lamar Heights to, with voter approval, increase the sales tax rate on retail sales of food from 2% to not more than 6%.

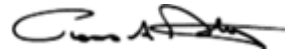
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning
Department of Revenue



Julie Morff
Director
March 18, 2021



Ross Strobe
Assistant Director
March 18, 2021