

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0319H.02I  
Bill No.: HB 252  
Subject: Taxation and Revenue - Sales and Use; Motels and Hotels; Cities, Towns, and Villages; Tourism  
Type: Original  
Date: January 27, 2021

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0	\$0 up to \$13,308	\$0 up to \$26,615
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 up to \$13,308</b>	<b>\$0 up to \$26,615</b>

\*The potential fiscal impact to the General Revenue Fund is the one percent (1%) collection fee retained by the Missouri Department of Revenue. An impact would only occur if the Missouri Department of Revenue and the City of Springfield agree on Missouri Department of Revenue collecting the Springfield transient guest tax.

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

Numbers within parentheses: () indicate costs or losses.

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

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

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
City of Springfield	\$0	\$0 up to \$1,397,288	\$0 up to \$2,794,575
<b>Local Government</b>	<b>\$0</b>	<b>\$0 up to \$1,397,288</b>	<b>\$0 up to \$2,794,575</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

**Oversight** notes this proposed legislation allows the City of Springfield (Springfield), subject to voter approval, to impose a tax on the chargers for all sleeping rooms paid by the transient guests of hotels or motels, which shall not exceed two and one-half percent (2.5%) per occupied room per night.

**Oversight** notes Springfield may propose the tax to its respective voters at a general election. Should the voters vote in favor of the tax, the tax shall become effective on the first day of the calendar quarter following the calendar quarter in which the election took place. Should the voters vote against the tax, the tax shall not be imposed.

If Springfield's voters vote in favor of the tax, the revenue of the tax shall be used solely for capital improvements that can be demonstrated to increase the number of overnight visitors in Springfield.

Officials from the **City of Springfield (City)** state they anticipate a significant positive fiscal impact if voters approve a transient guest tax. Prior to the COVID-19 pandemic, each 2.5% of tax brought in approximately \$2.9 million per year. Since the pandemic, each 2.5% of hotel tax has decreased to bring in approximately \$2.2 million. The City anticipates this proposed legislation will likely cause a positive fiscal impact between \$2.2 million and \$2.5 million.

**Oversight** notes, currently, under [Springfield City Code, Chapter 70, Article V](#), hotels, motels, and tourist courts are required to pay a license tax equal to five percent (5%) of the gross rental receipts paid by transient guests for sleeping accommodations. Since the tax is on the hotel or motel and not the customer, there are no exemptions from the tax. Each business owner makes the decision as to whether or not the tax is passed on to their customers.

**Oversight** notes Springfield's Hotel/Motel License Tax is a license tax and **not** a transient guest tax.

**Oversight** notes a detailed description of Springfield's Hotel/Motel License Tax can be found [here](#).

Per information received from Springfield, in 1979 Springfield City Council approved a general ordinance which amended its City Code and allowed Springfield to impose and collect a 2% hotel/motel [license] tax.

The tax was to be used for what is now known as the Convention and Visitors Bureau (CVB). Springfield could retain 6% of all collections to cover the administrative costs of collection and enforcement.

In 1998, voters were asked to increase the tax from 2% to 4.5% to further promote tourism “by developing Civic Park (which is now Jordan Valley Park), constructing an indoor ice facility, and making capital grants available for projects to assist not-for-profit organizations who promote these activities.”

In February 2004, voters were asked to increase the tax by an additional 0.5% to make the tax 5%. This was to be used to “attract sporting events and conventions and to retain a tourism information center”. This was given to the CVB. Springfield still retains 6% of total collections.

The 6% retained by Springfield is split between the Greater Springfield Area Sports Commission and the Springfield Regional Arts Council and a portion is maintained by Springfield to cover collection and administration costs. Of the 6% retained, approximately 50% goes to the Springfield Area Sports Commission and 33% goes to the Springfield Regional Arts Council. The remaining revenue is retained by Springfield. However, the remaining revenues retained by Springfield (17% of the 6% of total collection) have not actually been transferred to “the City; it remains unused and is there for future debt service needs or other requests.”

**Oversight** notes the transient guest tax put forth by this proposed legislation is not a **direct** increase in Springfield’s Hotel/Motel License Tax rate and is a separate tax. However, Oversight assumes, if passed by the voters of Springfield, the transient guest tax will cause revenue derived from Springfield's existing Hotel/Motel License Tax to increase.

In order to determine the fiscal impact of this proposed legislation, Oversight used the collection data provided by Springfield for Springfield’s Hotel/Motel License Tax.

Per information provided by Springfield, the following amounts were collected from Springfield’s five percent (5%) Hotel/Motel License Tax:

Year	Hotel/Motel License Tax Collected
2015	\$4,723,157
2016	\$5,024,040
2017	\$5,309,898
2018	\$5,799,089
2019	\$5,758,820

**Oversight** estimates the total gross receipts paid by transient guests for sleeping accommodations in Springfield per year totals (Hotel/Motel License Tax Collected / 5%):

Year	Total Gross Receipts Paid By Customers
2015	\$94,463,131
2016	\$100,480,791
2017	\$106,197,966
2018	\$115,981,776
2019	\$115,176,400

**Oversight** notes the Hotel/Motel License Tax **may** or **may not** be passed on to customers of the hotels and motels. Oversight provides example scenarios for each scenario below.

**Scenario 1:**

Hotel/Motel License Tax is **not** passed on to the customer:

Customer Receipt	
Room Rate	\$50
Sales Tax - 8.1% (State, County, City)	\$4.05
Total Charge Paid By Customer	\$54.05

Hotel/Motel License Tax Paid By Hotel/Motel To City	
Total Gross Receipts	\$54.05
Hotel/Motel License Tax - 5% of Gross Receipts	<b>\$2.70</b>

**Scenario 2 (Part 1):**

Hotel/Motel License Tax **is** passed on to the customer:

Customer Receipt	
Room Rate	\$50
Sales Tax - 8.1% (State, County, City)	\$4.05
Room Rate + Sales Tax	\$54.05
Hotel/Motel License Tax Passed On To Customer - <b>5%</b>	<b>\$2.70</b>
Total Charge Paid By Customer	\$56.75

Hotel/Motel License Tax Paid By Hotel/Motel To City	
Total Gross Receipts	\$56.75
Hotel/Motel License Tax - 5% of Gross Receipts	<b>\$2.84</b>

**Oversight** notes, as shown above, the Hotel/Motel License Tax paid by the hotel/motel is greater than the amount that was passed on to the customer. This is because, at this point, the Hotel/Motel License Tax passed on to the customer is calculated on \$54.05 whereas the hotel/motel's tax owed to Springfield is calculated on \$56.75.

Therefore, hotels/motels charge a tax rate to the customers in excess of the rate they are required to pay to Springfield to recoup the difference.

**Scenario 2 (Part 2):**

Hotel/Motel License Tax is passed on to the customer:

<b>Customer Receipt</b>	
Room Rate	\$50
Sales Tax - 8.1% (State, County, City)	\$4.05
Room Rate + Sales Tax	\$54.05
Hotel/Motel License Tax Passed On To Customer - <b>5.26%</b>	<b>\$2.84</b>
Total Charge Paid By Customer	\$56.89

<b>Hotel/Motel License Tax Paid By Hotel/Motel To City</b>	
Total Gross Receipts	\$56.89
<b>Hotel/Motel License Tax - 5%</b>	<b>\$2.84</b>

**Oversight** notes, as shown above, the customer is passed on the Hotel/Motel License Tax at a rate that exceeds the rate that hotels/motels must pay in order for the hotel/motel to recoup the full amount that is required to be remitted to Springfield.

**Oversight** assumes the calculation used by hotels/motels to establish the rate equal to 5.26% to be used when passing the Hotel/Motel License Tax on to customers is:

Customer's Receipt		
	Room Rate	\$50
x	Sales Tax - 8.1%	\$4.05
=	Room Rate + Sales Tax	\$54.05
x	Hotel/Motel Tax Passed On To Customer - 5%	\$2.70
=	Total Charge Paid By Customer	\$56.75

x	Hotel/Motel License Tax Paid By Hotel/Motel To City	
	Gross Receipts (Room Rate + Sales Tax + Tax Passed On)	\$56.75
	Hotel/Motel License Tax - 5%	\$2.84

**Oversight** notes, at this point, the hotel/motel knows the amount of Hotel/Motel License Tax it is required to remit to Springfield is \$2.84

Then, hotels/motels divide the Hotel/Motel License Tax owed to Springfield (\$2.84) by the Room Rate + Sales Tax (\$54.05) to determine the applicable rate.

For this example,  $\$2.84 / (\$50 + \$4.05) = 5.26\%$ . Therefore, as shown in Scenario 2 (Part 2), the tax rate imposed on the customer equals 5.26%.

**Oversight** assumes, with an additional tax imposed upon sleeping rooms in the form of a transient guest tax, the total amount of gross receipts recognized by hotels/motels will increase as well. This will result in an increase in the amount of Hotel/Motel License Tax paid by hotels/motels (or customers) to Springfield.

**Oversight** assumes the transient guest tax put forth by this proposed legislation will be calculated on either: 1) the room rate + sales tax or 2) the room rate + sales tax + Hotel/Motel License Tax.

**Oversight** updates Scenario 1 and Scenario 2, as shown above, to reflect the addition of a transient guest tax.

**Scenario 3:**

Hotel/Motel License Tax is **not** passed on to the customer – Transient Guest Tax Included:

Customer Receipt	
Room Rate	\$50
Sales Tax - 8.1% (State, County, City)	\$4.05
Room Rate + Sales Tax	\$54.05
Transient Guest Tax - 2.5%	\$1.35
Total Charge Paid By Customer	\$55.40

Hotel/Motel License Tax Paid By Hotel/Motel To City	
Total Gross Receipts	\$55.40
Hotel/Motel License Tax - 5%	<b>\$2.77</b>

**Oversight** notes in Scenario 3, compared to Scenario 1, the hotel/motel will pay \$.07 more in Hotel/Motel License Tax for every room charge equal to \$50 as a result of the increase in gross receipts. Oversight notes many hotels/motels charge amounts greater than \$50 per night and \$50 was only used for the example scenarios.

**Scenario 4:**

Hotel/Motel License Tax **is** passed on to the customer – Transient Guest Tax Included –  
 Transient Guest Tax Calculated on Room Rate + Sales Tax:

<b>Customer Receipt</b>	
Room Rate	\$50
Sales Tax - 8.1% (State, County, City)	\$4.05
Room Rate + Sales Tax	\$54.05
Transient Guest Tax - 2.5%	\$1.35
Room Rate + Sales Tax + Transient Guest Tax	\$55.40
Hotel/Motel License Tax Passed On To Customer - <b>5.26%</b>	<b>\$2.92</b>
Total Charge Paid By Customer	\$58.32

<b>Hotel/Motel License Tax Paid By Hotel/Motel To City</b>	
Total Gross Receipts	\$58.32
<b>Hotel/Motel License Tax - 5%</b>	<b>\$2.92</b>

**Oversight** notes in Scenario 4, compared to Scenario 2 (Part 2), the customers of the hotel/motel will pay \$0.08 more in Hotel/Motel License Tax for every room charge equal to \$50 and \$1.35 for the transient guest tax. Oversight notes many hotels/motels charge amounts greater than \$50 per night and \$50 was only used for the example scenarios.

**Scenario 5:**

Hotel/Motel License Tax **is** passed on to customer – Transient Guest Tax Included –  
 Transient Guest Tax Calculated on Room Rate + Sales Tax + Hotel/Motel License Tax:

<b>Customer Receipt</b>	
Room Rate	\$50
Sales Tax - 8.1% (State, County, City)	\$4.05
Room Rate + Sales Tax	\$54.05
Hotel/Motel License Tax Passed On To Customer - <b>5.4%</b>	<b>\$2.92</b>
Room Rate + Sales Tax + Hotel/Motel License Tax	\$56.97
Transient Guest Tax	\$1.42
Total Charge Paid By Customer	\$58.39

<b>Hotel/Motel License Tax Paid By Hotel/Motel To City</b>	
Total Gross Receipts	\$58.39
<b>Hotel/Motel License Tax - 5%</b>	<b>\$2.92</b>



**Oversight** notes in Scenario 5, compared to Scenario 2 (Part 2), the customers of the hotel/motel will pay \$0.08 more in Hotel/Motel License Tax for every room charge equal to \$50 and \$1.42 for the transient guest tax.

**In addition**, in Scenario 5, compared to Scenario 4, the customers of the hotel/motel pay an additional \$0.07 in transient guest tax. This is a result of the transient guest tax being calculated on a number that includes more values in the calculation.

Therefore, under Scenario 5's method of calculation, the greatest amount of transient guest tax **and** more Hotel/Motel License Tax will be collected and remitted to Springfield.

**Oversight** notes the methodology of Scenario 5 is the methodology used to calculate the fiscal impact of this proposed legislation. This is due to the data used to calculate the fiscal impact. Oversight used total Hotel/Motel License Tax collection data as the base to estimate the total gross receipts. The estimated total gross receipts, then, would include any Hotel/Motel License Tax currently passed on to the customer. Therefore, Oversight assumes the fiscal impact reported best reflects the current business practices of Springfield's hotels/motels, regardless of whether the hotel/motel passes the Hotel/Motel License Tax onto their customers or not.

**Oversight** estimates this proposed legislation could increase revenue to Springfield, on average, by an amount equal to \$2,661,500 annually as a result of a transient guest tax (total gross receipts paid by customers \* 2.5%)

Oversight estimates this proposed legislation could also increase revenue to Springfield, on average, by an amount equal to \$133,075 annually as a result of the increase in gross receipts calculated to determine Springfield's Hotel/Motel License Tax owed by Springfield's hotels/motels (total increase in gross receipts \* 5%).

Year	Hotel/Motel License Tax Collected	Total Gross Receipts Paid By Customers (Hotel/Motel License Tax Collected / 5%)	Estimated Total Transient Guest Tax Revenue As Well As Estimated Total Increase in Gross Receipts)	Increase In Hotel/Motel License Tax Based On Additional Gross Receipts	Total Estimated Net Gain to City of Springfield
2015	\$4,723,157	\$94,463,131	\$2,361,578.27	\$118,078.91	<b>\$2,794,575.33</b>
2016	\$5,024,040	\$100,480,791	\$2,512,019.77	\$125,600.99	
2017	\$5,309,898	\$106,197,966	\$2,654,949.16	\$132,747.46	
2018	\$5,799,089	\$115,981,776	\$2,899,544.39	\$144,977.22	
2019	\$5,758,820	\$115,176,400	\$2,879,409.99	\$143,970.50	
<b>Average</b>			<b>\$2,661,500.32</b>	<b>\$133,075.02</b>	

**Oversight** notes this proposed legislation permits Springfield to collect the transient guest tax internally or enter into an agreement with the Missouri Department of Revenue for purposes of collection.

**Oversight** notes, currently, the Missouri Department of Revenue does not collect any transient guest taxes) imposed by Missouri's local political subdivisions.

Therefore, and in addition to the fact that that Springfield's hotels/motels are currently collecting and remitting tax(es) (Hotel/Motel License Tax) to the Springfield, Oversight assumes the collection and remittance of tax will occur internally within Springfield.

However, should Springfield and the Missouri Department of Revenue enter into an agreement for purposes of collection, the Missouri Department of Revenue is permitted to retain up to one percent (1%) of the amount of transient guest tax collected for the cost of collection. The amount retained by the Missouri Department of Revenue would be deposited into General Revenue. Springfield's estimated net gain, as reported above, would be reduced by the amount retained by the Missouri Department of Revenue.

**Oversight** notes this proposed legislation states, if approved by the voters of Springfield at a general election, the transient guest tax shall go into effect on the first day of the calendar quarter following the calendar quarter in which the election is held. Oversight assumes the next General Election will occur in November 2022. The quarter following the calendar quarter in which the election is held would begin January 2023 (6 months of Fiscal Year 2023).

Therefore, for purposes of this fiscal note, Oversight will report a revenue gain to GR equal to \$0 (voters do not approve the transient guest tax or Springfield will collect the tax internally) up to \$13,308 (six months' worth of one percent (1%) of the amount estimated to be collected from the transient guest tax in Springfield) in Fiscal Year 2023.

**Oversight** will report a revenue gain to Springfield equal to \$0 (voters do not approve the transient guest tax) up to \$1,330,750 (six months' worth of the transient guest tax in Springfield) in Fiscal Year 2023.

**Oversight** will report a revenue gain to Springfield equal to \$0 (voters do not approve the transient guest tax) up to \$66,538 (six months' worth of the increased Hotel/Motel License Tax as a result of increased gross receipts) in Fiscal Year 2023.

**Oversight** will report a revenue gain, to GR equal to \$0 (voters do not approve the transient guest tax or Springfield will collect the tax internally) up to \$26,615 (one percent (1%) of the amount estimated to be collected from the transient guest tax in Springfield) in Fiscal Year 2024, once fully implemented.

**Oversight** will report a revenue gain to Springfield equal to \$0 (voters do not approve the transient guest tax) up to \$2,661,500 (transient guest tax in Springfield) in Fiscal Year 2024, once fully implemented.

**Oversight** will report a revenue gain to Springfield equal to \$0 (voters do not approve the transient guest tax) up to \$133,075 (increased Hotel/Motel License Tax as a result of increased gross receipts) in Fiscal Year 2024, once fully implemented.

Officials from the **Office of Administration – Budget & Planning Division** have deferred to the City of Springfield to provide the estimated fiscal impact(s) of this proposed legislation.

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation would allow the City of Springfield to vote to impose a transient guest tax of up to 2.5%. This should not have an impact on DOR. However, this proposed legislation allows the City of Springfield to contract with DOR for the collection of the transient guest tax. DOR notes all other transient guest taxes are collected by the local political subdivisions. Should the City of Springfield, DOR would be allowed to retain one percent (1%) for the cost of collection.

Officials from the **Economic & Policy Analysis Research Center – University of Missouri (EPARC)** state, if enacted, this proposed legislation would authorize a transient guest tax in the City of Springfield upon voter approval. EPARC has indicated that EPARC does not possess the data necessary to estimate the impact of this proposed legislation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for administrative rules is less than \$5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what SOS can sustain with SOS's core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

**Oversight** assumes JCAR will be able to administer any rules from this proposed legislation with existing resources.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE FUND</b>			
<u>Revenue Gain – Section 94.842 – 1% of Springfield Guest Tax Retained For Cost of Collection</u>	<u>\$0</u>	<u>\$0 up to \$13,308</u>	<u>\$0 up to \$26,615</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 up to \$13,308</u></b>	<b><u>\$0 up to \$26,615</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>CITY OF SPRINGFIELD</b>			
<u>Revenue Gain – Section 94.842 – Springfield Transient Guest Tax Up to 2.5%</u>	\$0	\$0 up to \$1,330,750	\$0 up to \$2,661,500
<u>Revenue Gain – Increase in Hotel/Motel License Tax Due To Increased Gross Receipts</u>	\$0	\$0 up to \$66,538	\$0 up to \$133,075
<b>ESTIMATED NET EFFECT ON CITY OF SPRINGFIELD</b>	<b>\$0</b>	<b>\$0 up to \$1,397,288</b>	<b>\$0 up to \$2,794,575</b>

FISCAL IMPACT – Small Business

This proposed legislation could impact any small business in Springfield operating as a hotel/motel or tourist court. Such small businesses could experience increased administrative costs associated with the collection and remittance of the Springfield transient guest tax.

FISCAL DESCRIPTION

This proposed legislation authorizes any home rule city with more than 155,000 but fewer than 200,000 inhabitants (Springfield) to submit to the voters a transient guest tax not to exceed 2.5% of the charges per occupied room per night.

Such tax shall be used solely for capital investments that can be demonstrated to increase the number of overnight visitors.

If enacted, this section initially would only apply to the City of Springfield. Upon voter approval, the city may adopt rules and regulations for the internal collection of the tax, or may enter into an agreement with the Department of Revenue for the collection of the tax.

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

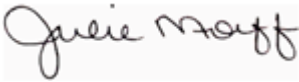
Missouri Department of Revenue

Missouri Secretary of State

Joint Committee on Administrative Rules

Economic & Policy Analysis Research Center – University of Missouri

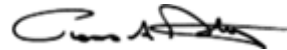
City of Springfield



Julie Morff

Director

January 27, 2021



Ross Strobe

Assistant Director

January 27, 2021