

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0319H.03P  
Bill No.: Perfected HCS for HB 252  
Subject: Taxation and Revenue - Sales and Use; Motels and Hotels; Cities, Towns, and Villages; Tourism  
Type: Original  
Date: April 1, 2021

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Bill Summary: This proposal authorizes certain cities to levy a transient guest tax or food tax upon voter approval.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue	\$0	\$0 to Could Exceed \$19,022	\$0 to Could Exceed \$34,387
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 or Could Exceed \$19,022</b>	<b>\$0 or Could Exceed \$34,387</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 to the state's General Revenue Fund would only occur if the Missouri Department of Revenue and the cities agree on Missouri Department of Revenue collecting the new local tax(es).

<b>ESTIMATED NET EFFECT ON OTHER STATE 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>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<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 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
<b>Local Government</b>	<b>\$0</b>	<b>\$0 to Could Exceed \$1,666,841</b>	<b>\$0 to Could Exceed \$3,152,651</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

**Oversight** was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

### **Section 67.1011 – Transient Guest Tax – City of Butler**

In response to the similar proposal, SS SB 47 (0750S-06) 202, officials from the **Office of Administration - Budget and Planning** defer to the local government for the potential fiscal impact of this proposal.

Officials from the **Department of Revenue** (DOR) assume the provision allow the City of Butler adopt a transient guest tax upon the vote of their citizens. Transient guest taxes are collected at the local level and not at the Department of Revenue. Therefore, we do not anticipate any impact from these provisions.

**Oversight** notes this section allows the City of Butler (Butler), subject to voter approval, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels, which shall not exceed six percent (6%) per occupied room per night.

**Oversight** notes Butler may propose the tax to its respective voters at an election. For purposes of this fiscal note, Oversight assumes the question would be proposed to Butler's voters at the next general election. Oversight assumes the next General Election will occur in November 2022. The second calendar quarter following the calendar quarter in which the election is held would begin April 2023 (3 months of Fiscal Year 2023).

**Oversight** notes this section does not specify what the transient guest tax revenue shall be used for. Therefore, Oversight assumes it would be deposited into Butler's General Revenue.

**Oversight** is unable to determine how many transient guest(s) visit Butler annually.

**Oversight** will report a revenue gain to Butler equal to \$0 (voters do not approve the transient guest tax) up to Unknown (three (3) months' worth of the transient guest tax in Butler) in Fiscal Year 2023.

### **Section 67.1013. 1. – Transient Guest Tax – City of Harrisonville**

Officials from the **Department of Revenue** (DOR) assume the provision allows the City of Harrisonville to adopt a transient guest tax upon the vote of their citizens. Transient guest taxes are collected at the local level and not at the Department of Revenue. Therefore, we do not anticipate any impact from these provisions.

In response to the similar proposal, SS SB 47 (0750S-06) 2021, officials from the **City of Harrisonville** assume the proposal will have a direct fiscal impact on their respective organization.

Currently in Harrisonville, there are 5 hotel/motel/lodging businesses. They are:

- Harrisonville Inn & Suites
- Comfort Inn & Suites
- America's Best Value Inn & Suites
- Caravan Motel
- Knights Inn

Between these hotels/motels, there are approximately 210 total rooms.

The average cost of a hotel stay in Harrisonville is about \$64 – This can fluctuate based on demand and season.

Many communities in the Harrisonville area carry a hotel tax that is currently set at 5%. Below you will find an example of what that could look like if it were approved for Harrisonville. With a 5% hotel/tourism tax, 5% would be added to the current tax rate collected by hotels for rooms in Harrisonville.

Currently, the hotel room tax rate collected by hotels in Harrisonville is 7.725%. This percentage is divided amongst the state, city and county, with the state receiving 4.225%, the city receiving 1.875% and the county receiving 1.625%

With the 5% hotel/tourism tax, the new rate collected by hotels in Harrisonville would move to 12.725% The money brought into the hotels by this 5% would be paid monthly to the City.

With this new rate, an average of \$3.20 (at 5% rate) or \$3.84 (at 6% rate) would be added to the total bill for each room. Here is how that breaks down on a monthly and yearly basis:

If every room in town was booked each night of the year, the hotel/tourism tax (5%) would bring in \$20,160 per month and \$241,920 per year.

If every room in town was booked for half of the nights of the year, the hotel/tourism tax (5%) would bring in \$10,080 per month and \$120,960 per year.

If every room in town was booked for a quarter of the nights of the year, the hotel/tourism tax (5%) would bring in \$5,088 per month and \$60,056 per year.

**Oversight** notes that the proposal allows imposition of an up to 6% transient guest tax. Assuming the voters' approval and rate that is only chargeable to the actual average price of the lodging per night (\$64.00) the collection would total to \$290,304 [\$3.84 (6% on average price of \$64 per room) x 210 (total rooms available) x 365 (days)].

**Oversight** notes that the amount could be substantially greater depending on the way the guest tax is structured on the receipt. (Detailed explanation of various tax approaches can be observed within Section 94.842 - Springfield Transient Tax).

**Oversight** notes the City of Harrisonville would have to propose the tax to its voters at an election. Should the voters vote in favor of the tax, the tax shall become effective on the first day of the second calendar quarter following the calendar quarter in which the election was held. Should the voters vote against the tax, the tax shall not become effective unless and until the question is resubmitted and approved by the qualified voters of the City.

**Oversight** will reflect a \$0 (no tax increase approved by the voters) or positive unknown (tax increase approved by the voters) fiscal impact for the City of Harrisonville for this proposal.

**Oversight** also notes that there is no November 2021 election: therefore, the earliest election date would be in April of 2022. If the voters approve the tax would go into effect in October of 2022 (Fiscal Year 2023).

#### **Section 67.1013. 1. (39) – Transient Guest Tax – City of Marceline**

Officials from the **Department of Revenue (DOR)** assume this provision allows the City of Marceline to vote to establish a transient guest tax. This does not have an impact on the Department as transient guest taxes are collected by the local political subdivision and not DOR.

**Oversight** notes DOR and B&P do not anticipate a direct fiscal impact as a result of this proposed legislation. Oversight does not have any information to the contrary. Oversight assumes DOR would not collect the tax and retain a percentage. Therefore, Oversight will report a zero fiscal impact for these organizations.

In response to the similar proposal, HB 993 (2082H.01I) 2021, officials from the **City of Marceline (Marceline)** assume the proposal would have a positive fiscal impact on their organization with estimated revenue of \$1,600.00 to \$4,000.00 +/- based on the tax approved by voters (2% to 5%).

**Oversight** notes this proposed legislation would allow the governing body of Marceline to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels, motels, bed and breakfast inns, campgrounds and any docking facility that rents slips to recreational boats

that are used by transients for sleeping. This proposed legislation permits the transient guest tax to be at least two percent (2%) but not more than five percent (5%) per occupied room per night.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (City of Marceline) ranging from \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by Marceline.

**Oversight** notes the earliest this proposal could be implemented is the 2022 General Primary Election. Oversight assumes this could occur in August 2022. Therefore, Oversight will report the positive fiscal impact to local political subdivisions (City of Marceline) for 6 months in Fiscal Year 2023.

### **Section 67.1360 – Transient Guest Tax – City of Cameron**

In response to the similar proposal, SS SB 47 (0750S-06) 202, officials from the **Office of Administration - Budget and Planning** defer to the local government for the potential fiscal impact of this proposal.

Officials from the **Department of Revenue** (DOR) assume the provision allow the City of Harrisonville adopt a transient guest tax upon the vote of their citizens. Transient guest taxes are collected at the local level and not at the Department of Revenue. Therefore, we do not anticipate any impact from these provisions.

**Oversight** notes this section allows the City of Cameron (Cameron), subject to voter approval, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels, motels, bed and breakfast inns, and campgrounds and any docking facility that rents slips to recreational boats that are used by transients for sleeping, which shall be at least two percent (2%) but not more than five percent (5%) per occupied room per night.

**Oversight** notes Cameron may propose the tax to its respective voters at a state general, primary, or special election. For purposes of this fiscal note, Oversight assumes the question would be proposed to Cameron's voters at the next general election. Oversight assumes the next General Election will occur in November 2022. Oversight assumes, if approved by Cameron's voters that the tax would go into effect the first quarter following the quarter the tax was proposed to such voters. The first calendar quarter following the calendar quarter in which the election is held would begin January 2023 (6 months of Fiscal Year 2023).

If Cameron's voters vote in favor of the tax, the revenue of the tax shall be used solely for funding the promotion of tourism.

**Oversight** is unable to determine how many transient guest(s) visit Cameron annually.

**Oversight** will report a revenue gain to Cameron equal to \$0 (voters do not approve the transient guest tax) up to Unknown (six (6) months' worth of the transient guest tax in Cameron) in Fiscal Year 2023.

#### **Section 94.834. 1. City of Smithville Transient Guest Tax**

In response to the similar proposal, HB 1047 (2102H.03) 2021, officials from the **Office of Administration – Budget and Planning**, and **Economic & Policy Analysis Research Center** each assume the proposal would not have a direct fiscal impact on their respective organization.

Officials from the **Department of Revenue (DOR)** assume this provision allows the City of Smithville to vote to establish a transient guest tax. This does not have an impact on the Department as transient guest taxes are collected by the local political subdivision and not DOR.

**Oversight** notes the proposal would allow any city of the fourth classification with more than eight thousand but fewer than nine thousand inhabitants and located partially in any county of the first classification with more than two hundred thousand but fewer than two hundred sixty thousand inhabitants and partially in any county of the first classification with more than eighty-three thousand but fewer than ninety-two thousand inhabitants and with a city of the fourth classification with more than four thousand five hundred but fewer than five thousand inhabitants as the county seat to adopt a transient guest tax of not more than five percent (5%) for the purpose of promotion of tourism.

**Oversight** notes the City fitting the criteria of this proposal is City of Smithville. The proposal allows city to propose transient guest tax on guests of hotels or motels situated in the city or a portion thereof, which shall be not more than five percent per occupied room per night.

**Oversight** notes the City may implement such a tax only with approval from the voters at a general or primary election with the primary purpose to promote tourism. At this time there is no such a transient tax collected in City of Smithville. If such a tax should be approved by the voters, Oversight assumes it would not be in place until 2023. Therefore, Oversight will reflect \$0 tax collection for FY 2022, and a range of \$0 (voters do not approve the tax) or a positive Unknown (voters approve the tax) collection for FY 2023, and FY 2024 on the fiscal note.

**Oversight** only reflects the responses that we have received from state agencies; however, City of Smithville officials were requested to respond to this proposed legislation but did not. Oversight notes only two hotels are currently listed in Smithville, a Super 8 and the Smithville Historical Museum and Inn. Oversight does not have enough information to estimate an amount of tax potentially generated if this is approved by voters.

#### **Section 94.838. 1. (3) – Transient Guest Tax and Tax on Retail Sales of Food – Village of 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.

In response to the similar proposal, SS SB 47 (0750S-06) 202, officials from the **Office of Administration - Budget and Planning** defer to the local government for the potential fiscal impact of this proposal.

Officials from the **Department of Revenue (DOR)** assume the provision allow the City of Butler adopt a transient guest tax upon the vote of their citizens. Transient guest taxes are collected at the local level and not at the Department of Revenue. Therefore, we do not anticipate any impact from these provisions.

Officials from the **Department of Revenue (DOR)** assume this proposal allows the Village of Lamar Heights to change their sales tax from a 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.

Sales tax collection from the Village of Lamar Heights:

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

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.

### Village of Lamar Heights



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

**Section 94.842 – City of Springfield - Transient Guest Tax on the charges for all sleeping rooms at hotels & motels**

**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 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 from 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:

<b>Year</b>	<b>Hotel/Motel License Tax Collected</b>
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%):

<b>Year</b>	<b>Total Gross Receipts Paid By Customers</b>
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;

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

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

**Scenario 2 (Part 1):**

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%</b>	<b>\$2.70</b>
Total Charge Paid By Customer	\$56.75

<b>Hotel/Motel License Tax Paid By Hotel/Motel To City</b>	
Total Gross Receipts	\$56.75
<b>Hotel/Motel License Tax - 5% of Gross Receipts</b>	<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 Hotel/Motel License Tax is passed onto the customer 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.

#### **Section 94.1014 - Transient Guest Tax - Ashland**

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 on the next page:

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

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.

In response to the previous version of this proposal, HB 252 (0319H.01I) 2021, Officials from the **Office of Administration – Budget & Planning** have deferred to the City of Springfield to provide the estimated fiscal impact(s) of section 94.842 of this proposed legislation.

In response to the previous version of this proposal, HB 252 (0319H.01I) 2021, Officials from the **Department of Revenue (DOR)** assumed state this proposed legislation would allow the City of Springfield to vote to impose a transient guest tax of up to 2.5%. (Section 94.842) 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.

In response to the previous version of this proposal, HB 252 (0319H.01I) 2021, Officials from the **Economic & Policy Analysis Research Center – University of Missouri (EPARC)** stated, 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 section 94.842 of this proposed legislation.

Officials from the **Office of the Secretary of State (SOS)** noted 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 (JCAR)** assume the proposal would not have a direct fiscal impact on their organization.

**Officials from the Missouri Department of Transportation and Missouri Natural Resources** both assume the proposal would not have a direct fiscal impact on their organization.

**Oversight** notes that the Perfected version of the HCS for HB 252 adds additional sections addressing proposals of various taxes for City of Harrisonville, City of Smithville, and City of Marceline. Lastly, the amended version provides clarification language for population (from the HCS version) of City of Lamar.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023 (3 or 6 Mo.)	FY 2024
<b>GENERAL REVENUE FUND</b>			
<u>Revenue Gain – Section 94.838 – 1% of Lamar Heights Springfield Guest Food Tax Retained For Cost of Collection</u>	<u>\$0</u>	<u>\$0 or \$2,857</u>	<u>\$0 or \$3,886</u>
<u>Revenue Gain – Section 94.842 – 1% of Springfield Guest Tax Retained For Cost of Collection</u>	<u>\$0</u>	<u>\$0 to Could Exceed \$16,165</u>	<u>\$0 to Could Exceed \$30,501</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 to Could Exceed \$19,022</u></b>	<b><u>\$0 to Could Exceed \$34,387</u></b>

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<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023 (3 or 6 Mo.)	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<b>CITY OF BUTTLER</b>			
Revenue Gain – Section 67.1011 (charges for all sleeping rooms paid by transient guests p. 3)	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT ON CITY OF BUTLER</b>	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>CITY OF CAMERON</b>			
Revenue Gain – Section 67.1360 (charges for all sleeping rooms paid by transient guests p. 3,4)	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT ON CITY OF CAMERON</b>	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>CITY OF SMITHVILLE</b>			
Revenue Gain – Section 67.834. 1 (charges for all sleeping rooms paid by transient guests p. 6)	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT ON CITY OF SMITHVILLE</b>	<u>\$0</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT – Local Government (continued)</u>	FY 2022	FY 2023 (6 or 9 Mo.)	FY 2024
<b>VILLAGE OF LAMAR HEIGHTS</b>			
<u>Revenue Gain – Section 94.838 – Lamar Heights Tax Up to 6% (p.4,5)</u>	\$0	\$0 up to \$285,718	\$0 up to \$388,577
<u>Cost – DOR 1% Fee</u>	\$0	\$0 up to \$2,857	\$0 up to \$3,886
<b>ESTIMATED NET EFFECT ON VILLAGE OF LAMAR HEIGHTS</b>	<b>\$0</b>	<b>\$0 up to \$282,861</b>	<b>\$0 up to \$384,691</b>
<b>CITY OF MARCELINE</b>			
<u>Revenue Gain – Section 67.1013.1 (39) (charges for all sleeping rooms paid by transient guests p. 5)</u>	\$0	\$0 to Unknown	\$0 to Unknown
<b>ESTIMATED NET EFFECT ON CITY OF MARCELINE</b>	<b>\$0</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>
<b>CITY OF HARRISONVILLE</b>			
<u>Revenue Gain – Section 67.1013.1 (charges for all sleeping rooms paid by transient guests p. 4)</u>	\$0	\$0 to Unknown	\$0 to Unknown
<b>ESTIMATED NET EFFECT ON CITY OF HARRISONVILLE</b>	<b>\$0</b>	<b>\$0 to Unknown</b>	<b>\$0 to Unknown</b>

<u>FISCAL IMPACT – Local Government (continued)</u>	FY 2022	FY 2023 (6 or 9 Mo.)	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
<u>Cost – DOR 1% Collection Fee (p.13)</u>	\$0	\$0 up to \$13,308	\$0 up to \$26,615
<b>ESTIMATED NET EFFECT ON CITY OF SPRINGFIELD</b>	<b><u>\$0</u></b>	<b><u>\$0 up to \$1,383,980</u></b>	<b><u>\$0 up to \$2,767,960</u></b>
<b>NET ESTIMATED EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0 to Could Exceed \$1,666,841</u></b>	<b><u>\$0 to Could Exceed \$3,152,651</u></b>

#### FISCAL IMPACT – Small Business

Certain small business in these cities may have to collect and remit this tax.

#### FISCAL DESCRIPTION

This bill authorizes any home rule city with more than 155,000 but fewer than 200,000 inhabitants to submit to the voters a transient guest tax not to exceed 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.

In addition and subject to voter approval, allows City of Cameron to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels, motels, bed and breakfast inns, and



campgrounds and any docking facility that rents slips to recreational boats that are used by transients for sleeping, which shall be at least two percent (2%) but not more than five percent (5%) per occupied room per night;

Allows the City of Butler (Butler), subject to voter approval, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels, which shall not exceed six percent (6%) per occupied room per night;

Allows the Village of Lamar Heights increase 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%);

Allows the City of 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%).

Allows the City of Harrisonville, 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 six percent (6%).

Allows the City of Marceline, 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 six percent (6%).

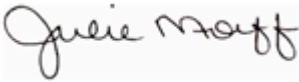
Allows the City of Smithville, if approved by the City=s voters, at a state general or primary election to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels located in the City equal at a rate not to exceed five percent (5%).

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.

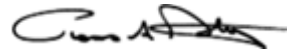
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Missouri Department of Transportation  
Department of Natural Resources  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
City of Springfield



Julie Morff  
Director  
April 1, 2021



Ross Strobe  
Assistant Director  
April 1, 2021