

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0369H.01I
Bill No.: HB 268
Subject: Taxation and Revenue - Sales and Use; Children and Minors; Cities, Towns, and Villages; Political Subdivisions
Type: Original
Date: January 27, 2021

Bill Summary: The proposal authorizes Greene County or any city within the county to, upon voter approval, levy a sales tax of ¼% dedicated to early childhood education programs.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	\$0	\$0 or Less than \$101,947	\$0 or Less than \$135,929
Total Estimated Net Effect on General Revenue	\$0	\$0 or Less than \$101,947	\$0 or Less than \$135,929

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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0 or Less than \$10,092,751	\$0 or Less than \$13,457,002

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Budget & Planning (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 of the tax.

Officials from the B&P defer to the Department of Revenue for the potential fiscal impact of this proposal.

Officials from the **Department of Revenue (DOR)** assume

Section 67.1790 Greene County Sales Tax

This proposed 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 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.

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 proposal allows the cities to enter into a contract to have the Department collect these taxes on their behalf. The Department estimates that General Revenue could increase by \$76,736 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.

The Department 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 2022; and therefore the tax would start October 1, 2022 (FY 2023).

City	Total Taxable Sales (Distribution * Tax Rate)	New Tax Rate (current tax with 0.25 added to it)	Difference Between Current and Proposed Collection	1% Fee Retained by DOR	Amount Deposited into Early Childhood Fund
Greene County	\$1,608,562,901	6.225000%	\$4,021,407	\$40,214	\$3,981,193
Ash Grove	\$3,371,483	8.225000%	\$8,429	\$84	\$8,344
Battlefield	\$5,415,601	7.725000%	\$13,539	\$135	\$13,404
Fair Grove	\$4,799,681	8.475000%	\$11,999	\$120	\$11,879
Republic	\$75,430,315	8.600000%	\$188,576	\$1,886	\$186,690
Rogersville	\$11,572,982	8.475000%	\$28,932	\$289	\$28,643
Springfield	\$1,337,734,433	7.600000%	\$3,344,336	\$33,443	\$3,310,893
Strafford	\$9,296,078	7.725000%	\$23,240	\$232	\$23,008
Walnut Grove	\$665,641	8.225000%	\$1,664	\$17	\$1,647
Willard	\$12,600,310	8.225000%	\$31,501	\$315	\$31,186
TOTAL				\$76,736	\$7,596,887

The Department used the appropriate distribution amounts for each county and city within the county which is published and provided in the Departments Fiscal Year 2019 Fiscal and Statistical Report (<https://dor.mo.gov/cafr/documents/financialstatreport19.pdf>). The Department took the distribution amount, divided that amount by ninety nine percent to add back in the one percent deposited into General Revenue for the cost of collection, to receive an estimated Total Sales/Use Tax collected by the localities. This amount was divided by the applicable sales/use tax rates of the county and each city within the county to provide an

estimated Total Taxable Sales. The Total Taxable Sales were then multiplied by the proposed tax rates which included an additional one quarter of one percent tax. The new amount was multiplied by one percent to report the total estimated one percent collection fee from the increased revenues. The collection fee was removed from the estimated tax collected. The remaining estimated tax collected was then subtracted from the distribution amount(s) reported in the Fiscal and Statistical Report to report the estimated increase.

DOR notes that this proposal would become effective on August 28, 2021 (FY 2022) and the first election this issue could be presented to the voters would be the April 6, 2022 general election. The Department notes there is not a November election in 2021. Therefore this will not have a fiscal impact in FY 2022. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

Fiscal Year	GR (1% DOR fee)	Early Childhood Fund less DOR 1%
2022	\$0	\$0
2023	\$0 or \$57,552	\$0 or \$5,697,665
2024	\$0 or \$76,736	\$0 or \$7,596,887

Administrative Impact

It is assumed any potential impact would be absorbed by the Department.

Oversight Assumption

Entity	Total Taxable Sales (Distribution * Tax Rate)	Total Taxable Sales (Distribution / Tax Rate 1.75%)	New Tax Rate 0.25 % multiplied by Distribution	DOR Collection Fee
Green County	\$95,150,517	\$5,437,172,400.	\$13,592,931	\$135,929

FY	DOR Collection Fee	Max. Collection for Green County
2022	\$0	\$0
2023 (9 months)	\$101,947	\$10,092,002
2024	\$135,929	\$13,457,002

Oversight used the total tax distribution for Greene County based on FY 2019 distribution, divided the amount by the appropriate county tax (1.75%) and multiplied by the proposed ¼ % for a total of \$13,457,002 (13,592,931- \$135,929 [DOR 1% collection fee]) in potential new sales tax collections. Oversight will reflect a maximum impact of sales tax revenue as if Greene County adopted the sales tax rate county-wide. The tax amount would be less if, instead of Greene County, municipalities within Greene County (i.e. Springfield, Willard, etc.) adopted the tax instead. Therefore, Oversight will range the impact from \$0 (not approved by voters) Up to \$13,157,002 (approved and implemented county-wide) on the fiscal note.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the proposal is contingent upon the actions of voters (and subsequently the governing bodies of Greene County and the cities within) DESE assumes this proposal will have an impact on the revenues received into the "Early Childhood Education Sales Tax Trust Fund"; however, our department has no means to calculate the potential impact.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities with the Green County and schools were 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>Additional Revenue - DOR - ' 67.1790 - 1% DOR Collection fee</u>	<u>\$0</u>	<u>\$0 or up to \$101,947</u>	<u>\$0 or up to \$135,929</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 or up to \$101,947</u>	<u>\$0 or up to \$135,929</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Revenue Gain – Section 67.1790 – Greene County Childhood Education Sales Tax (.25% p. 4)	\$0	\$0 or Up to \$10,194,698	\$0 or Up to \$13,592,931
DOR 1% Collection Fee	\$0	\$0 or Up to (\$101,947)	\$0 or Up to (\$135,929)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or Up to \$10,092,751</u>	<u>\$0 or Up to \$13,457,002</u>

FISCAL IMPACT – Small Business

Small businesses in Greene County that pay and/or collect sales taxes or transient guest taxes would be impacted by this proposal.

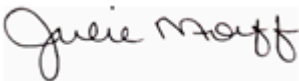
FISCAL DESCRIPTION

This bill authorizes the governing body of any county of the first classification with more than 260,000 but fewer than 300,000 inhabitants or any city within the county to impose, upon voter approval, a sales tax not to exceed .25% on all retail sales within the county or city for the purpose of funding early childhood education. Upon enactment, this section would only apply to Greene County.

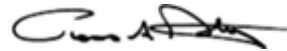
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration –Budget & Planning
Department of Elementary and Secondary Education



Julie Morff
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January 27, 2021



Ross Strobe
Assistant Director
January 27, 2021