

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0903S.06A
Bill No.: SS for HCS for HB 66, with SA1 As Amended
Subject: Taxation and Revenue - Income; Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Cities, Towns and Villages; Counties
Type: Original
Date: May 12, 2021

Bill Summary: This proposal would modify provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2030)
General Revenue Fund*	(\$51,018,100) to (\$57,018,100)	Less than \$79,437,861 to \$106,387,090	Less than \$78,116,588 to \$120,771,257	Could exceed (\$204,476,209) to (\$254,469,252)
Total Estimated Net Effect on General Revenue	(\$51,018,100) to (\$57,018,100)	Less than \$79,437,861 to \$106,387,090	Less than \$78,116,588 to \$120,771,257	Could exceed (\$204,476,209) to (\$254,469,252)

*Oversight notes the numbers above also reflect a potential timing difference as a result of changes to Section 144.080, of \$42.4 million to \$48.4 million from (negative) Fiscal Year 2022 shifted to (positive) Fiscal Year 2023.

Oversight notes the Fully Implemented year (FY 2030) represents the implementation of all three (3) additional 0.1% rate reductions added to Section 143.011 (eventual income tax rate of 4.8% after all reductions)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2030)
School District Trust Fund (0688)*	(\$14,100,000) to (\$16,100,000)	Less than \$27,322,687 to \$36,301,327	Less than \$26,922,981 to \$41,132,333	Less than \$31,557,760 to \$48,213,243
Conservation Commission Fund (0609)*	(\$1,800,000) to (\$2,000,000)	Less than \$3,452,836 to \$4,525,166	Less than \$3,365,373 to \$5,141,542	Less than \$3,944,720 to \$6,026,655
Parks and Soils State Sales Tax Fund(s) (0613 & 0614)*	(\$1,400,000) to (\$1,600,000)	Less than \$2,722,269 to \$3,620,133	Less than \$2,692,298 to \$4,113,233	Less than \$3,155,776 to \$4,821,325
Blind Pension	\$0	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(\$17,300,000) to (\$19,700,000)	Less than \$33,497,792 to \$44,446,626	Less than \$32,980,652 to \$50,387,108	Less than \$38,658,256 to \$59,061,223

*Oversight notes the numbers above include a potential timing difference/cash flow difference as a result of changes to Section 144.080 from (negative) Fiscal Year 2022 shifted to (positive) Fiscal Year 2023.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2030)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2030)
General Revenue – DOR	37 FTE	37 FTE	37 FTE	37 FTE
Total Estimated Net Effect on FTE	37 FTE	37 FTE	37 FTE	37 FTE

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$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	Fully Implemented (FY 2030)
Local Government*	(\$55,500,000) to (\$63,500,000)	Less than \$59,207,043 to \$79,438,915	Less than \$5,514,610 to \$30,279,703	Less than \$1,445,069 to \$30,562,700

*Oversight notes some of the numbers above include a potential timing difference/cash flow difference as a result of changes to Section 144.080 from (negative) Fiscal Year 2022 shifted to (positive) Fiscal Year 2023.

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 32.310 – DOR Sales and Use Tax Map

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this section adds use tax information to the Missouri Department of Revenue’s mapping system. This section further requires local jurisdictions to provide use tax information by January 1, 2022. In the event local jurisdictions do not supply sales or use tax data to the Missouri Department of Revenue then the Missouri Department of Revenue will use the last known information. This section requires the Missouri Department of Revenue to implement the use tax map by August 28, 2022.

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

Officials from the **Missouri Department of Revenue (DOR)** state this section adds “use tax” to DOR’s mapping feature which currently states the sales tax rate of a given political subdivision. This section further requires all political subdivisions to submit their use tax information to DOR by January 1, 2022 and for DOR to have the updated website working by July 1, 2022. DOR assumes this will not have a fiscal impact as use tax is already included in the map where it has been provided by the political subdivision.

Oversight notes this section requires that use tax information be added to the Missouri Department of Revenue’s mapping system. Political subdivisions are required to provide their respective use tax information to the Missouri Department of Revenue by January 1, 2022. Should a political subdivision fail to provide their respective sales and/or use tax information to the Missouri Department of Revenue, the Missouri Department of Revenue shall use the last known sales or use tax rate for such political subdivisions.

The Missouri Department of Revenue must update their mapping system to include the use tax information by July 1, 2022.

Should the boundaries of a political subdivision required to submit data under this section be changed, the political subdivision must forward a copy of the ordinance adding or detaching

territory from the political subdivision by registered or certified mail within ten days of the adoption of such ordinance.

Oversight notes Section 144.060.2 of this proposed legislation states a purchaser shall be relieved from additional tax, interest, additions, or penalties for failure to collect and remit the proper amount of tax owed on purchases subject to sales tax if the purchaser's seller or certified service provider relied on erroneous tax rate, boundary, and/or taxing jurisdiction assignment data provide by the Director of the Department of Revenue.

Oversight is unable to determine whether using the last known sales tax or use tax rate for political subdivisions, as instructed under this section, should a political subdivision fail to submit such information to the Missouri Department of Revenue, would be considered erroneous should the last known sales tax or use tax rate be incorrect.

Section 67.2677 – Video Service Providers - Definitions

Oversight notes this section modifies the definition of “Gross Revenues” so that amounts received by video service providers from advertisers for: rental of set top boxes and other video service equipment, service charges, administrative charges, and a pro rata portion of all revenue derived for advertising are no longer included within a video service provider's gross revenues.

Officials from **DOR** state these provisions change how cable franchise fees are defined and handled. DOR does not collect these fees, they are done by local political subdivisions. These provisions will not have a fiscal impact on DOR and DOR defers to local political subdivisions for the impact.

These provision(s) shall become effective August 28, 2023.

Section 67.2689 – Video Service Provider Fee

Oversight notes this section modifies the calculation of the video service provider fee.

Current law states a franchise entity, which is a political subdivision that was entitled to franchises and imposed fees on cable operators on the date before the effective date of Section(s) 67.2675 to 67.2714, may collect a video service provider fee equal to not more than five percent (5%) of the gross revenues from each video service provider that provides video service within the geographic area of such franchise entity.

This section modifies the fee to state that a franchise entity may collect a service provider fee equal to not more than five percent (5%) of the gross revenues charged to each customer of a video service provider that provides video service in a geographic area of such franchise entity.

This section further states that:

- Beginning August 28, 2023 (Fiscal Year 2024), franchise entities are prohibited from collecting a video service provider fee in excess of four and one-half percent (4.5%) of such gross revenues.
- Beginning August 28, 2024 (Fiscal Year 2025), franchise entities are prohibited from collecting a video service provider fee in excess of four percent (4%) of such gross revenues.
- Beginning August 28, 2025 (Fiscal Year 2026), franchise entities are prohibited from collecting a video service provider fee in excess of three and one-half percent (3.5%) of such gross revenues.
- Beginning August 28, 2026 (Fiscal Year 2027), franchise entities are prohibited from collecting a video service provider fee in excess of three percent (3%) of such gross revenues.
- Beginning August 28, 2027 (Fiscal Year 2028) and each year thereafter, franchise entities are prohibited from collecting a video service provider fee in excess of two and one-half percent (2.5%) of such gross revenues.

This section would require video service providers to identify and collect the fee and other specified fees as separate line items on a subscriber's bill.

Oversight notes, per information received from the Missouri Municipal League during the interim, of responding municipalities, municipalities collected \$20,451,246 in cable/franchise/video service provider fee(s) in 2016.

Oversight notes, per information received from responding municipalities during the interim, municipalities collected \$22,311,372 in video service provider fee(s) in 2018 and \$22,033,761 in video service provider fee(s) in 2019.

Using the amount reported for 2019, Oversight estimates the total gross receipts reported by video service providers totaled \$440,675,220 (\$22,033,761 / 5%).

Using the estimated total gross receipts reported in 2019, Oversight estimates local revenues could decrease each fiscal year by an amount in excess of (accounting for the municipalities who did not respond and the modification(s) to the definition of "Gross Receipts"):

Fiscal Year	Video Service Provider Fee (%)	Loss to Local Municipalities
2024	4.5%	(\$2,203,376)
2025	4%	(\$4,406,752)
2026	3.5%	(\$6,610,128)
2027	3%	(\$8,813,504)
2028	2.5%	(\$11,016,881)
2029	2.5%	(\$11,016,881)

For purposes of this fiscal note, Oversight will report the loss to local political subdivisions equal to an amount that “Could exceed” the amount(s) reported above. The “Could exceed” is the result of municipalities that did not respond to Oversight’s inquiry during the interim as well as the changes made to the definition of “Gross Receipts” which reduces the applicable items that are to be included in a video service provider’s gross receipts.

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **B&P** stated this section changes the definition of “gross revenue.” The gross revenues are limited to amounts billed to video service subscribers for recurring charges to video services and to event-based charges for video service. Gross revenues will no longer include in the total: rental of set top boxes, modems or other equipment used to provide video services; service charges related to the provision of video services; administrative charges related to the provision of services; and a pro rata portion of all revenues derived from advertising.

B&P states this section changes the amount a franchise entity may collect. Before August 28, 2023, the gross revenues cannot exceed five percent (5%) of the gross revenues of a video service provider providing services in the geographic area. This amount decreases half of a percent (0.5%) per year. Beginning August 28, 2023, the gross revenues cannot exceed four and half percent (4.5%) of gross revenues. Beginning August 28, 2024, the gross revenues cannot exceed four percent (4%) of gross revenues. Beginning August 28, 2025, the gross revenues cannot exceed three and half percent (3.5%) of gross revenues. Beginning August 28, 2026, the gross revenues cannot exceed three percent (3%) of gross revenues. Finally, beginning August 28, 2027, the gross revenues cannot exceed two and half percent (2.5%) of gross revenues.

B&P assumes this proposed legislation has no impact on state revenues. To the extent this impacts local revenues, this proposed legislation could impact the calculation pursuant to Article X, Section 18(e). B&P does not have data to calculate the impact at the local level.

Section 67.2720 – Task Force on the Future of Right-Of-Way Management and Taxation

Oversight notes this section establishes the Task Force on the Future of Right-Of-Way Management and Taxation.

The task force shall study best methods for right-of-way management, taxation of video service providers, and the future revenue needs of municipalities and political subdivisions as such revenue relates to video services.

The task force must compile and submit a report of its activities to the General Assembly no later than December 31, 2023 which shall include any recommendations which the task force may have for legislative action(s).

This section shall expire on December 31, 2023.

In response to similar legislation (Perfected HB 554 – 2021), officials from the **Missouri Department of Transportation (MoDOT)** stated, in its current form, this section could result in an unknown negative fiscal impact to the State Road Fund. Additionally, Art. IV § 30(b) of the Missouri Constitution grants the Missouri Highways and Transportation Commission discretion to plan, locate, relocate, establish, acquire, construct and maintain highways, bridges, and tunnels.

MoDOT assumes the task force considered in this legislation could delay important decision-making in the roadbuilding process, leading to declined infrastructure and public safety.

MoDOT assumes the changes put forth could result in an increase in litigation over ownership and control of the Missouri Highways and Transportation Commission's right of way. The Missouri Highways and Transportation Commission is afforded ownership and control over its right of way; the future recommendations of the task force created could hinder the abilities of this structure.

Officials from **DOR** state this provision creates a task force and which would not fiscally impact DOR.

For purposes of this fiscal note, Oversight will not report a fiscal impact as it relates to this section.

Section 94.842 Transient Guest Tax

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.

In response to a similar proposal, HB 252 (2021), officials from the **City of Springfield (City)** stated 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	\$2.70

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 - <u>5%</u>	\$2.70
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	\$2.84

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:

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 - 5.26%	\$2.84
Total Charge Paid By Customer	\$56.89

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

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

	Hotel/Motel License Tax Paid By Hotel/Motel To City	
	Gross Receipts (Room Rate + Sales Tax + Tax Passed On)	\$56.75
x	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%	\$2.77

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:

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
Room Rate + Sales Tax + Transient Guest Tax	\$55.40
Hotel/Motel License Tax Passed On To Customer - 5.26%	\$2.92
Total Charge Paid By Customer	\$58.32

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

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:

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 - 5.4%	\$2.92
Room Rate + Sales Tax + Hotel/Motel License Tax	\$56.97
Transient Guest Tax	\$1.42
Total Charge Paid By Customer	\$58.39

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

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	\$2,794,575.33
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	
Average			\$2,661,500.32	\$133,075.02	

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.

In response to similar proposal, HB 252 (2021), 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.

In response to similar proposal, HB 252 (2021), officials from the **Missouri Department of Revenue (DOR)** stated 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.

In response to similar proposal, HB 252 (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 this proposed legislation.

Section 137.115 Aircraft Assessed Value

In response to a similar proposal, Perfected HCS for HB 66 (2021), officials from **Office of Administration - Budget and Planning** assumed this proposal would decrease TSR by \$0 to \$500. This proposal will impact the calculation under Article X, Section 18(e).

This proposal makes multiple technical corrections to Section 137.115. This proposal also changes the allowed hours of flying for historical aircraft. This could increase the number of aircraft that are eligible for a reduced property tax rate. Based on information provided by the State Tax Commission, this could decrease revenues to the Blind Pension Trust Fund by \$0 to \$500. This could also decrease local revenues by \$0 to \$90,000.

Officials from the **State Tax Commission** estimate the fiscal impact to local jurisdictions (school districts, cities, counties etc.) to be a loss of zero to \$90,000. The change regarding non-commercial aircraft, twenty five years old, from fifty (current law) to two hundred hours per year could have a fiscal impact on local taxing jurisdictions. The agency does not have exact data of how many of the 905 aircraft in Missouri are within this criteria and threshold, or the local taxing jurisdictions with tax situs for said aircraft.

In response to a similar proposal, Perfected HCS for HB 66 (2021), officials from the **Department of Revenue, Department of Social Services** and the **Department of Commerce and Insurance** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal, Perfected HCS for HB 66 (2021), officials from the **City of Springfield** anticipated a negative fiscal impact of an unknown amount from this bill. The number of such aircraft in Springfield for which the taxed amount would be decreased is unknown, so the City cannot determine an amount of impact.

In response to a similar proposal, Perfected HCS for HB 66 (2021), officials from the **City of Claycomo, City of Corder** and the **Lincoln County Assessor** each assumed the proposal would have no fiscal impact on their respective organizations.

Oversight assumes this proposal expands the definition of aircraft used for noncommercial purposes and thus qualifying for a personal property subclass which is assessed and valued at a lower rate and will result in lower personal property taxes for qualifying aircraft.

Oversight will utilize the estimate (\$90,000) provided by the State Tax Commission. Oversight has estimated the Blind Pension Fund impact to approximately \$400 based on the calculation below.

Calculation:

$(y/100) * 6.887$ (average effective tax rate for personal property) = \$90,000.

Estimated assessed value of qualifying aircraft: $y = \$1,306,810$.

Estimated impact to the Blind Pension Fund: $(\$1,306,810/100) * .03$ (Blind Pension tax rate) = \$392 in lost revenue).

Oversight notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Alternatively, some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in a loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Although the effective date of this proposal, if passed, would be FY 2022 (August 2021), the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

Section 137.115 SA1 as amended, Personal Property Tax - St. Charles County

Officials from the **State Tax Commission** have reviewed this amendment and determined an unknown fiscal impact on local taxing jurisdictions such as school districts, cities and counties who rely on real and personal property taxes as a source of revenue.

In current law the market value of personal property is assessed at 33-1/3%. The act proposes a determination of real property in the taxing subdivision, then calculates "real property assessment growth" as limited by the CPI (2.1% 2020), then calculates the amount of revenue generated by Personal Property and subtracts an amount equal to 50% of the real property assessment growth.

The proposed limitation on assessment growth may negatively impact local taxing jurisdictions supported by property tax revenues.

Additionally, restrictions on assessment growth may create disparities and inequities over time among residential and commercial properties as market values can fluctuate. A newer home's true market value used for assessment may increase far more than an older home or vice versa depending on the sale, condition and location of the property in current market conditions. An

assessment limit may impact assessment growth and over time potentially create a large disparity among assessed properties in the same subclass.

The proposed reduction in personal property which amounted to \$1.453 billion in 2020 may potentially shift a greater share of the tax burden to real property owners which includes three sub classes agricultural, commercial and residential.

In addition, local property taxes are designed to be revenue neutral by adjusting the levy, however taxing jurisdictions that are currently at their tax rate ceiling would not be able to offset the reduction in revenue. For example, of the 516 school districts, 383 or 74.3% are currently at their ceiling.

With the addition of SA2 to SA1, the unknown impact would be limited to taxing jurisdictions such as school districts and cities within St. Charles County.

Officials from **Department of Revenue** state, starting January 1, 2022, in St. Charles County the rate of assessment on all personal property shall be at a percent of its true value. Additionally, St. Charles County shall be required to reduce the amount of true value of the property tax assessed equal to 100% of the growth in revenue by the real property assessment growth. Each reduction has to be equal to one-thousandth of one percent. This could potentially change the amount of revenue that St. Charles County receives. The Department will not be impacted by this proposal and defers to St. Charles County for fiscal impact.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property $((\text{Total Assessed Value}/100) \times .03)$. Based on information in the 2019 [Annual Report](#) from the State Tax Commission, the total assessed value of tangible personal property (TPP) in St. Charles County is \$1,490,284,737. Oversight notes if this amendment reduced the assessed value of personal property to zero, the Blind Pension Fund will experience a decrease in revenue of \$447,085.

Oversight notes the assessed value of personal property is decreased overtime relative to the growth in revenue until December of 2072. Oversight is uncertain when this proposal would be fully implemented. Therefore, Oversight will show an unknown loss to the Blind Pension Fund. **Oversight** notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Oversight assume this proposal could result in a loss of revenue or an increase in the tax rate ceiling/tax levy for taxing entities within St. Charles County relative to what would have be achieve under current law. Therefore, Oversight will show a range of impact of \$0 to an unknown loss in revenue for taxing entities in St. Charles County.

Based on a very brief review of maximum authorized tax rates in St. Charles County, most taxing entities appear to be below their maximum authorized tax rates.

Section 143.011 – Individual Income Tax Rate Reduction(s)

Officials from **DOR** state, currently, SB 509 (2014) allows for five (5) reductions of the Individual Income Tax rate. DOR notes that under current law, two (2) of the reductions have occurred (Tax Year 2018 & Tax Year 2019) and the third is forecasted to happen for Tax Year 2022 which will set the rate at 5.3%.

This section expands the five (5) reductions to eight (8) reductions under SB 509. These reductions will also only occur if the SB 509 trigger (\$150 million) is met. Therefore, this reduction in the rate of tax shall only occur if the amount of net general revenue collected in the previous fiscal year exceeds the highest amount of net general revenue collected in any of the three fiscal years prior to such fiscal year by at least one hundred fifty million dollars (\$150 million).

DOR used its internal Income Tax Model that contains confidential taxpayer data to create the fiscal impact. DOR notes that the individual income tax filing deadline that was scheduled for April 15, 2020 was moved to July 15, 2020. This move in the filing deadline is estimated to prevent the rate reduction triggers for the next three (3) fiscal years of the original SB 509 and would additionally not allow this section's three (3) reduction requirements to be implemented until at least Tax Year 2027. DOR believes that the tax rates, as proposed, would be as follows:

Tax Year	Current Income Tax Rate under SB 509	Proposed Income Tax Rate
2018	5.9%	5.9%
2019	5.4%	5.4%
2020	5.4%	5.4%
2021	5.4%	5.4%
2022	5.3%	5.3%
2023	5.3%	5.3%
2024	5.3%	5.3%
2025	5.2%	5.2%
2026	5.1%	5.1%
2027	5.1%	5.0%
2028	5.1%	4.9%
2029	5.1%	4.8%

The combined impact from the Individual Income Tax rate and the Working Family Tax Credit result in the following tax year impact.

Tax Year	Amount
2025	(\$23,960,726.28)
2026	(\$37,593,957.83)
2027	(\$138,670,317.94)
2028	(\$244,087,588.66)
2029	(\$346,399,240.05)

DOR uses a 42% in the first year and 58% in the second year split when converting from tax (calendar) year to fiscal year. The loss to GR per Fiscal Year is estimated to be:

Fiscal Year	Loss to GR
2025	(\$10,063,505.04)
2026	(\$29,686,683.53)
2027	(\$80,046,029.08)
2028	(\$182,945,571.64)
2029	(\$287,058,482.25)
2030	(\$346,399,240.05)

Oversight notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate and is unable to verify the revenue estimates provided by DOR.

Section 143.177 – Missouri Working Family Tax Credit

Officials from **DOR** state this section creates the MO Working Family Tax Credit program that would provide an eligible taxpayer a tax credit equal to a percentage of the amount the taxpayer would receive under the Federal Earned Income Tax Credit as of January 1, 2021. The percentage starts at 10% of the federal credit and can increase to 20% of the credit if the SB 509 \$150 million income trigger is met.

DOR notes that the Individual Income Tax filing deadline that was scheduled for April 15, 2020 was moved to July 15, 2020. This move in the filing deadline is estimated to prevent the rate reduction triggers for the next three (3) fiscal years of the original SB 509 and would additionally not allow this proposal's percentage reductions to start being implemented until at least Tax Year 2025.

The credit is **NOT** refundable and cannot be carried forward. DOR used its internal Income Tax Model that contains confidential taxpayer data to calculate the fiscal impact with the individual income tax changes. **The impact is included in the results listed under Section 143.011.**

Oversight notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate and is unable to verify the revenue estimates provided by DOR.

Section 144.049 – Back-to-School Sales Tax Holiday

Oversight notes this section eliminates the imposition of local sales tax on qualifying items during the Back-to-School Sales Tax Holiday. Currently, qualifying Back-to-School Sales Tax Holiday items are only exempt from state sales tax and local sales tax within local political subdivisions that have **not** opted out of the sales tax holiday. This section repeals the provision in current law that permits local political subdivisions to opt out of the Back-to-School Sales Tax Holiday.

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **B&P** state this section would no longer allow local municipalities to opt out of the school tax holiday. This will reduce revenues in all localities that currently opt out of the sales tax holiday.

Local sales tax collections for qualifying items during the tax holiday were \$677,464 in Fiscal Year 2018, \$432,274 in Fiscal Year 2019, and \$287,295 in Fiscal Year 2020.

B&P notes that the sales tax holiday occurs in August, after the start of Fiscal Year 2024. Using a three-year (3) average of local collections, B&P estimates that this section could reduce funds to localities that had previously opted-out of the sales tax holiday by \$465,677 ($\$677,464 + \$432,274 + \$287,295 / 3$) beginning in Fiscal Year 2024.

Officials from **DOR** state this section would eliminate the ability of a local political subdivision to opt out of participating in the Back to School sales tax holiday, which occurs in August annually. DOR collected \$677,463.79 in Tax Year 2018, \$432,273.52 in Tax Year 2019, and \$287,294.97 in Tax Year 2020 from jurisdictions that currently opt out of this holiday. This will be a decrease in revenue to the local jurisdictions that currently opt out.

This section has an effective date of January 1, 2023. Thus, this section would begin in Fiscal Year 2024 as the first holiday that would in August 2023 (Fiscal Year 2024). Due to economic disruptions that occurred in Tax Year 2020, DOR will use a three year average to estimate the future fiscal impact (\$465,677).

In response to a similar proposal, officials from the **City of Kansas City (Kansas City)** anticipated this section would result in a negative fiscal impact of an indeterminate amount.

In response to a previous version of this proposed legislation, officials from **Springfield** state this section could result in a negative fiscal impact of approximately \$75,000 annually.

Oversight will report a reduction to local political subdivisions equal to the amount(s) reported by B&P and DOR.

Section 144.054 – Manufacturing Sales Tax Exemption

Oversight notes this section would expand the manufacturing sales tax exemption to include local sales tax. Currently, the manufacturing sales tax exemption is only applicable to state sales tax.

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **B&P** stated this section would expand the manufacturing sales tax exemption to include local sales tax. In Fiscal Year 2020, the most recent year data is available; there were \$853,312,101 in taxable sales, with estimated local sales tax collections of \$36,052,436.

Therefore, B&P estimates that this section will reduce local sales tax collections by \$16,767,583 (\$33,535,166 / 2) during Fiscal Year 2023. Once fully implemented in Fiscal Year 2024, and annually thereafter, this section will reduce local sales tax collections by \$33,535,166.

Officials from **DOR** state, currently, there is a state sales and use tax manufacturing exemption. Local political subdivisions are currently allowed to collect their portion of the sales and use tax. This section would end the local's ability to continue to collect the tax.

DOR tracked an estimated \$854,639,269.76 in taxable sales that came from manufacturing in Fiscal Year 2020. Taking the total taxable sales by the population weighted average local sales tax rate for Missouri (3.93%) would cause an estimated revenue reduction to the local political subdivisions of \$33,587,323.

This section has an effective date of January 1, 2023. This provision would result in six (6) months of reduced revenue to local political subdivisions in Fiscal Year 2023 of \$16,793,662.

In response to the previous version of this proposed legislation, officials from the **Kansas City** anticipated this section would result in a negative fiscal impact of an indeterminate amount.

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **Springfield** stated this section could result in a negative fiscal impact of approximately \$2.2 million annually.

Oversight will report the reduction to local political subdivisions as reported by DOR.

Section 144.060 – Purchaser Responsibility to Pay Sales Tax

Oversight notes this section relieves a purchaser from additional tax, interest, additions, or penalties should such purchaser fail to collect and remit the proper amount of tax owed provided a purchaser's seller or Certified Service Provider relied on erroneous data provided by the Missouri Department of Revenue on tax rates, boundaries, and/or taxing jurisdiction assignments or in the taxability matrix created under Section 144.638 or in a database created under Section 144.637.

Oversight notes Section 32.10 requires that use tax information be added to the Missouri Department of Revenue's mapping system. Political subdivisions are required to provide their respective use tax information to the Missouri Department of Revenue by January 1, 2022. Should a political subdivision fail to provide their respective sales and/or use tax information to the Missouri Department of Revenue, the Missouri Department of Revenue shall use the last known sales or use tax rate for such political subdivisions.

Oversight is unable to determine whether using the last known sales tax or use tax rate for political subdivisions, as instructed under Section 32.310, should a political subdivision fail to

submit such information to the Missouri Department of Revenue, would be considered erroneous should the last known sales tax or use tax rate be incorrect.

Section 144.080 – Seller Responsibility to Pay Sales Tax

Oversight notes this section states, beginning January 1, 2022, where the total amount of tax imposed on a seller is greater than \$250 for either the first or second month of a calendar quarter, such seller shall file and pay sales tax for such months to the Director of Revenue on or before the last day of the succeeding month.

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **B&P** state this section would change the monthly sales tax due date from the 20th of every month to the last working day beginning January 1, 2022.

B&P notes in months where there is a quarterly sales tax due date, the monthly due date is already the last working day. B&P further notes that this section will impact all state and local entities that receive a monthly sales tax distribution.

Currently, the monthly due date is the 20th of any given month except July, October, January, and April. In those months the monthly sales tax due date is the last working day of the month. In addition, all local distributions for sales tax are completed on the last working day of the month. This means that many local taxing entities do not receive collections from the monthly sales tax due date during July, October, January, and April. Rather, many localities end up receiving two (2) distributions worth of monthly sales tax collections the following month (August, November, February, and May).

By moving all monthly sales tax due dates to the last working day of the month, localities will receive monthly sales tax collections every month (rather than \$0 in some months and two (2) payments in other months).

Therefore, some revenues that would have been deposited into GR from June 20th through June 30th will instead be deposited into the following fiscal year. However, this cash flow impact will only be evident during the first year of implementation.

Using data provided by the Missouri Department of Revenue, B&P estimates that, on average, \$6.1 million in monthly sales tax deposits into GR are made daily throughout the month. Assuming there are 7-8 working days between the current due date (the 20th) and the last day of the month, B&P estimates that approximately \$42.4 million to \$48.4 million in GR could be shifted from the first month to the second month. B&P further notes this proposal could shift \$42.4 million to \$48.4 million from GR into the next fiscal year. The following table shows B&P's estimated GR cash flow impact by month during the first year of implementation.

Month	Fiscal Year	Due Date Changed by Proposal	Cash Flow Impact
Jan. 2022	2022	No	\$0
Feb. 2022	2022	Yes	(\$42.4M to \$48.4M)
Mar. 2022	2022	Yes	\$42.4M to \$48.4M (from Feb.) (\$42.4M to \$48.4M) (into April)
			Net \$0
Apr. 2022	2022	No	\$42.4M to \$48.4M
May 2022	2022	Yes	(\$42.4M to \$48.4M)
June 2022	2022	Yes	\$42.4M to \$48.4M (from May) (\$42.4M to \$48.4M) (into July)
			Net \$0
July 2022	2023	No	\$42.4M to \$48.4M (from June)
Aug. 2022	2023	Yes	(\$42.4M to \$48.4M)
Sept. 2022	2023	Yes	\$42.4M to \$48.4M (from Aug.) (\$42.4M to \$48.4M) (into Oct.)
			Net \$0
Oct. 2022	2023	No	\$42.4M to \$48.4M
Nov. 2022	2023	Yes	(\$42.4M to \$48.4M)
Dec. 2022	2023	Yes	\$42.4M to \$48.4M (from Nov.) (\$42.4M to \$48.4M) (into Jan.)
			Net \$0
Jan. 2023	2023	No	\$42.4M to \$48.4M

B&P estimates that this section could reduce TSR by \$59.7 million to \$68.2 million and GR by \$42.4 million to \$48.4 million in Fiscal Year 2022. This proposal would then increase TSR and GR by a corresponding amount in Fiscal Year 2023.

Beginning in Fiscal Year 2024, there will no longer be an impact to TSR and GR.

In addition, this section will decrease local distributions by \$55.5 million to \$63.5 million in Fiscal Year 2022 and increase distributions by \$55.5 million to \$63.5 million in Fiscal Year 2023. The following table shows the estimated impact to state and local funds.

Month	Due Date Changed by Proposal	Education	MDC	DNR	Local Taxes
Jan. 2022	No	\$0	\$0	\$0	\$0
Feb. 2022	Yes	(\$14.1M to \$16.1M)	(\$1.8M to \$2.0M)	(\$1.4M to \$1.6M)	(\$55.5M to \$63.5M)
Mar. 2022	Yes	Net \$0	Net \$0	Net \$0	Net \$0
Apr. 2022	No	\$14.1M to \$16.1M	\$1.8M to \$2.0M	\$1.4M to \$1.6M	\$55.5M to \$63.5M
May 2022	Yes	(\$14.1M to \$16.1M)	(\$1.8M to \$2.0M)	(\$1.4M to \$1.6M)	(\$55.5M to \$63.5M)
June 2022	Yes	Net \$0	Net \$0	Net \$0	Net \$0
July 2022	No	\$14.1M to \$16.1M	\$1.8M to \$2.0M	\$1.4M to \$1.6M	\$55.5M to \$63.5M
Aug. 2022	Yes	(\$14.1M to \$16.1M)	(\$1.8M to \$2.0M)	(\$1.4M to \$1.6M)	(\$55.5M to \$63.5M)
Sept. 2022	Yes	Net \$0	Net \$0	Net \$0	Net \$0
Oct. 2022	No	\$14.1M to \$16.1M	\$1.8M to \$2.0M	\$1.4M to \$1.6M	\$55.5M to \$63.5M
Nov. 2022	Yes	(\$14.1M to \$16.1M)	(\$1.8M to \$2.0M)	(\$1.4M to \$1.6M)	(\$55.5M to \$63.5M)
Dec. 2022	Yes	Net \$0	Net \$0	Net \$0	Net \$0
Jan. 2023	No	\$14.1M to \$16.1M	\$1.8M to \$2.0M	\$1.4M to \$1.6M	\$55.5M to \$63.5M

Officials from **DOR** state this section moves the due date for sales tax returns that are filed on a monthly basis from the twentieth (20th) day of the succeeding month to the last day of the succeeding month. This will align this deadline with the quarterly and annual filing deadlines which are on the last day of the month and simplify the deadlines for taxpayers with multiple businesses.

DOR does not anticipate a fiscal impact. DOR does recognize there may be a timing adjustment for distribution of funds the first month after implementation. Changing the due date to the last day of the month would mean that funds DOR normally receives on or around the 20th, would not be received until the end of the month and therefore, posted in the succeeding month. DOR notes it is also possible businesses continue to file around the 20th as they have always done, so the possibility exists that no adjustment may happen.

For purposes of this fiscal note, **Oversight** will report the fiscal impact of this section as estimated by B&P.

Section 144.140 – Monetary Allowance for Certified Service Providers

Oversight notes this section requires the Missouri Department of Revenue to provide a monetary allowance to Certified Service Providers from the sales taxes collected and remitted by such Certified Service Providers. No Certified Service Provider shall receive both the two percent (2%) timely filing discount, which is permitted under current law, and the monetary allowance created under this section.

Section 144.526 – Show-Me Green Sales Tax Holiday

Oversight notes this section would eliminate the imposition of local sales and use tax on qualifying items during the Show-Me Green Sales Tax Holiday. Currently, qualifying Show-Me Green Sales Tax Holiday items are only exempt from state sales tax unless local political subdivision(s) wish to participate in the holiday. This section repeals the provision in current law that permits local political subdivisions to opt out of the Show-Me Green Sales Tax Holiday.

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **B&P** stated this section would no longer allow local municipalities to opt out of the Show Me Green sales Tax Holiday. This will reduce revenues in all localities that currently opt-out of this sales tax holiday.

Local sales tax collections for qualifying items during the tax holiday were \$19,844 in Fiscal Year 2018, \$21,439 in Fiscal Year 2019, and \$42,667 in Fiscal Year 2020.

B&P notes that the sales tax holiday occurs in April, before the end of Fiscal Year 2023. Using a three (3) year average of local collections, B&P estimates that this section could reduce funds to localities that had previously opted-out of the sales tax holiday by \$27,983 ($\$19,844 + \$21,439 + \$42,667 / 3$) beginning in Fiscal Year 2023.

Officials from **DOR** state this section would eliminate the ability of a local political subdivision to opt out of participating in the Show Me Green Sales Tax Holiday, which occurs in April annually. In Tax Year 2018, DOR collected \$19,843.65, in Tax Year 2019 DOR collected \$21,439.46 and in Tax Year 2020 DOR collected \$42,666.70 from local jurisdictions that

currently opt out of this holiday. This section will decrease revenue to the local jurisdictions that currently opt out.

This section has an effective date of January 1, 2023. This section would begin in Fiscal Year 2023 as the holiday occurs in April 2023 (Fiscal Year 2023). Due to economic disruptions that occurred in Tax Year 2020, DOR will use a three (3) year average to estimate the future fiscal impact (\$27,983).

In response to the previous version of this proposed legislation, officials from the **Kansas City** anticipated this section would result in a negative fiscal impact of an indeterminate amount.

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **Springfield** stated this section could result in a negative fiscal impact of approximately \$1,800 annually.

For purposes of this fiscal note, Oversight will report a reduction to local political subdivisions equal to the amount(s) estimated by B&P and DOR.

Section 144.605 & 144.752 – Online Use Tax

Oversight notes this section adds the definition of “Certified Service Provider” for purposes of Missouri’s use tax laws.

Oversight notes this section changes the definition of “engages in business activities within this state.” The definition now reads that engaging in business activities within this state include selling tangible personal property for delivery into this state provided the seller’s gross receipts from such delivery into this state exceed one hundred thousand dollars (\$100,000) in the previous or current calendar year.

Oversight assumes this will require retailers that do not have a physical presence in Missouri to collect and remit use tax on purchases delivered into Missouri provided the revenue from such deliveries exceed \$100,000 in a calendar year.

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **B&P** stated **Section 144.605** requires retailers that do not have a physical presence within Missouri to collect and remit sales tax on purchases delivered into Missouri beginning January 1, 2022. Only retailers with gross revenue greater than \$100,000 from deliveries into Missouri would be required to collect Missouri sales tax.

B&P notes that this proposal would delete the existing language in **Section 144.605 Paragraphs (e) and (f)** replacing that language with the online use tax vendor language. Paragraph (e) contains a \$10,000 threshold for certain vendor activity. Based on information provided by the Missouri Department of Revenue, no sales tax money has been collected under the current

provision. Therefore, B&P estimates that this provision will not impact TSR or the calculation under Article X, Section 18(e).

Section 144.752 defines market place facilitators and states that a facilitator counts as one seller. Starting January 1, 2023, market place facilitators must register with the Missouri Department of Revenue and begin remitting sales tax on behalf of individual marketplace sellers. B&P notes that this provision would apply to retailers such as Amazon's market place, ETSY, EBAY, etc.

Subsection 144.752.4 grants eligible marketplace facilitators a 2% timely filing discount. This section explicitly excludes internet advertisers, travel agencies, and third party financial institutions from the definition of marketplace facilitators. This exclusion will not impact the estimates provided in this analysis.

B&P & DOR – Online Use Tax Collection Summary

Officials from OA-Budget and Planning (B&P) and the Department of Revenue (DOR) worked together to estimate the potential revenue gains from the U.S. Supreme Court *Wayfair* decision, which overturned the *Quill* decision and held that states may charge a tax on purchases made from out-of-state sellers, even if the seller doesn't have a physical presence in the taxing state. In November 2017, the U.S. Government and Accountability Office (GAO) released state-by-state estimates for potential revenue gains if the 1992 *Quill* decision were overturned during the *Wayfair* case. In the report, the GAO estimated that Missouri could gain \$180 million to \$275 million in state and local sales taxes during 2017 from e-commerce sales tax revenue. B&P notes that there were three (3) limitations to the study, which B&P and DOR attempted to address by further refining the GAO estimates.

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

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

At the time of the study, the GAO did not incorporate potential in-state sales or in-state transaction requirements that would limit the companies required to comply with e-commerce

sales tax collections. Using data published by the U.S. Census Bureau and industry reports, B&P and DOR were able to estimate the percent of sales that would remain taxable if Missouri instituted an in-state sales threshold of \$100,000. If Missouri were to enact a \$100,000 in-state sales threshold, B&P and DOR estimate that approximately 86.7% of all e-commerce sales would remain taxable. B&P and DOR used this estimate to further adjust the GAO provided revenue estimate.

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

B&P and DOR estimate that, in Calendar Year 2023, Missouri could gain up to \$111.7 million to \$170.7 million in total state revenues, of which \$79.3 million to \$121.2 million would be General Revenue. By 2026, B&P and DOR estimate that total state revenues could be increased by \$121.8 million to \$186.1 million, of which \$86.5 million to \$132.2 million would be General Revenue. B&P notes that these estimates reflect the full potential revenue and do not include adjustments for implementation timing or business compliance. Therefore, the actual revenue collected in earlier years may be significantly lower than the estimated amount.

The following tables show the potential state and local revenue gains from expanding Missouri sales tax law to include online sales.

Table 1: Collections by Calendar Year

Revenue Estimates	2023		2024		2025	
	Low	High	Low	High	Low	High
COEF	\$79,336,120	\$121,207,962	\$82,201,766	\$125,586,032	\$84,339,012	\$128,851,269
Education (SDTF)	\$26,445,373	\$40,402,654	\$27,400,589	\$41,862,011	\$28,113,004	\$42,950,423
Conservation	\$3,305,672	\$5,050,332	\$3,425,074	\$5,232,751	\$3,514,126	\$5,368,803
Parks, Soil, Water	\$2,644,537	\$4,040,265	\$2,740,059	\$4,186,201	\$2,811,300	\$4,295,042
TSR	\$111,731,702	\$170,701,213	\$115,767,487	\$176,866,995	\$118,777,442	\$181,465,537
Local	\$41,057,375	\$62,726,544	\$42,540,380	\$64,992,247	\$43,646,430	\$66,682,045

Table 1: Collections by Calendar Year (cont.)

Revenue Estimates	2026		2027		2028	
	Low	High	Low	High	Low	High
COEF	\$86,531,827	\$132,201,401	\$88,781,654	\$135,638,638	\$91,089,977	\$139,165,242
Education (SDTF)	\$28,843,942	\$44,067,134	\$29,593,885	\$45,212,879	\$30,363,326	\$46,388,414
Conservation	\$3,605,493	\$5,508,392	\$3,699,236	\$5,651,610	\$3,795,416	\$5,798,552
Parks, Soil, Water	\$2,884,394	\$4,406,713	\$2,959,388	\$4,521,288	\$3,036,333	\$4,638,841
TSR	\$121,865,656	\$186,183,640	\$125,034,163	\$191,024,415	\$128,285,051	\$195,991,049
Local	\$44,781,237	\$68,415,778	\$45,945,549	\$70,194,589	\$47,140,134	\$72,019,648

Table 2: Collections by Fiscal Year

Revenue Estimates	FY 2023		FY 2024		FY 2025	
	Low	High	Low	High	Low	High
COEF	\$39,668,060	\$60,603,981	\$80,768,943	\$123,396,997	\$83,270,389	\$127,218,651
Education (SDTF)	\$13,222,687	\$20,201,327	\$26,922,981	\$41,132,333	\$27,756,797	\$42,406,217
Conservation	\$1,652,836	\$2,525,166	\$3,365,373	\$5,141,542	\$3,469,600	\$5,300,777
Parks, Soil, Water	\$1,322,269	\$2,020,133	\$2,692,298	\$4,113,233	\$2,775,680	\$4,240,622
TSR	\$55,865,851	\$85,350,607	\$113,749,595	\$173,784,104	\$117,272,465	\$179,166,266
Local	\$20,528,688	\$31,363,272	\$41,798,877.50	\$63,859,395.50	\$43,093,405	\$65,837,146

Table 2: Collections by Fiscal Year (cont.)

Revenue Estimates	FY 2026		FY 2027		FY 2028	
	Low	High	Low	High	Low	High
COEF	\$85,435,420	\$130,526,335	\$87,656,740.50	\$133,920,020	\$89,935,816	\$137,401,940
Education (SDTF)	\$28,478,473	\$43,508,779	\$29,218,914	\$44,640,007	\$29,978,606	\$45,800,647
Conservation	\$3,559,810	\$5,438,598	\$3,652,365	\$5,580,001	\$3,747,326	\$5,725,081
Parks, Soil, Water	\$2,847,847	\$4,350,878	\$2,921,891	\$4,464,001	\$2,997,861	\$4,580,065
TSR	\$120,321,549	\$183,824,589	\$123,449,910	\$188,604,028	\$126,659,608	\$193,507,732
Local	\$44,213,834	\$67,548,912	\$45,363,393	\$69,305,184	\$46,542,842	\$71,107,119

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

B&P further notes that the COVID-19 pandemic has changed current consumer behavior. It is unknown yet if and how much of these consumer behavior changes will remain permanent. While these estimates account for some of the behavior changes seen to date, a more permanent shift could alter actual revenues.

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

DOR's Sales/Use Tax Division anticipates the need for three (3) Associate Customer Service Representatives (\$24,360 annual salary/FTE) to process additional sales/use tax returns, one (1) Associate Customer Service Representative to respond to additional correspondence, two (2) Associate Customer Service Representatives to process additional registration applications and perform location maintenance, one (1) Associate Customer Service Representative to process additional refund requests under Section 144.190.

DOR states DOR will need to increase the number of auditors; especially those in out-of-state offices, in order to address the potential of a greater non-compliant tax base. DOR will need to add twenty-five (25) Associate Auditors. DOR believes the need for twenty-five total Associate Auditors could increase over a period of time, as DOR generally performs three-year audits and there will be limited records to audit in the first several years following implementation of this proposed bill. DOR notes the Associate Auditors would be located as follows:

- Dallas – 7 (\$48,309.36 per FTE)
- New York – 5 (\$62,409.84 per FTE)
- Chicago – 5 (\$52,275.12 per FTE)

- St. Louis – 4 (\$44,784.48 per FTE)
- Kansas City – 2 (\$44,784.48 per FTE)
- Springfield -2 (\$44,784.48 per FTE)
- Central Office in Jefferson City – 1 (\$44,784.48 per FTE)

DOR also anticipates it will need two (2) additional auditors in training (44,784 annual salary/FTE) to perform discovery work needed to identify potential audit leads from non-registered businesses. These auditors would be located in Dallas and Kansas City.

For purposes of this fiscal note, Oversight will include DOR's administrative impact(s) being paid from GR.

Oversight conducted independent analysis in relation to the impact(s) to state revenues should legislation be passed that would require out-of-state/online retailers and marketplace facilitators to collect and remit Missouri use tax. Oversight's analysis supports B&P's and DOR's estimated impact(s).

Oversight notes, the overall impact of requiring out-of-state/online retailers and marketplace facilitators to remit use tax is **largely dependent** on the percentage of collections from out-of-state/online retailers and marketplace facilitators that Missouri is currently receiving versus the percentage that is not currently collected from such entities.

Currently, the **actual** participation in sales/use tax remittance by out-of-state/online retailers and/or marketplace facilitators cannot be identified. If Missouri is currently collecting sales/use tax(es) from out-of-state/online retailers and marketplace facilitators at a rate higher than estimated, the actual impact(s) of these sections, compared to the impact(s) reported above, could prove to be lower.

Oversight notes sources suggest, as of February 20, 2021, Missouri is the only state that imposes a sales tax that has not begun requiring remote sellers to collect and remit applicable tax(es) after the U.S. Supreme Court's 2018 *Wayfair* decision. Oversight notes that, should many of these remote sellers have begun remitting the applicable taxes to Missouri on their own accord, anticipating the requirement will occur at some point, the actual impact(s) of these sections, compared to the impact(s) reported above, could prove to be lower.

Oversight notes, at some point, revenues generated through online retail sales could simply **replace** (net \$0) revenues currently generated from Missouri's brick and mortar operations. For example, if there is a continuous increase in the percent of total retail sales that are online retail sales, eventually, it would suggest that one hundred percent (100%) of all retail sales are that of online retail sales. This does not indicate that state revenues would increase significantly. Rather, the source of the tax would simply shift from brick and mortar operations to online retailers.

Oversight is unable to determine at what point an increase in the percent of total retail sales that are online retail sales becomes a transition of tax revenues from brick and mortar sales to online retail sales.

Oversight further notes, though, if legislation is not passed that requires out-of-state/online retailers and/or marketplace facilitators to remit applicable Missouri tax(es), that state revenues could decrease should a continuous transition of retail sales from brick and mortar sales to online retail sales occur; a loss of revenues currently collected.

In response to a previous version of this proposed legislation, officials from the **Missouri Department of Conservation (MDC)** stated this proposed legislation will have an unknown fiscal impact, but greater than \$250,000.

MDC further states the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV, Section 43(a) of the Missouri Constitution. Any increase in sales and use tax would increase revenue to the Conservation Sales Tax Fund(s). However, MDC states the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax.

MDC assumes the Missouri Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposed legislation.

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

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from the **Missouri Department of Natural Resources (DNR)** stated DNR's Parks and Soils Sales Tax Fund(s) are derived from one-tenth of one percent of sales and use tax pursuant to Article IV, Section 47(a) of the Missouri Constitution. Any increase in sales [and use] tax collected could increase the revenue to the Parks and Soils Sales Tax Fund(s). DNR assumes any increase in revenue to the Parks and Soils Sales Tax Fund(s) would be used for the purposes established under Article IV, Section 47(a) of the Missouri Constitution.

DNR assumes the Missouri Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposed legislation.

Oversight notes DNR's Parks and Soils State Sales Tax Fund(s) (0613 & 0614) receive one-tenth of one percent of the revenues generated from state sales and use tax. For purposes of this fiscal note, Oversight will report the impact to the Parks and Soils State Sales Tax Fund(s), as reported by B&P and DOR.

In response to a previous version of this proposed legislation, officials from **Kansas City** anticipated the provisions of these sections would result in a positive fiscal impact of an indeterminate amount.

In response to a previous version of this proposed legislation, officials from **Springfield** stated this section could result in a positive fiscal impact of an unknown amount.

For purposes of this fiscal note, **Oversight** will report the fiscal impact(s) of Section(s) 144.605 and 144.752 as reported by B&P and DOR, including DOR's administrative impact(s).

Using the estimates provided by DOR and BAP, **Oversight** extrapolated the revenue gain out to FY 2030.

Section 144.608 – DOR Consulting

Oversight notes this section permits DOR to consult, contract and work jointly with the streamlined sales and use tax agreement's governing body or with Certified Service Providers to more efficiently secure the payment of and accounting for taxes collected and remitted by retailers and vendors.

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **B&P** stated this section would allow the Missouri Department of Revenue to consult, contract, and work with the Streamlined Sales and Use Tax Agreement's (SSUTA) governing board and independently with CSPs.

Section 144.637 – DOR Tax Database

Oversight notes this section requires the Missouri Department of Revenue to create and maintain a database that describes boundary changes for all taxing jurisdictions with the effective date of such changes.

Officials from **DOR** state this section requires that the Director of Revenue to provide and maintain a database that describes boundary changes for all taxing jurisdictions and the effective dates of such changes for the use of vendors collecting tax.

This section states that for the identification of counties and cities, codes corresponding to the rates shall be provided according to Federal Information Processing Standards. For the identification of all other jurisdictions, codes corresponding to the rates shall be in a format determined by the director.

This proposed section states that the electronic databases provided for in subsections 1, 2 and 3 of this section shall be in downloadable format as determined by the director. The databases shall be provided at no cost to the user of the database, and no vendor shall be liable for reliance upon

erroneous data provided by the director on tax rates, boundaries, or taxing jurisdiction assignments.

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

For purposes of this fiscal note, Oversight will include DOR's anticipated administrative costs as it relates to this section. Oversight notes the cost will be included in DOR's equipment and expense cost(s) for Fiscal Year 2022

Section 144.638 – DOR Taxability Matrix

Oversight notes this section would require the Missouri Department of Revenue to complete and maintain a taxability matrix to be used by retail sellers when determining the appropriate tax to collect and remit.

Officials from **DOR** state this section would require a totally new program that would require the Department to contract with a vendor. DOR believes the fiscal impact for this would be significantly greater than \$5 million. This legislation requires DOR to have a specific code for every single product and taxing district, and to update when new products hit the market. This will result in an unknown, but potentially significant administrative impact. For the purposes of this fiscal note, DOR will estimate a need for three (3) Associate Customer Service Representatives (\$24,360 per FTE). If the administrative impact is more significant than anticipated, additional FTE will be requested through the appropriations process.

For purposes of this fiscal note, **Oversight** will include DOR's anticipated administrative costs as it relates to this section. Oversight notes the cost of "significantly greater than \$5 million" will be included in DOR's equipment and expense cost(s) for Fiscal Year 2022.

Section 144.710 – Monetary Allowance for Use Tax Remittance

Oversight notes this sections would require the Missouri Department of Revenue to provide a monetary allowance for the timely remittance of Missouri Use Tax to Certified Service Providers from the use taxes collected and remitted by such Certified Service Providers. No Certified Service Provider shall receive both the two percent (2%) timely filing discount, which is permitted under current law, and the monetary allowance created under this section.

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **B&P** stated this section replaces the use tax timely filing discount with the sales tax timely filing discount. B&P notes that under current law, both discounts are the same rate and have the same

requirement terms. Therefore, B&P estimates that this section will not impact TSR or the calculation under Article X, Section 18(e).

Section 144.757 – Local Use Tax

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **B&P** stated this section would alter the ballot language for certain local sales and use taxes which must be voter approved. The language removes the \$2,000 minimum threshold required before a purchaser must file a use tax return. B&P notes that currently Missouri residents are not required to file a use tax return until total purchases within a calendar year reaches \$2,000. However, once that minimum threshold has been reached, taxpayers are already required to pay use tax on the full amount of purchases, not just the amount over \$2,000.

While use tax is legally due on all out-of-state purchases, B&P notes that it is not cost effective to audit taxpayers whose online purchases are lower than \$2,000. Therefore, this section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the ballot language that must be used when submitting a sales and use tax issue to the voters to be approved. DOR assumes no fiscal impact from changing the wording of the ballot language.

Section 144.759 – Local Use Tax Distribution

In response to a similar proposal, Perfected SS SCS SBs 153 & 97 (2021), officials from **B&P** stated this section would change how use taxes are distributed within St. Louis County. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section would change how some local use tax funds are distributed. DOR does not anticipate any administrative impact from this change.

Oversight assumes this may change the current distribution; therefore, Oversight will reflect a potential impact to local political subdivisions within St. Louis County (some positive and some negative) – all of which will net to zero.

Sections 144.1000 – 144.1015 – Simplified Sales and Use Tax Administration Act

Oversight notes this proposed legislation eliminates Section(s) 144.1000 – 144.1015; the Simplified Sales and Use Tax Administration Act.

In response to a similar proposal, officials from the **Missouri Attorney General's Office (AGO)** assume any additional litigation costs arising from this proposed legislation can be absorbed with existing personnel and resources. However, the AGO may seek additional appropriations should the increase in litigation become significant.

Legislation as a Whole –

Officials from the **Missouri State Auditor's Office**, the **South River Drainage District** and the **St. Charles County Public Water Supply District # 2** do not anticipate this proposed legislation will cause a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

In response to a previous version of this proposed legislation, officials from the **Missouri Department of Economic Development** and the **Office of Administration** did not anticipate this proposed legislation will have an impact on their organizations. Oversight does not have any information to the contrary. Therefore, for purposes of this fiscal note, Oversight will not show a fiscal impact for these organizations.

Rule Promulgation

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

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize 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 their office can sustain with their core budget. Therefore, they reserve 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.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2030)
GENERAL REVENUE FUND				
<u>Revenue Gain</u> – Section 94.842 – 1% of Springfield Guest Tax Retained For Cost of Collection p.8-17	\$0	\$0 up to \$13,308	\$0 up to \$26,615	\$0 up to \$26,615
<u>Revenue Reduction</u> - Section 143.011 & 143.177 –Income Tax Rate Reductions (3 add'l) PLUS Working Families Tax Credit p.19-22	\$0	\$0	\$0	(\$346,399,240)
<u>Revenue Change</u> – Section 144.080 – Change In Sales Tax Due Date (timing) - p.24-27	(\$42,400,000) to (\$48,400,000)	\$42,400,000 to \$48,400,000	\$0	\$0
<u>Cost – DOR</u> – Section(s) 144.605, 144.752, 144.637, & 144.638 - p.33				
Personnel Services	(\$1,338,794)	(\$1,622,619)	(\$1,638,845)	(\$1,705,388)
Fringe Benefits	(\$819,993)	(\$989,414)	(\$994,890)	(\$1,017,348)
Equipment & Expense	(\$6,459,313)	(\$18,166)	(\$18,620)	(\$20,553)
Total Cost	(\$8,618,100)	(\$2,630,199)	(\$2,652,355)	(\$2,743,289)
FTE Change – DOR	37 FTE	37 FTE	37 FTE	37 FTE
<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2030)

<u>Revenue Gain</u> – Section(s) 144.605 & 144.752 – Online Use Tax - p.28-35	\$0	Less than \$39,668,060 to \$60,603,981	Less than \$80,768,943 to \$123,396,997	Less than \$94,673,277 to \$144,639,705
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$51,018,100) to (\$57,018,100)	Less than \$79,437,861 to \$106,387,090	Less than \$78,116,588 to \$120,771,257	Could exceed (\$204,476,209) to (\$254,469,252)
SCHOOL DISTRICT TRUST FUND (0688)				
<u>Revenue Change</u> – Section 144.080 – Change In Sales Tax Due Date (timing) p.24-27	(\$14,100,000) to (\$16,100,000)	\$14,100,000 to \$16,100,000	\$0	\$0
<u>Revenue Gain</u> – Section(s) 144.605 & 144.752 – Online Use Tax - p.28-35	\$0	Less than \$13,222,687 to \$20,201,327	Less than \$26,922,981 to \$41,132,333	Less than \$31,557,760 to \$48,213,243
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(\$14,100,000) to (\$16,100,000)	Less than \$27,322,687 to \$36,301,327	Less than \$26,922,981 to \$41,132,333	Less than \$31,557,760 to \$48,213,243
<u>FISCAL IMPACT</u> – <u>State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2030)
CONSERVATION COMMISSION FUND (0609)				

<u>Revenue Change</u> – Section 144.080 – Change In Sales Tax Due Date (timing) p.24-27	(\$1,800,000) to (\$2,000,000)	\$1,800,000 to \$2,000,000	\$0	\$0
<u>Revenue Gain</u> – Section(s) 144.605 & 144.752 – Online Use Tax - p.28-35	\$0	Less than \$1,652,836 to \$2,525,166	Less than \$3,365,373 to \$5,141,542	Less than \$3,944,720 to \$6,026,655
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	(\$1,800,000) to (\$2,000,000)	Less than \$3,452,836 to \$4,525,166	Less than \$3,365,373 to \$5,141,542	Less than \$3,944,720 to \$6,026,655
<u>FISCAL IMPACT</u> – <u>State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2030)

PARKS AND SOILS STATE SALES TAX FUND(S) (0613 & 0614)				
<u>Revenue Change – Section 144.080 – Change In Sales Tax Due Date (timing) p.24-27</u>	(\$1,400,000) to (\$1,600,000)	\$1,400,000 to \$1,600,000	\$0	\$0
<u>Revenue Gain – Section(s) 144.605 & 144.752 – Online Use Tax - p.28-35</u>	\$0	Less than \$1,322,269 to \$2,020,133	Less than \$2,692,298 to \$4,113,233	Less than \$3,155,766 to \$4,821,325
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUND(S)	(\$1,400,000) to (\$1,600,000)	Less than \$2,722,269 to \$3,620,133	Less than \$2,692,298 to \$4,113,233	Less than \$3,155,766 to \$4,821,325
<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2030)

BLIND PENSION FUND (0621)				
<u>Revenue Reduction</u> - qualifying aircraft assessed at a lower rate -§137.115.3 (4) - p.17	\$0	\$0	(Unknown, Less than \$400)	(Unknown, Less than \$400)
<u>Revenue Reduction</u> - DSS - from the reduction in the assessment value of tangible personal property in St. Charles County - §137.115 - p.18-19	\$0	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT</u> <u>– Local</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2030)
LOCAL POLITICAL SUBDIVISIONS				
Revenue Reduction – Section(s) 67.2677 & 67.2689 – Modification of Definition of “Gross Receipts” and Reduction Percentage Used To Calculate Video Service Provider Fee(s) - p.5-7	\$0	\$0	(\$2,203,376)	(\$11,016,881)
<u>Revenue Gain</u> – Section 94.842 – City of Springfield -Transient Guest Tax Up to 2.5% - p.8-16	\$0	\$0 up to \$1,330,750	\$0 up to \$2,661,500	\$0 up to \$2,661,500
<u>Revenue Gain</u> – Section 94.842 - City of Springfield - Increase in Hotel/Motel License Tax Due To Increased Gross Receipts p.8-16	\$0	\$0 up to \$66,538	\$0 up to \$133,075	\$0 up to \$133,075
<u>Revenue Reduction</u> - qualifying aircraft assessed at a lower rate - §137.115.3 (4) p. 17 - 18	\$0	\$0	(Unknown, Less than \$90,000)	(Unknown, Less than \$90,000)

<u>FISCAL IMPACT</u> – <u>Local</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2030)
<u>Revenue (Loss) -</u> St. Charles County - from the reduction in assessed value of TPP - §137.115 - p.18-19	\$0	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Reduction</u> – Section 144.049 – Back-To-School Sales Tax Holiday Sales Tax Exemption - p.22	\$0	\$0	(\$465,677)	(\$465,677)
<u>Revenue Reduction</u> – Section 144.054 – Manufacturing Sales Tax Exemption - p.23	\$0	(\$16,793,662)	(\$33,587,232)	(\$33,587,232)
<u>Revenue Change –</u> Section 144.080 – Change In Sales Tax Due Date (timing) p.24-27	(\$55,500,000) to (\$63,500,000)	\$55,500,000 to \$63,500,000	\$0	\$0
<u>Revenue Reduction</u> – Section 144.526 – Show-Me Green Sales Tax Holiday - p.27-28	\$0	(\$27,983)	(\$27,983)	(\$27,983)
<u>Revenue Gain –</u> Section(s) 144.605 & 144.752 – Online Use Tax - p.28-35	\$0	Less than \$20,528,688 to \$31,363,272	Less than \$41,798,878 to \$63,859,396	Less than \$46,542,842 to \$72,955,904

<u>FISCAL IMPACT</u> <u>– Local</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2030)
<u>Revenue Increase –</u> Section 144.759 – Local Use Tax Distribution – Potential For Some Local Political Sub. In St. Louis County To Recognize Additional Use Tax Revenue - p.37	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Revenue Decrease</u> – Section 144.759 – Local Use Tax Distribution – Potential For Some Local Political Sub. In St. Louis County To Recognize Reduced Use Tax Revenue - p.37	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(\$55,500,000) to (\$63,500,000)	Less than \$59,207,043 to \$79,438,915	Less than \$5,514,610 to \$30,279,703	Less than \$1,445,069 to \$30,562,700

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. (Section 94.842)

This proposal may impact small businesses that own a qualifying aircraft. (Section 137.115)

The collection of use tax from out-of-state/online retailers and marketplace facilitators could even the playing field for local in-state small businesses; therefore, in-state small businesses could experience revenue growth. Out-of-state/online businesses and marketplace facilitators

would be required to collect and remit the applicable tax(es) to the Missouri Department of Revenue; increasing their administrative costs and decreasing their net revenues (Section(s) 144.605 & 144.752).

FISCAL DESCRIPTION

USE TAX MAPPING

Current law requires the Department of Revenue to create and maintain a mapping feature on its website that displays various sales tax information. This act requires such mapping feature to include use tax information. Political subdivisions collecting a use tax shall send such data to the Department of Revenue by January 1, 2022, and the Department shall implement the mapping feature using the use tax data by August 28, 2022.

If the boundaries of a political subdivision in which a sales or use tax has been imposed shall thereafter be changed or altered, the political subdivision shall forward such changes to the Department, as described in the act. (Section 32.310)

TRANSIENT GUEST TAX

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.

AIRCRAFT ASSESSED VALUE

This bill increases the number of hours of operation per year a noncommercial aircraft at least 25 years old can fly from less than 50 hours to less than 200 hours in order to be assessed and valued at 5% of the aircraft's true value for property tax purposes.

SA1 and SA2 to SA1 - PERSONAL PROPERTY TAX - ST. CHARLES COUNTY

This provision eliminates personal property tax in St. Charles County when fully implemented.

INDIVIDUAL INCOME TAX

This act provides for additional Individual Income Tax Rate Reductions

USE TAX ECONOMIC NEXUS

This act modifies the definition of "engaging in business activities within this state" to include vendors that had cumulative gross receipts of at least \$100,000 from the sale of tangible personal property for the purpose of storage, use, or consumption in this state in the previous twelve-month period, as described in the act. Vendors meeting such criteria shall be required to collect and remit the use tax as provided under current law. (Section 144.605)

MARKETPLACE FACILITATORS

Beginning January 1, 2023, marketplace facilitators, as defined in the act, that engage in business activities within the state shall register with the Department to collect and remit use tax on sales delivered into the state through the marketplace facilitator's marketplace by or on behalf of a marketplace seller, as defined in the act. Such retail sales shall include those made directly by the marketplace facilitator as well as those made by marketplace sellers through the marketplace facilitator's marketplace.

Marketplace facilitators shall report and remit use tax collected under this act as determined by the Department. Marketplace facilitators properly collecting and remitting use tax in a timely manner shall be eligible for any discount provided for under current law.

Marketplace facilitators shall provide purchasers with a statement or invoice showing that the use tax was collected and shall be remitted on the purchaser's behalf.

No class action shall be brought against a marketplace facilitator in any court in this state on behalf of purchasers arising from or in any way related to an overpayment of sales or use tax collected on retail sales facilitated by a marketplace facilitator, regardless of whether that claim is characterized as a tax refund claim.

Marketplace facilitators may apply to the Department for relief from liability for the failure to collect and remit the correct amount of sales or use tax on retail sales facilitated for marketplace sellers under certain circumstances, as described in the act. Relief from liability shall be a percentage of the sales and use tax collected by the marketplace facilitator, with such percentage being four percent for sales made during the 2023 calendar year, two percent for sales made during the 2024 calendar year, one percent for sales made during the 2025 calendar year, and zero percent thereafter. (Section 144.752)

SALES TAX ADMINISTRATION

This act authorizes the Department of Revenue to consult, contract, and work jointly with the Streamlined Sales and Use Tax Agreement's Governing Board to allow sellers to use the Governing Board's certified service providers and central registration system services, or to consult, contract, and work with certified service providers independently. The Department may determine the method and amount of compensation to be provided to certified service providers. (Section 144.608)

The school and Show Me Green sales tax holidays are modified by repealing the ability for political subdivisions to opt out of the sales tax holidays, and by defining how the sales tax exemption applies to the purchase or return of certain items. (Sections 144.049 and 144.526)

This act relieves a purchaser from any penalties for failure to pay the proper amount of sales tax if the error was a result of erroneous information provided by the Director of Revenue. (Section 144.060)

Beginning January 1, 2022, for sellers collecting at least \$250 in sales tax in the first or second month of a calendar quarter, such taxes shall be remitted on or before the last day of the succeeding month rather than on the twentieth day of the succeeding month. (Section 144.080)

The Director shall provide and maintain downloadable electronic databases at no cost to the user of the databases for taxing jurisdiction boundary changes, tax rates, and a taxability matrix detailing taxable property and services. Sellers and certified service providers (CSP) will be relieved from liability if they fail to properly collect tax based upon information provided by the Department. Certified service providers, sellers, and marketplace facilitators may utilize proprietary data, provided the Director certifies that such data meets the standards provided for under the act. (Sections 144.637 and 144.638)

Monetary allowances from taxes collected shall be provided to certain sellers and certified service providers for collecting and remitting state and local taxes, as described in the act. (Section 144.140)

MISSOURI WORKING FAMILIES TAX CREDIT ACT

This act establishes the Missouri Working Family Tax Credit Act. A taxpayer shall receive a tax credit equal to the amount such taxpayer would have received under 26 U.S.C. Section 32 as of January 1, 2021. (Section 143.177)

VIDEO SERVICE PROVIDERS

The act modifies the definition of "gross revenues" for provisions of law relating to video service providers.

Under the act, a franchise entity may collect a video service provider fee equal to not more than 5% of the gross revenues of a video service provider providing service in the geographic area of such franchise entity. The fee shall be phased out as follows:

- Beginning August 28, 2023, 4.5% of gross revenues;
- Beginning August 28, 2024, 4% of gross revenues;
- Beginning August 28, 2025, 3.5% of gross revenues;
- Beginning August 28, 2026, 3% of gross revenues; and
- Beginning August 28, 2027, and continuing thereafter, 2.5% of gross revenues.

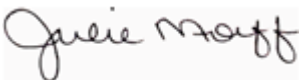
Currently, video service providers may identify and collect the amount of the video service provider fee as a separate line item on subscriber bills. Under this act, the fee shall be identified and collected as a separate line item.

The act also creates the Task Force on the Future of Right-of-Way Management and Taxation consisting of 16 members as set forth in the act. The purpose of the Task Force is to study best methods for right-of-way management, taxation of video services, and the future revenue needs of municipalities and political subdivisions as such revenue relates to video services.


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 Department of Conservation
Missouri Department of Natural Resources
Missouri Department of Transportation
Missouri Attorney General's Office
State Tax Commission
Missouri Secretary of State
Joint Committee on Administrative Rules
Missouri Department of Economic Development
Office of Administration
Missouri State Auditor's Office
Kansas City
Springfield
South River Drainage District
St. Charles County Public Water District #2



Julie Morff
Director
May 12, 2021



Ross Strobe
Assistant Director
May 12, 2021