

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1018S.09C
Bill No.: SCS for HB 554
Subject: Taxation And Revenue - Income; Taxation And Revenue - General; Taxation And Revenue - Sales And Use; Cities, Towns And Villages; Counties
Type: Original
Date: May 5, 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 2029 or later)
General Revenue Fund*	(\$51,888,992) to (\$57,888,992)	\$29,987,030 to \$56,922,951	Less than (\$34,951,455) to \$7,676,599	Less than (\$247,104,874) to (\$198,404,630)
Total Estimated Net Effect on General Revenue	(\$51,888,992) to (\$57,888,992)	\$29,987,030 to \$56,922,951	Less than (\$34,951,455) to \$7,676,599	Less than (\$247,104,874) to (\$198,404,630)

*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 Fiscal Year 2022 (negative) shifted to Fiscal Year 2023 (positive).

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 2029 or later)
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 \$30,758,049 to \$46,991,464
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 \$3,844,757 to \$5,873,933
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 \$3,075,805 to \$4,699,146
Total Estimated Net Effect on <u>Other</u> State Funds	(\$17,300,000) to (\$15,700,000)	Less than \$33,497,792 to \$44,446,626	Less than \$32,980,652 to \$50,387,108	Less than \$37,678,611 to \$57,564,543

*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 2029 or later)
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 2029 or later)
General Revenue Fund – DOR	34 FTE	34 FTE	34 FTE	34 FTE
Total Estimated Net Effect on FTE	34 FTE	34 FTE	34 FTE	34 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 2029 or later)
Local Political Subdivisions*	(\$55,500,000) to (\$63,500,000)	\$38,678,355 to \$46,678,355	(\$36,284,268) to less than (\$3,788,144)	(\$45,097,773) to less than \$27,858,131
Local Government	(\$55,500,000) to (\$63,500,000)	\$38,678,355 to \$46,678,355	(\$36,284,268) to less than (\$3,788,144)	(\$45,097,773) to less than \$27,858,131

*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.

FISCAL ANALYSIS

ASSUMPTION

Impact(s) To Total State Revenues

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state:

- Section(s) 32.310, 144.049, 144.054, 144.526, 144.637, 144.638, 144.710, 144.757, and 144.759 will not impact Total State Revenues (TSR).
- B&P estimates Section(s) 143.011, 143.031, and 143.131 will reduce TSR by \$336,740,157 annually, once fully implemented.
- Section 144.080 will have a cash flow and TSR impact in Fiscal Year 2022 and Fiscal Year 2023. B&P estimates that TSR will decrease by \$59.7 million to \$68.2 million in Fiscal Year 2022 and increase by \$59.7 million to \$68.2 million in Fiscal Year 2023. This section will not impact TSR beyond these two fiscal years.
- B&P estimates Section(s) 144.605 and 144.752 is only due to a clarification to the base pursuant to the United States Court ruling in *Wayfair vs. South Dakota* (2018).

Therefore, B&P estimates this proposed legislation may decrease TSR by \$138.2 million to \$206.8 million annually, once fully implemented. B&P notes, however, that the TSR impact from Section(s) 144.605 and 144.752 is only due to a clarification to the base pursuant to the United States Supreme Court ruling in *Wayfair vs. South Dakota* (2018).

Impact(s) to Calculation under Article X, Section 18(e)

Officials from B&P state:

- Section(s) 32.310, 144.049, 144.054, 144.526, 144.637, 144.638, 144.710, 144.757, and 144.759 will not impact the calculation under Article X, Section 18(e).
- Section(s) 143.011, 143.031, and 143.131 will reduce the calculation under Article X, Section 18(e) by \$336,740,157 annually, once fully implemented.
- Section 144.080 will not impact the calculation under Article X, Section 18(e).
- Section(s) 144.605 and 144.752 will not impact the calculation under Article, Section 18(e) as this would not technically be a new tax. Much of the revenue from online retail sales should already be due under the existing use tax law.

Therefore, B&P assumes this proposed legislation will reduce the calculation under Article X, Section 18(e) by \$336.7 million annually, once fully implemented.

Section 32.310 – DOR Sales and Use Tax Map

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.

Officials from the **Missouri Department of Revenue (DOR)** state this section adds “use tax” to the DOR’s mapping feature which currently states the sales tax rate of a given political subdivision. Political subdivisions would be required to provide their use tax rates to DOR by January 1, 2022. Additionally, political subdivisions are required to update information on changes to their sales and use tax amounts. 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 and can be added once the information is received.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state 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 July 1, 2022.

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

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 the **Office of Administration – Budget & Planning Division (B&P)** state this section changes the local franchise fees for cable operators, beginning August 28, 2023. This may have an unknown negative impact on local revenues.

Officials from the **Missouri Department of Revenue (DOR)** state this section changes how cable franchise fees are defined. DOR does not collect these fees, they are collected by local political subdivisions. Therefore, this section will not have a fiscal impact on DOR and DOR defers to local political subdivisions for the impact.

Officials from the **City of Springfield (Springfield)** state this section changes what types of revenue are considered “gross revenue” for the purposes of cable franchise taxes. Springfield anticipates this will reduce overall tax revenue.

Section 67.2680 – Satellite or Streaming Video Services

Oversight notes this section states the state, or any political subdivision, shall not impose any new tax, license, or fee in addition to any tax, license, or fee already authorized on or before August 28, 2021, upon the provision of satellite or streaming video services.

Oversight assumes, since this section states no “new” taxes, licenses, or fees shall not be imposed on satellite or streaming video services, that this section will not result in a direct fiscal impact. However, provided the state and/or political subdivisions would have otherwise imposed new taxes, licenses, or fees upon satellite or streaming video services, such revenue would not be recognized as a result of this section.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section prohibits the state or local jurisdictions from imposing any new tax, license, or fee on satellite or streaming video services after August 28, 2021.

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.

Officials from the **City of Springfield (Springfield)** anticipate this section will cause a negative fiscal impact as this section reduces the cable revenue from 5% of gross revenue to 2.5% from August 2023 through August 2027. Springfield’s cable revenue was \$1.1 million in Fiscal Year 2020. Reducing revenue in half would cost Springfield over \$550,000 per year.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section would phase-out the franchise fee for cable companies beginning August 28, 2023. This may have an unknown negative impact on local revenues.

Officials from the **Missouri Department of Revenue (DOR)** state DOR does not collect these fees, they are collected by local political subdivisions. Therefore, this section will not have a fiscal impact on DOR and DOR defers to local political subdivisions for the impact.

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.

Officials from the **Missouri Department of Transportation (MoDOT)** state, in its current form, this section could result in an unknown negative fiscal impact to the State Road Fund. Additionally, Art. IV, Section 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 hamper the abilities of this structure.

Officials from the **Missouri Senate (SEN)** state this proposed legislation could result in a negative fiscal impact to the Joint Contingent appropriation. Reimbursement for six (3) legislators to attend meetings of the Task Force will cost approximately \$289 per meeting.

For purposes of this fiscal note, **Oversight** assumes the expenses of the Joint Contingent Appropriation would be minimal and not material enough to include in this fiscal note.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section would create the “Task Force on the Future of Right-of-Way Management and Taxation”, beginning August 28, 2021. The task force shall study right-of-way management, taxation of video services, and revenue needs of local municipalities.

Officials from the **Missouri Department of Revenue (DOR)** state this section creates a task force which will not fiscal impact DOR.

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

Section 143.011 – Individual Income Tax Rate Reduction

Oversight notes this section would eliminate the existing tax brackets/rates recognized under Missouri's Individual Income Tax laws.

The current Individual Income Tax rates would be replaced by a flat tax rate, which would be imposed on all incomes equal to or in excess of one hundred dollars (\$100).

This section states the flat tax rate shall be equal to the top tax rate in effect as of December 31, 2022 (Tax Year 2022), minus one-tenth of a percent (0.1%). However, should a rate reduction be scheduled to occur pursuant to SB 509 (2014), the flat tax rate shall be equal to the top tax rate in effect as of December 31, 2022 (Tax Year 2022) minus two-tenths of a percent (0.2%).

Oversight notes, any remaining tax rate reductions pursuant to SB 509 (2014), and any new tax rate reductions created, would be applied against the new flat rate imposed.

Oversight notes this section increases the number of rate reductions that can occur from a total of five (5) rate reductions of one-tenth of one percent (0.1%) to seven (7) rate reductions of one-tenths of one percent (0.1%).

Oversight notes, two (2) of the five (5) rate reductions allowable have already occurred pursuant to SB 509 (2014). This allows for, under current law, three (3) additional rate reductions to occur in future, but separate, tax years.

Currently, (Tax Year 2021), the top Individual Income Tax rate is equal to 5.4%.

Oversight anticipates a tax rate reduction pursuant to SB 509 (2014) **will** occur for Tax Year 2022. This would set the top Individual Income Tax rate at 5.3% for Tax Year 2022. This would, under current law, allow for two (2) additional rate reductions to occur in future, but separate, tax years.

Oversight notes this section states the flat tax rate for Tax Year 2023 shall be equal to the top rate of tax in effect as of December 31, 2022 (Tax Year 2022) minus one-tenth of a percent (0.1% - which would **NOT** be considered one of the rate reductions pursuant to SB 509 or the two additional rate reductions allowed by this section) or minus two-tenths of a percent (0.2%) if a rate reduction pursuant to SB 509 (2014) is scheduled to occur.

Oversight does not anticipate a rate reduction to occur pursuant to SB 509 (2014) for Tax Year 2023. Therefore, Oversight assumes the flat tax rate, for Tax Year 2023, will be equal to 5.2% (5.3% - .1%).

Oversight assumes, then, pursuant to SB 509 (2014) (2 rate reductions remaining), and pursuant to this section (which increased the total number of rate reductions that could occur under SB 509 by two (2)) four (4) additional rate reductions could occur in future (post Tax Year 2023) but separate, tax years.

Therefore, **Oversight** assumes, once fully implemented, this section could reduce the flat tax rate to 4.8% (5.2% - 0.1% - 0.1% - 0.1% - 0.1%) for an unknown future tax year, and each year thereafter.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section would create a flat tax on all individual income over \$100. This provision will retain the 0.1% income tax reduction currently scheduled to occur under SB 509 (2014).

Based on current revenue forecasts and average revenue growth, B&P estimates that revenues in Fiscal Year 2021, Fiscal Year 2024, and Fiscal Year 2025 will reach the SB 509 (2014) growth trigger requirement for reductions to the top rate of tax. Therefore, the top rate of tax will be reduced by 0.1% in Tax Year(s) 2022, 2025, and 2026 under SB 509 (2014).

Furthermore, this section would increase the number of 0.1% reductions from five (5) to seven (7). B&P notes that two (2) reductions have already occurred (Tax Year(s) 2018 and 2019).

As noted above, based on current forecasts, B&P estimates that the next three (3) reductions will occur in Tax Year(s) 2022, 2025, and 2026. For the purpose of this fiscal note, B&P will assume that the additional two (2) 0.1% reductions will occur in Tax Years 2027 and 2028.

B&P notes this section would institute a flat tax rate beginning with Tax Year 2023, subject to the provisions of Section 143.021, RSMo, and subsection 143.011.2. B&P notes that Section 143.021 states that there shall be no tax on taxable income less than \$100. Therefore, B&P assumes that this provision would create a flat tax on all taxable income of \$100 or more. B&P further notes that subsection 143.011.2 contains the top rate reductions created by SB 509 (2014). Table 1 shows the top tax rate and minimum taxable income for each tax year through the full implementation of SB 509 (2014) versus the proposed tax rate.

Table 1: Top Tax Rate by Tax Year

Tax Year	Current Law		Proposed	
	Top Tax Rate	Min. Income	Tax Rate	Min. Income
2020	5.4%	\$8,586	N/A	N/A
2021	5.4%	\$8,715	N/A	N/A
2022*	5.3%	\$8,889	N/A	N/A
2023	5.3%	\$9,067	5.2%	\$100
2024	5.3%	\$9,248	5.2%	\$100
2025*	5.2%	\$9,433	5.1%	\$100
2026*	5.1%	\$9,622	5.0%	\$100
2027	5.1%	\$9,814	4.9%	\$100
2028	5.1%	\$10,010	4.8%	\$100

*Assumes SB 509 (2014) rate reduction is triggered under Section 143.011.2

For purposes of this fiscal note, B&P's estimated impact(s) for Section(s) 143.011 and 143.131 are shown together, below:

Using 2018 tax year data, the most current complete year available, and accounting for the changes in Individual Income Tax law created by SB 509 (2014) and HB 2540 (2018), B&P estimates that these sections will decrease TSR and GR by \$118,031,231 in Tax Year 2023. Table 2 shows the estimated impacts by tax year.

Table 2: Income Tax Changes by Tax Year

Tax Year	GR Impact
2023	(\$118,031,231)
2024	(\$106,507,382)
2025	(\$111,692,518)
2026	(\$117,511,812)
2027	(\$228,793,273)
2028	(\$336,740,157)

However, individuals will adjust their withholdings and declarations during Fiscal Year 2023 for the tax structure change that begins in Tax Year 2023 under Subsection 143.011.4. Therefore, B&P estimates that these sections will decrease TSR and GR by \$49,573,117 in Fiscal Year 2023. Once fully implemented, these sections will decrease TSR and GR by \$336,740,157. Table 3 shows the estimated impacts per fiscal year.

Table 3: Income Tax
Changes by Fiscal Year

Fiscal Year	GR Impact
2023	(\$49,573,117)
2024	(\$113,191,215)
2025	(\$108,685,139)
2026	(\$114,136,622)
2027	(\$164,250,026)
2028	(\$274,130,964)
2029	(\$336,740,157)

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

This section expands the five (5) reductions to seven (7) 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 (3) fiscal years prior to such fiscal year by at least one hundred fifty million dollars (\$150,000,000).

This section also eliminates the current Individual Income Tax rates and brackets after December 31, 2022. Starting January 1, 2023, this section institutes an Individual Income Tax of 5.2% on all income subject to the provision of Section 143.021. Section 143.021 says that there shall be no tax on a taxable income of less than one hundred dollars (\$100).

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%	5.2%
2024	5.3%	5.2%
2025	5.2%	5.1%
2026	5.1%	5.0%
2027	5.1%	4.9%
2028	5.1%	4.8%
2029	5.1%	4.8%

DOR used its internal Income Tax Model that contains confidential taxpayer data to calculate the fiscal impact for Section(s) 143.011, the Individual Income Tax rate, and Section 143.131, the Missouri Working Family Tax Deduction.

Tax Year	Loss to General Revenue
2023	(\$114,669,875)
2024	(\$103,192,581)
2025	(\$108,319,807)
2026	(\$114,165,000)
2027	(\$225,081,914)
2028	(\$332,672,613)

DOR uses a 42% in the first year and 58% in the second year to convert from tax year to fiscal year.

Fiscal Year	Loss to GR
2023	(\$48,161,348)
2024	(\$109,849,412)
2025	(\$105,346,016)
2026	(\$110,774,788)
2027	(\$160,750,104)
2028	(\$270,270,008)
2029	(\$332,672,613)

For purposes of this fiscal note, **Oversight** will report the estimated revenue reduction(s), for Section(s) 143.011 and 143.031, as estimated by B&P.

Section 143.031 – Combined Tax Returns

Oversight notes, currently, the Missouri taxable income of each spouse is an amount that is the same proportion of their Missouri combined taxable income as the Missouri Adjusted Gross Income of that spouse bears to the Missouri combined adjusted gross income.

Oversight notes this section would end such apportionment of the Missouri taxable income for taxpayers filing combined for all tax years beginning and after January 1, 2023.

Officials from the **Office of Administration – Budget & Planning (B&P)** state this section removes the requirement that the taxable income of each spouse be in the same proportion as that spouse's Missouri Adjusted Gross Income to their total combined Missouri Adjusted Gross Income. B&P assumes that the changes in this section will not impact state revenues given the tax structure change created under Subsection 143.011.4.

Officials from the **Missouri Department of Revenue (DOR)** state this section removes the language requiring the apportionment of the combined income between married filing joint spouses. Since tax is applied to the combined amount of income, this is not expected to fiscally impact DOR.

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

Section 143.131 – Missouri Standard Deduction

Oversight notes a taxpayer may deduct the Missouri standard deduction when determining the taxpayers' Missouri taxable income unless such taxpayers' have elected to itemize the deduction.

Oversight notes, currently, the standard deduction is equal to the allowable federal standard deduction.

Oversight notes this section, for all tax years beginning on or after January 1, 2023, increases the Missouri standard deduction to the allowable federal standard deduction plus four thousand dollars (\$4,000) for taxpayers filing single or married filing separately, or eight thousand dollars (\$8,000) for taxpayers filing married filing combined.

Oversight notes the increase to the Missouri standard deduction(s) shall be known and may be cited as the “Missouri Working Family Tax Deduction”.

Oversight assumes the increase to the Missouri standard deduction will result in a net benefit per taxpayer equal to \$212 each year when using a tax rate of 5.3% ($\$4,000 * 5.3\%$). Oversight assumes the top rate of tax for Tax Year 2022 will be 5.3% (under current law). Oversight notes the benefit per taxpayer (specific to the \$4,000 increase to the standard deduction) will decrease as rate reductions occur pursuant to SB 509 (2014) and as additional rate reductions occur, as created under this proposed legislation (additional benefit will be recognized as a result of the tax rate reductions).

Official from the **Office of Administration – Budget & Planning Division (B&P)** state this section would increase the Missouri standard deduction by \$4,000 for taxpayers filing single and \$8,000 for married filing joint taxpayers beginning with Tax Year 2023. B&P notes that that the increase to the standard deduction will not apply to head of household taxpayers.

The increase to the standard deduction (\$4,000 for singles, \$8,000 for MFJ) shall be known as the “Missouri Working Family Tax Deduction”.

For purposes of this fiscal note, B&P’s estimated impact, as it relates to this section, is combined and shown with the impact(s) under Section 143.011.

Officials from the **Missouri Department of Revenue (DOR)** state, currently, the Missouri standard deduction is the same amount allowed under the federal standard deduction. Beginning January 1, 2023 this section sets the Missouri standard deduction for head of household and qualified widower filers at the federal standard deduction.

Taxpayers that file single or married filing separate will receive an additional \$4,000 in their standard deduction amount over the existing federal deduction amount. Taxpayers that file married filing combined will be receive an additional \$8,000 in their standard deduction amount over the federal deduction amount.

In Tax Year 2021 the federal standard deduction is scheduled to be \$12,550 for single filers. If this section were to go in effect for 2021, then the Missouri standard deduction would become \$16,550 for single filers. This section will increase the standard deduction starting with Tax Year 2023. The first returns filed using this new deduction will be filed in January 2024 (Fiscal Year 2024).

The impact of this section will be calculated with the other Individual Income Tax changes occurring as a result of this entire proposed legislation; the impact is reported under Section 143.011.

For purposes of this fiscal note, **Oversight** will report the estimated revenue reduction(s), for Section(s) 143.011 and 143.031, as estimated by B&P.

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.

Officials from the **Office of Administration – Budget & Planning (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 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 the **Missouri Department of Revenue (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 occur after January 1, 2023 would be 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).

Officials from the **City of Springfield (Springfield)** anticipates a negative fiscal impact as a result of the removal of the ability of a city to opt out of the school days tax holiday. Springfield anticipates this will cost Springfield approximately \$75,000 annually due to the lost tax revenues.

Oversight will report the revenue 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.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state 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 the **Missouri Department of Revenue (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.

Officials from the **City of Springfield (Springfield)** anticipate the changes made to this section will cost Springfield approximately \$2.2 million annually due to the lost tax revenues.

Oversight will report the revenue 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 32.310 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.

Officials from the **Office of Administration – Budget & Planning Division (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 the **Missouri Department of Revenue (DOR)** state, currently, Section 144.080 states that if the tax levied is in excess \$250 dollars for the first or second month of a calendar quarter, the seller shall file and remit the aggregate amount to DOR no later than the twentieth day of the succeeding month. This section moves the filing deadline to the last day of the month. This would bring these filer's deadline in line with all the other filing deadlines. This is not expected to have a fiscal impact as the tax is still owed, just on a different day.

For purposes of this fiscal note, **Oversight** will report the fiscal impact (timing delay across fiscal years) 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.

Officials from the **Office of Administration – Budget & Planning Division** state this section would grant a monetary allowance to Certified Service Providers.

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.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state 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 the **Missouri Department of Revenue (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).

Officials from the **City of Springfield (Springfield)** anticipate a negative fiscal impact of approximately \$1,800 as a result of the lost tax revenue.

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

Section 144.605 & 144.752 – Online Use Tax

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state Section(s) 144.605 and 144.752 require retailers and marketplace facilitators 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 taxable sales into Missouri would be required to collect Missouri sales tax.

B&P notes that this proposed legislation 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 144.605(2)(e)b states that any vendor that meets the requirements in Section 155.605(2)(g)c shall not be subject to any local use tax that was enacted prior to January 1, 2023 unless an expansion of such tax to include online vendors has been voter approved after January 1, 2023. B&P notes that it is unclear whether purchasers would still be subject to such local use tax in the event an expansion has not been approved by voters. **Section 144.757** includes the ballot language to be used for voter approval of the use tax expansion. Therefore, B&P will show potential local revenues from Section 144.605 and 144.752 as \$0 (no local expansion approved) to \$X (the full amount, all local jurisdictions with a current use tax approved expansion).

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. These exclusions will not impact the estimates provided in this analysis.

B&P and DOR – Online Use Tax Estimates

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 estimates that Calendar Year 2023 Missouri could gain up to \$111.7 million to \$170.7 million in TSR. By Calendar Year 2029, B&P and DOR estimate that TSR could be increased by \$131.6 million to \$201.1 million. Table 1 shows the estimated impact by calendar year.

Table 1: Collections by Calendar Year

Revenue Estimates	2023		2024		2025	
	Low	High	Low	High	Low	High
General Revenue	\$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*	\$0	\$0	\$0	\$64,992,247	\$0	\$66,682,045

**Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

Table 1: Collections by Calendar Year (cont.)

Revenue Estimates	2026		2027		2028	
	Low	High	Low	High	Low	High
General Revenue	\$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*	\$0	\$68,415,778	\$0	\$70,194,589	\$0	\$72,019,648

**Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

Table 1: Collections by Calendar Year (cont.)

Revenue Estimates	2029	
	Low	High
General Revenue	\$93,458,317	\$142,783,539
Education (SDTF)	\$31,152,772	\$47,594,513
Conservation	\$3,894,097	\$5,949,314
Parks, Soil, Water	\$3,115,277	\$4,759,451
TSR	\$131,620,463	\$201,086,817
Local*	\$0	\$73,892,159

**Section 144.605(2)(g) requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

B&P and DOR estimate that in Fiscal Year 2023 TSR could increase by \$55.9 million to \$85.4 million. By Fiscal Year 2029, B&P and DOR estimate that TSR could increase by \$130.0 million to \$198.5 million. Table 2 shows the estimated impact by fiscal year.

Table 2: Collections by Fiscal Year

Revenue Estimates	FY 2023		FY 2024		FY 2025	
	Low	High	Low	High	Low	High
General Revenue	\$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*	\$0	\$0	\$0	\$32,496,124	\$0	\$65,837,146

**Section 144.605(2)(g) requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

Table 2: Collections by Fiscal Year (cont.)

Revenue Estimates	FY 2026		FY 2027		FY 2028	
	Low	High	Low	High	Low	High
General Revenue	\$85,435,420	\$130,526,335	\$87,656,741	\$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*	\$0	\$67,548,912	\$0	\$69,305,184	\$0	\$71,107,119

**Section 144.605(2)(g) requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

Table 2: Collections by Fiscal Year (cont.)

Revenue Estimates	FY 2029	
	Low	High
General Revenue	\$92,274,147	\$140,974,391
Education (SDTF)	\$30,758,049	\$46,991,464
Conservation	\$3,844,757	\$5,873,933
Parks, Soil, Water	\$3,075,805	\$4,699,146
TSR	\$129,952,758	\$198,538,933
Local*	\$0	\$72,955,904

**Section 144.605(2)(g) requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

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.

For purposes of this fiscal note, **Oversight** will report the estimated impact(s) of these sections, as estimated by B&P and DOR.

Officials from the **Missouri Department of Revenue (DOR)** state 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 – 3 (\$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.

Officials from the **Missouri Department of Natural Resources (DNR)** state 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.

Officials from the **Missouri Department of Conservation (MDC)** assume 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 Fun(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.

Section 144.608 – DOR Consulting

Oversight notes this section permits the Missouri Department of Revenue 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.

Oversight notes this section states the Missouri Department of Revenue is authorized to independently take such actions as may be reasonably necessary to secure the payment of and account for the tax collected and remitted by retailers and vendors. The Missouri Department of Revenue shall independently carry out any or all activities relating to the collection of online use tax if the Missouri Department of Revenue determines that independent carrying out such activities would promote cost-saving to the state.

Officials from the **Office of Administration – Budget & Planning (B&P)** state 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/or directly with CSPs. Subsection 144.608.2 authorizes the Missouri Department of Revenue to work independently of the SSUTA governing board and CSPs if doing so would promote cost savings to the state. Subsection 144.608.4 adds a five-year sunset after the effective date, unless reauthorized.

Officials from the **Missouri Department of Revenue (DOR)** state this section allows DOR to contract with the Streamlined Sales and Use Tax Agreement Governing Board (SSUTA) to register and collect the use tax from certified service providers that is required under this proposed legislation. This provision of contracting with the SSUTA would expire in 5 years. After that time, DOR would need to provide the ability to register and collect the tax from a system created by DOR. DOR would need to pay the annual fee to use the SSUTA system while creating their own. At this point DOR assumes the new system could cost up to \$1 million to be created.

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 2023.

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 the **Missouri Department of Revenue (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, 3, and 4 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.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section would require the Missouri Department of Revenue to provide and maintain an address-based database for assigning taxing jurisdictions and the associated rates. Vendors are required to use the database in determining the amount of use tax to collect and remit. Any and all databases created, maintained, or certified by the Missouri Department of Revenue must be downloaded and provided at no cost to vendors for their use in collecting and remitting use taxes.

Oversight notes this section states no vendor shall be liable for reliance upon erroneous data provided by the Director of Revenue on tax rates, boundaries, or taxing jurisdiction assignments.

Oversight notes Section 32.310 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 144.638 – 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 the **Missouri Department of Revenue (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.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section requires the Missouri Department of Revenue to provide and maintain a taxability matrix. Vendors are required to use the matrix in determining the amount of use tax to collect and remit. Any and all databases created, maintained, or certified by the Missouri Department of Revenue must be downloaded and provided at no cost to vendors for their use in collecting and remitting use taxes.

This section will not impact TSR or the calculation under Article X, Section 18(e). B&P defers to the Missouri Department of Revenue for the estimated cost to the agency from these sections.

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.

Officials from the **Office of Administration – Budget & Planning (B&P)** state 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

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state 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).

This section requires voter approval in order for political subdivisions to expand existing use taxes to online vendors and marketplace facilitators. (See discussion under online use tax section.)

Officials from the **Missouri Department of Revenue (DOR)** state this section states that political subdivisions with an existing use tax adopted prior to January 1, 2023 may keep their use tax but may not exceed the rate set prior to January 2023. Under Section 144.605 of this proposed legislation, out-of-state use tax vendors that meet certain qualifications will be required to start remitting use tax. However, local political subdivisions are prohibited from collecting their local use tax on these vendors (Section 144.605(3)(f)b).

This section requires that existing local use taxes rates must be re-voted on by the people in order for the municipality to receive funding from the online use tax implemented in this proposed legislation. If adopted by the people, the local political subdivision would be allowed to collect the out-of-state seller use tax established under this proposal for purchases made through a website. DOR assumes the Office of the Secretary of State would be able to estimate the impact of political subdivision holding these use tax elections. DOR assumes no fiscal impact from these elections.

As for the potential impact of these local political subdivisions receiving use tax under this proposed legislation, the local impact was discussed under the provision for the creation of the use tax.

This section also modifies the ballot language that must be used when submitting a 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

Officials from the **Office of Administration – Budget & Planning (B&P)** state 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 the **Missouri Department of Revenue (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. Oversight does not anticipate the elimination of these sections to result in a fiscal impact.

Legislation as a Whole

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for administrative rules is less than \$5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, 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 they can sustain within 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.

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

Officials from the **Joint Committee on Administrative Rules** assume this proposed legislation will not cause a fiscal impact beyond its current appropriation.

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

Officials from the **Missouri Department of Commerce and Insurance**, the **Missouri House of Representatives**, the **City of Claycomo**, the **City of Corder**, the **City of O'Fallon**, the **Platte County Election Authority**, the **St. Louis City BEC**, and the **St. Louis County Election Authority** do not anticipate this proposed legislation will cause a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

<u>FISCAL IMPACT</u> – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029 or later)
GENERAL REVENUE FUND				
<u>Revenue Reduction</u> – Section(s) 143.011 & 143.131 – Changes To Individual Income Tax Law – p. 10-17	\$0	(\$49,573,117)	(\$113,191,215)	(\$336,740,157)
<u>Revenue Change</u> – Section 144.080 – Change In Sales Tax Due Date – p. 19-22	(\$42,400,000) to (\$48,400,000)	\$42,400,000 to \$48,400,000	\$0	\$0
<u>Revenue Gain</u> – Section(s) 144.605 & 144.752 – Online Use – p. 23-30	\$0	Less than \$39,668,060 to \$60,603,981	Less than \$80,768,943 to \$123,396,997	Less than \$92,274,147 to \$140,974,391
<u>Cost</u> – DOR – Section(s) 144.605 & 144.752, 144.637 & 144.638 – Online Use Tax – p. 28-29, 31-32, 32-33				
Personnel Services	(\$1,286,364)	(\$1,559,073)	(\$1,574,664)	(\$1,654,988)
Fringe Benefits	(\$772,448)	(\$932,147)	(\$937,409)	(\$964,518)
Equipment & Expense	(\$7,430,180)	(\$16,693)	(\$17,110)	(\$19,358)
Total Cost – DOR	(\$9,488,992)	(\$2,507,913)	(\$2,529,183)	(\$2,638,864)
FTE Change – DOR	34 FTE	34 FTE	34 FTE	34 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$51,888,992)</u> to <u>(\$57,888,992)</u>	<u>\$29,987,030 to</u> <u>\$56,922,951</u>	<u>Less than</u> <u>(\$34,951,455)</u> to <u>\$7,676,599</u>	<u>Less than</u> <u>(\$247,104,874) to</u> <u>(\$198,404,630)</u>

SCHOOL DISTRICT TRUST FUND (0688)				
Revenue Change – Section 144.080 – Change In Sales Tax Due Date – p. 19-22	(\$14,100,000) to (\$16,100,000)	\$14,100,000 to \$16,100,000	\$0	\$0
Revenue Gain – Section(s) 144.605 & 144.752 – Online Use – p. 23-30	\$0	<u>Less than</u> <u>\$13,222,687 to</u> <u>\$20,201,327</u>	<u>Less than</u> <u>\$26,922,981 to</u> <u>\$41,132,333</u>	<u>Less than</u> <u>\$30,758,049 to</u> <u>\$46,991,464</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>(\$14,100,000)</u> to <u>(\$16,100,000)</u>	<u>Less than</u> <u>\$27,322,687 to</u> <u>\$36,301,327</u>	<u>Less than</u> <u>\$26,922,981 to</u> <u>\$41,132,333</u>	<u>Less than</u> <u>\$30,758,049 to</u> <u>\$46,991,464</u>
CONSERVATION COMMISSION FUND (0609)				
Revenue Change – Section 144.080 – Change In Sales Tax Due Date – p. 19-22	(\$1,800,000) to (\$2,000,000)	\$1,800,000 to \$2,000,000	\$0	\$0
Revenue Gain – Section(s) 144.605 & 144.752 – Online Use – p. 23-30	\$0	<u>Less than</u> <u>\$1,652,836 to</u> <u>\$2,525,166</u>	<u>Less than</u> <u>\$3,365,373 to</u> <u>\$5,141,542</u>	<u>Less than</u> <u>\$3,844,757 to</u> <u>\$5,873,933</u>
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>(\$1,800,000) to</u> <u>(\$2,000,000)</u>	<u>Less than</u> <u>\$3,452,836 to</u> <u>\$4,525,166</u>	<u>Less than</u> <u>\$3,365,373 to</u> <u>\$5,141,542</u>	<u>Less than</u> <u>\$3,844,757 to</u> <u>\$5,873,933</u>

PARKS AND SOILS STATE SALES TAX FUND(S) (0613 & 0614)				
<u>Revenue Change –</u> Section 144.080 – Change In Sales Tax Due Date – p. 19-22	(\$1,400,000) to (\$1,600,000)	\$1,400,000 to \$1,600,000	\$0	\$0
<u>Revenue Gain –</u> Section(s) 144.605 & 144.752 – Online Use – p. 23-30	\$0	<u>Less than</u> \$1,322,269 to \$2,020,133	<u>Less than</u> \$2,692,298 to \$4,113,233	<u>Less than</u> \$3,075,805 to \$4,699,146
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUND(S)	<u>(\$1,400,000) to</u> <u>(\$1,600,000)</u>	<u>Less Than</u> <u>\$2,722,269 to</u> <u>\$3,620,133</u>	<u>Less than</u> <u>\$2,692,298 to</u> <u>\$4,113,233</u>	<u>Less than</u> <u>\$3,075,805 to</u> <u>\$4,699,146</u>

<u>FISCAL</u> <u>IMPACT – Local</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029 or later)
LOCAL POLITICAL SUBDIVISIONS				
<u>Revenue</u> <u>Reduction –</u> Section(s) 67.2677 & 67.2689 – Modification of Definition of “Gross Receipts” and Reduction Percentage Used To Calculate Video Service Provider Fee(s) – p. 6-8	\$0	\$0	Could exceed (\$2,203,376)	Could exceed (\$11,016,881)
<u>Revenue</u> <u>Reduction –</u> Section 144.049 – Back-To- School Sales Tax Holiday Sales Tax Exemption – p. 17-18	\$0	\$0	(\$465,677)	(\$465,677)
<u>Revenue</u> <u>Reduction –</u> Section 144.054 – Manufacturing Sales Tax Exemption – p. 18	\$0	(\$16,793,662)	(\$33,587,232)	(\$33,587,232)

<u>Revenue Change</u> – Section 144.080 – Change In Sales Tax Due Date – p. 19-22	(\$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. 22-23	\$0	(\$27,983)	(\$27,983)	(\$27,983)
<u>Revenue Gain</u> – Section(s) 144.605 & 144.752 – Online Use Tax – p. 23-30	\$0	\$0	\$0 up to \$32,496,124	\$0 up to \$72,955,904
<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. 35	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

<u>Revenue Decrease – Section 144.759 – Local Use Tax Distribution – Potential For Some Local Political Sub. In St. Louis County To Recognize Reduced Use Tax Revenue – p. 35</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(\$55,500,000) to (\$63,500,000)</u>	<u>\$38,678,355 to \$46,678,355</u>	<u>(\$36,284,268) to less than (\$3,788,144)</u>	<u>(\$45,097,773) to less than \$27,858,131</u>

FISCAL IMPACT – Small Business

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)

VIDEO SERVICE PROVIDER FEES

This act modifies provisions relating to communications services offered in political subdivisions.

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

This act prohibits the state and political subdivisions from imposing a new tax, license, or fee upon the provision of satellite or streaming video services.

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.

The Task Force shall compile a report of its activities for submission to the General Assembly.

The report shall be submitted no later than December 31, 2023, and shall include any recommendations which the Task Force may have for legislative action. The Task Force shall expire on December 31, 2023. (Sections 67.2677 to 67.2720)

TAXATION OF SATELLITE OR STREAMING VIDEO SERVICES

This bill prohibits the state or any other political subdivision from imposing any new tax, license, or fee in addition to any tax, license, or fee already authorized on or before August 28, 2021, upon the provision of satellite or streaming video service. (Section 67.2680)

INDIVIDUAL INCOME TAX

Current law provides for a reduction in the top rate of income tax of 0.5% phased-in over a period of years in 0.1% increments, with each cut becoming effective if net general revenue collections meet a certain trigger. This act adds two additional 0.1% reductions for a total reduction in the top rate of tax of 0.7%.

Additionally, current law requires the Department of Revenue to annually adjust the income tax brackets by the percent increase in inflation. This act repeals such provision and beginning with the 2023 calendar year, repeals all income tax brackets applies the top rate of tax to all Missouri taxable income. (Section 143.011)

For combined tax returns, current law defines the taxable income of each spouse as the proportion of such person's Missouri adjusted gross income bears to the combined adjusted gross income. For all tax years beginning on or after January 1, 2023, this act repeals such provision. (Section 143.031)

Current law provides that the Missouri standard deduction shall be the allowable federal standard deduction. For all tax years beginning on or after January 1, 2023, this act provides that the Missouri standard deduction shall be the allowable federal standard deduction plus \$4,000 if filing single or married filing separately, and plus \$8,000 if filing married combined. (Section 143.131)

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.

Any vendor meeting the definition of "engaging in business activities within this state" shall not be required to collect and remit any local use tax that was enacted prior to January 1, 2023, unless the vendor was or would have been required to collect and remit such tax prior to this act's effective date, or if a majority of voters in the political subdivision have approved an expansion of the local use tax after January 1, 2023. A vendor meeting the definition of "engaging in business activities within this state" shall be subject to any local use tax enacted on or after January 1, 2023. (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. (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. The act also authorizes the Department to independently take such actions as may be reasonably necessary to secure the payment of and account for the tax collected and remitted by retailers and vendors under the act.

This provision shall expire on January 1, 2028, unless reauthorized by the General Assembly. (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)

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.

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. (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)

LOCAL USE TAXES

This act modifies ballot language required for the submission of a local use tax to voters by repealing ballot language specific to St. Louis County and its municipalities and the City of St. Louis, and making requiring the ballot language in all municipalities identical.

This act allows any county or municipality with an existing local use tax enacted prior to January 1, 2023, to keep such existing local use tax. If any such county or municipality subsequently places a use tax measure on the ballot and the measure fails to pass, the use tax enacted prior to January 1, 2023, shall remain in effect until it expires or is repealed, reduced, or raised by a future ballot measure. If any such county or municipality places the use tax measure of this section and the measure passes, the use tax authorized by the act shall replace the previously enacted use tax.

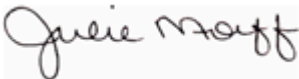
This act prohibits a local use tax from being described as a new tax, described as not being a new tax, and being advertised or promoted in a manner in violation of current law. (Section 144.757)

This act provides that the portion of the local use tax imposed by St. Louis County shall be distributed to the cities, towns, villages, and unincorporated areas of the county on the ratio of the population that each such city, town, village, and unincorporated area bears to the total population of the county. (Section 144.759)

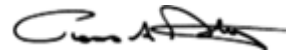
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget & Planning Division
Missouri Department of Commerce and Insurance
Missouri Department of Natural Resources
Missouri Department of Revenue
Missouri Department of Conservation
Missouri Department of Transportation
Missouri Secretary of State's Office
Missouri House of Representatives
Missouri Senate
Joint Committee on Administrative Rules
City of Claycomo
City of Corder
City of O'Fallon
City of Springfield
Platte County Election Authority
St. Louis City BEC
St. Louis County Election Authority



Julie Morff
Director
May 5, 2021



Ross Strobe
Assistant Director
May 5, 2021