

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2101H.03I
Bill No.: HB 1048
Subject: Taxation And Revenue - General; Taxation And Revenue - Sales And Use; Cities, Towns, And Villages; Revenue, Department Of; Law Enforcement Officers And Agencies; Fire Protection; Health, Public
Type: Original
Date: March 5, 2021

Bill Summary: The proposal authorizes a public safety sales tax for the City of Smithville.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	\$0	\$0 up to \$4,163	\$0 up to \$5,662
Total Estimated Net Effect on General Revenue	\$0	\$0 up to \$4,163	\$0 up to \$5,662

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

Numbers within parentheses: () indicate costs or losses.

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

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

- ☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act 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
Local Government	\$0	\$0 up to \$412,193	\$0 up to \$560,583

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume the proposal would have a direct fiscal impact on their respective organization.

Section 94.900 City of Smithville Public Safety Sales Tax

This proposal would allow any city of the fourth classification with more than eight thousand but fewer than nine thousand inhabitants and located partially in any county of the first classification with more than two hundred thousand but fewer than two hundred sixty thousand inhabitants and partially in any county of the first classification with more than eighty-three thousand but fewer than ninety-two thousand inhabitants and with a city of the fourth classification with more than four thousand five hundred but fewer than five thousand inhabitants as the county seat to adopt up to one-half of one percent sales tax or the purpose of funding public safety. The Department believes that is would impact the City of Smithville.

DOR shows that the **City of Smithville** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	18,324,168	21,003,657	20,543,911	18,606,705	78,478,441
2016	18,563,002	21,339,111	21,767,674	19,455,853	81,125,639
2017	18,671,654	22,070,560	21,628,460	19,691,818	82,062,492
2018	19,056,529	22,849,004	22,213,205	20,463,774	84,582,512
2019	19,126,749	24,175,713	23,189,729	22,835,526	89,327,717
2020	25,103,911	33,495,462			58,599,373

Source: <http://dor.mo.gov/publicreports/> City of Smithville Taxable Sales Report Data

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact we will assume the full one-half of one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a quarter of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Smithville would collect and the fee retained by DOR as:

Smithville	1/4 of 1% Tax		1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2022	\$2,721	\$269,407	\$5,443	\$538,815
2023	\$2,776	\$274,796	\$5,551	\$549,591
2024	\$2,831	\$280,291	\$5,662	\$560,583

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

Smithville	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2022	\$0	\$0
2023	\$4,163	\$412,193
2024	\$5,662	\$560,583

The DOR assume that any administrative impact can be absorbed through a current appropriation.

Oversight notes **City of Smithville** may propose $\frac{1}{2}$ of 1% tax to its respective voters at a general election. Should the voters vote in favor of the tax, the tax shall become effective on the first day of the calendar quarter following the calendar quarter in which the election took place. Should the voters vote against the tax, the tax shall not be imposed.

Oversight notes the DOR assumes the proposal would have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will note the estimated impact on the fiscal note.

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

Section 94.900 - This proposal allows voters in the City of Kearney and City of Smithville to impose a sales tax up to 0.50% for the purpose of funding public safety for the cities.

B&P defers to the local government for the fiscal impact. DOR's retained collection fee will increase TSR because DOR will be able to collect its 1% administration fee for handling the collection of the tax. Historically, DOR collections fees have totaled less than \$10,000 per year on similar discrete local tax collections.

Oversight only reflects the responses that we have received from state agency; however, City of Smithville was requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
Revenue Gain - 1% of Smithville Sales Tax Retained For Cost of Collection	<u>\$0</u>	<u>\$0 up to \$4,163</u>	<u>\$0 up to \$5,662</u>
ESTIMATED NET EFFECT GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 up to \$4,163</u>	<u>\$0 up to \$5,662</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
CITY OF SMITHVILLE			
Revenue Gain – Section 94.900 – Smithville Sales Tax Up to ½ off 1%%	\$0	\$0 up to \$416,356	\$0 up to \$566,245
Revenue Reduction – 1% of Smithville Sales Tax Retained For Cost of Collection	<u>\$0</u>	<u>\$0 up to (\$4,163)</u>	<u>\$0 up to (\$5,662)</u>
ESTIMATED NET EFFECT ON CITY OF SMITHVILLE	<u>\$0</u>	<u>\$0 up to \$412,193</u>	<u>\$0 up to \$560,583</u>

FISCAL IMPACT – Small Business

Small businesses will be required to charge sales tax commensurate with this proposal.

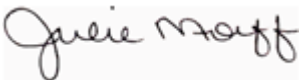
FISCAL DESCRIPTION

This bill authorizes the governing body of any city of the fourth classification with more than 8,000 but fewer than 9,000 inhabitants and located partially in any county of the first classification with more than 200,000 but fewer than 260,000 inhabitants and partially in any county of the first classification with more than 83,000 but fewer than 92,000 inhabitants and with a city of the fourth classification with more than 4,500 but fewer than 5,000 inhabitants as the county seat to levy a 1/2% sales tax for public safety upon voter approval. Currently, the provisions of this bill apply to the City of Smithville.

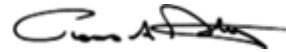
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration – Budget & Planning



Julie Morff
Director
March 5, 2021



Ross Strobe
Assistant Director
March 5, 2021