

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1389H.011
 Bill No.: HB 696
 Subject: Taxation and Revenue - General; Counties; Taxation and Revenue - Sales and Use
 Type: Original
 Date: February 23, 2023

Bill Summary: This proposal modifies provisions relating to the recreation sales tax for certain counties.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0	\$0	\$0
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

*Oversight assumes this proposal removes the provision that both counties must jointly impose the tax. This could make it easier to pass the measure (in one of the counties). Oversight notes Section 67.782 was originally passed in 1987 and was updated in 1990 and 1991. If approved by voters, an additional 1% tax could generate roughly \$117,370 for the 1% DOR collection fee in FY 2025 and \$159,623 in FY 2026.

EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Bollinger County*	\$0	\$0	\$0
Cape Girardeau County*	\$0	\$0	\$0
Local Government	\$0	\$0	\$0

*Oversight assumes this proposal removes the provision that both counties must jointly impose the tax. This could make it easier to pass the measure (in one of the counties). Oversight notes Section 67.782 was originally passed in 1987 and was updated in 1990 and 1991. If approved by voters, an additional 1% tax could generate roughly \$550,000 in Bollinger County and \$14.7 million in Cape Girardeau County.

FISCAL ANALYSIS

ASSUMPTION

Section 67.782 Recreation Tax

Officials from the **Department of Revenue (DOR)** note the legislation previously stated any county of the third class having a population of more than ten thousand and less than fifteen thousand and any county of the second class having a population of more than fifty-eight thousand and less than seventy thousand adjacent to such third class county, both counties making up the same judicial circuit, could jointly impose a sales tax for public recreational purposes.

This proposal changes the definition to any county with more than nine thousand but fewer than eleven thousand inhabitants with a county seat with more than one thousand but fewer than one thousand five hundred inhabitants and any county with more than eighty thousand but fewer than one hundred thousand inhabitants and with an county seat with more than thirteen thousand but fewer than seventeen thousand inhabitants can impose a sales tax for public recreational purposes. DOR believes that Bollinger County and Cape Girardeau County are the ones allowed the sales tax.

Both Bollinger County and Cape Girardeau County are allowed to adopt this tax by a vote of their people. This is a 1% sales tax. DOR notes that they are allowed to retain 1% of all sales tax collected for reimbursement of expenses.

BOLLINGER COUNTY

Bollinger County had taxable sales of

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	12,283,021	12,270,147	11,903,277	11,684,252	48,140,697
2018	14,165,368	12,592,268	12,629,610	12,969,344	52,356,591
2019	12,689,105	12,581,666	13,111,609	12,602,523	50,984,903
2020	12,560,145	13,495,033	13,446,427	13,405,149	52,906,754
2021	13,166,999	12,967,346	13,099,439	22,843,063	62,076,848
2022	13,415,356	13,975,676			

Converting calendar year taxable sales to fiscal year taxable sales and using a 2% inflation rate annually, DOR is able to determine the amount of collection Bollinger County could expect if they pass this proposal.

Bollinger County	1% Tax
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Fiscal Year	DOR 1% Fee	Local Collection
2024	\$5,604	\$554,764
2025	\$5,716	\$565,859
2026	\$5,830	\$577,176

DOR notes that this proposal would become effective on August 28, 2023 and the first election this issue could be presented to the voters would be the April 2024 municipal general election. 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, 2024 (FY 2025) if adopted by the voters. Therefore, the impact in FY 2025 would be for 9 months.

Bollinger County	1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2024	\$0	\$0
2025	\$4,287	\$424,394
2026	\$5,830	\$577,176

CAPE GIRARDEAU COUNTY

Cape Girardeau County had taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$317,321,199	\$338,602,549	\$333,329,400	\$354,698,971	\$1,343,952,118
2018	\$326,759,327	\$342,411,413	\$344,721,208	\$359,599,262	\$1,373,491,210
2019	\$317,004,837	\$335,854,295	\$333,604,637	\$367,409,389	\$1,353,873,159
2020	\$318,049,761	\$346,574,051	\$359,218,109	\$378,945,058	\$1,402,786,979
2021	\$336,220,767	\$395,229,867	\$397,370,936	\$438,791,884	\$1,597,613,454
2022	\$371,159,594	\$423,375,883			

Converting calendar year taxable sales to fiscal year taxable sales and using a 2% inflation rate annually, DOR is able to determine the amount of collection Cape Girardeau County could expect if they pass this proposal.

Cape Girardeau County	1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2024	\$147,821	\$14,634,282
2025	\$150,777	\$14,926,968
2026	\$153,793	\$15,225,507

DOR notes that this proposal would become effective on August 28, 2023 and the first election this issue could be presented to the voters would be the April 2024 municipal general election. 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, 2024 (FY 2025) if adopted by the voters. Therefore, the impact in FY 2025 would be for 9 months.

Cape Girardeau County	1% Tax	
	DOR 1% Fee	Local Collection
2024	\$0	\$0
2025	\$113,083	\$11,195,226
2026	\$153,793	\$15,225,507

This is not expected to have an administrative impact on the Department of Revenue.

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 67.782.1(1) - B&P defers to the local government (County of Bollinger) for the fiscal impact of the recreational sales tax imposed at a rate of 1%. 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.

B&P defers to the local government (County of Cape Girardeau) for the fiscal impact of the recreational sales tax imposed at a rate of 1%. 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.

Oversight notes this proposal states that Bollinger and Cape Girardeau counties do not have to act jointly to impose a recreational sales tax. If enacted, this bill will initially only apply to Bollinger and Cape Girardeau counties. If approved by voters, an additional 1% tax could generate roughly \$550,000 in Bollinger County and \$14.7 million in Cape Girardeau County.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local taxing entities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small businesses in Cape Girardeau County or Bollinger County would be impacted if the new tax were approved by voters.

FISCAL DESCRIPTION

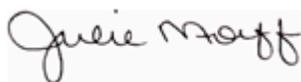
Currently, certain adjoining counties may jointly impose a sales tax throughout each of their respective counties for public recreational purposes including the financing, acquisition, construction, operation and maintenance of recreational projects and programs. The sales taxes will not become effective unless it is approved by a majority of the voters in each county.

This bill changes the authorization language so that the counties do not have to act jointly. Each county is individually authorized to impose, upon voter approval, its own tax for public recreational purposes. If enacted, this bill will initially only apply to Bollinger and Cape Girardeau counties.

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 and Planning



Julie Morff
 Director
 February 23, 2023



Ross Strope
 Assistant Director
 February 23, 2023