

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4901H.01I
 Bill No.: HB 2290
 Subject: Political Subdivisions; Taxation and Revenue - Sales and Use; Cities, Towns, and Villages
 Type: Original
 Date: January 22, 2024

Bill Summary: This proposal adds cities allowed to impose a sales tax for public safety.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0	\$0 or \$37,919**	\$0 or \$58,016
Total Estimated Net Effect on General Revenue	\$0	\$0 or \$37,919**	\$0 or \$58,016

*Represents the potential 1% Department of Revenue collection fee, if voters approve the sales tax(es).

** The estimated fiscal impact for fiscal year 2026 is lesser because FY 2026 is a partial year (8 months).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
City of Hannibal	\$0	\$0 or \$1,343,206**	\$0 or \$2,055,104
City of Sikeston	\$0	\$0 or \$1,396,744**	\$0 or \$2,137,018
City of Moberly	\$0	\$0 or \$1,013,981**	\$0 or \$1,551,390
Local Government*	\$0	\$0 or \$3,753,931 **	\$0 or \$5,743,512

*Pending voter approval.

** The estimated fiscal impact for fiscal year 2026 is lesser because FY 2026 is a partial year (8 months).

FISCAL ANALYSIS

ASSUMPTION

Section 94.900 Sales Tax for Public Safety

Officials from the **Department of Revenue (DOR)** note this proposal allows a city with more than sixteen thousand but fewer than eighteen thousand inhabitants and located in more than one county to adopt a sales tax for the purpose of funding public safety. DOR believes this is Hannibal and Sikeston.

Hannibal

DOR records show that Hannibal has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$67,728,970	\$76,528,715	\$76,079,876	\$75,586,919	\$295,924,481
2018	\$67,631,899	\$79,601,649	\$76,285,136	\$77,940,647	\$301,459,331
2019	\$67,463,248	\$78,105,713	\$81,216,516	\$82,692,583	\$309,478,060
2020	\$69,982,369	\$87,152,350	\$85,155,682	\$87,018,479	\$329,308,879
2021	\$81,082,722	\$93,364,299	\$92,954,007	\$97,111,125	\$364,512,153
2022	\$81,170,292	\$100,642,087	\$100,479,879	\$102,098,456	\$384,390,715
2023	\$93,970,464	\$105,148,013	\$97,956,188		

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

Hannibal	1/4 of 1% Tax		1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2025	\$9,976	\$987,651	\$19,953	\$1,975,302
2026	\$10,176	\$1,007,404	\$20,352	\$2,014,808
2027	\$10,379	\$1,027,552	\$20,759	\$2,055,104

DOR notes that this proposal would become effective on August 28, 2024, and the first election this issue could be presented to the voters would be the April 2025 general municipal 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, 2025 (FY 2026) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2026 of 8 months.

Hannibal	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2025	\$0	\$0
2026 * (8months)	\$13,568	\$1,343,206
2027	\$20,759	\$2,055,104

*Effective Date 8/28/2024

Sikeston

DOR shows that the City of Sikeston has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$72,768,638	\$75,906,396	\$71,303,847	\$72,021,616	\$292,000,496
2018	\$74,394,832	\$77,592,667	\$73,906,301	\$78,204,078	\$304,097,878
2019	\$75,086,348	\$79,150,901	\$74,977,901	\$78,655,685	\$307,870,835
2020	\$77,014,327	\$87,785,994	\$83,655,316	\$84,822,741	\$333,278,379
2021	\$88,403,515	\$95,942,004	\$93,652,633	\$100,823,372	\$378,821,523
2022	\$90,545,428	\$98,830,654	\$97,693,783	\$99,809,524	\$386,879,389
2023	\$98,416,230	\$100,412,394	\$96,039,616		

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

Sikeston	1/4 of 1% Tax		1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2025	\$10,374	\$1,027,017	\$20,748	\$2,054,035
2026	\$10,581	\$1,047,558	\$21,163	\$2,095,116
2027	\$10,793	\$1,068,509	\$21,586	\$2,137,018

DOR notes that this proposal would become effective on August 28, 2024 and the first election this issue could be presented to the voters would be the April 2025 general municipal 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, 2025 (FY 2026) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2026 of 8 months.

Sikeston	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2025	\$0	\$0
2026 * (8 months)	\$14,109	\$1,396,744
2027	\$21,586	\$2,137,018

*Effective Date
 8/28/2024

Moberly

This proposal allows any city with more than twelve thousand five hundred but fewer than fourteen thousand inhabitants and located in a county with more than twenty-two thousand but fewer than twenty-five thousand inhabitants to adopt a sales tax for the purpose of funding public safety.

DOR records show that the City of Moberly has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$54,417,296	\$58,761,605	\$57,188,513	\$58,494,665	\$228,862,079
2018	\$56,775,968	\$61,135,913	\$58,936,062	\$61,201,512	\$238,049,455
2019	\$55,120,922	\$59,952,650	\$57,408,389	\$61,069,054	\$233,551,015
2020	\$55,859,356	\$66,129,963	\$63,232,964	\$64,320,765	\$249,543,048
2021	\$64,437,630	\$69,254,646	\$68,914,974	\$73,071,081	\$275,678,332
2022	\$65,016,796	\$72,708,116	\$73,181,877	\$76,137,547	\$287,044,336

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

Moberly	1/4 of 1% Tax		1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection

2025	\$7,531	\$745,574	\$15,062	\$1,491,148
2026	\$7,682	\$760,485	\$15,363	\$1,520,971
2027	\$7,835	\$775,695	\$15,671	\$1,551,390

DOR notes that this proposal would become effective on August 28, 2024, and the first election this issue could be presented to the voters would be the April 2025 general municipal 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, 2025 (FY 2026) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2026 of 8 months.

Moberly	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2025	\$0	\$0
2026 * (8 months)	\$10,242	\$1,013,981
2027	\$15,671	\$1,551,390

*Effective Date
 8/28/2024

Officials from the **Office of Administration - Budget and Planning (B&P)** note paragraphs (n) and (o) of Section 94.900.1(1) - B&P defers to the local government in the cities of Hannibal and Moberly 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. B&P defers to DOR for more specific estimates of actual collection costs.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions 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.

Oversight will range the fiscal impact from \$0 (not approved by voters) up to the estimates calculated by the Department of Revenue for the fiscal impact to general revenue and local political subdivisions.

Oversight assumes the first election this proposal could be presented to voters is the April 2025 general municipal 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. Therefore, Oversight will show the impact of this proposal beginning in October 2025 (FY 2026).

Oversight notes the description of Hannibal also encompasses the city of Sikeston; therefore Oversight assumes both cities could choose to implement the sales tax (with voter approval).

<u>FISCAL IMPACT – State Government</u>	FY 2025	FY 2026 (8 Mo.)	FY 2027
GENERAL REVENUE			
<u>Revenue Gain</u> - §94.900 - City of Hannibal DOR 1% Collection Fee pp. (3-4)	\$0	\$0 or \$13,568	\$0 or \$20,759
<u>Revenue Gain</u> - §94.900 - City of Sikeston DOR 1% Collection Fee pp. (4-5)	\$0	\$0 or \$14,109	\$0 or \$21,586
<u>Revenue Gain</u> - §94.900 - City of Moberly DOR 1% Collection Fee pp. (5-6)	\$0	\$0 or \$10,242	\$0 or \$15,671
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	\$0 or \$37,919	\$0 or \$58,016

<u>FISCAL IMPACT – Local Government</u>	FY 2025	FY 2026 (8 Mo.)	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> - §94.900 - City of Hannibal Public Safety Sales Tax pp. (3-4)	\$0	\$0 or \$1,343,206	\$0 or \$2,055,104
<u>Revenue Gain</u> - §94.900 - City of Sikeston Public Safety Sales Tax pp. (4-5)	\$0	\$0 or \$1,396,744	\$0 or \$2,137,018
<u>Revenue Gain</u> - §94.900 - City of Moberly Public Safety Sales Tax pp. (5-6)	\$0	\$0 or \$1,013,981	\$0 or \$1,551,390
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	\$0 or \$3,753,931	\$0 or \$5,743,512

FISCAL IMPACT – Small Business

Small businesses in the cities of Hannibal, Sikeston, and/or Moberly would be impacted if the new tax were approved by voters.

FISCAL DESCRIPTION

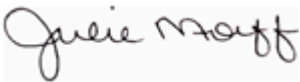
This bill adds certain cities to the list of cities authorized to enact, upon voter approval, a sales tax of up to .05% for the purpose of improving public safety, limited to expenditures on equipment, salaries and benefits, and facilities for police, fire, and emergency medical providers.

Upon enactment, the cities of Hannibal, Sikeston and Moberly will be so authorized.

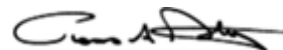
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning



Julie Morff
Director
January 22, 2024



Ross Strobe
Assistant Director
January 22, 2024