

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5074H.011
 Bill No.: HB 2348
 Subject: Taxation and Revenue - General; Counties; Taxation and Revenue - Sales and Use; Political Subdivisions
 Type: Original
 Date: February 23, 2024

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 2025	FY 2026	FY 2027
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 in both Bollinger and Cape Girardeau counties, an additional 1% tax could generate roughly \$183,188 for the 1% DOR collection fee in FY 2026 and \$186,852 in FY 2027.

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
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 \$570,000 in Bollinger County and \$17.2 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 a 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 the department is allowed to retain 1% of all sales tax collected for reimbursement of expenses.

BOLLINGER COUNTY

DOR records show that Bollinger County has 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	13,657,520	14,342,136	14,986,689	22,478,730	65,465,075

Sales Tax only

The Department notes this proposal allows a one percent sales tax. For the fiscal impact DOR will assume the one-half of one percent sales tax is adopted. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount that Bollinger County would collect, and the fee retained by DOR as:

Bollinger County	1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2025	\$5,752	\$569,408
2026	\$5,867	\$580,796
2027	\$5,984	\$592,412

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.

Bollinger County	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2025 (8 months)*	\$1,917	\$189,803
2026	\$2,933	\$290,398
2027	\$2,992	\$296,206

*Effective Date 8/28/2024

CAPE GIRARDEAU COUNTY

DOR records indicate that 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	\$1,567,613,454
2022	\$379,093,259	\$422,916,961	\$450,150,408	\$457,241,987	\$1,709,402,615

The Department notes this proposal allows a one percent sales tax. For the fiscal impact DOR will assume the one-half of one percent sales tax is adopted. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount that Cape Girardeau County would collect, and the fee retained by DOR as:

Cape Girardeau County	1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2025	\$173,844	\$17,210,579
2026	\$177,321	\$17,554,791
2027	\$180,868	\$17,905,887

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.

Cape Girardeau County	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2025 (8 months)*	\$57,948	\$5,736,860
2026	\$88,661	\$8,777,395
2027	\$90,434	\$8,952,943

*Effective Date 8/28/2024

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

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.

Section 67.782.1(2) - 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.

Section 67.783 – The statute change creates an intersectional reference back to the two counties described in Section 67.782.

Section 67.785 - The statute change creates an intersectional reference back to the two counties described in Section 67.782, modifies the member terms for the authority, and cleans up gender pronoun references.

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 \$570,000 in Bollinger County and \$17.2 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 2025 (10 Mo.)	FY 2026	FY 2027
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<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

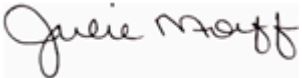
Currently, certain adjoining counties may jointly impose a sales tax throughout each of their respective counties for public recreational purposes including the financing, acquisition, construction, operation and maintenance of recreational projects and programs. The sales taxes will not become effective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

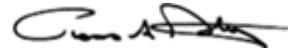
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning



Julie Morff
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February 23, 2024



Ross Strobe
Assistant Director
February 23, 2024