

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5181H.011  
 Bill No.: HB 2503  
 Subject: Taxation and Revenue - Sales and Use; Taxation and Revenue - General;  
 Counties; Cities, Towns, and Villages  
 Type: Original  
 Date: February 18, 2024

Bill Summary: This proposal modifies provisions relating to local use taxes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	\$0 or (Unknown)* to Unknown**	\$0 or (Unknown)* to Unknown**	\$0 or (Unknown)* to Unknown**
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or (Unknown)* to Unknown**</b>	<b>\$0 or (Unknown)* to Unknown**</b>	<b>\$0 or (Unknown)* to Unknown**</b>

\*This proposal requires DOR to upgrade their systems and sales tax map for *each* district that approves the proposed use tax, estimated at (\$1,785) per district. The negative unknown amount above represents the potential cost if a county gets voter approval to adopt the local use tax. Oversight assumes the fiscal impact will *not* reach the \$250,000 threshold.

\*\*This proposal allows any district that has a sales tax for emergency service to also adopt a use tax. The positive unknown amount above represents the potential 1% collection fee if a county gets voter approval to adopt the local use tax. Oversight assumes the fiscal impact will *not* reach the \$250,000 threshold.

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

Numbers within parentheses: () indicate costs or losses.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **Sections 144.757 to 144.761 - Local Use Tax**

Officials from the **Department of Revenue (DOR)** note this proposal would allow any district that has a sales tax for emergency service to also adopt a use tax. It should be noted that this would expand the current use tax jurisdictions of cities and counties to also include ambulance districts, fire districts, emergency service districts and hospital districts. It should be noted that these districts would still need to take the use tax to the voters to get it approved.

DOR notes that if adopted, DOR will handle the collection and distribution of the tax. DOR is allowed to retain 1% of all funds collected as reimbursement of the department's administrative expenses. DOR is unable to predict if and how many of these districts would adopt a use tax. This could result in an unknown impact to the districts and general revenue if any use tax is adopted.

For each district that adopts the tax, DOR will need to upgrade their sales tax map, rate manager program, the department's individual income tax and distribution system. These changes are \$1,785 for each district added.

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 144.757 - B&P defers to the local taxing jurisdictions 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 any new use taxes. B&P defers to DOR for more specific estimates of actual collection costs.

This should just bring in the special emergency services sales tax districts. Looking at the sales tax districts for food, there are only 8 districts classified as "emergency services". There are also 20 fire protection districts, 69 ambulance districts, and 1 hospital district. The use tax will allow them to get a piece of that online retail money. This would be especially important for smaller districts with few physical retail options.

Most of the special taxing districts (i.e. not cities/counties) don't have enabling language to levy a use tax.

DOR gets the 1% administration fee on all sales and use districts, except CID, TDD & PID for which they are prohibited from receiving the 1%.

**Oversight** will show the potential fiscal impact to locals as \$0 (not approved by voters) to an unknown positive impact (local use tax approved by voters).

**Oversight** notes if a county approves the proposed use tax, DOR is allowed to retain 1% of collections which is deposited into general revenue. Oversight will show the potential fiscal impact to general revenue as \$0 (not approved by voters) to an unknown positive impact (local use tax approved by voters).

Officials from the **Department of Natural Resources** and the **Missouri Department of Conservation** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Officials from the **City of Kansas City, Kansas City Police Dept.,** and the **St. Louis County Police Dept** each assume the proposal will have no fiscal impact on their respective organizations.

**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.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>GENERAL REVENUE</b>			
<u>Potential Revenue Gain - §144.757 to §144.761 - DOR 1% Collection Fee</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Potential Cost - DOR - System upgrades</u>	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 or (Unknown) to Unknown</u></b>	<b><u>\$0 or (Unknown) to Unknown</u></b>	<b><u>\$0 or (Unknown) to Unknown</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Potential Revenue Gain - §144.757 to §144.761 - Local Use Tax</u>	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

Small businesses in a taxing jurisdiction that adopts the local use tax will be impacted. (Pending voter approval).

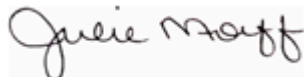
FISCAL DESCRIPTION

This bill provides that for purposes of Sections 144.757 to 144.761, RSMo, the local use tax laws, the term "county or municipality" will include the governing body of any taxing jurisdiction authorized to impose a sales tax for emergency services.

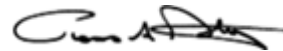
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
 Office of Administration - Budget and Planning  
 Missouri Department of Conservation  
 Department of Natural Resources  
 City of Kansas City  
 Kansas City Police Dept.  
 St. Louis County Police Dept



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 Director  
 February 18, 2024



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