

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0328-02
Bill No.: SCS for SB 52
Subject: Taxation and Revenue - Income; Arts and Humanities; Libraries and Archives;
Entertainers and Sports
Type: Original
Date: February 12, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	Unknown	Unknown	Unknown
Total Estimated Net Effect on General Revenue Fund	UNKNOWN	UNKNOWN	UNKNOWN

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Higher Education** and the **Department of Economic Development, Missouri Arts Council** assume this legislation extends the time period that funds from the taxation of nonresident entertainers and athletes can be transferred from year 2008 to 2015, and would not fiscally impact their agencies.

Secretary of State (SOS), State Library officials assume current law allocates, subject to appropriation, ten percent of the nonresident income taxes from out of state professional athletes and entertainers to the Secretary of State for distribution to public libraries for the acquisition of library materials. These funds assist libraries in their efforts to provide accurate information for their communities. SOS assumes the Department of Revenue would have increased ability to collect taxes owed from entertainment venues. This bill also would extend the period for allocation of these taxes through 2015, an extension of seven years.

No additional staff will be needed by SOS for this program. Cost for administration of the program can be absorbed by the agency.

ASSUMPTION (continued)

Officials of the **Department of Revenue (DOR)** assume this legislation requires venues to collect withholding tax from nonresident entertainers and athletes who perform in venues located in Missouri. It also allows the collection of additions to tax and interest for non-payment of taxes and extends the sunset for the earmarking of the revenues collected from nonresident entertainers and athletes from 2008 to 2015.

DOR assumes changes to the mainframe computer systems and to tax forms will be needed. However, these changes are minimal and any costs associated with these changes will be absorbed by DOR.

DOR assumes the Office of Administration, Budget and Planning should estimate the revenue impact. However, DOR notes that this legislation will increase the collection of taxes paid by nonresident entertainers and athletes.

Officials from the **Department of Natural Resources (DNR)** did not respond to this fiscal note request. However, in a response to a similar proposal DNR assumed this proposal would require any entity which pays compensation to a nonresident entertainer to collect withholding taxes from nonresident entertainers who perform in Missouri. The bill also authorizes penalties, interest and additions to tax for failure to collect the withholding tax.

This proposal appears to close a loop-hole which has been utilized by some to avoid or minimize the impact of this tax on them. The DNR assumes that the result would be additional revenue/tax being paid. By statute 10% of the additional amount will be allocated to the Historic Preservation Revolving Fund.

It is unknown how much additional tax revenue this legislation would generate; however, the DNR assumes this proposal would increase the amount going to the Historic Preservation Revolving Fund.

This legislation could increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
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GENERAL REVENUE FUND

<u>Income</u> - General Revenue			
Increase in tax compliance	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Entertainment, sports and amusement venues that are small businesses could be impacted by this legislation.

DESCRIPTION

Currently, the taxation of nonresident professional athletes and entertainers has a specific distribution schedule, subject to appropriation, which is set to expire in 2008. This proposal extends the expiration date of the distribution schedule to 2015.

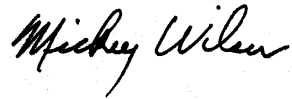
The proposal also specifies that any person, venue, or entity subject to the tax is to be considered an employer under the income tax law and thereby subject to the same penalties, interest and additions to tax for failure to collect the tax.

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 Higher Education
Department of Revenue
Department of Economic Development
Missouri Arts Council
Secretary of State
State Library

NOT RESPONDING: Department of Natural Resources

A handwritten signature in black ink, reading "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" written in a larger, more prominent script than the last name "Wilson".

Mickey Wilson, CPA
Director
February 12, 2003