

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1779-01
Bill No.: Perfected SB 333
Subject: Taxation and Revenue - Sales and Use; Political Subdivisions; Fire Protection
Type: Original
Date: April 16, 2019

Bill Summary: This proposal authorizes certain fire protection districts and municipalities to propose a 0.5% sales tax for fire protection.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on General Revenue	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume this section would change the current top sales tax rate of one-fourth of one percent to one half of one percent.

Under the parameters outlined under this section the Department currently collects from one jurisdiction. In FY 2018 the Raytown Fire Protection District collected \$494,661.94. This was collected at the 0.25% rate. Total taxable sales amounted to \$197.9 million. With an increase of the tax to 0.5% the Raytown Fire Protection District would collect an estimated \$989,323.88. The Department would collect a 1% collection fee, which would go to General Revenue. This would be an estimated \$4,946.26 to General Revenue if passed by voter approval.

The Department sees no administrative cost for this proposed legislation.

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this allows increasing the sales tax for the described fire protection district from 0.25% up to 0.50% for the purpose of funding fire protection.

According to the State Demographer, the description of any first class county in subsection 1 has population parameters that fit the population of the City of Ballwin. However, the exclusion of a first class county with a population in excess of 900,000 would mean that St. Louis County, where the City of Ballwin is located, would not be among the fire protection districts or municipalities imposing this sales tax increase. In fact, a demographic search of first class counties does not yield any city that meets the population parameters of 30,000 to 35,000 inhabitants.

The sponsor's Senate floor discussion indicates that the intent is to allow Kansas City to increase its current sales tax from one-fourth of one percent to one-half of one percent. The second half of the description (after the "or" in 321.242.1) covers Kansas City.

Currently, DOR knows of 19 fire protection districts with a sales tax. The City of Raytown's fire protection sales tax is the only one of the 19 with a one-fourth of one percent sales tax. In FY 2018, the City of Raytown received \$494,661 in revenue on this tax. Using this data, the projected increase to the DOR collection fee would be \$4,946 after the sales tax increase. This DOR collection amount would impact Total State Revenue. Because the sales tax increase would be subject to voter approval, there would be no impact to the calculation of Article X, Section 18(e).

ASSUMPTION (continued)

With only one year of sales tax data from City of Raytown fire protection sales tax collections, B&P is unable to project future years of tax revenues and collection fees. Therefore, Budget and Planning defers to DOR for estimates of specific collection costs and projected sales tax revenues.

Officials at the **City of Kansas City** assume if approved by the voters this would generate revenues of approximately \$20.9 million.

Officials at the **City of Sugar Creek** assume a positive impact in an indeterminate amount.

Officials at the **Monroe County Assessor** and the **St. Louis County** each assume there is no fiscal impact from this proposal.

Officials at the **St. Francois County Assessor** assume they have no information to calculate the impact.

Oversight notes that §321.242 currently allows certain fire protection districts or municipal fire departments to impose a sales tax rate upon a vote of its people at a rate of one-fourth of one percent for the district. As pointed out by B&P it is unclear which fire protection districts are covered by §321.242. This proposal would change the language to allow “up to one-half of one percent” which would allow the fire protection districts or municipal fire departments under this section the flexibility to choose their sales tax amount up to one-half of one percent. Oversight is unclear as to exactly which fire protection districts would fall under this increased rate. Oversight will show the impact as \$0 (none take action or not approved by voters) to an unknown amount of sales tax revenue (and 1% collection fee for DOR).

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021	FY 2022
	(10 Mo.)		
GENERAL REVENUE			
<u>Additional Revenue - DOR §321.242</u>			
1% DOR Collection fee	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Additional Revenues - flexibility in increasing sales tax §321.242</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Current law authorizes certain fire protection districts and municipalities having a municipal fire department to propose to the voters a sales tax not to exceed 0.25% for the operation of the fire protection district or municipal fire department. This act increases the maximum rate to 0.5%.

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

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SOURCES OF INFORMATION

City of Kansas City
City of Sugar Creek
Department of Revenue
Monroe County Assessor
Office of Administration Division of Budget and Planning
St. Charles County
St. Francois County Assessor Office

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April 16, 2019



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