

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1849-03  
Bill No.: SB 387  
Subject: Taxation and Revenue - Sales and Use; Cities, Towns and Villages  
Type: Original  
Date: March 12, 2019

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Bill Summary: This proposal authorizes the City of Springfield to submit to the voters a transient guest tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 or Up to \$23,517	\$0 or Up to \$94,068	\$0 or Up to \$94,068
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or Up to \$23,517</b>	<b>\$0 or Up to \$94,068</b>	<b>\$0 or Up to \$94,068</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<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.  
This fiscal note contains 6 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
<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 \$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
<b>Local Government</b>	<b>\$0 or Up to \$2,328,191</b>	<b>\$0 or Up to \$9,312,766</b>	<b>\$0 or Up to \$9,312,766</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal allows voters in the City of Springfield to impose a transient guest tax up to 7.5% for the purpose of funding public safety for the city.

Using forecast estimates for statewide average growth in local sales taxes and state taxes (including food), the estimated average growth for FY 2019 and FY 2020 is 3.4% and 3.1%, respectively. The analysis also assumes a vote implementation date of April 1, and that an agreement is entered into by the City of Springfield and the State of Missouri's Director of Revenue for the collection of the tax.

B&P estimates the City of Springfield FY 2020 taxable room sales of \$31.4 million (for Q4). B&P assumes this sales tax takes effect starting April 1, thus only impacting Q4 of FY 2020 sales collections. For the City of Springfield, with estimated Q4 collections of \$2.4 million, this proposed sales tax could generate approximately \$2.3 million for the city for FY 2020. As a voter-approved tax, the collected revenues will not impact General and Total State Revenues; however, assuming the city and DOR enter into an agreement for DOR to collect the taxes, DOR will retain 1% to offset collection costs. Therefore, this portion could increase General and Total State Revenues by approximately \$23,517 in FY 2020.

Using the same methodology to estimate FY 2021 and FY 2022 sales, we estimate taxable room sales in City of Springfield to total \$31.4 million in FY 2020 and \$125.4 million in FY 2021 and beyond. This proposed sales tax might generate approximately \$9.3 million for the city in FY 2021, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, again assuming an agreement, DOR will retain 1% to offset collection costs, which could therefore increase General and Total State Revenues by approximately \$94,068 in FY21 and annually thereafter if the transient guest tax is approved.

ASSUMPTION (continued)

CY	Room Sales	Transient Guest Tax Revenue 7.5%	DOR Collection Fee 1%
2016	\$103,985,329	\$7,798,900	\$77,989
2017	\$110,683,143	\$8,301,236	\$83,012
2018	\$117,653,000	\$8,823,975	\$88,240
2019	\$121,653,202	\$9,123,990	\$91,240
2020	\$125,424,451	\$9,406,834	\$94,068
2021	\$125,424,451	\$9,406,834	\$94,068
2022	\$125,424,451	\$9,406,834	\$94,068

Source: B&P

**B&P** defers to DOR for more specific estimates of actual collection costs.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

Officials at the **City of Springfield** assume there is a potential fiscal impact to the City that is likely more than \$500,000.

**Oversight** notes the City of Springfield’s website states “The City of Springfield City Code Chapter 70, Article V, requires hotels, motels, and tourists courts to pay a tax equal to 5% of the gross rental receipts paid by transient guests for sleeping accommodations.” Oversight assumes this proposal, if passed by the voters, would allow Springfield to apply taxes up to 7.5%, either in addition to or instead of the 5% currently allowed. Oversight inquired with the City of Springfield if they currently collect the 5% tax, and if so, what their FY 2018 collections for this tax were. Oversight has not received a response from Springfield, but upon the receipt of the information, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

For informational purposes, **Oversight** reached out to the Missouri Municipal League to see if they had a list of cities that currently have a transient guest tax. The Missouri Municipal League provided a list to Oversight of cities with a transient guest tax and it showed that Springfield had

ASSUMPTION (continued)

a 5% of gross receipts transient guest tax that currently collects \$3,000,000 in annual revenue.

**Oversight** will show the impact as \$0 (not approved by voters) to the impact estimated by B&P.

**Oversight** notes this proposal allows for a transient guest tax up to 7.5%. Oversight is unclear if this 7.5% includes the current 5% fee assessed or would be in addition to.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE</b>			
<u>Revenue</u> DOR collection fee	<u>\$0 or Up to</u> <u>\$23,517</u>	<u>\$0 or Up to</u> <u>\$94,068</u>	<u>\$0 or Up to</u> <u>\$94,068</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0 or Up to</u></b> <b><u>\$23,517</u></b>	<b><u>\$0 or Up to</u></b> <b><u>\$94,068</u></b>	<b><u>\$0 or Up to</u></b> <b><u>\$94,068</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>CITY OF SPRINGFIELD</b>			
<u>Revenue</u> - \$94.842 transient guest tax	<u>\$0 or Up to</u> <u>\$2,328,191</u>	<u>\$0 or Up to</u> <u>\$9,312,766</u>	<u>\$0 or Up to</u> <u>\$9,312,766</u>
<b>ESTIMATED NET EFFECT ON THE CITY OF SPRINGFIELD</b>	<b><u>\$0 or Up to</u></b> <b><u>\$2,328,191</u></b>	<b><u>\$0 or Up to</u></b> <b><u>\$9,312,766</u></b>	<b><u>\$0 or Up to</u></b> <b><u>\$9,312,766</u></b>

FISCAL IMPACT - Small Business

Small hotel/motel businesses in Springfield may be impacted by this proposal.

### FISCAL DESCRIPTION

This act authorizes the City of Springfield to submit to the voters a transient guest tax not to exceed 7.5% of the charges per occupied room per night. Such tax shall be used solely for capital investments that can be demonstrated to increase the number of overnight visitors.

Upon approval by the voters, the city may adopt rules and regulations for the internal collection of the tax, or may enter into an agreement with the Department of Revenue for the collection of 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

City of Springfield  
Department of Revenue  
Office of Administration Division of Budget and Planning



Kyle Rieman  
Director  
March 12, 2019

Ross Strobe  
Assistant Director  
March 12, 2019