

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0556S.01I
 Bill No.: SB 160
 Subject: Taxation and Revenue - Sales and Use; Cities, Towns and Villages
 Type: Original
 Date: January 25, 2021

Bill Summary: The proposal authorizes the cities of Clinton and Lincoln to propose a sales tax for public safety.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0	\$0 to \$16,098	\$0 to \$24,628
Total Estimated Net Effect on General Revenue	\$0	\$0 to \$16,098	\$0 to \$24,628

*Represents the potential 1% Department of Revenue collection fee if voters approve the sales tax(es).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains NumberOfPages pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	\$0	\$0 to \$1,577,520	\$0 to \$2,413,608

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Budget & Planning (B&P)** assume B&P defers to the local government 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 the tax.

Oversight notes that officials from B&P defer to the **Department of Revenue (DOR)** and to local governments for the potential fiscal impact of this proposal.

Officials from **Department of Revenue (DOR)** assume:

Section 94.902

This proposal would allow any city of the third classification with more than nine thousand but fewer than ten thousand inhabitants and located in any county of the third classification with a township form of government and with more than twenty thousand but fewer than twenty-three thousand inhabitants to implement a sales tax for public safety. DOR believes the only city to qualify under this description is the City of Clinton.

Additionally, this proposal would allow any city of the fourth classification with more than one thousand fifty but fewer than one thousand two hundred inhabitants and located in any county of the third classification without a township form of government and with more than eighteen thousand but fewer than twenty thousand inhabitants and with a city of the fourth classification with more than two thousand one hundred but fewer than two thousand four hundred inhabitants as the county seat to also implement a sales tax for public safety. DOR believes this would apply to the City of Lincoln and the City of Cole Camp.

The sales tax may be imposed in an amount of one-fourth, one-half, three-fourths, or one percent. The tax shall be imposed solely for the purpose of improving the public safety.

CITY OF CLINTON

DOR shows that the **City of Clinton** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	40,147,895	44,618,974	44,443,717	44,037,435	173,248,021
2016	41,389,150	45,465,065	45,533,177	44,893,260	177,280,651
2017	40,038,915	47,066,194	45,477,582	43,884,475	176,467,167
2018	40,961,939	47,940,212	46,462,280	46,505,858	181,870,288
2019	41,412,692	48,554,205	48,146,261	47,602,031	185,715,189
2020	46,200,897	55,540,348			101,741,245

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one percent sales tax. For the fiscal impact we will assume the one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a lesser amount than the full one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Clinton would collect and the fee retained by DOR as:

Clinton	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax		
	Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
	2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	2023	\$5,344	\$529,078	\$10,688	\$1,058,157	\$16,033	\$1,587,235	\$21,377	\$2,116,313
	2024	\$5,451	\$539,660	\$10,902	\$1,079,320	\$16,353	\$1,618,980	\$21,804	\$2,158,640

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. 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, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

Clinton	1% Tax	
Fiscal Year	DOR 1% Fee	Clinton Revenue
2022	\$0	\$0
2023	\$16,033	\$1,587,235
2024	\$21,804	\$2,158,640

CITY OF LINCOLN

DOR shows that the **City of Lincoln** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	2,124,060	2,412,496	2,368,178	2,014,074	8,918,808
2016	2,138,130	2,369,529	2,437,892	2,142,464	9,088,015
2017	2,177,513	2,602,875	2,547,296	2,120,049	9,447,734
2018	2,444,106	2,542,249	2,617,362	2,318,717	9,922,434
2019	2,031,857	2,243,606	2,706,418	2,367,247	9,349,128
2020	2,464,802	3,151,201			5,616,003

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one percent sales tax. For the fiscal impact we will assume the one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a lesser amount than the full one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Lincoln would collect and the fee retained by DOR as:

Lincoln	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax	
	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$289	\$28,638	\$579	\$57,276	\$868	\$85,913	\$1,157	\$114,551
2024	\$295	\$29,211	\$590	\$58,421	\$885	\$87,632	\$1,180	\$116,842

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. 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, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

Lincoln	1% Tax	
Fiscal Year	DOR 1% Fee	Lincoln Revenue
2022	\$0	\$0
2023	\$868	\$85,913
2024	\$1,180	\$116,842

CITY OF COLE CAMP

DOR shows that the **City of Cole Camp** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	3,229,113	3,002,081	3,402,238	3,196,016	12,829,447
2016	3,095,340	3,003,988	3,225,042	3,279,187	12,603,558
2017	3,081,084	2,956,959	3,249,944	3,336,067	12,624,054
2018	3,278,248	3,220,758	3,474,064	4,684,461	14,657,531
2019	3,402,802	3,687,581	3,745,639	3,618,415	14,454,437
2020	3,688,039	3,837,967			7,526,006

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one percent sales tax. For the fiscal impact we will assume the one percent sales tax is adopted. However, for informational purposes we are

showing how much would be collected if they just chose a lesser amount than the full one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Cole Camp would collect and the fee retained by DOR as:

Cole Camp	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax	
	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection	DOR 1% Fee	1% Tax
2022	395	39,109	790	78,217	1,185	117,326	1,580	156,434
2023	403	39,891	806	79,782	1,209	119,672	1,612	159,563
2024	411	40,689	822	81,377	1,233	122,066	1,644	162,754

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. 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, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

Cole Camp	1% Tax	
Fiscal Year	DOR 1% Fee	Cole Camp Revenue
2022	\$0	\$0
2023	\$1,209	\$119,672
2024	\$1,644	\$162,754

Clinton, Lincoln, & Cole Camp combined (8 months collection):

Fiscal Year	DOR 1% Fee	All above cities, Revenue
2022	\$0	\$0
2023	\$16,098	\$1,593,616
2024	\$24,628	\$2,438,236

Officials from the **DOR** do not anticipate any administrative costs stemming from the proposal.

In response to the similar proposal, HCS for HB 1701 (3883-02) 2020, Officials from the **City of Clinton** assumed, based on financial data from FY 18-19, the City would expect to generate annual revenues of \$950,000 based on a one-half percent sales tax.

Additionally, Officials at the **City of Branson West** assumed if the Board of Alderman of the City decide to approve the tax at half a percent and it is passed, the approximate revenue that will be brought in is \$500,000 annually.

Oversight notes while the cities within this proposal could start to generate sale tax revenue beginning October 1, 2022, the reporting will not occur until 1 month later. Therefore, Oversight will range the fiscal impact from \$0 (not approved by voters) the estimates calculated by Oversight for 8 months in FY 22 and reflect a full year of sales tax revenue for FY 23 in this proposal.

Officials from the **Office of the State Treasurer** assumes the proposal would not have direct fiscal impact on their organization.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023 (8 Mo.)	FY 2024
GENERAL REVENUE FUND			
<u>Additional Revenue - DOR - '94.902 - 1% DOR Collection fee</u>	<u>\$0</u>	<u>\$0 to \$16,098</u>	<u>\$0 to \$24,628</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 to \$16,098</u>	<u>\$0 to \$24,628</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023 (8 Mo.)	FY 2024

LOCAL POLITICAL SUBDIVISIONS			
CITY OF CLINTON			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902	\$0	\$0 to \$1,410,876	\$0 to \$2,158,640
<u>Loss</u> - 1% collection fee kept by DOR	\$0	\$0 to (\$14,252)	\$0 to (\$21,804)
NET EFFECT ON CITY OF CLINTON	\$0	\$0 to (\$1,396,624)	\$0 to (\$2,136,836)
CITY OF LINCOLN			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902	\$0	\$0 to (\$76,367)	\$0 to (\$116,842)
<u>Loss</u> - 1% collection fee kept by DOR	\$0	\$0 to (\$772)	\$0 to (\$1,180)
NET EFFECT ON CITY OF LINCOLN	\$0	\$0 to (\$75,596)	\$0 to (\$115,662)
<u>FISCAL IMPACT – Local Government (continue)</u>	FY 2022	FY 2023 (8 Mo.)	FY 2024

CITY OF COLE CAMP			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902	\$0	\$0 to (\$106,375)	\$0 to (\$162,754)
<u>Loss</u> - 1% collection fee kept by DOR	\$0	\$0 to (\$1,075)	\$0 to (\$1,644)
NET EFFECT ON CITY OF COLE CAMP	\$0	<u>\$0 to (\$105,300)</u>	<u>\$0 to (\$161,110)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 to \$1,577,520</u>	<u>\$0 to \$2,413,608</u>

FISCAL IMPACT – Small Business

Small businesses in Clinton, Lincoln and Cole Camp that either collect and/or pay sales taxes could be impacted by this proposal.

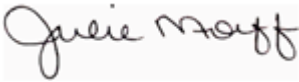
FISCAL DESCRIPTION

This act adds the cities of Clinton and Lincoln to the list of cities authorized to levy a sales tax upon voter approval for the purposes of improving public safety. The tax shall be 0.25%, 0.5%, 0.75%, or 1%.

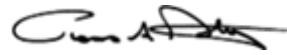
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration – Budget and Planning
Office of the State Treasurer
Department of Revenue



Julie Morff
Director
January 25, 2021



Ross Strobe
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January 25, 2021