COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0752H.11C
Bill No.: HCS for SS for SCS for SB Nos. 153 & 97
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use; Taxation and Revenue - Income; Revenue, Department of; Uniform Laws; General Assembly; Political Subdivisions; Business and Commerce; Fire Protection; Workers Compensation
Type: Original
Date: April 26, 2021

Bill Summary: This proposal would modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
General Revenue Fund	Could exceed ($840,770)	Less than ($24,578,665) to ($3,642,744)	Less than ($39,678,586) to $2,949,468	Less than ($251,862,843) to ($203,162,599)
Total Estimated Net Effect on General Revenue	**Could exceed ($840,770)**	**Less than ($24,578,665) to ($3,642,744)**	**Less than ($39,678,586) to $2,949,468**	**Less than ($251,862,843) to ($203,162,599)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
School District Trust Fund (0688)	$0	Less than $13,222,687 to $20,201,327	Less than $26,922,981 to $41,132,333	Less than $30,758,049 to $46,991,464
Conservation Commission Fund (0609)	$0	Less than $1,652,836 to $2,525,166	Less than $3,365,373 to $5,141,542	Less than $3,844,757 to $5,873,933
Parks and Soils State Sales Tax Fund(s) (0613 & 0614)	$0	Less than $1,322,269 to $2,020,133	Less than $2,692,298 to $4,113,233	Less than $3,075,805 to $4,699,146
Total Estimated Net Effect on Other State Funds	**$0**	**Less than $16,197,792 to $24,746,626**	**Less than $32,980,652 to $50,387,108**	**Less than $37,678,611 to $57,564,543**

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
General Revenue – DOR	8 FTE	46 FTE	46 FTE	46 FTE
Total Estimated Net Effect on FTE	**8 FTE**	**46 FTE**	**46 FTE**	**46 FTE**

☒ 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.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2029)
Local Political Subdivisions	$0 to (Unknown)	Could exceed ($16,821,645)	($36,284,268) to $27,575,128	($45,097,773) to $27,858,131
Local Government	**$0 to (Unknown)**	**Could exceed ($16,821,645)**	**($36,284,268) to $27,575,128**	**($45,097,773) to $27,858,131**

FISCAL ANALYSIS

ASSUMPTION

Total State Revenue and Article X, Section 18(e) Impact

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state:

Section(s) 32.310, 144.049, 144.054, 144.526, 144.637, 144.638, 144.710, 144.757, and 144.759 will not impact Total State Revenue(s) (TSR).

Section 135.445 will reduce TSR by $4,000,000 annually, beginning in Fiscal Year 2023.

B&P estimates Section(s) 143.011, 143.031, and 143.131 will reduce TSR by $336,740,157 annually, once fully implemented.

B&P estimates Section(s) 144.605 and 144.752 will increase TSR by $130,000,000 to $198,500,000 annually, once fully implemented. B&P notes, however, that the TSR impact from Section(s) 144.605 and 144.752 is only due to a clarification to the base pursuant to the United States Supreme Court ruling in *Wayfair vs. South Dakota* (2018).

Therefore, B&P estimates this proposed legislation may decrease TSR by $142,200,000 to $210,800,000 annually once fully implemented. B&P, again, notes that the TSR impact from Section(s) 144.605 and 144.752 is only due to a clarification to the base pursuant to the United States Supreme Court ruling in *Wayfair vs. South Dakota* (2018).

B&P notes:

Section(s) 32.310, 144.049, 144.054, 144.526, 144.637, 144.638, 144.710, 144.757, and 144.759 will not impact the calculation under Article X, Section 18(e).

Section 135.445 will reduce the calculation under Article X, Section 18(e) by $4,000,000 annually.

Section(s) 143.011, 143.031, and 143.131 will reduce the calculation under Article X, Section 18(e) by $336,740,157 annually, once fully implemented.

Section(s) 144.605 and 144.752 will not impact the calculation under Article X, Section 18(e) as this would not technically be a new tax. Much of the revenue from online retail sales should already be due under existing use tax law.

Therefore, this proposed legislation will reduce the calculation under Article X, Section 18(e) by $340,700,000 annually, once fully implemented.

Section 32.310 – DOR Sales and Use Tax Map

Oversight notes this section requires that use tax information be added to the Missouri Department of Revenue's mapping system. Political subdivisions are required to provide their respective use tax information to the Missouri Department of Revenue by January 1, 2022. Should a political subdivision fail to provide their respective sales and/or use tax information to the Missouri Department of Revenue, the Missouri Department of Revenue shall use the last known sales or use tax rate for such political subdivisions.

The Missouri Department of Revenue must update their mapping system to include the use tax information by July 1, 2022.

Oversight notes, by July 1, 2022, the Missouri Department of Revenue must update their mapping system to include the total sales tax rate for combined rates of overlapping sales taxes levied and the total use tax rate for combined rates of overlapping use taxes levied.

Oversight notes, should the boundaries of a political subdivision required to submit data under this section be changed, the political subdivision must forward a copy of the ordinance adding or detaching territory from the political subdivision by registered or certified mail within ten (10) days of the adoption of such ordinance.

Officials from the **Missouri Department of Revenue (DOR)** state this section adds "use tax" to DOR's mapping feature which currently states the sales tax rate of a given political subdivision.

This section further requires all political subdivisions to submit their use tax information to DOR by January 1, 2022 and for DOR to have the updated website working by July 1, 2022. DOR assumes this will not have a fiscal impact as use tax is already included in the map where it has been provided by the political subdivision.

This section will require, by July 1, 2022, that the current sales tax map be updated to include the ability to see the total sales tax rate for combined rates in overlapping sales tax districts. These combined rates are to include sales and use tax.

DOR notes its existing sales tax map is not capable of being expanded at this time to meet these additional requirements without additional resources. When the previous map was designed, political subdivisions were required to submit their rates and boundaries but some refused, some did not have GIS capabilities to provide clear and concise boundaries, and some provided hand-drawn maps that were not always able to be uploaded to make clear and concise boundaries. The current map is just a list of what was provided, and there is no reconciliation of the boundary lines. In order to overlay all current sales and use tax districts it would require the creation of a composite of all tax boundaries. This can only be done by reconciling the thousands of gaps and slivers that occur when bringing together data from numerous sources. Creation of such a map can be done but DOR will required the following resources in order to accomplish it.

The current sales tax map is handled by the Office of Geospatial Information in OA/ITSD. OA/ITSD has the technical expertise and knowledge to create the needed interface for DOR.

However, to provide the expanded capabilities, OA/ITSD would require additional server hardware, cloud storage and software including additional GIS server infrastructure at a cost of $195,000. Additionally, OA/ITSD will need one (1) GIS Manager ($75,000) and two (2) GIS Specialists ($55,405) at a cost of $185,810 annually for salary and $36,300 for GIS computer equipment (both hardware and software).

Additionally, DOR would handle the business aspects of this project, such as notification of the political subdivisions of the information needed, verifying that correct tax rates are provided and working to ensure that the boundaries of a taxing jurisdiction reconcile. During the collection of the data for the existing sales tax map it was found that only 75% of the counties have GIS capabilities while 25% do not. DOR will need to work with districts to determine jurisdictional boundaries in order to line up the boundaries.

DOR will also need two (2) GIS Specialists ($55,405) and an Associate Customer Service Representative ($24,360) to handle the correspondence and initial collection of the information from the political subdivisions. Including salaries, equipment and GIS licensing, it is estimated to cost $135,010 in the first year. It should be noted that the FTE would be ongoing expenses as districts are changing rates and boundaries all the time.

It is unclear when the fully functioning database would be able to go online. Hiring of staff and collecting and merging all the data will take time. While this project can be completed, DOR is unsure of its ability to accomplish in the timeframe required.

Due to the apparent complexity of reporting the tax rate(s) for overlapping jurisdictions, **Oversight** will include OA-ITSD's and DOR's administrative costs for this section, as reported. Since this proposed legislation states DOR must have the new mapping features online by July 1, 2022 (Fiscal Year 2023), Oversight will report the costs beginning in Fiscal Year 2022.

Officials from **B&P** state this section adds use tax information to the Missouri Department of Revenue's mapping system. In addition, the Missouri Department of Revenue must add the combined sales or use tax rate for jurisdictions with overlapping boundaries. This section further requires local jurisdictions to provide use tax information by January 1, 2022. In the event local jurisdictions do not supply sales or use tax data to the Missouri Department of Revenue, then the Missouri Department of Revenue will use the last known information. This section requires the Missouri Department of Revenue to implement the use tax map by July 1, 2022.

This section will not impact TSR or the calculation under Article X, Section 18(e).

<u>Section 67.2677 – Video Service Providers - Definitions</u>

Oversight notes this section modifies the definition of "Gross Revenues" so that amounts received by video service providers from advertisers for: rental of set top boxes and other video service equipment, service charges, administrative charges, and a pro rata portion of all revenue derived for advertising are no longer included within a video service provider's gross revenues.

Officials from **DOR** state this section changes how cable franchise fees are defined.

Officials from **B&P** state this section changes the local franchise fees for cable operators, beginning January 1, 2023.

Officials from the **City of Springfield (Springfield)** state this section changes what types of revenue are considered "gross revenue" for the purpose of cable franchise tax, which would reduce tax revenue.

<u>Section 67.2680 – Satellite or Streaming Video Services</u>

Oversight notes this section states the state, or any political subdivision, shall not impose any new tax, license, or fee in addition to any tax, license, or fee already authorized on or before August 28, 2021, upon the provision of satellite or streaming video services.

Oversight assumes, since this section states no "new" taxes, licenses, or fees shall not be imposed on satellite or streaming video services, that this section will not result in a direct fiscal impact. However, provided the state and/or political subdivisions would have otherwise imposed new taxes, licenses, or fees upon satellite or streaming video services, such revenue would not be recognized as a result of this section.

Officials from **B&P** state this section prohibits the state or local jurisdictions from imposing any new tax, license, or fee on satellite or streaming video services after August 28, 2021.

<u>Section 67.2689 – Video Service Provider Fee</u>

Oversight notes this section modifies the calculation of the video service provider fee.

Current law states a franchise entity, which is a political subdivision that was entitled to franchises and imposed fees on cable operators on the date before the effective date of Section(s) 67.2675 to 67.2714, may collect a video service provider fee equal to not more than five percent (5%) of the gross revenues from each video service provider that provides video service within the geographic area of such franchise entity.

This section modifies the fee to state that a franchise entity may collect a service provider fee equal to not more than five percent (5%) of the gross revenues charged to each customer of a video service provider that provides video service in a geographic area of such franchise entity.

This section further states that:

- Beginning August 28, 2023 (Fiscal Year 2024), franchise entities are prohibited from collecting a video service provider fee in excess of four and one-half percent (4.5%) of such gross revenues.
- Beginning August 28, 2024 (Fiscal Year 2025), franchise entities are prohibited from collecting a video service provider fee in excess of four percent (4%) of such gross revenues.
- Beginning August 28, 2025 (Fiscal Year 2026), franchise entities are prohibited from collecting a video service provider fee in excess of three and one-half percent (3.5%) of such gross revenues.
- Beginning August 28, 2026 (Fiscal Year 2027), franchise entities are prohibited from collecting a video service provider fee in excess of three percent (3%) of such gross revenues.
- Beginning August 28, 2027 (Fiscal Year 2028) and each year thereafter, franchise entities are prohibited from collecting a video service provider fee in excess of two and one-half percent (2.5%) of such gross revenues.

This section would require video service providers to identify and collect the fee and other specified fees as separate line items on a subscriber's bill.

Oversight notes, per information received from the Missouri Municipal League during the interim, of responding municipalities, municipalities collected $20,451,246 in cable/franchise/video service provider fee(s) in 2016.

Oversight notes, per information received from responding municipalities during the interim, municipalities collected $22,311,372 in video service provider fee(s) in 2018 and $22,033,761 in video service provider fee(s) in 2019.

Using the amount reported for 2019, Oversight estimates the total gross receipts reported by video service providers totaled $440,675,220 ($22,033,761 / 5%).

Using the estimated total gross receipts reported in 2019, Oversight estimates local revenues could decrease each fiscal year by an amount in excess of (accounting for the municipalities who did not respond and the modification(s) to the definition of "Gross Receipts"):

Fiscal Year	**Video Service Provider Fee (%)**	**Loss to Local Municipalities**
2024	4.5%	($2,203,376)
2025	4%	($4,406,752)
2026	3.5%	($6,610,128)
2027	3%	($8,813,504)
2028	2.5%	($11,016,881)
2029	2.5%	($11,016,881)

For purposes of this fiscal note, **Oversight** will report a revenue reduction to local political subdivisions equal to an amount that "Could exceed" the amount(s) reported above. The "Could exceed" is the result of municipalities that did not respond to Oversight's inquiry during the interim as well as the changes made to the definition of "Gross Receipts" which reduces the applicable items that are to be included in a video service provider's gross receipts.

Officials from the **Springfield** anticipate this section will result in a negative fiscal impact. This section reduces franchise cable revenue down to 2.5% by 2027. Springfield's cable revenue was $1.1 million in Fiscal Year 2020. Reducing the revenue in half would cost Springfield over $550,000 per year.

Officials from the **City of O'Fallon (O'Fallon)** anticipate the reduction in the video franchise fee that a municipality can charge from 5% to 2.5% will cost O'Fallon a little over $400,000 each year.

Officials from **DOR** state this section changes how cable franchise fees are handled. DOR does not collect these fees; collections are done by the local political subdivisions. DOR notes this section will not have an impact on DOR and defers to local political subdivisions for the impact.

Officials from **B&P** state this section would phase-out the franchise fee for cable companies beginning August 28, 2023.

Section 67.2720 – Task Force on the Future of Right-Of-Way Management and Taxation

Oversight notes this section establishes the Task Force on the Future of Right-Of-Way Management and Taxation.

The task force shall study best methods for right-of-way management, taxation of video service providers, and the future revenue needs of municipalities and political subdivisions as such revenue relates to video services.

The task force must compile and submit a report of its activities to the General Assembly no later than December 31, 2023 which shall include any recommendations which the task force may have for legislative action(s).

This section shall expire on December 31, 2023.

For purposes of this fiscal note, **Oversight** will not report a material fiscal impact as it relates to this section.

Officials from the **Missouri Department of Transportation (MoDOT)** state, in Missouri, MoDOT, through the Missouri Highways and Transportation Commission (MHTC), makes decisions to alter, purchase, construct, and maintain roadways. Currently, the General Assembly is not part of these decisions. The task force considered in this proposed legislation, however, could delay important decision-making in the roadbuilding process, leading to declined infrastructure and public safety.

Additionally, changes to the current structure would increase potential litigation over ownership and control of MHTC's right of way. MHTC is afforded ownership and control over its right of way. However, the recommendations of the contemplated task force could hamper this constitutionally-protected structure.

Officials from **B&P** state this section creates the "Task Force on the Future Right-of-Way Management and Taxation", beginning August 28, 2021. The task force shall study right-of-way management, taxation of video services, and revenue needs of local municipalities.

Officials from **DOR** note this section creates a task force which will not impact DOR.

Section 135.445 – Tax Credit for Contribution(s) To Voluntary Firefighter Cancer Benefits Trust

Oversight notes this section would allow, for all tax years beginning on or after January 1, 2022, a taxpayer who is a corporation to claim a tax credit in an amount equal to fifty percent (50%) of the total amount that the taxpayer contributes or pays to a voluntary firefighter cancer benefits trust.

Oversight notes this section would allow, for all tax years beginning on or after January 1, 2022, a taxpayer who is an individual to claim a tax credit in an amount equal to fifty percent (50%) of the total amount the taxpayer contributes to a voluntary firefighter cancer benefits trust.

The tax credit created is not refundable, but may be carried forward to any of the taxpayer's subsequent tax years.

The tax credit created shall not be assigned, transferred, or sold.

As voluntary firefighter cancer benefit trusts receive contributions from taxpayers, the voluntary firefighter cancer benefit trusts shall issue to the taxpayer a statement providing evidence of the contribution, including the monetary value of such contribution.

Each voluntary firefighter cancer benefit trust must provide the Missouri Department of Revenue the identity of each taxpayer making contribution(s) or payment to the voluntary firefighter cancer benefit trust(s).

Oversight notes, for all tax years beginning on or after January 1, 2022, the aggregate amount of tax credits that may be authorized shall not exceed four million dollars ($4,000,000).

Oversight notes the first year in which contributions can be made, and the first tax year in which credits may be claimed is Calendar Year/Tax Year 2022. Oversight notes Tax Year 2022 tax returns will not be filed until after January 1, 2023 (Fiscal Year 2023). Therefore, for purposes of this fiscal note, Oversight will report a revenue reduction to GR by an amount "up to" the tax credit cap of $4,000,000 beginning in Fiscal Year 2023.

Officials from **B&P** state this section creates a tax credit for contributions to a voluntary firefighter cancer trust fund beginning Tax Year 2022. The tax credits are equal to 50% of contributions made by individuals, businesses, or corporations. The tax credits are not refundable, cannot be transferred or sold, but may be carried forward an indefinite number of tax year. The maximum amount of tax credits that may be authorized per year is $4,000,000.

Therefore, B&P estimates that this provision will reduce TSR and GR by up to $4,000,000 annually beginning in Fiscal Year 2023.

Officials from **DOR** state this section, starting January 1, 2022, creates a tax credit for individuals, corporations, and other business entities equal to 50% of the contribution they make to a voluntary firefighter cancer benefits trust. This tax credit is not refundable and has an annual cap of $4 million. This section allows the credits to be carried forward to subsequent years but does not limit the number of years.

While this section starts on January 1, 2022, the credit will not be claimed until tax returns are filed in January 2023 (Fiscal Year 2023). DOR assumes this will result in a $4 million loss to GR.

DOR anticipates the need for one (1) FTE Associate Customer Service Representative for every 6,000 tax credits redeemed, one (1) FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated and additional expense for forms and programming changes.

Fiscal Year	Loss to GR
2022	$0
2023	($4,000,000)
2024	($4,000,000)

For purposes of this fiscal note, **Oversight** will include DOR's anticipated administrative impact, as reported by DOR.

Officials from the **Missouri Department of Commerce and Insurance (DCI)** anticipate a potential unknown decrease of Premium Tax revenues (up to the tax credit limit established) as a result of the creation of the Voluntary Firefighter Cancer Benefits Trust tax credit. Premium Tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the tax credits proposed.

DCI will require minimal contract computer programming to add this new tax credit to the Premium Tax database and can do so under existing appropriation. However, should multiple bills pass that would require additional updates to the Premium Tax database, DCI may need to request more expense and equipment appropriation through the budget process.

Section 143.011 – Individual Income Tax Rate

Oversight notes this section would eliminate the existing tax brackets/rates recognized under Missouri's Individual Income Tax laws.

The current Individual Income Tax rates would be replaced by a flat tax rate, which would be imposed on all incomes equal to or in excess of one hundred dollars ($100).

This section states the flat tax rate shall be equal to the top tax rate in effect as of December 31, 2022 (Tax Year 2022), minus one-tenth of a percent (0.1%). However, should a rate reduction be scheduled to occur pursuant to SB 509 (2014), the flat tax rate shall be equal to the top tax rate in effect as of December 31, 2022 (Tax Year 2022) minus two-tenths of a percent (0.2%).

Oversight notes, any remaining tax rate reductions pursuant to SB 509 (2014), and any new tax rate reductions created, would be applied against the new flat rate imposed.

Oversight notes this section increases the number of rate reductions that can occur from a total of five (5) rate reductions of one-tenth of one percent (0.1%) to seven (7) rate reductions of one-tenths of one percent (0.1%).

Oversight notes, two (2) of the five (5) rate reductions allowable have already occurred pursuant to SB 509 (2014). This allows for, under current law, three (3) additional rate reductions to occur in future, but separate, tax years.

Currently, (Tax Year 2021), the top Individual Income Tax rate is equal to 5.4%.

Oversight anticipates a tax rate reduction pursuant to SB 509 (2014) **will** occur for Tax Year 2022. This would set the top Individual Income Tax rate at 5.3% for Tax Year 2022. This would, under current law, allow for two (2) additional rate reductions to occur in future, but separate, tax years.

Oversight notes this section states the flat tax rate for Tax Year 2023 shall be equal to the top rate of tax in effect as of December 31, 2022 (Tax Year 2022) minus one-tenth of a percent (0.1% - which would **NOT** be considered one of the rate reductions pursuant to SB 509 or the two additional rate reductions allowed by this section) or minus two-tenths of a percent (0.2%) if a rate reduction pursuant to SB 509 (2014) is scheduled to occur.

Oversight does not anticipate a rate reduction to occur pursuant to SB 509 (2014) for Tax Year 2023. Therefore, Oversight assumes the flat tax rate, for Tax Year 2023, will be equal to 5.2% (5.3% - .1%).

Oversight assumes, then, pursuant to SB 509 (2014) (2 rate reductions remaining), and pursuant to this section (which increased the total number of rate reductions that could occur under SB 509 by two (2)) four (4) additional rate reductions could occur in future (post Tax Year 2023) but separate, tax years.

Therefore, **Oversight** assumes, once fully implemented, this section could reduce the flat tax rate to 4.8% (5.2% - 0.1% - 0.1% - 0.1% - 0.1%) for an unknown future tax year, and each year thereafter.

Officials from **B&P** state this section would create a flat tax on all individual income over $100. This provision will retain the 0.1% income tax reduction currently scheduled to occur under SB 509 (2014).

Based on current revenue forecasts and average revenue growth, B&P estimates that revenues in Fiscal Year 2021, Fiscal Year 2024, and Fiscal Year 2025 will reach the SB 509 (2014) growth trigger requirement for reductions to the top rate of tax. Therefore, the top rate of tax will be reduced by 0.1% in Tax Year(s) 2022, 2025, and 2026 under SB 509 (2014).

Furthermore, this section would increase the number of 0.1% reductions from five (5) to seven (7). B&P notes that two (2) reductions have already occurred (Tax Year(s) 2018 and 2019).

As noted above, based on current forecasts, B&P estimates that the next three (3) reductions will occur in Tax Year(s) 2022, 2025, and 2026. For the purpose of this fiscal note, B&P will assume that the additional two (2) 0.1% reductions will occur in Tax Years 2027 and 2028.

B&P notes this section would institute a flat tax rate beginning with Tax Year 2023, subject to the provisions of Section 143.021, RSMo and subsection 143.011.2. B&P notes that Section 143.021 states that there shall be no tax on taxable income less than $100. Therefore, B&P assumes that this provision would create a flat tax on all taxable income of $100 or more. B&P further notes that subsection 143.011.2 contains the top rate reductions created by SB 509 (2014). Table 1 shows the top tax rate and minimum taxable income for each tax year through the full implementation of SB 509 (2014) versus the proposed tax rate.

Table 1: Top Tax Rate by Tax Year

Tax Year	Current Law		Proposed	
	Top Tax Rate	Min. Income	Tax Rate	Min. Income
2020	5.4%	$8,586	N/A	N/A
2021	5.4%	$8,715	N/A	N/A
2022*	5.3%	$8,889	N/A	N/A
2023	5.3%	$9,067	5.2%	$100
2024	5.3%	$9,248	5.2%	$100
2025*	5.2%	$9,433	5.1%	$100
2026*	5.1%	$9,622	5.0%	$100
2027	5.1%	$9,814	4.9%	$100
2028	5.1%	$10,010	4.8%	$100

*Assumes SB 509 (2014) rate reduction is triggered under Section 143.011.2

For purposes of this fiscal note, B&P's estimated impact(s) for Section(s) 143.011 and 143.131 are shown together, below:

Using 2018 tax year data, the most current complete year available, and accounting for the changes in Individual Income Tax law created by SB 509 (2014) and HB 2540 (2018), B&P estimates that these sections will decrease TSR and GR by $118,031,231 in Tax Year 2023. Table 2 shows the estimated impacts by tax year.

Table 2: Income Tax
Changes by Tax Year

Tax Year	GR Impact
2023	($118,031,231)
2024	($106,507,382)
2025	($111,692,518)
2026	($117,511,812)
2027	($228,793,273)
2028	($336,740,157)

However, individuals will adjust their withholdings and declarations during Fiscal Year 2023 for the tax structure change that begins in Tax Year 2023 under Subsection 143.011.4. Therefore, B&P estimates that these sections will decrease TSR and GR by $49,573,117 in Fiscal Year 2023. Once fully implemented, these sections will decrease TSR and GR by $336,740,157. Table 3 sows the estimated impacts per fiscal year.

Table 3: Income Tax
Changes by Fiscal Year

Fiscal Year	GR Impact
2023	($49,573,117)
2024	($113,191,215)
2025	($108,685,139)
2026	($114,136,622)
2027	($164,250,026)
2028	($274,130,964)
2029	($336,740,157)

Officials from **DOR** state, currently, SB 509 (2014) allows for five (5) reductions of the Individual Income Tax rate. DOR notes, under current law, two (2) of the reductions have occurred (Tax Year 2018 and Tax Year 2019) and the third is forecasted to happen in Tax Year 2022, which will set the tax rate at 5.3%.

This section expands the five (5) reductions to seven (7) reductions under SB 509. These reductions will also only occur if the SB 509 trigger ($150 million) is met. Therefore, this reduction in the rate of tax shall only occur if the amount of net general revenue collected in the previous fiscal year exceeds the highest amount of net general revenue collected in any of the three (3) fiscal years prior to such fiscal year by at least one hundred fifty million dollars ($150,000,000).

This section also eliminates the current Individual Income Tax rates and brackets after December 31, 2022. Starting January 1, 2023, this section institutes an Individual Income Tax of 5.2% on all income subject to the provision of Section 143.021. Section 143.021 says that there shall be no tax on a taxable income of less than one hundred dollars ($100).

DOR used its internal Income Tax Model that contains confidential taxpayer data to create the fiscal impact.

DOR notes that the Individual Income Tax filing deadline that was scheduled for April 15, 2020 was moved to July 15, 2020. This move in the filing deadline is estimated to prevent the rate reduction triggers for the next three (3) fiscal years of the original SB 509 and would additionally not allow this section’s three (3) reduction requirements to be implemented until at least Tax Year 2027. DOR believes that the tax rates, as proposed, would be as follows:

Tax Year	Current Income Tax Rate under SB 509	Proposed Income Tax Rate
2018	5.9%	5.9%
2019	5.4%	5.4%
2020	5.4%	5.4%
2021	5.4%	5.4%
2022	5.3%	5.3%
2023	5.3%	5.2%
2024	5.3%	5.2%
2025	5.2%	5.1%
2026	5.1%	5.0%
2027	5.1%	4.9%
2028	5.1%	4.8%
2029	5.1%	4.8%

DOR used its internal Income Tax Model that contains confidential taxpayer data to calculate the fiscal impact for Section(s) 143.011, the Individual Income Tax rate, and Section 143.131, the Missouri Working Family Tax Deduction.

Tax Year	Loss GR
2023	($114,669,875)
2024	($103,192,581)
2025	($108,319,807)
2026	($114,165,000)
2027	($225,081,914)
2028	($332,672,613)

DOR uses a 42% in the first year and 58% in the second year to convert from tax year to fiscal year.

Fiscal Year	Loss to GR
2023	($48,161,348)
2024	($109,849,412)
2025	($105,346,016)
2026	($110,774,788)
2027	($160,750,104)
2028	($270,270,008)
2029	($332,672,613)

For purposes of this fiscal note, **Oversight** will report the estimated revenue reduction(s), for Section(s) 143.011 and 143.031, as estimated by B&P.

Section 143.031 – Combined Tax Returns

Oversight notes, currently, the Missouri taxable income of each spouse is an amount that is the same proportion of their Missouri combined taxable income as the Missouri Adjusted Gross Income of that spouse bears to the Missouri combined adjusted gross income.

Oversight notes this section would end such apportionment of the Missouri taxable income for taxpayers filing combined for all tax years beginning and after January 1, 2023.

Officials from **B&P** state this section removes the requirement that the taxable income of each spouse be in the same proportion as that spouse's Missouri Adjusted Gross Income to their total combined Missouri Adjusted Gross Income. B&P assumes that the changes in this section will not impact state revenues given the tax structure change created under Subsection 143.011.4.

Officials from **DOR** state this section removes the language requiring the apportionment of the combined income between married filing joint spouses. Since tax is applied to the combined amount of income, this is not expected to fiscally impact DOR.

For purposes of this fiscal note, **Oversight** will not report a fiscal impact as it relates to this section.

Section 143.131 – Missouri Standard Deduction

Oversight notes a taxpayer may deduct the Missouri standard deduction when determining the taxpayers' Missouri taxable income unless such taxpayers' have elected to itemize the deduction.

Oversight notes, currently, the standard deduction is equal to the allowable federal standard deduction.

Oversight notes this section, for all tax years beginning on or after January 1, 2023, increases the Missouri standard deduction to the allowable federal standard deduction plus four thousand dollars ($4,000) for taxpayers filing single or married filing separately, or eight thousand dollars ($8,000) for taxpayers filing married filing combined.

Oversight notes the increase to the Missouri standard deduction(s) shall be known and may be cited as the "Missouri Working Family Tax Deduction".

Oversight assumes the increase to the Missouri standard deduction will result in a net benefit per taxpayer equal to $212 each year when using a tax rate of 5.3% ($4,000 * 5.3%). Oversight assumes the top rate of tax for Tax Year 2022 will be 5.3% (under current law). Oversight notes the benefit per taxpayer (specific to the $4,000 increase to the standard deduction) will decrease as rate reductions occur pursuant to SB 509 (2014) and as additional rate reductions occur, as created under this proposed legislation (additional benefit will be recognized as a result of the tax rate reductions).
Officials from **B&P** state this section would increase the Missouri standard deduction by $4,000 for taxpayers filing single and $8,000 for married filing joint taxpayers beginning with Tax Year 2023. B&P notes that that the increase to the standard deduction will not apply to head of household taxpayers.

The increase to the standard deduction ($4,000 for singles, $8,000 for MFJ) shall be known as the "Missouri Working Family Tax Deduction".

For purposes of this fiscal note, B&P's estimated impact, as it relates to this section, is combined and shown with the impact(s) under Section 143.011 (on page 15).

Officials from **DOR** state, currently, the Missouri standard deduction is the same amount allowed under the federal standard deduction. Beginning January 1, 2023 this section increases the Missouri standard deduction to the federal standard deduction plus $4,000 for those filing single or married filing separate and $8,000 for those filing married filing joint. In Tax Year 2021, the federal standard deduction is scheduled to be $12,550 for single filers. If this section were in effect for 2021, then the Missouri standard deduction would become $16,550 for single filers.

This section sets the Missouri standard deduction for head of household and qualified widower filers at the federal standard deduction starting January 1, 2023.

This section will increase the standard deduction starting with Tax Year 2023. The first returns filed using this new deduction will be in January 2024 (Fiscal Year 2024).

The impact of this section will be calculated with the other Individual Income Tax changes occurring as a result of this entire proposed legislation; the impact is reported under Section 143.011 (on page 17).

For purposes of this fiscal note, **Oversight** will report the estimated revenue reduction(s), for Section(s) 143.011 and 143.031, as estimated by B&P.

Section 144.049 – Back-to-School Sales Tax Holiday

Oversight notes this section eliminates the imposition of local sales tax on qualifying items during the Back-to-School Sales Tax Holiday. Currently, qualifying Back-to-School Sales Tax Holiday items are only exempt from state sales tax and local sales tax within local political subdivisions that have **not** opted out of the sales tax holiday. This section repeals the provision in current law that permits local political subdivisions to opt out of the Back-to-School Sales Tax Holiday.

Officials from **B&P** state this section would no longer allow local municipalities to opt out of the school tax holiday. This will reduce revenues in all localities that currently opt out of the sales tax holiday.
Local sales tax collections for qualifying items during the tax holiday were $677,464 in Fiscal Year 2018, $432,274 in Fiscal Year 2019, and $287,295 in Fiscal Year 2020. B&P notes that the sales tax holiday occurs in August, after the start of Fiscal Year 2024. Using a three-year average of local collections, B&P estimates that this section could reduce funds to localities that had previously opted-out of the sales tax holiday by $465,677 ($677,464 + $432,274 + $287,295 / 3) beginning in Fiscal Year 2024.

Officials from **DOR** state this section would eliminate the ability of a local political subdivision to opt out of participating in the Back to School sales tax holiday, which occurs in August annually. DOR collected $677,463.79 in Tax Year 2018, $432,273.52 in Tax Year 2019, and $287,294.97 in Tax Year 2020 from jurisdictions that currently opt out of this holiday. This will be a decrease in revenue to the local jurisdictions that currently opt out.

This section has an effective date of January 1, 2023. Thus, this section would begin in Fiscal Year 2024 as the first holiday that would occur after January 1, 2023 would be in August 2023 (Fiscal Year 2024). Due to economic disruptions that occurred in Tax Year 2020, DOR will use a three year average to estimate the future fiscal impact ($465,677).

Officials from **Springfield** state this section would remove the ability of a city to opt out of the school days tax holiday and would result in a negative fiscal impact of approximately $75,000 annually due to the lost tax revenues.

Oversight will report the revenue <u>reduction</u> to local political subdivisions equal to the amount(s) reported by B&P and DOR.

<u>Section 144.054 – Manufacturing Sales Tax Exemption</u>

Oversight notes this section would expand the manufacturing sales tax exemption to include local sales tax. Currently, the manufacturing sales tax exemption is only applicable to state sales tax.

Officials from **B&P** state this section would expand the manufacturing sales tax exemption to include local sales tax. In Fiscal Year 2020, the most recent year data is available; there were $853,312,101 in taxable sales, with estimated local sales tax collections of $36,052,436.

Therefore, B&P estimates that this section will reduce local sales tax collections by $16,767,583 ($33,535,166 / 2) during Fiscal Year 2023. Once fully implemented in Fiscal Year 2024, and annually thereafter, this section will reduce local sales tax collections by $33,535,166.

Officials from **DOR** state, currently, there is a state sales and use tax manufacturing exemption. Local political subdivisions are currently allowed to collect their portion of the sales and use tax. This section would end the local's ability to continue to collect the tax.

DOR tracked an estimated $854,639,269.76 in taxable sales that came from manufacturing in Fiscal Year 2020. Taking the total taxable sales by the population weighted average local sales tax rate for Missouri (3.93%) would cause an estimated revenue reduction to the local political subdivisions of $33,587,323.

This section has an effective date of January 1, 2023. This provision would result in six (6) months of <u>reduced</u> revenue to local political subdivisions in Fiscal Year 2023 of $16,793,662.

Officials from **Springfield** state this section would result in a negative fiscal impact of approximately $2.2 million annually due to the lost tax revenues.

Oversight will report the revenue <u>reduction</u> to local political subdivisions as reported by DOR.

<u>Section 144.140 – Monetary Allowance for Certified Service Providers</u>

Oversight notes this section requires the Missouri Department of Revenue to provide a monetary allowance to Certified Service Providers from the taxes collected and remitted by such Certified Service Providers. The allowance shall be funded entirely from moneys collected by the Certified Service Provider. No Certified Service Provider shall receive both the two percent (2%)

timely filing discount, which is permitted under current law, and the monetary allowance created under this section.

Oversight notes the allowance amount shall be determined under the terms of a certified service contract signed with the Certified Service Provider.

Oversight notes "Certified Service Provider" shall mean "an agent certified by the Missouri Department of Revenue to perform all the seller's sales and use tax functions, other than the seller's obligation to remit tax on its own purchases.

Oversight notes this section states that the provisions of this section relating to the allowance for timely remittance of sales tax payment shall also be applicable to the timely remittance of use tax payment under Section(s) 144.600 to 144.746.

Oversight assumes, then, that allowance permitted to Certified Service Providers could reduce the revenue(s) recognized in relation to the use tax(es) collected from online retailers and marketplace facilitators.

Officials from **B&P** state this section would grant a monetary allowance to Certified Service Providers (CSPs).

<u>Section 144.526 – Show-Me Green Sales Tax Holiday</u>

Oversight notes this section would eliminate the imposition of local sales and use tax on qualifying items during the Show-Me Green Sales Tax Holiday. Currently, qualifying Show-Me Green Sales Tax Holiday items are only exempt from state sales tax unless local political subdivision(s) wish to participate in the holiday. This section repeals the provision in current law that permits local political subdivisions to opt out of the Show-Me Green Sales Tax Holiday.

Officials from **B&P** state this section would no longer allow local municipalities to opt out of the Show Me Green sales Tax Holiday. This will <u>reduce</u> revenues in all localities that currently opt-out of this sales tax holiday.

Local sales tax collections for qualifying items during the tax holiday were $19,844 in Fiscal Year 2018, $21,439 in Fiscal Year 2019, and $42,667 in Fiscal Year 2020.

B&P notes that the sales tax holiday occurs in April, before the end of Fiscal Year 2023. Using a three (3) year average of local collections, B&P estimates that this section could <u>reduce</u> funds to localities that had previously opted-out of the sales tax holiday by $27,983 ($19,844 + $21,439 + $42,667 / 3) beginning in Fiscal Year 2023.

Officials from **DOR** state this section would eliminate the ability of a local political subdivision to opt out of participating in the Show Me Green Sales Tax Holiday, which occurs in April annually. In Tax Year 2018, DOR collected $19,843.65, in Tax Year 2019, DOR collected $21,439.46 and in Tax Year 2020, DOR collected $42,666.70 from local jurisdictions that currently opt out of this holiday. This section will decrease revenue to the local jurisdictions that currently opt out.

This section has an effective date of January 1, 2023. This section would begin in Fiscal Year 2023 as the holiday occurs in April 2023 (Fiscal Year 2023). Due to economic disruptions that occurred in Tax Year 2020, DOR will use a three (3) year average to estimate the future fiscal impact ($27,983).

Officials from **Springfield** state this section would result in a negative fiscal impact of approximately $1,800 annually due to the lost tax revenues.

For purposes of this fiscal note, **Oversight** will report a reduction to local political subdivisions equal to the amount(s) estimated by B&P and DOR.

Section 144.605 & 144.752 – Online Use Tax

Oversight notes Section 144.605 modifies the definition of "engages in business activities within this state." The modified definition includes: selling tangible personal property for delivery into this state, provided the seller's gross receipts from taxable sales from delivery of tangible personal property into this state in the previous calendar year or current calendar year exceeds one hundred thousand dollars ($100,000).

Oversight assumes this will require retailers that do not have a physical presence in Missouri to collect and remit use tax on purchases delivered into Missouri provided total gross receipts from the applicable taxable sales are in excess of one hundred thousand dollars ($100,000) in any calendar year.

Oversight notes Section 144.605 states that any department that has constitutional authority to collect sales or use tax under Article IV of the Constitution of Missouri may remit any moneys collected under this paragraph to the Missouri Department of Revenue for such money to be deposited into General Revenue.

Oversight notes Section 144.605 states that any vendor that meets the threshold ($100,000 of gross receipts from taxable sales into this state) shall not be subject to local use tax that was enacted prior to January 1, 2023 unless: 1) the vendor was or would have been, under the laws of this state as recognized prior to January 1, 2023, subject to local use tax, or 2) a majority of the voters in the political subdivision have approved, after January 1, 2023, an expansion of the local use tax.

In addition, any vendor that meets the threshold ($100,000 of gross receipts from taxable sales into this state) shall be subject to any new local use tax that is enacted on or after January 1, 2023.

Officials from **B&P** state these sections require retailers and marketplace facilitators that do not have a physical presence within Missouri to collect and remit sales tax on purchases delivered into Missouri beginning January 1, 2022. Only retailers with gross revenue greater than $100,000 from taxable sales into Missouri would be required to collect Missouri sales tax.

B&P notes that these sections would delete the existing language in **Section 144.605 Paragraphs (e) and (f)** replacing that language with the online use tax vendor language. Paragraph (e) contains a $10,000 threshold for certain vendor activity. Based on information provided by the Missouri Department of Revenue, no sales tax money has been collected under the current provision. Therefore, B&P estimates that this provision will not impact TSR or the calculation under Article X, Section 18(e).

Section 144.605(2)(e)b states that any department with constitutional authority to collect sales or use taxes under Article IV of the Missouri Constitution may remit the money collected from online vendors to the Missouri Department of Revenue and the money shall then be deposited into GR. B&P notes that both the Missouri Department of Conservation and the Missouri Department of Natural Resources have constitutional sales and use taxes under Article IV.

However, the Missouri Department of Revenue collects and then distributes the sales and use tax money to each department. In addition, the language in this subparagraph would only capture online vendor use tax and would not capture marketplace facilitator use taxes. For the purpose of this fiscal note, B&P will reflect the use tax money generated from online vendors as going to both the Missouri Department of Conservation and the Missouri Department of Natural Resources.

Section 144.605(2)(e)c states that any vendor that meets the requirements in Section 155.605(2)(g)c shall not be subject to any local use tax that was enacted prior to January 1, 2023, unless an expansion of such tax to include online vendors has been voter approved after January 1, 2023. B&P notes that it is unclear whether purchasers would still be subject to such local use tax in the event an expansion has not been approved by voters. **Section 144.757** includes the ballot language to be used for voter approval of the use tax expansion. Therefore, B&P will show potential local revenues from Section 144.605 and 144.752 as $0 (no local expansion approved) to $X (the full amount, all local jurisdictions with a current use tax approved expansion).

Section 144.637.3 requires that the lowest combined tax rate within a zip code area must be applied if there are multiple tax rates within the zip code. B&P notes that using the lowest combined local tax rate may reduce the local sales tax collections estimated for online sales.

Section 144.752 defines market place facilitators and states that a facilitator counts as one seller. Starting January 1, 2023 market place facilitators must register with the Missouri Department of Revenue and begin remitting sales tax on behalf of individual marketplace sellers. B&P notes that this provision would apply to retailers such as Amazon's market place, ETSY, EBAY, etc. Subsection 144.752.4 grants eligible marketplace facilitators a 2% timely filing discount. This section explicitly excludes internet advertisers, travel agencies, and third party financial institutions from the definition of marketplace facilitators. These exclusions will not impact the estimates provided in this analysis.

Officials from **DOR** state Section 144.605(2)(f)b allows any department that has the constitutional authority to collect sales or use tax under Article IV of the Constitution of Missouri to remit any moneys collected under this paragraph to the Missouri Department of Revenue, and such moneys shall be deposited into the state General Revenue Fund established under section 33.543. The constitutionally created sales tax funds are the Conservation Commission Fund and the Parks, Soil & Water Fund; however, it is the Missouri Department of Revenue that collects the sales or use tax under Article IV.DOR assumes DOR will still deposit all money received under these sections for the Conservation Commission and the Parks, Soil & Water Funds into those funds.
Additionally, this proposed legislation does not address the School District Trust Fund portion of the sales and use tax which is designated in Section 144.701. Therefore, DOR will show the School District Trust Fund receiving their portion of this new online sales and use tax.

Section 144.605(2)(f)c does not require any vendor subject to the new use tax under this proposed legislation to pay local use tax, if the use tax was adopted, prior to January 1, 2023.

This proposed legislation does establish a method by which the local political subdivisions can vote to enact the use tax on this new online use tax. DOR will show $0 locals receiving the tax in 2023, and starting in 2024 as $0 (none adopt the use tax) to the full estimate of all locals adopting the use tax that currently have one.

B&P & DOR – Online Use Tax Collection Summary

OA-Budget and Planning (B&P) and the Department of Revenue (DOR) worked together to estimate the potential revenue gains from the U.S. Supreme Court *Wayfair* decision, which overturned the *Quill* decision and held that states may charge a tax on purchases made from out-of-state sellers, even if the seller doesn't have a physical presence in the taxing state. In November 2017, the U.S. Government and Accountability Office (GAO) released state-by-state estimates for potential revenue gains if the 1992 *Quill* decision were overturned during the *Wayfair* case. In the report, the GAO estimated that Missouri could gain $180 million to $275 million in state and local sales taxes during 2017 from e-commerce sales tax revenue. B&P notes that there were three (3) limitations to the study which B&P and DOR attempted to address by further refining the GAO estimates.

At the time of the study, the GAO did not remove the sales of digital downloads from the state and local estimates due to data limitations and different tax treatments across states. B&P notes that digital downloads are currently exempt from sales tax under Missouri law. B&P and DOR were able to find limited studies on the e-commerce market share for such sales. The studies indicated that digital downloads account for approximately 14.1% of all e-commerce sales. B&P and DOR then reduced the original GAO estimates by that 14.1%.

The GAO provided a point-in-time estimate for potential state and local revenue gains during 2017. This estimate, though, does not account for anticipated growth in e-commerce sales. To address this, B&P and DOR adjusted the GAO estimate to incorporate e-commerce sales growth for tangible personal property from 2018 through 2022. Only growth for e-commerce sales of tangible personal property were used, rather than growth in the full e-commerce market, in order to accurately reflect growth in the online sales tax base. B&P notes that using growth in the full e-commerce market would overestimate the sales tax base as services and digital download products are not currently taxable in Missouri.

At the time of the study, the GAO did not incorporate potential in-state sales or in-state transaction requirements that would limit the companies required to comply with e-commerce sales tax collections. Using data published by the U.S. Census Bureau and industry reports, B&P and DOR were able to estimate the percent of sales that would remain taxable if Missouri instituted an in-state sales threshold of $100,000. If Missouri were to enact a $100,000 in-state sales threshold, B&P and DOR estimate that approximately 86.7% of all e-commerce sales would remain taxable. B&P and DOR used this estimate to further adjust the GAO provided revenue estimate.

B&P and DOR were unable to estimate the impact from a potential in-state transaction requirement. B&P notes that the majority of states are currently enacting e-commerce sales tax requirements of $100,000 in in-state sales or 200 in-state transactions.

B&P & DOR estimates that in Calendar Year 2023, Missouri could gain up to $111.7 million to $170.7 million in total state revenues. By Calendar Year 2029, B&P and DOR estimate that total state revenues could be increased by $131.6 million to $201.1 million. Table 1 shows the estimated impact by calendar year.

Table 1: Collections by Calendar Year

Revenue Estimates	2023		2024		2025	
	Low	High	Low	High	Low	High
General Revenue	**$79,336,120**	**$121,207,962**	**$82,201,766**	**$125,586,032**	**$84,339,012**	**$128,851,269**
Education (SDTF)	$26,445,373	$40,402,654	$27,400,589	$41,862,011	$28,113,004	$42,950,423
Conservation	$3,305,672	$5,050,332	$3,425,074	$5,232,751	$3,514,126	$5,368,803
Parks, Soil, Water	$2,644,537	$4,040,265	$2,740,059	$4,186,201	$2,811,300	$4,295,042
TSR	**$111,731,702**	**$170,701,213**	**$115,767,487**	**$176,866,995**	**$118,777,442**	**$181,465,537**
Local	$0	$0	$0	$64,992,247	$0	$66,682,045

**Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.*
***Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

Table 1: Collections by Calendar Year (cont.)

Revenue Estimates	2026		2027		2028	
	Low	High	Low	High	Low	High
General Revenue	**$86,531,827**	**$132,201,401**	**$88,781,654**	**$135,638,638**	**$91,089,977**	**$139,165,242**
Education (SDTF)	$28,843,942	$44,067,134	$29,593,885	$45,212,879	$30,363,326	$46,388,414
Conservation	$3,605,493	$5,508,392	$3,699,236	$5,651,610	$3,795,416	$5,798,552
Parks, Soil, Water	$2,884,394	$4,406,713	$2,959,388	$4,521,288	$3,036,333	$4,638,841
TSR	**$121,865,656**	**$186,183,640**	**$125,034,163**	**$191,024,415**	**$128,285,051**	**$195,991,049**
Local	$0	$68,415,778	$0	$70,194,589	$0	$72,019,648

**Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.*
***Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

Table 1: Collections by Calendar Year (cont.)

Revenue Estimates	2029	
	Low	High
General Revenue	**$93,458,317**	**$142,783,539**
Education (SDTF)	$31,152,772	$47,594,513
Conservation	$3,894,097	$5,949,314
Parks, Soil, Water	$3,115,277	$4,759,451
TSR	**$131,620,463**	**$201,086,817**
Local	$0	$73,892,159

**Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.*
***Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

B&P and DOR estimate that in Fiscal Year 2023, TSR could increase by $55.9 million to $85.4 million. By Fiscal Year 2029, B&P and DOR estimate that TSR could increase by $130.0 million to $198.5 million. Table 2 shows the estimated impact by fiscal year.

Table 2: Collections by Fiscal Year

Revenue Estimates	FY 2023		FY 2024		FY 2025	
	Low	High	Low	High	Low	High
General Revenue	**$39,668,060**	**$60,603,981**	**$80,768,943**	**$123,396,997**	**$83,270,389**	**$127,218,651**
Education (SDTF)	$13,222,687	$20,201,327	$26,922,981	$41,132,333	$27,756,797	$42,406,217
Conservation	$1,652,836	$2,525,166	$3,365,373	$5,141,542	$3,469,600	$5,300,777
Parks, Soil, Water	$1,322,269	$2,020,133	$2,692,298	$4,113,233	$2,775,680	$4,240,622
TSR	**$55,865,851**	**$85,350,607**	**$113,749,595**	**$173,784,104**	**$117,272,465**	**$179,166,266**
Local	$0	$0	$0	$32,496,124	$0	$65,837,146

**Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.*
***Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

Table 2: Collections by Fiscal Year (cont.)

Revenue Estimates	FY 2026		FY 2027		FY 2028	
	Low	High	Low	High	Low	High
General Revenue	**$85,435,420**	**$130,526,335**	**$87,656,741**	**$133,920,020**	**$89,935,816**	**$137,401,940**
Education (SDTF)	$28,478,473	$43,508,779	$29,218,914	$44,640,007	$29,978,606	$45,800,647
Conservation	$3,559,810	$5,438,598	$3,652,365	$5,580,001	$3,747,326	$5,725,081
Parks, Soil, Water	$2,847,847	$4,350,878	$2,921,891	$4,464,001	$2,997,861	$4,580,065
TSR	**$120,321,549**	**$183,824,589**	**$123,449,910**	**$188,604,028**	**$126,659,608**	**$193,507,732**
Local	$0	$67,548,912	$0	$69,305,184	$0	$71,107,119

**Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.*
***Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

Table 2: Collections by Fiscal Year (cont.)

Revenue Estimates	FY 2029	
	Low	High
General Revenue	**$92,274,147**	**$140,974,391**
Education (SDTF)	$30,758,049	$46,991,464
Conservation	$3,844,757	$5,873,933

Parks, Soil, Water	$3,075,805	$4,699,146
TSR	**$129,952,758**	**$198,538,933**
Local	$0	$72,955,904

**Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.*
***Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

B&P notes that these estimates reflect the full potential revenue and do not include adjustments for implementation timing or business compliance. Therefore, the actual revenue collected in earlier years may be significantly lower than the estimated amount.

B&P further notes that the COVID-19 pandemic has changed current consumer behavior. It is unknown yet if and how much of these consumer behavior changes will remain permanent. While these estimates account for some of the behavior changes seen to date, a more permanent shift could alter actual revenues.

For purposes of this fiscal note, **Oversight** will report the estimated impact(s) of these sections, as estimated by B&P and DOR.

DOR would notify an estimated 200,000 sellers of their potential reporting requirements, estimated postage and printing costs for notifications to online sellers may be up to an estimated $100,000.

DOR's Sales/Use Tax Division anticipates the need for three (3) Associate Customer Service Representatives ($24,360 annual salary/FTE) to process additional sales/use tax returns, one (1) Associate Customer Service Representative to respond to additional correspondence, two (2) Associate Customer Service Representatives to process additional registration applications and perform location maintenance, one (1) Associate Customer Service Representative to process additional refund requests under Section 144.190.

DOR states DOR will need to increase the number of auditors; especially those in out-of-state offices, in order to address the potential of a greater non-compliant tax base. DOR will need to add twenty-five (25) Associate Auditors. DOR believes the need for twenty-five total Associate Auditors could increase over a period of time, as DOR generally performs three-year audits and there will be limited records to audit in the first several years following implementation of this proposed bill. DOR notes the Associate Auditors would be located as follows:

- Dallas – 7 ($48,309.36 per FTE)
- New York – 5 ($62,409.84 per FTE)

- Chicago – 5 ($52,275.12 per FTE)
- St. Louis – 3 ($44,784.48 per FTE)
- Kansas City – 2 ($44,784.48 per FTE)
- Springfield -2 ($44,784.48 per FTE)
- Central Office in Jefferson City – 1 ($44,784.48 per FTE)

DOR also anticipates it will need two (2) additional auditors in training (44,784 annual salary/FTE) to perform discovery work needed to identify potential audit leads from non-registered businesses. These auditors would be located in Dallas and Kansas City.

For purposes of this fiscal note, **Oversight** will include DOR's administrative impact(s) being paid from GR.

Oversight conducted independent analysis in relation to the impact(s) to state revenues should legislation be passed that would require out-of-state/online retailers and marketplace facilitators to collect and remit Missouri use tax. Oversight's analysis supports B&P's and DOR's estimated impact(s).

Oversight notes, the overall impact of requiring out-of-state/online retailers and marketplace facilitators to remit use tax is **largely dependent** on the percentage of collections from out-of-state/online retailers and marketplace facilitators that Missouri is currently receiving versus the percentage that is not currently collected from such entities.

Currently, the **actual** participation in sales/use tax remittance by out-of-state/online retailers and/or marketplace facilitators cannot be identified. If Missouri is currently collecting sales/use tax(es) from out-of-state/online retailers and marketplace facilitators at a rate higher than estimated, the actual impact(s) of these sections, compared to the impact(s) reported above, could prove to be lower.

Oversight notes sources suggest, as of February 20, 2021, Missouri is the only state that imposes a sales tax that has not begun requiring remote sellers to collect and remit applicable tax(es) after the U.S. Supreme Court's 2018 *Wayfair* decision. Oversight notes that, should many of these remote sellers have begun remitting the applicable taxes to Missouri on their own accord, anticipating the requirement will occur at some point, the actual impact(s) of these sections, compared to the impact(s) reported above, could prove to be lower.
Oversight notes, at some point, revenues generated through online retail sales could simply **replace** (net $0) revenues currently generated from Missouri's brick and mortar operations. For example, if there is a continuous increase in the percent of total retail sales that are online retail sales, eventually, it would suggest that one hundred percent (100%) of all retail sales are that of online retail sales. This does not indicate that state revenues would increase significantly. Rather, the source of the tax would simply shift from brick and mortar operations to online retailers.

Oversight is unable to determine at what point an increase in the percent of total retail sales that are online retail sales becomes a transition of tax revenues from brick and mortar sales to online retail sales.

Oversight further notes, though, if legislation is not passed that requires out-of-state/online retailers and/or marketplace facilitators to remit applicable Missouri tax(es), that state revenues could decrease should a continuous transition of retail sales from brick and mortar sales to online retail sales occur; a loss of revenues currently collected.

Officials from the **Missouri Department of Natural Resources (DNR)** state DNR's Parks and Soils Sales Tax Fund(s) are derived from one-tenth of one percent of sales and use tax pursuant to Article IV, Section 47(a) of the Missouri Constitution. Any increase in sales [and use] tax collected could increase the revenue to the Parks and Soils Sales Tax Fund(s). DNR assumes any increase in revenue to the Parks and Soils Sales Tax Fund(s) would be used for the purposes established under Article IV, Section 47(a) of the Missouri Constitution.

DNR assumes the Missouri Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposed legislation.

Officials from the **Missouri Department of Conservation (MDC)** assume this proposed legislation will have an unknown fiscal impact, but greater than $250,000.

MDC further states the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV, Section 43(a) of the Missouri Constitution. Any increase in sales and use tax would increase revenue to the Conservation Sales Tax Fun(s). However, MDC states the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax.

MDC assumes the Missouri Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposed legislation.

Officials from **Springfield** anticipate these sections will result in a possible positive fiscal impact of an unknown amount if voters vote to expand Springfield's use tax.

Section 144.608 – DOR Consulting

Oversight notes this section permits the Missouri Department of Revenue to consult, contract and work jointly with the streamlined sales and use tax agreement's governing body or with Certified Service Providers to more efficiently secure the payment of and accounting for taxes collected and remitted by retailers and vendors.

Oversight notes this section states the Missouri Department of Revenue is authorized to independently take such actions as may be reasonably necessary to secure the payment of and account for the tax collected and remitted by retailers and vendors.

The Missouri Department of Revenue shall independently carry out any or all activities relating to the collection of online use tax if the Missouri Department of Revenue determines that independent carrying out such activities would promote cost-saving to the state.

Officials from **B&P** state this section would allow the Missouri Department of Revenue to consult, contract, and work with the Streamlined Sales and Use Tax Agreement's (SSUTA) governing board and/or directly with CSPs. Subsection 144.608.2 authorizes the Missouri Department of Revenue to work independently of the SSUTA governing board and CSPs if doing so would promote cost savings to the state. Subsection 144.608.4 adds a five-year sunset after the effective date, unless reauthorized.

Officials from **DOR** state this section allows DOR to contract with the Streamlined Sales and Use Tax Agreement Governing Board (SSUTA) to register and collect the use tax from certified service providers that is required under this proposed legislation. This provision of contracting with the SSUTA would expire in 5 years. After that time, DOR would need to provide the ability to register and collect the tax from a system created by DOR. DOR would need to pay the annual fee to use the SSUTA system while creating their own. At this point DOR assumes the new system could cost up to $1 million to be created.

For purposes of this fiscal note, **Oversight** will include DOR's anticipated administrative costs as it relates to this section. Oversight notes the cost will be included in DOR's equipment and expense cost(s) for Fiscal Year 2023.

<u>Section 144.637 – DOR Tax Database</u>

Oversight notes this section requires the Missouri Department of Revenue to create and maintain a database that describes boundary changes for all taxing jurisdictions with the effective date of such changes.

Officials from **B&P** state this section would require the Missouri Department of Revenue to provide and maintain an address-based database for assigning taxing jurisdictions and the associated rates. Vendors are required to use the database in determining the amount of use tax to collect and remit. Any and all databases created, maintained, or certified by the Missouri Department of Revenue must be downloaded and provided at no cost to vendors for their use in collecting and remitting use taxes.

This section will not impact TSR or the calculation under Article X, Section 18(e). B&P defers to the Missouri Department of Revenue for the estimated cost to the agency from these sections.

Officials from **DOR** state this section requires that the Director of Revenue to provide and maintain a database that describes boundary changes for all taxing jurisdictions and the effective dates of such changes for the use of vendors collecting tax.

This section states that for the identification of counties and cities, codes corresponding to the rates shall be provided according to Federal Information Processing Standards. For the identification of all other jurisdictions, codes corresponding to the rates shall be in a format determined by the Director. Additionally, it requires the lowest combined tax rate be imposed in a zip code area if more than one tax rate applies.

This proposed section states that the electronic databases provided for in subsections 1, 2, and 3, of this section shall be in downloadable format as determined by the director. The databases shall be provided at no cost to the user of the database, and no vendor shall be liable for reliance upon erroneous data provided by the director on tax rates, boundaries, or taxing jurisdiction assignments.

DOR anticipates that this section would require a totally new program that would require DOR to contract with a certified service provider. <u>DOR believes the fiscal impact for this would be significantly greater than $1 million.</u> DOR has reached out to multiple CSP providers, though they have yet to get any definitive fiscal response. DOR will continue to research and update when needed.

For purposes of this fiscal note, **Oversight** will include DOR's anticipated administrative costs as it relates to this section. Oversight notes the cost will be included in DOR's equipment and expense cost(s) for Fiscal Year 2022.

<u>Section 144.638 – DOR Taxability Matrix</u>

Oversight notes this section would require the Missouri Department of Revenue to complete and maintain a taxability matrix to be used by retail sellers when determining the appropriate tax to collect and remit.

Officials from **B&P** state this section requires the Missouri Department of Revenue to provide and maintain a taxability matrix. Vendors are required to use the matrix in determining the amount of use tax to collect and remit. Any and all databases created, maintained, or certified by DOR must be downloaded and provided at no cost to vendors for their use in collecting and remitting use taxes.

This section will not impact TSR or the calculation under Article X, Section 18(e). B&P defers to the Missouri Department of Revenue for the estimated cost to the agency from these sections.

Officials from **DOR** state this section would require a totally new program that would require the Department to contract with a vendor. DOR believes the fiscal impact for this would be **significantly greater than $5 million**. This section requires DOR to have a specific code for every single product and taxing district, and to update when new products hit the market. This will result in an unknown, but potentially significant administrative impact.

For the purposes of this fiscal note, DOR will estimate a need for three (3) Associate Customer Service Representatives ($24,360 per FTE). If the administrative impact is more significant than anticipated, additional FTE will be requested through the appropriations process.

For purposes of this fiscal note, **Oversight** will include DOR's anticipated administrative costs as it relates to this section. Oversight notes the cost of "significantly greater than $5 million" will be included in DOR's equipment and expense cost(s) for Fiscal Year 2022.

Section 144.710 – Use Tax Timely Filing Discount

Oversight notes this section has been repealed. However, the discount permitted under this section will now be referenced, and allowed, under Section 144.140.

Officials from **B&P** state this section replaces the use tax timely filing discount with the sales tax timely filing discount. B&P notes that under current law, both discounts are the same rate and have the same requirement terms. Therefore, B&P estimates that this section will not impact TSR or the calculation under Article X, Section 18(e).

Section 144.757 – Local Use Tax Ballot Language

Officials from **B&P** state this section would alter the ballot language for certain local sales and use taxes which must be voter approved. The language removes the $2,000 minimum threshold required before a purchaser must file a use tax return. B&P notes that, currently, Missouri residents are not required to file a use tax return until total purchases within a calendar year reaches $2,000.

However, once that minimum threshold has been reached, taxpayers are already required to pay use tax on the full amount of purchases, not just the amount over $2,000. While use tax is legally due on all out-of-state purchases, B&P notes that it is not cost effective to audit taxpayers whose online purchases are lower than $2,000. Therefore, this section will not impact TSR or the calculation under Article X, Section 18(e).

This section requires voter approval in order for political subdivisions to expand existing use taxes to online venders and marketplace facilitators. (See discussion under online use tax section).

Officials from **DOR** state this section modifies the ballot language that must be used when submitting a sales and use tax issue to the voters to be approved. DOR assumes no fiscal impact as a result of the changes to the wording of the ballot language.

Section 144.759 – Local Use Tax Distribution

Oversight assumes this may change the current distribution; therefore, Oversight will reflect a potential impact to local political subdivisions within St. Louis County (some positive and some negative) – all of which will **net to zero.**

Therefore, **Oversight** will report a revenue gain equal to unknown followed by a revenue reduction equal to unknown.

Officials from **B&P** state this section would change how use taxes are distributed within St. Louis County. This section will not impact TSR or the calculation under Article X, Section 18(e).

Section 287.245 – Volunteer Firefighters

Oversight notes this section allows any volunteer fire protection associations to apply to the State Fire Marshal for a grant for the purposes of establishing a voluntary firefighter cancer benefits trust. Oversight will reflect a potential ($0 or Unknown) amount of grants from the Department of Public Safety – Fire Safety.

Oversight notes this section expands how grant money may be used to include the establishment of a voluntary firefighter cancer benefits trust.

Section 320.400 – Voluntary Firefighter Cancer Benefits Trust

Oversight notes this section states one or more employers may create a voluntary firefighter cancer benefits trust. An employer may make contributions into the voluntary firefighter cancer benefits trust. The contribution levels and ward levels shall be set by the Board of Trustees of the trust(s).

For an employer that chooses to make contributions into the voluntary firefighter cancer benefits trust, the trust shall provide the minimum benefits specified by the Board of Trustees of the trust to covered individuals, based on the award level of the cancer at the time of diagnosis.

Oversight notes award/benefit levels shall be established based on the category and stage of cancer.

Oversight notes, in addition to the initial award, a payment shall be made from the trust to a covered individual for the actual cost, up to twenty-five thousand dollars ($25,000) for rehabilitative or vocational training employment services and educational training related to the cancer diagnosis and a payment shall be made to a covered individual of up to ten thousand dollars ($10,000) if the covered individual incurs cosmetic disfigurement costs resulting from cancer.

Oversight notes, if the cancer is determined to be terminal cancer, the covered individual shall receive a lump-sum payment of twenty-five thousand dollars as an accelerated payment toward the benefits due based on the benefit levels established.

Oversight notes, should the cancer worsens, the awards shall increase accordingly.

If any covered individual dies while owed benefits, the benefits shall be paid to the surviving spouse or domestic partner or any surviving children if there is no surviving spouse or domestic partner.

Oversight notes the maximum amount that may be paid to any covered individual for each cancer diagnosis shall be two hundred forty-nine thousand dollars ($249,000). Oversight notes the maximum amount that may be paid shall increase each year, based on inflation.

Oversight notes the benefits payable to any covered individual shall be reduced by twenty-five percent (25%) if the covered individual used a tobacco product within the prior five years.

Oversight notes this section states that no covered individual shall lose any employment while such individual is undergoing medical treatment.

Oversight notes an individual, corporation, or other business entity that makes a contribution to a trust or that pays for the expenses of an employer to create or join a trust, such individual shall be eligible for a tax credit created under Section 135.445.

In the event any trust receives three million dollars ($3,000,000) in donations during any year, the trust shall not charge covered individuals for participation in the trust or for the receipt of any payments or other benefits.

Should an individual be considered a covered individual, but is not a resident of Missouri, such individual may receive payments from the trust if such individuals pays participation fees to the trust at a rate to be set by the Board of Trustees of the trust.

Sections 144.1000 – 144.1015 – Simplified Sales and Use Tax Administration Act

Oversight notes this proposed legislation eliminates Section(s) 144.1000 – 144.1015; the Simplified Sales and Use Tax Administration Act.

Oversight does not anticipate the elimination of Section(s) 144.1000 – 144.1015 will result in a fiscal impact.

Legislation as a Whole

Officials from the **Missouri Attorney General's Office (AGO)** assume that any additional litigation costs arising from this proposed legislation can be absorbed with existing personnel and resources. However, AGO may seek additional appropriation if there is a significant increase in litigation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for administrative rules is less than $5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what they can sustain within their core budget. Therefore, they reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

Officials from the **Joint Committee on Administrative Rules** assume this proposed legislation will not cause a fiscal impact beyond its current appropriation.

Oversight assumes JCAR will be able to administer any rules from this proposed legislation with existing resources.

Officials from the **Lexington Water/Wastewater Department** assume this proposed legislation will result in a fiscal impact.
Officials from the **Office of Administration**, the **Missouri State Auditor's Office**, the **Missouri Department of Public Safety – State Emergency Management Agency**, the **City of Claycomo**, the **City of Corder**, the **Corder Water/Wastewater Department**, the **Hancock Street Light District**, the **Little Blue Valley Sewer District**, the **Metropolitan St. Louis Sewer District**, the **Schell City Water Department**, the **South River Drainage District**, the **St. Charles County Public Water Supply District #2**, and the **Wayne County Public Water Supply District # 2** do not anticipate this proposed legislation will result in a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for these organizations.

In response to a previous version of this proposed legislation, officials from the **Missouri State Treasurer's Office** did not anticipate this proposed legislation will result in a fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will not report a fiscal impact for this organization.

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
GENERAL REVENUE FUND				
Revenue Reduction – Section 135.445 – Tax Credit For Contributions To Voluntary Firefighter Cancer Benefits Trust(s) - p. 10-12	$0	Up to ($4,000,000)	Up to ($4,000,000)	Up to ($4,000,000)
Revenue Reduction – Section(s) 143.011 & 143.131 – Changes To Individual Income Tax Law – p. 12-19	$0	($49,573,117)	($113,191,215)	($336,740,157)
Revenue Gain – Section(s) 166.05 & 144.752 – Online Use Tax – p. 23-30	$0	Less than $39,668,060 to $60,603,981	Less than $80,768,943 to $123,396,997	Less than $92,274,147 to $140,974,391
FISCAL IMPACT – State Government (continued)	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
Cost – DOR – Section(s) 32.310, 135.445, 144.605, 144.752, 144.608, 144.637, & 144.638 p. 6, 11, 28-29, 31, 32, & 33				
Personnel Services	($308,083)	($1,996,016)	($2,015,976)	($2,118,811)
Fringe Benefits	($199,498)	($1,210,955)	($1,217,692)	($1,252,399)
Equipment & Expense	($333,189)	($7,466,637)	($22,646)	($25,623
Total Cost	($840,770)	($10,673,608)	($3,256,314)	($3,396,833)
FTE Change - DOR	8 FTE	46 FTE	46 FTE	46 FTE

Costs – DPS – Fire Safety – potential for grants to voluntary firefighter cancer benefits trusts p 34	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**Could exceed ($840,770)**	**Less than ($24,578,665) to ($3,642,744)**	**Less than ($39,678,586) to $2,949,468**	**Less than ($251,862,843) to ($203,162,599)**
SCHOOL DISTRICT TRUST FUND (0688)				
Revenue Gain – Section(s) 144.605 & 144.752 – Online Use Tax – p. 23-30	$0	Less than $13,222,687 to $20,201,327	Less than $26,922,981 to $41,132,333	Less than $30,758,049 to $46,991,464
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$0**	**Less than $13,222,687 to $20,201,327**	**Less than $26,922,981 to $41,132,333**	**Less than $30,758,049 to $46,991,464**
FISCAL IMPACT – State Government (continued)	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
CONSERVATION COMMISSION FUND (0609)				
Revenue Gain – Section(s) 144.605 & 144.752 – Online Use Tax – p. 23-30	$0	Less than $1,652,836 to $2,525,166	Less than $3,365,373 to $5,141,542	Less than $3,844,757 to $5,873,933
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**$0**	**Less than $1,652,836 to $2,525,166**	**Less than $3,365,373 to $5,141,542**	**Less than $3,844,757 to $5,873,933**

PARKS AND SOILS STATE SALES TAX FUND(S) (0613 & 0614)				
Revenue Gain – Section(s) 144.605 & 144.752 – Online Use Tax – p. 23-30	$0	Less than $1,322,269 to $2,020,133	Less than $2,692,298 to $4,113,233	Less than $3,075,805 to $4,699,146
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUND(S)	**$0**	**Less than $1,322,269 to $2,020,133**	**Less than $2,692,298 to $4,113,233**	**Less than $3,075,805 to $4,699,146**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2029)
LOCAL POLITICAL SUBDIVISIONS				
Revenue Reduction – Section(s) 67.2677 & 67.2689 – Modification Of Definition Of Gross Receipts And Reduced Percentage Used To Calculate Video Service Provider Fee(s) – p. 7-9	$0	$0	Could exceed ($2,203,376)	Could exceed ($11,016,881)
Revenue Reduction – Section 144.049 – Back-To-School Sales Tax Holiday Sales Tax Exemption – p. 19-20	$0	$0	($465,677)	($465,677)
Revenue Reduction – Section 144.054 – Manufacturing Sales Tax Exemption – p. 20-21	$0	($16,793,662)	($33,587,232)	($33,587,232)
Revenue Reduction – Section 144.526 – Show-Me Green Sales Tax Holiday – p. 22	$0	($27,983)	($27,983)	($27,983)
Revenue Gain – Section(s) 144.605 & 144.752 – Online Use Tax – p. 23-30	$0	$0	$0 up to $63,859,396	$0 up to $72,955,904
Revenue Increase – Section 144.759 – Local Use Tax Distribution – Potential For Some Local Political Sub. In St. Louis County To Recognize Additional Use Tax Revenue – p. 34	$0 or Unknown	$0 or Unknown	$0 or Unknown	$0 or Unknown
Revenue Reduction – Section 144.759 – Local Use Tax Distribution – Potential For Some Local Political Sub. In St. Louis County To Recognize Reduced Use Tax Revenue – p. 34	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)

Costs — potential for grants to voluntary firefighter cancer benefits trusts p 34	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0 or (Unknown)**	**Could exceed ($16,821,645)**	**($36,284,268) to $27,575,128**	**($45,097,773) to $27,858,131**

FISCAL IMPACT – Small Business

This proposed legislation could impact any business that contributes to a voluntary firefighter cancer benefits trust, as such small business could receive a tax credit reducing or eliminating such small business's tax liability.

This proposed legislation could impact any small business operating as a video service provider as such small business would be required to adjust the amount such small business collects as a video franchise fee for several years.

This proposed legislation could impact any small business that currently qualifies for the manufacturing sales tax exemption under Section 144.054, as such small business would no longer qualify.

The collection of use tax from out-of-state/online retailers and marketplace facilitators could even the playing field for local in-state small businesses; therefore, in-state small businesses could experience revenue growth. Out-of-state/online businesses and marketplace facilitators would be required to collect and remit the applicable tax(es) to the Missouri Department of Revenue; increasing their administrative costs and decreasing their net revenues.

FISCAL DESCRIPTION

USE TAX MAPPING

Current law requires the Department of Revenue to create and maintain a mapping feature on its website that displays various sales tax information. This act requires such mapping feature to include use tax information. Political subdivisions collecting a use tax shall send such data to the Department of Revenue by January 1, 2022, and the Department shall implement the mapping feature using the use tax data by July 1, 2022.

By July 1, 2022, the Department shall update the mapping feature to include the total sales tax rate for combined rates of overlapping sales taxes levied and the total use tax rate for combined rates of overlapping use taxes levied.

If the boundaries of a political subdivision in which a sales or use tax has been imposed shall thereafter be changed or altered, the political subdivision shall forward such changes to the Department, as described in the act. (Section 32.310)

VIDEO SERVICE PROVIDER FEES

This act modifies provisions relating to communications services offered in political subdivisions.

The act modifies the definition of "gross revenues" for provisions of law relating to video service providers.

This act prohibits the state and political subdivisions from imposing a new tax, license, or fee upon the provision of satellite or streaming video services.

Under the act, a franchise entity may collect a video service provider fee equal to not more than 5% of the gross revenues of a video service provider providing service in the geographic area of such franchise entity. The fee shall be phased out as follows:

- Beginning August 28, 2023, 4.5% of gross revenues;
- Beginning August 28, 2024, 4% of gross revenues;
- Beginning August 28, 2025, 3.5% of gross revenues;
- Beginning August 28, 2026, 3% of gross revenues; and
- Beginning August 28, 2027, and continuing thereafter, 2.5% of gross revenues.

Currently, video service providers may identify and collect the amount of the video service provider fee as a separate line item on subscriber bills. Under this act, the fee shall be identified and collected as a separate line item.
The act also creates the Task Force on the Future of Right-of-Way Management and Taxation consisting of 16 members as set forth in the act. The purpose of the Task Force is to study best methods for right-of-way management, taxation of video services, and the future revenue needs of municipalities and political subdivisions as such revenue relates to video services.

The Task Force shall compile a report of its activities for submission to the General Assembly. The report shall be submitted no later than December 31, 2023, and shall include any recommendations which the Task Force may have for legislative action. The Task Force shall expire on December 31, 2023. (Sections 67.2677 to 67.2720)

FIREFIGHTER CANCER BENEFITS TRUST TAX CREDIT

For all tax years beginning on or after January 1, 2022, a taxpayer making a contribution to a voluntary firefighter cancer benefits trust, created pursuant to the amendment, shall be allowed a tax credit equal to fifty percent of the amount of the contribution. Such tax credits shall not be refundable or transferred, sold, or assigned, but may be carried forward to the taxpayer's subsequent tax years. Each trust shall provide the Department of Revenue with the identity of each taxpayer making a contribution to a trust. The total amount of tax credits authorized under the act shall not exceed $4 million in any year. (Section 135.445)

INDIVIDUAL INCOME TAX

Current law provides for a reduction in the top rate of income tax of 0.5% phased-in over a period of years in 0.1% increments, with each cut becoming effective if net general revenue collections meet a certain trigger. This act adds two additional 0.1% reductions for a total reduction in the top rate of tax of 0.7%.

Additionally, current law requires the Department of Revenue to annually adjust the income tax brackets by the percent increase in inflation. This act repeals such provision and beginning with the 2023 calendar year, repeals all income tax brackets applies the top rate of tax to all Missouri taxable income. (Section 143.011)

For combined tax returns, current law defines the taxable income of each spouse as the proportion of such person's Missouri adjusted gross income bears to the combined adjusted gross income. For all tax years beginning on or after January 1, 2023, this act repeals such provision. (Section 143.031)

Current law provides that the Missouri standard deduction shall be the allowable federal standard deduction. For all tax years beginning on or after January 1, 2023, this act provides that the Missouri standard deduction shall be the allowable federal standard deduction plus $4,000 if filing single or married filing separately, and plus $8,000 if filing married combined. (Section 143.131)

USE TAX ECONOMIC NEXUS

This act modifies the definition of "engaging in business activities within this state" to include vendors that had cumulative gross receipts of at least $100,000 from the sale of tangible personal property for the purpose of storage, use, or consumption in this state in the previous twelve-month period, as described in the act. Vendors meeting such criteria shall be required to collect and remit the use tax as provided under current law.

Any vendor meeting the definition of "engaging in business activities within this state" shall not be required to collect and remit any local use tax that was enacted prior to January 1, 2023, unless the vendor was or would have been required to collect and remit such tax prior to this act's effective date, or if a majority of voters in the political subdivision have approved an expansion of the local use tax after January 1, 2023. A vendor meeting the definition of "engaging in business activities within this state" shall be subject to any local use tax enacted on or after January 1, 2023. (Section 144.605)

MARKETPLACE FACILITATORS

Beginning January 1, 2023, marketplace facilitators, as defined in the act, that engage in business activities within the state shall register with the Department to collect and remit use tax on sales delivered into the state through the marketplace facilitator's marketplace by or on behalf of a marketplace seller, as defined in the act. Such retail sales shall include those made directly by the marketplace facilitator as well as those made by marketplace sellers through the marketplace facilitator's marketplace.

Marketplace facilitators shall report and remit use tax collected under this act as determined by the Department. Marketplace facilitators properly collecting and remitting use tax in a timely manner shall be eligible for any discount provided for under current law.

Marketplace facilitators shall provide purchasers with a statement or invoice showing that the use tax was collected and shall be remitted on the purchaser's behalf.

No class action shall be brought against a marketplace facilitator in any court in this state on behalf of purchasers arising from or in any way related to an overpayment of sales or use tax collected on retail sales facilitated by a marketplace facilitator, regardless of whether that claim is characterized as a tax refund claim.

SALES TAX ADMINISTRATION

This act authorizes the Department of Revenue to consult, contract, and work jointly with the Streamlined Sales and Use Tax Agreement's Governing Board to allow sellers to use the Governing Board's certified service providers and central registration system services, or to consult, contract, and work with certified service providers independently. The Department may determine the method and amount of compensation to be provided to certified service providers. The act also authorizes the Department to independently take such actions as may be reasonably necessary to secure the payment of and account for the tax collected and remitted by retailers and vendors under the act.

This provision shall expire on January 1, 2028, unless reauthorized by the General Assembly. (Section 144.608)

The school and Show Me Green sales tax holidays are modified by repealing the ability for political subdivisions to opt out of the sales tax holidays, and by defining how the sales tax exemption applies to the purchase or return of certain items. (Sections 144.049 and 144.526)

The Director shall provide and maintain downloadable electronic databases at no cost to the user of the databases for taxing jurisdiction boundary changes, tax rates, and a taxability matrix detailing taxable property and services. Sellers and certified service providers (CSP) will be relieved from liability if they fail to properly collect tax based upon information provided by the Department. Certified service providers, sellers, and marketplace facilitators may utilize proprietary data, provided the Director certifies that such data meets the standards provided for under the act.

This act relieves a purchaser from any penalties for failure to pay the proper amount of sales tax if the error was a result of erroneous information provided by the Director of Revenue. (Sections 144.637 and 144.638)

Monetary allowances from taxes collected shall be provided to certain sellers and certified service providers for collecting and remitting state and local taxes, as described in the act. (Section 144.140)

LOCAL USE TAXES

This act modifies ballot language required for the submission of a local use tax to voters by repealing ballot language specific to St. Louis County and its municipalities and the City of St. Louis, and making requiring the ballot language in all municipalities identical.

This act allows any county or municipality with an existing local use tax enacted prior to January 1, 2023, to keep such existing local use tax. If any such county or municipality subsequently places a use tax measure on the ballot and the measure fails to pass, the use tax enacted prior to January 1, 2023, shall remain in effect until it expires or is repealed, reduced, or raised by a future ballot measure. If any such county or municipality places the use tax measure of this section and the measure passes, the use tax authorized by the act shall replace the previously enacted use tax.

This act prohibits a local use tax from being described as a new tax, described as not being a new tax, and being advertised or promoted in a manner in violation of current law. (Section 144.757)

This act provides that the portion of the local use tax imposed by St. Louis County shall be distributed to the cities, towns, villages, and unincorporated areas of the county on the ratio of the population that each such city, town, village, and unincorporated area bears to the total population of the county. (Section 144.759)

VOLUNTARY FIREFIGHTER CANCER BENEFITS TRUST

This act allows for the creation of a Voluntary Firefighter Cancer Benefits Trust for the payment of benefits to certain firefighters. Under the act, any municipality, association, fire protection district, or special district that employs one or more firefighters who meet certain qualifications may make contributions to a Voluntary Firefighter Cancer Benefits Trust. The board of trustees of any trust created for the purposes of this act is subject to the Sunshine Law. The trust is then required to make payments to covered individuals, as defined in the act, based upon the type of cancer with which the covered individual was diagnosed. The maximum amount that may be paid out from the trust for a particular cancer diagnosis in a covered individual is $249,000. Benefits may be reduced by 25% if the covered individual used a tobacco product within the 5 years immediately preceding the cancer diagnosis.

Any trust created for the purposes of this act may accept or apply for grants or donations from any private or public source. Furthermore, any such trust may apply for grants from the state fire marshal.

EFFECTIVE DATE

The provisions of this act relating to sales tax administration, use taxes, and income taxes shall become effective January 1, 2023.

The remaining provisions shall become effective August 28, 2021.

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

Missouri Attorney General's Office
Office of Administration – Budget & Planning Division
Missouri Department of Commerce and Insurance
Missouri Department of Natural Resources
Missouri Department of Revenue
Missouri Department of Public Safety – State Emergency Management Agency
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Missouri Secretary of State's Office
Missouri State Auditor's Office
Joint Committee on Administrative Rules
City of Claycomo
City of Corder
City of O'Fallon
City of Springfield
Corder Water/Wastewater Department
Hancock Street Light District
Lexington Water/Wastewater Department
Little Blue Valley Sewer District
Metropolitan St. Louis Sewer District
Schell City Water Department
South River Drainage District
St. Charles County Public Water Supply District # 2
Wayne County Public Water Supply District # 2

Julie Morff
Director
April 26, 2021

Ross Strope
Assistant Director
April 26, 2021