

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0765S.01I  
Bill No.: SB 123  
Subject: Taxation And Revenue - Sales And Use; Political Subdivisions; Cities, Towns  
And Villages  
Type: Original  
Date: January 26, 2021

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Bill Summary: The proposal modifies provisions relating to local sales taxes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
General Revenue	\$0 to (Unknown)	\$0 to (Unknown) or Unknown	\$0 to (Unknown) or Unknown
<b>Total Estimated Net Effect on General Revenue*</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown) or Unknown</b>	<b>\$0 to (Unknown) or Unknown</b>

\*The proposal would place a limit on the combined sales tax rate of local political subdivisions (cities, counties, other). It is unclear if the phrase “combined rate of sales tax” would create a situation where some local political subdivisions may already have sales tax rates in excess of the amounts allowed in the bill. Therefore, Oversight will reflect a fiscal impact ranging from \$0 (language in the bill does not create sales tax rate caps below current imposed amounts) to an negative unknown amount (existing “combined” rate of sales tax currently implemented is already above those allowed in this bill).

Oversight will also reflect a possible positive unknown amount of sales tax (as well as DOR 1% collection fee) from 32.087.3(2) that may be approved at the general election in November 2022.

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

Numbers within parentheses: () indicate costs or losses.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0 to (Unknown) or Unknown</b>	<b>\$0 to (Unknown) or Unknown</b>	<b>\$0 to (Unknown) or Unknown</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of Administration Budget & Planning (B&P)** assume the proposal will not impact total state revenues as it changes an intersectional reference and imposes a cap on the combined rate of local sales taxes for all tax years effective January 1, 2022.

- The cap for taxing entities incorporated as a city, town, or village is 4.50%.
- The cap for a county excluding cities not within a county (St. Louis City) is 3.25%.
- For taxing jurisdiction other than incorporated cities, towns, village, and counties, the cap is 3.25%.

This may impact the calculation under Article X, Section 18(e), as a cap on local tax rates could limit local tax revenues. BAP defers to the DOR for more specific estimates on any revenue impact.

Subdivision 32.087.3(2) would place a limit on the total combined sales tax rate of local jurisdictions. For sales taxes authorized by a city, town, or village the total combined local sales tax rate shall not exceed 4.5%. Using sales tax rates published by DOR, B&P estimates that approximately 790 jurisdictions may have a combined sales tax rates in excess of this limit. For sales taxes authorized by a county, the total combined sales tax rate shall not exceed 3.2%. Using the same data, B&P estimates that approximately 33 counties may have a combined sales tax rates in excess of this limit. B&P notes that this subdivision does not outline what actions a jurisdiction must take if their total combined sales tax rates are higher than the limits. Therefore, B&P estimates that this provision may reduce local revenues by \$0 to an unknown, could be significant, amount. This provision may reduce TSR and GR if jurisdictions are required to lower their sales tax rates below the cap, causing a reduction in the 1% cost of collections fee received by DOR.

Officials from the **Department of Revenue (DOR)** assume the proposal would not have a direct fiscal impact on their organization.

Section 32.087.3(2) would limit the sales tax rate in local political subdivisions starting January 1, 2022 and requires that an election be held to continue to impose a sales tax. The election to approve the sales tax must be done at a general election.

Additionally, this sets a limit to the combined sales tax imposed starting January 1, 2022 in a jurisdiction. Should two or more sales taxes be passed that causes a district to exceed the combined limit the proposal provides a method for determining which sales/use tax would be kept.

**Oversight** notes B&P assumed the proposal may have a substantial fiscal impact on the local political subdivisions depending upon the interpretation of section 32.087 3. (4). Therefore, Oversight will note \$0 to Unknown negative impact to the General Revenue (reflecting decline in 1% cost of collections fee received by DOR) on the fiscal note.

Officials from the **City of Kansas City** assume the proposal could have a negative fiscal impact of an indeterminate amount as it may cap the amount of local sales tax which the City could impose.

Officials from the **City of Springfield** assume the proposal could have a negative fiscal impact on the City in the future, if the City needed to raise its sales tax rate. However, the City does not anticipate an immediate negative fiscal impact from the proposal because the city's sales tax rate is lower than the cap set in the proposal.

**City of Saint Louis – Budget Davison** and **City of Hale** both assume the proposal would have a direct fiscal impact on their respective organization.

Officials from the **Missouri Department of Transportation (MODOT)**, **City of Ballwin**, **Missouri State University**, **Northwest Missouri State University**, **University of Central Missouri**, **Missouri University**, and **High Point R-III School**, each assume the proposal would not have a direct fiscal impact on their respective organization.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, schools, and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

**Oversight** will also reflect a potential positive impact from section 32.087.3(2) if this allows local political subdivisions to submit before its voters an additional sales tax in November 2022. Oversight will show this as a \$0 (no such tax increase is submitted to voters or voters do not approve the measure) to an unknown amount of sales tax revenue.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>GENERAL REVENUE</b>			
Potential Revenue – DOR 1% collection fee for new sales tax authorized in 32.087.3(2)	\$0	\$0 or Unknown	\$0 or Unknown
Potential Reduction in Revenue – DOR 1% collection fees	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<u><b>\$0 to (Unknown) or Unknown</b></u>	<u><b>\$0 to (Unknown) or Unknown</b></u>	<u><b>\$0 to (Unknown) or Unknown</b></u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
Potential Revenue – new sales tax authorized in 32.087.3(2)	\$0	\$0 or Unknown	\$0 or Unknown
Potential Reduction in Revenue – reduction in sales tax rates	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<u><b>\$0 to (Unknown) or Unknown</b></u>	<u><b>\$0 to (Unknown) or Unknown</b></u>	<u><b>\$0 to (Unknown) or Unknown</b></u>

### FISCAL IMPACT – Small Business

This proposal may have a direct fiscal impact on the small business that pay and/or collect sales tax.

### FISCAL DESCRIPTION

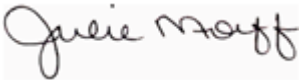
In addition to any local sales tax imposed or authorized to be imposed as of January 1, 2022, this act authorizes any taxing jurisdiction to impose one or more sales taxes for purposes to be designated by the taxing jurisdiction, provided that the total combined rate of local sales taxes imposed by a taxing entity that is an incorporated city, town, or village shall not exceed 4.5%; the total combined rate of local sales taxes imposed by a county shall not exceed 3.25%; and for all other taxing jurisdictions, the total combined rate of sales taxes in any given taxing jurisdiction shall not exceed 3.25%. Such limits shall not apply to transient guest taxes or convention and tourism taxes.

In any election in which more than one sales tax levy is approved by the voters, and the passage of such levies results in a combined rate of sales tax in excess of the limits provided under the act, only the sales tax levy receiving the most votes shall become effective.

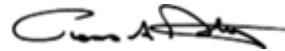
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration – Budget & Planning  
Missouri Department of Transportation  
City of Kansas City  
City of Springfield  
City of Saint Louis – Budget Davison  
City of Hale  
City of Ballwin, Missouri State University  
Northwest Missouri State University  
University of Central Missouri  
Missouri University  
High Point R-III School



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January 26, 2021



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