COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1725S.07S
Bill No.: CCS for HCS for SB 365
Subject: Taxation And Revenue - Income; Taxation And Revenue - Property; Taxation And Revenue - Sales And Use; Tax Credits; Aircraft And Airports; Agriculture, Department Of; Unemployment Compensation; Taxation And Revenue - General; Economic Development; Economic Development, Department Of
Type: Original
Date: May 14, 2021

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue Fund*	More or less than ($11,735,820 to $18,167,618)	More or less than ($5,932,116 to $21,897,526)	More or less than ($186,621 to $16,109,057)
Total Estimated Net Effect on General Revenue	**More or less than ($11,735,820 to $18,167,618)**	**More or less than ($5,932,116 to $21,897,526)**	**More or less than ($186,621 to $16,109,057)**

*Oversight notes the fiscal impact of Section(s) 143.121 & 143.171) (approximately $11.7 million in FY 2022) represents the state not collecting state income tax on the second and third round of federal economic stimulus refunds distributed in 2020 and 2021. This is not a loss of current funding or a new expense, but rather the non-collection (forgone income) of a potential two-year windfall of income taxes.

*Twenty-five percent (25%) of state tax withholdings from new jobs created within established TIME Zones may be deposited into the TIME Zone Fund to be disbursed back to the Time Zone (less up to 10% for state administrative costs). The program cap (across all TIME Zones) is $5 million per year.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Ambulance Services Reimbursement Allowance* (0958)	$6,525,000	$2,175,000	$0
Nursing Facility Federal Reimbursement Allowance** (0196)	$139,950,000	$46,650,000	$0
Federal Reimbursement Allowance*** (0142)	$960,000,000	$320,000,000	$0
Pharmacy Reimbursement Allowance**** (0144)	$81,000,000	$27,000,000	$0
ICR/MR Reimbursement Allowance***** (0901)	$4,800,000	$1,600,000	$0
TIME Zone Fund (funds net to zero)	$0	$0	$0
Unemployment Automation Fund (0953)	$3,382,938 or up to $5,000,000	$3,382,938 or up to $5,000,000	$3,382,938 or up to $5,000,000
Total Estimated Net Effect on Other State Funds	**$1,195,657,938 to $1,197,275,000**	**$400,807,938 to $402,425,000**	**$3,382,938 or up to $5,000,000**

Numbers within parentheses: () indicate costs or losses.
* Oversight assumes expenditure of approximately $8.7 million annually for a net of $0.
** Oversight assumes expenditure of approximately $186.6 million annually for a net of $0.
*** Oversight assumes expenditure of approximately $1.28 billion annually for a net of $0.
**** Oversight assumes expenditure of approximately $108 million annually for a net of $0.
***** Oversight assumes expenditure of approximately $6.4 million annually for a net of $0.

Oversight notes this is a continuation of an existing tax for one additional year.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Federal - FRA	$0 to ($675,824,480)	$0 to ($810,989,376)	$0 to ($810,989,376)
Unemployment Trust Fund (0122)	($3,382,938) or up to ($5,000,000)	($3,382,938) or up to ($5,000,000)	($3,382,938) or up to ($5,000,000)
Unemployment Compensation Administration Fund (0948)	$0 up to ($22,537)	$0 up to ($4,620)	$0 up to ($4,736)
Total Estimated Net Effect on All Federal Funds	**($3,382,938) or up to ($680,847,017)**	**($3,382,938) or up to ($815,993,996)**	**($3,382,938) or up to ($815,994,112)**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
TIME Zone Fund	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
General Revenue	2 FTE	2 FTE to 5 FTE	2 FTE to 5 FTE
Total Estimated Net Effect on FTE	**2 FTE to 3 FTE**	**2 FTE to 6 FTE**	**2 FTE to 6 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
Local Government	**Unknown**	**($16,165) to Could exceed $1,666,841**	**($30,501) to Could exceed $3,062,651**

FISCAL ANALYSIS

ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 67.782 Recreation Sales Tax for Certain Counties

In response to a similar proposal, HB 805 (2021), officials from the **Office of Administration – Budget & Planning (B&P)** assumed the proposal allows voters in the County of Osage to vote on a 1.0% recreation sales tax. This expands the availability of this tax beyond Bollinger and Cape Girardeau counties.

B&P deferred to the local governments for the fiscal impact of this legislation.

Voter-approved taxes do not impact TSR or 18e. However, DOR's retained collection fee will increase TSR. Budget and Planning defers to DOR for more specific estimates of actual collection costs.

In response to a similar proposal, HCS for HB 805 (2021), officials from the **Department of Revenue (DOR)** assumed the proposal previously stated any county of the third class having a population of more than ten thousand and less than fifteen thousand and any county of the second class having a population of more than fifty-eight thousand and less than seventy thousand adjacent to such third class county, both counties making up the same judicial circuit, could jointly impose a sales tax for public recreational purposes.

This proposal changes the definition to any county of the third classification without a township form of government and with more than twelve thousand but fewer than fourteen thousand inhabitants and with a city of the fourth classification with more than one thousand three hundred fifty but fewer than one thousand five hundred inhabitants as the county seat. This definition means that Linn in Osage County and Marble Hill of Bollinger County meet this definition.

The first county must be next to a county meeting the following definition; any county of the first classification with more than seventy thousand but fewer than eighty-three thousand inhabitants and with a city of the fourth classification with more than thirteen thousand five hundred but fewer than sixteen thousand inhabitants as the county seat. The only county that meets that definition is Cape Girardeau County with its county seat of Jackson.

Therefore, given that **Bollinger County** and **Cape Girardeau County** are next to each other, this proposal is allowing them to create the recreation district. Both Bollinger County and Cape Girardeau County would have to adopt this tax or the tax would not be implemented. This is a

1% sales tax.

Bollinger County had taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	12,071,509	11,784,887	12,455,719	11,957,507	48,269,622
2016	11,964,886	12,721,797	12,373,127	12,369,980	49,429,789
2017	12,283,021	12,270,147	11,903,277	11,684,252	48,140,697
2018	14,165,368	12,592,268	12,629,610	12,969,344	52,356,591
2019	12,689,105	12,581,666	13,111,609	12,602,523	50,984,903
2020	12,788,183	12,726,918			25,515,101

Source: http://dor.mo.gov/publicreports/ (sales tax only)

Converting calendar year taxable sales to fiscal year taxable sales and using a 2% inflation rate annually, we are able to determine the amount of collection Bollinger County could expect if they pass this proposal.

Fiscal Year	Total Sales	Total Collection	DOR 1% Fee	Bollinger Collection
2022	$0	$0	$0	$0
2023	$40,773,654	$407,737	$4,077	$403,659
2024	$55,452,169	$554,522	$5,545	$548,976

Cape Girardeau County had taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	313,991,302	328,462,544	334,088,423	364,213,737	1,340,756,006
2016	320,777,153	331,167,800	334,639,295	363,471,807	1,350,056,054
2017	317,321,199	338,602,549	333,329,400	354,698,971	1,343,952,118
2018	326,759,327	342,411,413	344,721,208	359,599,262	1,373,491,210
2019	317,004,837	335,854,295	333,604,637	367,409,389	1,353,873,159
2020	317,504,782	345,553,111			663,057,893

Source: http://dor.mo.gov/publicreports/ (sales tax only)

Converting calendar year taxable sales to fiscal year taxable sales and using a 2% inflation rate annually, we are able to determine the amount of collection Cape Girardeau County could expect if they pass this proposal.

Fiscal Year	Total Sales	Total Collection	DOR 1% Fee	Cape Girardeau Collection
2022	$0	$0	$0	$0
2023	$1,085,673,025	$10,856,730	$108,567	$10,748,163
2024	$1,476,515,314	$14,765,153	$147,652	$14,617,502

DOR notes that this proposal would become effective on August 28, 2021 and the first election would be the April 6, 2022 election. There is no November 2021 general election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would begin October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

The total impact of the bill is estimated to be:

Fiscal Year	DOR 1% Fee	Recreation Tax Collected
2022	$0	$0
2023	$112,644	$11,151,822
2024	$153,197	$15,166,478

Oversight assumes this proposal modifies the definition of Bollinger County and Cape Girardeau County in existing statute language thus farther clarifying the voting criteria for each county. Oversight notes Section 67.782 was originally passed in 1987 (HB 210) and was updated in 1990 (SB 776) and 1991 (HB 29). The current sales tax rate for Bollinger County is 1.625% and for Cape Girardeau County is 1.00%.

Oversight notes the HCS removes the provisions in statute requiring the two counties to jointly impose the tax. Therefore, now one county may approve the tax in their county without action from the other county.

In response to a similar proposal, HCS for HB 805 (2021), officials from the **Missouri Department of Transportation, Department of Natural Resources,** and **Office of the State Treasurer** each assumed the proposal would not have a direct fiscal impact on their respective organization.

In response to a similar proposal, HCS for HB 805 (2021), officials from the **City of Claycomo**, **City of O'Fallon**, **City of Springfield**, and **City of Saint Louis – Budget Division, Plate County - Local Election Authority, and Saint Louis County Board of Election Commissioners** each assumed the proposal would not have a direct fiscal impact on their respective organizations.

<u>Section 67.1011.1 – Transient Guest Tax – City of Butler</u>

In response to a similar proposal, officials from the **Office of Administration - Budget and Planning** assume this proposal allows voters in the City of Butler to impose a transient guest tax at no more than 6.0%. B&P defers to the local government for the fiscal impact. Currently, DOR does not collect transient guest taxes.

In response to a similar proposal, officials from the **Department of Revenue** (DOR) assumed this provision allows the City of Butler to vote to establish a transient guest tax. This does not have an impact on the Department as transient guest taxes are collected by the local political subdivision and not DOR.

Oversight notes this section allows the City of Butler (Butler), subject to voter approval, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels, which shall not exceed six percent (6%) per occupied room per night.

Oversight notes Butler may propose the tax to its respective voters at an election. For purposes of this fiscal note, Oversight assumes the question would be proposed to Butler's voters at the next general election. Oversight assumes the next General Election will occur in November 2022. The second calendar quarter following the calendar quarter in which the election is held would begin April 2023 (3 months of Fiscal Year 2023).

Oversight notes this section does not specify what the transient guest tax revenue shall be used for. Therefore, Oversight assumes it would be deposited into Butler's General Revenue.

Oversight is unable to determine how many transient guest(s) visit Butler annually.

Oversight will report a revenue gain to Butler equal to $0 (voters do not approve the transient guest tax) up to Unknown (three (3) months' worth of the transient guest tax in Butler) in Fiscal Year 2023.

Section 67.1013 – Transient Guest Tax – City of Harrisonville

In response to a similar proposal, officials from the **Department of Revenue** (DOR) assumed the provision allows the City of Harrisonville to adopt a transient guest tax upon the vote of their citizens. Transient guest taxes are collected at the local level and not at the Department of Revenue. Therefore, we do not anticipate any impact from these provisions.

In response to the similar proposal, officials from the **City of Harrisonville** assumed the proposal will have a direct fiscal impact on their respective organization.

Currently in Harrisonville, there are 5 hotel/motel/lodging businesses. They are:

- Harrisonville Inn & Suites
- Comfort Inn & Suites
- America's Best Value Inn & Suites
- Caravan Motel
- Knights Inn

Between these hotels/motels, there are approximately 210 total rooms.

The average cost of a hotel stay in Harrisonville is about $64 – This can fluctuate based on demand and season.

Many communities in the Harrisonville area carry a hotel tax that is currently set at 5%. Below you will find an example of what that could look like if it were approved for Harrisonville. With a 5% hotel/tourism tax, 5% would be added to the current tax rate collected by hotels for rooms in Harrisonville.

Currently, the hotel room tax rate collected by hotels in Harrisonville is 7.725%. This percentage is divided amongst the state, city and county, with the state receiving 4.225%, the city receiving 1.875% and the county receiving 1.625%

With the 5% hotel/tourism tax, the new rate collected by hotels in Harrisonville would move to 12.725% The money brought into the hotels by this 5% would be paid monthly to the City.

With this new rate, an average of $3.20 (at 5% rate) or $3.84 (at 6% rate) would be added to the total bill for each room. Here is how that breaks down on a monthly and yearly basis:

If every room in town was booked each night of the year, the hotel/tourism tax (5%) would bring in $20,160 per month and $241,920 per year.

If every room in town was booked for half of the nights of the year, the hotel/tourism tax (5%) would bring in $10,080 per month and <u>$120,960 per year</u>.

If every room in town was booked for a quarter of the nights of the year, the hotel/tourism tax (5%) would bring in $5,088 per month and <u>$60,056 per year</u>.

Oversight notes that the proposal allows imposition of an up to 6% transient guest tax. Assuming the voters' approval and rate that is only chargeable to the actual average price of the lodging per night ($64.00) the collection would total to <u>$290,304</u> [$3.84 (6% on average price of $64 per room) x 210 (total rooms available) x 365 (days)].

Oversight notes that the amount could be substantially greater depending on the way the guest tax is structured on the receipt. (Detailed explanation of various tax approaches can be observed within Section 94.842 - Springfield Transient Tax).

Oversight notes the City of Harrisonville would have to propose the tax to its voters at an election. Should the voters vote in favor of the tax, the tax shall become effective on the first day of the second calendar quarter following the calendar quarter in which the election was held. Should the voters vote against the tax, the tax shall not become effective unless and until the question is resubmitted and approved by the qualified voters of the City.

Oversight will reflect a $0 (no tax increase approved by the voters) or positive unknown (tax increase approved by the voters) fiscal impact for the City of Harrisonville for this proposal.

Oversight also notes that there is no November 2021 election: therefore, the earliest election date would be in April of 2022. If the voters approve the tax would go into effect in October of 2022 (Fiscal Year 2023).

<u>Section 67.1360. 1 (38) – Transient Guest Tax – City of Cameron</u>

In response to the similar proposal, officials from the **Office of Administration - Budget and Planning** deferred to the local government for the potential fiscal impact of this proposal.

In response to a similar proposal, officials from the **Department of Revenue** (DOR) assumed the provision allow the City of Cameron to adopt a transient guest tax upon the vote of their citizens. Transient guest taxes are collected at the local level and not at the Department of Revenue. Therefore, we do not anticipate any impact from these provisions.

Oversight notes this section allows the City of Cameron (Cameron), subject to voter approval, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels, motels, bed and breakfast inns, and campgrounds and any docking facility that rents slips to recreational boats that are used by transients for sleeping, which shall be at least two percent (2%) but not more than five percent (5%) per occupied room per night.

Oversight notes Cameron may propose the tax to its respective voters at a state general, primary, or special election. For purposes of this fiscal note, Oversight assumes the question would be proposed to Cameron's voters at the next general election. Oversight assumes the next General Election will occur in November 2022. Oversight assumes, if approved by Cameron's voters that the tax would go into effect the first quarter following the quarter the tax was proposed to such voters. The first calendar quarter following the calendar quarter in which the election is held would begin January 2023 (6 months of Fiscal Year 2023).

If Cameron's voters vote in favor of the tax, the revenue of the tax shall be used solely for funding the promotion of tourism.

Oversight is unable to determine how many transient guest(s) visit Cameron annually.

Oversight will report a revenue <u>gain</u> to Cameron equal to $0 (voters do not approve the transient guest tax) up to Unknown (six (6) months' worth of the transient guest tax in Cameron) in Fiscal Year 2023.

<u>Section 67.1360. 1. (39) – Transient Guest Tax – City of Marceline</u>

In response to a similar proposal, officials from the **Department of Revenue (DOR)** assumed this provision allows the City of Marceline to vote to establish a transient guest tax. This does not have an impact on the Department as transient guest taxes are collected by the local political subdivision and not DOR.

Oversight notes DOR and B&P do not anticipate a direct fiscal impact as a result of this proposed legislation. Oversight does not have any information to the contrary. Oversight assumes DOR would not collect the tax and retain a percentage. Therefore, Oversight will report a zero fiscal impact for these organizations.

In response to the similar proposal, HB 993 (2021), officials from the **City of Marceline** (**Marceline**) assumed the proposal would have a positive fiscal impact on their organization with estimated revenue of $1,600.00 to $4,000.00 +/- based on the tax approved by voters (2% to 5%).

Oversight notes this proposed legislation would allow the governing body of Marceline to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels, motels, bed and breakfast inns, campgrounds and any docking facility that rents slips to recreational boats that are used by transients for sleeping. This proposed legislation permits the transient guest tax to be at least two percent (2%) but not more than five percent (5%) per occupied room per night.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (City of Marceline) ranging from $0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by Marceline.

Oversight notes the earliest this proposal could be implemented is the 2022 General Primary Election. Oversight assumes this could occur in August 2022. Therefore, Oversight will report the positive fiscal impact to local political subdivisions (City of Marceline) for 6 months in Fiscal Year 2023.

<u>Section 94.834 City of Smithville Transient Guest Tax</u>

In response to a similar proposal, officials from the **Office of Administration – Budget and Planning, Department of Revenue,** and **Economic & Policy Analysis Research Center** each assumed the proposal would not have a direct fiscal impact on their respective organization.

Oversight notes the proposal would allow any city of the fourth classification with more than eight thousand but fewer than nine thousand inhabitants and located partially in any county of the first classification with more than two hundred thousand but fewer than two hundred sixty thousand inhabitants and partially in any county of the first classification with more than eighty-three thousand but fewer than ninety-two thousand inhabitants and with a city of the fourth classification with more than four thousand five hundred but fewer than five thousand inhabitants as the county seat to adopt up to one-half of one percent sales tax or the purpose of funding public safety.

Oversight notes the City fitting the criteria of this proposal is City of Smithville. The proposal allows city to propose transient guest tax on guests of hotels or motels situated in the city or a portion thereof, which shall be not more than five percent per occupied room per night.

Oversight notes the City may implement such a tax only with approval from the voters at a general or primary election with the primary purpose to promote tourism. At this time there is no such a transient tax collected in City of Smithville. If such a tax should be approved by the voters, Oversight assumes it would not be in place until 2023. Therefore, Oversight will reflect $0 tax collection for FY 2022, and a range of $0 (voters do not approve the tax) or a positive Unknown (voters approve the tax) collection for FY 2023, and FY 2024 on the fiscal note.

Oversight only reflects the responses that we have received from state agencies; however, City of Smithville officials were requested to respond to this proposed legislation but did not. Oversight notes only two hotels are currently listed in Smithville, a Super 8 and the Smithville Historical Museum and Inn. Oversight does not have enough information to estimate an amount of tax potentially generated if this is approved by voters.

<u>Section 94.838 City of Lamar Heights - Transient Guest Tax</u>

In response to a similar proposal, officials from the **Office of Administration – Budget & Planning (B&P)** assumed <u>Section 94.838.1(3)</u> – The SS change updates the demographic description in the definition of municipality for the City of Lamar Heights. The tax rate changes from 2% to 6% with proceeds directed to the general revenue fund instead of capital improvements.

B&P defers to the local government for the fiscal impact. DOR's retained collection fee will increase TSR because DOR will be able to collect its 1% administration fee for handling the collection and to DOR for more specific estimates of actual collection costs. Historically, DOR collections fees have totaled less than $10,000 per year on similar discrete local tax collections.

Oversight notes officials from B&P defer to the Lamar Heights for the potential fiscal impact of this proposal.

In response to a similar proposal, officials from the **Department of Revenue (DOR)** assumed this proposal allows the Village of Lamar Heights to change their sales tax from not to exceed two percent sales tax for the purpose of construction, maintenance and operation of capital improvements to a not to exceed six percent for general revenue purposes. This proposal does require a vote of the citizens prior to becoming effective. Should the vote fail, there would be no fiscal impact. Information on the amount of sales tax collected by the Village of Lamar Heights over the past four calendar years.

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	1,452,189	1,572,177	1,302,550	892,271	5,219,189
2016	2,194,059	2,334,111	2,386,004	2,113,133	9,027,306
2017	1,836,428	2,113,725	2,020,972	1,709,198	7,680,323
2018	1,720,000	2,165,846	2,074,299	1,991,001	7,951,146
2019	1,736,801	2,223,930	2,441,185	2,526,234	8,928,150
2020	1,817,966	2,189,249			4,007,215

Sales Tax only (no use tax)
DOR reports are generated by calendar year not fiscal year
City of Lamar Heights Taxable Sales Report Data
Source: http://dor.mo.gov/publicreports/

Using the current expected tax base for the future fiscal years and a 2% inflation rate, the Department was able to calculate the amount of tax that would be collected with a 6% tax. The Department notes it would be allowed to retain the 1% collection fee. The Department is going to show the difference between the 2% that is currently collected and the 6% that could be collected.

Fiscal Year	Tax Base	Current Collections (2%)	Proposed Tax (6%)	Difference	1% DOR Fee	City Retains
2022	$9,337,208.19	$186,744.16	$560,232.49	$373,488.33	$3,734.88	$369,753.44
2023	$9,523,952.36	$190,479.05	$571,437.14	$380,958.09	$3,809.58	$377,148.51
2024	$9,714,431.41	$194,288.63	$582,865.88	$388,577.26	$3,885.77	$384,691.48

DOR does not anticipate any fiscal impact stemming from Administrative changes.

Oversight notes that the DOR has stated the proposal would have a direct fiscal impact on their organization. Additionally, DOR confirmed that above sales numbers only represent current 2% special food tax sales and collection instituted by Village of Lamar Heights.

Fiscal Year	DOR retains 1%	Lamar Heights
2022	$0	$0
2023	$2,857	$282,861
2024	$3,886	$384,691

<u>Administrative Impact</u>

It is assumed any potential impact would be absorbed by DOR.

Oversight does not have any information to the contrary. The bill changes the designation of the monies from Capital Improvements into the General Revenue Funds of City of Lamar Heights. Therefore, Oversight will reflect the DOR's estimated impact and range the impact from $0 (not approved by voters) or $282,861 for FY 23 and $384,691 for FY 24 (approved by voters) on the fiscal note.

Additionally, if approved by voters, the DOR may be able to collect 1% collection fee stemming from the additional food sales tax. **Oversight** will note the DOR's positive fiscal impact to the General Revenue Fund on the fiscal note.

Oversight only reflects the responses that we have received from state agencies; however Village of Lamar Heights was requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

Section 94.842 – City of Springfield - Transient Guest Tax

Oversight notes this proposed legislation allows the City of Springfield (Springfield), subject to voter approval, to impose a tax on the chargers for all sleeping rooms paid by the transient guests of hotels or motels, which shall not exceed two and one-half percent (2.5%) per occupied room per night.

Oversight notes Springfield may propose the tax to its voters at a general election. Should the voters vote in favor of the tax, the tax shall become effective on the first day of the calendar quarter following the calendar quarter in which the election took place. Should the voters vote against the tax, the tax shall not be imposed.

If Springfield's voters vote in favor of the tax, the revenue from the tax shall be used solely for capital improvements that can be demonstrated to increase the number of overnight visitors in Springfield.

In response to a similar proposal, officials from the **City of Springfield (City)** stated they anticipate a significant positive fiscal impact if voters approve a transient guest tax. Prior to the COVID-19 pandemic, each 2.5% of tax brought in approximately $2.9 million per year. Since the pandemic, each 2.5% of hotel tax has decreased to bring in approximately $2.2 million. The City anticipates this proposed legislation will likely cause a positive fiscal impact between $2.2 million and $2.5 million.

Oversight notes, currently, under Springfield City Code, Chapter 70, Article V, hotels, motels, and tourist courts are required to pay a license tax equal to five percent (5%) of the gross rental receipts paid by transient guests for sleeping accommodations. Since the tax is on the hotel or motel and not the customer, there are no exemptions from the tax. Each business owner makes the decision as to whether or not the tax is passed on to their customers.

Oversight notes Springfield's Hotel/Motel License Tax is a license tax and **not** a transient guest tax.

Oversight notes a detailed description of Springfield's Hotel/Motel License Tax can be found here.

Per information received from Springfield, in 1979 Springfield City Council approved a general ordinance which amended its City Code and allowed Springfield to impose and collect a 2% hotel/motel [license] tax.

The tax was to be used for what is now known as the Convention and Visitors Bureau (CVB). Springfield could retain 6% of all collections to cover the administrative costs of collection and enforcement.

In 1998, voters were asked to increase the tax from 2% to 4.5% to further promote tourism "by developing Civic Park (which is now Jordan Valley Park), constructing an indoor ice facility, and making capital grants available for projects to assist not-for-profit organizations who promote these activities."

In February 2004, voters were asked to increase the tax by an additional 0.5% to make the tax 5%. This was to be used to "attract sporting events and conventions and to retain a tourism information center". This was given to the CVB. Springfield still retains 6% of total collections.

The 6% retained by Springfield is split between the Greater Springfield Area Sports Commission and the Springfield Regional Arts Council and a portion is maintained by Springfield to cover collection and administration costs. Of the 6% retained, approximately 50% goes to the Springfield Area Sports Commission and 33% goes to the Springfield Regional Arts Council. The remaining revenue is retained by Springfield. However, the remaining revenues retained by Springfield (17% of the 6% of total collection) have not actually been transferred to "the City; it remains unused and is there for future debt service needs or other requests."

Oversight notes the transient guest tax put forth by this proposed legislation is not a **direct** increase in Springfield's Hotel/Motel License Tax rate and is a separate tax. However, Oversight assumes, if passed by the voters of Springfield, the transient guest tax will cause revenue derived from Springfield's existing Hotel/Motel License Tax to increase.

In order to determine the fiscal impact of this proposed legislation, Oversight used the collection data provided by Springfield for Springfield's Hotel/Motel License Tax.

Per information provided by Springfield, the following amounts were collected from Springfield's five percent (5%) Hotel/Motel License Tax:

Year	Hotel/Motel License Tax Collected
2015	$4,723,157
2016	$5,024,040
2017	$5,309,898
2018	$5,799,089
2019	$5,758,820

Oversight estimates the total gross receipts paid by transient guests for sleeping accommodations in Springfield per year totals (Hotel/Motel License Tax Collected / 5%):

Year	Total Gross Receipts Paid By Customers
2015	$94,463,131
2016	$100,480,791
2017	$106,197,966
2018	$115,981,776
2019	$115,176,400

Oversight notes the Hotel/Motel License Tax **may** or **may not** be passed on to customers of the hotels and motels. Oversight provides example scenarios for each scenario below.

Scenario 1:
Hotel/Motel License Tax is **not** passed on to the customer:

Customer Receipt	
Room Rate	$50
Sales Tax - 8.1% (State, County, City)	$4.05
Total Charge Paid By Customer	$54.05

Hotel/Motel License Tax Paid By Hotel/Motel To City	
Total Gross Receipts	$54.05
Hotel/Motel License Tax - 5% of Gross Receipts	**$2.70**

Scenario 2 (Part 1):
Hotel/Motel License Tax **is** passed on to the customer:

Customer Receipt	
Room Rate	$50
Sales Tax - 8.1% (State, County, City)	$4.05
Room Rate + Sales Tax	$54.05
Hotel/Motel License Tax Passed On To Customer - **5%**	**$2.70**
Total Charge Paid By Customer	$56.75

Hotel/Motel License Tax Paid By Hotel/Motel To City	
Total Gross Receipts	$56.75
Hotel/Motel License Tax - 5% of Gross Receipts	**$2.84**

Oversight notes, as shown above, the Hotel/Motel License Tax paid by the hotel/motel is greater than the amount that was passed on to the customer. This is because, at this point, the Hotel/Motel License Tax passed on to the customer is calculated on $54.05 whereas the hotel/motel's tax owed to Springfield is calculated on $56.75.

Therefore, hotels/motels charge a tax rate to the customers in excess of the rate they are required to pay to Springfield to recoup the difference.

Scenario 2 (Part 2):
Hotel/Motel License Tax **is** passed on to the customer:

Customer Receipt	
Room Rate	$50
Sales Tax - 8.1% (State, County, City)	$4.05
Room Rate + Sales Tax	$54.05
Hotel/Motel License Tax Passed On To Customer - **5.26%**	**$2.84**
Total Charge Paid By Customer	$56.89

Hotel/Motel License Tax Paid By Hotel/Motel To City	
Total Gross Receipts	$56.89
Hotel/Motel License Tax - 5%	**$2.84**

Oversight notes, as shown above, the Hotel/Motel License Tax is passed onto the customer at a rate that exceeds the rate that hotels/motels must pay in order for the hotel/motel to recoup the full amount that is required to be remitted to Springfield.

Oversight assumes the calculation used by hotels/motels to establish the rate equal to 5.26% to be used when passing the Hotel/Motel License Tax on to customers is:

	Customer's Receipt	
	Room Rate	$50
x	Sales Tax - 8.1%	$4.05
=	Room Rate + Sales Tax	$54.05
x	Hotel/Motel Tax Passed On To Customer - **5%**	**$2.70**
=	Total Charge Paid By Customer	$56.75

	Hotel/Motel License Tax Paid By Hotel/Motel To City	
	Gross Receipts (Room Rate + Sales Tax + Tax Passed On)	$56.75
x	**Hotel/Motel License Tax - 5%**	**$2.84**

Oversight notes, at this point, the hotel/motel knows the amount of Hotel/Motel License Tax it is required to remit to Springfield is $2.84

Then, hotels/motels divide the Hotel/Motel License Tax owed to Springfield ($2.84) by the Room Rate + Sales Tax ($54.05) to determine the applicable rate.

For this example, $2.84 / ($50 + $4.05) = 5.26%. Therefore, as shown in Scenario 2 (Part 2), the tax rate imposed on the customer equals 5.26%.

Oversight assumes, with an additional tax imposed upon sleeping rooms in the form of a transient guest tax, the total amount of gross receipts recognized by hotels/motels will increase as well. This will result in an increase in the amount of Hotel/Motel License Tax paid by hotels/motels (or customers) to Springfield.

Oversight assumes the transient guest tax put forth by this proposed legislation will be calculated on either: 1) the room rate + sales tax or 2) the room rate + sales tax + Hotel/Motel License Tax.

Oversight updates Scenario 1 and Scenario 2, as shown above, to reflect the addition of a transient guest tax.

Scenario 3:

Hotel/Motel License Tax is **not** passed on to the customer – Transient Guest Tax Included:

Customer Receipt	
Room Rate	$50
Sales Tax - 8.1% (State, County, City)	$4.05
Room Rate + Sales Tax	$54.05
Transient Guest Tax - 2.5%	$1.35
Total Charge Paid By Customer	$55.40

Hotel/Motel License Tax Paid By Hotel/Motel To City	
Total Gross Receipts	$55.40
Hotel/Motel License Tax - 5%	**$2.77**

Oversight notes in Scenario 3, compared to Scenario 1, the hotel/motel will pay $.07 more in Hotel/Motel License Tax for every room charge equal to $50 as a result of the increase in gross receipts. Oversight notes many hotels/motels charge amounts greater than $50 per night and $50 was only used for the example scenarios.

Scenario 4:
Hotel/Motel License Tax **is** passed on to the customer – Transient Guest Tax Included – Transient Guest Tax Calculated on Room Rate + Sales Tax:

Customer Receipt	
Room Rate	$50
Sales Tax - 8.1% (State, County, City)	$4.05
Room Rate + Sales Tax	$54.05
Transient Guest Tax - 2.5%	$1.35
Room Rate + Sales Tax + Transient Guest Tax	$55.40
Hotel/Motel License Tax Passed On To Customer - **5.26%**	$2.92
Total Charge Paid By Customer	$58.32

Hotel/Motel License Tax Paid By Hotel/Motel To City	
Total Gross Receipts	$58.32
Hotel/Motel License Tax - 5%	**$2.92**

Oversight notes in Scenario 4, compared to Scenario 2 (Part 2), the customers of the hotel/motel will pay $0.08 more in Hotel/Motel License Tax for every room charge equal to $50 and $1.35 for the transient guest tax. Oversight notes many hotels/motels charge amounts greater than $50 per night and $50 was only used for the example scenarios.

<u>Scenario 5</u>:
Hotel/Motel License Tax **is** passed on to customer – Transient Guest Tax Included –
Transient Guest Tax Calculated on Room Rate + Sales Tax + Hotel/Motel License Tax:

Customer Receipt	
Room Rate	$50
Sales Tax - 8.1% (State, County, City)	$4.05
Room Rate + Sales Tax	$54.05
Hotel/Motel License Tax Passed On To Customer - **5.4%**	**$2.92**
Room Rate + Sales Tax + Hotel/Motel License Tax	$56.97
Transient Guest Tax	$1.42
Total Charge Paid By Customer	$58.39

Hotel/Motel License Tax Paid By Hotel/Motel To City	
Total Gross Receipts	$58.39
Hotel/Motel License Tax - 5%	**$2.92**

Oversight notes in Scenario 5, compared to Scenario 2 (Part 2), the customers of the hotel/motel will pay $0.08 more in Hotel/Motel License Tax for every room charge equal to $50 and $1.42 for the transient guest tax.

In addition, in Scenario 5, compared to Scenario 4, the customers of the hotel/motel pay an additional $0.07 in <u>transient guest tax</u>. This is a result of the transient guest tax being calculated on a number that includes more values in the calculation.

Therefore, under Scenario 5's method of calculation, the greatest amount of transient guest tax **and** more Hotel/Motel License Tax will be collected and remitted to Springfield.

Oversight notes the methodology of Scenario 5 is the methodology used to calculate the fiscal impact of this proposed legislation. This is due to the data used to calculate the fiscal impact. Oversight used total Hotel/Motel License Tax collection data as the base to estimate the total gross receipts. The estimated total gross receipts, then, would include any Hotel/Motel License Tax currently passed on to the customer. Therefore, Oversight assumes the fiscal impact reported best reflects the current business practices of Springfield's hotels/motels, regardless of whether the hotel/motel passes the Hotel/Motel License Tax onto their customers or not.

Oversight estimates this proposed legislation could <u>increase</u> revenue to Springfield, on average, by an amount equal to $2,661,500 annually as a result of a transient guest tax (total gross receipts paid by customers * 2.5%)

Oversight estimates this proposed legislation could also <u>increase</u> revenue to Springfield, on average, by an amount equal to $133,075 annually as a result of the increase in gross receipts calculated to determine Springfield's Hotel/Motel License Tax owed by Springfield's hotels/motels (total increase in gross receipts * 5%).

Year	Hotel/Motel License Tax Collected	Total Gross Receipts Paid By Customers (Hotel/Motel License Tax Collected / 5%)	Estimated Total Transient Guest Tax Revenue As Well As Estimated Total Increase in Gross Receipts)	Increase In Hotel/Motel License Tax Based On Additional Gross Receipts	Total Estimated Net Gain to City of Springfield
2015	$4,723,157	$94,463,131	$2,361,578.27	$118,078.91	**$2,794,575.33**
2016	$5,024,040	$100,480,791	$2,512,019.77	$125,600.99	
2017	$5,309,898	$106,197,966	$2,654,949.16	$132,747.46	
2018	$5,799,089	$115,981,776	$2,899,544.39	$144,977.22	
2019	$5,758,820	$115,176,400	$2,879,409.99	$143,970.50	
Average			**$2,661,500.32**	**$133,075.02**	

Oversight notes this proposed legislation permits Springfield to collect the transient guest tax internally or enter into an agreement with the Missouri Department of Revenue for purposes of collection.

Oversight notes, currently, the Missouri Department of Revenue does not collect any transient guest taxes) imposed by Missouri's local political subdivisions.

Therefore, and in addition to the fact that that Springfield's hotels/motels are currently collecting and remitting tax(es) (Hotel/Motel License Tax) to the Springfield, Oversight assumes the collection and remittance of tax will occur internally within Springfield.

However, should Springfield and the Missouri Department of Revenue enter into an agreement for purposes of collection, the Missouri Department of Revenue is permitted to retain up to one percent (1%) of the amount of transient guest tax collected for the cost of collection. The amount retained by the Missouri Department of Revenue would be deposited into General Revenue. Springfield's estimated net gain, as reported above, would be reduced by the amount retained by the Missouri Department of Revenue.

Oversight notes this proposed legislation states, if approved by the voters of Springfield at a general election, the transient guest tax shall go into effect on the first day of the calendar quarter following the calendar quarter in which the election is held. Oversight assumes the next General Election will occur in November 2022. The quarter following the calendar quarter in which the election is held would begin January 2023 (6 months of Fiscal Year 2023).

Therefore, for purposes of this fiscal note, Oversight will report a revenue gain to GR equal to $0 (voters do not approve the transient guest tax or Springfield will collect the tax internally) up to

$13,308 (six months' worth of one percent (1%) of the amount estimated to be collected from the transient guest tax in Springfield) in Fiscal Year 2023.

Oversight will report a revenue gain to Springfield equal to $0 (voters do not approve the transient guest tax) up to $1,330,750 (six months' worth of the transient guest tax in Springfield) in Fiscal Year 2023.

Oversight will report a revenue gain to Springfield equal to $0 (voters do not approve the transient guest tax) up to $66,538 (six months' worth of the increased Hotel/Motel License Tax as a result of increased gross receipts) in Fiscal Year 2023.

Oversight will report a revenue gain, to GR equal to $0 (voters do not approve the transient guest tax or Springfield will collect the tax internally) up to $26,615 (one percent (1%) of the amount estimated to be collected from the transient guest tax in Springfield) in Fiscal Year 2024, once fully implemented.

Oversight will report a revenue gain to Springfield equal to $0 (voters do not approve the transient guest tax) up to $2,661,500 (transient guest tax in Springfield) in Fiscal Year 2024, once fully implemented.

Oversight will report a revenue gain to Springfield equal to $0 (voters do not approve the transient guest tax) up to $133,075 (increased Hotel/Motel License Tax as a result of increased gross receipts) in Fiscal Year 2024, once fully implemented.

Section 94.1014 - Transient Guest Tax - Ashland

In response to similar legislation, HB 1601 (2020), officials from the **City of Ashland** stated while Ashland does not currently have any hotels located in Ashland, Ashland is working with developers to attract hotel development to help boost overnight stays in the community. Ashland assumes, when using a sixty-three percent (63%) occupancy rate, Ashland could recognize an increase in revenue as a result of transient guest tax(es) of approximately $137,510 from each lodging facility. The calculation used by Ashland to estimate the revenue increase is shown on the next page:

115 Rooms	*	365 Days of the	*	$130 Cost per Room per Night	*	4% Lodging Tax Rate	*	63% Occupancy Rate

Ashland has indicated Ashland is hopeful that within the next two to three years, Ashland will have three or more hotels in Ashland.

Oversight assumes the estimated increase in revenue as a result of transient guest tax equal to $137,510 is specific to each hotel. Therefore, Oversight assumes, if Ashland has three hotels developed in Ashland, the increase in revenue could total $412,530 ($137,510 * 3) annually.

Oversight notes this proposed legislation would allow Ashland, if approved by the City=s voters, at a state general or primary election to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels located in the City equal at a rate not to exceed five percent (5%). Oversight further notes the tax revenues generated would be designated solely for the promotion of tourism, growth of the region and economic development purposes.

For the purposes of this fiscal note, **Oversight** will report a zero fiscal impact to the State of Missouri as DOR does not collect transient guest taxes (unless an agreement with the political subdivision is made) and a zero fiscal impact for the City of Ashland as the city does not currently have any hotels/motels operating within the boundaries of Ashland.

Oversight notes if hotel/motel development takes place within the boundaries of Ashland, in which such hotel(s)/motel(s)/ become fully operational, Ashland could recognize revenue gain as a result of this proposed legislation being enacted.

Section 135.1610 - Tax Credit for Urban Farms Located In a Food Desert

In response to a similar proposal, SB 82 (2021), officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation, for all tax years beginning on or after January 1, 2022, creates a tax credit for taxpayers who establish an urban farm within a classified food desert within the state. If an urban farm is established within a qualifying area, the qualifying taxpayer would be able to claim a tax credit against their state tax liability up to 50% of the eligible expenses for establishing the urban farm. No urban farm can claim a tax credit in excess of $1,000. The tax credits may be carried forward to the next three (3) succeeding tax years. There is a $100,000 cap placed on the tax credit.

This proposed legislation could reduce General Revenue (GR) and Total State Revenue (TSR) up to ($100,000) annually and could impact the calculation under Article X, Section 18(e).

In response to a similar proposal, SB 82 (2021), officials from the **Missouri Department of Revenue (DOR)** stated this proposed legislation would allow a tax credit against a taxpayer's state tax liability equal to fifty percent (50%) of the eligible expenses for establishing an urban farm starting on January 1, 2022. The tax credit **cannot** be transferred, sold or assigned. The total amount of credits that can be authorized annually is $100,000. DOR assumes the impact to GR would be a loss of "Up to" the $100,000 that can be authorized annually. The first tax returns claiming the credit will be filed in January 2023 (Fiscal Year 2023).

Fiscal Year	Loss to General Revenue
2022	$0
2023	(Up to $100,000)
2024	(Up to $100,000)

DOR assumes one (1) FTE Associate Customer Service Representative is needed for every 6,000 tax credits redeemed, one (1) FTE Associate Customer Service Representative is needed for every 4,000 tax credit transfers with CISCO phones and licenses, and one (1) FTE Associate Customer Service Representative is needed for every 7,600 errors/correspondence generated. DOR also anticipates the need for additional equipment and expense for form and system updates.

Oversight notes this proposed legislation states that no taxpayer shall claim a tax credit in excess of one thousand dollars ($1,000). The cumulative amount of tax credits that may be authorized in any calendar year shall not exceed one hundred thousand dollars ($100,000). Oversight assumes the minimum number of taxpayers that claim the tax credit created could be as low as 100 each year. In addition, the tax credits created shall not be transferred, sold, or assigned. Therefore, Oversight assumes DOR can absorb the responsibilities associated with the tax credit created with existing resources. Should the number of redemptions or the number of errors generated prove to be significant, DOR may seek additional FTE through the appropriation process.

In response to a similar proposal, SB 82 (2021), officials from the **Missouri Department of Agriculture – Missouri Agricultural & Small Business Development Authority (MASBDA)** stated MASBDA does not currently receive funds from General Revenue or Federal sources to administer any programs. All revenues are from fees which pay for MASBDA's administrative costs.

MASBDA assumes that a non-refundable application fee of $100 will be charged to each applicant.

MASBDA states Section 348.080 gives MASBDA the authority to collect fees and charges, as the authority determines to be reasonable, in connection with its loans, advances, insurance, commitments, and servicing.

This is the same application fee for four (4) other MASBDA tax credit programs (New Generation Processing Entity initial application, New Generation Producer/Investor Tax Credit application, Agricultural Product Utilization Contributor contribution application, Qualified Beef Tax Credit application).

MASBDA notes the only program that does not charge the $100 fee is the Family Farm Breeding Livestock Tax Credit program. The program has a review fee of 1% of the family farm loan amount and that fee is under Section 348.500.

MASBDA indicates that each tax credit program has a bank account set up for all administrative/program activities.

Oversight assumes, then, the $100 would not impact state revenue(s). Therefore, Oversight will not report a fiscal impact for the $100 fee that may be charged on each applicant of the tax credit program created. However, Oversight estimates the total amount that may be collected totals $10,000 ($100 * 100 applicants).

MASBDA assumes the current five (5) employees of MASBDA will be sufficient enough to run this program and no additional equipment will need to be purchased. MASBDA's cost allocation is based on percentage of time spent on each program per fiscal year by employee. Our assumption is that the Urban Farms Tax Credit program will have approximately 15% more activity than the current New Generation Cooperative Incentive Tax Credit. Fiscal Year 2021 estimated salary total for New Generation is $15,724.67 which 15% increase is $18,083.37.

In response to a similar proposal, SB 82 (2021), officials from the **University of Missouri's Economic & Policy Analysis Research Center (EPARC)** assumed a taxpayer shall be allowed to claim a tax credit against the taxpayer's state tax liability in an amount equal to fifty percent (50%) of the taxpayer's eligible expenses for establishing an urban farm in a food desert.

The amount of the tax credit claimed shall not exceed the amount of the taxpayer's state tax liability in the tax year for which the credit is claimed, and the taxpayer shall not be allowed to claim a tax credit under this section in excess of one thousand dollars ($1,000) for each urban farm. However, any tax credit that cannot be claimed in the tax year the contribution was made may be carried over to the next three (3) succeeding tax years until the full credit is claimed

EPARC assumes $100,000 in tax credits may be authorized and claimed in any given year.

EPARC notes, the <u>maximum reduction</u> to Net General Revenue <u>could</u> be $400,000. This would occur if individuals who were awarded the credit in the first year, second year, and third year did not claim the credit in the year in which the credit(s) were received but were claimed in one year, the fourth year of the program, in addition to the $100,000 authorized in the fourth year (Fiscal Year 2026).

Oversight notes this proposed legislation would grant a tax credit to taxpayers who establish an urban farm in a food desert equal to fifty percent (50%) of the eligible expenses incurred in establishing such urban farm.

This proposed legislation defines a "Food Desert" as "a census tract that has a poverty rate of at least twenty percent (20%) or a median family income of less than eighty percent (80%) of the statewide average and where at least five hundred (500) people or thirty-three percent (33%) of the population is located at least a quarter mile way from a full-service grocery store in an urban area".

Per data published by the United States Department of Agriculture, there are approximately 466 census tracts in Missouri that are low-access and low-income that are approximately one-half (0.5) miles away from a full-service grocery store in an urban area or ten (10) miles away from a full-service grocery store in a rural area.

Oversight is unable to determine, of the 466 low-access and low-income census tracts in Missouri that are approximately one-half (0.5) miles away from a full-service grocery store in an urban area or ten (10) miles away from a full-service grocery store in a rural area, how many would remain when reduced to a quarter mile (.25) away from a full-service grocery store.

In addition, per data published by the United States Census Bureau, there are approximately 119 urban areas observed in Missouri during the 2010 census of which 11 are urbanized areas and 108 are urban clusters.

Oversight notes "Eligible Expenses" are defined as "expenses incurred in the construction or development of establishing an urban farm in a food desert".

The fifty percent (50%) tax credit shall not exceed a taxpayer's state tax liability. Any amount of tax credit that exceeds the taxpayer's state tax liability may be carried forward to the next three (3) succeeding tax years.

No taxpayer may claim a tax credit in excess of one thousand dollars ($1,000) for each urban farm established in a food desert. The aggregate amount of tax credits authorized under this proposed legislation shall not exceed $100,000 during any calendar year. Therefore, Oversight assumes the minimum number of tax credits that may be issued could be as low as 100 each year ($100,000 / $1,000).

Oversight notes the tax credit program created would begin January 1, 2022. Oversight notes taxpayers would not file their Tax Year 2022 claiming the tax credit created until after January 1, 2023 (Fiscal Year 2023).

Therefore, **Oversight** will report a revenue reduction to GR by an amount "Up to" $100,000 beginning in Fiscal Year 2023. Oversight notes the tax credit program created would sunset December 31st six (6) years after the effective date of this section.

Section 137.073 - Relating to Tax Levies

In response to a similar proposal, HB 1243 (2021), officials from the **State Tax Commission** assumed the proposal would have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

Officials from the Office of the State Auditor did not respond to **Oversight's** request for fiscal impact for this proposal.

In response to a similar proposal, HB 1243 (2021), officials from the **Lincoln County Assessor's Office**, **City of Corder**, **City of Springfield**, **Newton County Health Department**, **Kansas City Health Department**, **Pettis County Ambulance District** and the **Nodaway**

County Ambulance District each assumed the proposal would have no fiscal impact on their respective organizations.

Based on the responses received, **Oversight** does not anticipate a fiscal impact from this proposal. However, Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Section 137.115 Aircraft Assessments

In response to a similar proposal, Perfected HCS for HB 66 (2021), officials from **Office of Administration - Budget and Planning** assumed this proposal would decrease TSR by $0 to $500. This proposal will impact the calculation under Article X, Section 18(e).

This proposal makes multiple technical corrections to Section 137.115. This proposal also changes the allowed hours of flying for historical aircraft. This could increase the number of aircraft that are eligible for a reduced property tax rate. Based on information provided by the State Tax Commission, this could decrease revenues to the Blind Pension Trust Fund by $0 to $500. This could also decrease local revenues by $0 to $90,000.

In response to a similar proposal, Perfected HCS for HB 66 (2021), officials from the **State Tax Commission** estimated the fiscal impact to local jurisdictions (school districts, cities, counties etc.) to be a loss of zero to $90,000. The change regarding non-commercial aircraft, twenty five years old, from fifty (current law) to two hundred hours per year could have a fiscal impact on local taxing jurisdictions. The agency does not have exact data of how many of the 905 aircraft in Missouri are within this criteria and threshold, or the local taxing jurisdictions with tax situs for said aircraft.

In response to a similar proposal, Perfected HCS for HB 66 (2021), officials from the **Department of Revenue**, **Department of Social Services** and the **Department of Commerce and Insurance** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal, Perfected HCS for HB 66 (2021), officials from the **City of Springfield** anticipated a negative fiscal impact of an unknown amount from this bill. The number of such aircraft in Springfield for which the taxed amount would be decreased is unknown, so the City cannot determine an amount of impact.

In response to a similar proposal, Perfected HCS for HB 66 (2021), officials from the **City of Claycomo**, **City of Corder** and the **Lincoln County Assessor** each assumed the proposal would have no fiscal impact on their respective organizations.

Oversight assumes this proposal expands the definition of aircraft used for noncommercial purposes and thus qualifying for a personal property subclass which is assessed and valued at a lower rate and will result in lower personal property taxes for qualifying aircraft.

Oversight will utilize the estimate ($90,000) provided by the State Tax Commission. Oversight has estimated the Blind Pension Fund impact to approximately $400 based on the calculation below.

<u>Calculation:</u>
(y/100) * 6.887 (average effective tax rate for personal property) = $90,000.
Estimated assessed value of qualifying aircraft: y = $1,306,810.
Estimated impact to the Blind Pension Fund: ($1,306,810/100) * .03 (Blind Pension tax rate) = $392 in lost revenue).

Oversight notes local property tax revenues are designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Alternatively, some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in a loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Although the effective date of this proposal, if passed, would be FY 2022 (August 2021), the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

<u>Section 137.280 Electronic Assessment Form</u>

In response to a previous version, officials from the **Office of Administration - Budget and Planning**, **Department of Revenue** and the **State Tax Commission** each assumed this provision would have no fiscal impact on their organization.

In response to a previous version, officials from the **Jefferson County Assessor's Office** assumed the amount of annual postage cost saved is estimated at $19,848 (92,534 assessment lists mailed x 39% electronic request x $0.55 postage rate). The 39% electronic request rate is based on discussions with assessors who send out postcards per request, and their electronic filing response rate. Also, the savings cost to print, sort, and stuff paper assessment lists for mailing is estimated to be $4,368 ($11,200 printing cost x 39% electronic request). Also, the reduction in paper assessment lists being sent also means they would not be mailed back. This would allow for a reduction of one full-time employee (FTE) that is now allocated to opening, sorting, and scanning in paper assessment lists into their system. The salary and benefits for this position was budgeted at $37,156 for the 2021 budget cycle. In total, this legislation when implemented would constitute an estimated total annual budgetary savings to the Jefferson County Assessment Fund of $61,372.

In response to a previous version, officials from the **Howell County Assessor's Office** stated the impact is limited to the cost of programming to capture and maintain the database. The estimated cost is $2,500-$5,000.

Officials from the **Lincoln County Assessor's Office** assume this provision will have no fiscal impact on their organization.

Per the U.S. Census Bureau, the population of Jefferson County was 225,081 in 2019. **Oversight** notes the number of assessment lists mailed as a proportion of the population is estimated at 41%. If other counties experienced a similar assessment list to population mailing reduction, the savings is estimated at $1,383,990 ((6,137,428 * .41) = $2,516,346 * .55 postage)) based on the population of Missouri.

And if each county were able to reduce their staff by one position at a similar salary, **Oversight** estimates the savings at $4,255,000 ($37,000 * 115).

Oversight is uncertain if other county assessment offices would experience a savings similar to the one estimated by the Jefferson County Assessor. Oversight will show an unknown savings to county assessment offices.

Oversight assumes the cost to implement this proposal would be minimal and could be absorbed with existing resources.

Oversight received a limited number of responses from county assessors related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other county assessors 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.

Sections 143.121 and 143.171 Stimulus Payments

In response to a similar proposal, officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation may reduce Total State Revenue (TSR) by an amount that could exceed $5,986,325 in Fiscal Year 2021 and $5,759,530 in Fiscal Year 2022. B&P notes that this proposed legislation is expected to only impact TSR in Fiscal Year 2021 and Fiscal Year 2022

B&P notes that, due to methodological changes, the estimated impact has been updated from previous versions. Original estimates were based on a percentage of all filers receiving this tax benefit. However, after further deliberation, B&P has determined that fewer taxpayers would qualify than originally estimated. This has significantly lowered the estimated revenue loss from this (and all other related) proposals.

Section B contains an emergency clause for sections 143.121 and 143.171. For the purpose of this fiscal note, B&P will assume that, if approved, this proposed legislation will take effect before the end of Fiscal Year 2021.

Section 143.121 states that a taxpayer shall not include any federal refunds related to COVID-19 stimulus tax credits in their Missouri Adjusted Gross Income (MAGI). B&P notes that individuals who itemize their tax deductions may be required to include federal tax refunds within their MAGI. This provision would exclude refunds due to the COVID-19 stimulus tax credit from this requirement. B&P further notes that this would exempt both the tax credit rebates from the Coronavirus Response & Relief Supplemental Appropriation Act (December 2020) and the American Recovery Plan (March 2021).

B&P notes that there have been three (3) COVID related economic stimulus payments thus far. B&P further notes that SB 676 (2020) previously exempted the first tax credit/stimulus payments resulting in a federal income tax refund from inclusion in a taxpayer's MAGI. Therefore, this proposed legislation would exempt the second and third rounds of payments/credits. This proposed legislation would also exempt any potential future issuances of COVID related stimulus payments.

Section 143.171 would allow taxpayers to add their COVID-19 stimulus tax credit amount back to their final federal tax due amount, for the purpose of taking the Missouri federal income tax (FIT) deduction. B&P notes that typically anything that reduces federal income taxes due would also reduce the federal income tax deduction amount. B&P further notes that this would exempt both the tax credit rebates from the Coronavirus Response & Relief Supplemental Appropriation Act (December 2020) and the American Recovery Plan (March 2021).

B&P also notes that only the portion of the tax credits that are claimed on a taxpayer's federal final annual return (i.e. any amount of the credit not directly mailed) would lower the taxpayer's federal tax liability. This would then lower the taxpayer's Missouri FIT deduction, causing an increase to their Missouri tax liability. For example: If an individual received a direct payment of $600 for himself or herself, but qualified for an additional $600 then that individual's federal income tax liability could be lowered by the additional $600 rebate they claim when they file their federal 2020 tax return. This in turn could lower their Missouri FIT deduction. The $600 direct payment that the taxpayer received is treated as a non-taxable transfer payment. The direct payment will not impact a taxpayer's federal tax liability and will thus not impact a taxpayer's Missouri FIT deduction.

The second stimulus payments/credits are $600 per taxpayer plus an additional $600 per dependent under age 17. The payments begin to phase-out based on a taxpayer's federal adjusted gross income. For taxpayers filing single, the credit begins to phase out at $75,000. For married taxpayer filing a joint return, the credit begins to phase out at $174,000. For taxpayers filing as head of household, the credit beings to phase out at $124,500. B&P estimates that single returns claim an average of 1.42 children, married filing joint returns claim an average of 2.02 children, and head of household returns claim an average of 1.48 children. Table 1 shows the tax credit, income phase out, and the estimated average tax credit for Missouri taxpayers.

Table 1: Economic Impact Payments – 2nd round

Filing Status	Max Base Income	Base Credit	Credit Per Dependent	Avg. Number of Dependents*	Estimated Avg. Credit	Final Phase-Out Income (no dependents)	Final Phase Out Income (avg. # dependents)
Single	$75,000	$600	$600	1.42	$1,452.00	$87,000	$104,020
Married Filing Joint	$150,000	$1,200	$600	2.02	$2,412.00	$174,000	$198,220
HOH	$112,500	$600	$600	1.48	$1,488.00	$124,500	$142,240

*Based on tax year 2017 Missouri return data.

Based on information published by the Washington Post, the total number of expected payments for the second stimulus is 158 million and approximately 20 million individuals will be required to apply for the tax rebate on their annual tax return in order to receive their stimulus payment. Therefore, B&P assumes that 12.7% of taxpayers nationally could have their federal tax liability lowered due to the rebate. For the purpose of this fiscal note, B&P will assume that 12.7% of Missouri taxpayers will also receive their stimulus payments as a rebate on their tax return.

The third stimulus payments/credits were $1,400 per taxpayer plus an additional $1,400 per dependent under age 17. The payments begin to phase-out based on a taxpayer's federal adjusted gross income. For taxpayers filing single, the credit begins to phase out at $75,000. For married taxpayer filing a joint return, the credit begins to phase out at $150,000. For taxpayers filing as head of household, the credit beings to phase out at $112,500. B&P estimates that single returns claim an average of 1.42 children, married filing joint returns claim an average of 2.02 children, and head of household returns claim an average of 1.48 children. Table 2 shows the tax credit, income phase out, and the estimated average tax credit for Missouri taxpayers.

Table 2: American Recovery Plan (3rd stimulus)

Filing Status	Max Base Income	Base Credit	Credit Per Dependent	Avg. Number of Dependents*	Estimated Avg. Credit	Final Phase-Out Income
Single	$75,000	$1,400	$1,400	1.42	$3,388.00	$80,000
Married Filing Joint	$150,000	$2,800	$1,400	2.02	$5,628.00	$160,000
HOH	$112,500	$1,400	$1,400	1.48	$3,472.00	$120,000

*Based on tax year 2017 Missouri return data.

B&P notes that the number or percentage of individuals that will have to claim all or part of the third stimulus payment on their 2021 taxes is still unknown. For the purpose of this fiscal note, B&P will assume that the same 12.7% of the population that did not receive a direct payment for the second stimulus will also not receive the direct payment for the third stimulus. B&P notes however, that the IRS has until September 2021 to make the direct payments. Therefore, the percentage of individuals claiming the rebate on their 2021 taxes may be lower than the percent that had to claim the second rebate on their 2020 taxes.

Using 2018 tax year data, the most recent complete year available, and adjusting for SB 509 (2014) and HB 2540 (2018), B&P estimates that this provision could reduce General Revenue (GR) by $5,986,325 for the second stimulus payment and $5,759,530 for the third stimulus payment.

B&P notes that rebates for the second stimulus package will be taken on Tax Year 2020 returns. B&P further notes that the rebates for the third stimulus package will be taken on a taxpayer's 2021 tax return.

For the purpose of this fiscal note, B&P will assume that taxpayers will either file or be able to amend their 2020 tax returns during Fiscal Year 2021. Therefore, B&P will show the estimated impact from the second stimulus payment during Fiscal Year 2021. However, it is likely that taxpayers will not be able to amend their 2020 tax returns until Fiscal Year 2022. <u>In which case the loss shown to Fiscal Year 2021 will shift into Fiscal Year 2022</u>.

B&P also notes that it is unknown whether there will be additional stimulus packages passed during the 2021 tax year. B&P estimates that this proposed legislation may reduce TSR and GR by an amount that could exceed $5,986,325 in Fiscal Year 2021. This proposed legislation may reduce TSR and GR by an amount that could exceed $5,759,530 in Fiscal Year 2022. This proposed legislation is not expected to have an impact beyond Fiscal Year 2022.

In response to a similar proposal, officials from the **Missouri Department of Revenue (DOR)** stated, in response to the COVID pandemic, the U.S. Congress authorized the Internal Revenue Service (IRS) to make economic stimulus payments to taxpayers. The first round of the economic stimulus payments were issued beginning in April 2020 under the CARES ACT. A second round was distributed starting in December 2020 under the Consolidated Appropriations Act. These were issued by the IRS as tax credits against taxpayer's 2020 tax return. A third round of economic payments were issued in March 2021 as a result of the American Rescue Plan. This third payment will be issued as tax credits against the taxpayer's 2021 tax return. It was the intention of the U.S. Congress to make these stimulus payments tax free at the federal level.

However, due to the way Missouri's federal income tax (FIT) deduction works, items that decrease the federal income tax would reduce the Missouri FIT deduction which would cause an increase in a taxpayer's Missouri tax liability. The intent of this proposed legislation is to exclude these payments from the Missouri FIT calculation and not impact a taxpayer's tax liability.

SB 676 (2020) previously exempted the first economic stimulus payments that were issued in April 2020, from inclusion in a taxpayer's FIT deduction.

DOR notes that many of the economic stimulus payments were mailed directly to taxpayers. These direct payments do not impact a taxpayer's federal liability and are not subject to the Missouri FIT deduction.

However, in some instances, individuals may have qualified for an economic stimulus payment and have not received them through direct payment. As an example, the IRS announced that qualifying widows and widowers would be required to file their 2020 tax return to claim the stimulus payment. Additionally, some parents who did not get the amount they qualify for because of the children they report as dependents could also be required to complete their 2020 to get their stimulus payment. The requirement to file the 2020 tax return to receive the stimulus payment would trigger the taxability of the payment under the Missouri FIT deduction.

The second stimulus payments, which were issued in December 2020, are $600 per taxpayer plus an additional $600 per dependent under age 17. The payments begin to phase-out based on a taxpayer's federal adjusted gross income. For taxpayers filing single, the credit begins to phase out at $75,000 and those over $87,000 are not eligible. For married taxpayers filing a joint return, the credit begins to phase out at $150,000 and those over $174,000 are not eligible. For taxpayers filing as head of household, the credit beings to phase out at $112,500 and those over $124,500 are not eligible.

The third stimulus payments were issued in March 2021 and are $1,400 per taxpayer plus an additional $1,400 per dependent. However, the income limits for eligible taxpayers were reduced. Taxpayers filing as single with adjusted gross income over $80,000 are not eligible. Taxpayers filing as married filing a joint with an adjusted gross income over $160,000 are not eligible. Taxpayers filing as head of household with an adjusted gross income of $120,000 are not eligible.

DOR estimates that single returns claim an average of 1.42 children, married filing joint returns claim an average of 2.02 children, and head of household returns claim an average of 1.48 children. Table 1 shows the tax credit, income phase out, and the estimated average tax credit for Missouri taxpayers.

Table 1: Economic Impact Payments – 2nd round

Filing Status	Max Base Income	Base Credit	Credit Per Dependent	Avg. Number of Dependents *	Estimated Avg. Credit	Final Phase-Out Income (no dependents)	Final Phase Out Income (avg. # dependents)
Single	$75,000	$600	$600	1.42	$1,452.00	$87,000	$104,020
Married Filing Joint	$150,000	$1,200	$600	2.02	$2,412.00	$174,000	$198,220
HOH	$112,500	$600	$600	1.48	$1,488.00	$124,500	$142,240

*Based on tax year 2017 Missouri return data.

Based on information published by the Washington Post, the total number of expected payments for the second stimulus is 158 million and approximately 20 million of those taxpayers will be required to apply for the stimulus payment on their 2020 federal tax return in order to receive their payment. Therefore, DOR assumes that 12.7% of taxpayers nationally could have their federal tax liability lowered due to the rebate. For the purpose of this fiscal note, DOR will use the 12.7% figure as the number of Missouri taxpayers who will also receive their stimulus payments as a rebate on their tax return.

Using 2018 tax year data, the most recent complete year available, and adjusting for SB 509 (2014) and HB 2540 (2018), DOR estimated previously that this provision could reduce GR by $20,408,809.

DOR reviewed this projection and realized that it used 12.7% of all tax filers instead of just the 12.7% of those that claim the FIT deductions. This resulted in an overestimation of the amount that would be impacted. The new projection is estimated to result in a loss of GR of $5,964,957 in Fiscal Year 2021 and $5,735,960 in Fiscal Year 2022.

DOR notes this estimate only includes qualifying individuals who did not receive a direct stimulus payment. There may be more individuals who receive a partial rebate on their final return, if they were entitled to a larger direct payment than what was originally received. Therefore, this proposed legislation could decrease TSR by more than the estimate shown above.

For the purpose of this fiscal note, DOR assumes that all of the second round of stimulus payments will be claimed on the 2020 federal tax return and impact Missouri's 2020 tax year returns (being filed starting in January 2021). DOR is unable to predict if any additional economic stimulus payments will be issued by the IRS during the 2021 tax year.

Therefore, DOR assumes this proposed legislation may reduce TSR and GR by an amount that could exceed $5,964,957 in Fiscal Year 2021 and $5,735,960 in Fiscal Year 2022. This proposed legislation may reduce TSR and GR by an amount greater than $5,735,960 if additional stimulus payments are issued in Fiscal Year 2022. This proposed legislation is assumed to not have an impact beyond Fiscal Year 2022.

Oversight notes the estimate(s) provided by B&P and DOR were calculated using an internal tax model that contains confidential taxpayer information.

Oversight notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR.

For purposes of this fiscal note, **Oversight** will report a revenue <u>reduction</u> equal to an amount that "Could exceed" the estimate(s) provided by B&P in Fiscal Year 2021 and Fiscal Year 2022.

<u>Sections 190.839, 198.439, 208.437, 208.480, 338.550, and 633.401 - Provider reimbursement allowance taxes</u>

In response to a similar proposal (SB 1), officials from the **Department of Social Services (DSS)** state passage of the proposed legislation would not fiscally impact DSS for §§190.839, 198.439, 208.437, 208.480, 338.550 and 633.401. However, if the proposed legislation does not pass, additional funding will be needed to maintain the current level of services. The numbers provided are based on an annual total for each program.

<u>§190.839 - Ambulance Provider Tax</u>: The proposed legislation allows the MO HealthNet Division (MHD) to collect approximately $8.7 million in Ambulance Tax in FY 2022 which will allow MHD to draw in federal funds of approximately $16.3 million each year. The FY 2022 budget submitted by the DSS assumes the ambulance tax would continue through fiscal year 2022. If this proposed legislation does not pass, additional General Revenue (GR) funds of $8.7 million in FY 2022 would be needed to continue the current level of services.

Oversight notes §190.800 was added to the current version of this proposal. In discussions with DSS officials, Oversight learned the proposed changes in §190.800 will carve out the Ground Emergency Medical Transportation (GEMT) funds from the Ambulance Provider Tax fund. Because the GEMT (Fund 0422) is already separate from, and not included in, the Ambulance Provider Tax funds, there is no impact to either the GEMT fund or the Ambulance Provider Tax.

§198.439 - Nursing Facility Reimbursement Allowance Tax: The proposed legislation allows the MHD to collect $186.6 million in FY 2022 in Nursing Facility Tax which will allow MHD to draw in federal funds of $348.5 million each year. The FY 2022 budget submitted by the DSS assumes the nursing facility tax would continue through fiscal year 2022. If this proposed legislation does not pass, additional GR funds of $186.6 million in FY 2022 would be needed to continue the current level of services.

§208.152 – Family planning medications and devices covered by the State Medicaid Agency

Officials from **DSS** state Section 1927 of the Social Security Act requires the State Medicaid Agency to provide coverage for any covered outpatient drug of any manufacturer which has entered into an agreement with the Department of Health and Human Services.

It is unknown how the Centers for Medicare & Medicaid Services (CMS) would respond to the implementation of this language, therefore DSS is providing a range of $0 up to ($810,989,376) which represents the federal portion of the pharmacy appropriation.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DSS.

§208.437 - Medicaid Managed Care Provider Tax: The MHD is not currently collecting the Managed Care Provider Tax. The federal sunset for the managed care organization reimbursement allowance was September 30, 2009. This section of the proposed legislation will not have an impact on MO HealthNet.

As the MHD is not currently collecting the Managed Care Provider Tax, **Oversight** is not including this tax in the fiscal note tables.

§208.480 - Hospital Federal Reimbursement Allowance: The proposed legislation allows the MHD to collect approximately $1.28 billion in Hospital Tax in FY 2022 which will allow MHD to draw in federal funds of approximately $2.391 billion each year. The FY 2022 budget submitted by the DSS assumes the hospital tax would continue through fiscal year 2022. If this proposed legislation does not pass, additional GR funds of $1.28 billion would be needed in FY 2022 to continue the current level of services.

§338.550 - Pharmacy Provider Tax: The proposed legislation allows the MHD to collect $108 million in FY 2022 in pharmacy tax which will allow MHD to draw in federal funds of $201.7 million each year. The FY 2022 budget submitted by the DSS assumes the pharmacy tax would continue through fiscal year 2022. If this proposed legislation does not pass, additional GR funds of $108 million in FY 2022 would be needed to continue the current level of services.

Oversight notes the Pharmacy Provider Tax (PFRA) estimates for the current fiscal note are much higher than the previous year's estimates of collection of $18 million with a federal draw down of $34.3 million. The FY 2020 tax rate was 0.43%. The FY 2021 tax rate is 1.40% resulting in an increase in the PFRA collected and a corresponding increase in the federal draw down. In discussions with DSS officials, Oversight discovered the change was related to the supplemental new decision item for PFRA this past fall. DSS is engaged in ongoing discussions with the Centers for Medicare and Medicaid (CMS) around the level of the Pharmacy Dispensing Fee, which is partially funded by PFRA, and which initially resulted in adjustments lowering the rate in anticipation of a lower CMS approved Dispensing Fee. As part of the CMS discussion, MHD initiated a Provider survey and provided this to CMS. More recent guidance from CMS indicates a higher level of Dispensing Fee will be approved than anticipated. The tax rate was restored in July 2020 to reflect levels consistent with previous years.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the fiscal impact provided by DSS for fiscal note purposes.

<u>§633.401 - Intermediate Care Facility for the Intellectually Disabled Provider Tax (ICF/ID)</u>: The proposed legislation allows the MHD to collect approximately $6.4 million in FY 2022 in intermediate care facilities for the intellectually disabled tax which will allow MHD to draw in federal funds of $4.7 million. The FY 2022 budget submitted by the Department of Mental Health assumes the ICF/ID tax would continue through fiscal year 2022. If this proposed legislation does not pass, additional General Revenue funds of $6.4 million in FY 2022 would be needed to continue the current level of services.

Oversight notes the ICF/ID provider tax name has been changed from the ICF/Mentally Retarded (MR) provider tax. As of FY 2020, the fund name appears on the State Treasurer's Fund Balance Report as the ICF/ID Reimbursement Allowance Fund.

Oversight does not have any information to the contrary. Therefore, Oversight will reflect the provider taxes needed to draw down federal matching funds as provided by DSS for fiscal note purposes.

In response to a similar proposal, (SB 1), officials from the **Department of Mental Health (DMH)** assumed no fiscal impact should the sunset be extended to September 30, 2023. The provider assessment for ICF/IDs generates approximately $6.1 million in revenue for DMH. The provider assessment for hospitals generates approximately $14.1 million in additional revenues for DMH.

Oversight notes the DSS is the designated state agency that works with the federal government on Medicaid programs. Therefore, Oversight will use the DSS provider tax numbers for the ICF/ID and hospital provider tax programs.

In response to a similar proposal, officials from the **Office of Administration, Division of Budget & Planning (B&P)** stated this proposal has no direct impact on B&P, no direct impact on general or total state revenues and will not impact the calculation pursuant to Article X, Section 18(e).

Oversight notes, with the exception of certain state-owned facilities, all ambulance districts, nursing facilities, hospitals, pharmacies and ICF/IIDs are required to pay provider taxes for the privilege of operating/providing services in the state of Missouri.

For fiscal note purposes, **Oversight** is presenting the provider taxes collected under each of the reimbursement allowance tax categories. However, Oversight assumes expenses equal to the amount of provider taxes collected would be spent on services and the net effect would be $0.

Section 261.021 Socially Disadvantaged Communities Outreach Program

In response to a similar proposal, officials from **Missouri Department of Agriculture (MDA)** assumed that this legislation would require 1.00 FTE to perform the required tasks. The FTE will be responsible for coordinating efforts related to the outreach program. Activities will involve establishing definitions, program policy and guidelines, determining resources, providing education/outreach and developing an annual report for the program. Implementation efforts will involve coordinating financial and educational resources in accordance with the program guidelines. Responsibilities will include the development of educational information and webpage as a part of the outreach program. Normal E&E costs are also necessary to support the operation of the program.

Oversight will show the costs as estimated by MDA.

Section 288.132 and 288.133 Unemployment Automation Fund

In response to a similar proposal, HB 765 (2021), officials from the **Department of Labor and Industrial Relations (DOLIR**) stated the proposal would require each employer that is liable for contributions to pay an annual unemployment automation adjustment of fifteen one-thousands of one percent of the employer's total taxable wages for the twelve-month period ending the preceding June thirtieth. The total adjustment due from all employers is not to exceed five million dollars.

In addition, for the first calendar quarter of each year, the total amount of tax contributions otherwise due for each employer liable for contributions shall be reduced by the dollar amount of the automation adjustment.

Taxable wage for period ending June 30, 2020: $ 22,552,917,410 X 0.015% = $3,382,938.

The Department anticipates being able to absorb the implementation costs, including ITSD costs through a current UI maintenance agreement and existing funds. However, until the FY 2022 budget is final, the Department cannot identify specific funding sources.

Oversight notes for this bill, **ITSD** assumes they will contract out the programming changes needed to update automation adjustment percentage, contribution rate of employers, and to create tables for unemployment automation fund. ITSD estimates the project would take 203.04 hours at a contract rate of $111 per hour for a total cost to the state of **$22,537**.

Oversight notes that DOLIR has an existing maintenance contract that is paid by the Unemployment Compensation Administration Fund, supplemented by the Unemployment Automation Fund as funds are available. Additionally, DOLIR selects its ongoing consultancy rate dependent on difficulty of the programing and has a choice to employ in-house ITSD at $95 per hour, or outside IT consultants at $111 per hour. Therefore, Oversight will reflect IT consultant cost of $0 up to ($22,537).

In response to the similar/identical proposal, SB 115 (0802S.01I) 2021, officials from the **Office of Administration** assumed the proposal would not have a fiscal impact on their respective organization.

In response to a similar proposal, HB 765 (2021), officials from the **Department of Conservation** and **Missouri Department of Transportation**, both have stated the proposal would not have a direct fiscal impact on their respective organizations.

In response to a similar proposal, HB 765 (2021), officials from the **University of Central Missouri** assume the fiscal impact is present. The amount will fluctuate based on annual payroll dollars and the percentage charged by the division for automation.

In response to a similar proposal, HB 765 (2021), officials from the **Springfield R-XII School** assumed the proposal would have a $6 Million up to Unknown fiscal impact annually.

Oversight notes subsection 288.133.4 states "the total amount of contributions otherwise due from an employer required to pay contributions under this chapter shall be reduced by the dollar amount of unemployment automation adjustment due from such employer under subsection" under chapter 288. Therefore, Oversight will assume the proposal will net to zero fiscal impact to employers, including colleges, universities, and local political subdivisions.

In response to a similar proposal, HB 765 (2021), officials from **Missouri State University**, **Northwest Missouri State University**, **State Technical College of Missouri**, **Missouri University,** and **High Point R-III School** each have stated the proposal would not have a direct fiscal impact on their respective organizations.

In response to a similar proposal, HB 765 (2021), officials from the **City of Kansas City**, **City of Springfield**, **City of O'Fallon**, **City of Springfield**, **City of Tipton**, and **City of Saint Louis**

Budget Division each have stated the proposal would not have a direct fiscal impact on their respective organizations.

Section 620.1039 – Tax Credit for Qualified Research Expenses

In response to a similar proposal, SB 545 (2021), officials from the **Office of Administration – Budget & Planning Division (B&P)** stated this proposed legislation reauthorizes the tax credit for qualified research expenses. A taxpayer may receive a tax credit in an amount up to 10% of the excess of the taxpayer's qualified research expenses or 17% of the excess of the taxpayer's qualified research expenses if such expenses relate to research that is conducted in conjunction with a public or private college or university located in this state. This credit would have a 12 year carry forward provision. The credits may be transferred, sold, or assigned. The cap on the credits is $10 million, provided that $5 million shall be reserved for minority business enterprises, women's business enterprises, and small businesses.

General Revenue (GR) and Total State Revenue (TSR) may be reduced by an amount up to $10 million starting in Fiscal Year 2023.

The tax credit program may encourage economic activity; however, B&P cannot estimate the additional induced revenues.

This proposed legislation could impact the calculation under Article X, Section 18(e).

In response to a similar proposal, SB 545 (2021), officials from the **Missouri Department of Economic Development (DED)** stated this proposed legislation modifies the Qualified Research Expense Tax Credit which will reduce TSR by an amount "Up to" $10 million annually.

DED states an applicant may receive a tax credit in an amount up to ten percent (10%) of the qualified research expenses. The program has a $10 million authorization cap per year.

DED assumes one (1) FTE Senior Economic Development Specialist will be needed to administer the tax credit program.

Oversight notes the prior Tax Credit for Qualified Research Expenses expired for all tax years beginning on or after January 1, 2005. Therefore, for purposes of this fiscal note, Oversight will include DED's FTE administrative cost(s), as reported by DED, less the "In-State" and "Out of State" travel costs reported as this proposed legislation does not require that DED visit, evaluate or audit any site(s).

In response to a similar proposal, SB 545 (2021), officials from the **Missouri Department of Revenue (DOR)** stated this proposed legislation would reinstate the expired qualified research tax credit program starting January 1, 2022. The original program stopped in 2005.

This proposed legislation creates a tax credit in an amount up to 10% of the excess of the taxpayer's qualified research expense or 17% of the excess of the taxpayer's qualified research expense if those expenses are related to university research. The tax credit is not refundable but can be carried forward for twelve (12) years and imposes a cap of $10 million. This proposed legislation requires that $5 million of the credit be reserved for minority business enterprises, women's business enterprises and small businesses.

DOR notes this proposed legislation would begin in January 1, 2022 and would be claimed on the returns starting in January 2023 (Fiscal Year 2023). DOR assumes that since this proposed legislation has a cap of $10 million annually, it would be expected to be a loss to General Revenue (GR) of the $10 million.

DOR assumes one (1) FTE Associate Customer Service Representative is required for every $6,000 tax credits redeemed, one (1) Customer Service Representative for every 4,000 tax credit transfers with CISCO phones and licenses, one (1) FTE Associate Customer Service Representative for every 7,600 errors/correspondence generated and additional funds for forms and programming changes.

For purposes of this fiscal note, since the actual number of tax credit redemptions that will occur is unknown, **Oversight** will report DOR's impact "Up to" the three (3) FTE(s) estimated by DOR.

However, **Oversight** notes the first tax year in which taxpayers would qualify for the tax credit created is Tax Year 2022. Oversight notes individuals would not file their Tax Year 2022 tax returns until after January 1, 2023 (6 months **after** the beginning of Fiscal Year 2023). Therefore, Oversight will report DOR's administrative cost(s) beginning in Fiscal Year 2023 assuming DOR can hire and train such FTE(s) within the first six (6) months of Fiscal Year 2023; before Tax Year 2022 tax returns would begin to be filed claiming the tax credit created.

In response to a similar proposal, SB 545 (2021), officials from the **Missouri Department of Commerce and Insurance (DCI)** anticipated a potential unknown decrease of premium tax revenues (up to the tax credit limit established in the bill) as a result of the modification of the Qualified Research 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 credit.

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.

Oversight notes DCI assumes the fiscal impact of this proposed legislation can be absorbed with existing appropriation. However, should multiple bills pass that would require additional updates to DCI's premium tax database, DCI may seek additional equipment and expense appropriation through the appropriation process.

Oversight notes this proposed legislation would, beginning in Tax Year 2022, authorize a tax credit equal to ten percent (10%) of the excess of the taxpayer's qualified research expenses within this state during the tax year over the average of the taxpayer's qualified research expenses within this state over the immediately preceding three (3) tax years.

Oversight notes, should the taxpayer's qualified research expenses be related to research that is conducted in conjunction with a public or private college of or university located in this state, the tax credit authorized would be equal to seventeen percent (17%) of the excess of the taxpayer's qualified research expenses within this state during the tax year over the average of the taxpayer's qualified research expenses within this state over the immediately preceding three (3) tax years.

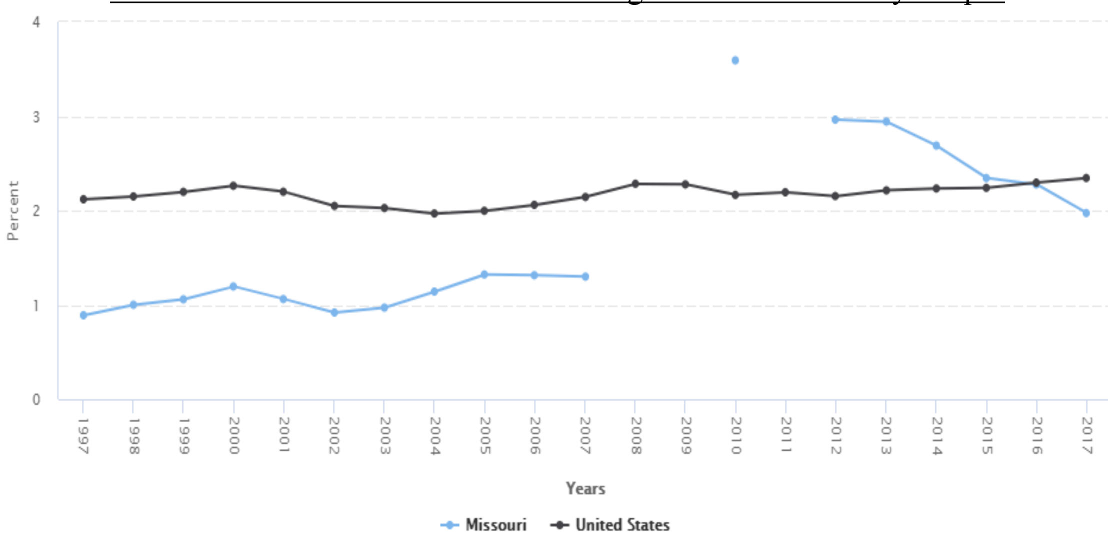
Oversight notes this proposed legislation defines "Qualified Research" as "the same meaning as prescribed in 26 U.S.C. 41". Oversight notes 26 U.S.C 41 defines "Qualified Research Expenses" as "the sum of the following amounts which are paid or incurred by the taxpayer during the taxable year in carrying on any trade or business of the taxpayer – (A) in-house research expenses, and (B) contract research expenses".

Oversight assumes, then, that the tax credit would be calculated similar to the following example:

Tax Credit Allocation Example		
Tax Year	**Total Research Expenses**	
2019	$85,000,000	
2020	$96,000,000	
2021	$100,000,000	
	Three Year Average	**$93,666,667**
2022	$109,000,000	
	Amount In Excess of Three Year Average	**$15,333,333**
Tax Credit	**Equal to 10% or 17% of Excess**	**$1,533,333 or $2,606,667**

Oversight notes, per the National Center for Science and Engineering Statistics, Missouri's business-performed research and development (as a percentage of private-industry output) recognized a continuous decline between 2012 and 2017 (the most recent year reported).

Business–Performed R&D as a Percentage of Private-Industry Output



Oversight notes the trend line(s) shown above report the business-performed research and development as a percentage of private-industry output. Thus, the assumption could be that Missouri's business-performed research and development has not truly declined; but rather Missouri's private-industry output has continuously increased by amounts greater than the increase in Missouri's business-performed research and development. The following data, however, suggests that Missouri's business-performed research and development **has** been declining.

Oversight notes, per the Missouri Economic Research and Information Center, of Missouri's overall Gross State Product (GSP) of $290,956,000,000 (chained) recognized in 2019, $258,600,000,000 was contributed by Missouri's private sector. This suggests Missouri's private sector output contributed approximately 89% to Missouri's GSP in 2019.

Assuming that Missouri's private sector contribution to Missouri's GSP is constant (89%) each year, Oversight has estimated Missouri's business-performed research and development, as a dollar amount, using Missouri's annual GSP and Missouri's business-performed research and development as a percentage of private-industry output:

Year	Missouri Chained GSP (Actual)	Estimated Private Sector Contribution To Total GSP (89%)	Missouri Research and Development - As A Percent of Private-Industry Output	**Estimated Missouri Business-Performed Research and Development ($)**
2014	$ 273,171,000,000	$ 242,792,795,474	2.69%	**$ 6,531,126,198**
2015	$ 276,700,000,000	$ 245,929,350,142	2.34%	**$ 5,754,746,793**
2016	$ 275,501,000,000	$ 244,863,685,918	2.28%	**$ 5,582,892,039**
2017	$ 278,192,000,000	$ 247,255,431,062	1.97%	**$ 4,870,931,992**

Based on the data above, Oversight assumes business-performed research and development in Missouri did decline during 2012-2017.

Based on the data above, Missouri's three (3) year average estimated business-performed research and development totals $5,956,255,010 (2014 – 2016). Based on the data above, Missouri's estimated business-performed research and development in 2017 totaled $4,870,931,992. This suggests that there would be no amount in excess of the three (3) year average to be used to calculate a tax credit.

Oversight notes, though, that the data reported above are a representation of the State of Missouri as a whole, and not each individual business.

Should the assumption be accepted that each of Missouri's individual business's research and development trends follow that of Missouri as a whole, Oversight assumes no tax credits would be authorized under this proposed legislation (u**nless research and development has increased since the last year reported**).

Oversight assumes, though, such an assumption is not likely; some businesses in Missouri may recognize increased research and development each year, even as the state, as a whole, recognizes a continuous decrease.

Since the actual amount of future tax credit authorization(s) is unknown, for purposes of this fiscal note, Oversight will report a revenue reduction to GR equal to an amount "Up to" the $10,000,000 cap beginning in Fiscal Year 2023.

Section 620.2020 Missouri Works Annual Report

In response to a similar proposal, officials from the **Department of Economic Development** did not respond to **Oversight's** request for fiscal impact for this proposal.

In response to a similar proposal, officials from **Office of Administration - Budget and Planning** stated Section B contains an emergency clause. For the purpose of this fiscal note, B&P will assume that, if approved, these sections will take effect before the end of FY21.

This section clarifies the actions Department of Economic Development must take in the event a company fails to file their annual MO Works report in a timely manner. This section will not impact TSR or the calculation under Article X, Section 18(e).

In response to a similar proposal, officials from the **Department of Revenue** stated that annual reports are required to be timely filed by companies receiving benefits under the Missouri Works Program or they risk recapture of the benefits. This proposal would switch the "shall" be timely required to a "may" be timely required. This credit is handled by the Department of Economic Development and does not impact the Department of Revenue. The Department of Economic Development should provide the fiscal impact.
Oversight notes qualified companies or qualified military projects that receive benefits under the Missouri Works Program are required to file annual reports indicating the number of jobs created and retained and such other information as required by the Missouri Department of Economic Development.

Currently, if a qualified company or a qualified military project fails to file such annual report timely, the benefits and tax credits attributable to the year for which the reporting was required **are required** to be recaptured.

Oversight notes this proposed legislation states, if a qualified company fails to timely file the required annual report, the Missouri Department of Economic Development shall communicate with an employee that is separate from the original point of contact to inform the qualified company of the failure to timely file the annual report.

Oversight notes this proposed legislation states if a qualified company requests, in writing, an extension within thirty days of the deadline to file the annual report, the Missouri Department of Economic Development **shall** grant one thirty-day extension beginning on the date that the Missouri Department of Economic Development received the request.

Oversight notes this proposed legislation states that the failure to submit the annual report by the end of the extension **shall** result in the forfeiture of the tax credits and a recapture of withholding tax.

Oversight notes both qualified companies **and** qualified military projects are required to file the annual report. However, this proposed legislation specifically allows a "qualified company" to request, and be granted, an extension. Oversight notes Section 620.2005 identifies a "Qualified Company" and a "Qualified Military Project" individually and separately.

Therefore, as written, **Oversight** assumes only qualified companies would be allowed to request, and be granted, an extension to file the required annual report.

Oversight assumes, then, this proposed legislation **could** result in a lesser amount of Missouri Works Program benefits being recaptured in future years should qualified companies request, and be granted, one thirty-day extension to file the required annual report and successfully file such report by the end of the extension.

Based on information received from the Missouri Department of Economic Development (DED), DED has recaptured the following amount(s) as the result of the failure to timely file the required annual reports by qualified companies or qualified military projects:

Tax Year	Due In	Amount Recaptured	Number of Projects
2017	2018	$61,356	2
2018	2019	$289,535	2
2019	2020	$715,899	4

Oversight notes current statute does not specifically state where recaptured Missouri Works Program benefits are to be deposited. For purposes of this fiscal note, Oversight will assume recaptured amount(s) are deposited into General Revenue (GR).

For purposes of this fiscal note, **Oversight** will report a revenue reduction to GR equal to a range beginning at $0 (annual reports continue to be filed timely and/or the amount of benefit that would currently be recaptured is still recaptured) "up to or could exceed" $715,899 (the most recent amount recaptured – amount(s) not recaptured as a result of the extension created) beginning in Fiscal Year 2022.

Oversight notes this proposed legislation states a qualified company that had an annual report due between January 1, 2020 and September 1, 2021 shall **not** be subject to the forfeiture of tax credits attributable to the year for which the reporting was required or the recapture of withholding taxes retained by the qualified company or qualified military project during such year so long as the annual report is filed with the Missouri Department of Economic Development by November 1, 2021.

Oversight notes, based on the information provided by DED, $715,899 has already been recaptured as the result of the failure to timely file the required annual report that was due in Calendar Year 2020. Oversight assumes the amount(s) recaptured fall within the "exemption period".

Oversight notes it is unclear whether the Missouri Department of Economic Development would be required to "give back" the amount(s) already recaptured for the failure to timely file the annual report due in Calendar Year 2020 and any amounts potentially recaptured during the applicable period in of Calendar Year 2021.

For purposes of this fiscal note, **Oversight** will report a revenue reduction to GR equal to a range beginning at $0 (DED is **not** required to "give back" the amount of benefits already recaptured in Calendar Year 2020 and all other annual reports are filed timely) "up to or could exceed" $715,899 (the total amount recaptured for Calendar Year 2020 [and any amount potentially recaptured in Calendar Year 2021] **is** given back to the qualified company and any amount that would have otherwise been recaptured as the result of the failure to timely file the annual report) in Fiscal Year 2022.

Section 620.2250 - TIME Zones

In response to a similar proposal, HCS for HB 379 (2021), officials from the **Office of Administration - Budget and Planning (B&P)** assumed this proposal allows for 25% of the state tax withholdings on new jobs within a TIME zone to be deposited into the TIME zone fund, newly created, rather than the general revenue fund.

The total amount of withholding taxes retained by all TIME zones shall not exceed $5M per fiscal year. B&P will show an impact of up to $5M deposited into the TIME zone fund and (up to $5M) from general revenue.

This proposal may encourage other economic activity, but B&P does not have data to estimate induced revenues.

In response to a similar proposal, HB 379 (2021), officials from the **Department of Economic Development (DED)** assumed for every new job created in the TIME zone, 25% of state tax withholdings imposed by 143.191-143.265 shall not be remitted to the general fund but shall be put into the TIME Zone Fund to be used by the zone board for managerial, engineering, legal, research, promotion, planning and any other expenses.

DED is only mentioned as the agency to which the annual budget is submitted. DED has no mechanism to calculate the estimated impact of this section on the general revenue.

DED is responsible for approving any agreement renewals, along with reviewing annual budgets and annual reports. Therefore, they would need one (1) FTE to implement the program.

In summary, DED assumes a cost of $81,044 in FY 2022, $86,114 in FY 2023 and $86,940 in FY 2024 to provide for the implementation of the changes in this proposal.

In response to a similar proposal, HCS for HB 379 (2021), officials from the **Department of Revenue (DOR)** assumed §620.2250.9 allows for the diversion of 25% to 50% of the state tax withholding on new jobs to not be remitted to General Revenue and instead go to a designated TIME Zone as outlined in this proposal. The percentage of the withholding tax is based on qualifications outlined in this proposal. DOR notes this 25%- 50% is on new jobs created in a TIME Zone and is not currently being collected by the DOR from the TIME Zone area. This proposal limits the cumulative amount of withholding tax to $5 million annually for all TIME Zones created in the State.

DOR is unable to estimate the number of new jobs that may be created and the new withholding tax those new jobs would generate. DED may be able to provide an estimate of the number of expected jobs. This could be expected to generate between $0 (no TIME Zones created) and $5,000,000 annually for the TIME Zones (based on limits of the proposal).

The DOR is unsure if this would result in additional or lost revenue to the State. Should the created jobs be truly new jobs in the State and not just jobs in the Time Zone area then the State would gain some withholding tax it is not already collecting. Should the TIME Zone just be hiring employees that previously worked elsewhere then the State may actually lose withholding tax it previously collected. The DOR will show an Unknown impact to the general revenue.

In response to a previous version, officials from the **City of Kansas City** assumed this legislation may have a positive fiscal impact on Kansas City in an indeterminate amount if the creation of a TIME Zone leads to additional development and to new jobs in the TIME zones within the City limits. However, this may be offset by staffing resources needed to administer TIME Zones.

Oversight notes §620.2250 of this proposal creates the Targeted Industrial Manufacturing Enhancement Zones Act. This also creates the TIME Zone Fund. Once an ordinance or resolution is passed/adopted by at least two political subdivisions, this proposal requires "twenty-five percent of the state tax withholdings" to go directly to the new fund created. Oversight will assume a loss to General Revenue of the withholding tax and a gain to the TIME Zone Fund of the withholding tax. The total amount of withholding taxes retained by all TIME Zones will not exceed $5,000,000 per fiscal year. In addition, no TIME Zone may be established after August 28, 2024, and already established TIME zones created prior to that date shall continue to exist. Since there is no way to determine if additional jobs will come to these regions, Oversight will reflect the impact as $0 (no new jobs created) to $5,000,000. Also, depending upon the number of TIME Zones established and new jobs created, Oversight assumes DED may be able to absorb some additional responsibilities created by this bill. Therefore, Oversight will range DED's administrative needs from zero impact to one additional FTE in the TIME Zone Fund. Oversight notes the state is allowed to retain 10% of the proceeds for administrative costs.

In response to a previous version, officials from the **Office of the State Treasurer** assumed the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this agency.

In response to a similar proposal, HCS for HB 379 (2021), officials from the **City of Claycomo** and the **City of Springfield** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal, HB 379 (2021), officials from the **City of Ballwin**, the **City of Bland**, the **City of Hale** and the **City of O'Fallon** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to similar legislation from this year, SB 174, officials from the **City of Corder** and the **City of Hughesville** each assumed the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
Revenue Gain – Lamar Heights Transient Guest Tax - §94.838 - p.11-12	$0	$0 or Up to $2,857	$0 or Up to $3,886
Revenue Gain – Springfield Transient Guest Tax Up to 2.5% - §94.842 - p. 13-21	$0	$0 up to $13,308	$0 up to $26,615
Revenue Reduction - Tax Credit For Establishing Urban Farm's In Food Deserts - §135.1610 - p.22-25	$0	Up to ($100,000)	Up to ($100,000)
Revenue Reduction - Exclusion/Add-Back of Qualifying Economic Stimulus Payments - §143.121 & 143.171 - p.28-34	Could exceed ($11,745,855)	$0	$0
Costs - MDA- to administer and monitor the socially disadvantaged communities outreach program - §261.021 - p.37			
Personal Service	($36,726)	($44,512)	($44,957)
Fringe Benefits	($23,870)	($28,790)	($28,938)
Expense & Equipment	($22,098)	($16,246)	($28,938)
Total Costs	($82,694)	($89,548)	($102,833)
FTE Change MDA	1 FTE	1 FTE	1 FTE
Revenue Reduction – Tax Credit For Qualified Research Expenses - §620.1039 - p.38-43	$0	Up to ($10,000,000)	Up to ($10,000,000)

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
Cost – **DED** –Administration Of Tax Credit Program - §620.1039 - p.38-43			
Personnel Services	($42,218)	($51,168)	($51,679)
Fringe Benefits	($24,199)	($29,209)	($29,382)
Equipment & Expense	($6,242)	($2,661)	($2,727)
Total Cost	($72,659)	($83,038)	($83,788)
FTE Change DED	1 FTE	1 FTE	1 FTE
Cost – **DOR** –Processing Of Tax Credits - §620.1039 - p.38-43		Up to…	Up to…
Personnel Services	$0	($73,811)	($74,549)
Fringe Benefits	$0	($60,731)	($60,980)
Equipment & Expense	$0	($31,134)	($1,509)
Total Cost	$0	($165,676)	($137,038)
FTE Change DOR	0 FTE	3 FTE	3 FTE
Revenue Reduction – Reduction of Recaptured Missouri Works Benefits as a Result of Extension Created - §620.2020 - p.43-45	$0 up to or could exceed ($715,899)	$0 up to or could exceed ($715,899)	$0 up to or could exceed ($715,899)
Revenue Reduction – Potential "Pay Back" of Amount(s) Already Recaptured as a Result of "Exception" Period Created - §620.2020 - p.43-45	$0 up to or could exceed ($715,899)	$0	$0
Revenue Reduction – loss of withholding tax - §620.2250 - HA5 - p.43-45	$0 to ($5,000,000)	$0 to ($5,000,000)	$0 to ($5,000,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**More or less than ($11,735,820 to $18,167,618)**	**More or less than ($172,586 to $16,137,996)**	**More or less than ($186,621 to $16,109,057)**
Estimated Net FTE on General Revenue	2 FTE	2 FTE to 5 FTE	2 FTE to 5 FTE

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
AMBULANCE SERVICE REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0958)			
Income - DSS (§190.839) Assessment on ambulance organizations - p.34-36	$6,525,000	$2,175,000	$0
ESTIMATED NET EFFECT ON THE AMBULANCE SERVICE REIMBURSEMENT ALLOWANCE FUND*	**$6,525,000**	**$2,175,000**	**$0**
NURSING FACILITY FEDERAL REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0196)			
Income - DSS (§198.439) Assessment on nursing facility organizations - p.34-36	$139,950,000	$46,650,000	$0
ESTIMATED NET EFFECT ON THE NURSING FACILITY FEDERAL REIMBURSEMENT ALLOWANCE FUND*	**$139,950,000**	**$46,650,000**	**$0**

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
FEDERAL REIMBURSEMENT ALLOWANCE FUND (Hospital provider tax) (0142)			
Income - DSS (§208.480) Assessment on hospital organizations - p.34-36	$960,000,000	$320,000,000	$0
ESTIMATED NET EFFECT ON THE FEDERAL REIMBURSEMENT ALLOWANCE FUND*	**$960,000,000**	**$320,000,000**	**$0**
PHARMACY REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0144)			
Income - DSS (§338.550) Assessment on pharmacy organizations - p.34-36	$81,000,000	$27,000,000	$0
ESTIMATED NET EFFECT ON THE PHARMACY REIMBURSEMENT ALLOWANCE FUND*	**$81,000,000**	**$27,000,000**	**$0**

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
ICF/ID REIMBURSEMENT ALLOWANCE FUND (Provider tax) (0901)			
Income - DSS (§633.401) Assessment on ICF/ID organizations - p.34-36	$4,800,000	$1,600,000	$0
ESTIMATED NET EFFECT ON THE ICF/ID REIMBURSEMENT ALLOWANCE FUND*	**$4,800,000**	**$1,600,000**	**$0**
BLIND PENSION FUND (0621)			
Revenue Reduction - qualifying aircraft assessed at a lower rate - §137.115.3 (4) - p.25	$0	$0	(Less than $400)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	**$0**	**$0**	**(Less than $400)**

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
TIME ZONE FUND			
Revenue – withholding tax collected from new jobs - §620.2250 - p.54-56	$0 to $5,000,000	$0 to $5,000,000	$0 to $5,000,000
Cost – DED (must not exceed 10%) - §620.2250 - p.46-48	$0 or …	$0 or…	$0 or…
Personal Service	($42,218)	($51,168)	($51,679)
Fringe Benefits	($24,199)	($29,209)	($29,382)
Equipment & Expense	($14,627)	($5,737)	($5,879)
Total Cost – DED	($81,044)	($86,114)	($86,940)
FTE Change – DED	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
Transfer Out – to local political subdivisions - §620.2250 - p.46-48	$0 to ($5,000,000)	$0 to ($5,000,000)	$0 to ($5,000,000)
ESTIMATED NET EFFECT ON THE TIME ZONE FUND	**$0**	**$0**	**$0**
Estimated Net FTE Change on Time Zone	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
UNEMPLOYMENT AUTOMATION FUND (0953)			
Transfer In - DOLIR From Federal Unemployment Trust Fund - §288.133 - p.37-38	$3,382,938 or up to $5,000,000	$3,382,938 or up to $5,000,000	$3,382,938 or up to $5,000,000
NET EFFECT ON UNEMPLOYMENT AUTOMATION FUND (0953)	**$3,382,938, or up to $5,000,000**	**$3,382,938, or up to $5,000,000**	**$3,382,938, or up to $5,000,000**

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
UNEMPLOYMENT TRUST FUND (0122)			
Transfer Out - DOLIR To State Unemployment Automation Fund - §288.132 - p.37-38	($3,382,938) or up to ($5,000,000)	($3,382,938) or up to ($5,000,000)	($3,382,938) or up to ($5,000,000)
NET EFFECT ON UNEMPLOYMENT TRUST FUND (0122)	**($3,382,938) or up to ($5,000,000)**	**($3,382,938) or up to ($5,000,000)**	**($3,382,938) or up to ($5,000,000)**
UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND (0948)			
Cost - DOLIR - ITSD costs - §288.132 - p.37-38	$0 up to ($22,537)	$0 up to ($4,620)	$0 up to ($4,736)
NET EFFECT ON UNEMPLOYMENT COMPENSATION ADMINISTRATION FUND	**$0 up to ($22,537)**	**$0 up to ($4,620)**	**$0 up to ($4,736)**

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
FEDERAL FUNDS			
Income - DSS - HA3 - p.34-36			
Assessment on ambulance organizations (§190.839)	$12,225,000	$4,075,000	$0
Assessment on nursing facility organizations (§198.439)	$261,375,000	$87,125,000	$0
Assessment on hospital organizations (§208.480)	$1,793,250,000	$597,750,000	$0
Assessment on pharmacy organizations (§338.550)	$151,275,000	$50,425,000	$0
Assessment on ICF/ID organizations (§633.401)	$3,525,000	$1,175,000	$0
Total Income - DSS	$2,221,650,000	$740,550,000	$0
Costs - DSS - p.34-36			
Medicaid program expenditures	($2,221,650,000)	($740,550,000)	$0
Losses – DSS/CD (§208.152) Potential loss of federal portion of the pharmacy appropriation - p.34-36	$0 to ($675,824,480)	$0 to ($810,989,376)	$0 to ($810,989,376)
ESTIMATED NET EFFECT ON FEDERAL FUNDS	**$0 to ($675,824,480)**	**$0 to ($810,989,376)**	**$0 to ($810,989,376)**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Revenue Gain – City of Butler- charges for all sleeping rooms paid by transient guests - §67.1011 p.6	$0	$0 to Unknown	$0 to Unknown
Revenue Gain – City of Cameron - charges for all sleeping rooms paid by transient guests - §67.1360.1 (38) - p.9	$0	$0 to Unknown	$0 to Unknown
Revenue Gain – City of Marceline - charges for all sleeping rooms paid by transient guests - §67.1013.1 (39) - p.7	$0	$0 to Unknown	$0 to Unknown
Revenue Gain – City of Smithville - charges for all sleeping rooms paid by transient guests - §94.834 - p.10	$0	$0 to Unknown	$0 to Unknown
Revenue Gain – City of Lamar - Lamar Heights Transient Guest Tax - §94.838 - p.11	$0	$0 or Up to $285,718	$0 or Up to $388,577
Cost – City of Lamar - DOR 1% Collection Fee - §94.838 - p.11	$0	($2,857)	($3,886)
Revenue Gain – City of Springfield - Transient Guest Tax Up to 2.5% - §94.842 - p.13	$0	$0 up to $1,330,750	$0 up to $2,661,500
Revenue Gain – City of Springfield - Increase in Hotel/Motel License Tax Due To Increased Gross Receipts - §94.842 - p.13	$0	$0 up to $66,538	$0 up to $133,075

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
Cost – City of Springfield/DOR 1% Collection Fee - §94.842 - p.13	$0	($13,308)	($26,615)
Revenue Reduction - qualifying aircraft assessed at a lower rate - §137.115.3 (4) - p.26	$0	$0	(Less than $90,000)
Savings - County Assessors - from no longer mailing assessment lists an reducing staff - §137.280 - p.27	Unknown	Unknown	Unknown
Transfer In – from the TIME Zone Fund - §620.2250 - p.46	$0 to $5,000,000	$0 to $5,000,000	$0 to $5,000,000
Cost – admin. of TIME Zone developments §620.2250 - p.46	$0 to ($5,000,000)	$0 to ($5,000,000)	$0 to ($5,000,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**Unknown**	**($16,165) to Could exceed $1,666,841**	**($30,501) to Could exceed $3,062,651**

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

RECREATIONAL SALES TAX FOR CERTAIN COUNTIES

Currently, any county of the third class having a population of more than 10,000 and less than 15,000 and any county of the second class having a population of more than 58,000 and less than 70,000 adjacent to such third class county, both counties making up the same judicial circuit, may jointly impose a sales tax throughout each of their respective counties for public recreational purposes including the financing, acquisition, construction, operation and maintenance of recreational projects and programs, but the sales taxes will not become effective unless the governing body of each such county submits to the voters of their respective counties a proposal to authorize the counties to impose the sales tax and such proposal is approved by a majority of the voters in each county.

This bill changes the counties authorized to impose such a tax to any county of the third classification without a township form of government and with more than 12,000 but fewer than 14,000 inhabitants and with a city of the fourth classification with more than 1,350 but fewer than 1,500 inhabitants as the county seat and any county of the first classification with more than 70,000 but fewer than 83,000 inhabitants and with a city of the fourth classification with more than 13,500 but fewer than 16,000 inhabitants as the county seat. (Section 67.782)

This bill currently applies to Bollinger County and Cape Girardeau County.

TRANSIENT GUEST TAX

This bill authorizes certain cities, upon voter approval, to impose a transient guest tax not to exceed 6% per occupied room per night, for general purposes (Section 67.1011, RSMo.). If enacted, this provision initially would only apply to the City of Butler.

The bill also authorizes certain cities, upon voter approval, to impose a transient guest tax of 2% up to 5% per occupied room per night, to be used solely for funding the promotion of tourism (Section 67.1360). If enacted, this new provision would initially only apply to the City of Cameron.

This bill also authorizes certain cities, upon voter approval, to impose a transient guest tax in an amount of no more than 6% per occupied room per night, for general revenue purposes (Section 67.1013). If enacted, this provision initially would only apply to the City of Harrisonville.

The bill also authorizes certain cities, upon voter approval, to impose a transient guest tax of 2% up to 5% per occupied room per night, to be used solely for funding the promotion of tourism (Section 67.1360). If enacted, the new provisions would initially only apply to the cities of Cameron and Marceline.

The bill also authorizes certain cities, upon voter approval, to impose a transient guest tax of up to 5% per occupied room per night, to be used for the promotion of tourism (Section 94.834). If enacted, this provision initially would only apply to the City of Smithville.

The bill also changes the purpose for which a certain transient guest tax and a certain food sales tax is authorized from capital improvements to general revenue purposes, and increases the authorized rate of the food sales tax from 2% to 6% (Section 94.838). Currently, these taxes are only authorized for the City of Lamar Heights.

The bill authorizes certain home rule cities, upon voter approval, to impose a transient guest tax not to exceed 2.5% of the charges per occupied room per night, to be used solely for capital investments that can be demonstrated to increase the number of overnight visitors (Section 94.842). If enacted, this provision initially would only apply to the City of Springfield.

TAX LEVIES

This bill requires that if the voters in a political subdivision approve an increase to the tax rate ceiling prior to the expiration of a previously approved temporary levy increase, the new tax rate ceiling shall remain in effect only until such time as the temporary levy increase expires under the terms originally approved by a vote of the people, at which time the tax rate ceiling shall be decreased by the amount of the temporary levy increase unless voters of the political subdivision are asked to approve an additional permanent increase and such increase is approved. (Section 137.073)

AIRCRAFT ASSESSMENTS

This bill increases the number of hours of operation per year a noncommercial aircraft at least 25 years old can fly from less than 50 hours to less than 200 hours in order to be assessed and valued at 5% of the aircraft's true value for property tax purposes. (Section 137.115.3)

PERSONAL PROPERTY TAX LISTS

This act allows a county assessor, upon request of a taxpayer, to send personal property tax lists and notices in electronic form. (Section 137.280)

INCOME TAXES

Current law allows a taxpayer to deduct from his or her Missouri adjusted gross income a portion of his or her federal income taxes paid, exempting federal income tax credits received for the 2020 tax year under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act when determining the amount of federal income tax liability allowable as a deduction. This act also exempts federal income tax credits received for the 2020 tax year under the supplemental CARES Act, as well as any other federal COVID-19-related income tax credits. (Section 143.171)

Current law also requires taxpayers who itemize deductions to include any federal income tax refund amounts in his or her Missouri adjusted gross income if such taxpayer previously claimed a deduction for federal income tax liability on his or her Missouri income tax return. This act provides that any amount of any federal income tax refund attributable to COVID-19-related tax credits in the supplemental CARES ACT, as well as any other federal COVID-19-related income tax credits, shall not be included in the taxpayer's Missouri adjusted gross income. (Section 143.121)

GROCERY STORE FOOD SALES TAX EXEMPTION

This act provides that the definition of "retail sale" or "sale at retail" for the purposes of the imposition of sales taxes shall not apply to the purchase by a retailer of products that are intended for resale but that cannot be resold because of theft or because the product is damaged and cannot be resold, or to the purchase by a grocery store of food that is intended for resale but that cannot be resold because of theft or because the food has become spoiled and would not be safe for consumption. (Section 144.011)

DETACHMENT ORDINANCE - ST. CHARLES COUNTY AMBULANCE DISTRICT

This act allows St. Charles City to detach from the St. Charles County Ambulance District. St. Charles City may file with the district's board of directors a notice of intention of detachment stating the city's intent to be excluded and taken from the district. The filing of a notice of intention of detachment must be authorized by ordinance.

After filing the notice of intention of detachment, the city shall conduct a public hearing and give notice by publication as provided in the act. At the hearing, the city shall present its reasons why it desires to detach from the ambulance district and its plan to provide ambulance services to the city. Following the hearing, the governing body of the city may enact an ordinance approving the detachment with a majority of all members of the legislative body of the city voting in favor of the ordinance.

Upon the effective date of the ordinance, the ambulance district shall no longer provide ambulance services to the city and shall no longer levy and collect any tax upon the property included within the detached area.

This act shall not apply to any county in which a boundary commission has been established.

FEDERAL REIMBURSEMENT ALLOWANCE (HA3)

This act extends the sunsets from September 30, 2021, to September 30, 2022, for the Ground Ambulance, Nursing Facility, Medicaid Managed Care Organization, Hospital, Pharmacy, and Intermediate Care Facility for the Intellectually Disabled Federal Reimbursement Allowances (§§190.839; 198.439; 208.437; 208.480; 338.550 and 633.401).

UNEMPLOYMENT AUTOMATION FUND (HA8 & HA1 to HA8)

This act provides that any employer required to make contributions under the unemployment compensation laws shall pay an annual unemployment automation adjustment equal to .015% of its total taxable wages for the twelve-month period ending the preceding June 30th. The Division of Employment Security is permitted to lower this rate under certain circumstances. (Section 288.132)

QUALIFIED RESEARCH TAX CREDIT

A tax credit for a portion of qualified research expenses, as defined in federal law, expired on December 31, 2004. This act reauthorizes such tax credit. Tax credits issued under the act shall not exceed ten million dollars in any year, provided that five million dollars of such tax credits shall be reserved for minority business enterprises, women's business enterprises, and small businesses, as defined in the act. (Section 620.1039)

MISSOURI WORKS

Current law requires the Department of Economic Development to recapture Missouri Works benefits for a qualifying company that fails to timely file the annual report required by law. This act requires the Department to use multiple means of communication to contact a qualifying company that has failed to file a timely report, and to grant a thirty day extension to such company if requested. A failure to submit the report by the end of the extension shall result in the recapture of Missouri Works benefits for such qualifying company as provided under current law. A qualified company with an annual report due between January 1, 2020, and September 1, 2021, shall not be subject to the recapture of benefits for a failure to timely submit such annual report as long as such report is submitted by November 1, 2021. (Section 620.2020)

This provision contains an emergency clause.

TIME ZONES

This bill establishes the "Targeted Industrial Manufacturing Enhancement Zones Act".

The bill allows any two or more contiguous or overlapping political subdivisions, as defined in the bill, to create Targeted Industrial Manufacturing Enhancement (TIME) zones for the purpose of completing infrastructure projects to promote economic development. Prior to the creation of a TIME zone, each political subdivision must propose an ordinance or resolution that sets forth the names of the political subdivisions which will form the zone, the general nature of the proposed improvements, the estimated cost of such improvements, the boundaries of the proposed TIME zone, and the estimated number of new jobs to be created in the TIME zone. The political subdivisions must hold a public hearing prior to approving the ordinance or resolution creating the TIME zone.

This bill allows the Zone Board governing the TIME zone to retain 25% of withholding taxes on new jobs created within the TIME zone to fund improvements made in the TIME zone. Prior to retaining such withholding taxes, the Zone Board must enter into an agreement with the Department of Economic Development. The agreement must include the estimated number of new jobs to be created, the estimated average wage of new jobs to be created, the estimated net fiscal impact of the new jobs, the estimated costs of improvements, and the estimated amount of withholding tax to be retained over the period of the agreement. The Department will not approve an agreement unless the Zone Board commits to the creation of a certain number of new jobs, as described in the bill.

The term of such agreement will not exceed 10 years. A Zone Board may apply to the Department of Economic Development for approval to renew any agreement. In determining whether to approve the renewal of an agreement, the Department will consider the number of new jobs created and the average wage and net fiscal impact of such new jobs, and the outstanding improvements to be made within the TIME zone, the funding necessary to complete such improvements, and any other factor the department requires. The Department may approve the renewal of an agreement for a period not to exceed 10 years. If a Zone Board has not met the new job creation requirements by the end of the agreement, the Department will recapture the withholding taxes retained by the Zone Board.

The Zone Board must submit an annual report to the Department and to the General Assembly, as described in the bill.

No political subdivision will establish a TIME zone with boundaries that overlap the boundaries of an advanced industrial manufacturing (AIM) zone.

The total amount of withholding taxes retained by TIME zones under this bill must not exceed $5 million per year.

No new TIME zone will be created after August 28, 2024. (Section 620.2250)

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

<u>SOURCES OF INFORMATION</u>

Office of Administration – Budget & Planning Division
Department of Mental Health
Department of Social Services
Missouri Department of Revenue
Department of Economic Development
State Tax Commission
Department of Commerce and Insurance
Missouri Department of Transportation
Department of Natural Resources
Office of the State Treasurer
Economic & Policy Analysis Research Center
Jefferson County Assessor
Lincoln County Assessor
Howell County Assessor
University of Missouri
State Technical College of Missouri
University of Central Missouri

Missouri State University
Northwest Missouri State University
High Point R-III School
Springfield R-XII School
City of Claycomo
City of Corder
City of Springfield
City of O'Fallon
City of Saint Louis – Budget Division

Julie Morff
Director
May 14, 2021

Ross Strope
Assistant Director
May 14, 2021