

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3448-05  
Bill No.: HCS for SB 686  
Subject: State Tax Commission; Taxation and Revenue  
Type: Original  
Date: May 5, 2010

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Bill Summary: Multiple changes to tax provisions.

FISCAL SUMMARY

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
General Revenue	(More than \$100,000)	(More than \$100,000) to More than \$100,000	(More than \$100,000) to More than \$100,000
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000) to More than \$100,000</b>	<b>(More than \$100,000) to More than \$100,000</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 29 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Blind Pension	\$0	(Unknown)	(Unknown)
Conservation Commission	(More than \$100,000)	(More than \$100,000) to More than \$100,000	(More than \$100,000) to More than \$100,000
Parks, and Soil and Water	(More than \$100,000)	(More than \$100,000) to More than \$100,000	(More than \$100,000) to More than \$100,000
School District Trust	(More than \$100,000)	(More than \$100,000) to More than \$100,000	(More than \$100,000) to More than \$100,000
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000) to More than \$100,000</b>	<b>(More than \$100,000) to More than \$100,000</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).
- Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>Local Government</b>	<b>(More than \$100,000) to More than \$100,000</b>	<b>(More than \$100,000) to More than \$100,000</b>	<b>(More than \$100,000) to More than \$100,000</b>

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## FISCAL ANALYSIS

### ASSUMPTION

#### Provisions Allowing a Change of State Tax Commission Hearing Officer

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

Officials from the **Department of Revenue** assume this proposal would have no fiscal impact on their organization.

Officials from the **State Tax Commission** (TAX) assume this proposal would require TAX to assign a new hearing officer to an appeal if the party files a timely application to disqualify the hearing officer originally assigned to the appeal. Currently TAX has only three hearing officers to handle the thousands of appeals filed each year. The TAX response included one FTE Hearing Officer; and estimated total costs for salary, benefits, expense, and equipment were \$70,412 for FY 2011, \$85,233 for FY 2012, and \$87,789 for FY 2013.

**Oversight** assumes there would be a limited number of hearings where one of the parties would request the disqualification of a hearing officer and that TAX could implement this provision with existing resources. If unanticipated costs are incurred or if multiple proposals are incurred which increase then TAX could request resources through the budget process.

#### Provisions Regarding Deadline for Tax Rate Setting.

Officials from the **Department of Revenue**, the **State Tax Commission**, the **Metropolitan Community Colleges**, **Cass County**, the **City of Centralia**, the **City of Kansas City**, and the **Office of the St. Louis County Collector of Revenue** assumed that similar language in HB 1392 LR 3042-01, 2010 would have no fiscal impact on their organizations.

Officials from the **Parkway School District** stated that similar language in HB 1392 LR 3042-01, 2010 would have saved their organization \$3.5 million in the 2009-2010 fiscal year, and assume that cost savings would be similar in future years.

ASSUMPTION (continued)

Officials from the **Special School District of St. Louis County** (SSD) stated assumed that similar language in HB 1392 LR 3042-01, 2010 would not be expected to have a material fiscal impact on their organization. SSD officials also stated that the proposal would fix a problem that caused the district to incur a 3% drop in property taxes in the current fiscal year.

Officials from the **Office of Administration, Division of Budget and Planning** did not respond to our request for information.

**Oversight** notes that this proposal would change the date by which taxing authorities must determine the ad valorem tax rate for the next year. Accordingly, Oversight assumes this proposal would have no fiscal impact on the state nor on its political subdivisions.

Provisions Regarding the Assessment Notice Required When the Assessed Valuation Is Increased.

Officials from the **Department of Revenue** assumed similar language in HB 1316 LR 3545-03 (2010) would have no fiscal impact on their organization.

Officials from the **State Tax Commission** (TAX) assumed there would be no fiscal impact to their organization from similar language in HB 1316 LR 3545-03 (2010). TAX officials also assume there would be a potential for cost savings to local governments which would not be required to provide the current mandatory tax liability notice.

TAX officials stated the total cost of software to provide the proposed notice has been estimated at \$1.1 million and they had submitted a budget request for \$100,00 for a business analysis of that cost. A similar budget request has been denied the past two budget cycles.

**Oversight** notes that the State Tax Commission response indicates the significance of the potential cost of these provisions; however the cost to the State Tax Commission was included in the fiscal note for TAFP CCS for HCS for SCS for SB 711 LR 3297-12 (2008).

Officials from **Cass County** assumed there would be some administrative cost in implementing similar provisions in HB 1316 LR 3545-03 (2010), and the proposed requirements would impact the Assessor's budget. Cass County officials assumed the impact is unknown.

ASSUMPTION (continued)

Officials from **St. Louis County** provided an estimate of the cost to provide the notice that would be required if similar language in HB 1316 LR 3545-03 (2010) is enacted and the software is provided by the State Tax Commission.

	Envelopes	Postage	Printing	Mailing	Total
FY 2011	\$6,000	\$134,808	\$19,755	\$9,650	\$170,213
FY 2012	\$6,000	\$134,808	\$19,755	\$9,650	\$170,213
FY 2013	\$6,000	\$134,808	\$19,755	\$9,650	\$170,213
Total	\$18,000	\$404,424	\$59,265	\$28,950	\$510,639

**Oversight** received no other responses for this proposal. Oversight assumes the St. Louis County responses indicate the significance of the potential cost of this proposal and, accordingly, Oversight will indicate an impact of \$0 if the State Tax Commission does not provide the software, or cost in excess of \$100,000 for local governments if the software is provided.

Provisions Which Would Change the Classification of Certain Watercraft from Personal Property to Residential Property for Property Taxation Purposes.

Officials from the **Office of the Secretary of State, St. Louis County, the City of Centralia, the City of Kansas City, and the Parkway School District** assumed similar provisions in HB 1647 LR 3680-01 (2010) would have no fiscal impact on their organizations.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assumed similar provisions in HB 1647 LR 3680-01 (2010) would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would change qualifying watercraft from personal property (vehicles) to residential property. Vehicles are assessed at 33.3% of value, while residential property is assessed at 19% of value. Therefore this proposal could reduce local property tax collections if related levies are not adjusted, perhaps significantly in counties with large numbers of qualifying watercraft. BAP does not have data on the number or valuation of qualifying watercraft.

ASSUMPTION (continued)

BAP officials stated that this proposal would not impact general revenues, but could reduce Blind Pension Fund revenues.

Officials from the **Department of Revenue** (DOR) assumed similar provisions in HB 1647 LR 3680-01 (2010) would include watercraft, as defined by current provisions, in the definition of "residential property." DOR also assumes there would be no change in the titling and registration requirements for watercraft since those provisions were not changed, and the definition of watercraft was not changed. Accordingly, DOR assumes it would require a statement of non-assessment from the county assessor's office which would indicate they have assessed the watercraft not as personal property, but as real estate.

Administrative impact

Motor Vehicle Bureau procedures would need to be revised by a Management Analyst Specialist I requiring forty hours of overtime, at a cost of \$805.. The DOR web site would need to be updated requiring ten hours of overtime for an Administrative Analyst III, at a cost of \$218.

**Oversight** assumes that this cost is minimal and could be absorbed with existing resources. If unanticipated additional costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

IT impact

DOR officials provided an estimate of the Information Technology cost to implement the proposal, OA-ITSD (DOR) would need to update the renewal print program for vessel renewals to require a paid personal property tax receipt or a statement of non assessment. This proposal would have a minimal impact on OA-ITSD (DOR) and would be absorbed.

Officials from the **Department of Elementary and Secondary Education** (DESE) assumed similar provisions in HB 1647 LR 3680-01 (2010) would have no fiscal impact on their organization and defer to the Department of Revenue as to the fiscal impact on the state.

Officials from the **State Tax Commission** (TAX) assumed similar provisions in HB 1647 LR 3680-01 (2010) would have no fiscal impact on their organization. TAX officials assume this proposal could result in a loss of revenue for certain local governments.

ASSUMPTION (continued)

Officials from the **Office of the Platte County Collector** assumed similar provisions in HB 1647 LR 3680-01 (2010) could lead to enormous negative monetary impact for local governments.

**Oversight** assumes these provisions would result in the reclassification of qualifying houseboats from personal property to real property and an unknown reduction in property tax revenues for local governments and the Blind Pension Fund. Oversight assumes this proposal would become effective in August 2010 after the assessment process for 2010 is completed but would have an impact on 2011 property taxes collected in December 2011 (FY 2012).

Provisions Regarding the Sale of Real Property for the Collection of Delinquent Taxes.

Officials from the **Department of Revenue**, the **State Tax Commission**, and the **Office of the Boone County Collector of Revenue** assumed similar provisions in HB 1420 LR 3886-02 (2010) would have no fiscal impact on their organizations.

Officials from **Buchanan County** assumed similar provisions in HB 1420 LR 3886-02 (2010) would result in additional cost to their organization of at least \$7,500 per year.

Officials from the **Office of the St. Louis County Collector of Revenue** (office) stated that implementing assumed similar provisions in HB 1420 LR 3886-02 (2010) would result in additional costs to their organization. The office already mails tax sale property notices to owners and occupants. The proposal would require the office to send out certified mail for an estimated 5,000 delinquent tax bills. It would cost \$5.54 per tax bill to mail bills certified with a return receipt. Based on an estimate that the office has between 2,800 and 5,000 bills with \$1,000 or more in valuations the cost would be significant. At 5,000 bills the charge would be \$27,700. The cost of the procedure would also include the labor to prepare the mailing at \$15 to \$20 per hour per person. With our staff of three people it would take about 138 hours at five minutes per bill for an estimated total of \$8,280 in labor costs.

The office assumed they could recoup some of the cost by imposing a fee, added to the publication fee, to every payment on tax sale properties. Between tax payments and the tax sale the office assumes it would recoup the costs on 3,950 properties or \$21,883. Revenue losses would be incurred on all unpaid and unsold properties in a given year. This year, the office failed to receive payment or sell 1,051 properties at \$5,823.

ASSUMPTION (continued)

**Oversight** did not receive any other responses to our request for information regarding this proposal.

**Oversight** assumes this proposal would result in additional costs to local governments, since it would add a certified mail requirement and additional procedural steps to the tax sale process for properties with delinquent taxes. Although additional tax collections could be expected as a result of the enhanced notification process, most of the notification cost would ultimately be deducted from tax collections received from property sales, or would be absorbed by the county for properties that remain unsold.

For fiscal note purposes, Oversight will indicate a cost in excess of \$100,000 per year to local governments. Since this proposal would presumably become effective after the 2010 tax sale, the first local government impact would be in 2011 (FY 2012).

Property Tax Collection Provisions

Officials from the **Department of Revenue**, the **State Tax Commission**, **Buchanan County**, **St. Louis County**, and the **Office of the Boone County Collector** assumed similar provisions in HB 1424 LR 3966-041 (2010) would have no fiscal impact on their organizations.

In response to a similar proposal (SB 736, LR 3560-02) officials from the **Office of the State Auditor** and the **Office of the St. Louis Collector** assumed the proposal would have no fiscal impact on their organizations.

**Oversight** assumes this proposal is discretionary and would have no local fiscal impact without action by the governing body.

Provisions for Property Tax Abatement Tracking

These provisions would provide for a 2% deduction from the collection of taxes each year in certain counties to fund the identification and tracking of property tax abatements.

Officials from the **Department of Revenue** assume there would be a cost of \$581 for notifications to affected governments.

ASSUMPTION (continued)

**Oversight** assumes the DOR cost is minimal and could be absorbed with existing resources.

Officials from **St. Louis County** stated that similar provisions in HB 1916 LR 4803-01 (2010) would result in revenues of \$600,000 per year or \$1,800,000 in three years, and costs as follows.

St. Louis County officials assume that one clerk supervisor would be required for the Department of Revenue at \$47,760 per year or \$143,280 over the three year period, and one accounting service specialist would be required for the Treasury division at \$45,000 per year or \$135,000 over the three year period.

St. Louis County officials also stated that the current sales tax program has been very cumbersome and does not accommodate TIF disbursements well. TIF problem reconciliation has become a daily process. The officials assumed the system would need to be replaced. The one-time cost would be in the area of \$400,000. Ongoing costs would be \$10,000 annually. Total cost for first year - \$492,760, then approximately \$105,000 per year.

**Oversight** did not receive any other responses to these provisions.

**Oversight** assumes there would be withholdings in excess of \$100,000 from certain local government taxes and corresponding revenues to county governments and the City of St. Louis.

Provisions Regarding Interest Rate on Delinquent and Back Property Taxes.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)**, assumed that similar provisions in SB 1028 LR 5267-01 (2010) would not result in additional costs of savings to their organization. BAP officials stated that the proposal would lower the interest rate on delinquent property tax penalties which could affect the Blind Pension Fund and local tax revenues.

Officials from the **Department of Elementary and Secondary Education** assumed that similar provisions in SB 1028 LR 5267-01 (2010) would have no impact to the state foundation formula, but would appear to have a negative impact on school districts.

ASSUMPTION (continued)

Officials from the **Office of the Boone County Collector** assumed that similar provisions in SB 1028 LR 5267-01 (2010) would reduce delinquent tax penalties by 33% to 50%, and stated that delinquent tax penalties distributed to local governments in Boone County for the year ended February 28, 2009 were \$806,663.67.

Officials from the **Office of the Cole County Collector** assumed that similar provisions in SB 1028 LR 5267-01 (2010) would reduce delinquent tax penalties by a minimum of \$272,000. Those officials also stated that the proposal would reduce distributions to the taxing authorities, the County Employees' Retirement Fund, the county General Revenue Fund, and the county Tax Maintenance Fund.

Officials from **Cass County** assumed that similar provisions in SB 1028 LR 5267-01 (2010) would have a negative impact on their county budget. County officials estimated the loss at \$586,000 per year based on last year's delinquent taxes and stated that all taxing entities receive a portion of that amount.

Officials from the **Blue Springs School District** estimated that the loss to their organization from similar provisions in SB 1028 LR 5267-01 (2010) would at \$50,000 to \$75,000 per year.

Officials from the **Independence School District** assumed that similar provisions in SB 1028 LR 5267-01 (2010) would decrease the revenue available to their organization but stated they were unable to estimate the amount of revenue reduction.

In response to a similar proposal, officials from the **Office of the St. Louis County Collector** assumed there would be unknown programming costs to change the calculation of penalties on current delinquent taxes while keeping the original method of computing penalties on prior delinquent taxes. In addition, the officials estimated the new calculation would result in annual losses of \$1,732,600 based on previous year data.

**Oversight** notes that this proposal would reduce the maximum penalty on delinquent property tax payments for 2011 (FY 2012), 2012 (FY 2013) and 2013 (FY 2014) from 18% per year to a maximum of 9%. March 16, 2010 delinquent taxes from years prior to 2011 and years after 2013 would continue to accrue penalties at the 18% annual rate. Accordingly, Oversight will indicate unknown revenue reductions to the Blind Pension Fund, and revenue reduction to local governments in excess of \$100,000 per year for FY 2012 and FY 2013.

ASSUMPTION (continued)

Provisions Which Would Prohibit Increases in Assessed Valuation of Motor Vehicles.

Officials from the **Department of Elementary and Secondary Education** assumed that similar provisions in HB 2361 LR 5391-02 should have no impact on the school foundation formula. School districts may be impacted by lesser local property taxes on personal property.

Officials from the **City of Kansas City** assumed that similar provisions in HB 2361 LR 5391-02 would have a negative fiscal impact on their organization. City officials stated that limiting the increase in assessed valuation to motor vehicles would have the effect of imposing a ceiling on the value of motor vehicles for tax assessment purposes.

Officials from the **Office of Administration, Division of Budget and Planning** assumed that similar provisions in HB 2361 LR 5391-02 should not result in additional costs or savings to their organization.

BAP officials stated that the provisions would limit increases in assessed valuation of motor vehicles. This could potentially decrease the amount of local tax revenue and the amount going to the State Blind Pension Fund. There would be an impact to 18(e) and TSR by the unknown decrease in funds going to the State Blind Pension Fund.

Officials from **St. Louis County** assumed that similar provisions in HB 2361 LR 5391-02 would have no fiscal impact on their organization.

**Oversight** assumes these provisions would result in unknown amounts of property tax revenue reductions to local governments and the Blind Pension Fund beginning with property tax revenues collected in December 2011 (FY 2012).

Provisions Exempting Utility Sales to Sports Authority Complexes from Sales Tax

Officials from the **Department of Revenue** assumed that similar provisions in HB 2380 LR 5390-01 (2010) would have no fiscal impact on their organization but would reduce total state revenue.

Officials from the **City of Kansas City** assumed that similar provisions in HB 2380 LR 5390-01 (2010) could have a negative fiscal impact on their organization of an indeterminate amount.

ASSUMPTION (continued)

Officials from the **Department of Conservation** assumed that similar provisions in HB 2380 LR 5390-01 (2010) would create a sales tax exemption. The provisions would appear to have a negative fiscal impact on MDC funds. However, MDC is unable to estimate an accurate cost to the Department and will rely on DOR to make that calculation.

Officials from **St. Louis County** assumed that similar provisions in HB 2380 LR 5390-01 (2010) would have no impact on their organization.

Officials from the **Office of the Secretary of State** (SOS) stated that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

**Oversight** will indicate an unknown negative fiscal impact for these provision for the General Revenue Fund, for those other state funds which receive sales tax revenues and for local governments.

Provisions for Enhanced Department of Revenue Collections

Officials from the **Department of Revenue** (DOR) assume that the intent of a portion of this legislation is to address changes to the law regarding the sale for resale exclusion, that were brought about by two Missouri Supreme Court cases, ICC Management, Inc. v. Director of Revenue, 290 S.W.3d 699 (Mo. banc 2009) and Music City Management, LLC v. Director of Revenue, 2009 W.L. 2381 299 (Mo. banc 2009). This legislation would codify several tax exemptions, and substantially decrease total state revenue compared to the current state of the law.

ASSUMPTION (continued)

DOR officials expect other portions of this legislation would create a positive impact of approximately \$18 million once fully implemented. The DOR projection indicated additional revenues of \$3 million in FY 2012 and \$18 million in FY 2013.

**Oversight** assumes these provisions would increase income and sales tax collections by more than \$100,000 per year and will indicate additional revenue to the General Revenue Fund, to those other state funds which receive sales tax revenues, and to local governments.

DOR officials provided an estimate of the administrative cost to implement the proposal. The Motor Vehicle Bureau would need to change procedures and those procedures would need to be revised by a Management Analyst Specialist I requiring 40 hours of overtime at a cost of \$805 in FY 11. The DOR web site would need to be updated at a cost of \$218 for 10 hours of overtime for an Administrative Analyst III.

DOR officials assume that Sales Tax would need to notify businesses for which it currently collects Community Improvement District (CID) sales taxes in St. Louis and St. Louis County. DOR estimated those costs at \$581 for postage, printing, and mailing notices for every 1,000 businesses.

**Oversight** assumes these costs are minimal and could be absorbed with existing resources.

DOR officials provided an estimate of the IT cost to implement the proposal of \$17,808 based on 672 hours to make programming changes to various tax systems.

**Oversight** assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Provisions Authorizing a Montgomery County Transient Guest (Hotel) Tax

Officials from the **Department of Revenue** assumed that similar provisions in HB 1724 Lr 4510-01 would not fiscally impact their organization.

Officials from **Montgomery County** did not respond to our request for fiscal impact.

ASSUMPTION (continued)

**Oversight** assumes this proposal allows Montgomery County to impose a transient guest tax of up to five percent and could not be implemented without voter approval. Therefore, Oversight assumes this proposal to be permissive and would have no state or local fiscal impact.

Provisions Regarding Tax Rate Setting After a Voter-Approved Tax Rate Increase

Officials from the **Office of the State Auditor** (SAO) assumed that similar provisions in HB 2373 LR 5399-01 (2010) would require their organization to revise the current tax rate forms and educate taxing authorities on the changes, and would generate calls in regards to the change. SAO officials estimated that the additional duties in relation to this bill would require 1 FTE Staff Auditor I in the Tax Rate section.

**Oversight** notes that this proposal would change the method of computing the tax rate levy limit for a local government which has received voter approval for a tax increase after August 27, 2008. Accordingly, Oversight assumes this proposal would require changes to the tax limit calculation for a limited number of taxing authorities and that SAO could absorb the additional responsibilities with existing resources. If unanticipated additional effort is incurred or if multiple proposals are implemented which increase the SAO workload, resources could be requested through the budget process.

Officials from the **Office of Administration, Division of Budget and Planning**, assumed there would be no added cost to their organization as a result of similar provisions in HB 2373 LR 5399-01 (2010). This proposal would modify certain provisions governing the calculation of local tax rates. This proposal would not impact general and total state revenues.

Officials from the **Department of Revenue**, the **City of Centralia**, and the **Special School District of St. Louis County** assumed that similar provisions in HB 2373 LR 5399-01 (2010) would have no fiscal impact on their organizations.

Officials from the **City of Kansas City** assumed that similar provisions in HB 2373 LR 5399-01 (2010) could have a negative impact on their organization of an indeterminate amount.

Officials from the **Office of the Secretary of State** did not respond to our request for information.

ASSUMPTION (continued)

**Oversight** is not able to determine whether this proposal would result in any increase or decrease in a local government tax rate, and will indicate a fiscal impact from unknown positive to unknown negative.

Provisions Regarding Sales Tax on Purchases Made for Resale.

Officials from the **Office of the Secretary of State** (SOS) stated in response to SB 928 LR 4870-04 (2010) that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to SOS for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed that similar provisions in SB 928 LR 4870-04 (2010) would not result in additional costs or savings to their organization. BAP officials noted that the proposal would add definitions to the sales tax statutes regarding sales for resale, and assume the proposal would have a significant impact on general and total state revenues. BAP deferred to the Department of Revenue for an estimate of the impact.

Officials from the **Department of Conservation** (MDC) assumed that similar provisions in SB 928 LR 4870-04 (2010) could have a positive impact on MDC funds; however, MDC was not able to provide an estimate of the impact and deferred to the Department of Revenue for that estimate.

Officials from the **Department of Elementary and Secondary Education** assumed that similar provisions in SB 928 LR 4870-04 (2010) would have no fiscal impact on their organization, and deferred to the Department of Revenue for an estimate of the fiscal impact to the state.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources** (DNR) assumed that similar provisions in SB 928 LR 4870-04 (2010) would make certain purchases made for resale exempt or excluded from sales and use tax if the subsequent sale is taxed in the state or another state, is for resale, is excluded from tax, is subject to tax but is exempt, or is exempt in another state where the subsequent sale occurs.

Adding exemptions from sales tax would decrease the amount of funding available in the Parks and Soils Sales Tax Funds. These funds have been used for the acquisition and development, maintenance and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs.

Officials from the **Department of Revenue** (DOR) assumed that similar provisions in SB 928 LR 4870-04 (2010) would codify several tax exemptions, and substantially decrease total state revenue compared to the current state of the law.

DOR officials assume this proposed language would result in revenue reductions in excess of \$100,000 per year; however, since DOR is unable to track exempt and excluded sales, a more specific estimate of the impact is not available.

Officials from **St. Louis County** assumed that similar provisions in SB 928 LR 4870-04 (2010) would have an insignificant impact on their organization.

Officials from **Platte County** and the **City of Centralia** assumed that similar provisions in SB 928 LR 4870-04 (2010) would have no fiscal impact on their organizations.

Officials from the **Parkway School District** assumed that similar provisions in SB 928 LR 4870-04 (2010) could affect sales tax revenues but costs cannot be estimated at this time.

**Oversight** will indicate an impact in excess of \$100,000 per year to the General Revenue Fund and to local governments. Since the sales tax rates for other state funds which receive sales tax revenues are lower than for the General Revenue Fund, Oversight will indicate unknown losses for those funds. Further, since the proposal includes an emergency clause, a full year's impact would be expected for FY 2011.

ASSUMPTION (continued)

Provisions Regarding Sales Tax Exemption for Shooting Ranges.

Officials from the **Department of Natural Resources** assumed similar provisions in SB 973 Lr 5193-02 (2010) would create a sales tax exemption on sales of sporting clays, wobble, skeet, and trap targets to shooting ranges and similar places of business used in the ordinary course of business by such shooting range or business. The proposal would also create a state and local sales and use tax exemption for money received from patrons by a shooting range or similar place of business to be held by such shooting range for redistribution to patrons at the conclusion of a shooting event. These exemptions would decrease the amount of funding available in the Parks & Soils Sales Tax Funds. These funds have been used for the acquisition and development, maintenance and operation of state parks and historic sites and to assist agricultural landowners through voluntary programs.

**Oversight** assumes these provisions would cause an unknown reduction in sales tax revenues to the General Revenue Fund, to those other state funds which receive sales tax revenues, and to local governments.

Provisions Authorizing Public Safety Sales Taxes

In response to similar provisions in SB 981 LR 5191-01 (2010) officials from the **State Treasurer's Office** and the **Department of Revenue** assumed there would be no fiscal impact to their respective agencies.

Officials from the **City of Kansas City** stated that similar provisions in HB 2250 LR 5245-01 (2010) would have a positive fiscal impact on the City. Officials state if this legislation is passed by the General Assembly and approved by the City's voters, it will allow the City to hire more police officers.

**Oversight** assumes this proposal is enabling legislation and would have no fiscal impact unless the governing body would request the voters of their city approve the imposition of a sales tax. Should voters approve the imposition of a sales tax, the city could expect revenue to be generated and there would be costs of providing public safety activities including operations and capital improvements. Oversight assumes the Department of Revenue would collect the sales tax and retain a 1% collection fee which would be deposited into the State's General Revenue Fund.

ASSUMPTION (continued)

Sales Tax Exemption for Items Donated to a Nonprofit Organization

Officials from the **Office of Administration, Division of Budget and Planning** (BAP), assumed that similar provisions in HB 2363 LR 5371-01 (2010) would not result in additional costs or savings for their organization.

BAP officials stated that this proposal would exempt from use tax all donations of inventoried tangible property transferred to tax exempt entities. BAP does not have an estimate of qualifying donations; general and total state revenues, and local revenues, would be reduced by an unknown amount.

Officials from the **Department of Revenue** assumed that similar provisions in HB 2363 LR 5371-01 (2010) would have no fiscal impact on their organization but would reduce total state revenue.

**Oversight** assumes this proposal would result in the exemption from use tax of certain transfers of inventoried personal property by a Missouri resident or business, to another entity which is exempt from sales tax. Oversight will assume for fiscal note purposes that this proposal would result in an unknown reduction in revenue to those state funds which receive sales tax revenues, and to local governments.

Sales Tax Exemption on Gratuities

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assumed there would be no added cost to their organization as a result of similar provisions in SB 944 LR 5040-01 (2010). BAP officials stated that the proposal would provide a sales tax exemption for gratuities. To the extent that gratuities may have been taxed in the past, this proposal would reduce general and total state revenues, and local revenues. BAP does not have an estimate of taxes collected on gratuities.

Officials from the **Department of Conservation** (MDC) assumed that similar provisions in SB 944 LR 5040-01 (2010) would create a state and local sales tax exemption for gratuities. MDC officials stated that this proposal would have a negative fiscal impact on MDC funds. However, MDC is unable to provide the estimated amount and will rely on DOR for the fiscal impact of the legislation.

ASSUMPTION (continued)

Officials from the **Department of Labor and Industrial Relations**, the **Department of Revenue**, and the **City of Centralia** assumed that similar provisions in SB 944 LR 5040-01 (2010) would have no fiscal impact on their organizations.

Officials from the **Department of Revenue** (DOR) also stated in response to similar provisions in SB 944 LR 5040-01 (2010) that mandatory tips which are added to patrons' guest bills are reported as taxable sales, but DOR did not have information as to the amounts of gratuities or related sales tax payments.

Officials from the **Department of Natural Resources** (DNR) assumed that similar provisions in SB 944 LR 5040-01 (2010) would create a sales tax exemption on mandatory and voluntary gratuities provided in conjunction with the receipt of property or services regardless of whether such property or service is subject to sales tax.

DNR officials stated that adding exemptions from sales tax would have a negative effect on total state revenue, and adding exemptions from sales tax would decrease the amount of funding available in the Parks & Soils Sales Tax Funds.

Officials from **Platte County** assumed in response to similar provisions in SB 944 LR 5040-01 (2010) that the impact of this proposal on their organization would be minimal.

Officials from **St. Louis County** assumed that similar provisions in SB 944 LR 5040-01 (2010) would not be great.

ASSUMPTION (continued)

**Oversight** was not able to locate information regarding aggregate amounts of gratuities in Missouri; however, the Internal Revenue Service reported that tip income for the United States was \$18 billion in 2003. If Missouri accounted for an average of 1.8% of the federal total, the state total would be \$324 million. The sales tax on that amount could be calculated as follows.

General Revenue Fund	3%	\$9,700,000
School District Trust Fund	1%	\$3,200,000
Conservation Commission Fund	1/8%	\$405,000
Parks, and Soil and Water Funds	1/10%	\$324,000
Local governments	Average 2.5%	\$8,100,000

For fiscal note purposes, Oversight will include a reduction in revenue in excess of \$100,000 for those state funds which receive sales tax revenues, and for local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>GENERAL REVENUE FUND</b>			
<u>Additional revenue</u> - DOR collection procedures	\$0	<u>More than \$100,000</u>	<u>More than \$100,000</u>
<u>Revenue reduction</u> - sales tax on sports authority utilities.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - tax on sales for resale	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<u>Revenue reduction</u> - sales tax exemption for shooting ranges	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption on items donated to a nonprofit organization	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption for gratuities	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000) to More than \$100,000</u></b>	<b><u>(More than \$100,000) to More than \$100,000</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>BLIND PENSION FUND</b>			
<u>Revenue reduction</u> - watercraft assessment	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - interest on delinquent property taxes	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - limit on motor vehicle assessments	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Additional revenue</u> - DOR collection procedures	\$0	<u>More than \$100,000</u>	<u>More than \$100,000</u>
<u>Revenue reduction</u> - sales tax on sports authority utilities.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - tax on sales for resale	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption for shooting ranges	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption on items donated to a nonprofit organization	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption for gratuities	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000) to More than \$100,000</u></b>	<b><u>(More than \$100,000) to More than \$100,000</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>CONSERVATION COMMISSION FUND</b>			
<u>Additional revenue</u> - DOR collection procedures	\$0	<u>More than \$100,000</u>	<u>More than \$100,000</u>
<u>Revenue reduction</u> - sales tax on sports authority utilities.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - tax on sales for resale	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption for shooting ranges	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption on items donated to a nonprofit organization	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption for gratuities	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000) to More than \$100,000</u></b>	<b><u>(More than \$100,000) to More than \$100,000</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>PARKS, AND SOIL AND WATER FUND</b>			
<u>Additional revenue</u> - DOR collection procedures	<u>\$0</u>	<u>More than \$100,000</u>	<u>More than \$100,000</u>
<u>Revenue reduction</u> - sales tax on sports authority utilities.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - tax on sales for resale	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption for shooting ranges	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption on items donated to a nonprofit organization	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption for gratuities	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000) to More than \$100,000</u></b>	<b><u>(More than \$100,000) to More than \$100,000</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>LOCAL GOVERNMENTS</b>			
<u>Additional revenue</u> - DOR collection procedures	\$0	<u>More than \$100,000</u>	<u>More than \$100,000</u>
<u>Revenue</u> - TIF tracking	<u>More than \$100,000</u>	<u>More than \$100,000</u>	<u>More than \$100,000</u>
<u>Revenue</u> - rate setting after voter-approved rate increase	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>	<u>Unknown to (Unknown)</u>
<u>Cost</u> - assessment notices	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>	<u>\$0 or (More than \$100,000)</u>
<u>Revenue reduction</u> - watercraft assessment	\$0	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Cost</u> - tax sale notifications	\$0	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<u>Revenue reduction</u> - interest on delinquent property taxes	\$0	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<u>Revenue reduction</u> - sales tax on sports authority utilities.	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - TIF tracking	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<u>Revenue reduction</u> - limit on motor vehicle assessments	\$0	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - tax on sales for resale	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>

<u>Revenue reduction</u> - sales tax exemption for shooting ranges	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption on items donated to a nonprofit organization	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Revenue reduction</u> - sales tax exemption for gratuities	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>	<u>(More than \$100,000)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>More than \$100,000 to (More than \$100,000)</u></b>	<b><u>More than \$100,000 to (More than \$100,000)</u></b>	<b><u>More than \$100,000 to (More than \$100,000)</u></b>

FISCAL IMPACT - Small Business

Several provisions in this proposal would have a direct fiscal impact to small businesses involved in specific types of transactions.

FISCAL DESCRIPTION

The proposed legislation makes a number of changes to state and local tax provisions.

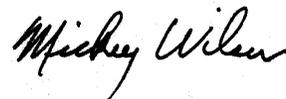
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Office of the State Auditor  
Office of the State Treasurer  
Office of Administration  
    Division of Budget and Planning  
Department of Conservation  
Department of Elementary and Secondary Education  
Department of Labor and Industrial Relations  
Department of Natural Resources  
Department of Revenue  
State Tax Commission  
Metropolitan Community Colleges  
Buchanan County  
Cass County  
St. Louis County  
City of Centralia  
City of Kansas City  
Blue Springs School District  
Independence School District  
Parkway School District  
Special School District of St. Louis County  
Boone County Collector of Revenue  
Cole County Collector of Revenue  
St. Louis County Collector of Revenue  
Platte County Collector of Revenue

NOT RESPONDING

**Montgomery County**



Mickey Wilson, CPA  
Director  
May 5, 2010