

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1895-01
Bill No.: SB 415
Subject: Cities, Towns, and Villages; Counties; Revenue - Department; Taxation - Sales and Use.
Type: Original
Date: April 2, 2013

Bill Summary: This proposal would allow Greene County, or any city within the county, to impose a sales tax, upon voter approval, to fund early childhood education.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	0	0	0

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).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 67.1790, RSMo - Early Education Sales Tax

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

BAP officials noted this proposal would allow voters in Greene County, as well as cities in that county, to impose a sales tax up to 0.25% for early childhood education purposes. According to information published by DOR, taxable sales in Greene County totaled \$4,625.4 million in calendar year 2012. Therefore, this sales tax might generate \$11.6 million annually for the county. Additional amounts might be generated if cities in the county separately approve this tax.

The revenues collected would have no direct impact on General and Total State Revenues; however, 1% would be retained in the General Revenue Fund to offset the Department of Revenue's collection costs. Therefore, General and Total State Revenues could increase by \$0.1 million if the county sales tax is approved.

Officials from the **Department of Elementary and Secondary Education (Dese)** assume this proposal would, contingent on voter approval and subsequently the governing bodies of Greene County and cities within Greene County, have an impact on revenues for the "Early Childhood Education Sales Tax Trust Fund"; however, their department has no means to calculate the potential impact.

Officials from the **Republic School District** responded to our request for information but did not provide an estimate of the potential fiscal impact for their organization.

Officials from the **Department of Revenue (DOR)** assume this proposal would allow the governing body of Greene County, or cities within Greene County, to impose a sales tax on all retail sales made within the city or county subject to sales tax for early childhood education programs in the county or city. The tax could not exceed one quarter of one percent and could be imposed solely for the purpose of funding early childhood education programs in the county or city. The tax authorized in this section would be in addition to all other sales taxes imposed by law and would be stated separately from all other charges and taxes.

ASSUMPTION (continued)

Administrative impact

DOR officials note the Department and OR - ITSD (DOR) would need to make programming changes to various tax systems. DOR officials assume this proposal would not create an impact on Taxation; however, the Department would require ITSD-DOR programming for the new sales tax.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$4,544, based on 168 hours of programming to make changes to DOR 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.

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules**, and the **Department of Social Services** each assume the proposal would not fiscally impact their respective agencies.

Prospective sales tax revenue

Oversight notes this proposal would authorize Greene County or any city in Greene County to impose a sales tax of up to one - fourth percent upon voter approval, to fund early childhood education.

According to information provided by the Department of Revenue (DOR) the current Greene County sales tax rate is 1.25%, and sales taxes collected by DOR and distributed to the county for FY 2012 totaled \$56,426,654. The current City of Springfield sales tax rate is 3.375% and sales tax revenue collected by DOR and distributed to the City of Springfield for FY 2012 totaled \$81,389,021.

ASSUMPTION (continued)

Oversight assumes a 1/4 % sales tax for hospital purposes could generate revenue as follows:

County ($(\$56,425,654 / .0125) = \$4,514,052,320 \times .0025$) = \$11,285,131.

City of Springfield ($(\$81,389,021 / .03375) = \$2,411,526,548 \times .0025$) = \$6,028,816.

Oversight also notes the proposal would allow any other city in Greene County to sponsor the early education sales tax program, and the amounts of sales tax revenue would depend on the taxable sales base of the sponsoring local government.

Oversight assumes that the county or city would have unknown election costs if the proposition authorized in this proposal was submitted to the voters. If the voters approved the proposition, the county or city would have additional revenue from the sales tax. The Department of Revenue would retain a 1% collection fee which would be deposited into the State's General Revenue Fund.

Finally, **Oversight** notes this proposal would only authorize the county to submit the issue to the voters. Since potential election costs would depend on action by the County Commission and changes in property or sales tax revenues would depend on voter approval, this proposal would not have any direct fiscal impact to the state or to local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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


FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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
Joint Committee on Administrative Rules
Office of Administration - Division of Budget and planning
Department of Elementary and Secondary Education
Department of Revenue
Department of Social services
Republic School District



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