

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2081-01  
Bill No.: SB 437  
Subject: Saint Louis County; Taxation and Revenue - Sales and Use  
Type: Original  
Date: March 17, 2015

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Bill Summary: This proposal would modify certain provisions relating to sales tax revenues in St. Louis County.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$240,794)	(\$25,970)	(\$25,970)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$240,794)</b>	<b>(\$25,970)</b>	<b>(\$25,970)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</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 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration-Division of Budget and Planning (BAP)** noted this proposal would alter how the Department of Revenue (DOR) distributes local sales taxes to municipal governments in St. Louis County. BAP officials deferred to DOR for any administrative costs for the change in distribution, and assume the proposal would have no direct impact on general and Total State Revenues.

Officials from the **Department of Revenue (DOR)** stated this proposal would modify the expiration dates and distribution percentages for group A cities, towns, and villages. After the deduction of the fund distribution to the group A entities, the Department distributes the remainder to specific group B cities, towns, or villages. Beginning January 1, 2016, the proposal would require distribution of eighty-three and one-third percent of the sales tax revenue according to the Section 66.620 RSMo formula, and the remaining sixteen and two-thirds percent placed in an interest-bearing account. The proposal would also require the Department to distribute the tax based on where the seller consummates the sale.

### Administrative Impact

DOR officials assume this proposal would require the Department include the current St. Louis County B cities in the formula distribution rather than relying solely on the distribution from the pool. DOR officials noted that St. Louis County currently takes care of the distribution, so unless they agree to continue to perform this action, the Department would need to perform the distribution for B cities.

The DOR response did not indicate any additional employees or other administrative cost to implement this proposal, and **Oversight** assumes the proposal could be implemented with existing resources.

ASSUMPTION (continued)

IT impact

DOR officials assume this proposal would require programming to make changes to DOR systems, estimated at a cost of \$175,284 for 2,337 hours of contract programming at the current state contract rate of \$75 per hour. In addition, DOR officials assume annual maintenance would be required to update the systems for this proposal, based on 346 hours at the state contract rate.

DOR officials assume changes would need to be made to the current design of the Integrated Revenue System including a Distribution Credit Reallocation program, a report on the reallocation, and minimal reference table configuration, at an estimated cost of \$65,510.

**Oversight** will include the DOR estimate of IT cost in this fiscal note as shown below.

	FY 2016	FY 2017	FY 2018
Changes to existing systems to implement this program	\$175,284	\$25,970	\$25,970
Changes to Integrated Revenue System	<u>\$65,510</u>	<u>\$0</u>	<u>\$0</u>
Totals	<u>\$240,794</u>	<u>\$25,970</u>	<u>\$25,970</u>

Officials from the **City of Frontenac** stated this proposal would cost the City an estimated \$868,900 annually in lost revenue.

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assume this proposal would have no fiscal impact on their organizations.

Not responding

Officials from **St. Louis County**, the **City of Clayton**, the **City of Florissant**, the **City of Ladue**, and the **City of Maryland Heights** did not respond to our request for information.

ASSUMPTION (continued)

Oversight assumptions

**Oversight** notes this proposal would change the distribution of the current St. Louis county-wide sales tax. Although individual cities may receive more or less revenue under the proposal than under existing provisions, the total for all cities and for the county would remain the same. The proposal also includes a provision which would increase the allowable city sales tax levy from one-fourth cent to one-half cent, but any fiscal impact from that provision would be the result of local government action with voter approval and will not be included in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>GENERAL REVENUE FUND</b>			
<u>Cost - DOR</u>			
IT cost	<u>(\$240,794)</u>	<u>(\$25,970)</u>	<u>(\$25,970)</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$240,794)</u></b>	<b><u>(\$25,970)</u></b>	<b><u>(\$25,970)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
<b>ST. LOUIS COUNTY POLITICAL SUBDIVISIONS</b>			
<u>Additional revenue</u> - Some political subdivisions within St. Louis County may receive additional sales tax proceeds	Unknown	Unknown	Unknown
<u>Revenue reduction</u> - Some political subdivisions within St. Louis County may less sales tax proceeds	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ST. LOUIS COUNTY POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

### 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 would modify the distribution of sales tax revenues in St. Louis County. Currently, the revenues from the 1% St. Louis County sales tax are distributed to unincorporated areas of the county as well as municipalities based on a formula. Group A cities retain the revenues generated within the city except for a portion which is shared with Group B cities. Group B cities, which include unincorporated areas of the county, pool their revenues and distributed them generally based on population. Distributions to Group A and Group B cities are subject to adjustment for annexations of unincorporated portions of the county. On sales of motor vehicles, 75% of the sales tax revenues are distributed in accordance with the above formula and the remaining 25% of revenues are distributed based on number of transactions occurring within the city or unincorporated area of the county.

This proposal would phase out the formula system over two years beginning January 1, 2016. Starting January 1, 2018, all revenues from the 1% sales tax would be pooled and distributed based solely on population.

Currently, municipalities in St. Louis County are authorized to impose an additional 1/4% sales tax, and those municipalities imposing the additional tax retain the revenues generated within the municipality, except for a portion which is distributed to Group B cities in a similar manner as the 1% county sales tax. Beginning January 1, 2016, this proposal would eliminate the distribution formula so that cities imposing the additional tax would retain all the revenues generated within the municipality. The proposal would also increase the rate of tax that may be imposed to 1/2%.

This proposal includes a nonseverability clause.

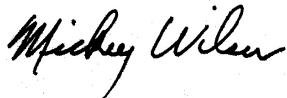
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration  
    Division of Budget and Planning  
Department of Revenue  
City of Frontenac

**Not responding:**

St. Louis County  
Clayton  
Florissant  
Ladue  
Maryland Heights



Mickey Wilson, CPA  
Director  
March 17, 2015

Ross Strobe  
Assistant Director  
March 17, 2015