

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4536-06  
Bill No.: CCS for HCS for SCS for SB 823  
Subject: Internet and E-mail; Taxation and Revenue - Sales and Use; Telecommunications;  
 Taxation and Revenue - General; Economic Development  
Type: Original  
Date: May 11, 2016

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Bill Summary: This proposal modifies provisions relating to taxation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	\$0	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<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 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>			

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</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 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>
<b>Local Government</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>	<b>\$0 to (Unknown)</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### §137.016 Bed and Breakfast Residential Property

Officials from the **Office of Administration-Division of Budget and Planning (B&P)** assume this section will reduce Total State Revenue by an unknown amount and will impact the calculation under Article X, section 18(e).

In response to a similar proposal (HB 2109) officials from the **Department of Natural Resources (DNR)** assumed the proposal would authorize a state and local sales tax exemption for a bed and breakfast inn in which the owner resides and does not exceed the limit of rooms requirement. DNR assumed the Department of Revenue and the Office of Administration-Division of Budget and Planning would provide a more detailed account of the fiscal impact.

**Oversight** assumes the proposal provides for a property tax reduction for certain owners of bed and breakfast establishments. **Oversight** notes that this proposal will not affect sales tax liability.

**Oversight** is providing an example of how the real estate taxes will be impacted by this proposal. Assuming the appraised value of a bed and breakfast which qualifies (owner resides and six or fewer rooms to rent) with an appraised value of \$500,000 would have an assessed value as commercial property (32% rate) of \$160,000 and using the average Missouri tax levy of \$5.11 would yield real estate property taxes of \$8,176. The same property reclassified as residential property (19% rate) would have an assessed value of \$95,000 and using the average Missouri tax levy of \$5.11 would yield real estate property taxes of \$4,855 (a reduction of \$3,321).

**Oversight** notes the reclassification from commercial real estate to residential real estate will reduce real estate taxes on these parcels by 40.625%.

The number of real estate parcels that qualify is unknown. The number of political subdivisions is unknown. The number of political subdivisions that currently operate under their authorized levy ceiling is unknown.

**Oversight** will show \$0 to (Unknown) as the amount of impact to property tax collections.

ASSUMPTION (continued)

**Oversight** will assume the impact to the State's Blind Pension Trust Fund (\$0.03 levy) would be immaterial (\$19.50 in example shown above), and will not be reflected in the fiscal note.

In response to a similar proposal, officials from the **Department of Revenue (DOR)**, the **Joint Committee on Administrative Rules** and the **State Tax Commission** each assumed no fiscal impact from the proposal.

§144.026 -Taxpayer Notice

**DOR** officials assume no fiscal impact.

§144.030 -Internet and Email Access

In response to a prior version, officials at the **Department of Conservation, Department of Revenue, City of Columbia, City of Kansas City, Callaway County, Cass County, St. Louis County, Jackson County Election Board, Platte County Election Board, St. Louis County Election Board** each assumed no fiscal impact from the proposal.

Officials from the **Office of Administration - Budget and Planning (B&P)** assumed no fiscal impact. B&P noted this proposal would exempt internet and e-mail access from state and local sales and use tax, and further stated these are currently exempt from sales and use tax under federal law. Further, this proposal has no impact on Total State Revenue and is not subject to Article X, 18(e) calculations.

In response to a prior version, officials from the **Department of Natural Resources (DNR)** deferred to DOR and B&P for an account of the fiscal impact.

In response to a prior version, officials at the **City of Independence** assumed a material negative fiscal impact based upon their reading of the language in the proposal.

In response to a previous version, officials from the cities of **Gladstone, Grandview, Lee's Summit** and **Liberty** assumed a material negative fiscal impact based upon their reading of the language in the proposal.

**Oversight** will use the impact statements of DOR, B&P, MDC and DNR as well as the statement from the city of Kansas City, the St. Louis County of Director of Elections, Callaway County, Platte County and the Jackson County Election Board as the basis for this fiscal note.

**Oversight** has inquired with the U.S. Department of Commerce to confirm the federal law exemption but has not yet received a response to the inquiry.

ASSUMPTION (continued)

§144.087 -Retail Sales Tax

In response to a similar proposal (HB 2631), officials from the **Office of Administration-Division of Budget and Planning (OA-B&P)** noted that under current law, retail sales tax applicants must present a bond not more than three times their average monthly liability. This proposal diminishes that amount to no more than twice their average monthly liability. Additionally, the proposal reduces the bond release date from two years to one year.

**OA-B&P** assumed this proposal could decrease Total State Revenue by an unknown amount, which likely would be minimal.

In response to a similar proposal (HB 2631) officials from the **Department of Revenue**, the **Joint Committee on Administrative Rules** and the **Office of the Secretary of State** assumed no fiscal impact.

**Oversight** assumes a “minimal” reduction in General Revenue funds and will not show an amount in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>LOCAL GOVERNMENTS</b>			
<u>Revenue Reduction - B&amp;B Property Tax</u> Revenue §137.016	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS</b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>	<b><u>\$0 to</u></b> <b><u>(Unknown)</u></b>

FISCAL IMPACT - Small Business

Small businesses engaged in the bed and breakfast business would be impacted by this proposal.

Small businesses which are required to acquire a sales tax bond would be expected to benefit as a result of this proposal.

FISCAL DESCRIPTION

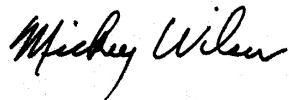
The proposed legislation changes the classification of a bed and breakfast inn in which the owner resides and has six or less rooms for rent from commercial property to residential property for taxation purposes.

The proposed legislation reduces the amount of a sales tax bond required from three times the average monthly sales tax liability to two times the average monthly sales tax liability.

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

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration -  
    Budget and Planning  
Department of Conservation  
Department of Natural Resources  
City of Kansas City  
Cass County  
Callaway County  
St. Louis County  
Platte County Election Board  
Jackson County Election Board  
St. Louis County Election Board  
City of Columbia  
City of Gladstone  
City of Grandview  
City of Independence  
City of Lee's Summit  
City of Liberty



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