

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4741-12
Bill No.: Perfected SS for SCS for SB 788
Subject: St. Louis County; Taxation and Revenue - Sales and Use
Type: Original
Date: May 3, 2016

Bill Summary: This proposal requires the municipalities in St. Louis County sales tax pool receive at least 50% of the revenue generated inside a given municipality, and provides for a voter approved law enforcement sales tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$65,510) or (\$128,844)	\$0 or \$160,000	\$0 or \$160,000
Total Estimated Net Effect on General Revenue	(\$65,510) or (\$128,844)	\$0 or \$160,000	\$0 or \$160,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government*	\$0 or \$3,960,000	\$0 or \$15,840,000	\$0 or \$15,840,000

* No net fiscal impact to local governments in St. Louis County.

FISCAL ANALYSIS

ASSUMPTION

§66.620 Distribution of Local Sales Tax

In response to a prior version of the proposal, officials at the **Office of Administration's Division of Budget and Planning (B&P)** assume this alters how the Department of Revenue distributes local sales taxes to municipal governments in St. Louis County. This proposal would not fiscally impact General and Total State Revenue. B&P defers to Department of Revenue for any programming or administrative costs.

Officials at the **Department of Revenue (DOR)** assume that beginning January 1, 2017, if revenue is less than that collected in 2014, the DOR distributes to all Group A and B cities, towns, and villages a portion of taxes based on the formula in Subsection 66.620.4. Beginning January 1, 2017, if sales tax revenues are equal to or greater than that of 2014, the Department distributes to Group A cities, towns, and villages, based on the location where the sales are consummated under Section 66.630 and Subsection 32.087.12 based on the formula in Subsection 66.620.5. Once the Department distributes funds to Group A entities, it must distribute funds to Group B entities following guidelines in Subsection 66.620.5.

DOR's Sales Tax Division will require change in the distribution to Group B cities in St. Louis County to ensure each city receives no less than 50 percent of the tax generated within that city, rather than relying solely on the distribution from the pool. Currently, St. Louis County takes care of the distribution, so unless they agree to continue to perform this action, the Department will need to completely establish the distribution for Group B cities.

DOR's Integrated Tax System would need changes resulting in a cost of \$65,510.

In response to a prior proposal, officials at the **St. Louis County** assume this would cost the county \$200,000. The cost would be due to computer reprogramming. Additionally, this would result in a loss of \$1.5 million annually due to the redistribution of the tax.

Oversight assumes this proposal would have no **net** effect on local governments although individual cities may receive more or less revenue than is the case under current provisions.

ASSUMPTION (continued)

Oversight assumes this proposal requires the DOR to distribute sales tax collections, therefore the cost cited by St. Louis County has not been included in this fiscal note, and the computer programming cost cited by the DOR is included in this fiscal note.

In response to a prior version of the proposal, officials at the **Joint Committee on Administrative Rules** and the **Office of the Secretary of State** each assumed there is no fiscal impact from this proposal to their respective agency.

§94.860 Retail Sales Tax

In response to a similar proposal, SB 834, officials at the **Office of Administration's Division of Budget and Planning (B&P)** assumed the proposal allows St. Louis County, upon voter approval, to implement a retail sales tax in unincorporated St. Louis County for the purpose of providing law enforcement services. The proposal will increase Total State Revenues by an unknown amount equal to Department of Revenue's fee for collection. B&P defers to DOR for any change in programming or administrative costs for the change in distribution

In response to a similar proposal, SB 834, officials at the **Department of Revenue (DOR)** assumed §94.860 allows the imposition of a new local tax in St. Louis County of up to one-half of one percent (0.5%) to provide law enforcement services in the county. DOR assumes the Sales Tax Division will have approximately 25,000 rate change letters to send to businesses and taxpayers at a cost of \$13,875 and Integrated Tax System updates to reflect the new sales tax at a cost of \$103,334. Oversight assumes DOR could provide the information to taxpayers and businesses through regularly scheduled DOR communications including the department website and will not include those costs in this fiscal note.

In response to a similar proposal, SB 834, officials at the **St. Louis County** assumed that if this proposal is approved by voters, it would generate \$16 million annually.

Additionally, if voted on during the August or November election there would be no additional cost to the county. However, if placed on the April ballot then the cost would be \$176,300 and if a special election is called then the cost would be \$268,750.

Oversight assumes the vote would occur during an August or November election date and there would be no additional cost to the county for the election.

In response to a similar proposal, officials at the **Joint Committee on Administrative Rules** and **Office of the Secretary of State** each assumed there is no fiscal impact from this proposal to their respective agency.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Revenue-DOR</u>			
Collection Fee §94.860	\$0 or \$40,000	\$0 or \$160,000	\$0 or \$160,000
<u>Cost - DOR</u>			
Computer programming §66.620	(\$65,510)	\$0	\$0
Computer programming §94.860	\$0 or (\$103,334)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$65,510) or (\$128,844)</u>	<u>\$0 or \$160,000</u>	<u>\$0 or \$160,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
ST. LOUIS COUNTY AND ST. LOUIS COUNTY POLITICAL SUBDIVISIONS			
<u>Additional Revenue</u> - §66.620, some cities in St. Louis County may receive additional sales tax revenue	Unknown	Unknown	Unknown
<u>Revenue Reduction</u> - §66.620 some cities in St. Louis County may receive less sales tax revenue	(Unknown)	(Unknown)	(Unknown)
<u>Revenue Reduction</u> - §66.620 St. Louis County may receive less sales tax revenue	(Unknown)	(Unknown)	(Unknown)
<u>Additional Revenue</u> -§94.860 St. Louis County Law Enforcement sales tax (0.5%)	\$0 or \$4,000,000	\$0 or \$16,000,000	\$0 or \$16,000,000
<u>Cost-DOR</u> - §94.860 Collection fee of 1%	\$0 or (\$40,000)	<u>\$0 or</u> (\$160,000)	<u>\$0 or</u> (\$160,000)
ST. LOUIS COUNTY AND ST. LOUIS COUNTY POLITICAL SUBDIVISIONS	<u>\$0 or</u> <u>\$3,960,000</u>	<u>\$0 or</u> <u>\$15,840,000</u>	<u>\$0 or</u> <u>\$15,840,000</u>

FISCAL IMPACT - Small Business

This proposal may require businesses within St. Louis to collect and pay increased sales taxes for purpose of law enforcement services.

FISCAL DESCRIPTION

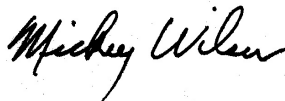
Currently, the revenues from a 1% sales tax in St. Louis County are distributed to unincorporated areas of the county as well as municipalities based on a formula. What are commonly called "Group B" entities pool their revenue from the tax. After a diversion to account for incorporation of previously unincorporated areas, revenues are generally split amongst the municipalities and unincorporated areas of the county in Group B by population, regardless of where the tax was collected. This act requires that beginning January 1, 2017, municipalities and the unincorporated areas of the county in Group B receive at least 50% of the tax revenue generated in such municipality or unincorporated area of the county. However, such new formula shall not apply in any year where the total amount of sales taxes collected in the county is less than the amount collected in calendar year 2014.

This act allows St. Louis County, upon approval by the county's voters, to impose a sales tax of up to one-half of one percent on all retail sales in unincorporated areas of the county for the purpose of providing law enforcement services to the county. The sales tax must be deposited into the "County Law Enforcement Sales Tax Trust Fund". One percent of the money collected must be deposited in the state's General Revenue for the cost of collection. This act provides procedures in the case of overpayment and abolishment of the tax

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
Joint Committee on Administrative Rules
Office of Administration
Division of Budget and Planning
Office of the Secretary of State
St. Louis County



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May 3, 2016
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