

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4757-03  
Bill No.: SCS for HCS for HB 1561  
Subject: Saint Louis County; Saint Louis City; Taxation and Revenue - Sales and Use  
Type: Original  
Date: May 5, 2016

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Bill Summary: This proposal changes the laws regarding the distribution of sales taxes among certain areas of St. Louis County.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$65,510)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$65,510)</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 6 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>\$0</b>	<b>\$0</b>	<b>\$0</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</b>	<b>\$0</b>	<b>\$0</b>

\* Sales tax distributions in St. Louis County would differ, but net to zero

## FISCAL ANALYSIS

### ASSUMPTION

#### §66.620 St. Louis County Sales Tax Pool

In response to a prior proposal officials from the **Department of Revenue (DOR)** stated that under Section 66.620 of this proposal, beginning January 1, 2017, the DOR must distribute to all group A cities, towns and villages in St. Louis County, a portion of sales taxes 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 DOR distributes funds to group A entities, it must distribute funds to group B entities following the guidelines in Subsection 66.620.5

**DOR** officials noted the Department would be required to ensure each city receives no less than 40 percent of tax generated within that city, rather than relying solely on the distribution from the pool.

#### Administrative Impact

**DOR** officials noted that St. Louis County currently takes care of the distribution, so unless they agree to continue this action, the DOR will need to establish the distribution for group B cities.

#### IT Impact

**DOR** officials provided an estimate of the IT cost to implement this proposal including \$65,510 for changes to the current design of the Integrated Revenue System including a Distribution Credit Reallocation program, a report on the reallocation, and minimal reference table.

**Oversight** will include the DOR cost estimate of \$65,510 in the fiscal note.

In response to a prior proposal, officials from the **Office of Administration - Division of Budget and Planning (B&P)** noted this proposal alters how the DOR distributes local sales taxes to municipal governments in St. Louis County.

In response to the prior proposal, officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assumed this proposal would not have a fiscal impact on their respective organizations.

In response to the prior proposal, officials from **St. Louis County** noted this proposal would cost the County \$200,000 due to the programming of sales tax software to account for the new calculation. In addition, officials noted the redistribution in revenues per year due to the change in the distribution calculation would result in a loss of more than \$1.5 million per year and would continue annually.

ASSUMPTION (continued)

**Oversight** assumes that the proposal requires the director of revenue distribute the sales taxes to the cities, towns, villages and the county and will not include cost noted by St. Louis County for programming of sales tax software to account for the new calculation.

The \$1.5 million loss per year noted above is addressed in the fiscal note under local government.

**Oversight** assumes the section of this proposal that deals with the distribution of existing sales tax revenues (§66.620) would have no net effect on local governments, although St. Louis County and individual cities may receive more or less revenue than is the case under current provisions.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (3 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE FUND</b>			
<u>Cost-DOR</u>			
Sales tax redistribution - Computer programming	<u>(\$65,510)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$65,510)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (3 Mo.)	FY 2018	FY 2019
<b>ST. LOUIS COUNTY AND ST. LOUIS COUNTY POLITICAL SUBDIVISIONS</b>			
<u>Additional revenue</u>			
St. Louis County and some political subdivisions within St. Louis County may receive additional sales tax revenues (§66.620)	Unknown	Unknown	Unknown
<u>Revenue reduction</u>			
St. Louis County and some political subdivisions within St. Louis County may receive less sales tax revenues (§66.620)	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ST. LOUIS COUNTY AND 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

This proposed legislation appears to have no direct fiscal impact.

FISCAL DESCRIPTION

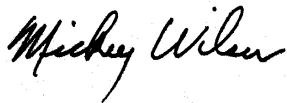
Currently, under Section 66.620, RSMo, cities in St. Louis County are divided into two groups, Group A and Group B, for the purpose of distributing the county sales tax imposed under Sections 66.600 to 66.630 and the special municipal sales tax imposed by cities in St. Louis County under Section 94.850. Beginning January 1, 2017, this bill changes the distribution formula within the municipalities based on location where the sales were deemed consummated.

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

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SOURCES OF INFORMATION

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



Mickey Wilson, CPA  
Director  
May 5, 2016

Ross Strobe  
Assistant Director  
May 5, 2016