

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4757-05
Bill No.: SS for SCS for HCS for HB 1561 with SA1
Subject: Saint Louis County; Saint Louis City; Taxation and Revenue - Sales and Use
Type: Original
Date: May 12, 2016

Bill Summary: This proposal requires that municipalities in the St. Louis County sales tax pool receive at least 50% of the revenue generated inside a given municipality.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$70,705)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$70,705)	\$0	\$0

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 6 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	\$0	\$0

* 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 50 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.

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** note this proposal alters how the DOR distributes local sales taxes to municipal governments in St. Louis County. B&P defers to the DOR for any change in programming or administrative cost for the change in distribution. B&P assume this proposal will have no direct impact on general and total state revenue.

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.

ASSUMPTION (continued)

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.

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.

Senate Amendment 1 - Library sales tax in Cedar County:

In response to a similar proposal (HB 2271), officials from the **Office of Administration - Division of Budget and Planning** assumed the proposal allows the voters in Cedar County to impose a sales tax up to 0.5% for library funding purposes. According to information published by Department of Revenue, taxable sales in Cedar County totaled \$92.3 million in fiscal year 2015. Therefore, this sales tax might generate \$462,000 annually.

Oversight assumes an effective date of April 1, 2017 for the effective date of the tax, assuming voter approval on a November 2016 election date.

Oversight will use a range of \$0 (rejected by voters) or up to \$462,000 (voters could decide to adopt a 0.25% or 0.5% local sales tax).

In response to a similar proposal (SB 984), officials from the **Department of Revenue (DOR)** assumed programming costs of \$5,195 and revenue due to the 1% collection fee. DOR estimates revenue of \$1,155, \$4,620 and \$4,620 for FYs 2017, 2018 and 2019 respectively. Due to the immaterial amounts, the fiscal note will not include the DOR amounts for revenue. Oversight will add DOR's estimated cost for programming for those already assumed for the St. Louis County Pool tax ($\$5,195 + \$65,510 = \$70,705$).

<u>FISCAL IMPACT - State Government</u>	FY 2017 (3 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Cost-DOR</u>			
Sales tax redistribution - Computer programming	<u>(\$70,705)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$70,705)</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (3 Mo.)	FY 2018	FY 2019
ST. LOUIS COUNTY AND ST. LOUIS COUNTY POLITICAL SUBDIVISIONS			
<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>
ST. LOUIS COUNTY AND ST. LOUIS COUNTY POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposed legislation appears to have no direct fiscal impact.

FISCAL DESCRIPTION

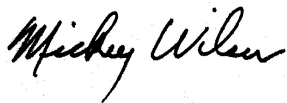
Currently, under Section 66.620, RSMo, cities in St. Louis County are divided into two groups, Group A and Group B, for the purpose of distributing the county sales tax imposed under Sections 66.600 to 66.630 and the special municipal sales tax imposed by cities in St. Louis County under Section 94.850.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

The proposed legislation authorizes Cedar County to impose a local sales tax, if approved by voters, for the purpose of funding a public library.

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
Office of the Secretary of State
Joint Committee on Administrative Rules
St. Louis County



Mickey Wilson, CPA
Director
May 12, 2016

Ross Strobe
Assistant Director
May 12, 2016