

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4757-05
Bill No.: Truly Agreed To and Finally Passed SS for SCS for HCS for HB 1561
Subject: Saint Louis County; Taxation and Revenue - Sales and Use
Type: Original
Date: May 31, 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 and allows Cedar City to enact a library sales tax.

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 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 Up to \$115,500 | \$0 or Up to \$462,000 | \$0 or Up to \$462,000 |

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

FISCAL ANALYSIS

ASSUMPTION

§66.620 St. Louis County Sales Tax Pool

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.

Officials from **St. Louis County** noted this proposal would cost the County \$300,000 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 an unknown amount 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

ASSUMPTION (continued)

programming of sales tax software to account for the new calculation

The unknown 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.

§182.802 Library sales tax in Cedar County

IT Impact

Officials from the **DOR** assume programming costs of \$5,195. Oversight will add DOR's estimated cost for programming for those already assumed for the St. Louis County Pool tax ($\$5,195 + \$65,510 = \$70,705$).

Officials from **B&P** assume 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 and revenue to the DOR of \$4,620 due to the 1% collection fee. Due to the immaterial amount, the fiscal note will not include the 1% collection fee.

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).

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact on their respective organizations.

| <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 §66.620 | (\$65,510) | \$0 | \$0 |
| Cedar County sales tax-Computer programming §182.802 | <u>(\$5,195)</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> |
| NET EFFECT TO ST. LOUIS COUNTY AND ST. LOUIS COUNTY POLITICAL SUBDIVISIONS | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2017 (3 Mo.) | FY 2018 | FY 2019 |
|--|--|--|--|
| CEDAR COUNTY | | | |
| <u>Revenue</u> - Cedar County sales tax for library §182.802 | \$0 or Up to <u>\$115,500</u> | \$0 or Up to <u>\$462,000</u> | \$0 or Up to <u>\$462,000</u> |
| ESTIMATED NET EFFECT TO CEDAR COUNTY | \$0 or Up to <u>\$115,500</u> | \$0 or Up to <u>\$462,000</u> | \$0 or Up to <u>\$462,000</u> |

FISCAL IMPACT - Small Business

This proposed legislation appears to have no direct fiscal impact to small businesses..

FISCAL DESCRIPTION

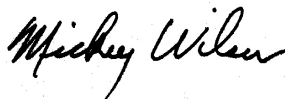
Currently, under Section 66.620, RSMo, cities in St. Louis County are divided into two groups, Group A and Group B, for the purpose of distributing the county sales tax imposed under Sections 66.600 to 66.630 and the special municipal sales tax imposed by cities in St. Louis County under Section 94.850. 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

Ross Strope
 Assistant Director

L.R. No. 4757-05
Bill No. Truly Agreed To and Finally Passed SS for SCS for HCS for HB 1561
Page 7 of 7
May 31, 2016

May 31, 2016

May 31, 2016