

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4904-02
Bill No.: HCS for SB 738
Subject: Taxation and Revenue - General, Revenue Department, Health Care
Type: Original
Date: May 6, 2016

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-------------------------------------|-------------------------|-------------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| General Revenue | (\$25,510) or (\$65,510) | \$0 or \$160,000 | \$0 or \$160,000 |
| Total Estimated Net Effect on General Revenue | (\$25,510) or (\$65,510) | \$0 or \$160,000 | \$0 or \$160,000 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|---------------------------|---------------------------|
| FUND AFFECTED | FY 2017 | FY 2018 | FY 2019 |
| Organ Donor Program Fund | \$0 | Less than \$25,000 | Less than \$25,000 |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | Less than \$25,000 | Less than \$25,000 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 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 | Up to \$3,960,000 | Up to \$15,840,000 | Up to \$15,840,000 |

FISCAL ANALYSIS

ASSUMPTION

§66.620 and §94.860 St. Louis County Sales Tax Pool

In response to similar legislation filed this year, HB 1561, 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.

In response to similar legislation filed this year, HB 1561, 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 similar legislation filed this year, HB 1561, 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 similar legislation filed this year, HB 1561, 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.

§94.860 St. Louis County Retail Sales Tax for Law Enforcement

In response to a similar proposal, SB 834, officials at the **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 **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.

ASSUMPTION (continued)

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

§100.710 MO Development Finance Board

Oversight notes this portion of the proposal expands the definition of eligible industry in the BUILD tax credit program. This expansion would allow a corporation with a net zero energy building to be qualified for the tax credit. The Missouri Development Finance Board is limited to issuing no more than \$25 million annually in tax credits under the BUILD program. Since this proposal does not expand the cap, this expansion of the definition would not have a fiscal impact.

§143.1016 Organ Donor Checkoff

In response to the previous version, officials from the **Department of Revenue**, the **Office of the State Treasurer** and the **Office of Administration - Division of Budget and Planning** assumed this proposal would have no fiscal impact on their organizations.

In response to the previous version, officials from **Department of Health and Senior Services (DHSS)** assumed the proposed legislation allows the Organ Donor Program Fund to continue to collect revenue designated through the income tax refund process and that the Organ Donor Program Fund provides the appropriation to operate the Organ Donor Program. DHSS assumes that without this proposal, the Organ Donor Program would be compromised by a reduction in the amount collected to the Organ Donor Program Fund which would result in program reducing educational efforts within the state.

Oversight notes the following schedule shows actual Organ Donor Program Fund receipts from the income tax check off since its inception:

| | |
|---------|----------|
| FY 2012 | \$ 8,775 |
| FY 2013 | \$11,505 |
| FY 2014 | \$11,737 |
| FY 2015 | \$23,425 |

ASSUMPTION (continued)

Since the current law is not set to expire until December 31, 2017, **Oversight** will show a \$0 fiscal impact for FY 2017, and less than \$25,000 for FY 2018 and FY 2019.

§1 Residential Rental Property

Oversight assumes this would prohibit entities from changing their definition of residential rental property. Oversight assumes this would not have a fiscal impact.

| <u>FISCAL IMPACT - State Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
|--|--|------------------------------------|------------------------------------|
| GENERAL REVENUE | | | |
| <u>Income-DOR - §94.860</u> | | | |
| Collection fee of 1% | \$0 or \$40,000 | \$0 or \$160,000 | \$0 or \$160,000 |
| <u>Cost - DOR - Sales tax redistribution</u> | | | |
| Computer programming §66.620 | (<u>\$65,510</u>) | <u>\$0</u> | <u>\$0</u> |
| ESTIMATED NET EFFECT ON GENERAL REVENUE | <u>(\$25,510) or (\$65,510)</u> | <u>\$0 or \$160,000</u> | <u>\$0 or \$160,000</u> |

ORGAN DONOR PROGRAM FUND

| | | | |
|--|-----------------------|--|--|
| <u>Revenue - donations to the Organ Donor Program check-off - sunset removal §143.1016</u> | <u>\$0</u> | Less than <u>\$25,000</u> | Less than <u>\$25,000</u> |
| ESTIMATED NET EFFECT ON ORGAN DONOR PROGRAM FUND | <u>\$0</u> | Less than <u>\$25,000</u> | Less than <u>\$25,000</u> |

Small businesses could be affected by provisions of this proposal which govern definitions of residential real property and eliminate the possibility of dual requirements for occupancy permits and business rental licenses..

| <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> - St. Louis County and some political subdivisions within St. Louis County may receive additional sales tax revenues (\$66.620) | Unknown | Unknown | Unknown |
| Revenue Reduction - St. Louis County and some political subdivisions within St. Louis County may receive less sales tax revenues (\$66.620) | (Unknown) | (Unknown) | (Unknown) |
| <u>Revenue</u> - St. Louis County - Law Enforcement Sales Tax §94.860 | \$0 or up to \$4,000,000 | \$0 or up to \$16,000,000 | \$0 or up to \$16,000,000 |
| <u>Cost</u> -DOR collection fee 1% | <u>\$0 or (\$40,000)</u> | <u>\$0 or (\$160,000)</u> | <u>\$0 or (\$160,000)</u> |
| ESTIMATED NET EFFECT ON ST. LOUIS COUNTY AND ST. LOUIS POLITICAL SUBDIVISIONS | <u>Up to \$3,960,000</u> | <u>Up to \$15,984,000</u> | <u>Up to \$15,984,000</u> |

FISCAL IMPACT - Small Business

Small businesses could be affected by provisions of this proposal which include a local sales tax and which govern definitions of residential real property and eliminate the possibility of dual requirements for occupancy permits and business rental licenses..

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

FISCAL DESCRIPTION (continued)

formula within the municipalities based on location where the sales were deemed consummated.
(\$66.620)

This proposal provides for a local voter approved sales tax for lawn enforcement in St. Louis County (\$94.860).

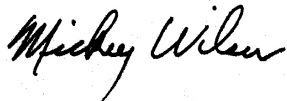
This proposal expands the definition of eligible industry under the BUILD tax credit program.
(\$100.710)

The proposed legislation removes the expiration of the tax check off for the organ donor program fund. (\$143.1016)

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 the State Treasurer
Office of Administration
 Division of Budget and Planning
Department of Health and Senior Services
Joint Committee on Administrative Rules
Office of the Secretary of State
St. Louis County



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Director
May 6, 2016

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May 6, 2016