

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6684-03
Bill No.: SCS for SB 1117
Subject: Counties; Cities, Towns, and Villages; Political Subdivisions; Property - Real and Personal
Type: Original
Date: April 18, 2016

Bill Summary: This proposal modifies provisions relating to residential dwelling rentals.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$81,270 to \$256,270)	(\$82,906 to \$257,906)	(\$83,568 to \$258,568)
Total Estimated Net Effect on General Revenue	(\$81,270 to \$256,270)	(\$82,906 to \$257,906)	(\$83,568 to \$258,568)

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
General Revenue	2 FTE	2 FTE	2 FTE
Total Estimated Net Effect on FTE	2 FTE	2 FTE	2 FTE

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	(Unknown)	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Health and Senior Services (DHSS)** currently assume the DHSS collects approximately \$175,000 each year to the credit of General Revenue for lodging establishment licensing fees. Under the proposed legislation, the lodging establishment definition is changed to exempt residential dwelling rentals. The definition of a residential dwelling rental in the proposed legislation is such that it overlaps establishments that are currently inspected and licensed as a lodging establishment. Therefore, DHSS estimates a decrease in the amount of general revenue collected for lodging licensing fees to range from \$0 to \$175,000 per year.

Officials at the **Department of Revenue (DOR)** assume Section 67.5110 prohibits a political subdivision from enforcing an ordinance restricting residential dwelling rentals. It does allow the political subdivision to enact an ordinance imposing specific restrictions under certain conditions. The provisions of subsection 4 provide for the imposition of a room tax on residential dwellings, annual license fees, inspections fees, etc. The legislation requires transient guests to pay all applicable taxes on occupying a residential dwelling. A facilitation platform collects and remits the applicable taxes on the occupancy of a residential dwelling rental by the transient guest. Section 315.005 excludes residential dwelling rentals from the definition of "lodging establishment."

The DOR's Collections & Tax Assistance will see additional registrations contacts, registration application and registration updates. Collections & Tax Assistance may see additional customer contacts resulting from non-filed returns or underpaid returns. This section requires one (1) Revenue Processing Technician I (Range 10, Step L) per 13,200 additional contacts annually to the registration section and one (1) Tax Collection Technician (Range 10, Step L) for every additional 15,000 contacts annually on the delinquent tax line. Each technician requires CARES equipment and license. The Department may also require additional registrations for sales and use tax and filing of reports in DOR's Business Tax Processing unit.

Oversight has, for fiscal note purposes only, changed the starting salary for a Revenue Processing Technician and a Tax Collection Technician to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research.

ASSUMPTION (continued)

In response to a previous version, officials at the **City of Liberty** assumed this proposal would no longer allow rentals to be inspected and could become dilapidated since cities would no longer have authority to require certain building standards and repairs. Therefore, property values could go down which would result in a loss in property taxes. Cities could also face costs with dilapidated properties.

Officials at the **Department of Public Safety's Missouri Highway Patrol** and **Division of Fire Safety**, the **Missouri Department of Transportation** and the **Joint Committee on Administrative Rules** each assume no fiscal impact to their respective agencies from this proposal.

Officials at the **Department of Natural Resources** assume no fiscal impact from this proposal. The department assumed their Division of State Parks does not meet the definition "political subdivision" in section 67.5110.1(1).

Officials at **St. Louis County**, the **City of Kansas City**, the **Callaway County Commission**, the **City of Independence Health Department** and the **Columbia/Boone County Department of Public Health and Human Services** each assume no fiscal impact to their respective entities from this proposal.

In response to a previous version, officials at the **City of Columbia** and the **City of O'Fallon** each assumed no fiscal impact to their respective entities from this proposal.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE			
<u>Loss - DHSS - of revenue from licensing fees</u>	(\$0 to \$175,000)	(\$0 to \$175,000)	(\$0 to \$175,000)
<u>Cost - DOR</u>			
Personal Service	(\$39,180)	(\$47,486)	(\$47,961)
Fringe Benefits	(\$27,524)	(\$33,157)	(\$33,287)
Equipment and Expense	<u>(\$14,566)</u>	<u>(\$2,263)</u>	<u>(\$2,320)</u>
<u>Total Cost - DOR</u>	<u>(\$81,270)</u>	<u>(\$82,906)</u>	<u>(\$83,568)</u>
FTE Change DOR	2 FTE	2 FTE	2 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$81,270 to \$256,270)</u>	<u>(\$82,906 to \$257,906)</u>	<u>(\$83,568 to \$258,568)</u>
Estimated Net FTE Change for General Revenue	2 FTE	2 FTE	2 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
LOCAL POLITICAL SUBDIVISIONS			
<u>Loss - Local Political Subdivisions - on property taxes due to decrease in property values</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>FISCAL IMPACT - Small Business</u>			

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act prohibits political subdivisions from enforcing or enacting ordinances that prohibit or unreasonably restrict residential dwelling rentals, or regulate such rentals based solely on their use as a residential dwelling rental. Ordinances in effect prior to August 28, 2016, may be enforced. Definitions for "residential dwelling" and "residential dwelling rental" are provided under the act. This act specifies certain areas regarding residential dwelling rentals that may be regulated.

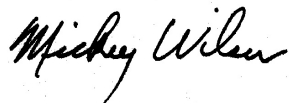
Guests of residential dwelling rentals must pay all applicable taxes imposed by the state or a local taxing entity. A facilitation platform, which is defined by the act, must collect and remit any taxes a transient guest is required to pay. Intermediaries that facilitate rentals of residential dwellings that do not meet the definition of a facilitation platform must retain records of rentals and notify transient guests that they are obligated to pay certain taxes.

Under this act, residential dwelling rentals are excluded from the definition of "lodging establishment" for purposes of certain laws regulating hotels, motels, and other similar lodging establishments.

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
City of Liberty
Department of Health and Senior Services
Department of Public Safety
 Missouri Highway Patrol
 Division of Fire Safety
Department of Natural Resources
Missouri Department of Transportation
Joint Committee on Administrative Rules
Callaway County Commission
Columbia/Boone County Department of Public Health and Human Services
St. Louis County
City of Kansas City
City of Columbia
City of O'Fallon
City of Independence Health Department



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