

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0140-02
Bill No.: SB 80
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: February 20, 2017

Bill Summary: This proposal would exempt private country clubs, golf courses, and golf clubs not open to the public from sales and use taxes on charges for initiation fees or dues.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
Total Estimated Net Effect on General Revenue	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
School District Trust	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)
Conservation Commission	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Parks, and Soil and Water	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>Other</u> State Funds	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	(Could exceed \$100,000)	(Could exceed \$100,000)	(Could exceed \$100,000)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** provided the following response.

This proposal would exempt membership fees for private country clubs, golf courses, and golf clubs from sales tax.

Based on information from the Census Bureau, there were 140 country clubs, golf courses, and golf clubs in Missouri, subject to federal income tax, with annual membership fee collections of \$54.5 million in 2007. Using information from GolfLink, BAP officials were able to determine that 79 clubs are private only. Therefore, BAP officials estimated that approximately 56.4% of all country clubs, golf courses, and golf clubs in Missouri are for members only. Assuming all clubs and courses charge on average the same membership fees, the 79 private clubs would have accounted for \$30.8 million of membership fees in 2007. Adjusting for inflation from 2007 through 2015, BAP officials estimate this would amount to \$35.2 million in 2015 dollars.

Accordingly, BAP officials assume this proposal would reduce Total State Revenues (TSR) by \$1.2 million and General Revenue (GR) by \$0.9 million in FY 2018. Once fully implemented in FY 2019, this proposal would reduce TSR by \$1.5 million and GR by \$1.1 million annually.

Officials from the **Missouri Department of Conservation (MDC)** assume this proposal would have an unknown negative fiscal impact on their organization, but potentially greater than \$100,000. MDC officials stated the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to the Missouri Constitution, and assume the Department of Revenue would be better able to estimate the anticipated fiscal impact from this proposal.

Officials from the **Department of Natural Resources (DNR)** stated that sales and use tax exemptions as provided in this proposal reduce the amount of funding available in the Parks and Soils Sales Tax Funds. DNR officials noted the Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to the Missouri Constitution.

Officials from the Department of Revenue assume this proposal would not have a fiscal impact on their organization but would reduce state revenues.

ASSUMPTION (continued)

Oversight assumes the BAP estimate of potentially taxable sales is the best available and notes this proposal would have the following calculated impact based on \$35.2 million taxable sales.

Entity	Rate	FY 2018 (Ten months)	FY 2019 and FY 2020
General Revenue Fund	3.000%	\$880,000	\$1,050,000
School District Trust Fund	1.000%	\$293,000	\$352,000
Conservation Commission Fund	0.125%	\$37,000	\$44,000
Parks, and Soul and Water Fund	0.100%	\$29,000	\$35,000
Local Governments	3.55% *	\$1,041,000	\$1,250,000

*average local sales tax rated estimated by Oversight based on reported collections.

Officials from the **City of Columbia** assume their organization would have a minimal impact from this proposal.

Officials from the **City of Kansas City** and **Wentzville School District** assume this proposal would reduce revenues to their organization by an unknown amount.

Officials from the **Everton School District** assume this proposal would reduce revenues to their organization by \$20,00 annually.

Officials from the **Kirkville R-III School District** assume this proposal would have a limited negative impact on Missouri public schools.

Officials from the **University of Missouri - Economic and Policy Analysis Research Center** stated they were not able to provide an estimate of fiscal impact for this proposal.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State**, the **Joint Committee on Administrative Rules, Callaway County**, the **Kansas City School District**, the **Pettis County R-XII School District**, the **West Plains School District**, and the **Jackson County Election Board** assume this proposal would have no fiscal impact on their organizations.

Officials from the **Warren County R-III School District** stated they could not determine the fiscal impact for this proposal.

Officials from the following counties: Andrew, Atchison, Audrain, Barry, Benton, Bollinger, Boone, Buchanan, Camden, Cape Girardeau, Carroll, Cass, Christian, Clay, Cole, Cooper, Daviess, DeKalb, Dent, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Maries, Marion, McDonald, Miller, Mississippi, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne, Webster and Worth did not respond to our request for information.

Officials the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Columbia, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Peculiar, Pineville, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

ASSUMPTION (continued)

Officials from the following school districts: Arcadia Valley R-2, Avilla R-13, Bakersfield, Belton, Benton County R-2, Bismark R-5, Bloomfield R-14, Blue Springs, Bolivar R-I, Bowling Green R-1, Branson, Brentwood, Bronaugh R-7, Campbell R-2, Carrollton R-7, Caruthersville, Cassville R-4, Central R-III, Chilhowee R-4, Chillicothe R-II, Clarkton C-4, Cole R-I, Columbia, Concordia R-2, Crawford County R-1, Crocker R-II, Delta C-7, East Carter R-2, East Newton R-6, Eldon R-I, Fair Grove, Fair Play, Fayette R-3, Forsyth R-3, Fox C-6, Fredericktown R-I, Fulton, Grain Valley, Hancock Place, Hannibal, Harrisonburg R-8, Harrisonville, Hillsboro R-3, Hollister R-5, Humansville R-4, Hurley R-1, Independence, Jefferson City, Kearney R-1, Kennett #39, King City R-1, Kingston 42, Kirbyville R-VI, Lee Summit, Leeton R-10, Lewis County C-1, Lindbergh, Lonedell R-14, Macon County R-1, Macon County R-4, Malta Bend, Mehville, Meramec Valley R-3, Mexico, Middle Grove C-1, Midway R-1, Milan C-2, Moberly, Monroe City R-I, Morgan County R-2, New Haven, Nixa, North St. Francois Co. R-1, Northeast Nodaway R-5, Odessa R-VII, Oregon-Howell R-III, Orrick R-11, Osage County R-II, Osborn R-O, Parkway, Pattonville, Pierce City, Plato R-5, Princeton R-5, Raymore-Peculiar R-III, Raytown, Reeds Springs R-IV, Renick R-5, Richland R-1, Richmond R-XVI, Riverview Gardens, Salisbury R-4, Sarcoxie R-2, Scotland County R-I, Sedalia, Seymour R-2, Shelby County R-4, Shell Knob #78, Sikeston, Silex, Smithville R-2, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, St. Elizabeth R-4, Sullivan, Valley R-6, Verona R-7, Warrensburg R-6, Webster Groves, Westview C-6 and the Wright City R-2 School District did not respond to our request for information.

Oversight notes that actual current collections of sales tax from the subject organizations under existing provisions and DOR procedures may be less than the amounts calculated. Oversight will assume, for fiscal note purposes, the annual revenue reduction for the General Revenue Fund, the School District Trust Fund, and for local governments could exceed \$100,000 but the revenue reduction would be less than \$100,000 for the Conservation Commission Fund and the Parks, and Soil and Water Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
GENERAL REVENUE FUND			
<u>Revenue reduction</u> - sales tax exemption	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
SCHOOL DISTRICT TRUST FUND			
<u>Revenue reduction</u> - sales tax exemption	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
CONSERVATION COMMISSION FUND			
<u>Revenue reduction</u> - sales tax exemption	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)

<u>FISCAL IMPACT - State Government</u>	FY 2018	FY 2019	FY 2020
(Continued)	(10 Mo.)		

PARKS, AND SOIL AND WATER FUND

<u>Revenue reduction - sales tax exemption</u>	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)	(Less than <u>\$100,000</u>)
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<u>FISCAL IMPACT - Local Government</u>	FY 2018	FY 2019	FY 2020
	(10 Mo.)		

LOCAL GOVERNMENTS

<u>Revenue reduction - sales tax exemption</u>	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
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ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
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FISCAL IMPACT - Small Business

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

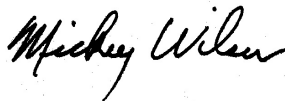
FISCAL DESCRIPTION

The proposed legislation would exempt private country clubs, golf courses, and golf clubs not open to the public from sales and use taxes on charges for initiation fees or dues.

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

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Conservation
Department of Natural Resources
Department of Revenue
University of Missouri
 Economic and Policy Analysis Research Center
Callaway County
City of Columbia
City of Kansas City
Everton School District
Kansas City School District
Kirksville R-III School District
Pettis County R-XII School District
Warren County R-III School District
Wentzville School District
West Plains School District
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