

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5294-01
Bill No.: Perfected SB 773
Subject: Taxation and Revenue - Income
Type: Original
Date: March 7, 2018

Bill Summary: This proposal modifies provisions related to income tax for certain nonresidents.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | | |
|--|------------|------------|------------|--------------------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 | Fully Implemented (FY 2022) |
| | | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | | |
|---|----------------|----------------|----------------|------------------------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 | Fully Implemented (FY 2022) |
| MO Arts Council Trust Fund | \$0 | \$0 | \$0 | \$24,480,000 |
| Library Networking | \$0 | \$0 | \$0 | \$4,080,000 |
| MO Humanities Council Trust | \$0 | \$0 | \$0 | \$4,080,000 |
| MO Public Broadcasting Corp Special Fund | \$0 | \$0 | \$0 | \$4,080,000 |
| Historic Preservation Revolving Fund | \$0 | \$0 | \$0 | \$4,080,000 |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 | \$40,800,000 |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | | |
|---|----------------|----------------|----------------|------------------------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 | Fully Implemented (FY 2022) |
| | | | | |
| | | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | | |
|---|----------|----------|----------|-----------------------------|
| FUND AFFECTED | FY 2019 | FY 2020 | FY 2021 | Fully Implemented (FY 2022) |
| | | | | |
| | | | | |
| Total Estimated Net Effect on FTE | 0 | 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 2019 | FY 2020 | FY 2021 | Fully Implemented (FY 2022) |
| Local Government | \$0 | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal extends the Athletes and Entertainers tax through tax year 2030. The tax is currently set to expire on December 31, 2020 (FY 2021).

Officials at the **Office of the Secretary of State** assume B&P annually provides the estimated revenue figures for the Out of State Athlete and Entertainer Income Tax. The top income tax rate is currently 6%, and it is assumed that most individuals subject to this tax are assessed at that rate.

In FY 2018, it is estimated \$40,800,000 will be collected with \$800,000 used to support collection development at local public libraries. If the expiration on this tax is extended, it is estimated \$20,400,000 will be collected in FY 2021 (\$400,000 for public libraries) and \$40,800,000 (\$800,000 for public libraries) collected annually through December 31, 2030.

Officials at the **Department of Natural Resources** assume that currently, for all tax years on or after January 1, 1999, through December 31, 2020, the Office of Administration estimates annually the amount of the nonresident athlete and entertainer tax collected. This proposal would extend the December 31, 2020 expiration date of the nonresident entertainer and professional athletic team income tax to December 31, 2030.

Subject to appropriation, ten-percent of this tax is allocated annually and transferred from General Revenue to the Historic Preservation Revolving Fund to be made available for historic preservation efforts. This proposed legislation would allow the department to continue historic preservation efforts in Missouri. The potential impact would be outside the fiscal impact period.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

Officials at the **Department of Economic Development** and the **Missouri Arts Council** each assume there is no fiscal impact from this proposal.

Oversight notes that §143.183, allows for the revenues from the nonresident tax on athletes and entertainers to be distributed to cultural entities in Missouri - 60% of the funds to the Missouri Arts Council Trust Fund (0262); and 10% each to the Library Networking Fund (0822) for public libraries to purchase library materials; 10% to the Missouri Humanities Council Trust Fund (0177); 10% to the MO Public Broadcasting Corporation Special Fund (0887) for public television and public radio stations; and 10% to the Missouri Department of Natural Resources

ASSUMPTION (continued)

for the Missouri Historic Preservation Revolving Fund (0430). Extending the expiration on this tax from December 31, 2020 (FY 2021) to December 31, 2030 (FY 2031) would continue this revenue source to these funds.

The nonresident tax on athletes and entertainers has brought in the following amounts:

| | |
|----------------------|--------------|
| FY 2018 (as of date) | \$22,036,517 |
| FY 2017 | \$36,881,364 |
| FY 2016 | \$41,798,273 |
| FY 2015 | \$41,079,962 |
| FY 2014 | \$35,585,312 |

Using the projected estimated of FY 2018 of \$40,800,000 the funds would receive the following amounts:

| | |
|---|--------------|
| Missouri Arts Council Trust Fund | \$24,480,000 |
| Library Networking Fund | \$ 4,080,000 |
| Missouri Humanities Council Trust Fund | \$ 4,080,000 |
| MO Public Broadcasting Corporation Special Fund | \$ 4,080,000 |
| Missouri Historic Preservation Revolving Fund | \$ 4,080,000 |

Per fiscal note policy, **Oversight** will show the impact to these funds beginning in FY 2022.

| <u>FISCAL IMPACT - State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 | Fully Implemented (FY 2022) |
|---|---------------------|-------------------|-------------------|-----------------------------------|
| MO ARTS COUNCIL TRUST FUND | | | | |
| <u>Additional Revenue</u> - extension of the nonresident entertainer and professional athlete income tax | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$24,480,000</u> |
| ESTIMATED NET EFFECT ON MO ARTS COUNCIL TRUST FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$24,480,000</u> |
| LIBRARY NETWORKING FUND | | | | |
| <u>Additional Revenue</u> - extension of the nonresident entertainer and professional athlete income tax | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$4,080,000</u> |
| ESTIMATED NET EFFECT ON LIBRARY NETWORKING TRUST FUND | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$4,080,000</u> |

FISCAL IMPACT -
State Government

FY 2019
 (10 Mo.)

FY 2020

FY 2021

Fully
 Implemented
 (FY 2022)

MO
HUMANITIES
COUNCIL TRUST
FUND

Additional Revenue

- extension of the
 nonresident
 entertainer and
 professional athlete
 income tax

\$0

\$0

\$0

\$4,080,000

ESTIMATED NET
EFFECT ON MO
HUMANITIES
COUNCIL TRUST
FUND

\$0

\$0

\$0

\$4,080,000

MO PUBLIC
BROADCASTING
CORP SPECIAL
FUND

Additional Revenue

- extension of the
 nonresident
 entertainer and
 professional athlete
 income tax

\$0

\$0

\$0

\$4,080,000

ESTIMATED NET
EFFECT ON MO
PUBLIC
BROADCASTING
CORP SPECIAL
FUND

\$0

\$0

\$0

\$4,080,000

| <u>FISCAL IMPACT -</u> <u>State Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 | Fully Implemented (FY 2022) |
|---|---------------------|---------|---------|-----------------------------------|
|---|---------------------|---------|---------|-----------------------------------|

**HISTORIC
 PRESERVATION
 REVOLVING
 TRUST FUND**

Additional Revenue

- extension of the
 nonresident
 entertainer and
 professional athlete
 income tax

| | | | |
|------------|------------|------------|--------------------|
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$4,080,000</u> |
|------------|------------|------------|--------------------|

**ESTIMATED NET
 EFFECT ON
 HISTORIC
 PRESERVATION
 TRUST FUND**

| | | | |
|------------|------------|------------|--------------------|
| <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$4,080,000</u> |
|------------|------------|------------|--------------------|

| <u>FISCAL IMPACT -</u> <u>Local Government</u> | FY 2019 (10 Mo.) | FY 2020 | FY 2021 | Fully Implemented (FY 2022) |
|---|---------------------|------------|------------|-----------------------------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Currently, the revenue generated from an income tax on certain nonresident athletes and entertainers is distributed among several funds. Such distributions will currently end on December 31, 2020. This act extends the distributions until December 31, 2030.

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 Economic Development
Department of Natural Resources
Department of Revenue
Missouri Arts Council
Office of Administration Division of Budget and Planning
Office of the Secretary of State

Ross Strobe



Acting Director
March 7, 2018