

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0172-01
Bill No.: SB 21
Subject: Taxation and Revenue - Sales and Use; Cities, Towns and Villages
Type: Original
Date: January 4, 2019

Bill Summary: This proposal authorizes the City of Portageville to impose a sales tax for public safety.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0	\$0 to \$1,167	\$0 to \$1,556
Total Estimated Net Effect on General Revenue	\$0	\$0 to \$1,167	\$0 to \$1,556

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0	\$0 to \$115,571	\$0 to \$154,093

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume this proposal allows for any city of the fourth classification with more than three thousand but fewer than three thousand three hundred inhabitants and located in any county of the third classification without a township form of government and with more than eighteen thousand but fewer than twenty thousand inhabitants and that is not the county seat of such county to impose a tax as provided in Section 94.900.

This proposed legislation would allow for the City of Portageville to put on the ballot a tax increase for public safety, which would take effect upon the approval of the City of Portageville's voters.

During Calendar Year 2017, the City of Portageville had a total taxable sales amount of \$29,319,275 which does not include use tax (Taxable Sales and Use Tax by Locality Report- CY 17).

The City of Portageville, currently, does not impose use tax in conjunction with sales tax.

The Department estimates that the City of Portageville could increase its sales tax revenue, assuming they proposed and passed the highest available rate of one half cent, in the amount of \$145,130 each fiscal year ($\$29,319,275 \times 0.5\% = 146,596 - 1,466 = \$145,130$).

If passed by voters, an impact to General Revenue and Total State Revenue may be generated. Pursuant to Section 94.900.5, the Department may retain one percent of the sales tax collected from taxes imposed under Section 94.900 for the cost of collection, which is to be deposited into General Revenue. The Department estimates that General Revenue may increase by \$1,466 ($\$146,596 \times 1\%$) if the ballot measure is offered and passed.

The Department is aware that the City of Portageville may seek a one quarter percent tax rate. If, that were true, the Department estimates that the revenues for the City of Portageville could increase by \$72,565 ($\$29,319,275 \times .25\% - \$733 = \$72,565$) each fiscal year, while General Revenue could increase by \$733 each year, if the ballot measure passes.

If the City of Portageville either fails to put a measure on the ballot, or the voters reject the ballot measure, there would be no Local, General Revenue or Total State Revenue impact.

ASSUMPTION (continued)

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume section 94.900 allows voters in the City of Portageville to impose a sales tax up to 0.50% for the purpose of funding public safety for the city.

Using forecast estimates for statewide average growth in local sales taxes and state taxes (including food), the estimated average growth for FY 2019 and FY 2020 is 3.4% and 3.1%, respectively.

B&P estimates the City of Portageville FY 2020 taxable sales to total \$31.1 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2020 sales collections. For the City of Portageville, with estimated Q4 sales collections of \$7.8 million, this proposed sales tax could generate approximately \$38,500 for the city for FY 2020. As a voter-approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, this portion could increase General and Total State Revenues by approximately \$389 in FY 2020.

Using the same methodology to estimate FY 2021 and FY 2022 sales, we estimate taxable sales in City of Portageville to total \$31.1 million in FY 2020. This proposed sales tax might generate approximately \$154,000 for the city in FY 2021, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs, which could therefore increase General and Total State Revenues by approximately \$1,556 in FY 2021 and annually thereafter if the city sales tax is approved.

Budget and Planning defers to DOR for more specific estimates of actual collection costs.

Officials at the **City of Portageville** assume the City has a Capital Improvement Tax of $\frac{1}{2}$ cent that generated \$147,711.16 between November 2017 and November 2018. The voters passed a $\frac{1}{4}$ cent sales tax increase to fund a school resource officer in April 2018. After the election, we learned that a general revenue sales tax could not be $\frac{1}{4}$ cent (the lowest amount possible would be $\frac{1}{2}$ cent increase). This bill would fund up to $\frac{1}{2}$ cent for this reason.

A $\frac{1}{4}$ cent sales tax is estimated to bring in \$70,000 annually. A $\frac{1}{2}$ cent sales tax is estimated to bring in \$140,000 annually.

Oversight notes this proposal would give the City of Portageville the option to vote to increase their local sales tax by up to $\frac{1}{2}$ cent in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2019. Oversight assumes the question would be put before the voters at the general municipal election in April 2020 (FY 2020). Therefore, the

earliest the

ASSUMPTION (continued)

sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2020 general municipal election would be October 1, 2020 (FY 2021). Therefore, only nine months of taxes would be collected in FY 2021.

Oversight notes that if the proposal is adopted, DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$1,556. Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the City of Portageville and/or voters fail to approve the sales tax) to up to \$154,093 for a full year of tax collections estimated by B&P.

City of Portageville - Taxable Sales Report	
FY 2018	\$15,166,601 (6 month total)
FY 2017	\$29,278,103
FY 2016	\$30,219,885
FY 2015	\$29,750,406

Source: Department of Revenue

<u>FISCAL IMPACT - State Government</u>	FY 2020	FY 2021 (9 Mo.)	FY 2022
GENERAL REVENUE FUND			
<u>Additional Revenue - DOR - \$94.900</u>			
1% DOR Collection fee - Portageville	<u>\$0</u>	<u>\$0 to \$1,167</u>	<u>\$0 to \$1,556</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 to \$1,167</u>	<u>\$0 to \$1,556</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020	FY 2021 (9 Mo.)	FY 2022
CITY OF PORTAGEVILLE			
<u>Additional Revenues</u> -additional half cent sales tax for Public Safety - Portageville §94.900	\$0	\$0 to \$116,738	\$0 to \$155,650
<u>Loss</u> - 1% collection fee kept by DOR §94.900	<u>\$0</u>	<u>\$0 to (\$1,167)</u>	<u>\$0 to (\$1,556)</u>
ESTIMATED NET EFFECT ON THE CITY OF PORTAGEVILLE	<u>\$0</u>	<u>\$0 to \$115,571</u>	<u>\$0 to \$154,093</u>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses in the City of Portageville which purchase or sell taxable items.

FISCAL DESCRIPTION

This act adds the city of Portageville to the list of cities authorized to propose a sales tax for the purposes of improving public safety. Such sales tax, if approved by the voters, shall not exceed a rate of 0.5%.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

City of Portageville
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