

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0172-01  
Bill No.: Perfected SB 21  
Subject: Taxation and Revenue - Sales and Use; Cities, Towns and Villages  
Type: Original  
Date: February 19, 2019

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Bill Summary: This proposal authorizes cities to impose a sales tax for public safety.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 to Greater than \$4,904	\$0 to Greater than \$9,806	\$0 to Greater than \$9,806
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 to Greater than \$4,904</b>	<b>\$0 to Greater than \$9,806</b>	<b>\$0 to Greater than \$9,806</b>

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

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 14 pages.

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

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$0 to Greater than \$484,878</b>	<b>\$0 to Greater than \$969,756</b>	<b>\$0 to Greater than \$969,756</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### \$94,900 Portageville Public Safety Tax

Officials at the **Department of Revenue (DOR)** assume this 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.

Based on the Department Financial and Statistical Report, during Fiscal Year 2017, the City of Portageville had a total sales tax distribution in the amount of \$656,704. The Department is aware that 1% is retained for the cost of collection. The Department has extrapolated the 1% to estimate that total sales tax collections in the City of Portageville in Fiscal year 2017 was \$663,337 ( $\$656,704 / 99\% = \$663,337$ ). The Department is aware that the City of Portageville currently imposes a city sales tax at a rate of 2 percent. The Department estimates that total taxable sales in the City of Portageville in Fiscal Year 2017 equaled \$33,166,868. If the City of Portageville were to impose a sales tax rate of 2.5% against total taxable sales of \$33,166,868, the Department estimates that total sales tax collection in City of Portageville in any given fiscal year would equal \$829,172 ( $\$33,166,868 \times 2.5\% = 829,172$ ). The Department would retain 1% for the cost of collection. The Department estimates that \$8,292 ( $829,172 \times 1\% = \$8,292$ ) would be retained for the cost of collection. The Department estimates that \$6,633 ( $\$663,337 \times 1\% = \$6,633$ ) was the collection fee during Fiscal Year 2017.

The Department estimates that General Revenue could potentially increase by \$1,658 each fiscal year if the City of Portageville imposed an additional sales tax at a rate (increase) of one half of one percent ( $\$8,292 - \$6,633$ ).

The Department estimates that the City of Portageville could increase its sales tax revenue, assuming the city proposed and passed the highest sales tax allowable pursuant to this proposed legislation, in the amount of \$164,176 ( $(\$33,166,868 \times 2.5\%) - (\$829,172 \times 1\%) - \$656,704 = \$164,176$ ).

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

General Revenue Fund		
FY 20	FY21	FY 22
\$1,658	\$1,658	\$1,658

ASSUMPTION (continued)

Gain to Local Revenues (Portageville)		
FY 20	FY 21	FY 22
\$164,176	\$164,176	\$164,176

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.

In response to the previous version, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed section 94.900 allows voters in the City of Portageville to impose a sales tax up to 0.5% 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 ½ cent that generated \$147,711.16 between November 2017 and November 2018. The voters passed a 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 1/4 cent (the lowest amount possible would be ½ cent increase). This bill would fund up to ½ cent for this reason.

ASSUMPTION (continued)

A 1/4 cent sales tax is estimated to bring in \$70,000 annually. A 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 1/2 cent in order to fund public safety. The City of Portageville previously placed a 1/4 cent sales tax on their ballot in August 2018, which was adopted. However, that election was invalidated when it was discovered that statute only allows for a 1/2 cent sales tax reported the Standard Democrat of Sikeston.

**Oversight** notes the effective date of this proposal has an emergency clause and would be effective 15 days after passage. Oversight notes that even with the emergency clause it would be too late to put the issue before the voters on the April 2, 2019 ballot as certification has already passed and absentee voting has begun. Therefore, Oversight assumes the question could be put before the voters at the August 6, 2019 (FY 2020) ballot. Therefore, the earliest the 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 a August 2019 election would be January 1, 2020 (FY 2020). Therefore, only six months of taxes could be collected in FY 2020.

**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

ASSUMPTION (continued)

§94.902 Riverside Public Safety Tax (SA 1)

Officials at the **DOR** assume this would allow for the City of Riverside to put on the ballot a tax increase for public safety, which would take effect upon the approval of the City of Riverside's voters.

Based on the Department Financial and Statistical Report, during Fiscal Year 2017, the City of Riverside had a total sales tax distribution in the amount of \$1,560,871 (includes sales and use tax). The Department is aware that 1% is retained for the cost of collection. The Department has extrapolated the 1% to estimate that total sales tax collections in the City of Riverside in Fiscal Year 2017 was \$1,576,637 ( $\$1,560,871 / 99\% = \$1,576,637$ ). The Department is aware that the City of Riverside currently imposes a city sales tax at a rate of 1 percent. The Department estimates that total taxable sales in the City of Riverside in Fiscal Year 2017 equaled \$157,663,737 ( $\$1,576,637 / 1\%$ ). If the City of Riverside were to impose a sales tax rate of 1.5% against total taxable sales of \$157,663,737, the Department estimates that total sales tax collection in City of Riverside in any given fiscal year would equal \$2,364,956 ( $\$157,663,737 \times 1.5\% = \$2,364,956$ ). The Department would retain 1% for the cost of collection. The Department estimates that \$23,650 ( $\$2,364,956 \times 1\% = \$23,650$ ) would be retained for the cost of collection. The Department estimates that \$15,766 ( $\$1,576,637 \times 1\% = \$15,766$ ) was the collection fee during Fiscal Year 2017.

The Department estimates that General Revenue could potentially increase by \$7,883 each fiscal year if the City of Riverside imposed an additional sales tax at a rate (increase) of one half of one percent ( $\$23,650 - \$15,766$ ).

The Department estimates that the City of Riverside could increase its sales tax revenue, assuming the city proposed and passed the highest sales tax allowable pursuant to this proposed legislation, in the amount of \$780,436 ( $(\$157,663,737 \times 1.5\%) - (\$2,364,956 \times 1\%) - \$1,560,871 = \$780,436$ ).

General Revenue Fund		
FY 20	FY21	FY 22
\$7,883	\$7,883	\$7,883

Gain to Local Revenues (Riverside)		
FY 20	FY 21	FY 22
\$780,436	\$780,436	\$780,436

ASSUMPTION (continued)

If the City of Riverside 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.

**Oversight** notes the effective date of this proposal has an emergency clause and would be effective 15 days after passage. Oversight notes that even with the emergency clause it would be too late to put the issue before the voters on the April 2, 2019 ballot as certification has already passed and absentee voting has begun. Therefore, Oversight assumes the question could be put before the voters at the August 6, 2019 (FY 2020) ballot. Therefore, the earliest the 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 a August 2019 election would be January 1, 2020 (FY 2020). Therefore, only six months of taxes could be collected in FY 2020.

**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 \$7,151. 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 Riverside and/or voters fail to approve the sales tax) to up to \$715,138 for a full year of tax collections estimated by B&P.

City of Riverside - Taxable Sales Report	
FY 2018	\$67,082,747 (6 month total)
FY 2017	\$126,487,774
FY 2016	\$129,097,927
FY 2015	\$117,205,023

Source: Department of Revenue

§94.902 Fayette Public Safety Tax (SA 1 to SA 1)

Officials at the **Department of Revenue (DOR)** assume This proposed legislation would allow for the City of Fayette to put on the ballot a tax increase for public safety, which would take effect upon the approval of the City of Fayette's voters.

ASSUMPTION (continued)

Based on the Department Financial and Statistical Report, during Fiscal Year 2017, the City of Fayette had a total sales tax distribution in the amount of \$262,075 (includes sales and use tax). The Department is aware that one percent is retained for the cost of collection. The Department has extrapolated the 1 percent to estimate that total sales tax collections in the City of Fayette in Fiscal Year 2017 was \$264,722 ( $\$262,075 / 99\% = \$264,722$ ). The Department is aware that the City of Fayette currently imposes a city sales tax at a rate of 1.125 percent. The Department estimates that total taxable sales in the City of Fayette in Fiscal Year 2017 equaled \$23,530,864 ( $\$264,722 / 1.125\%$ ). If the City of Fayette were to impose a sales tax rate of 1.625% against total taxable sales of \$23,530,864, the Department estimates that total sales tax collection in City of Fayette in any given fiscal year would equal \$382,377 ( $\$23,530,864 \times 1.625\% = 382,377$ ). The Department would retain 1% for the cost of collection. The Department estimates that \$3,824 ( $\$382,377 \times 1\% = \$3,824$ ) would be retained for the cost of collection. The Department estimates that \$2,647 ( $\$264,722 \times 1\% = \$2,647$ ) was the collection fee during Fiscal Year 2017.

The Department estimates that General Revenue could potentially increase by \$1,177 each fiscal year if the City of Fayette imposed an additional sales tax at a rate (increase) of one half of one percent ( $\$3,824 - \$2,647$ ).

The Department estimates that the City of Fayette could increase its sales tax revenue, assuming the city proposed and passed the highest sales tax allowable pursuant to this proposed legislation, in the amount of \$116,478 ( $(\$23,530,864 \times 1.625\%) - (\$382,377 \times 1\%) - \$262,075 = \$116,478$ ).

General Revenue Fund		
FY 20	FY21	FY 22
\$1,177	\$1,177	\$1,177

Gain to Local Revenues (Fayette)		
FY 20	FY 21	FY 22
\$116,478	\$116,478	\$116,478

If the City of Fayette 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.

In response to similar legislation filed this year, HB 548, officials at the **Office of Administration Division of Budget and Planning (B&P)** assumed section 94.902 allows voters



ASSUMPTION (continued)

in the City of Fayette to impose a sales tax up to 0.5% 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 Fayette FY 2020 taxable sales to total \$22.0 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 Fayette, with estimated Q4 sales collections of \$5.5 million, this proposed sales tax could generate approximately \$27,200 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 \$275 in FY 2020.

Using the same methodology to estimate FY 2021 and FY 2022 sales, we estimate taxable sales in City of Fayette to total \$22.0 million in FY 2020. This proposed sales tax might generate approximately \$108,775 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 \$1,099 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.

**Oversight** notes the effective date of this proposal has an emergency clause and would be effective 15 days after passage. Oversight notes that even with the emergency clause it would be too late to put the issue before the voters on the April 2, 2019 ballot as certification has already passed and absentee voting has begun. Therefore, Oversight assumes the question could be put before the voters at the August 6, 2019 (FY 2020) ballot. Therefore, the earliest the 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 a August 2019 election would be January 1, 2020 (FY 2020). Therefore, only six months of taxes could be collected in FY 2020.

**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 \$1,099. Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

ASSUMPTION (continued)

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 Fayette and/or voters fail to approve the sales tax) to up to \$108,775 for a full year of tax collections estimated by B&P.

City of Fayette - Taxable Sales Report	
FY 2018	\$10,420,001 (6 month total)
FY 2017	\$20,096,587
FY 2016	\$20,772,039
FY 2015	\$21,154,402

Source: Department of Revenue

§94.510 Sales Tax Rate Up to 1% (SA 5)

Officials at the **DOR** assume this section would allow the sales tax rate to be "up to" 1%, changing it from an incremental increase that is currently defined in this section. For the city general sales tax changes, jurisdictions who may not have been able to pass a one half cent sales tax, could find it easier to pass a one quarter cent sales tax. This may increase the number of city general sales taxes the Department has to collect and disburse. Depending on the increase, the Department may find the need for increased FTEs.

**Oversight** notes that currently cities are allowed to impose a sales tax rate upon a vote of its people at a rate of one-half of one percent, seven-eighths of one percent or one percent. This proposal would change the language to allow "up to one percent" which would allow cities the flexibility to choose their sales tax amount. Oversight will show the impact as \$0 (none take action) to Unknown.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (6 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE FUND</b>			
<u>Additional Revenue - DOR - §94.900</u> 1% DOR Collection fee - Portageville	\$0 to \$778	\$0 to \$1,556	\$0 to \$1,556
<u>Additional Revenue - DOR - §94.902</u> 1% DOR Collection fee - Riverside	\$0 to \$3,576	\$0 to \$7,151	\$0 to \$7,151
<u>Additional Revenue - DOR - §94.902</u> 1% DOR Collection fee - Fayette	\$0 to \$550	\$0 to \$1,099	\$0 to \$1,099
<u>Additional Revenue - DOR §94.510</u> 1% DOR Collection fee	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0 to Greater than \$4,904</u></b>	<b><u>\$0 to Greater than \$9,806</u></b>	<b><u>\$0 to Greater than \$9,806</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (6 Mo.)	FY 2021	FY 2022
<b>CITY OF PORTAGEVILLE</b>			
<u>Additional Revenues -additional half cent sales tax for Public Safety - Portageville §94.900</u>	\$0 to \$77,825	\$0 to \$155,650	\$0 to \$155,650
<u>Loss - 1% collection fee kept by DOR §94.900</u>	<u>\$0 to (\$778)</u>	<u>\$0 to (\$1,556)</u>	<u>\$0 to (\$1,556)</u>
<b>ESTIMATED NET EFFECT ON THE CITY OF PORTAGEVILLE</b>	<b><u>\$0 to (\$77,047)</u></b>	<b><u>\$0 to \$154,093</u></b>	<b><u>\$0 to \$154,093</u></b>

<u>FISCAL IMPACT - Local Government</u> (continued)	FY 2020 (6 Mo.)	FY 2021	FY 2022
<b>CITY OF RIVERSIDE</b>			
<u>Additional Revenues</u> -additional half cent sales tax for Public Safety - Riverside §94.902	\$0 to \$357,569	\$0 to \$715,138	\$0 to \$715,138
<u>Loss</u> - 1% collection fee kept by DOR §94.902	<u>\$0 to (\$3,576)</u>	<u>(\$0 to \$7,151)</u>	<u>(\$0 to \$7,151)</u>
<b>ESTIMATED NET EFFECT ON THE CITY OF RIVERSIDE</b>	<b><u>\$0 to \$353,993</u></b>	<b><u>\$0 to \$707,987</u></b>	<b><u>\$0 to \$707,987</u></b>
<b>CITY OF FAYETTE</b>			
<u>Additional Revenues</u> -additional half cent sales tax for Public Safety - Fayette §94.902	\$0 to \$54,388	\$0 to \$108,775	\$0 to \$108,775
<u>Loss</u> - 1% collection fee kept by DOR §94.902	<u>\$0 to (\$550)</u>	<u>\$0 to (\$1,099)</u>	<u>\$0 to (\$1,099)</u>
<b>ESTIMATED NET EFFECT ON THE CITY OF FAYETTE</b>	<b><u>\$0 to \$53,838</u></b>	<b><u>\$0 to \$107,676</u></b>	<b><u>\$0 to \$107,676</u></b>

<u>FISCAL IMPACT - Local Government</u> (continued)	FY 2020 (6 Mo.)	FY 2021	FY 2022
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**LOCAL POLITICAL SUBDIVISIONS**

<u>Additional Revenues</u> - flexibility in increasing sales tax §94.510	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>	<u>\$0 to Unknown</u>
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**ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS** \$0 to Unknown \$0 to Unknown \$0 to Unknown

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses in the City of Portageville, City of Fayette and the City of Riverside 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 bill adds the City of Fayette to the list of cities authorized to impose, upon voter approval, a public safety sales tax of up to .5% for the purposes of improving the public safety of the city, including but not limited to expenditures on equipment, city employee salaries and benefits, and facilities for police, fire, and emergency medical providers.

This contains an emergency clause.

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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Office of Administration  
Division of Budget and Planning



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