

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0172-01  
Bill No.: Truly Agreed To and Finally Passed SB 21  
Subject: Taxation and Revenue - Sales and Use; Cities, Towns and Villages  
Type: Original  
Date: June 3, 2019

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Bill Summary: This proposal authorizes the Cities of Portageville, Riverside and Fayette 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 or Could exceed \$770	\$0 or Could exceed \$7,607	\$0 or Could exceed \$9,629
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or Could exceed \$770</b>	<b>\$0 or Could exceed \$7,607</b>	<b>\$0 or Could exceed \$9,629</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 10 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 or Could exceed \$76,277</b>	<b>\$0 or Could exceed \$753,154</b>	<b>\$0 or Could exceed \$953,355</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume in §94.510, this proposal allows cities that currently charge 0.5%, 7/8 of 1% to increase their sales taxes for public safety to a rate not to exceed one percent. The impact of this cannot be estimated since the number of cities that may raise taxes is unknown.

B&P assumes this proposal in §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.

B&P assumes this proposal in §94.902 allows voters in the cities of Riverside and 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. The chart below shows the sales collections and DOR fees for each political subdivision in FY 2020 to FY 2022:

City	DOR Collections			Sales Tax Collections Data		
	FY 2020	FY 2021	FY 2022	FY 2020	FY 2021	FY 2022
Portageville	389	1,556	1,556	38,523	154,093	154,093
Fayette	275	1,099	1,099	27,194	108,775	108,775
Riverside	1,768	7,072	7,072	175,029	700,116	700,116
	<b>2,432</b>	<b>9,727</b>	<b>9,727</b>	<b>240,746</b>	<b>962,984</b>	<b>962,984</b>

B&P defers to DOR for more specific estimates of actual collection costs.

Officials at the **Department of Revenue (DOR)** assume §94.510 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.

This section authorizes the city of Fayette to impose an additional sales tax up to one-half of one percent upon voter approval.

ASSUMPTION (continued)

During the 2017 calendar year, the City of Fayette reported \$12,536,183 in total taxable sales. If the City of Fayette were to impose an additional sales tax of one-half of one percent (0.5%), potential revenue collections could increase by an estimated \$62,680 ( $\$12,536,183 \times 0.5\%$ ). The Department shall retain one percent for cost of collection.

Fayette Impact Summary			
	FY20	FY21	FY22
0.5% increase	\$62,681	\$62,681	\$62,681
1.0% to General Revenue	\$627	\$627	\$627
City of Fayette	\$62,054	\$62,054	\$62,054

This section also authorizes the city of Riverside to impose an additional sales tax up to one-half of one percent upon voter approval. During the 2017 calendar year, the City of Riverside reported \$126,487,773 in total taxable sales. If the City of Riverside were to impose an additional sales tax of one-half of one percent (0.5%), potential revenue collections could increase by an estimated \$632,439 ( $\$126,487,773 \times 0.5\%$ ). The Department estimates that General Revenue may increase by \$6,324 ( $\$632,439 \times 1\%$ ) if the ballot measure is offered and passed.

Riverside Impact Summary			
	FY20	FY21	FY22
0.5% increase	\$632,439	\$632,439	\$632,439
1.0% to General Revenue	\$6,324	\$6,324	\$6,324
City of Riverside	\$626,115	\$626,115	\$626,115

Section 94.900 allows the City of Portageville to put on the ballot a tax increase for public safety. 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 §94.900.5, the Department may retain one percent of the sales tax collected from taxes imposed under §94.900 for the cost of collection, which is to be deposited into General

ASSUMPTION (continued)

Revenue. The Department estimates that General Revenue may increase by \$1,466 (\$146,596 x 1%) if the ballot measure is offered and passed.

Portageville Impact Summary			
	FY20	FY21	FY22
0.5% increase	\$146,596	\$146,596	\$146,596
1.0% to General Revenue	\$1,466	\$1,466	\$1,466
City of Riverside	\$145,130	\$145,130	\$145,130

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 TSR impact.

**Oversight** did not receive a response from the City of Riverside or the City of Fayette.

**Oversight** notes that the City of Riverside and City of Fayette would be allowed to increase their sales tax under this proposal. Oversight notes the effective date of the City of Riverside and City of Fayette’s sales tax increase would be August 28, 2019. The first election that could be held is the February 4, 2020, election and 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 February 2020 election would be October 1, 2020 (FY 2021). Therefore, only nine months of taxes could 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 \$5,304 for the City of Riverside and \$824 from the City of Fayette in FY 2021. Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for each City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by either city and/or voters fail to approve the sales tax) to

ASSUMPTION (continued)

up to \$700,116 for Riverside and \$108,775 for Fayette or 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

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

In response to the original version of this proposal, officials at the **City of Portageville** assumed 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, they 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.

A 1/4 cent sales tax is estimated to bring in \$70,000 annually. A ½ 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 ½ 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 ½ cent sales tax reported the Standard Democrat of Sikeston.

ASSUMPTION (continued)

**Oversight** notes the effective date of this proposal has an emergency clause and would be effective 15 days after passage. 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

§94.510 Sales Tax Rate Up to 1%

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

ASSUMPTION (continued)

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	FY 2021 (9 Mo.)	FY 2022
<b>GENERAL REVENUE FUND</b>			
<u>Additional Revenue</u> - DOR §94.902			
1% DOR Collection fee - Riverside	\$0	\$0 or \$5,251	\$0 or \$7,001
<u>Additional Revenue</u> - DOR §94.902			
1% DOR Collection fee - Fayette	\$0	\$0 or \$816	\$0 or \$1,088
<u>Additional Revenue</u> - DOR - §94.900			
1% DOR Collection fee - Portageville	\$0 or \$770	\$0 or \$1,540	\$0 or \$1,540
<u>Additional Revenue</u> - DOR §94.510			
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 or Could exceed \$770</u></b>	<b><u>\$0 or Could exceed \$7,607</u></b>	<b><u>\$0 or Could exceed \$9,629</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2020	FY 2021 (9 Mo.)	FY 2022
<b>CITY OF RIVERSIDE</b>			
<u>Additional Revenues</u> -additional half cent sales tax for Public Safety - Riverside §94.902	\$0	\$0 or 525,087	\$0 or \$700,116
<u>Loss</u> - 1% collection fee kept by DOR §94.902	<u>\$0</u>	<u>\$0 or (\$5,251)</u>	<u>\$0 or (\$7,001)</u>
<b>ESTIMATED NET EFFECT ON THE CITY OF RIVERSIDE</b>	<b><u>\$0</u></b>	<b><u>\$0 or \$519,836</u></b>	<b><u>\$0 or \$693,115</u></b>





FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses in the Cities of Portageville, Riverside and Fayette which purchase or sell taxable items.

FISCAL DESCRIPTION

This act adds the cities of Portageville, Riverside, and Fayette 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%. (§94.900 and §94.902)

This act also modifies the City Sales Tax Act to allow cities to propose a sales tax for general city purposes at a rate not to exceed one percent instead of at a rate of 0.5%, 0.875%, or 1%. (§94.510)

This act contains an emergency clause for section 94.900 concerning the City of Portageville Public Safety Sales Tax.

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

City of Portageville  
Department of Revenue  
Office of Administration  
Division of Budget and Planning



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June 3, 2019

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