

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0547-01  
Bill No.: SB 85  
Subject: Taxation and Revenue - Sales and Use  
Type: Original  
Date: February 1, 2019

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Bill Summary: This proposal modifies provisions relating to sales tax filing dates.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue*	(\$45,700,000)	\$45,700,000 or \$125,700,000	\$0 or \$160,000,000
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$45,700,000)</b>	<b>\$45,700,000 or \$125,700,000</b>	<b>\$0 or \$160,000,000</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
School District Trust*	(\$15,200,000)	\$15,200,000	\$0
Conservation Commission*	(\$1,900,000)	\$1,900,000	\$0
Park, Soil & Water*	(\$1,500,000)	\$1,500,000	\$0
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(\$18,600,000)</b>	<b>\$18,600,000</b>	<b>\$0</b>

\* Cash flow changes moves the money from one fiscal year to the next.

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>(\$41,200,000)</b>	<b>\$41,200,000</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume §144.080.2 would change the monthly sales tax due date from the 20th of every month to the last working day beginning January 1, 2020. B&P notes that in months where there is a quarterly sales tax due date, the monthly due date is already the last working day. B&P further notes that this proposal will impact all state and local entities that receive a monthly sales tax distribution.

Currently, the monthly due date is the 20th of any given month except July, October, January, and April. In those months the monthly sales tax due date is the last working day of the month. In addition, all local distributions for sales tax are completed on the last working day of the month. This means that many local taxing entities do not receive collections from the monthly sales tax due date during July, October, January, and April. Rather, many localities end up receiving two distributions worth of monthly sales tax collections the following month (August, November, February, and May). By moving all monthly sales tax due dates to the last working day of the month, localities will receive monthly sales tax collections every month (rather than \$0 in some months and two payments in other months).

Therefore, some revenues that would have been deposited into General Revenue from June 20th through June 30th will instead be deposited into the following fiscal year. However, this cash flow impact will only be evident during the first year of implementation.

Using data provided by DOR, B&P estimates that on average \$5.7 million in monthly sales tax deposits into General Revenue are made daily throughout the month. Assuming there are 7-8 working days between the current due date (the 20th) and the last day of the month, B&P estimates that approximately \$40 million to \$45.7 million in General Revenue could be shifted from the first month to the second month. B&P further notes that since the current due date in June is the 20th, this proposal could shift up to \$45.7 million from General Revenue into the next fiscal year.

ASSUMPTION (continued)

The following tables shows the B&P estimated General Revenue cash flow impact by month during the first year of implementation.

Month	Due Date Changed by Proposal	General Revenue Cash Flow Impact
January 2020 (FY20)	No	\$0
February 2020 (FY20)	Yes	Up to (\$45.7 million)
March 2020 (FY20)	Yes	Net \$0
April 2020 (FY20)	No	Up to \$45.7 million
May 2020 (FY20)	Yes	Up to (\$45.7 million)
June 2020 (FY20)	Yes	Net \$0
July 2020 (FY21)	No	Up to \$45.7 million
August 2020 (FY21)	Yes	Up to (\$45.7 million)
September 2020 (FY21)	Yes	Net \$0
October 2020 (FY21)	No	Up to \$45.7 million
November 2020 (FY21)	Yes	Up to (\$45.7 million)
December 2020 (FY21)	Yes	Net \$0
January 2021 (FY21)	No	Up to \$45.7 million

B&P estimates that this proposal could reduce Total State Revenue by \$64.4 million and General Revenue by up to \$45.7 million in FY 2020. This proposal would then increase Total State Revenue and General Revenue by a corresponding amount in FY 2021. Beginning in FY 2022, there will no longer be an impact to Total State Revenue and General Revenue. In addition, this proposal will decrease local distributions by up to \$41.2 million in FY 2020 and increase distributions by up to \$41.2 million in FY 2021.

This proposal will not impact the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue (DOR)** assume the Department believes the first month after implementation that the distributions to local jurisdictions could be less than normal, while each month after that will be more evenly distributed.

The Department does not believe there to be a fiscal impact. The Department does believe, however, that there could be a cash flow issue the first month after implementation. Changing the due date to the last day of the month would mean that funds the Department normally

ASSUMPTION (continued)

receives on or around the 20th, would not be received until the end of the month and therefore, posted in the succeeding month. It is also possible businesses continue to file around the 20th as they have always done, so it is difficult to determine the true impact.

Month	Due Date Changed by Proposal	Cash Flow Impact
July (FY 1)	No	\$0
August (FY 1)	Yes	Up to (\$45.7 million)
September (FY 1)	Yes	Net \$0
October (FY 1)	No	Up to \$45.7 million
November (FY 1)	Yes	Up to (\$45.7 million)
December (FY 1)	Yes	Net \$0
January (FY 1)	No	Up to \$45.7 million
February (FY 1)	Yes	Up to (\$45.7 million)
March (FY 1)	Yes	Net \$0
April (FY 1)	No	Up to \$45.7 million
May (FY 1)	Yes	Up to (\$45.7 million)
June (FY 1)	Yes	Net \$0
July (FY 2)	No	Up to \$45.7 million

Officials at the **Department of Conservation** assume an unknown fiscal impact but greater than \$100,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any change in timing of the sales and use tax collected could have an effect on the Conservation Sales Tax funds.

Officials at the **Department of Natural Resources** assume no direct fiscal impact from this proposal.

Officials at the **City of Kansas City** assume this would have a negligible negative fiscal impact on the City.

Officials at the **City of Columbia** assume no fiscal impact is expected. The same amount of taxes will be received over time.

Officials at **Boone County, Wellsville-Middleton R-I School District** and the **Francis Howell School District** each assume there is no fiscal impact from this proposal.

ASSUMPTION (continued)

**Oversight** will show the loss of sales tax collections in the first fiscal year and the gain in the second fiscal year.

**Oversight** currently does not have the data or resources available to produce independent revenue projections, therefore Oversight uses the same assumptions for revenue growth as the FY 2020 Consensus Revenue Estimate (CRE) for revenue growth in all future years. The CRE assumes an increase in net general revenue collections of \$192.6 million for FY 2020.

**Oversight** notes pursuant to §143.011 - §143.022 (SBs 509 & 496 2014) if the previous fiscal year's net general revenue collections exceed the highest net general revenue collections of the three previous fiscal years by at least \$150 million, then there will be a reduction in the individual income tax rate by one-tenth of a percent and a reduction for individual income tax filers of 5% of "business income." These reductions will reduce net General Revenue collections by an estimated \$160.0 million annually. Oversight notes the proposed legislation may impact future net revenue collections and could impact future triggering of the rate reductions required under §143.011 - §143.022.

**Oversight** will reflect there could be a delay in the triggering of SB 509 in future fiscal years, because of the decrease in revenue in FY 2020. SB 509's calculation include the previous three fiscal years highest numbers. Should FY 2020 revenues be decreased it could change the impact for the next fiscal years by not triggering the SB 509 reductions and Oversight will reflect the possibility of that income in the future. Oversight notes that SB 509 impacts the tax year calculation that begins in January; therefore, Oversight will reflect six months of impact in FY 2021.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties, and school districts were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>GENERAL REVENUE</b>			
<u>Revenue Reduction (timing) - DOR §144.080.2 change in sales tax filing deadline - money not paid out until following month</u>	(\$45,700,000)	\$0	\$0
<u>Revenue (timing) - DOR §144.080.2 change in sales tax filing deadline - money not paid out until following month</u>	\$0	\$45,700,000	\$0
<u>Revenue - DOR §144.080.2 change in sales tax filing deadline - possibly resulting in income tax reduction to NOT happening for calendar year 2021</u>	\$0	\$0 or \$80,000,000	\$0 or \$160,000,000
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$45,700,000)</u></b>	<b><u>\$45,700,000 or \$125,700,000</u></b>	<b><u>\$0 or \$160,000,000</u></b>
 <b>SCHOOL DISTRICT TRUST FUND</b>			
<u>Revenue Reduction (timing) - DOR §144.080.2 change in sales tax filing deadline - money not paid out until following month</u>	(\$15,200,000)	\$0	\$0
<u>Revenue (timing) - DOR §144.080.2 change in sales tax filing deadline - money not paid out until following month</u>	<u>\$0</u>	<u>\$15,200,000</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND</b>	<b><u>(\$15,200,000)</u></b>	<b><u>\$15,200,000</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2020 (10 Mo.)	FY 2021	FY 2022
 <b>CONSERVATION COMMISSION FUND</b>			
<u>Revenue Reduction (timing)</u> - DOR §144.080.2 change in sales tax filing deadline - money not paid out until following month	(\$1,900,000)	\$0	\$0
<u>Revenue (timing)</u> - DOR §144.080.2 change in sales tax filing deadline - money not paid out until following month	<u>\$0</u>	<u>\$1,900,000</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUNDS</b>	<b><u>(\$1,900,000)</u></b>	<b><u>\$1,900,000</u></b>	<b><u>\$0</u></b>
 <b>PARK, SOIL &amp; WATER FUND</b>			
<u>Revenue Reduction (timing)</u> - DOR §144.080.2 change in sales tax filing deadline - money not paid out until following month	(\$1,500,000)	\$0	\$0
<u>Revenue (timing)</u> - DOR §144.080.2 change in sales tax filing deadline - money not paid out until following month	<u>\$0</u>	<u>\$1,500,000</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON PARK, SOIL &amp; WATER FUNDS</b>	<b><u>(\$1,500,000)</u></b>	<b><u>\$1,500,000</u></b>	<b><u>\$0</u></b>



<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>LOCAL POLITICAL SUBDIVISION FUNDS</b>			
<u>Revenue Reduction (timing) - DOR §144.080.2 change in sales tax filing deadline - money not paid out until following month</u>	(\$41,200,000)	\$0	\$0
<u>Revenue (timing) - DOR §144.080.2 change in sales tax filing deadline - money not paid out until following month</u>	<u>\$0</u>	<u>\$41,200,000</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS</b>	<b><u>(\$41,200,000)</u></b>	<b><u>\$41,200,000</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

This legislation will impact small businesses. This legislation will modify the due date for monthly filing qualifiers from the twentieth of the succeeding month to the last day of the month of the succeeding month.

FISCAL DESCRIPTION

Current law provides that any seller that collects at least \$250 for either the first or second month of a calendar quarter shall file a return and remit such amount by the twentieth day of the succeeding month. This act modifies the due date by changing it to the last day of the succeeding month.

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

Boone County  
City of Columbia  
City of Kansas City  
Department of Conservation  
Department of Natural Resources  
Department of Revenue  
Francis Howell School District  
Office of Administration Division of Budget and Planning  
Wellsville-Middleton R-I School District



Kyle Rieman  
Director  
February 1, 2019

Ross Strobe  
Assistant Director  
February 1, 2019