

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0956-06
Bill No.: SCS for SB 189
Subject: Taxation and Revenue - Sales and Use, Counties, Cities, Towns and Village, Political Subdivisions
Type: Original
Date: April 8, 2019

Bill Summary: This proposal modifies several provisions relating to use taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	Unknown to (Unknown) or \$40,592,735 to \$63,392,735	Unknown to (Unknown) or \$66,546,430 to \$102,846,430	Unknown to (Unknown) or \$71,029,814 to \$109,629,814
Total Estimated Net Effect on General Revenue	Unknown to (Unknown) or \$40,592,735 to \$63,392,735	Unknown to (Unknown) or \$66,546,430 to \$102,846,430	Unknown to (Unknown) or \$71,029,814 to \$109,629,814

*** Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect an unknown revenue estimates for the changes to the sales tax.**

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 19 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
School District Trust	Unknown to (Unknown) or \$14,400,000 to \$22,000,000	Unknown to (Unknown) or \$22,900,000 to \$35,000,000	Unknown to (Unknown) or \$24,400,000 to \$37,300,000
Conservation Commission	Unknown to (Unknown) or \$1,800,000 to \$2,800,000	Unknown to (Unknown) or \$2,900,000 to \$4,400,000	Unknown to (Unknown) or \$3,100,000 to \$4,700,000
Parks, Soil & Water	Unknown to (Unknown) or \$1,400,000 to \$2,200,000	Unknown to (Unknown) or \$2,300,000 to \$3,500,000	Unknown to (Unknown) or \$2,400,000 to \$3,700,000
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to (Unknown) or \$17,600,000 to \$27,000,000	Unknown to (Unknown) or \$28,100,000 to \$42,900,000	Unknown to (Unknown) or \$29,900,000 to \$45,700,000

* Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect an unknown revenue estimates for the changes to the sales tax.

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
General Revenue	33 FTE	33 FTE	33 FTE
Total Estimated Net Effect on FTE	33 FTE	33 FTE	33 FTE

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	Unknown to (Unknown) or \$22,400,000 to \$34,200,000	Unknown to (Unknown) or \$35,600,000 to \$54,400,000	Unknown to (Unknown) or \$37,900,000 to \$57,900,000

*** Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect an unknown revenue estimates for the changes to the sales tax.**

FISCAL ANALYSIS

ASSUMPTION

§32.310 DOR Mapping System

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this adds use tax information to the DOR mapping system. This section will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Oversight notes that HB 1858 of the 2018 session created the requirement for the DOR mapping system for sales tax. This proposal is clarifying that the map is also to include use tax. Oversight assumes this would not have any additional fiscal impact.

§144.605 Out-of-State Vendors

Officials at the **B&P** assume this proposal would require out-of-state vendors with at least \$100,000 of in-state sales to collect and remit state and local use tax, beginning October 1, 2019.

B&P and the Department of Revenue (**DOR**) worked together to estimate the potential revenue gains from the U.S. Supreme Court Wayfair decision, which overturned the Quill decision and held that states may charge a tax on purchases made from out-of-state sellers, even if the seller doesn't have a physical presence in the taxing state. In November 2017, the U.S. Government and Accountability Office (GAO) released state-by-state estimates for potential revenue gains if the 1992 Quill decision were overturned during the Wayfair case. In the report, the GAO estimated that Missouri could gain \$180 million to \$275 million in state and local sales taxes during 2017 from e-commerce sales tax revenue. B&P notes that there were three limitations to the study which B&P and DOR attempted to address by further refining the GAO estimates.

At the time of the study, the GAO did not remove the sales of digital downloads from the state and local estimates due to data limitations and different tax treatments across states. B&P notes that digital downloads are currently exempt from sales and use tax under Missouri law. B&P and DOR were able to find limited studies on the e-commerce market share for such sales. The studies indicated that digital downloads account for approximately 14.1% of all e-commerce sales. B&P and DOR then reduced the original GAO estimates by that 14.1%.

The GAO provided a point-in-time estimate for potential state and local revenue gains during 2017. This estimate, though, does not account for anticipated growth in e-commerce sales. To address this, B&P and DOR adjusted the GAO estimate to incorporate e-commerce sales growth for tangible personal property from 2018 through 2022. Only growth for e-commerce sales of tangible personal property were used, rather than growth in the full e-commerce market, in order

ASSUMPTION (continued)

to accurately reflect growth in the online sales and use tax base. B&P notes that using growth in the full e-commerce market would overestimate the sales and use tax base as services and digital download products are not currently taxable in Missouri.

At the time of the study, the GAO did not incorporate potential in-state sales or in-state transaction requirements that would limit the companies required to comply with e-commerce sales tax collections. Using data published by the U.S. Census Bureau and industry reports, B&P and DOR were able to estimate the percent of sales that would remain taxable if Missouri instituted an in-state sales threshold of \$100,000. If Missouri were to enact a \$100,000 in-state sales threshold, B&P and DOR estimate that approximately 86.7% of all e-commerce sales would remain taxable. B&P and DOR used this estimate to further adjust the GAO provided revenue estimate.

B&P and DOR were unable to estimate the impact from a potential in-state transaction requirement. B&P notes that the majority of states are currently enacting e-commerce sales tax requirements of \$100,000 in in-state sales or 200 in-state transactions.

B&P and DOR estimate that in calendar year 2020 Missouri could gain up to \$93.3 million to \$142.5 million in total state revenues, of which \$66.2 million to \$101.2 million would be General Revenue. By calendar year 2022, B&P and DOR estimate that total state revenues could be increased by \$106.0 million to \$161.9 million, of which \$75.2 million to \$114.9 million would be General Revenue. Table 1 shows the estimated impact by calendar year.

ASSUMPTION (continued)

Table 1: Collections by **Calendar** Year (figures in millions)

Revenue Estimates	FY 2020		FY 2021		FY 2022	
	Low	High	Low	High	Low	High
GAO Adjusted for Digital, Growth & Threshold	\$184.0	\$281.1	\$197.7	\$302.0	\$209.0	\$319.3
General Revenue (use tax rate 4.225%)	\$66.2	\$101.2	\$71.2	\$108.7	\$75.2	\$114.9
Education	\$22.1	\$33.7	\$23.7	\$36.2	\$25.1	\$38.3
Conservation	\$2.8	\$4.2	\$3.0	\$4.5	\$3.1	\$4.8
Parks, Soil & Water	\$2.2	\$3.4	\$2.4	\$3.6	\$2.5	\$3.8
Total State Revenue	\$93.3	\$142.5	\$100.2	\$153.1	\$106.0	\$161.9
Local (pop weighted use tax rate 1.385%)	\$34.3	\$52.4	\$36.8	\$56.3	\$38.9	\$59.5

B&P notes that these estimates reflect the full potential revenue and do not include adjustments for implementation timing or business compliance. Therefore, the actual revenue collected in earlier years may be significantly lower than the estimated amount.

Section 144.752 defines market place facilitators and states that a facilitator counts as one seller. Starting January 1, 2020 market place facilitators that reach the sales thresholds outlined under Section 144.605(2)(g) must register with DOR and begin remitting sales tax on behalf of individual marketplace sellers. B&P notes that this provision would apply to retailers such as Amazon's market place, ETSY, EBAY, etc. This section further clarifies that third party payment processors are not considered marketplace facilitators.

B&P and DOR estimate that in fiscal year 2020 Missouri could gain up to \$60.9 million to \$93.0 million in total state revenues, of which \$43.2 million to \$66 million would be General Revenue. By fiscal year 2022, B&P and DOR estimate that total state revenues could be increased by \$103.1 million to \$157.5 million, of which \$73.2 million to \$111.8 million would be General Revenue. Table 2 shows the estimated impact by fiscal year.

ASSUMPTION (continued)

Table 2: Collections by **Fiscal Year** (figures in millions)

Revenue Estimates	FY 2020		FY 2021		FY 2022	
	Low	High	Low	High	Low	High
GAO Adjusted for Digital, Growth & Threshold	\$120.0	\$183.4	\$190.9	\$291.6	\$203.4	\$310.7
General Revenue (use tax rate 4.225%)	\$43.2	\$66.0	\$68.7	\$105.0	\$73.2	\$111.8
Education	\$14.4	\$22.0	\$22.9	\$35.0	\$24.4	\$37.3
Conservation	\$1.8	\$2.8	\$2.9	\$4.4	\$3.1	\$4.7
Parks, Soil & Water	\$1.4	\$2.2	\$2.3	\$3.5	\$2.4	\$3.7
Total State Revenue	\$60.9	\$93.0	\$96.8	\$147.8	\$103.1	\$157.5
Local (pop weighted use tax rate 1.385%)	\$22.4	\$34.2	\$35.6	\$54.4	\$37.9	\$57.9

Oversight notes that B&P uses a 42% in first fiscal year and 58% split in the second year to convert the income tax numbers from tax year to fiscal year.

Officials at the **DOR** assume in addition to the joint research with B&P noted in their response, the Department reviewed confidential internal data related to remote sales and use tax collections. While the Department does not believe enough internal data exists to support a definitive conclusion, the data we were able to analyze supported a revenue estimate in the range referenced in our joint research with B&P.

The Department notes that the collectability of sales taxes on remote sellers is an unknown, particularly for sellers outside the United States. The revenue estimates supported by research may be reduced by an unknown amount due to collectability.

If we estimate that any online seller attributes 1.6% of its sales to Missouri purchasers, the online seller would need to have total sales of approximately \$6 million to generate more than \$100,000 in annual Missouri sales (\$6 million total sales*1.6% MO GDP=\$96,000 Missouri sales) . According to PipeCandy.com, there are approximately 9,151 total online sellers that generate more than \$5 million annually in online sales.

ASSUMPTION (continued)

The Department would notify an estimated 200,000 sellers of their potential reporting requirements, estimated postage and printing costs for notifications to online sellers may be up to an estimated \$100,000.

The Sales Tax Section estimates it will need 3 Revenue Processing Technicians I (\$24,360) to process the additional returns, 1 Revenue Processing Technician I (\$24,360) to answer additional correspondence and 2 Revenue Processing Technicians I (\$24,360) to process the additional registration applications and perform location maintenance.

The FCB Audit Section will need to increase our number of auditors, especially those in out-of-state offices, in order to address the potential of a greater non-compliant tax base. The Department would need to add 25 Auditors. The Department believes the 25 total auditors could increase over a period of time, as the Department generally performs three-year audits, and there will be limited records to audit in the first several years following implementation of this proposed bill. DOR also estimates it will need 2 additional Auditors in the Training Section, to perform discovery work needed to identify potential audit leads from non-registered businesses.

The Department anticipates changes to the Integrated Tax System. The technical work to create the data and extracts (database copies) and to get this information as needed onto the website and the like will create 1,546 hours of work at \$155 an hour for a total of \$239,630.

Oversight will show the need for the DOR FTE, mailing costs and computer programming in the fiscal note. Oversight notes the Integrated Tax System is under a current contract with DOR and the rate above is for changes made to the system.

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 increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials at the **Department of Natural Resources** assume the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Any increase in sales tax collected could increase revenue to the Parks and Soils Sales Tax Funds. The Department assumes any increase in

ASSUMPTION (continued)

revenue to the Parks and Soils Sales Tax fund would be used for the purposes established in Article IV Section 47(a) of the Missouri Constitution.

The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that Article IV, Section 47 of the Missouri Constitution, allows revenue received from an additional sales tax of one-tenth (1/10) of percent (1%) to be used for the conservation and management of the soil and water resources of Missouri and for the proper management of the state parks. The Parks Sales Tax Fund (0613) and the Soil and Water Sales Tax Fund (0614) each are to receive 50% of this additional sales tax funding.

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

Officials at the **City of St. Louis** assume the proposed legislation contains provisions that would codify most on-line sales as subject to sales and use tax laws of the state. It further provides for the use tax as the mechanism for collecting the equivalent sales taxes on sales originating outside of the state. It is difficult to estimate the potential revenue that is currently not being collected from on-line sales. However, a range of potential revenue can be estimated by comparing the percentage of actual sales and use tax distributions to the City of St. Louis per statewide distributions reports of the Mo. Dept. of Revenue with statewide estimates of potential on-line sales revenue per a 2017 GAO report. (Note as the Mo. Dept. of Revenue distribution report is from 2017, additional adjustments to the City use tax rate is necessary for two new sales taxes that went into effect in 2018.) As indicated from the calculations the potential increase in use tax revenues ranges between \$6.9 million to \$10.6 million.

Officials at the **City of Kansas City** assume this will have a positive fiscal impact on the City of Kansas City, Missouri. Requiring vendors with gross receipts over \$100,000 to remit use tax would have a positive fiscal impact on the City of Kansas City, as more transactions would be subject to use tax. We are unable to estimate the gain in use tax revenues.

In response to the previous version, officials at the **City of Columbia** assumed they lose \$466,000 in revenue from untaxed, online purchases (1% of sales tax revenue) annually. If approved this would allow them to collect it.

Officials at **Laclede County** assume this would result in \$250,000 to \$500,000 in additional taxes annually.

ASSUMPTION (continued)

Officials at the **Wellsville-Middletown R-1 School District** assume no negative impact on the district.

In response to the previous version, officials at the **City of Springfield** assumed a positive impact of greater than \$100,000.

In response to the previous version, officials at the **Springfield Public Schools** assumed no fiscal impact.

In response to the previous version, officials at the **Monroe County Assessor Office** assumed there is no fiscal impact from this proposal.

In response to the previous version, officials at the **Francis Howell School District** assumed they do not levy any sales tax and cannot calculate the impact.

In response to the previous version, officials at the **St. Francois County Assessor** assumed they cannot calculate.

Oversight will show in the fiscal note the estimates provided by B&P.

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 notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR.

ASSUMPTION (continued)

Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect B&P's and DOR's revenue estimates.

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.

§144.637 Local Sales Tax Rate

Officials at the **B&P** assume this requires DOR to create, maintain, and provide a database that assigns each nine-digit and five-digit zip code with the lowest combined local tax rate for that zip code. Vendors are required to use the database in determining the amount of use tax to collect and remit.

DOR may provide an address level database with the corresponding tax rate for each address. If such a database is created, vendors must use the address level database in lieu of the zip code database when determining the amount of use tax to collect and remit. Once DOR has created a zip code level database, they may also certify address-based databases provided by third party vendors. Vendors may then choose whether to use the DOR provided zip code database or the third party certified address-based database.

Any and all databases created, maintained, or certified by DOR must be provided at no cost to vendors for their use in collecting and remitting use taxes.

This section will not impact Total State Revenue or the calculation under Article X, Section 18(e). B&P defers to DOR for the estimated cost to the agency from this section.

Officials at the **DOR** assume this states that the Director of Revenue shall provide and maintain a database that describes boundary changes for all taxing jurisdictions and the effective dates of such changes for the use of vendors collecting the tax imposed under §144.600 to §144.745.

This proposed section states that for the identification of counties and cities, codes corresponding to the rates shall be provided according to Federal Information Processing Standards. For the identification of all other jurisdictions, codes corresponding to the rates shall be in a format determined by the director.

ASSUMPTION (continued)

This proposed section states that the director shall provide and maintain a database that assigns each five- and nine-digit zip code to the proper rates and taxing jurisdictions. The lowest combined tax rate imposed in the zip code area shall apply if the area includes more than one tax rate in any level of taxing jurisdiction. If a nine-digit zip code designation is not available for a street address, or if a vendor is unable to determine the nine-digit zip code designation applicable to a purchase after exercising due diligence to determine the designation, the vendor may apply the rate for the five-digit zip code area. There shall be a rebuttable presumption that a vendor has exercised due diligence if the vendor has attempted to determine the nine-digit zip code designation by utilizing software approved by the director that make this designation from the street address and the five-digit zip code applicable to a purchase.

This proposed section states that the director may provide address-based boundary database records for assigning taxing jurisdictions and associated rates which shall be in addition to the requirements of subsection 3 of this section. The database records shall be in the same approved format as the database records required under subsection 3 of this section. If the director develops address-based assignment database records, vendors shall be required to use such database. A vendor shall use such database records in place of the five- and nine- digit zip code database records provided for in subsection 3 of this section. If a vendor is unable to determine the applicable rate and jurisdiction using an address' based database record after exercising due diligence, the vendor may apply the nine - digit zip code designation applicable to a purchase. If the director has met the requirements of subsection 3 of this section, the director may also elect to certify address-based databases provided by third parties for assigning tax rates and jurisdictions.

This proposed section states that the electronic databases provided for in subsections 1, 2, 3, and 4 of this section shall be in downloadable format as determined by the director. The databases shall be provided at no cost to the user of the database, and no vendor shall be liable for reliance upon erroneous data provided by the director on tax rates, boundaries, or taxing jurisdiction assignments.

The Department anticipates that this proposed section would require a totally new program that would require the Department to contract with a certified service provider. The Department believes the fiscal impact for this would be significantly greater than \$1 million. The Department has reached out to multiple CSP providers, though we have yet to get any definitive fiscal response. The Department will continue to research and update when needed.

ASSUMPTION (continued)

Oversight will show DOR's estimate of the computer costs in the fiscal note. Oversight notes that the database will need updating annually and will show the updates as Could exceed \$100,000 annually.

§144.757 Local Sales Tax Ballot Language

Officials at the **B&P** assume this would alter the ballot language for certain local sales and use taxes which must be voter approved. The language removes the \$2,000 minimum threshold required before a purchaser must file a use tax return. B&P notes that currently Missouri residents are not required to file a use tax return until total purchases within a calendar year reaches \$2,000. However, once that minimum threshold has been reached, taxpayers are already required to pay use tax on the full amount of purchases, not just the amount over \$2,000. While use tax is legally due on all out-of-state purchases, B&P notes that it is not cost effective to audit taxpayers whose online purchases are lower than \$2,000. Therefore, B&P estimates that this section will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Oversight notes this proposal changes the language that appears on the ballot when voting on local sales and use tax issues. The ballot language would not have a fiscal impact.

Summary

Officials at the **B&P** assume table 3 shows the summary of impacts from this proposal.

Table 3: Summary Collections by Fiscal Year (figures in millions)

Revenue Estimates	FY 2020		FY 2021		FY 2022	
	Low	High	Low	High	Low	High
GAO Adjusted for Digital, Growth & Threshold	\$120.0	\$183.4	\$190.9	\$291.6	\$203.4	\$310.7
General Revenue (use tax rate 4.225%)	\$43.2	\$66.0	\$68.7	\$105.0	\$73.2	\$111.8
Education	\$14.4	\$22.0	\$22.9	\$35.0	\$24.4	\$37.3
Conservation	\$1.8	\$2.8	\$2.9	\$4.4	\$3.1	\$4.7
Parks, Soil & Water	\$1.4	\$2.2	\$2.3	\$3.5	\$2.4	\$3.7
Total State Revenue	\$60.9	\$93.0	\$96.8	\$147.8	\$103.1	\$157.5
Local (pop weighted use tax rate 1.385%)	\$22.4	\$34.2	\$35.6	\$54.4	\$37.9	\$57.9

<u>FISCAL IMPACT - State Government</u>	FY 2020 (6 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Revenue</u> - DOR §144.605 Out-of-State tax collection	\$43,200,000 to \$66,000,000	\$68,700,000 to \$105,000,000	\$73,200,000 to \$111,800,000
<u>Cost</u> - DOR §144.605 - 6 RPT & 27- Auditors			
Personal Service	(\$615,130)	(\$1,242,563)	(\$1,254,988)
Fringe Benefits	(\$395,528)	(\$794,805)	(\$798,591)
Equip & Exp	<u>(\$256,977)</u>	<u>(\$16,202)</u>	<u>(\$16,607)</u>
<u>Total Cost</u> -	(\$1,267,635)	(\$2,053,570)	(\$2,070,186)
FTE Change	33 FTE	33 FTE	33 FTE
<u>Cost</u> - DOR §144.605 mailing	(\$100,000)	\$0	\$0
<u>Cost</u> - DOR §144.605 computer programming updates	(\$239,630)	\$0	\$0
<u>Cost</u> - DOR §144.637 tax rate database	(Significantly Greater than <u>\$1,000,000</u>)	(Could exceed <u>\$100,000</u>)	(Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$40,592,735 to <u>\$63,392,735</u>	\$66,546,430 to <u>\$102,846,430</u>	\$71,029,814 to <u>\$109,629,814</u>
Estimated Net FTE Change on General Revenue	33 FTE	33 FTE	33 FTE

*** Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect an unknown revenue estimates for the changes to the sales tax.**

FISCAL IMPACT - State Government
(continued)

FY 2020
 (6 Mo.)

FY 2021

FY 2022

SCHOOL DISTRICT TRUST FUND

Revenue - §144.605 Out-of-State tax collection \$14,400,000 to \$22,000,000 \$22,900,000 to \$35,000,000 \$24,400,000 to \$37,300,000

ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND \$14,400,000 to \$22,000,000 \$22,900,000 to \$35,000,000 \$24,400,000 to \$37,300,000

CONSERVATION COMMISSION FUND

Revenue - §144.605 Out-of-State tax collection \$1,800,000 to \$2,800,000 \$2,900,000 to \$4,400,000 \$3,100,000 to \$4,700,000

ESTIMATED NET EFFECT ON CONSERVATION COMMISSION \$1,800,000 to \$2,800,000 \$2,900,000 to \$4,400,000 \$3,100,000 to \$4,700,000

PARKS, SOIL & WATER FUND

Revenue - §144.605 Out-of-State tax collection \$1,400,000 to \$2,200,000 \$2,300,000 to \$3,500,000 \$2,400,000 to \$3,700,000

ESTIMATED NET EFFECT ON THE PARKS, SOIL & WATER FUND \$1,400,000 to \$2,200,000 \$2,300,000 to \$3,500,000 \$2,400,000 to \$3,700,000

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<u>FISCAL IMPACT - Local Government</u>	FY 2020 (6 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - §144.605 Out-of-State tax collection	\$22,400,000 to <u>\$34,200,000</u>	\$35,600,000 to <u>\$54,400,000</u>	\$37,900,000 to <u>\$57,900,000</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	\$22,400,000 to <u>\$34,200,000</u>	\$35,600,000 to <u>\$54,400,000</u>	\$37,900,000 to <u>\$57,900,000</u>

*** Oversight assumes a positive unknown to negative unknown for revenue estimates until we are able to estimate revenue or verify the data and models provided. Oversight will also reflect an unknown revenue estimates for the changes to the sales tax.**

FISCAL IMPACT - Small Business

Small businesses out of state may now have to collect state and local use tax.

FISCAL DESCRIPTION

This act modifies several provisions relating to use taxes.

USE TAX MAPPING - Current law requires the Department of Revenue to create and maintain a mapping feature on its website that displays various sales tax information. This act requires such mapping feature to include use tax information. (§32.310)

ECONOMIC NEXUS - Beginning October 1, 2019, this act provides that a vendor shall be considered to be engaging in business activities in this state if such vendor had cumulative gross receipts of at least \$100,000 from the sale of tangible personal property for the purpose of storage, use, or consumption in this state in the previous twelve-month period, as described in the act. Vendors meeting such criteria shall be required to collect and remit the use tax as provided under current law. (§144.605)

TAXING JURISDICTION DATABASE - This act requires the Director of Revenue to provide and maintain a downloadable electronic database at no cost to the user of the database for taxing jurisdiction boundary changes and tax rates. Such databases may be directly provided by the Director, or may be provided by a third party as designated by the Director.

FISCAL DESCRIPTION (continued)

Vendors shall not be liable for reliance upon erroneous data provided by the Director on tax rates, boundaries, or taxing jurisdiction assignments. (§144.637)

LOCAL USE TAX BALLOT LANGUAGE - This act modifies ballot language required for the submission of a local use tax to voters by including language stating that the approval of the local use tax will eliminate the disparity in tax rates collected by local and out-of-state sellers by imposing the same rate on all sellers. (§144.757)

MARKETPLACE FACILITATORS - By January 1, 2020, marketplace facilitators, as defined in the act, that meet the use tax economic nexus threshold established in the act shall register with the Department to collect and remit use tax on sales made into the state through the marketplace facilitator's marketplace by or on behalf of a marketplace seller, as defined in the act. Such retail sales shall include those made directly by the marketplace facilitator as well as those made by marketplace sellers through the marketplace facilitator's marketplace.

Marketplace facilitators properly collecting and remitting use tax in a timely manner shall be eligible for any discount provided for under current law.

Marketplace facilitators shall provide purchasers with a statement or invoice showing that the use tax was collected and shall be remitted on the purchaser's behalf. (§144.752)

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 Kansas City
City of Springfield
City of Columbia
Department of Conservation
Department of Natural Resources
Department of Revenue
Francis Howell School District
Laclede County
Missouri Department of Transportation
Monroe County Assessor
Office of Administration Division of Budget and Planning
Springfield Public Schools
St. Francois County Assessor
St. Louis City
Wellsville-Middletown R-1 School District



Kyle Rieman
Director
April 8, 2019

Ross Strobe
Assistant Director
April 8, 2019