

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1185-01
Bill No.: SB 315
Subject: Cities, Towns and Villages; Fees; Licenses, Miscellaneous; Political Subdivisions; Professional Registration and Licensing
Type: Original
Date: February 22, 2019

Bill Summary: This proposal prohibits political subdivisions from imposing any new occupational fees or licensing requirements on any profession if none have been imposed before August 28, 2019.

FISCAL SUMMARY

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

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 5 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	(Unknown, could exceed \$107,800,000)	(Unknown, could exceed \$129,360,000)	(Unknown, could exceed \$129,360,000)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **City of Kansas City (CKC)** assume this proposal would have a massive negative fiscal loss in business license revenue annually. Since at least 1875, the CKC has been authorized for city and local purposes to license, tax, and regulate the occupations of merchants, manufacturers, and all businesses, avocations, pursuits, and callings going on in the City. For over 100 years, the City has exercised this power because the Missouri General Assembly has affirmatively provided that its municipalities should have such authority.

Because the bill defines the term "Occupational fee" as "a fee or tax on professionals or businesses that is charged for the privilege of providing goods or services within a certain jurisdiction" the proposed legislation endangers the City's ability to collect its gross receipts tax, commonly referred to as the business license tax (which includes the City's utility tax and arena tax). The business license tax is an important general fund revenue source; curtailing or eliminating this revenue would cause considerable negative consequences to the delivery and quality of City services, including those provided by Kansas City Police Department. The ability to impose a meaningful gross receipts tax also helps ensure a diverse tax portfolio. That diversity is critical to ensure that local revenue streams do not overburden one class of taxpayer to the benefit of another.

For the CKC, currently business license tax collections amount to approximately \$125 to \$130 million in revenue annually and help pay critical municipal needs including public safety. If this bill were to become law and if the City can only collect \$25.00 per business license issued (in lieu of its sliding scale business license tax) it would result in projected annual revenue of approximately \$640,000; a virtual elimination of this critical revenue stream. As such, this bill would have a catastrophic impact on the CKC.

Oversight is not able to verify CKC's estimate of lost license fee revenue. Oversight assumes other cities would also be impacted by this proposal. Therefore, Oversight will range the fiscal note as an unknown negative that could exceed CKC's number (\$130,000,000 - \$640,000).

Officials at the **Department of Insurance, Financial Institutions and Professional Registration** assume no fiscal impact from this proposal.

Oversight notes that the Department of Insurance, Financial Institutions and Professional Registration has stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note.

ASSUMPTION (continued)

Officials at **Johnson County** and the **Monroe County Assessor** each assume no fiscal impact to their respective entities from this proposal.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities and counties 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.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2020 (10 Mo.)	 FY 2021	 FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenues</u> - loss on fees collected for business licenses	(Unknown, could exceed <u>\$107,800,000</u>)	(Unknown, could exceed <u>\$129,360,000</u>)	(Unknown, could exceed <u>\$129,360,000</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(Unknown, could exceed <u>\$107,800,000</u>)	(Unknown, could exceed <u>\$129,360,000</u>)	(Unknown, could exceed <u>\$129,360,000</u>)

FISCAL IMPACT - Small Business

Small businesses could pay less for business licenses as a result of this proposal.

FISCAL DESCRIPTION

Under this act, beginning on August 28, 2019, no political subdivision of this state shall impose any occupational fees or licensing requirements on any profession if the political subdivision does not already impose occupational fees or licensing requirements on that profession. The political subdivision may continue to regulate any profession or occupation that is subject to occupational fees or licensing requirements so long as the fees do not exceed \$25 per year. If a profession is already subject to occupational fees that exceed \$25 per year, the existing fees do

FISCAL DESCRIPTION (continued)

not apply and the licensing authority shall immediately reduce the fees to \$25.
A political subdivision shall not impose any additional regulations on professions subject to licensing requirements by a state licensing authority.

Beginning on August 28, 2019, if a state licensing authority imposes any new licensing requirements on any profession that was previously unregulated by the state, and if the political subdivision regulates the profession when the state regulations take effect, the political subdivision may not continue to require occupational fees or licensing requirements for the profession on or after the date when the state regulations take effect.

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
Department of Insurance, Financial Institutions and Professional Registration
Johnson County
Monroe County Assessor



Kyle Rieman
Director
February 22, 2019

Ross Strobe
Assistant Director
February 22, 2019