

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2244-03
Bill No.: SB 513
Subject: Taxation and Revenue - Sales and Use; Cities, Towns and Villages; Political Subdivisions
Type: Original
Date: March 25, 2019

Bill Summary: This proposal modifies provisions relating to tourism taxes in certain municipalities.

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	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume that §67.662 broadens the entities subject to transient guest taxes. While the existing transient guest taxes have been voter approved, the broadening of their application could generate additional revenue that impacts local 18(e).

Currently, out-of-state ticket vendors who purchase tickets from a venue in Missouri pay sales and tourism taxes on the purchase of the tickets. The company does not collect or remit sales or tourism taxes on the ticket sales they then make to final consumers. This proposal (§94.802) would require out-of-state ticket vendors to pay the local tourism tax on the tickets they purchase and collect and remit the tourism tax on the final sales price to consumers. B&P notes that under the language, a portion of the ticket price could be subject to double taxation. However, impacted out-of-state ticket vendors could register with DOR and apply for a resale license. If such vendors obtain a resale license, they would no longer be obligated to pay sales or tourism taxes on the tickets they purchase from venues. Instead, the vendors would only have to collect and remit the tourism tax for the final sales they make to consumers. Therefore, B&P estimates that this may have a positive impact to local tourism tax collections, if impacted ticket vendors are able to obtain resale licenses.

However, this proposal does not require the collection of local or state sales taxes. If vendors obtain a state resale license, they would no longer be obligated to pay state or local sales taxes on their purchase of tickets from in-state venues. If such vendors choose to then collect state and local sales on their sales of tickets, state and local sales taxes may increase. Otherwise, this proposal may have a negative impact to state and local sales tax collections.

This proposal may increase Total State Revenue, B&P notes, however, that the Total State Revenue impact from §94.802 is only due to a clarification to the base pursuant to the United States Supreme Court ruling in *Wayfair vs. South Dakota* (2018).

This proposal will not impact the calculation under Article X, Section 18(e) as this would not technically be a new tax. Much of the revenue from online retail sales should already be due under the existing use tax law.

Oversight will utilize B&P's assumption that this proposal broadens the entities subject to the local tax, and reflect a potential additional income to political subdivisions.

ASSUMPTION (continued)

Officials at the **Department of Revenue** and **City of Kansas City** each assume there is no fiscal impact 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
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LOCAL POLITICAL SUBDIVISIONS

<u>Revenue - Locals</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
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**ESTIMATED NET EFFECT ON
LOCAL POLITICAL SUBDIVISIONS \$0 or Unknown \$0 or Unknown \$0 or Unknown**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

Current law authorizes certain municipalities to impose a 4% tax on the price paid or charged for any admission ticket to or participation in any private tourist attraction in such municipality. This act provides that the sale of an admission ticket shall be deemed to have taken place within the municipality and shall be subject to tax regardless of the location at which or the vendor from whom the ticket is actually purchased, provided that the private tourist attraction for which the admission ticket is sold is physically located within the municipality. (Section 94.802)

FISCAL DESCRIPTION (continued)

This act also provides that a provision in current law limiting the applicability of hotel, occupancy, and other taxes related to transient accommodations shall only apply to hotel, occupancy, and transient guest taxes, and not to other tourism related taxes. (Section 67.662)

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 Revenue
Office of Administration Division of Budget and Planning



Kyle Rieman
Director
March 25, 2019

Ross Strobe
Assistant Director
March 25, 2019