

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3210-01
Bill No.: SB 741
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: March 2, 2020

Bill Summary: This proposal modifies the filing periods for the remittance of sales taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
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 2021	FY 2022	FY 2023
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal will have a minimal cash flow and Total State Revenues (TSR) impact in Fiscal Year 2021 and Fiscal Year 2022. This proposal will not impact TSR beyond these two fiscal years.

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

This proposal would change the filing thresholds for sales tax. The following table shows the current Missouri Department of Revenue (DOR) regulation versus this proposal.

Filing Frequency	Current Regulation	Proposal
Monthly	Collections \geq \$500 per month	Collections $>$ \$500 per month
Quarterly	Collections $<$ \$500 per month	Collections $<$ \$500 per month
	Collections \geq \$100 in a quarter	Collections \geq \$200 in a quarter
Annual	Collections $<$ \$100 in a quarter	Collections $<$ \$200 in a quarter

This proposal would allow filers who collect between \$100 and \$200 in a calendar quarter to file on an annual basis rather than the quarterly basis that is currently required by DOR regulation.

B&P is unable to determine how many sales tax filers would be impacted by this proposal; however, B&P notes that quarterly sales tax collections are approximately 14% of total sales tax collections. However, B&P is unable to determine, of that 14%, how many businesses have collections between \$100 and \$200 in a quarter.

Therefore, B&P estimates that this proposal will have a minimal negative impact on TSR, General Revenue (GR), the School District Trust Fund (0688), the Conservation Commission Fund (0609), the Parks and Soils State Sales Tax Fund(s) [0613 & 0614], and local funds in Fiscal Year 2021. This proposal will then have a minimal positive impact on TSR, GR, School District Trust Fund, the Conservation Commission Fund, the Parks and Soils State Sales Tax Fund(s), and local funds in Fiscal Year 2022. This proposal will have no TSR or cash flow impact on any funds after Fiscal Year 2022.

ASSUMPTION (continued)

Oversight notes B&P assumes this proposed legislation will have a minimal negative fiscal impact in Fiscal Year 2021 and a minimal positive fiscal impact in Fiscal Year 2022. Oversight notes the fiscal impacts are a result of the change in when the State will recognize the sales tax revenues from sales tax remittances from entities that have quarterly collections of \$100 to \$200.

Officials from the **Missouri Department of Revenue (DOR)** state this proposed section changes the monthly filing threshold of sales tax levied and imposed upon a seller from \$250 for either the first or second month of a calendar quarter, to \$500 per calendar month during the previous calendar year.

Currently, Section 144.080 states that if the tax levied is in excess \$250 dollars for the first or second month of a calendar quarter, the seller shall file and remit the aggregate amount to DOR no later than the twentieth day of the succeeding month. Section 144.080 also states that DOR may promulgate rules or regulations changing the filing and paying requirements of sellers, but shall not require any seller to file and pay more frequently than required in this section. DOR promulgated a rule (12 CSR 10-104.030) which changed the threshold of tax collections for monthly filers to \$500 per calendar month.

12 CSR 10-104.030 states that if state tax collections are less than \$500 per calendar month but equal or exceed \$100 in a calendar quarter, the taxpayer must file and remit taxes on a quarterly basis. This section increases the aggregate amount from \$100 to \$200 in a calendar quarter during the previous calendar year.

12 CSR 10-104.030 states that if state tax collections are less than \$100 per calendar quarter, the taxpayer must file and remit taxes on an annual basis. This section increases the aggregate amount from \$100 to \$200 per calendar quarter during the previous calendar year.

The proposed legislation appears to increase the number of annual filers. This will reduce the number of quarterly filers and may have an impact on cash flow during the first two years of implementation (Fiscal Year 2021 and Fiscal Year 2022). DOR assumes the impact will be minimal, since the amount of filers affected would be very low and those affected would be collecting and remitting less than \$200 per calendar quarter.

Officials from the **University of Missouri's Economic & Policy Analysis Research Center (EPARC)** state "current law provides statutory sales tax collection thresholds to determine the frequency at which sellers shall file and remit sales tax collected, with such periods being quarter-monthly, monthly, quarterly and annually. Current law also allows DOR to increase, but not decrease, such thresholds through rule." If enacted, this proposed legislation would modify

ASSUMPTION (continued)

“the statutory thresholds for the monthly quarterly and annual filing periods. For monthly filing, the threshold is changed from at least \$250 in the first and second month of a calendar quarter to at least \$500 per calendar month for the prior year. For quarterly filing, the threshold is changed from at least \$45 in a calendar quarter, but not subject to monthly filing to less than \$500 per calendar month, but at least \$200 in a calendar quarter. For annual filing, the threshold is changed from less than \$45 per calendar quarter to less than \$200 per calendar quarter.”

EPARC does not possess information that would indicate the number of filers collecting and remitting sales taxes on differing levels. Therefore, EPARC is unable to estimate the impact of this proposed legislation.

Officials from the **Missouri Department of Conservation (MDC)** 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.

Oversight notes MDC’s Conservation Commission Fund (0609) receives one-eighth of one percent of the revenues generated from sales and use tax. Oversight will report the impact to the Conservation Commission Fund as reported by B&P.

Officials from the **Missouri Department of Natural Resources (DNR)** state DNR’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. DNR assumes any increase in revenue to the Parks and Soils Sales Tax Funds would be used for the purposes established in Article IV Section 47(a) of the Missouri Constitution.

The impact to DNR’S Parks and Soils Sales Tax Funds is unknown at this time due to the dollar amount changes associated with the filers in each aggregate amount levied and imposed and the associated filing deadlines. DNR assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes DNR’s Parks and Soils State Sales Tax Funds (0613 & 0614) receives one-tenth of one percent of the revenues generated from sales and use tax. Oversight will report the impact to the Parks and Soils State Sales Tax Fund(s) as reported by B&P.

Oversight notes this proposed legislation changes the frequency in which some entities would file and remit sales tax to DOR.

ASSUMPTION (continued)

Oversight notes this proposed legislation does not change the aggregate amount of sales tax remitted to the State. Rather, this proposed legislation changes when businesses will remit the sales tax. While this could impact when the money is received (timing difference/cash flow), it will not impact how much is received. Therefore, for purposes of this fiscal note, Oversight will not show a material direct fiscal impact as a result of this proposed legislation.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could impact any small business currently remitting sales tax on a quarterly basis that would, under this proposed legislation, begin remitting sales tax on an annual basis.

FISCAL DESCRIPTION

Current law provides statutory sales tax collection thresholds to determine the frequency at which sellers shall file and remit sales taxes collected, with such periods being quarter-monthly, monthly, quarterly, and annually. Current law also allows the Department of Revenue to increase, but not decrease, such thresholds through rule. This act modifies the statutory thresholds for the monthly, quarterly, and annual filing periods.

For monthly filing, the threshold is changed from at least \$250 in the first or second month of a calendar quarter to at least \$500 per calendar month for the prior year.

For quarterly filing, the threshold is changed from at least \$45 in a calendar quarter, but not subject to monthly filing to less than \$500 per calendar month, but at least \$200 in a calendar quarter.

For annual filing, the threshold is changed from less than \$45 per calendar quarter to less than \$200 per calendar quarter.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

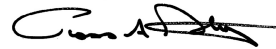
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SOURCES OF INFORMATION

Office of Administration - Budget & Planning Division
Missouri Department of Revenue
Missouri Department of Conservation
Missouri Department of Natural Resources



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