

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3346-01
Bill No.: SB 652
Subject: Taxation and Revenue - Sales and Use; Counties; Cities, Towns and Villages
Type: Original
Date: February 17, 2020

Bill Summary: This proposal modifies language to be placed on a ballot for the approval of a local use tax.

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 5 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

Section 144.757 - Sales and Use Tax Ballot Language

Officials from **Office of Administration's Division of Budget & Planning (B&P)** state this section 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 TSR or the calculation under Article X, Section 18(e).

Officials at the **Department of Conservation** assume a positive unknown fiscal impact that is 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 (DNR)** assume the 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. The Department 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 DNR 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 Revenue** and the **Missouri Department of Transportation** each assume no fiscal impact to their respective agencies from this proposal.

Officials at the **City of Kansas City** and the **City of Springfield** each assume no fiscal impact to their respective entities from this proposal.

ASSUMPTION (continued)

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other cities, counties and local school districts were requested to respond to this proposed legislation, but did not. A general listing of political subdivisions included in our database is available upon request.

Oversight assumes this proposal modifies the ballot language for sales and use tax issues. Therefore, Oversight assumes no fiscal impact from this proposal.

| | | | |
|---|---------------------|------------|------------|
| <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

Small Businesses could be impacted depending on the results affected by any new ballot language from this proposal. The collection of use tax from out-of-state sellers could even the playing field for local in-state small businesses. Out-of-state businesses could be required to collect and remit the tax to the Missouri Department of Revenue, which could increase their administrative costs and decrease their net revenues.

FISCAL DESCRIPTION

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.

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

Office of Administration
Division of Budget & Planning
Department of Conservation
Department of Natural Resources
Department of Revenue
Missouri Department of Transportation
City of Kansas City
City of Springfield



Julie Morff
Director
February 17, 2020



Ross Strobe
Assistant Director
February 17, 2020