

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3455-01
Bill No.: SB 641
Subject: Taxation and Revenue - Sales and Use; Transportation
Type: Original
Date: January 30, 2020

Bill Summary: This proposal requires a portion of sales and us tax revenue to be deposited into the State Road Fund.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2026)
General Revenue	(\$37,285,826)	(\$111,857,479)	(\$186,429,132)	(\$372,858,263)
Total Estimated Net Effect on General Revenue	(\$37,285,826)	(\$111,857,479)	(\$186,429,132)	(\$372,858,263)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2026)
State Road Fund	\$37,285,826	\$111,857,479	\$186,429,132	\$372,858,263
Total Estimated Net Effect on <u>Other</u> State Funds	\$37,285,826	\$111,857,479	\$186,429,132	\$372,858,263

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	Fully Implemented (FY 2026)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2026)
Total Estimated Net Effect on FTE	0	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	Fully Implemented (FY 2026)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal would direct a percentage of the sales and use tax collections that are currently deposited into General Revenue into the State Road Fund instead. Beginning in calendar year 2021, one-tenth of a cent on the dollar shall be deposited in the State Road Fund. The amount deposited into the State Road Fund is increased each subsequent year until one-half of a cent on the dollar is deposited during calendar year 2025.

In FY 2019, there was \$2,273.1 million in sales and use taxes deposited into General Revenue. The following table shows the estimated impact to General Revenue and the State Road Fund by calendar year.

Table 1: Impact to Funds by Calendar Year

Calendar Year	Diversion Rate	State Road Fund	General Revenue
2021	0.1	\$74,571,653	(\$74,571,653)
2022	0.2	\$149,143,305	(\$149,143,305)
2023	0.3	\$223,714,958	(\$223,714,958)
2024	0.4	\$298,286,610	(\$298,286,610)
2025	0.5	\$372,858,263	(\$372,858,263)

Converting from calendar year estimates to fiscal year estimates, B&P assumes this proposal will reduce General Revenue by \$37.3 million in FY 2021. Once fully implemented in FY2026, this proposal will reduce General Revenue by \$372.9 million annually. The following table shows the impact to General Revenue and the State Road Fund by fiscal year.

ASSUMPTION (continued)

Table 2: Impact to Funds by Fiscal Year

Fiscal Year	State Road Fund	General Revenue
2021	\$37,285,826	(\$37,285,826)
2022	\$111,857,479	(\$111,857,479)
2023	\$186,429,132	(\$186,429,132)
2024	\$261,000,784	(\$261,000,784)
2025	\$335,572,437	(\$335,572,437)
2026	\$372,858,263	(\$372,858,263)

This proposal will not impact Total State Revenue as this proposal would shift moneys between state funds. This proposal will not impact the calculation under Article X, Section 18(e).

Officials at the **Department of Revenue (DOR)** assume this proposed section states that all revenue received by the Director of Revenue from the tax imposed by §144.010 to §144.430 and §144.600 to §144.745, including any payments of taxes made under protest, shall be deposited in the state General Revenue fund, except for;

1. The revenue derived from the rate of one cent on the dollar of tax which shall be held and distributed in the manner provided in §144.701 and §163.031; and
2. The revenue derived from the following rates which shall be deposited in the state road fund created in Section 30(b) of Article IV of the Constitution of Missouri:
 - a. For the 2021 calendar year, the rate of one-tenth of a cent on the dollar of the tax.
 - b. For the 2022 calendar year, the rate of one-fifth of a cent on the dollar of the tax.
 - c. For the 2023 calendar year, the rate of three-tenths of a cent on the dollar of the tax.
 - d. For the 2024 calendar year, the rate of two-fifths of a cent on the dollar of the tax.
 - e. For the 2025 calendar year and thereafter, the rate of one-half of a cent on the dollar of tax.

The Department assumes that the fund that would receive less revenues would be the General Revenue Fund, it is not specifically stated in the proposed legislation.

ASSUMPTION (continued)

The Department reduced the amount that would be deposited into General Revenue Fund by the rates prescribed in this legislation for each calendar year while redistributing the amount reduced to the State Road Fund. Each fiscal impact contains half of a calendar year plus half of the next calendar year, except for fiscal year 2021, which would only contain half of the first calendar year and Fiscal Year 2026 when the increase in rate of distribution to the State Road Fund would end and the fiscal impact becomes fully implemented.

The Department used the State Sales Tax Collections in the amount of \$2,237,149,578 reported for FY 2019.

Fiscal Year	State Road Fund	General Revenue
2021	\$37,285,826	(\$37,285,826)
2022	\$111,857,479	(\$111,857,479)
2023	\$186,429,132	(\$186,429,132)
2024	\$261,000,784	(\$261,000,784)
2025	\$335,572,437	(\$335,572,437)
2026	\$372,858,263	(\$372,858,263)

Officials at the **Missouri Department of Transportation** defers to Department of Revenue for fiscal impact.

Officials at the **Department of Elementary and Secondary Education** assume there is no fiscal impact from this proposal.

Officials from the **Department of Public Safety - Missouri Highway Patrol** assume the proposal will have no fiscal impact on their organization; however, if any of this revenue was deposited into the Highway Fund, the agency could benefit if additional funding was appropriated.

Oversight notes that the agencies mentioned above have 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 for these agencies. Oversight will utilize DOR's and B&P's estimates.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2026)
GENERAL REVENUE FUND				
<u>Transfer Out</u> - DOR §144.700 additional money to the State Road Fund	<u>(\$37,285,826)</u>	<u>(\$111,857,479)</u>	<u>(\$186,429,132)</u>	<u>(\$372,858,263)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$37,285,826)</u>	<u>(\$111,857,479)</u>	<u>(\$186,429,132)</u>	<u>(\$372,858,263)</u>
STATE ROAD FUND				
<u>Transfer In</u> - DOR §144.700 additional money to the State Road Fund	<u>\$37,285,826</u>	<u>\$111,857,479</u>	<u>\$186,429,132</u>	<u>\$372,858,263</u>
ESTIMATED NET EFFECT ON THE STATE ROAD FUND	<u>\$37,285,826</u>	<u>\$111,857,479</u>	<u>\$186,429,132</u>	<u>\$372,858,263</u>
 <u>FISCAL IMPACT -</u> <u>Local Government</u>	 FY 2021 (10 Mo.)	 FY 2022	 FY 2023	 Fully Implemented (FY 2026)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

Current law provides that, of the 4% statutory sales and use tax rate, 1% is provided for education and 3% is deposited in the General Revenue Fund. This act requires that 0.5% of the 3% deposited in the General Revenue Fund shall instead be deposited into the State Road Fund. The remaining 2.5% shall continue to be deposited into the General Revenue Fund. The act phases in the amount deposited into the State Road Fund over a period of five years, with an increase of 0.1% each year.

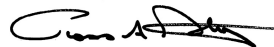
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Revenue
Department of Transportation
Department of Elementary and Secondary Education
Department of Public Safety - Missouri Highway Patrol



Julie Morff
Director
January 30, 2020



Ross Strobe
Assistant Director
January 30, 2020