

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3553-06  
Bill No.: HCS SS No. 2 for SB 704  
Subject: Taxation and Revenue - Income  
Type: Original  
Date: May 7, 2020

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Bill Summary: This proposal modifies provisions relating to taxation.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
General Revenue* ** ***	Less than or Greater than (\$53,778,661)	Less than or Greater than (\$18,547,965)	Less than or Greater than (\$18,182,332)	Less than or Greater than (\$17,591,787)
<b>Total Estimated Net Effect on General Revenue</b>	<b>Less than or Greater than (\$53,778,661)</b>	<b>Less than or Greater than (\$18,547,965)</b>	<b>Less than or Greater than (\$18,182,332)</b>	<b>Less than or Greater than (\$17,591,787)</b>

The fiscal impact partially depends upon the utilization of multiple tax credit programs.

\* A portion of this impact ((\$740,000) to (\$6,000,000) each year) is the continuation (extending the sunset from 6/30/2020 to 6/30/2026) of an existing tax credit program (Wood Energy - §135.305).

\*\*Oversight notes (\$36,385,352) of the fiscal impact in Fiscal Year 2021 (from Section(s) 143.121 & 143.171) represents the state not collecting state income tax on the CARES Act COVID-19 federal stimulus refunds distributed in Calendar/Tax Year 2020. This is not a loss of current funding or a new expense, but rather a non-collection (foregone revenue) of a potential one-year windfall of income taxes to the state.

\*\*\* The fiscal impact to the state from §105.145 is the potential loss of the Department of Revenue's 2% collection fee. Oversight has ranged the impact from \$0 (debt is already considered uncollectible and DOR would not have received the 2% fee even without this proposal) to (\$721,143) (which represents if DOR had collected 100% of the \$36 million of outstanding debt allowed to be reduced by this proposal). Oversight assumes the actual loss to the state is on the very low end of this range.

Numbers within parentheses: ( ) indicate costs or losses. This fiscal note contains 63 pages.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Technology Trust	\$180	\$216	\$81,129	\$504,584
Capitol Complex	Up to \$20,000,000	Up to \$20,000,000	Up to \$20,000,000	Up to \$20,000,000
<b>#Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>Up to \$20,000,180</b>	<b>Up to \$20,000,216</b>	<b>Up to \$20,081,129</b>	<b>Up to \$20,504,584</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
FUND AFFECTED	FY 2021	FY 2022	FY 2023	Fully Implemented (FY 2024)
Capitol Complex Fund	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE	0 or 1 FTE
<b>Total Estimated Net Effect on <u>FTE</u></b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>	<b>0 or 1 FTE</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>Fully Implemented (FY 2024)</b>
<b>Local Government</b>	<b>Less than or Greater than (\$3,063,857)</b>	<b>Less than or Greater than (\$3,785,000)</b>	<b>Less than or Greater than \$38,082,914</b>	<b>Less than or Greater than \$163,491,741</b>

## FISCAL ANALYSIS

### ASSUMPTION

Due to time constraints, **Oversight** was unable to receive some of the agency responses in a timely manner and performed limited analysis. Oversight has presented this fiscal note on the best current information that we have or on information regarding a similar bill(s). Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

### Section 67.730 - Capital Improvements Sales Tax - Clay County and Platte County

**Oversight** notes this section would authorize the counties of Clay and Platte, upon voter approval, to impose a capital improvement sales tax. The capital improvement sales tax is permitted to be in addition to or in lieu of all and any other sales tax authorized by law to be imposed by the county. The purposes of the capital improvement sales tax is to retire revenue bonds issued for capital improvement projects designated by the counties.

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this section changes the amount of a city that must fall within the first class county or charter county by replacing "the major portion" with "a portion" of a city. This change decreases the portion of a city that must fall in the county, which may broaden the number of cities that meet this parameter and therefore would be eligible to issue and sell revenue bonds and pass a retail sales tax to retire the revenue bonds pursuant to this section.

Currently, the language only includes Jackson County. With this change, counties of Cass, Clay, Platte, and Jackson are included. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **Missouri Department of Revenue (DOR)** state this section would allow any county of the first classification or any county having a charter form of government, and containing a portion of a city with a population of over three hundred fifty thousand may, upon the vote of a majority of the qualified voters of the county voting thereon, issue and sell its negotiable interest-bearing revenue bonds for the purpose of paying all or part of the cost of any capital improvements project or projects designated by the governing body of the county starting with the general election in 2022. The bonds shall be retired from the proceeds of a countywide sales tax on all retail sales made in such county which are subject to taxation under the provisions of sections 144.010 to 144.525.

ASSUMPTION (continued)

DOR believes this would allow Clay County or Platte County to implement this sales tax. DOR notes the sales tax authorized under sections 67.730 to 67.739 may be imposed at a rate of one-fourth of one percent, three-eighths of one percent, one-half of one percent, or one percent, on the receipts from the sale at retail of all tangible personal property or taxable services at retail within the county adopting such tax, if such property and services are subject to taxation by the state of Missouri under the provisions of sections 144.010 to 144.525 per Section 67.734. DOR assumes they would also allow them to retain the 1% collection fee.

DOR shows that Clay County has taxable sales of:

Calendar Year	Jan - Mar	Apr - Jun	Jul - Sept	Oct - Dec	Total
2015	\$702,745,578	\$771,122,446	\$793,087,320	\$810,109,463	<b>\$3,077,064,807</b>
2016	\$732,164,387	\$808,448,572	\$821,916,169	\$837,382,432	<b>\$3,199,911,560</b>
2017	\$746,348,023	\$842,661,889	\$947,152,129	\$846,559,801	<b>\$3,382,721,842</b>
2018	\$784,889,983	\$888,127,499	\$879,858,691	\$876,777,127	<b>\$3,429,653,300</b>
2019	\$779,426,377	\$895,323,501			

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and Clay County would collect as:

Fiscal Year	1/4 of 1% Tax		3/8 of 1% Tax		½ of 1% Tax		1% Tax	
	DOR 1% Fee	Clay County Collection	DOR 1% Fee	Clay County Collection	DOR 1% Fee	Clay County Collection	DOR 1% Fee	Clay County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$70,359	\$6,965,577	\$105,539	\$10,448,366	\$140,719	\$18,574,872	\$281,437	\$27,862,308
2023	\$95,689	\$9,473,185	\$143,533	\$14,209,777	\$191,377	\$18,946,369	\$382,755	\$37,892,739

DOR shows that Platte County has taxable sales of:

Calendar Year	Jan - Mar	Apr - Jun	Jul - Sept	Oct - Dec	Total
2015	\$365,865,541	\$409,786,658	\$411,602,708	\$432,860,389	<b>\$1,620,115,296</b>
2016	\$377,068,890	\$426,097,999	\$422,188,416	\$434,914,968	<b>\$1,660,270,273</b>
2017	\$385,736,669	\$437,968,532	\$441,162,583	\$433,941,089	<b>\$1,698,808,873</b>
2018	\$408,834,808	\$456,408,948	\$457,982,789	\$458,580,775	<b>\$1,781,807,320</b>
2019	\$393,179,864	\$451,551,162			

ASSUMPTION (continued)

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and Platte County would collect as:

Fiscal Year	1/4 of 1% Tax		3/8 of 1% Tax		½ of 1% Tax		1% Tax	
	DOR 1% Fee	Platte County Collection	DOR 1% Fee	Platte County Collection	DOR 1% Fee	Platte County Collection	DOR 1% Fee	Platte County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$35,321	\$3,496,819	\$52,982	\$5,245,228	\$70,643	\$6,993,637	\$141,286	\$13,987,275
2023	\$48,037	\$4,755,673	\$72,056	\$7,133,510	\$96,074	\$9,511,347	\$192,148	\$19,022,693

DOR notes this proposal does not allow it to be voted on until the general election in November 2022 (Fiscal Year 2023). Therefore the earliest this would become effective is April 1, 2023. There would be 3 months of impact in Fiscal Year 2023 and it would be fully implemented in Fiscal Year 2024.

It is unclear if either or both of the counties will choose to collect these taxes. If neither adopt the sales tax the impact would be \$0. The tax is estimated to be:

Fiscal Year	Clay County	Clay 1% DOR Fee	Platte County	Platte 1% DOR Fee
FY 2021	\$0	\$0	\$0	\$0
FY 2022	\$0	\$0	\$0	\$0
FY 2023	\$0 or Up to \$9,473,185	\$0 or Up to \$94,732	\$0 or Up to \$4,755,673	\$0 or Up to \$47,557
FY 2024	\$0 or Up to \$37,892,739	\$0 or Up to \$382,755	\$0 or Up to \$19,022,693	\$0 or Up to \$192,148

**Oversight** notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will in November 2022 (Fiscal Year 2023).

**Oversight** notes the following Fiscal Year 2019 taxable sales for Clay County and Platte County, per published reports on Missouri Department of Revenue's website:

Clay County Taxable Sales - FY 2019           \$3,951,165,349  
 Platte County Taxable Sales - FY 2019       \$2,120,305,860

ASSUMPTION (continued)

**Oversight** used the data above and applied an estimated two percent (2%) annual growth to estimate the revenue impact(s) if this provision was voted on and approved in Fiscal Year 2023.

Therefore, **Oversight** estimates, should Clay County's voters vote in favor of such a sales tax in Fiscal Year 2023 this section could increase Clay County's revenues by a range equal to \$10,276,981 to \$41,107,924. Furthermore, as a result, Oversight estimates GR could increase by a range equal to \$102,770 to \$411,079.

**Oversight** further estimates, should Platte County's voters vote in favor of such a sales tax in Fiscal Year 2023, this section could increase Platte County's revenues by a range equal to \$5,514,916 to \$22,059,662. Furthermore, as a result, Oversight estimates GR could increase by a range equal to \$55,149 to \$220,597.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (Clay County) ranging from \$0 (voters reject the proposal or the proposal is not put forth on the ballot) to the estimates provided by DOR.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (Platte County) ranging from \$0 (voters reject the proposal or the proposal is not put forth on the ballot) to the estimates provided by DOR.

For purposes of this fiscal note, **Oversight** will report a fiscal impact for GR ranging from \$0 (voters reject the proposal or the proposal is not put forth on the ballot) to the estimates provided by DOR.

**Section 67.1011 - Transient Guest Tax - City of Butler**

**Oversight** note this section would permit the City of Butler to impose a transient guest tax provided the governing body of the city submits to the voters of the city at a general election, so long as it is not earlier than the 2022 General Election, a question to authorize the city to impose such tax which shall not be more than six percent per occupied room.

ASSUMPTION (continued)

**Oversight** notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur in November 2022 (Fiscal Year 2023). Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2023.

Officials from **B&P** state this section would allow the City of Butler to levy a transient guest tax. B&P was unable to obtain data regarding occupancy rates and room sales, consequently B&P cannot calculate an estimate. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section allows the City of Butler to establish a transient guest tax starting with a General Election in 2022. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR.

**Oversight** is unable to determine how many sleeping rooms are located in the City of Butler, the average cost of such rooms, and the average occupancy rate. Therefore, for purposes of this fiscal note, Oversight will report a positive fiscal impact to local political subdivisions (City of Butler) ranging from \$0 (voters reject the proposal or the governing body does not put forth the proposal to "Unknown" beginning in Fiscal Year 2023 as it relates to this section.

**Section 67.1360 - Transient Guest Tax - City of Cameron**

**Oversight** notes this section would permit the City of Cameron to impose a transient guest tax provided the governing body of the city submits to the voters of the city at an election a question to authorize the city to impose such tax which shall be at least two percent (2%) but no more than five percent (5%).

Officials from **B&P** state this section would allow the City of Cameron and the City of Clinton to levy a transient guest tax. B&P was unable to obtain data regarding occupancy rates and room sales, consequently B&P cannot calculate an estimate. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section allows the City of Cameron to establish a transient guest tax starting with a general election in 2022. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR.

**Oversight** notes, in response to similar legislation (HB 2418 - 2020), the **City of Cameron** assumed this section could increase the City of Cameron's revenues by an estimated \$147,168 annually (280 rooms \* 60% occupancy \* \$60 per room \* 365 nights = \$3,679,200 \* 4% transient guest tax = \$147,168 revenue increase to the City of Cameron Tourism Bureau).



ASSUMPTION (continued)

**Oversight** notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur in November 2022. Therefore, Oversight will report the positive fiscal impact to local political subdivisions (City of Cameron) beginning in Fiscal Year 2023.

For purposes of this fiscal note, **Oversight** applied an annual two percent (2%) growth to the City of Cameron's current estimates. Therefore, Oversight will report an increase to local political subdivisions (City of Cameron) ranging from \$0 (voters reject the proposal or the proposal is not put forth on a ballot) to \$153,114 (voters approve the proposal at 4%) beginning in Fiscal Year 2023 and apply a 2% growth each fiscal year thereafter.

**Section 67.1790 - Early Childhood Education Programs Sales Tax - Greene County (and Any Cities Within)**

**Oversight** notes this section would permit Greene County, or any city within Greene County, to impose by order or ordinance a sales tax on all retail sales made within the county or city that are subject to sales tax under Chapter 144. The sales tax is to provide funding for early childhood education programs in Greene County or the city. Such tax shall not exceed one-quarter of one percent (.25%). The childhood education program sales tax, though, must be approved by voter approval at a general election.

Provided the sales tax is voter approved, Greene County or the city must enter into an agreement with DOR to collect the tax. DOR is permitted to retain 1% for the cost of collection.

**Oversight** notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur in November 2022. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2023.

Officials from **B&P** state this section would allow voters whose voting jurisdictions meet the criteria described in section 1 to impose a sales tax up to 0.25% for the purpose of funding early childhood education. According to the State Demographer, the description of any first class county in section 1 has population parameters that fit the cities of Ash Grove, Battlefield, Fair Grove, Strafford, Walnut Grove, Willard, Republic, Rogersville, and Springfield. The bill also adds a provision that requires the governing body of any county or city that has adopted the sales tax to submit to voters the question of whether to repeal the sales tax if the governing body receives a petition signed by ten percent of the registered voters of their jurisdiction. This levy may not be submitted to voters until the general election in 2022.

ASSUMPTION (continued)

The chart below provides the DOR and sales tax collections data for the jurisdictions impacted by this proposal.

0.25% City	DOR Collections		City Sales Tax Collections	
	FY 2023	FY 2024	FY 2023	FY 2024
Ash Grove	74	297	7,354	29,414
Battlefield	102	407	10,078	40,313
Fair Grove	110	440	10,895	43,578
Strafford	282	1,129	27,934	111,734
Walnut Grove	23	91	2,253	9,010
Willard	271	1,084	26,839	107,356
Republic	1,593	6,373	157,726	630,905
Rogersville	229	916	22,664	90,657
Springfield	28,373	113,491	2,808,914	11,235,656
<b>Total</b>	<b>31,057</b>	<b>124,228</b>	<b>3,074,657</b>	<b>12,298,623</b>

As a voter-approved tax, the collected local revenues will not impact general and total state revenues; however, the DOR 1% to offset collection costs will increase TSR. B&P defers to DOR for more specific estimates of actual collection costs.

Officials from **DOR** state this section states that the governing body of any county of the first classification with more than two hundred sixty thousand but fewer than three hundred thousand inhabitants (Greene County), or any city within such county, may impose by order or ordinance a sales tax on all retail sales made within the county or city that are subject to sales tax under Chapter 144 for the purpose of funding early childhood education programs in the county or city.

This proposed section states that the tax shall not exceed one quarter of one percent and shall be imposed solely for the purpose of funding early childhood education programs in the county or city.

This proposed section states that the order or ordinance imposing a sales tax under this section shall not become effective unless the governing body of the county or city submits to the voters residing within the county or city to impose a tax under this section. That election cannot occur until November 2022 (Fiscal Year 2023).

This proposed section states that if a majority of the votes cast on the question by the qualified voters voting thereon are in favor of the question, the order or ordinance shall become effective on the first day of the second calendar quarter after the Director of the Department of Revenue receives notice of the adoption of the tax.

ASSUMPTION (continued)

This proposed section states that all revenue collected under this section by the Director of the Department of Revenue on behalf of any county or city, except for one percent for the cost of collection deposited in the state's general revenue fund, shall be deposited in a special trust fund, which is hereby created and shall be known as the Early Childhood Education Sales Tax Trust Fund.

DOR estimates that General Revenue could increase by \$236,244 each fiscal year due to the one percent collection fee, which is to be deposited into the General Revenue Fund, allowable pursuant to this proposed legislation.

DOR has estimated the potential local impact should the county and all cities within the county approve a ballot measure approving this one quarter of one percent tax increase to the sales/use tax rate. These revenues would not be seen until two quarters after the ballot measure passed. If this legislation were passed and signed, the earliest a measure could be on the ballot is November 2022; and therefore the tax would start April 1, 2023 (Fiscal Year 2023).

Entity	Total Increase to General Revenue (DOR 1% Fee)	Total Potential Increase to Early Childhood Education Sales Tax Trust Fund
Greene County	\$103,097	\$10,206,620
Ash Grove	\$388	\$38,394
Battlefield	\$676	\$66,967
Bois D'Arc	\$0	\$0
Fair Grove	\$405	\$40,090
Republic	\$6,227	\$616,449
Rogersville	\$930	\$92,307
Springfield	\$121,882	\$12,066,329
Strafford	\$1,143	\$113,179
Turners	\$0	\$0
Walnut Grove	\$141	\$13,949
Willard	\$1,355	\$134,159
TOTAL	\$236,244	\$23,388,173

\*\* "Greene County" reports the increase to revenues specific to Greene County

\*\*\* The "Total" reports the increase to revenues for all cities within Green County as well as Greene County.

ASSUMPTION (continued)

Officials from the **Missouri Department of Elementary and Secondary Education (DESE)** state, contingent upon the action of voters (and subsequently the governing bodies of Greene County and the cities within) DESE assumes this section could have an impact on the revenues received into the Early Childhood Education Sales Tax Trust Fund; however, DESE has not means to calculate the potential impact.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (Greene County and Respective Cities) ranging from \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by DOR beginning in Fiscal Year 2023 (3 months in Fiscal Year 2023).

Furthermore, Oversight will report a positive fiscal impact for GR equal to \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by DOR beginning in Fiscal Year 2023 (3 months of in Fiscal Year 2023).

**Section 94.838 - Municipal Tourism Tax - Transient Guest Tax and Tax on Retail Sales of Food - Lamar Heights**

**Oversight** notes this section increases the tax on gross receipts derived from the retail sales of food by every person operating a food establishment in Lamar Heights, from two percent (2%) to six percent (6%). Furthermore, under current law, Lamar Heights is only permitted to use the funds from the sales tax for funding the construction, maintenance and operation of capital improvements. This section permits Lamar Heights to use the sales tax revenues for general revenue purposes.

**Oversight** notes Lamar Heights would need to submit the question of an increase in the rate of food tax to the voters on a general election day so long as the general election day is not before the 2022 General Election.

**Oversight** notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur in November 2022. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2023.

Officials from **B&P** state this section allows voters in the Village of Lamar Heights to increase the gross receipts derived from retail sales from 2% to 6% and to change the purpose of the taxes through a ballot measure from capital improvements to general revenues. B&P estimates that this proposal could increase sales tax collections by \$321,004 based upon 2019 collections using a tax base calculation showing the 2% to 6% increase in the tax rate. This levy may not be submitted to voters until the general election in 2022.

ASSUMPTION (continued)

As a voter-approved tax, the collected local revenues will not impact general and total state revenues; however, the DOR 1% to offset collection costs will increase TSR. Budget and Planning defers to DOR for more specific estimates of actual collection costs

Officials from **DOR** state this section allows the Village of Lamar Heights to change their sales tax from a not to exceed two percent sales tax for the purpose of construction, maintenance and operation of capital improvements to a not to exceed six percent sales tax for general revenue purposes. This proposal does require a vote of the citizens prior to becoming effective. Should the vote fail, there would be no fiscal impact. Information on the amount of sales tax collected by the Village of Lamar Heights over the past four calendar years.

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	1,452,189	1,572,177	1,302,550	892,271	5,219,189
2016	2,194,059	2,334,111	2,386,004	2,113,133	9,027,306
2017	1,836,428	2,113,725	2,020,972	1,709,198	7,680,323
2018	1,720,000	2,165,846	2,074,299	1,991,001	7,951,146
2019	1,736,801	2,223,009			

Using the current expected tax base for the future fiscal years and a 2% inflation rate, DOR was able to calculate the amount of tax that would be collected with a 6% tax. DOR notes it would be allowed to retain the 1% collection fee. DOR is going to show the difference between the 2% that is currently collected and the 6% that could be collected.

FY	Tax Base	Current Collections	New 6% Fee	Difference	1% DOR Fee	City Keeps
20	\$7,923,703	\$158,474	\$475,422	\$316,948	\$3,169	\$313,779
21	\$8,082,177	\$161,644	\$484,931	\$323,287	\$3,233	\$320,054
22	\$8,243,821	\$164,876	\$494,629	\$329,753	\$3,298	\$326,455
23	\$8,408,697	\$168,174	\$504,522	\$336,348	\$3,363	\$332,984

DOR notes that this proposal could not be voted on until the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

For purposes of this fiscal note, **Oversight** will report a positive fiscal impact to local political subdivisions (Lamar Heights) ranging from \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by DOR beginning in Fiscal Year 2023, increased by an assumed growth rate of two percent (2%). .

ASSUMPTION (continued)

**Section 94.842 - Transient Guest Tax - Springfield**

**Oversight** notes this proposed legislation would allow the City of Springfield, if approved by the City's voters, on a general election but not earlier than the 2022 General Election, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels located in the City equal at a rate not to exceed seven and one-half percent (7.5%). Oversight further notes the tax revenues generated would be designated solely for capital investments that can be demonstrated to increase the number of overnight visitors in the City.

**Oversight** notes this section would permit, upon mutual agreement between the City of Springfield and DOR, DOR to collect the transient guest tax on behalf of the City of Springfield.

Officials from **B&P** stated this proposed legislation allows voters in the City of Springfield (the City) to impose a transient guest tax up to 7.5% for the purpose of funding capital investments that can be demonstrated to increase the number of overnight visitors. The analysis assumes that an agreement is entered into by the City and the State of Missouri's Director of Revenue for the collection of the tax.

Based upon the City's Calendar Year 2019 estimated \$117.0 million of taxable room sales, B&P estimates that a 7.5% tax will generate \$8.8 million in collections (\$117 million \* 7.5%). As a voter-approved tax, the collected revenues will not impact General Revenue (GR) and Total State Revenues (TSR); however, the Department of Revenue (DOR) will retain 1% to offset collection costs (if an agreement is entered into by the City and DOR for DOR to collect the tax). Therefore, this portion could increase GR and TSR by approximately \$88,000.

B&P defers to DOR for more specific estimates of actual collection costs.

Oversight notes B&P estimates the City could recognize \$8.8 million in tax revenue when fully implemented. Oversight further notes B&P estimates that GR and TSR could increase by one percent (1%) of the total amount collected from the City's transient guest tax if the City and DOR come to an agreement for DOR to collect the tax on behalf of the City.

Officials from **DOR** state this section allows the City of Springfield to establish a transient guest tax starting with the general election in 2022 and allows them to contract with DOR to collect the tax on their behalf. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR. Should the City want to enter into an agreement for DOR to collect this tax, DOR would be allowed to retain 1% to cover any administrative costs.

ASSUMPTION (continued)

In response to similar legislation (HB 1700 - 2020), officials from the **City of Springfield (City)** stated there is a positive impact to the City. The City assumes, if voters approved the tax increase, the positive impact is likely to be more than \$2.5 million per year.

**Oversight** notes the City assumes tax revenues would increase by an amount greater than \$2.5 million.

**Oversight** assumes that the City would not recognize a gain in tax revenues unless the tax was approved by the voters of the City. Therefore, for purposes of this fiscal note, Oversight will report the positive fiscal impact to local political subdivisions (Springfield) ranging from \$0 (governing body of the city does not submit the proposal to the voters or the voters defeat the proposal) to \$2.2 million in Fiscal Year 2023 (3 months of collection), increased by a two percent (2%) growth each fiscal year thereafter.

For the purposes of this fiscal note, **Oversight** will report the positive fiscal impact for GR beginning at \$0 (City collects the tax) to \$22,000 in Fiscal Year 2023 (3 months worth of collection) increased by a two percent (2%) growth each fiscal year thereafter (City and DOR agree for DOR to collect the tax on behalf of the City).

In response to similar legislation (HB 1700 - 2020), officials from the **Missouri Secretary of State's Office (SOS)** and the **Joint Committee on Administrative Rules (JCAR)** stated the proposed section would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

**Section 94.900 & 94.902- Public Safety Sales Tax - Hallsville, Kearney, Smithville, Branson West, Clinton, Cole Camp, Lincoln and Claycomo**

Officials from **B&P** state this section allows the cities of Branson West in Stone County, Kearney, and Smithville in Clay County, and Hallsville in Boone County to impose a public safety sales tax of 0.5%. The impact of this is shown in the chart below for the DOR collections fees and sales tax collections each city may generate based the tax rate.

Section 94.902 allows the cities of Clinton in Henry County, Cole Camp, and Lincoln in Benton County, and the Village of Claycomo in Clay County to impose a public safety sales tax of 0.5%. The impact of this is shown in the chart below for the DOR collections fees and sales tax collections each city may generate based the tax rate.

ASSUMPTION (continued)

<b>0.50%</b>	DOR Collections		City Sales Tax Collections	
<b>City</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2023</b>	<b>FY 2024</b>
Clinton - Sales Tax	2,270	9,078	224,678	898,712
Cole Camp - Sales Tax	186	745	18,444	73,776
Lincoln - Sales Tax	115	461	11,398	45,591
Claycomo - Sales Tax	313	1,252	30,992	123,968
<b>0.50%</b>	DOR Collections		City Sales Tax Collections	
Hallsville - Sales Tax	112	447	11,069	44,275
Kearney - Sales Tax	1,645	6,578	162,811	651,244
Smithville - Sales Tax	1,056	4,225	104,560	418,239
Branson West - Sales Tax	1,231	4,923	121,835	487,338
<b>Total</b>	<b>6,928</b>	<b>27,709</b>	<b>685,787</b>	<b>2,743,143</b>

As a voter-approved tax, the collected local revenues will not impact general and total state revenues; however, the DOR 1% to offset collection costs will increase TSR. B&P defers to DOR for more specific estimates of actual collection costs.

Officials from **DOR** state this section would allow the City of Hallsville to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety starting with the November 2022 election. Using taxable sales report data for the City of Hallsville, DOR estimates the impact as follows:

<b>CY</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Oct-Dec</b>	<b>Total</b>
2015	2,120,442	2,206,788	2,374,865	2,281,633	8,983,728
2016	2,209,520	2,277,424	2,389,793	2,287,573	9,164,310
2017	2,283,198	2,479,424	2,423,003	2,283,876	9,469,500
2018	2,305,757	2,424,249	2,156,592	2,249,081	9,135,679
2019	2,272,117	2,266,564			

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.



ASSUMPTION (continued)

Fiscal Year	Total	Total Collection	DOR 1% Fee	Final Collection
2016	\$9,143,442			
2017	\$9,439,988			
2018	\$9,436,885			
2019	\$9,625,623			
2020	\$9,818,135	\$49,091	\$491	\$48,600
2021	\$10,014,498	\$50,072	\$501	\$49,572
2022	\$10,214,788	\$51,074	\$511	\$50,563
2023	\$10,419,084	\$52,095	\$521	\$51,574
2024	\$10,627,466	\$53,137	\$531	\$52,606

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

Fiscal Year	DOR Fee	Hallsville Collection
2021	\$0	\$0
2022	\$0	\$0
2023	\$130	\$12,893
2024	\$531	\$52,606

This proposal would allow the City of Kearney to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the City of Kearney, DOR estimates the impact as follows:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	27,519,194	30,433,910	30,585,656	30,499,212	119,037,972
2016	29,649,506	32,472,290	32,177,705	31,615,729	125,915,230
2017	30,965,917	33,837,063	33,228,851	31,556,051	129,587,882
2018	31,091,023	34,389,327	33,602,628	32,563,846	131,646,824
2019	30,832,259	34,565,728			

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

ASSUMPTION (continued)

Fiscal Year	Total	Total Collection	DOR 1% Fee	Final Collection
2016	\$123,206,664			
2017	\$128,596,414			
2018	\$130,265,252			
2019	\$132,870,557			
2020	\$135,527,968	\$677,640	\$6,776	\$670,863
2021	\$138,238,528	\$691,193	\$6,912	\$684,281
2022	\$141,003,298	\$705,016	\$7,050	\$697,966
2023	\$143,823,364	\$719,117	\$7,191	\$711,926
2024	\$146,699,831	\$733,499	\$7,335	\$726,164

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

Fiscal Year	DOR Collection Fee	Kearney Sales Tax Amount
2021	\$0	\$0
2022	\$0	\$0
2023	\$1,798	\$177,981
2024	\$7,335	\$726,164

This proposal would allow the City of Smithville to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the City of Smithville, DOR estimates the impact as follows:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	18,324,168	21,003,657	20,543,911	18,606,705	78,478,441
2016	18,563,002	21,339,111	21,767,674	19,455,853	81,125,640
2017	18,671,654	22,070,560	21,628,460	19,691,818	82,062,492
2018	19,056,529	22,849,004	22,213,205	20,463,774	84,582,512
2019	18,956,527	22,859,235			

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

ASSUMPTION (continued)

Fiscal Year	Total	Total Collection	DOR 1% Fee	Final Collection
2016	\$79,052,729			
2017	\$81,965,741			
2018	\$83,225,811			
2019	\$84,890,327			
2020	\$86,588,134	\$432,941	\$4,329	\$428,611
2021	\$88,319,896	\$441,599	\$4,416	\$437,183
2022	\$90,086,294	\$450,431	\$4,504	\$445,927
2023	\$91,888,020	\$459,440	\$4,594	\$454,846
2024	\$93,725,780	\$468,629	\$4,686	\$463,943

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

Fiscal Year	DOR Collection	Smithville Collection Amount
2021	\$0	\$0
2022	\$0	\$0
2023	\$1,149	\$113,711
2024	\$4,686	\$463,943

This proposal would allow the City of Branson West to authorize and impose up to one-half of one percent, and shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the City of Branson West, DOR estimates the impact as follows:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015					0
2016	18,901,040	25,156,599	26,716,172	23,132,889	93,906,700
2017	18,850,783	25,742,289	26,723,871	22,779,379	94,096,322
2018	19,229,746	26,277,102	27,300,134	24,081,341	96,888,323
2019	19,962,599	27,108,143			

Once converted to Fiscal Years and using a 2% inflation rate, DOR took the taxable sales times the proposed tax rate of one-half of one percent to determine the total amount of the sales tax collected. DOR notes that this proposal allows DOR to retain 1% that is deposited into General Revenue for expenses for collection of this tax.

ASSUMPTION (continued)

Fiscal Year	Total Collection	DOR 1% Fee	Final Collection
2016			
2017			
2018			
2019			
2020	\$494,243	\$4,942	\$489,301
2021	\$504,127	\$5,041	\$499,086
2022	\$514,210	\$5,142	\$509,068
2023	\$524,494	\$5,245	\$519,249
2024	\$534,984	\$5,350	\$529,634

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

Furthermore, DOR states this proposal would allow any city of the third classification with more than nine thousand but fewer than ten thousand inhabitants and located in any county of the third classification with a township form of government and with more than twenty thousand but fewer than twenty-three thousand inhabitants to implement a sales tax for public safety. DOR believes the only City to qualify under this description is the City of Clinton.

Additionally, this proposal would allow any city of the fourth classification with more than one thousand fifty but fewer than one thousand two hundred inhabitants and located in any county of the third classification without a township form of government and with more than eighteen thousand but fewer than twenty thousand inhabitants and with a city of the fourth classification with more than two thousand one hundred but fewer than two thousand four hundred inhabitants as the county seat to also implement a sales tax for public safety. DOR believes this would apply to the City of Lincoln and the City of Cole Camp.

The sales tax may be imposed in an amount of up to one-fourth, one-half, three-fourths, or one percent. The tax shall be imposed solely for the purpose of improving the public safety.

ASSUMPTION (continued)

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	40,147,895	44,618,974	44,443,717	44,037,435	173,248,021
2016	41,389,150	45,465,065	45,533,177	44,893,260	177,280,652
2017	40,038,915	47,066,194	45,477,582	43,884,475	176,467,166
2018	40,961,939	47,940,212	46,462,280	46,505,858	181,870,289
2019	41,173,575	47,416,316			

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the City of Clinton would collect as:

Clinton	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax	
Fiscal Year	DOR 1% Fee	Clinton Collection	DOR 1% Fee	Clinton Collection	DOR 1% Fee	Clinton Collection	DOR 1% Fee	Clinton Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$1,230	\$121,781	\$2,460	\$243,562	\$3,690	\$365,343	4,920	487,125
2024	\$5,019	\$496,867	\$10,038	\$993,735	\$15,057	\$1,490,602	\$20,075	\$1,987,469

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

DOR shows that the City of Lincoln has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	2,124,060	2,412,496	2,368,178	2,014,074	8,918,808
2016	2,138,130	2,369,529	2,437,892	2,142,464	9,088,015
2017	2,177,513	2,602,875	2,547,296	2,120,049	9,447,733
2018	2,444,106	2,542,249	2,617,362	2,318,717	9,922,434
2019	2,030,154	2,244,162			

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the City of Lincoln would collect as:

ASSUMPTION (continued)

Lincoln Fiscal Year	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax	
	DOR 1% Fee	Lincoln Collection	DOR 1% Fee	Lincoln Collection	DOR 1% Fee	Lincoln Collection	DOR 1% Fee	Lincoln Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$67	\$6,595	\$133	\$13,190	\$200	\$19,785	267	26,380
2024	\$272	\$26,907	\$544	\$53,815	\$815	\$80,722	\$1,087	\$107,629

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

DOR shows that the City of Cole Camp has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	3,229,113	3,002,081	3,402,238	3,196,016	12,829,448
2016	3,095,340	3,003,988	3,225,042	3,279,187	12,603,557
2017	3,081,084	2,956,959	3,249,944	3,360,607	12,648,594
2018	3,278,248	3,220,758	3,474,064	4,684,461	14,657,531
2019	3,243,595	3,502,112			

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the City of Cole Camp would collect as:

Cole Camp Fiscal Year	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax	
	DOR 1% Fee	Cole Camp Collection	DOR 1% Fee	Cole Camp Collection	DOR 1% Fee	Cole Camp Collection	DOR 1% Fee	Cole Camp Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$181	\$17,911	\$91	\$8,956	\$272	\$26,867	362	35,823
2024	\$369	\$36,540	\$738	\$73,079	\$1,107	\$109,619	\$1,476	\$146,159

DOR assumes this proposal would allow the Village of Claycomo to authorize and impose up to one-fourth, one-half, three-fourths, or one percent shall be imposed solely for the purpose of improving the public safety. Using taxable sales report data for the Village of Claycomo, DOR estimates the impact as follows:

ASSUMPTION (continued)

Village of Claycomo Taxable Sales by Calendar Year

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	5,987,942	5,945,109	5,798,774	6,032,010	23,763,835
2016	6,312,917	6,245,000	6,027,650	5,480,769	24,066,336
2017	5,349,230	5,570,093	5,149,850	4,944,736	21,013,909
2018	5,150,294	5,761,090	5,959,771	6,450,921	23,322,076
2019	6,300,774	6,332,614			

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount DOR would collect and the Village of Claycomo would collect as:

Claycomo Fiscal Year	1/4 of 1% Tax		1/2 of 1% Tax		3/4 of 1% Tax		1% Tax	
	DOR 1% Fee	Claycomo County Collection	DOR 1% Fee	Claycomo County Collection	DOR 1% Fee	Claycomo County Collection	DOR 1% Fee	Claycomo County Collection
2021	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$148	\$14,637	\$296	\$29,274	\$443	\$43,912	\$580	\$57,401
2024	\$591	\$58,549	\$1,183	\$117,098	\$1,774	\$175,647	\$2,319	\$229,604

DOR notes this would be voted on at the November 2022 election (Fiscal Year 2023). This sales tax would begin April 1, 2023 (Fiscal Year 2023) if adopted by the voters. Therefore the impact in Fiscal Year 2023 would be for 3 months.

For purposes of this fiscal note, **Oversight** will report the positive fiscal impact to local political subdivisions (Hallsville, Kearney, Smithville, Branson West, Clinton, Lincoln, Cole Camp, and Claycomo) ranging from \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by DOR beginning in Fiscal Year 2023 (3 months of Fiscal Year 2023).

Furthermore, for purposes of this fiscal note, **Oversight** will report the fiscal impact to GR ranging from \$0 (voters reject the proposal or it is not put forth to voters) to the estimates provided by DOR beginning in Fiscal Year 2023 (3 months of Fiscal Year 2023).

ASSUMPTION (continued)

In response to similar legislation (HB 1731 - 2020), officials from the **City of Hallsville** stated the City's current base sales tax rate is 1.625%. In the event the Board of Aldermen approve to put on the ballot a ½ cent public safety sales tax to go to the voters and it is approved, our base tax rate will be 2.125%. The total sales tax rate for purchases within the City is 7.6%, which includes 4.225% for the State of Missouri and 1.750% for (Boone) County. With the ½ cent sales tax the total sales tax will be 8.1%. This tax rate is comparable to other communities in the City's area. The City anticipates a ½ cent public safety sales tax will generate approximately \$55,000 a year for the Police Department. With these funds, the City could increase their department from three full time officers to four full time officers. Adding another full time officer will give the City near 24/7 coverage for the first time. The funds will also allow the department to increase their fleet of patrol vehicles and keep up with the upgrades in technology and the replacement of outdated equipment.

**Oversight** notes the City anticipates its sales tax revenues to increase by approximately \$55,000 each year if the voters of the City approved the one-half of one percent sales tax for public safety.

**Section 94.1014 - Transient Guest Tax - Ashland**

Officials from **B&P** state this section would allow the City of Ashland to levy a transient guest tax. B&P was unable to obtain data regarding occupancy rates and room sales, consequently B&P cannot calculate an estimate. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section allows the City of Ashland to establish a transient guest tax starting with the general election in 2022. This does NOT have an impact on DOR as transient guest taxes are collected by the local political subdivision and not DOR.

In response to similar legislation (HB 1601 - 2020) officials from the **City of Ashland (Ashland)** stated while Ashland does not currently have any hotels located in Ashland, Ashland is working with developers to attract hotel development to help boost overnight stays in the community.

Ashland assumes, when using a sixty-three percent (63%) occupancy rate, Ashland could recognize an increase in revenue as a result of transient guest tax(es) of approximately \$137,510 from each lodging facility. The calculation used by Ashland to estimate the revenue increase is shown below:



ASSUMPTION (continued)

115 Rooms	*	365 Days of the Year	*	\$130 Cost per Room per Night	*	4% Lodging Tax Rate	*	63% Occupancy Rate
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Ashland has indicated Ashland is hopeful that within the next two to three years, Ashland will have three or more hotels in Ashland.

**Oversight** assumes the estimated increase in revenue as a result of transient guest tax equal to \$137,510 is specific to each hotel. Therefore, Oversight assumes, if Ashland has three hotels developed in Ashland, the increase in revenue could total \$412,530 ( $\$137,510 * 3$ ) annually.

**Oversight** notes this proposed legislation would allow Ashland, if approved by the City's voters, on a general election but not earlier than the 2022 General Election, to impose a tax on the charges for all sleeping rooms paid by transient guests of hotels or motels located in the City equal at a rate not to exceed five percent (5%). Oversight further notes the tax revenues generated would be designated solely for the promotion of tourism, growth of the region and economic development purposes.

**Oversight** notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur after July 1, 2022. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2023.

For the purposes of this fiscal note, **Oversight** will report a zero fiscal impact to the State of Missouri as DOR does not collect transient guest taxes (unless an agreement with the political subdivision is made) and a zero fiscal impact for the City of Ashland as the city does not currently have any hotels/motels operating within the boundaries of Ashland.

**Oversight** notes if hotel/motel development takes place within the boundaries of Ashland, in which such hotel(s)/motel(s)/ become fully operational, Ashland could recognize revenue gain as a result of this proposed legislation being enacted.

**Section 99.805, 99.810, 99.825 and 99.843 - Real Property Tax Increment Allocation Redevelopment**

Officials from **B&P** state these sections make various changes to local TIFs. These sections will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state these sections changes the definition of blight in the State Tax Increment Financing Program. This proposal would not have a fiscal impact on DOR.

ASSUMPTION (continued)

Officials from the **City of Kansas City (KC)** state these sections could have a negative fiscal impact on KC as it places limitations on areas where Tax Increment Financing projects can be implemented and may therefore impair KC's opportunities for economic growth. KC is unable to determine the actual impact.

Furthermore, removing reasons for blight designation might make fewer areas available for redevelopment resulting in less economic stimulus for KC.

Lastly, requiring third party blight studies, the removal of the conservation area and economic development area designations may have a negative fiscal impact on KC but the impact is unknown. Removal of these designations could lessen the attractiveness of the areas to potential developers, resulting in less stimulus for KC.

In response to similar legislation (SB 871 - 2020), officials from the **Missouri Department of Economic Development**, the **Missouri Department of Revenue**, the **Missouri State Tax Commission** and the **City of Columbia** had stated the proposed sections would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for these organizations as it relates to these sections.

**Oversight** will not show a fiscal impact of the changes to the tax increment financing laws. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight considers this to be an indirect impact of the proposed legislation.

**Section 105.145 - Political Subdivisions Financial Report to State Auditor's Office**

Officials from **B&P** state this section excludes the fine for failure to submit annual financial statements for political subdivisions with gross revenues of less than \$5,000, or for political subdivisions that have not levied or collected sales or use taxes in the fiscal year. This may result in a revenue loss for both the state and schools.

It also provides grace from fines if the failure to timely submit the annual financial statement is the result of fraud or other illegal conduct and allows a refund by DOR of any fines already paid under these circumstances. The 90% downward adjustment DOR is allowed to make on outstanding fine or penalty balances after January 1, 2021 results in the amount of collections being reduced for both the state and DOR collection fees. A similar downward adjustment may be made by DOR if the outstanding fines are deemed uncollectible. These downward adjustments will likewise result in a revenue loss for both the state and schools.

ASSUMPTION (continued)

Based on information from DOR, the department started imposing this fine in August 2017. DOR has imposed total fines of \$42,853,000.00 and collected a total of \$2,011,481.57. This proposal directs that the DOR Director initiate a ballot measure that could disincorporate political subdivisions that fail to timely submit annual financial statements after August 28, 2020. B&P defers to DOR for more specific estimates of actual collection costs.

Officials from **DOR** state currently local political subdivisions are required to file annual financial statements with the State Auditor's Office. Failure to file those statements results in the political subdivision being assessed a fine of \$500 per day per statutes, which is deposited into school district funds. DOR notes that DOR started imposing this fine in August 2017. DOR receives notice from the State Auditor's Office if a political subdivision does not file their annual financial statement. At that time DOR sends a notice to the political subdivision and thirty days later the fee starts to accumulate.

DOR collects the fine by offsetting any sales or use tax distributions due to the political subdivisions. In essence DOR only gets to collect the fee if the political subdivision has a sales or use tax. Most of these political subdivisions do not have a sales or use tax for DOR to collect, so DOR assumes much of what is owed is uncollectible. Additionally, this is not state money but local political subdivision funds.

Currently, a transportation development district that had gross revenues of less than \$5,000 in a fiscal year was not subject to this fine. This proposal states that any political subdivision that has gross revenues less than \$5,000 or has not levied or collected a sales and use tax in the fiscal year, would not be subject to the fine. Additionally, language is added that if the failure to file is a result of fraud or illegal conduct by an employee or officer of the political subdivision, and if the political subdivision complies with filing the financial statement within thirty days of the discovery of the fraud or illegal conduct, the fine shall not be assessed.

This proposal is allowing a political subdivision that files its financial statement after January 1, 2021 to receive a 90% reduction of their outstanding balance of their fines owed. Current records of the Department show total fines of \$42,853,000.00 and that \$2,011,481.57 had been collected. The assessment of the fines is distributed as follows:

ASSUMPTION (continued)

Political Subdivisions	Number of Subdivisions	Total Amount Fined	Total Amount Collected
Cities	147	\$13,620,000	\$1,419,702.72
Ambulance Districts	11	\$1,296,000	\$58,000
Hospitals	6	\$604,000	\$0
PWSD	17	\$1,433,500	\$0
Library Districts	7	\$1,510,500	\$0
Fire Protection Districts	47	\$4,744,500	\$42,500
Levee/Drainage/SRD Districts	53	\$7,736,000	\$0
Health Departments	4	\$196,500	\$0
CID	55	\$8,126,500	\$332,124.07
TDD	18	\$2,796,500	\$159,154.78
Other/Undesignated	6	\$874,000	\$0
		\$42,075,000.00	\$2,011,481.57

DOR notes that per statute we are allowed to retain 2% of the amount collected for administration. Since the program began we have collected \$38,977.74 which has been deposited into General Revenue. All DOR collection fees are deposited into General Revenue and are not retained by DOR.

Therefore the current outstanding balance is \$40,063,518.43 (\$42,075,000 - \$2,011,481.57). Therefore if all political subdivision file their report and receive the reduction it would be a loss of \$36,057,166.59 in fine revenue. The new provisions to this proposal call for DOR notification to initiate a ballot measure that could dissolve political subdivisions that fail to timely submit annual financial statements after January 1, 2021.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a potential loss of fine revenue stated by DOR to the general revenue fund for this proposal. Also, Oversight notes that because of the new language for certain local political subdivisions who have gross revenues of less than \$5,000 or who have not levied or collected a sales and use tax in the fiscal year or if the failure to file a financial statement is the result of fraud or illegal conduct by an employee or officer of the political subdivision and the political subdivision complies with filing the financial statement within thirty days of the discovery of the fraud or illegal conduct, then the fine shall not be assessed and could result in a savings to local political subdivisions on fine fees. Therefore, Oversight will also reflect a savings to local political subdivisions of \$0 to unknown for this proposal.

ASSUMPTION (continued)

**Oversight** also notes that the loss in fine revenue collected by DOR would result in a savings to the local political subdivisions who would no longer need to pay the fine revenue. It would also result in a loss of revenue to School Districts on these fines no longer being collected. Therefore, Oversight will reflect a savings to local political subdivisions on the fines no longer being collected and a loss of 98% of the fine revenue no longer going to the school districts for this proposal. Oversight notes that the Department of Revenue is allowed to retain two percent of the fine revenue collected (per §105.145.11). Oversight assumes a large portion of the \$40,063,518 of outstanding fines would be considered uncollectible. Therefore, Oversight will range the fiscal impact from this proposal from \$0 to DOR's estimates.

**Oversight** also notes that DOR noted \$2,000 in system updates for this proposal. Oversight assumes DOR is provided with core funding to handle a certain amount of computer activity from each year's legislative session. Oversight assumes DOR could absorb the system update costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process. Therefore, Oversight will reflect a \$0 fiscal impact to this part of the proposal.

In response to similar legislation (HB 1854 - 2020), officials from the **Office of the Attorney General (AGO)** stated that the AGO's involvement in the process for dissolution of political subdivisions created through this version of the legislation has been removed and, therefore, will have no fiscal impact.

In response to similar legislation (HB 1854 - 2020), officials from the **Office of the Secretary of State (SOS)** stated many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

In response to similar legislation (HB 1854 - 2020), officials from the **Office of the State Courts Administrator**, the **State Auditor's Office** and the **Joint Committee on Administrative Rules** each assume no fiscal impact to their respective agencies from this proposal.

In response to similar legislation (HB 1854 - 2020), officials from the **City of Kansas City**, the **City of Springfield**, the **St. Louis County Board of Elections**, the **Platte County Election Board** and the **Kansas City Election Board** each assume no fiscal impact to their respective entities from this proposal.

**Oversight** notes, in response to similar legislation (HB 1854 - 2020), the **Office of the State Courts Administrator**, the **State Auditor's Office**, the **Joint Committee on Administrative Rules**, the **City of Kansas City**, the **City of Springfield**, the **St. Louis County Board of Elections**, the **Platte County Election Board**, the **Kansas City Election Board** and the **Jackson County Election Board** have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

**Section 135.305 - Wood Energy Tax Credit**

Officials from **B&P** state this section would extend the wood energy tax credit from 2020 to 2026. B&P notes that since the program has not yet sunset, this section will not impact TSR or the calculation under Article X, Section 18(e).

**Oversight's** policy is to show the extension of the tax credit in the fiscal note. Oversight will show the revenue reduction (TSR and GR) for Fiscal Year(s), beginning in Fiscal Year 2021, as a continuation at the current appropriation level (\$740,000) or up to the \$6 million annual cap.

Officials from **DOR** state the Wood Energy Tax Credit has a \$6 million annual cap that is subject to appropriations. The legislature appropriated \$1 million in Wood Energy Tax Credits in Fiscal Year 2018 and Fiscal Year 2019. The legislature appropriated \$740,000 in Wood Energy Tax Credits for Fiscal Year 2021. The Wood Energy Tax Credit authorized under this section is not currently allowed additional authorizations after June 30, 2020. This proposed legislation would extend the sunset date applied to the credit until June 30, 2026.

**Oversight's** policy is to show the extension of the tax credit in the fiscal note. Oversight will show the revenue reduction (TSR and GR) for Fiscal Year(s), beginning in Fiscal Year 2021.

ASSUMPTION (continued)

In response to similar legislation, (SB 674 - 2020) officials from the **Missouri Department of Natural Resources** has stated the proposed legislation would not have a direct fiscal impact on that organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for this organization.

**Oversight** notes this proposed legislation extends the expiration date or end date for the Wood Energy Tax Credit authorized under Section 135.305 from June 30, 2020 to June 30, 2026. The issuance of the Wood Energy Tax Credit is subject to appropriation by the General Assembly and has a cap of \$6 million for each fiscal year. Oversight notes the previous three fiscal year's appropriations for the Wood Energy Tax Credit were:

- Fiscal Year 2021 - \$740,000 (HB 2006)
- Fiscal Year 2020 - \$1.5 million (HB 6)
- Fiscal Year 2019 - \$1.0 million (HB 2007)
- Fiscal Year 2018 - \$1.0 million (HB 7)

Oversight notes, according to the Tax Credit Analysis submitted by the Department of Natural Resources regarding the Wood Energy Tax Credit program, the Wood Energy Tax Credit had the following activity:

	FY 2017 ACTUAL	FY 2018 ACTUAL	FY 2019 ACTUAL	FY 2020 (full year) Est.	FY 2021 (budget year) Est.
Certificates Issued (#)	7	7	9	7	0
Projects (#)	7	7	9	7	0
Amount Authorized	\$970,000	\$970,000	\$678,887	\$1,455,000	\$0
Amount Issued	\$970,000	\$970,000	\$678,887	\$1,455,000	\$0
Amount Redeemed	\$1,374,622	\$891,087	\$789,077	\$989,077	\$989,077
FY 2020 EST. Amount Outstanding		\$1,388,703	FY 2020 EST. Amount under review to be Authorized and Issued		\$3,701,213

Since the cap for this tax credit is \$6 million annually (subject to appropriation), for purposes of this fiscal note, Oversight will present the extension of the tax credit as a continuation of the current appropriation level (\$740,000) up to the \$6 million annual cap.

ASSUMPTION (continued)

**Section 135.550 - Domestic Violence Tax Credit**

Officials from **DOR** state, currently, a taxpayer shall be allowed to claim a tax credit against the taxpayer's state tax liability, in an amount equal to fifty percent of the amount such taxpayer contributed to a shelter for victims of domestic violence. No taxpayer is allowed to claim more than \$50,000 and the total cumulative cap on the program is two million annually.

DOR notes the current tax credit program has issued the following amount of credits:

FY 2015	\$1,426,180
FY 2016	\$1,892,974
FY 2017	\$1,611,058
FY 2018	\$1,871,245
FY 2019	\$1,852,801

This proposal expands the existing program to allow a nonprofit organization established and operating for the purpose of a shelter for victims of domestic violence and are operated by the state or a political subdivision to also receive this credit as well as rape crisis centers. This could potentially expand the number of taxpayers that could claim the tax credit.

This proposal replaces the \$2.0 million annual cap with a \$4.0 million annual cap from this program and it allows the taxpayer to claim the credit in an amount equal to seventy percent of the amount of the contribution. Additionally, this expands the definition of domestic violence shelters, which may encourage more taxpayers to contribute. The five year issue average of the program has been \$1,730,852.

Assuming the \$1,730,852 had been half of the domestic violence shelters contributions, then increasing the tax credit percent to seventy percent would have resulted in \$2,423,193 in tax credits. An increase of \$692,341. The increased percent of the credit could result in additional contributions being made to domestic violence shelters, but the Department does not have any information as to how many more contributions would be made. The Department assumes this would increase the loss to General Revenue that could exceed \$692,341.

Officials from the **Missouri Department of Commerce and Insurance (DCI)** assume a potential unknown negative impact of premium tax revenues (up to the tax credit limit established in the bill) as a result of the Domestic Violence & Rape Crisis Center and the Capitol Complex tax credit. Premium revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay



ASSUMPTION (continued)

premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the tax credit proposed.

**Oversight** notes, per the Tax Credit Analysis Form, for the Shelter for Victims of Domestic Violence Tax Credit, the following activity has been recognized:

	FY 2017 ACTUAL	FY 2018 ACTUAL	FY 2019 ACTUAL	FY 2020 (Est)	FY 2021 (Est)
Certificates Issued (#)	2364	2403	2035	2450	2450
Projects (#)	N/A	N/A	N/A	N/A	N/A
Amount Authorized	\$1,611,058	\$1,871,245	\$1,752,801	\$1,800,000	\$1,800,000
Amount Issued	\$1,611,058	\$1,871,245	\$1,852,801	\$1,800,000	\$1,800,000
Amount Redeemed	\$1,476,638	\$1,510,572	\$883,099	\$1,300,000	\$1,300,000

**Oversight** notes, in Fiscal Year 2020, \$1,800,000 is projected to be issued in Domestic Violence Shelter Tax Credit(s).

**Oversight** notes this proposed legislation expands the definition of “shelter for victims of domestic violence” to include a non-profit organization established and operating exclusively for the purpose of supporting a shelter for victims of domestic violence operated by the state or one of its political subdivisions and adds the definition of “rape crisis center.” Oversight assumes the expansion of the definition of shelter for victims of domestic violence and adding rape crisis centers to eligible entities expands and increases the number of entities that are permitted to award Domestic Violence Shelter Tax Credits to donors. Oversight assumes the increase in the number of entities that are permitted to award such tax credits could increase the participation in the tax credit program.

Also, **Oversight** notes this proposed legislation increases the tax credit percentage from 50% of the donation to 70% of the donation beginning Fiscal Year 2022. Oversight assumes the increase in tax credit percentage could provide incentive for increased participation in the program.

ASSUMPTION (continued)

**Oversight** further notes this proposed legislation increases, for all fiscal years beginning on or after July 1, 2021 (Fiscal Year 2022), the cumulative amount of tax credits that may be claimed by all the taxpayer's contributing to shelters for victims of domestic violence from \$2 million to \$4 million.

Therefore, for purposes of this fiscal note, **Oversight** will report the fiscal impact as an amount equal to a negative "Up to \$200,000" beginning in Fiscal Year 2021, as a result of the potential increased utilization of the tax credit as a result from expanding the definition of "shelter for victims of domestic violence" and adding the definition of "rape crisis center" (current \$2 million cap - Fiscal Year 2021 estimated issuances of \$1.8 million) . Furthermore, beginning in Fiscal Year 2022, Oversight will report the fiscal impact as an amount equal to a negative "Up to \$2,200,000" as a result of the \$2 million increase in the cap, plus the potential increased utilization of the tax credit of \$200,000 in Fiscal Year 2021 (current \$2 million cap - Fiscal Year 2021 estimated issuances of \$1.8 million) from expanding the definition of "shelter for victims of domestic violence" and adding the definition of "rape crisis center."

**Section 137.115, 137.180, 137.275, 137.355, 137.385, 138.060, 138.090, 138.434 - Assessment and Appeals**

Officials from the **State Tax Commission (STC)** state the comparable property notification in 137.180 and the date changes from June 15 to the first have no fiscal impact on the STC. The two amendments have no fiscal impact on the STC.

STC has reviewed the proposed legislation and determined, in current law, for property assessment appeals to the boards of equalization in St Louis County, St Louis City and St Charles County, the assessor has the burden of proof that the valuation does not exceed the true market value of the property. Additionally if a physical inspection of the property is required for assessment (proposed as increase over 15% for sub class 1 residential ) the assessor has the burden to prove such inspection was performed and the property owner prevails if the requirement was not performed. This proposal extends these provisions and requirements to all counties and the City of St. Louis . The fiscal impact is unknown and would be at the local (County) level on local assessment officials as said requirements will likely require the need for additional qualified appraisal staff and resources to fulfill the provisions of this act.

The act amends section 138.434 increases the limits for St. Louis County as reimbursement to taxpayers for successful residential appeals to the State Tax Commission for appraisal costs , attorney fees, court costs, to \$6,000 for residential appeals and the lesser of \$10,000 or 25% of the tax savings for other non-residential appeals. This provision would have an unknown potential fiscal impact on the County.

ASSUMPTION (continued)

Officials from **B&P** state this section broadens the physical inspection requirements from only St. Louis County to all local jurisdictions if the assessed valuation increase is greater than 15%.

This section will not have a direct impact to TSR or the calculation under Article X, Section 18(e).

These sections change when assessors must notify property owners of increases assessed valuations and what information such notice shall include. These provisions will not impact TSR or the calculation under Article X, Section 18(e).

These sections change when appeals must be filed. These provisions will not impact TSR or the calculation under Article X, Section 18(e).

This section changes the local jurisdictions in which the assessor has burden of proof. This section will not impact TSR or the calculation under Article X, Section 18(e).

This section changes when county board of equalizations first meet each year. This provision will not impact TSR or the calculation under Article X, Section 18(e).

This section changes the amount of reimbursable attorney fees in St. Louis County. This provision will not impact TSR or the calculation under Article X, Section 18(e).

Officials from DOR state these sections would not have a fiscal impact on DOR.

Officials from **Bollinger County Assessor's Office** state the provisions pertaining to the assessment process provide for all County Assessors to physically inspect all property within a jurisdiction that change more than ten percent (10%) regardless of new construction or improvement. This will not only increase the burden of additional staff requirements it creates a change in the function(s) and job description of the Assessor's office. Bollinger County would have to increase staff by three, certified/licensed appraisers and transportation and/or mileage reimbursement increases. Bollinger County estimates it will cost an additional \$150,000 to \$300,000 per year to physically inspect each parcel within Bollinger County.

ASSUMPTION (continued)

Officials from the **Clay County Assessor's Office** state without a definition of capital expenditures ALL business personal property will become a capital expenditure. The value of business personal property will be 0 value. Thus affecting 15% of the value of Clay County.

Clay County bills over 400,000,000 per year so subtract 15% or \$60,000,000 would be lost in revenue.

Requiring a physical inspection of all property over 15% would cost Clay County since the past two cycles have had huge increases over \$500,000 in increased staffing required to accomplish this task.

Officials from the **Howell County Assessor's Office** state this legislation would have a negative impact on Howell County in an amount that could amount to \$1,500,000.

Officials from the **Callaway County Assessor's Office** state this legislation mandates counties to do physical inspection of such properties that have increased by 15% or more and will be a financial burden on many counties. The Callaway County Assessor's Office estimate the cost to be greater than \$425,000.

Officials from the **Randolph County Assessor's Office** state this legislation would have a negative impact on Randolph County in an amount that could amount to \$1,000,000

Officials from the **Perry County Assessor's Office** state this legislation shortens the Assessor's time for review and could cost Perry County over \$20,000. Increased requirements of physical inspections, shortening our review cycle and adding notices for increases in personal property and placing the burden of proof on the Assessor could cost Perry County \$60,000 for increased staff and process changes.

Officials from the **Warren County Assessor's Office** state, in order to complete the inspections and other activities created by this legislation, changes in office function are required. Warren County anticipates the cost to amount to \$1,250,000.

ASSUMPTION (continued)

**Oversight** assumes some counties may be required to hire more than one appraiser and/or other staff as well as additional software or equipment. Therefore, Oversight will show a cost to counties that could exceed \$3,785,000 (amount(s) reported by County Assessors) for additional staff, equipment or services to meet the requirements of this proposal.

**Section 143.121 and 143.171 - Taxability of Stimulus Payments**

Officials from **B&P** state Section 143.121 states that a taxpayer shall not include the COVID-19 stimulus tax credit in their Missouri adjusted gross income (MAGI). B&P notes that individuals who itemize their tax deductions are required to include any federal tax refunds within their MAGI. This provision would exclude refunds due to the COVID-19 stimulus tax credit from this requirement.

Section 143.171 would allow taxpayers to add their COVID-19 stimulus tax credit amount back to their final federal tax due amount, for the purpose of taking the Missouri federal income tax deduction. B&P notes that typically anything that reduces federal income taxes due would also reduce the federal income tax deduction amount.

Using 2017 Tax Year data, the most recent complete year available, and adjusting for SB 509 (2014), B&P estimates that this provision will reduce TSR and GR by up to \$36,385,352 in Fiscal Year 2021, pending finalized IRS rules. This provision will impact the calculation under Article X, Section 18(e).

Officials from **DOR** state Section 143.121 states that a taxpayer shall not include the COVID-19 stimulus tax credit in their Missouri adjusted gross income (MAGI). DOR notes that individuals who itemize their tax deductions are required to include any federal tax refunds within their MAGI. This provision would exclude refunds from the COVID-19 stimulus tax credit from this requirement.

Section 143.171 would allow taxpayers to add their COVID-19 stimulus tax credit amount back to their final federal tax due amount, for the purpose of taking the Missouri federal income tax deduction. DOR notes that typically anything that reduces federal income taxes due would also reduce the federal income tax deduction amount.

ASSUMPTION (continued)

B&P and DOR used their confidential taxpayer modeling software to determine the amount of tax that would be owed if this provision were not adopted. Adopting this provision would result in a loss to general revenue of Up to \$36 million in Fiscal Year 2021.

DOR would be required to add a line to the tax return and will need form and computer programming changes.

**Oversight** notes the estimated reduction to GR of \$36,385,352 in Fiscal Year 2021 represents the state **not** collecting state income tax on the CARES Act COVID-19 federal stimulus refunds distributed in Tax Year 2020. This is **not** a loss of current funding or a new expense, but rather a non-collection of a potential one-year windfall of income taxes to the state.

For purposes of this fiscal note, **Oversight** will report the negative fiscal impact to GR provided the federal government deems the stimulus payments taxable.

Section 143.425 - Taxation of Partnerships

Officials from **DOR** state the proposed section, broadly speaking, sets forth reporting and payment requirements for partnerships at the individual partner and/or entity level in the event of an entity-level audit by the IRS or other federal entity-level adjustment. This new IRS partnership audit regime, under which the IRS will generally audit and make changes to partnership items at the partnership level instead of flowing the changes through to individual partners, began on January 1, 2018.

The new partnership audit regime will affect IRS audits of Tax Year 2018 and Tax Year 2019 partnership tax returns, and onwards. The new regime applies to tax years beginning after December 31, 2017 and continues indefinitely. These tax returns started being filed in 2019. Thus, the IRS would begin auditing Tax Year 2018 returns, at earliest, sometime in Calendar Year 2019. (This does not take into consideration short tax years).

Partnerships were also given an option to opt-in to this new audit regime early; partnerships that made the election to opt-in early could have received partnership-level adjustments as a result of an IRS audit for partnership tax years beginning on or after November 2, 2015.

ASSUMPTION (continued)

This proposal would allow DOR to assess and collect taxes directly from the partnership entity following a federal audit. Without this change, DOR may be unable to collect (or refund) any taxes owed by a partnership following the findings of an audit by the IRS. Therefore, this proposal may increase TSR and GR by an unknown amount if DOR is able to collect additional state taxes owed after a partnership has been audited by the IRS.

Changes were made in this proposal which make it unclear how the partnerships will file their returns. The impact is unknown but expected to be a loss to General Revenue.

**Oversight** notes, currently, DOR may adjust tax on the returns of individual partners of partnerships upon findings through amended tax(es) filed by the individual partners themselves or through Discovery programs operated by DOR. These Discovery programs receive information from the IRS in relation to adjustments made to the federal tax filings of Missouri residents. If DOR believes it to be necessary, they will adjust individual partner's Missouri tax filing(s) to reflect those changes received from the IRS and assess or refund accordingly.

The United States Congress passed the Bipartisan Budget Act (2015) which entitles the IRS to audit partnerships at the entity level rather than passing the changes on to the individual partner level. If the IRS finds that adjustments are required, the IRS will make the necessary adjustments on the partnership return rather than passing the tax on to the individual partners.

Currently, DOR is unable to perform adjustments at the partnership level deemed necessary through their Discovery programs. This proposed legislation would allow DOR to make such adjustments. Oversight notes this proposed legislation is following the changes made at the IRS level under the Bipartisan Budget Act (2015). Oversight further notes it allows DOR to continue to adjust tax returns as they have in the past, but with new methods.

**Oversight** assumes without this change, DOR would no longer be able to collect the unreported changes to partnership returns recognized under DOR's Discovery programs, as they would no longer be reported at the individual (partner) level. Thus, TSR and GR could be reduced by an unknown amount.

ASSUMPTION (continued)

For purposes of this fiscal note, **Oversight** will show a fiscal impact of \$0 or Unknown to (Unknown). Zero would be recognized if DOR received the additional tax assessments or made the additional tax refunds equal to the amounts in the past. Unknown would be recognized if DOR collects a greater amount of additional tax assessments due to the passage of this proposed legislation and (Unknown) would be recognized if DOR receives a lesser amount of additional tax assessments or must make a greater amount of refunds due to the passage of this proposed legislation.

In response to the previous version of this proposed legislation, officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

In response to the previous version of this proposed legislation, officials from the **Joint Committee on Administrative Rules (JCAR)** assumed this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

**Section 143.991- Tax Refund(s) for Victims of Terrorist Attacks**

Officials from **B&P** state this section would exempt "specified terrorist victims" from income tax, from the year of their injury through the year of their death. A specified terrorist victim is defined as an individual who died or was injured due to the 9/11 terrorist attacks or the anthrax attacks which took place between September 2001 and December 2001.



ASSUMPTION (continued)

The income tax exemption shall not include deferred compensation payments or income that would not have occurred but for actions taken on 9/11.

Based on information published by the CDC, there are 100 to 499 individuals living in Missouri and enrolled in the World Trade Center Health Program. B&P was unable to find data to the number of qualified anthrax survivors living within Missouri.

Based on data published by the U.S. Bureau of Economic Analysis the median per capita income in Missouri for 2018 was \$47,746. Therefore, B&P estimates that this proposal may exempt from \$4.8M (100 x \$47,746) to \$23.8M (499 x \$47,746) in income. However, deductions do not reduce revenues on a dollar for dollar basis, but rather in proportion to the top tax rate applied. Therefore, B&P will show the estimated impacts throughout the implementation of the tax rate reductions from SB 509 (2014).

Tax Year	TY20	TY21*	TY22*	TY23*
Tax Rate	5.40%	5.30%	5.20%	5.10%
Low Estimate	\$257,828	\$253,054	\$248,279	\$243,505
High Estimate	\$1,286,564	\$1,262,738	\$1,238,913	\$1,215,088

\*Assumes each SB 509 (2014) trigger is reached for rate reduction

Therefore, B&P estimates that this proposal could reduce TSR and GR by \$257,828 to \$1,286,564 (Tax Year 2020 top tax rate is 5.4%) in Fiscal Year 2021. Once SB 509 (2014) has fully implemented, this proposal could reduce TSR and GR by \$243,505 to \$1,215,088 annually.

Subdivision 143.991.3(3) would not allow individuals to receive a refund for amended returns based solely on the income exemption under Section 143.991.3.

B&P further notes that over time qualifying individuals are likely to receive more income from non-taxable sources (such as social security payments); therefore, the impacts of this proposal may decline in the future.

Officials from **DOR** state this proposed section makes the income tax provisions of Chapter 143 inapplicable to a "specified terrorist victim", which is defined as a decedent who dies as a result of the 9/11/01 terror attack, or who dies as a result of the anthrax attack between 9/11/01 and 1/1/02.

ASSUMPTION (continued)

The reference to 26 USC 692(d) (3) is to income in respect of a decedent who was a victim of a terrorist act, to income that had to be recognized because of something that was done after 9/11/01. The purpose of the reference is to be complete in the types of income that is subject to this exemption.

DOR is unable to determine how many taxpayers would qualify for this provisions. DOR assumes the loss to General Revenue would be minimal.

**Oversight** notes this proposed legislation would provide personal income tax relief to individuals who meet the definition of specified terrorist victim. Oversight notes a specified terrorist victim is defined as a decedent who dies as a result of wounds or injury incurred as a result of the terrorist attacks against the United States on September 11, 2001 or as a result of illness incurred as a result of an attack involving anthrax occurring on or after September 11, 2001, and before January 1, 2002.

Subsequently, **Oversight** assumes an individual must decease before such individual qualifies for the exemption set forth in this proposed legislation. Therefore, Oversight assumes amended tax returns would be filed by an executor of the deceased individual.

**Oversight** assumes this proposed legislation would exempt, for a specified terrorist victim, income for any prior taxable year beginning with the tax year ending before the tax year in which the wounds or injury were incurred to the tax year in which falls the death of the qualified individual.

**Oversight** notes, for each qualifying individual, a total of 21 tax years could be amended to benefit from the exemption set forth at the time this proposed legislation is enacted on August 28, 2020 (beginning in the tax year ending before the taxable year in which the wounds or injury were incurred (2000) to Tax Year 2020). Oversight assumes the number of tax years that could be amended to benefit from the exemption set forth could increase each year qualifying individuals remain alive.

**Oversight** is unable to determine how many qualifying taxpayers have deceased or will become deceased in specific future years. Furthermore, Oversight is unaware of the qualifying individuals' income that would become exempt under this proposed legislation.

**Oversight** notes the State of Connecticut allows for a similar exemption. However, Connecticut's law allows for an exemption of income tax to specified terrorist victims only in the taxable year in which falls the date of his or her death.

ASSUMPTION (continued)

New York allows for an income tax exemption for Tax Year 2000 and all later tax years up to and including the year of the death of an individual, as a result of the September 11, 2001 terrorist attacks.

New Jersey allows an exclusion for income of victims who died as a result of the September 11, 2001 terrorist attacks which applies for Tax Year 2000 and all later years up to and including the year of death.

Since **Oversight** is unaware of how many qualifying individuals will decrease each year, for purposes of this fiscal note, Oversight will show a revenue reduction to GR equal to and amount that could exceed one individual's per capita income for Missouri for 2018; \$47,746.

Section 144.757 - Local Use Tax

Officials from **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 from **DOR** state this section modifies the ballot language for local political subdivision sales and use tax issues. DOR assumes no fiscal impact from changing the ballot language.

**Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for this section.

Officials from the **City of Columbia** state they could recognize a positive impact if local voters approve a use tax.

ASSUMPTION (continued)

**Section 205.202 - Hospital Districts - Wayne County - Sales Tax in Lieu of Property Tax**

Officials from **DOR** state this section clarifies what happens upon dissolution of a hospital district that was levying a sales tax. The sales tax is to be distributed 25% to the county public health center and 75% to the federally qualified health center. This proposal would not have a fiscal impact on DOR but would clarify where the money DOR receives is to be distributed.

**Oversight** notes the **Department of Health and Senior Services** and the **Department of Social Services** have stated the proposal would not have a direct fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these organizations.

**Section 321.552 - Fire Protection Districts - Sales Tax**

Officials from **DOR** state this section would allow any governing body of an ambulance or fire protection district to impose a sales tax in an amount up to one percent on all retail sales made in such district. Previously the cap was at one-half of one percent. This proposal would not allow the districts in Cape Girardeau, Christian, Cole, Clay, Greene, Jackson, Jefferson, St. Charles County, St. Charles County and St. Louis City to increase their rates. In order to increase the sales tax the district would be required to hold an election and notify the Department of the increase. If the election were held in April 2021, then the tax would not be remitted until July 2021 (Fiscal Year 2022).

Using information on the amount of sales tax collected, DOR calculated how much additional revenue would be raised by the districts if all raised their sales tax to the maximum 1% allowed by this proposal below:

ASSUMPTION (continued)

Districts - Various Percentages	0.005	0.0025	0.00375	0.0045
Tax Base	10,240,964,864	1,843,205,900	849,942,243	664,923,916
New 1% Rate	\$ 102,409,649	\$ 18,432,059	\$ 8,499,422	\$ 6,649,239
Net Increase	\$ 51,204,824	\$ 13,824,044	\$ 5,312,139	\$ 3,657,082
1% DOR Fee*	\$ 512,048	\$ 138,241	\$ 53,121	\$ 36,571
<b>District Increase*</b>	<b>\$ 50,692,776</b>	<b>\$ 13,685,804</b>	<b>\$ 5,259,018</b>	<b>\$ 3,620,511</b>

\* 1% DOR Fee = \$512,048+\$138,240+\$53,120+\$36,571 = 739,981

\*District Increase total = \$50,692,776+\$13,685,804+\$5,259,018+\$3,620,511 = 73,258,108

The Department is allowed to retain 1% for collection costs, so this would be an increase to General Revenue of \$739,981 if all the subdivisions raised the tax to the maximum allowed.

This would impact General Revenue \$0 or up to \$739,981 starting in Fiscal Year 2024.

This would impact local political subdivisions \$0 or up to \$73,258,108 starting in FY 2024.

**Oversight** notes this proposed section would only be in effect if the voters voted on the proposal put forth by an ambulance district or fire district on a general election so long as that general election is not before the 2022 General Election.

**Oversight** notes the earliest this proposal could be implemented is the 2022 General Election. Oversight assumes this will occur in November 2022. Therefore, Oversight will report the fiscal impact stated above beginning in Fiscal Year 2023 (3 months of Fiscal Year 2023).

**Oversight** notes currently there are 78 districts that collect a sales tax (60 ambulance districts and 18 fire protection districts). For Fiscal Year 2019, the distribution of sales tax revenue to the 60 ambulance districts totaled \$58 million, while the distribution to the 18 fire protection districts totaled \$19.7 million. Assuming most of these are collecting .5% sales tax, the potential to double the sales tax rate (depending upon voter approval) would total \$77.7 million (\$58 m + \$19.7 m), which is similar to the estimate provided by DOR. Therefore, Oversight will utilize DOR's estimate to calculate the fiscal impact to local political subdivisions (fire protection and ambulance districts) as well as GR (DOR 1% collection fee) beginning in Fiscal Year 2023.

ASSUMPTION (continued)

Officials from the **Department of Conservation (MDC)** assumed the proposal will have 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 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 from the **Department of Natural Resources (DNR)** assume the proposal will have no direct impact to their organization.

Officials from the **Department of Public Safety - Fire Safety and Department of Public Safety Missouri Highway Patrol** both assumed the proposal will have no impact on their respective organizations.

In response to similar legislation, (HB 2386 - 2020) officials from **City of Kansas City, Kansas City Election Board, Jackson County Election Board, and Saint Louis County Board of Election** each assumed the proposal will have no impact on their respective organizations.

Section 326.289 - CPA Review

**Oversight** notes this section permits the Missouri State Board of Accountancy may obtain certain information for peer review.

Officials from **DOR** state this section will not result in a fiscal impact for DOR. Oversight does not have any information to the contrary. Therefore, for purposes of this fiscal note, Oversight will report a fiscal impact equal to zero as it relates to this section.

Section 347.044, 347.179, 347.183, 358.460, 358.470 - Limited Liability Companies - Information Requests

Officials from **B&P** state this section creates a fee of \$95 for erroneous or accidentally filed notice of winding up or articles of termination. This may impact TSR and Article X, Section 18(e).

ASSUMPTION (continued)

Officials from **DOR** state these sections have to do with the filing of paperwork at the Office of the Secretary of State. These provisions will not have a fiscal impact on DOR.

In response to similar legislation, (SB 720 - 2020) officials from the **Office of the Secretary of State (SOS)** assumed Total State General Revenue regarding these particular filings will decrease, for Limited Liability Company, and decrease for Limited Liability Partnerships.

A new filing of Information Statement for LLCs will start in 2023 and affect LLCs every five years thereafter for each new registration resulting in a positive fiscal impact.

These estimates assume various rate of participation and use an averaging of historical data to determine estimations.

347.044-347.183 (LLC)

	GR	TECH
	101	266
FY2021	\$(423,855)	\$180
FY2022	\$(299,629)	\$216
FY2023	\$(260,216)	\$225

358.460-358.470 (LLP)

	<u>GR 101</u>	<u>TECH 266</u>
<b>FY2021</b>	\$(565)	
<b>FY2022</b>	\$(590)	
<b>FY2023</b>	\$(545)	

Fiscal impact for the year FY2023-FY2026 347.044-347.183 (LLC)

	<u>GR 101</u>	<u>TECH 266</u>
<b>FY2023</b>	\$ 326,175	\$ 165,904
<b>FY2024</b>	\$ 655,959	\$ 504,584
<b>FY2025</b>	\$ 359,515	\$ 276,550
<b>FY2026</b>	\$ 303,875	\$ 276,550

ASSUMPTION (continued)

Secretary of State's office is a silo IT department. All changes to software would require working with a third party vendor and/or the Information Technology department. Resulting in an estimated expenditure of \$85,000.

**Oversight** will reflect the fiscal impact as provided by SOS.

**Section 620.2005 & 620.2010- Missouri Works Program**

Officials from **B&P** state this section clarifies that the Missouri Works program is available for both full-time and part-time employees for certain projects. To the extent businesses qualify for additional tax credits this proposal could impact General and Total State Revenues and the calculation pursuant to Article X, Section 18(e). Additionally, to the extent this proposal encourages other economic activity, General and Total State Revenue may increase, but B&P cannot estimate the induced revenues.

Officials from **DOR** state this section clarifies the definition of the qualified military project to require ten or more part-time or full-time military or civilian support personnel. DOR assumes no fiscal impact from this definition change.

Section 620.2010 allows for the awarding of a tax credit in the amount equal to the estimated withholding taxes associated with the part-time and full-time jobs. DOR assumes that since this qualifies who receives the credit, it would not have a fiscal impact on DOR.

For purposes of this fiscal note, **Oversight** will report a negative fiscal impact to GR equal to an Unknown amount.

**Section 620.3210 - Capitol Complex Tax Credit**

Officials from **B&P** state this section would create a tax credit for individuals or entities that make eligible monetary or artifact donations to the Capitol Complex Fund, beginning January 1, 2020. Taxpayers may claim a tax credit for an amount up to 50% of their eligible monetary donation or for an amount up to 30% of their eligible artifact donation. The credit for monetary donations is refundable or can be carried forward to any of the four subsequent taxable years. The credit for eligible artifact donations has a four-year carry-forward provision. Issuances of these tax credits are capped at \$10,000,000 annually. These tax credits may offset Tax Year 2020 liabilities; therefore, reducing General Revenue (GR) and Total State Revenues (TSR) by an amount up to \$10,000,000 annually beginning in Fiscal Year 2021.



ASSUMPTION (continued)

This proposal would also create the Capitol Complex Fund that will be used for maintenance, renovations, and rehabilitation of the Capitol Complex, administered by the Missouri Development Finance Board. Revenues for this fund will consist of monetary donations. Because this fund will be a Missouri Development Finance Board fund outside the State Treasury, it will have no impact on TSR.

**Oversight** notes the tax credit created under Section 620.3210 of this proposed legislation is awarded to qualified donors who make eligible monetary donations equal to fifty percent (50%) of the donation and to qualified donors who make eligible artifact donations equal to thirty percent (30%) of the donation. Only revenues from eligible monetary donations of this proposed legislation would be deposited into the Capitol Complex Fund. The cumulative cap for tax credits created under this proposed legislation is \$10 million annually. Oversight notes the \$10 million cap is for both eligible monetary donations and eligible artifact donations. Thus, Oversight assumes the maximum amount that could be deposited into the Capitol Complex Fund by means of eligible monetary donations is \$20 million annually provided no eligible artifact donations are recognized. The estimated amount deposited into the Capitol Complex Fund is dependent on eligible monetary donations; the estimated amount deposited could be reduced for every eligible artifact donation as no revenues are deposited into the Capitol Complex Fund from artifact donations while the donation itself would lessen the shared amount available within the \$10 million tax credit cap.

In response to similar legislation, (SCS for SB 586 - 2020) officials from **Missouri Department of Economic Development (DED)** stated this creates the Capitol Complex Tax Credit Act. Beginning January 1, 2020, a donor gets a tax credit equal to fifty percent (50%) for monetary donations and thirty percent (30%) for artifact donations. This proposed legislation places a cap of \$10 million in authorizations per year. This is the impact to TSR since it is a reduction of tax revenue.

DED will need to hire one (1) Economic Development Incentive Specialist III (at \$51,808 annually) to administer the program.

**Oversight** assumes DED could absorb the additional duties and responsibilities of the tax credit program proposed without adding additional FTE; however, due to the uncertainty of how many tax credits will be issued under this proposed legislation, Oversight will range DED's cost from \$0 (FTE can be absorbed) to the estimate(s) provided by DED for one Economic Development Incentive Specialist III (FTE is not absorbed) to the Capitol Complex Fund. Oversight notes this proposed legislation allows administrative costs to be paid out of the Capitol Complex Fund.

ASSUMPTION (continued)

Therefore, Oversight assumes GR would not be impacted by adding DED's FTE. Oversight notes, however, this proposed legislation would not require in-state or out-of-state travel for DED. Therefore, Oversight has adjusted the expenses reported by DED to remove the in-state and out-of-state travel expenses reported.

Officials from **DOR** stated this section creates the "Capitol Complex Tax Credit Act." For all taxable years beginning on or after January 1, 2020, this act authorizes a tax credit against the taxes otherwise due under Chapter 143 and 148, except for Section(s) 143.191 to 143.265, for all monetary and artifact donations. The tax credit for monetary donations shall not exceed fifty percent (50%) of the eligible donation, is refundable and may be carried forward up to four taxable years. The tax credit for artifact donations shall not exceed thirty percent (30%) of the eligible donation, is not refundable but may be carried forward up to four taxable years. No more than \$10 million in tax credits shall be authorized in any given calendar year.

This proposed legislation establishes the "Capitol Complex Fund", which is authorized to receive any eligible monetary donation as provided in the section. The "Capitol Complex Fund" shall be separated into two accounts: a rehabilitation and renovation account and a maintenance account. The distribution of the funds shall be 90% to the rehabilitation and renovation account and 7.5% to the maintenance account. The remaining 2.5 percent may be used for soliciting donations to the fund, advertising and promoting the fund, and administrative costs of the fund.

DOR assumes this would cause a negative impact to GR up to \$10 million annually starting in Fiscal Year 2021.

**Oversight** notes the tax credit program authorized under this proposed legislation would begin January 1, 2020. Tax Year 2020 tax returns claiming the tax credit(s) authorized under this proposed legislation would not be filed until after January 1, 2021 (Fiscal Year 2021). Therefore, Oversight will show the revenue reduction to GR and TSR, as it relates to the tax credit beginning in Fiscal Year 2021 and show the revenue gain to the Capitol Complex Fund, as it relates to the donations made, beginning in Fiscal Year 2021.

In response to similar legislation, (SCS for SB 586 - 2020) officials from the **Office of Administration (OA)** state this bill would create the Capitol Complex Fund (the Fund) to be used for maintenance, renovation, and rehabilitation of the Capitol Complex. Donors to the Fund would be eligible to receive a credit against state income tax for 50% of their donation amount. The bill provides that the Commissioner of Administration would determine what projects are performed with the money from the Fund and how projects will be carried out. OA and the Office of Administration - Facilities Management, Design & Construction Division (OA-FMDC)

ASSUMPTION (continued)

assumes this bill could result in OA-FMDC being responsible for additional projects in the Capitol Complex. Without information about the amount of donations that would be received and the nature of the projects that would be performed with the money from the fund, there could be an increase in project work. On the other hand, this bill could have a cost savings for OA-FMDC dependent upon the amount of donations and tax credits that could equitably be used towards projects and maintenance to the buildings.

Officials from the **Missouri Department of Commerce and Insurance (DCI)** state a potential unknown negative impact of premium tax revenues (up to the tax credit limit established in the bill) as a result of the Domestic Violence & Rape Crisis Center and the Capitol Complex tax credit. Premium revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year and which insurers will qualify for the tax credit proposed.

**Oversight** notes DCI assumes they could absorb the responsibilities of the tax credit created under this proposed legislation. Should many bills pass which warrant updates to DCI's Premium Tax Database, DCI may seek additional expense and equipment through the appropriation process.

**Oversight** notes this proposed legislation establishes the Capitol Complex Tax Credit Act for which qualified donors of eligible monetary items and eligible artifact items could qualify for a tax credit to offset tax(es) due under Chapters 143 and 148, other than Withholding Tax(es) authorized under Section(s) 143.191 to 143.265. The tax credit program authorized would begin January 1, 2020. Qualified donors who make eligible monetary donations could qualify for a tax credit up to fifty percent (50%) of the amount donated while qualified donors who make eligible artifact donations could qualify for a tax credit up to thirty percent (30%) of the value of the artifact which would be determined by the Board of Public Buildings. Oversight notes the Board of Public Building consists of the Governor, the Attorney General and the Lieutenant Governor. Tax credits authorized for eligible monetary donations could be refunded or carried forward for four taxable periods. Tax credits authorized for eligible artifact donations are limited to the recipients state tax liability and may not be refunded but may be carried forward for four taxable periods.

ASSUMPTION (continued)

**Oversight** notes that no more than \$10 million may be authorized in tax credit(s) under this proposed legislation each calendar year and the tax credits would be issued on a first-come, first-serve basis.

Therefore, **Oversight** estimates GR and TSR could be reduced by an amount up to \$10,000,000 as a result of the tax credit created under this proposed legislation.

**Oversight** notes the eligible monetary amounts donated by qualified donors would be deposited into the Capitol Complex Fund.

**Oversight** estimates the maximum deposits into the Capitol Complex Fund each year by means of eligible monetary donations to be \$20 million (\$10 million cap / 50% tax credit).

This proposed legislation provides that the Capitol Complex Fund shall be segregated into two separate accounts; a Rehabilitation and Renovation Account and a Maintenance Account. Oversight notes the proposed legislation states ninety percent (90%) of the revenues received from eligible monetary donations shall be deposited into the Rehabilitation and Renovation Account and seven and one-half percent (7.5%) percent shall be deposited into the Maintenance Account while the remaining two and one-half percent (2.5%) may be used for the purposes of soliciting donations to the fund, advertising and promoting the fund, and administrative costs of administering the fund. Oversight provides the following maximum estimated allocation of revenues generated by eligible monetary donations:

Capitol Complex Fund		Rehab. And Renovation Account (90%)	Maintenance Account (7.5%)	Soliciting/Advertising/Promotion/ Admin. Costs (2.5%)
Section 620.3210	\$20,000,000	\$18,000,000	\$1,500,000	\$500,000
<b>Total (DED FTE Not Included)</b>	<b>\$20,000,000</b>	<b>\$18,000,000</b>	<b>\$1,500,000</b>	<b>\$500,000</b>
Less DED Admin. Cost	(\$84,157) credited from revenues in last column			
<b>Total (DED FTE Included)</b>	<b>\$19,915,843</b>	<b>\$18,000,000</b>	<b>\$1,500,000</b>	<b>\$415,843</b>

**Oversight** notes the estimated deposits into the Capitol Complex Fund of \$20 million is dependent on monetary donations and could be reduced by each eligible artifact donation, as tax credits awarded for such a donation do not warrant any deposit into the Capitol Complex fund but would lessen the shared amount available within the \$10 million tax credit cap.

ASSUMPTION (continued)

**Oversight** notes, since the Capitol Complex Fund would be a Missouri Development Finance Board fund, outside of the State Treasurer's Office, there will be no impact to General Revenue (GR) or Total State Revenue (TSR) as a result of the qualified donations.

Officials from the Officials from the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

**Oversight** assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

In response to similar legislation, (SCS for SB 586 - 2020) officials from the **Office of the Secretary of State (SOS)** state many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Governor's Office**, the **Missouri Department of Transportation**, the **Missouri State Treasurer's Office** and the **Missouri Attorney General's Office** have stated this proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in this fiscal note for these organizations.

ASSUMPTION (continued)

In response to similar legislation, (SB 586 - 2020) officials from the **Lieutenant Governor's Office** stated this proposed legislation would not have a direct fiscal impact on that organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in this fiscal note for this organization.

**Oversight** notes the **St. Louis County Board of Elections**, the **Missouri Department of Social Services**, the **Missouri Department of Natural Resources**, the **Missouri Attorney General's Office**, the **Missouri Department of Public Safety**, the **Division of Fire Safety**, the **Office of State Court Administrator**, the **Missouri State Treasurer's Office**, the **Missouri Department of Transportation**, the **Missouri Department of Health and Senior Services**, the **Missouri Department of Administration** and the **Missouri State Auditor's Office** have stated the proposed legislation would not have a direct fiscal impact on their respective organizations. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero fiscal impact in the fiscal note for these organizations.

<u>FISCAL IMPACT -</u>				Fully
<u>State Government</u>	FY 2021	FY 2022	FY 2023	Implemented
	(10 Mo.)			(FY 2024)

**GENERAL  
REVENUE**

<u>Revenue Gain -</u>				
various local tax				\$0 or Could
initiatives - DOR 1%			\$0 or Could	exceed
collection fee	\$0	\$0	exceed \$419,703	\$1,687,178

<u>Loss - Section</u>				
105.145 - DOR 2%				
collection fee on				
future potential fines				
no longer assessed				
because LPSs no				
longer required to				
file - p. 26 - 30	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
<u>Loss - Section</u> 105.145 - DOR - 2% collection fee that may have been collected if not for the one-time decrease of 90% of the outstanding balance from the local political subdivision if they submit a timely financial statement - by 8/28/2020 p. 26 - 30	\$0 or up to (\$721,143)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Revenue Reduction -</u> Section 135.550 Increase in DVC tax credit % and cap - p. 32 - 34	Up to (\$200,000)	Up to (\$2,200,000)	Up to (\$2,200,000)	Up to (\$2,200,000)
<u>Revenue Reduction -</u> Sections 143.121 & 143.171 - Stimulus Payment Taxability - p. 37 - 38	(\$36,385,352)	\$0	\$0	\$0
<u>Revenue - Section</u> 143.425 - Taxation of Partnership - p. 38 - 40	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown	\$0 or (Unknown) to Unknown
<u>Revenue Reduction -</u> Section 143.991 - Refund for Victims of Terrorist Attacks - p. 40 - 43	Could exceed (\$47,746)	Could exceed (\$47,746)	Could exceed (\$47,746)	Could exceed (\$47,746)

<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
<u>Revenue</u>				
<u>Increase/Reduction -</u>				
SOS - net impact				
from Section				
347.044, 347.179,				
347.183, 358.460,				
358.470 - p. 46 - 48				
	(\$424,420)	(\$300,219)	\$65,414	\$655,979
 <u>Revenue Reduction -</u>				
Section 620.3210 -				
Capitol Complex				
Tax Credit -				
p. 48 - 54				
	Up to (\$10,000,000)	Up to (\$10,000,000)	Up to (\$10,000,000)	Up to (\$10,000,000)
 <u>Revenue Reduction -</u>				
Section 135.305 -				
Wood Energy Tax				
Credit - p. 30 - 31				
	(\$740,000) to (\$6,000,000)	(\$740,000) to (\$6,000,000)	(\$740,000) to (\$6,000,000)	(\$740,000) to (\$6,000,000)
	depending upon <u>appropriation</u>	depending upon <u>appropriation</u>	depending upon <u>appropriation</u>	depending upon <u>appropriation</u>
 <u>Revenue Reduction -</u>				
Section 620.2005 &				
620.2010 - Missouri				
Works Program -				
p. 48				
	(Unknown)	(Unknown)	(Unknown)	(Unknown)
 <b>ESTIMATED NET</b>				
<b>EFFECT TO THE</b>				
<b>GENERAL</b>				
<b>REVENUE FUND</b>				
	<u>Less than or</u> <u>Greater than</u> <u>(\$53,778,661)</u>	<u>Less than or</u> <u>Greater than</u> <u>(\$18,547,965)</u>	<u>Less than or</u> <u>Greater than</u> <u>(\$18,182,332)</u>	<u>Less than or</u> <u>Greater than</u> <u>(\$17,591,787)</u>



<u>FISCAL IMPACT -</u> <u>State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
<b>TECHNOLOGY TRUST FUND</b>				
<u>Loss - SOS - filing fees - p. 46 - 48</u>	\$180	\$216	\$166,129	\$504,584
<u>Cost - SOS software changes - p. 46 - 48</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$85,000)</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT TO THE TECHNOLOGY TRUST FUND</b>	<b><u>\$180</u></b>	<b><u>\$216</u></b>	<b><u>\$81,129</u></b>	<b><u>\$504,584</u></b>

<u>FISCAL IMPACT -</u>				Fully
<u>State Government</u>	FY 2021			Implemented
(continued)	(10 Mo.)	FY 2022	FY 2023	(FY 2024)

**CAPITOL  
 COMPLEX FUND**

<u>Revenue Gain -</u>				
Section 620.3210 -				
Total value of				
monetary donations				
made by donors for				
50% tax credit -	Up to	Up to	Up to	Up to
p. 48 - 54	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000

<u>Revenue</u>				
<u>Reduction/Expense -</u>				
Section 620.3210 -				
Revenues used for				
restoration and				
maintenance of the				
buildings of the				
Capitol Complex -	(Unknown)	(Unknown)	(Unknown)	
p. 48 - 54				(Unknown)

<u>Cost - DED -</u>				
Section 620.3210 -				
Administration of				
tax credit program -				
p. 48 - 54				
Personal Service	\$0 to (\$43,173)	\$0 to (\$52,326)	\$0 to (\$52,849)	\$0 to (\$53,906)
Fringe Benefits	\$0 to (\$23,938)	\$0 to (\$28,897)	\$0 to (\$29,071)	\$0 to (\$29,475)
Equipment and	\$0 to (\$11,215)	\$0 to (\$2,934)	\$0 to (\$2,998)	\$0 to (\$3,058)
Expense				
Total Cost	<u>\$0 to (\$78,326)</u>	<u>\$0 to (\$84,157)</u>	<u>\$0 to (\$84,918)</u>	<u>\$0 to (\$86,439)</u>
FTE Change	0 to 1 FTE	0 to 1 FTE	0 to 1 FTE	0 to 1 FTE

<b>ESTIMATED NET</b>				
<b>EFFECT ON</b>	<u>Up to</u>	<u>Up to</u>	<u>Up to</u>	<u>Up to</u>
<b>CAPITOL</b>	<u>\$20,000,000</u>	<u>\$20,000,000</u>	<u>\$20,000,000</u>	<u>\$20,000,000</u>
<b>COMPLEX FUND</b>				

<u>FISCAL IMPACT -</u> <u>Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
<b>LOCAL POLITICAL SUBDIVISIONS</b>				
Revenue Gain - Section 67.730 - Platte/Clay County Capital Improvement tax - p. 4 - 7	\$0	\$0	\$0 up to \$14,228,858	\$0 up to \$56,915,432
<u>Revenue Gain</u> - Section 67.1011 - City of Butler - Transient Guest Tax - p. 7 - 8	\$0	\$0	Unknown	Unknown
<u>Revenue Gain</u> - Section 67.1360 - City of Cameron Transient Guest Tax - p. 8 - 9	\$0	\$0	\$0 up to \$153,114	\$0 up to \$156,176
<u>Revenue Gain</u> - Section 67.1790 - Greene County (all cities within) Early Childhood Program Sales Tax - p. 9 - 12	\$0	\$0	\$0 up to \$5,847,043	\$0 up to \$23,388,173
<u>Revenue Gain</u> - Section 94.838 - Lamar Heights Food Tax Increase - p. 12 - 13	\$0	\$0	\$0 up to \$83,246	\$0 up to \$339,644

<u>FISCAL IMPACT -</u>				Fully	
<u>Local Government</u>	FY 2021		FY 2022	FY 2023	Implemented
(continued)	(10 Mo.)				(FY 2024)
<u>Revenue Gain -</u>					
Section 94.842 -					
Springfield					
Transient Guest Tax					
- p. 14 - 15	\$0		\$0	\$0 or \$2,200,000	\$0 or \$8,976,000
<u>Revenue Gain -</u>					
Section 94.900 &					
94.902 - Various					
Cities Public Safety					
Sales Tax -				\$0 or up to	\$0 or up to
p. 15 - 24	\$0		\$0	\$1,041,126	\$4,243,208
<u>Savings - Section</u>					
105.145 - State					
Auditor Fines -					\$0 or Unknown
p. 26 - 30	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown		
<u>Loss - Section</u>					
105.145 - School					
Districts receiving					
less fine revenue -					
p. 26 - 30	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

<u>FISCAL IMPACT -</u> <u>Local Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023	Fully Implemented (FY 2024)
<u>Savings - Section</u> 105.145 - Local Political Subdivisions - on fine revenue that is reduced with one- time reduction of 90% of outstanding balance - p. 26 - 30	\$0 or Up to \$36,057,167	\$0	\$0	\$0
<u>Loss - Section</u> 105.145 - School Districts - reduction in fine revenue from one-time adjustment to fine revenue - p. 26 - 30	\$0 or Up to (\$35,336,024)	\$0	\$0	\$0
<u>Loss - Section</u> 137.115 - 138.434 - County Assessors - p. 34 - 37	Could exceed (\$3,785,000)	Could exceed (\$3,785,000)	Could exceed (\$3,785,000)	Could exceed (\$3,785,000)
<u>Revenue Gain -</u> Section 321.552 - Ambulance and Fire Protection Districts - p. 44 - 46	<u>\$0</u>	<u>\$0</u>	Up to <u>\$18,314,527</u>	Up to <u>\$73,258,108</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>Less than or Greater than <u>(\$3,063,857)</u></b>	<b>Less than or Greater than <u>(\$3,785,000)</u></b>	<b>Less than or Greater than <u>\$38,082,914</u></b>	<b>Less than or Greater than <u>\$163,491,741</u></b>

### FISCAL IMPACT - Small Business

This legislation could impact any small business operating in one of the various political subdivisions mentioned in this legislation, as they would be required to collect and remit the new or additional sales tax(es) permitted by this legislation, potentially increasing their administrative costs.

This legislation could impact any small business that qualifies and claims the Domestic Violence Tax Credit

This legislation could impact any small business that qualifies and claims the Wood Energy Tax Credit

This legislation could impact any small business audited by the I.R.S and, as a result, the State of Missouri.

This legislation could impact any small business that qualifies for and claims the Capital Complex Tax Credit.

### FISCAL DESCRIPTION

The proposed legislation modifies provisions relating to taxation.

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

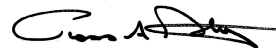
Department of Revenue  
Office of Administration - Budget and Planning  
City of Cameron  
Department of Elementary and Secondary Education  
Office of the Secretary of State  
Joint Committee on Administrative Rules  
City of Hallsville  
City of Ashland  
Department of Economic Development  
State Tax Commission

SOURCES OF INFORMATION (continued)

City of Kansas City  
Office of the Attorney General  
Office of the State Courts Administrator  
Office of the State Auditor  
Department of Natural Resources  
Department of Commerce and Insurance  
Department of Health and Senior Services  
Department of Social Services  
Missouri Department of Conservation  
Office of Administration  
Department of Transportation  
Office of the Governor  
Office of the State Treasurer  
Division of Fire Safety - Department of Public Safety  
Bollinger County Assessor's Office  
Clay County Assessor's Office  
Howell County Assessor's Office  
Callaway County Assessor's Office  
Randolph County Assessor's Office  
Perry County Assessor's Office  
Warren County Assessor's Office  
St. Louis County Board of Elections  
Missouri Department of Public Safety - Missouri Highway Patrol



Julie Morff  
Director  
May 7, 2020



Ross Strope  
Assistant Director  
May 7, 2020