

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3765-01
Bill No.: SB 770
Subject: Taxation and Revenue - General; Cities, Towns and Villages
Type: Original
Date: February 18, 2020

Bill Summary: This proposal authorizes the City of Springfield to impose a transient guest tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	\$0	\$0 or up to \$88,000	\$0 or up to \$88,000
Total Estimated Net Effect on General Revenue	\$0	\$0 or up to \$88,000	\$0 or up to \$88,000

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government - City of Springfield*	\$0 or (Unknown)	\$0 or up to \$8,712,000 or \$8,800,000	\$0 or up to \$8,712,000 or \$8,800,000

*The fiscal impact of \$0 is reported to provide the fiscal impact if the provision of this proposed legislation is not put forth to the voters of the City or the voters of the City defeat the proposal. The fiscal impact equal to "up to \$8,712,000" assumes DOR will collect the City's tax and retain one percent. The fiscal impact of "up to \$8,800,000" assumes the City will collect the tax.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget & Planning Division (B&P)** state this proposal 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 estimated Calendar Year 2019 \$117.0 million of taxable room sales, B&P estimates that a 7.5% tax will generate \$8.8 million in collections. Since the bill indicates this sales tax would take effect starting April 1, only Quarter 4 of Fiscal Year 2021 sales collections would be impacted. This results in the proposed sales tax generating approximately \$2.2 million for the City in Fiscal Year 2021. As a voter-approved tax, the collected revenues will not impact General Revenue (GR) and Total State Revenues (TSR); however, DOR will retain 1% to offset collection costs. Therefore, this portion could increase GR and TSR by approximately \$22,000 in Fiscal Year 2021.

Budget and Planning 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.

Oversight further notes B&P has stated the proposed legislation would have an effective starting date of April 1, 2021. Oversight notes without an emergency clause, this proposal could not be on the November 3, 2020 ballot (Final Certification Date is August 25, 2020). The proposal states the question shall be put before the voters of the city at a state general, primary or special election. Therefore, Springfield may have to wait until August 2022 to put this before the voters. However, Oversight will assume Springfield may call a special election for this question in FY 2021. Therefore, Oversight will assume the City would have this proposal on a ballot would be 2021 with the first collections would begin July 1, 2021 (Fiscal Year 2022). Oversight will reflect a potential cost to Springfield for a special election in FY 2021.

ASSUMPTION (continued)

Officials from the **City of Springfield (the City)** state there is a potential positive fiscal impact to the City. The impact is unquantifiable without knowing how the funds generated from the tax will impact tourism and tourist visits to the City.

Oversight notes the City assumes this proposed legislation would result in a positive impact to the City is approved by its respective voters.

Oversight notes this proposed legislation would allow the City, if approved by the City's voters, 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 assumes the earliest the City could have this proposal on a ballot would be April 6, 2021, at the General Municipal Election Day. Oversight notes Section 94.842 states the tax, if approved by the voters of the City, shall become effective on the first day of the calendar quarter following the calendar quarter in which the election was held. Therefore, Oversight assumes the earliest the tax may be collected is July 1, 2021 (Fiscal Year 2022). Therefore, Oversight will report the fiscal impact in Fiscal Year 2022 equal to the fully implemented amount(s) estimated by B&P.

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 show a fiscal impact range for the City beginning at \$0 (governing body of the City does not submit the proposal to the voters or the voters defeat the proposal) up to \$8.8 million in Fiscal Year 2022 and each fiscal year thereafter.

Furthermore, for the purposes of this fiscal note, Oversight will show a range for GR beginning at \$0 (City collects the tax) to \$88,000 in Fiscal Year 2022 and each fiscal year thereafter (City and DOR agree for DOR to collect the tax on behalf of the City).

Officials from the **Missouri Department of Revenue (DOR)** state this proposed legislation would have no impact on their respective organization. DOR states transient guest taxes are collected by local political subdivisions and not DOR. Should the City want to enter into an agreement for DOR to collect this tax, DOR would be allowed to retain one percent (1%) to cover administrative costs.

Oversight notes if an agreement was entered into by the City and DOR, GR and TSR could increase by one percent (1%) of the total amount of tax generated.

ASSUMPTION (continued)

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.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
GENERAL REVENUE FUND			
<u>Revenue Gain</u> - Section 94.842 - One percent of total tax revenues collected by DOR on behalf of the City of Springfield (if agreement is made between City and DOR)	<u>\$0</u>	\$0 or up to <u>\$88,000</u>	\$0 or up to <u>\$88,000</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 or up to \$88,000</u>	<u>\$0 or up to \$88,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
CITY OF SPRINGFIELD			
<u>Costs</u> - special election	\$0 or (Unknown)	\$0	\$0
<u>Revenue Gain</u> - Section 94.842 - Transient guest tax	<u>\$0</u>	\$0 or up to \$8,712,000 or <u>\$8,800,000</u>	\$0 or up to \$8,712,000 or <u>\$8,800,000</u>
ESTIMATED NET EFFECT ON THE CITY OF SPRINGFIELD	<u>\$0 or (Unknown)</u>	<u>\$0 or up to \$8,712,000 or \$8,800,000</u>	<u>\$0 or up to \$8,712,000 or \$8,800,000</u>

FISCAL IMPACT - Small Business

This proposed legislation could impact small businesses, such as motels' and hotels', as they would be required to collect and remit the tax(es) to the appropriate authority (City of Springfield or Missouri Department of Revenue).

FISCAL DESCRIPTION

This act authorizes the City of Springfield to submit to the voters a transient guest tax not to exceed 7.5% of the charges per occupied room per night. Such tax shall be used solely for capital investments that can be demonstrated to increase the number of overnight visitors.

Upon approval by the voters, the city may adopt rules and regulations for the internal collection of the tax, or may enter into an agreement with the Department of Revenue for the collection of the tax.

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

SOURCES OF INFORMATION

Office of Administration - Budget & Planning Division
City of Springfield
Missouri Department of Revenue
Joint Committee on Administrative Rules
Missouri Secretary of State's Office



Julie Morff
Director
February 18, 2020



Ross Strope
Assistant Director
February 18, 2020