

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1695S.01I
 Bill No.: SB 351
 Subject: Taxation and Revenue - Sales and Use
 Type: Original
 Date: February 23, 2021

Bill Summary: The proposal modifies provisions relating to sales tax filing deadlines.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	(\$42,386,106) to (\$48,441,264)	\$42,386,106 to \$48,441,264	\$0
Total Estimated Net Effect on General Revenue	(\$42,386,106) to (\$48,441,264)	\$42,386,106 to \$48,441,264	\$0

*Oversight notes this represents a potential timing difference/cash flow difference as a result of changes to Section 144.080; potentially shifting some sales tax collections from Fiscal Year 2022 to Fiscal Year 2023.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
School District Trust Fund	(\$14,128,702) to (\$16,147,088)	\$14,128,702 to \$16,147,088	\$0
Conservation Trust Fund	(\$1,766,088) to (\$2,018,386)	\$1,766,088 to \$2,018,386	\$0
Park, Soil, & Water Trust Fund	(\$1,412,870) to (\$1,614,709)	\$1,412,870 to \$1,614,709	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	(\$17,307,660) to (\$19,780,183)	\$17,307,660 to \$19,780,183	\$0

*Oversight notes this represents a potential timing difference/cash flow difference as a result of changes to Section 144.080; potentially shifting some sales tax collections from Fiscal Year 2022 to Fiscal Year 2023.

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

FORMCHECKBOX

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	(\$55,525,799) to (\$63,458,056)	\$55,525,799 to \$63,458,056	\$0

*Oversight notes this represents a potential timing difference/cash flow difference as a result of changes to Section 144.080; potentially shifting some sales tax collections from Fiscal Year 2022 to Fiscal Year 2023.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration – Budget & Planning (B&P)** assume this proposal would change the monthly sales tax due date from the 20th of every month to the last working day beginning January 1, 2022.

B&P notes that in months where there is a quarterly sales tax due date, the monthly due date is already the last working day. B&P further notes that this proposal will impact all state and local entities that receive a monthly sales tax distribution.

Currently, the monthly due date is the 20th of any given month except July, October, January, and April. In those months the monthly sales tax due date is the last working day of the month. In addition, all local distributions for sales tax are completed on the last working day of the month. This means that many local taxing entities do not receive collections from the monthly sales tax due date during July, October, January, and April. Rather, many localities end up receiving two distributions worth of monthly sales tax collections the following month (August, November, February, and May). By moving all monthly sales tax due dates to the last working day of the month, localities will receive monthly sales tax collections every month (rather than \$0 in some months and two payments in other months).

Therefore, some revenues that would have been deposited into General Revenue from June 20th through June 30th will instead be deposited into the following fiscal year. However, this cash flow impact will only be evident during the first year of implementation.

Using data provided by DOR, B&P estimates that on average \$6.1 million in monthly sales tax deposits into GR are made daily throughout the month. Assuming there are 7-8 working days between the current due date (the 20th) and the last day of the month, B&P estimates that approximately \$42.4 million to \$48.4 million in GR could be shifted from the first month to the second month. B&P further notes that since the current due date in June is the 20th, this proposal could shift \$42.4 million to \$48.4 million from GR into the next fiscal year.

The following table shows the B&P estimated General Revenue cash flow impact by month during the first year of implementation.

Month	Fiscal Year	Due Date Changed by Proposal	Cash Flow Impact
Jan. 2022	2022	No	\$0
Feb. 2022	2022	Yes	(\$42.4M to \$48.4M)
Mar. 2022	2022	Yes	\$42.4M to \$48.4M (from Feb.) (\$42.4M to \$48.4M) (into April)
			Net \$0
Apr. 2022	2022	No	\$42.4M to \$48.4M
May 2022	2022	Yes	(\$42.4M to \$48.4M)
June 2022	2022	Yes	\$42.4M to \$48.4M (from May) (\$42.4M to \$48.4M) (into July)
			Net \$0
July 2022	2023	No	\$42.4M to \$48.4M (from June)
Aug. 2022	2023	Yes	(\$42.4M to \$48.4M)
Sept. 2022	2023	Yes	\$42.4M to \$48.4M (from Aug.) (\$42.4M to \$48.4M) (into Oct.)
			Net \$0
Oct. 2022	2023	No	\$42.4M to \$48.4M
Nov. 2022	2023	Yes	(\$42.4M to \$48.4M)
Dec. 2022	2023	Yes	\$42.4M to \$48.4M (from Nov.) (\$42.4M to \$48.4M) (into Jan.)
			Net \$0
Jan. 2023	2023	No	\$42.4M to \$48.4M

B&P estimates that this proposal could reduce TSR by \$59.7M to \$68.2M and GR by \$42.4M to \$48.4M in FY22. This proposal would then increase TSR and GR by a corresponding amount in FY23. Beginning in FY24, there will no longer be an impact to TSR and GR. In addition, this proposal will decrease local distributions by \$55.5M to \$63.5M in FY22 and increase distributions by \$55.5M to \$63.5M in FY23. The following table shows the estimated impact to state and local funds.

Month	Due Date Changed by Proposal	Education	MDC	DNR	Local Taxes
Jan. 2022	No	\$0	\$0	\$0	\$0
Feb. 2022	Yes	(\$14.1M to \$16.1M)	(\$1.8M to \$2.0M)	(\$1.4M to \$1.6M)	(\$55.5M to \$63.5M)
Mar. 2022	Yes	Net \$0	Net \$0	Net \$0	Net \$0
Apr. 2022	No	\$14.1M to \$16.1M	\$1.8M to \$2.0M	\$1.4M to \$1.6M	\$55.5M to \$63.5M
May 2022	Yes	(\$14.1M to \$16.1M)	(\$1.8M to \$2.0M)	(\$1.4M to \$1.6M)	(\$55.5M to \$63.5M)
June 2022	Yes	Net \$0	Net \$0	Net \$0	Net \$0
July 2022	No	\$14.1M to \$16.1M	\$1.8M to \$2.0M	\$1.4M to \$1.6M	\$55.5M to \$63.5M
Aug. 2022	Yes	(\$14.1M to \$16.1M)	(\$1.8M to \$2.0M)	(\$1.4M to \$1.6M)	(\$55.5M to \$63.5M)
Sept. 2022	Yes	Net \$0	Net \$0	Net \$0	Net \$0
Oct. 2022	No	\$14.1M to \$16.1M	\$1.8M to \$2.0M	\$1.4M to \$1.6M	\$55.5M to \$63.5M
Nov. 2022	Yes	(\$14.1M to \$16.1M)	(\$1.8M to \$2.0M)	(\$1.4M to \$1.6M)	(\$55.5M to \$63.5M)
Dec. 2022	Yes	Net \$0	Net \$0	Net \$0	Net \$0
Jan. 2023	No	\$14.1M to \$16.1M	\$1.8M to \$2.0M	\$1.4M to \$1.6M	\$55.5M to \$63.5M

Officials from the **Department of Revenue (DOR)** and **Missouri Department of Transportation (MoDOT)** both assume the proposal would not have a direct fiscal impact on their respective organization.

Officials from the **Department of Natural Resources (DNR)** assume the Department's Parks and Soils Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. The Department is unable to determine the amount of receipts that could be impacted by the change in the payment schedule of approximately two weeks for filers in excess of two hundred fifty dollars. This change would alter the cash flow due to the filers meeting the criteria of this legislation and could impact the interest the Department's Parks and Soils Tax Funds receive.

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 **Missouri Department of Conservation (MDC)** assume the proposal would have an Unknown fiscal impact, but greater than \$250,000.

The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any change in sales and use tax collected would affect 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.

Oversight notes the DNR and MDC both defer to DOR for fiscal impact of this proposal.

Officials from the **State Technical College, Missouri University, and Missouri State University** each assume the proposal would not have a direct fiscal impact on their respective organization.

Officials from the **University of Central Missouri** assume the proposal would have a minimal impact on their respective organization.

Officials from the **City of Kansas City, City of O'Fallon, City of Springfield, and High Point R-III School** each assume the proposal would not have a direct fiscal impact on their respective organization.

Officials from the **Springfield R-XII School** assume the proposal would have an unknown fiscal impact on their respective organization.

Oversight notes that B&P's range is dependent on variation between 7 and 8 working days left in the month with total collection of \$42,386 and 48,441,264 respectively, rather than 10 calendar days left in the month with total collections of \$40,808,674. The calculation is based on average working day and calendar day collection amounts of \$6,055,158 & \$4,080,867 respectively. Oversight notes the B&P selected working days to better represent the highest amount of cash flow impact from FY22 to FY23.

Oversight notes that B&P stated the proposal would have a direct fiscal impact to the State's timing of collecting revenues. Oversight does not have any information to the contrary. Therefore, Oversight will report the B&P's cash flow impact to general revenue and other state funds on the fiscal note.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE			
Delayed Cash flows – 8 days	(\$42,386,106) to <u>(\$48,441,264)</u>	\$42,386,106 to <u>\$48,441,264</u>	<u>\$0</u>
NET ESTIMATED EFFECT ON GENERAL REVENUE	(\$42,386,106) to <u>(\$48,441,264)</u>	\$42,386,106 to <u>\$48,441,264</u>	<u>\$0</u>
SCHOOL DISTRICT FUND			
Delayed Cash flows – 8 days	(\$14,128,702) to <u>(\$16,147,088)</u>	\$14,128,702 to <u>\$16,147,088</u>	<u>\$0</u>
NET ESTIMATED EFFECT ON SCHOOL DISTRICT FUND	(\$14,128,702) to <u>(\$16,147,088)</u>	\$14,128,702 to <u>\$16,147,088</u>	\$0
CONSERVATION FUND			
Delayed Cash flows – 8 days	(\$1,766,088) to <u>(\$2,018,386)</u>	\$1,766,088 to <u>\$2,018,386</u>	\$0
NET ESTIMATED EFFECT ON CONSERVATION FUND	(\$1,766,088) to <u>(\$2,018,386)</u>	\$1,766,088 to <u>\$2,018,386</u>	\$0

<u>FISCAL IMPACT – State Government (continued)</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
PARK, SOIL, & WATER			
Delayed Cash flows – 8 days	(\$1,412,870) to <u>(\$1,614,709)</u>	\$1,412,870 to <u>\$1,614,709</u>	\$0
NET ESTIMATED EFFECT ON PARK, SOIL, & WATER	(\$1,412,870) to <u>(\$1,614,709)</u>	\$1,412,870 to <u>\$1,614,709</u>	\$0

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Delayed Cash flows – 8 days	(\$55,525,799 to <u>\$63,458,056)</u>	\$55,525,799 to <u>\$63,458,056</u>	\$0
NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	(\$55,525,799 to <u>\$63,458,056)</u>	\$55,525,799 to <u>\$63,458,056</u>	\$0

FISCAL IMPACT – Small Business

The proposal would grant small businesses 7-8 extra working days before monthly sales tax reports must be received by DOR. This proposal will not impact small businesses' overall tax liability.

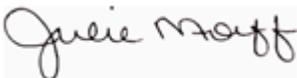
FISCAL DESCRIPTION

Beginning January 1, 2022, for sellers collecting at least \$250 in sales tax in the first or second month of a calendar quarter, such taxes shall be remitted on or before the last day of the succeeding month rather than on the twentieth day of the succeeding month.

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 & Planning
Missouri Department of Conservation
Department of Natural Resources
Missouri Department of Transportation
State Technical College
Missouri University
Missouri State University
University Of Central Missouri
City of Kansas City
City of O'Fallon
City of Springfield
High Point R-III School
Springfield R-XII School



Julie Morff
Director
February 23, 2021



Ross Strobe
Assistant Director
February 23, 2021