

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3894S.01I  
 Bill No.: SB 759  
 Subject: Taxation and Revenue - Sales and Use; Political Subdivisions; Cities, Towns and Villages  
 Type: Original  
 Date: January 25, 2022

Bill Summary: This proposal modifies provisions relating to local sales taxes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<b>Total Estimated Net Effect on General Revenue*</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

\*The proposal would place a limit on the combined sales tax rate of local political subdivisions (cities, counties, other). Oversight will reflect a possible positive unknown amount of sales taxes (as well as DOR 1% collection fee) collected from 32.087.3(2) – allowing additional sales taxes if approved by voters in future elections. Oversight assumes this additional DOR collection fee revenue could eventually reach the \$250,000 threshold

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
<b>Local Government</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

#### **32.087 Local Political Subdivision Tax Rate Limits**

Officials from the **Office of Administration Budget & Planning (B&P)** assume that Section 32.087 may reduce TSR by an unknown amount. Section 32.087 may reduce the calculation under Article X, Section 18(e) by an unknown amount. B&P is unsure how many jurisdictions are higher than the allowable caps and defers to locals for more information.

**Oversight** notes that officials from **B&P** defer to locals for the potential fiscal impact of this proposal. Oversight also notes Section 32.087.3(5)(b) states that no taxing jurisdiction with a combined sales tax in excess of the rates provided as of August 28, 2022 shall be required to reduce or repeal any such sales tax rate. Oversight assumes this proposal will not negatively impact local political subdivisions.

Officials from the **Department of Revenue (DOR)** assume Section 32.087.3(2) would limit the local sales tax rate in political subdivisions starting January 1, 2023, and would allow any taxing jurisdiction to impose a sales tax as long as it is approved at a state general election.

Additionally, this sets a limit to the combined sales tax imposed starting January 1, 2023, in a jurisdiction. Should two or more sales taxes be passed that cause a district to exceed the combined limit, the proposal provides a method for determining which sales/use tax would be kept.

DOR notes if a political subdivision chooses to not adopt additional sales taxes, then this proposal will not have a fiscal impact. Should a political subdivision choose to adopt a new sales tax, then the political subdivision will receive increased revenue. It should be noted that should they adopt a sales tax and DOR is required to collect and distribute the sales tax to the political subdivision DOR will retain 1% of the sales tax for reimbursement of DOR's expenses. DOR is not able to predict if any political subdivisions will adopt a new sales tax. The impact of this proposal is \$0 to Unknown.

**Oversight** will reflect a potential positive impact from section 32.087.3(2) if this allows local political subdivisions to submit before its voters an additional sales tax in future elections. Oversight will show this as a \$0 (no such tax increase is submitted to voters or voters do not approve the measure) to an unknown amount of sales tax revenue for the local political subdivision (and DOR retaining a 1% collection fee).

Officials from the **Kansas City BEC** state the cost to conduct an election in the Kansas City portion of Jackson County is \$625,000. The State will pay their prorated share of the cost based on who else participates. This amount would range between \$0 and \$625,000.

Officials from the **Missouri Department of Transportation, Missouri Department of Conservation, Department of Natural Resources, Department of Elementary and Secondary Education, Platte County, St Louis County and Jackson County** each assume the proposal will have no fiscal impact on their organization.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office 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 Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS 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, 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 proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other cities, counties, schools, and universities were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in Oversight's database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>GENERAL REVENUE</b>			
<u>Potential Revenue</u> – DOR 1% collection fee for new sales tax authorized in 32.087.3(2) p.3	\$0	\$0 or Unknown	\$0 or Unknown
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>\$0</u></b>	<b><u>\$0 or Unknown</u></b>	<b><u>\$0 or Unknown</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Potential Revenue</u> – new sales taxes authorized in 32.087.3(2) p.3	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<u>\$0</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

This proposal may have a direct fiscal impact on the small business that pay and/or collect sales tax.

FISCAL DESCRIPTION

In addition to any local sales tax imposed or authorized to be imposed as of January 1, 2023, this act authorizes any taxing jurisdiction to impose one or more sales taxes for purposes to be designated by the taxing jurisdiction, provided that the total combined rate of local sales taxes imposed and retained by a taxing entity that is an incorporated city, town, or village shall not exceed 4.5%; the total combined rate of local sales taxes imposed and retained by a county shall not exceed 4.5%; the total combined rate of local sales taxes imposed and retained by the City of St. Louis shall not exceed 9.0%; and for all other taxing jurisdictions, the total combined rate of sales taxes in any given taxing jurisdiction shall not exceed 3.0%.

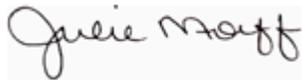
In any election in which more than one sales tax levy is approved by the voters, and the passage of such levies results in a combined rate of sales tax in excess of the limits provided under the act, only the sales tax levy receiving the most votes shall become effective.

No taxing jurisdiction with a combined rate of sales tax in excess of the rates provided in the act as of August 28, 2022, shall be required to reduce or repeal any such sales tax rate.

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

SOURCES OF INFORMATION

Office of Administration - Budget and Planning  
Missouri Department of Transportation  
Missouri Department of Conservation  
Department of Natural Resources  
Office of the Secretary of State  
Department of Elementary and Secondary Education  
Department of Revenue  
Jackson County  
Platte County  
St Louis County  
Kansas City BEC



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January 25, 2022



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