

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0731S.01I
 Bill No.: SB 180
 Subject: Taxation and Revenue - Sales and Use; Political Subdivisions; Cities, Towns, and Villages
 Type: Original
 Date: March 13, 2023

Bill Summary: This proposal authorizes the cities of Clinton and Lincoln to impose a sales tax for public safety.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0	\$0 to \$8,871	\$0 to \$12,064
Total Estimated Net Effect on General Revenue	\$0	\$0 to \$8,871	\$0 to \$12,064

*Represents the potential 1% Department of Revenue collection fee if voters approve the sales taxes.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
City of Clinton	\$0	\$0 to \$771,232	\$0 to \$1,048,876
City of Lincoln	\$0	\$0 to \$40,661	\$0 to \$55,299
City of Cole Camp	\$0	\$0 to \$57,400	\$0 to \$78,064
Local Government	\$0	\$0 to \$869,293	\$0 to \$1,182,239

FISCAL ANALYSIS

ASSUMPTION

Section 94.902 Clinton, Lincoln & Cole Camp Public Safety Sales Tax

Officials from the **Department of Revenue** note this proposal would allow any city with more than one thousand sixty but fewer than one thousand one hundred seventy inhabitants and located in a county with more than nineteen thousand but fewer than twenty-two thousand inhabitants and with a county seat with more than one thousand but fewer than two thousand two hundred twenty inhabitants to have a public safety sales tax. DOR believes this would be the City of Cole Camp and the City of Lincoln.

Additionally, it would allow any city with more than nine thousand but fewer than ten thousand inhabitants and that is the county seat of a county with more than nineteen thousand but fewer than twenty-two thousand inhabitants to adopt a public safety sales tax. DOR believes this to be the City of Clinton.

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

When the Department collects these public safety sales taxes DOR is allowed to retain 1% to reimburse the Department for collection costs.

CITY OF COLE CAMP

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

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$3,081,084	\$2,956,959	\$3,249,944	\$3,336,067	\$12,624,054
2018	\$3,278,248	\$3,220,758	\$3,474,064	\$4,684,461	\$14,657,531
2019	\$3,402,802	\$3,687,581	\$3,745,639	\$3,618,415	\$14,454,437
2020	\$3,331,101	\$3,451,596	\$3,915,171	\$3,748,845	\$14,446,713
2021	\$3,601,159	\$3,884,537	\$4,173,028	\$4,255,922	\$15,914,646
2022	\$3,074,242	\$3,849,935			

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact, DOR will assume the one-half of one percent sales tax is adopted. However, for informational purposes DOR is showing how much would be collected if they just chose a lesser amount than the full one-half percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Cole Camp would collect and the fee retained by DOR as:

Cole Camp	1/4 of 1% Tax		1/2 of 1% Tax	
	Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee
2024	\$383	\$37,899	\$766	\$75,799
2025	\$390	\$38,657	\$781	\$77,315
2026	\$398	\$39,431	\$797	\$78,861

DOR notes that this proposal would become effective on August 28, 2023, and the first election this issue could be presented to the voters would be the April 2024 general election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2024 (FY 2025) if adopted by the voters. Therefore, the impact in FY 2025 would be for 9 months.

Cole Camp	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2024	\$0	\$0
2025	\$586	\$57,986
2026	\$797	\$78,861

CITY OF LINCOLN

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

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$2,177,513	\$2,602,875	\$2,547,296	\$2,120,049	\$9,447,734
2018	\$2,444,106	\$2,542,249	\$2,617,362	\$2,318,717	\$9,922,434
2019	\$2,031,857	\$2,243,606	\$2,706,418	\$2,367,247	\$9,349,128
2020	\$2,210,290	\$2,737,197	\$2,871,955	\$2,513,477	\$10,332,919
2021	\$2,579,066	\$2,987,493	\$3,161,798	\$2,625,409	\$11,353,766
2022	\$2,345,952	\$3,146,216			

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact, DOR will assume the one-half of one percent sales tax is adopted. However, for informational purposes DOR is showing how much would be collected if they just chose a lesser amount than the full one half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Lincoln would collect and the fee retained by DOR as:

Lincoln	1/4 of 1% Tax	1/2 of 1% Tax
---------	---------------	---------------

Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2024	\$271	\$26,847	\$542	\$53,694
2025	\$277	\$27,384	\$553	\$54,768
2026	\$282	\$27,931	\$564	\$55,863

DOR notes that this proposal would become effective on August 28, 2023, and the first election this issue could be presented to the voters would be the April 2024 general election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2024 (FY 2025) if adopted by the voters. Therefore, the impact in FY 2025 would be for 9 months.

Lincoln	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2024	\$0	\$0
2025	\$415	\$41,076
2026	\$564	\$55,863

CITY OF CLINTON

DOR shows that the **City of Clinton** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$40,038,915	\$47,066,194	\$45,477,582	\$43,884,475	\$176,467,167
2018	\$40,961,939	\$47,940,212	\$46,462,280	\$46,505,858	\$181,870,288
2019	\$41,412,692	\$48,554,205	\$48,146,261	\$47,602,031	\$185,715,189
2020	\$42,901,586	\$51,426,027	\$50,786,586	\$49,145,326	\$194,259,525
2021	\$49,010,609	\$56,090,839	\$53,966,363	\$54,513,783	\$213,581,594
2022	\$47,880,699	\$57,433,067			

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact, DOR will assume the one-half of one percent sales tax is adopted. However, for informational purposes DOR is showing how much would be collected if they just chose a lesser amount than the full one-half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Clinton would collect and the fee retained by DOR as:

Clinton	1/4 of 1% Tax	1/2 of 1% Tax

Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2024	\$5,144	\$509,217	\$10,287	\$1,018,434
2025	\$5,246	\$519,401	\$10,493	\$1,038,803
2026	\$5,351	\$529,789	\$10,703	\$1,059,579

DOR notes that this proposal would become effective on August 28, 2023, and the first election this issue could be presented to the voters would be the April 2024 general election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2024 (FY 2025) if adopted by the voters. Therefore, the impact in FY 2025 would be for 9 months.

Clinton	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2024	\$0	\$0
2025	\$7,870	\$779,102
2026	\$10,703	\$1,059,579

This proposal is not expected to have an administrative impact on the Department.

Officials from the **Office of Administration - Budget and Planning** defer to the local government in the cities of Clinton and Lincoln for the fiscal impact. DOR’s retained collection fee will increase TSR because DOR will be able to collect its 1% administration fee for handling the collection of the tax.

Oversight will range the fiscal impact from \$0 (not approved by voters) to the estimates calculated by DOR for 9 months in FY 25 and reflect a full year of sales tax revenue for FY 26 in this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Additional Revenue - DOR - '94,902 - 1% DOR Collection fee</u>	<u>\$0</u>	<u>\$0 to \$8,871</u>	<u>\$0 to \$12,064</u>
ESTIMATED NET EFFECT ON GENERAL REVENUES	<u>\$0</u>	<u>\$0 to \$8,871</u>	<u>\$0 to \$12,064</u>

FISCAL IMPACT – Local Government	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
CITY OF CLINTON			
<u>Additional Revenues - additional sales tax for Public Safety - '94.902</u>	<u>\$0</u>	<u>\$0 to \$779,102</u>	<u>\$0 to \$1,059,579</u>
<u>Loss - 1% collection fee kept by DOR</u>	<u>\$0</u>	<u>\$0 to (\$7,870)</u>	<u>\$0 to (\$10,703)</u>
ESTIMATED NET EFFECT ON CITY OF CLINTON	<u>\$0</u>	<u>\$0 to \$771,232</u>	<u>\$0 to \$1,048,876</u>
CITY OF LINCOLN			
<u>Additional Revenues - additional sales tax for Public Safety - '94.902</u>	<u>\$0</u>	<u>\$0 to \$41,076</u>	<u>\$0 to \$55,863</u>
<u>Loss - 1% collection fee kept by DOR</u>	<u>\$0</u>	<u>\$0 to (\$415)</u>	<u>\$0 to (\$564)</u>
ESTIMATED NET EFFECT ON LINCOLN	<u>\$0</u>	<u>\$0 to \$40,661</u>	<u>\$0 to \$55,299</u>
CITY OF COLE CAMP			
<u>Additional Revenues - additional sales tax for Public Safety - '94.902</u>	<u>\$0</u>	<u>\$0 to \$57,986</u>	<u>\$0 to \$78,861</u>
<u>Loss - 1% collection fee kept by DOR</u>	<u>\$0</u>	<u>\$0 to (\$586)</u>	<u>\$0 to (\$797)</u>
ESTIMATED NET EFFECT ON CITY OF COLE CAMP	<u>\$0</u>	<u>\$0 to \$57,400</u>	<u>\$0 to \$78,064</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 to \$869,293</u>	<u>\$0 to \$1,182,239</u>

FISCAL IMPACT – Small Business

Small businesses in Clinton, Lincoln, and Cole Camp that either collect and/or pay sales taxes could be impacted by this proposal.

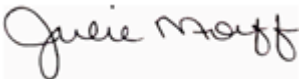
FISCAL DESCRIPTION

This act adds the cities of Clinton, Cole Camp, and Lincoln to the list of cities authorized to levy a sales tax upon voter approval for the purposes of improving public safety.

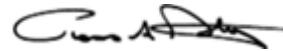
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning



Julie Morff
Director
March 13, 2023



Ross Strobe
Assistant Director
March 13, 2023