

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5452S.01I
 Bill No.: SB 1447
 Subject: Taxation and Revenue - Sales and Use; Education, Elementary and Secondary
 Type: Original
 Date: April 2, 2024

Bill Summary: This proposal authorizes a sales tax for early childhood educational services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue	\$0	\$0 or \$315,775*	\$0 or \$483,136
Total Estimated Net Effect on General Revenue	\$0	\$0 or \$315,775*	\$0 or \$483,136

*The fiscal impact for FY2026 is less because FY2026 is a partial year (8 months).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>Other State Funds</u>	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	\$0	\$0 or \$31,261,732*	\$0 or \$47,830,450

*The fiscal impact for FY2026 is less because FY2026 is a partial year (8 months).

FISCAL ANALYSIS

ASSUMPTION

Section 67.005 St. Louis County Sales Tax for Early Childhood Education

Officials from the **Department of Revenue (DOR)** assume this proposal allows St. Louis County to take to the vote of the people the issue of creating a sales tax to fund early childhood educational services. The tax allowed by this proposal shall not exceed one quarter of one percent. The Department of Revenue (DOR) is to collect and distribute the sales tax per this proposal and shall retain 1% for collection expenses. DOR records show that the taxable sales for the St. Louis County for the last five years have been.

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$3,707,079,075	\$4,131,087,984	\$4,038,693,737	\$4,011,625,798	\$15,888,486,594
2018	\$3,755,219,670	\$4,158,591,537	\$4,091,641,419	\$4,306,200,823	\$16,311,653,449
2019	\$3,682,476,816	\$4,128,389,593	\$4,050,062,912	\$4,320,485,091	\$16,181,414,412
2020	\$3,647,809,344	\$3,447,882,319	\$3,839,311,248	\$4,028,510,940	\$14,963,513,851
2021	\$3,706,733,361	\$4,317,379,218	\$4,327,659,092	\$4,603,129,839	\$16,954,901,510
2022	\$3,898,440,425	\$4,674,411,904	\$4,676,530,669	\$4,886,822,260	\$18,136,205,258
2023	\$4,332,384,028	\$4,768,194,567			

DOR notes that this proposal would become effective on August 28, 2024, and the first election this issue could be presented to the voters would be the April 2025 general municipal 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, 2025 (FY 2026) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so the department estimates an impact for FY 2026 of 8 months. This will result in the following impact to DOR and the County.

St. Louis County	1/4 of 1% Tax	
	DOR 1% Fee	Local Collection
2025	\$0	\$0
2026* (8 months)	\$315,775	\$31,261,732
2027	\$483,136	\$47,830,450

*Effective Date 8/28/2024

Should the district pass the sales tax and notify the Department will need to upgrade the following computer systems; Revenue Premier, MyTax, Rate Manager and the Avalara sales and use tax map as well as notify the vendors in the area about the tax. This is estimated to cost \$10,000.

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the 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.

Officials from the **Office of Administration - Budget and Planning (B&P)** defer to the county government for the fiscal impact of the proposed .025% sales tax for early childhood education. 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 report a revenue gain to St Louis County ranging from \$0 (St Louis County does not propose to its respective voters the sales tax, or the voters reject the proposal) or the Department of Revenue’s estimated revenue increase to the St Louis County.

Officials from **St Louis County** did not respond to Oversight’s request for fiscal impact for this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2025	FY 2026 (8 Mo.)	FY 2027
GENERAL REVENUE FUND			
<u>Potential Revenue Gain</u> - §67.1790 - Early Education Sales Tax, DOR 1% collection fee if approved by voters	\$0	\$0 or \$315,775	\$0 or \$483,136
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	\$0	\$0 or \$315,775	\$0 or \$483,136

<u>FISCAL IMPACT – Local Government</u>	FY 2025	FY 2026 (8 Mo.)	FY 2027
ST LOUIS COUNTY			
<u>Potential Revenue Gain</u> - §67.1790 - Early Education Sales Tax, DOR 1% collection fee if approved by voters	\$0	\$0 or \$31,261,732	\$0 or \$47,830,450
ESTIMATED NET EFFECT ON ST LOUIS COUNTY	\$0	\$0 or \$31,261,732	\$0 or \$47,830,450

FISCAL IMPACT – Small Business

Small businesses in certain school districts may be impacted (pending voter approval).

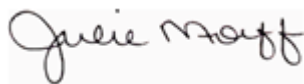
FISCAL DESCRIPTION

This act authorizes St. Louis County to impose a sales tax for the purpose of funding early childhood educational services in the district. The tax shall not exceed 0.25%

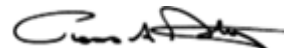
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
 Office of Administration - Budget and Planning



Julie Morff
 Director
 April 2, 2024



Ross Strobe
 Assistant Director
 April 2, 2024