

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1773S.01I
 Bill No.: SB 547
 Subject: Taxation and Revenue - Sales and Use; Counties; Law Enforcement Officers and Agencies
 Type: Original
 Date: March 7, 2025

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
Total Estimated Net Effect on General Revenue	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

*This proposal increases the top sales tax rates that can be levied by certain counties. The unknown amount above represents the potential 1% collection fee if a county gets voter approval to raise their current sales tax rate to the new ceiling. Oversight assumes the fiscal impact will *not* reach the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 67.547 - County Local Sales Tax

Officials from the **Department of Revenue (DOR)** note this section of statute currently allows a County to impose a county sales tax upon a vote of its citizens. The statutes state that the tax could be at a rate of one-eighth of one percent, one-fourth of one percent, three-eighths of one percent, or one-half of one percent. This proposal is adding language in Section 67.547.3 that would prohibit a county from submitting to the voters any proposal that results in a combined sales tax rate of more than 1.5%.

DOR notes that once a political subdivision adopts a sales tax, they notify the Department. DOR reviews to determine if the political subdivision has statutory authority to have a sales tax and calculates the aggregate of any they have. If approved, DOR has the new tax rate start in the second quarter after DOR receives it. If it is determined that the county did not have statutory authority or that they exceed their aggregate rate allowed, the county is notified that their sales tax is null and void.

This proposal makes a one-time exception for sales tax elections that were held on November 8, 2022 (FY 2022). This proposal would allow a county that submitted a tax proposal to the citizens that violated the aggregate sales tax rate allowed, to be approved by DOR to collect that tax, as long as they did not exceed an aggregated 1.5% sales tax rate. This appears to be making a one-time exception to the rule for at least one county.

If a county is allowed to start their sales tax, then DOR would start it in the second quarter after the effective date of this proposal. This will not have a fiscal impact on DOR.

Oversight notes that current law limits the combined amount of sales tax levied by a county to 1%. This act increases such limit to 1.5%, and provides that any sales tax levy approved during the November 8, 2022, general election shall be deemed to be in compliance with state law if the combined amount of sales tax levied pursuant to the County Sales Tax Act is not in excess of 1.5%

Oversight will show the potential fiscal impact to locals as \$0 (not approved by voters) to an unknown positive impact (increase in tax approved by voters).

Oversight notes if a county approves a sales tax, DOR is allowed to retain 1% of collections which is deposited into general revenue. **Oversight** will show the potential fiscal impact to general revenue as \$0 (not approved by voters) to an unknown positive impact (increase in tax approved by voters).

Section 67.582 - Law Enforcement County Sales Tax

Officials from the **Department of Revenue (DOR)** note starting August 28, 2024, this proposal will allow any county to vote on a sales tax up to an aggregate 1% for the funding of law enforcement services. Currently, counties aggregate sales tax cannot exceed 0.5%. To implement a tax or to increase a tax they already have, a county must take the issue back to the ballot for their citizens to vote on. The Department has no way of determining which counties may seek to increase their sales tax rate in order to fund law enforcement.

The Department notes that if a county approves a sales tax, DOR will collect and distribute it. DOR is allowed to retain 1% of the amount collected. The DOR 1% collection fee is deposited into general revenue.

The revenue impact of this proposal is unknown. DOR will not have any administrative impact from this proposal.

Oversight notes current law authorizes certain counties to levy a sales tax for the purpose of providing law enforcement services to such county, with the rate not to exceed 0.5%. This act authorizes such levy not to exceed 1%

Oversight will show the impact to locals as \$0 (not approved by voters) to an unknown positive impact (increase in tax approved by voters).

Oversight notes if a county approves a sales tax, DOR is allowed to retain 1% of collections which is deposited into general revenue. **Oversight** will show the potential fiscal impact to general revenue as \$0 (not approved by voters) to an unknown positive impact (increase in tax approved by voters).

Responses regarding the proposed legislation as a whole

Officials from the **Office of Administration - Budget and Planning (B&P)** defer to the county government 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. B&P defers to DOR for more specific estimates of actual collection costs.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
GENERAL REVENUE			
<u>Potential Revenue Gain - §67.547 & §67.582 - DOR 1% Collection Fee, if approved by voters</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Potential Revenue Gain - §67.547 - County Sales Tax Rate Limit Increase, if approved by voters</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<u>Potential Revenue Gain - §67.582 - Law Enforcement County Sales Tax Rate Limit Increase, if approved by voters</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

Small businesses in a county that increases the local sales tax rate will be impacted. (Pending voter approval)

FISCAL DESCRIPTION

COUNTY SALES TAX ACT

Current law limits the aggregate amount of sales tax levied by a county pursuant to the County Sales Tax Act to 1%. This act increases such limit to 1.5% for Ozark County, provided that any

tax in excess of 1% is levied for the purpose of providing law enforcement services, and provides that any sales tax levy approved during the November 8, 2022, general election shall be deemed to be in compliance with state law if the aggregate amount of sales tax levied pursuant to the County Sales Tax Act is not in excess of 1.5%. (Section 67.547)

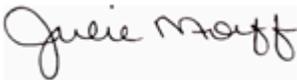
LAW ENFORCEMENT SALES TAX

Current law authorizes certain counties to levy a sales tax for the purpose of providing law enforcement services to such county, with the rate not to exceed 0.5%. This act authorizes such levy not to exceed 1%. (Section 67.582)

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



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March 7, 2025



Jessica Harris
Assistant Director
March 7, 2025