

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3128-01
BILL NO.: SB 716
SUBJECT: Elementary and Secondary Education Department; Taxation and Revenue -
 General - Sales; Business and Commerce.
TYPE: Original
DATE: January 20, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Various Sales Tax Funds	\$ 0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on <u>All</u> State Funds *	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

* Minimal additional revenue is expected

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government *	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

* Minimal additional revenue is expected

Numbers within parentheses: () indicate costs or losses
 This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this proposed legislation will establish a penalty for improperly recording and reporting video rentals on sales tax returns even though total sales are correctly reported on the return and the correct amount is paid. The penalty is a disallowance of the related 2 percent timely filing allowance for a period of 12 months. They state that computer programming changes must be made to the MITS and the MOST systems which administer the sales tax in Missouri. The changes are necessary to keep track of the few (estimated to be less than 100 out of over 100,000 accounts) timely filing discounts that are disallowed and for how long they are to be disallowed. Officials estimate that 4,598 of overtime hours would be needed to make the necessary changes at a cost of \$109,378. Additional costs are estimated to be incurred by the State Data Center for testing and implementation, estimated to be \$19,139.

The DOR also assumes this proposal will generate no additional revenues for the state because of the estimated few non-compliant tax accounts.

Oversight assumes the Department of Revenue will be able to perform additional audit and compliance efforts with existing staff. Oversight also assumes that minimal additional revenue will be collected by the Department of Revenue from the disallowance of the 2% timely filing allowance from accounts that have been found to be out of compliance. Oversight assumes, based on the limited number of cases expected to be found out of compliance, that a more cost-effective method of tracking the 12 month period of 2% timely filed disallowance could be implemented and is therefore estimating a \$0 cost for programming.

Officials from the **Department of Higher Education (CBHE)** state this proposal allows the Director of Revenue to conduct compliance audits regarding payment of a particular sales tax that benefits video instructional development in education. They also state revenues could potentially be increased if these compliance audits reveal that the relevant tax is presently being under-collected. The increase could result from delinquent taxes being paid and/or increased collections due to stricter voluntary compliance and/or due to the 12 month prohibition of the 2 percent collection fee by all those violating the reporting requirements. The CBHE assume this proposal will have no fiscal impact on their agency.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume this proposal will have no administrative impact to DESE, but may increase the amount of funds coming into the VIDEO fund and distributed as grants to eligible recipients (school districts, public colleges and universities, public television statements).

ASSUMPTION (continued)

The **Office of Administration, Budget and Planning** did not respond to our request for fiscal impact.

Oversight assumes this proposal would rescind the 2% timely payment allowance for a period of 12 months for those accounts that were determined to be out of compliance in reporting their taxable video rentals. There could be a minimal amount of additional income received by local governments for disallowing the 2% timely filing allowance on local sales taxes.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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VARIOUS SALES TAX FUNDS

<u>Income</u> to various sales tax funds:			
Revenue from disallowance of 2% timely filing reduction	\$0 to unknown	\$0 to unknown	\$0 to unknown

ESTIMATED NET EFFECT ON VARIOUS SALES TAX FUNDS	\$0 TO UNKNOWN	\$0 TO UNKNOWN	\$0 TO UNKNOWN
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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Increased revenue from disallowance of 2% timely filing reduction.	\$0 to unknown	\$0 to unknown	\$0 to unknown
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FISCAL IMPACT - Small Business

A direct fiscal impact could be expected to those small businesses that are not compliant with their reporting of video rentals to the DOR.

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DESCRIPTION

This proposed legislature establishes a penalty for failing to report sales tax revenues from video rentals, which are currently transferred to the Video Instructional Development and Educational Opportunity (VIDEO) Program fund.

Section 170.250, RSMo, requires sellers to separately report the amount of sales tax generated from video and audio rentals. The act prohibits the two percent tax retention authorized pursuant to Section 144.140, RSMo, for timely submission of tax revenues, if an audit determines the video tax was not reported as required.

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
Department of Higher Education
Department of Elementary and Secondary Education

NOT RESPONDING: Office of Administration - Budget and Planning



Jeanne Jarrett, CPA
Director
January 20, 2000