

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1023-04
Bill No.: SCS for SB 323 and 230
Subject: Community Enhancement District and Tourism Sales Tax
Type: Original
Date: February 9, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

SECTIONS: 67.1950 -67.1977:

Tourism Community Enhancement District :

Department of Economic Development officials assume no fiscal impact to their department.

Department of Revenue (DOR) officials stated the DOR's Mainframe sales tax system (MITS) would be able to handle the collections for the district, however, this proposal creates an item tax situation within the district with the exemption of the sales of funeral services within the tourism district. This would require the tax to be collected for the funeral services for state/locals but not for the tourism district sales tax. MITS would need to be modified to all for the creation of items tax. Some current single location accounts would have to report for two locations and in addition, some current two location vouchers filers would now be forced to file a long return. This would generate additional errors and additional key entry. DOR would need one Tax Processing Tech I for every 34,000 errors generated and one Data Entry Operator for every 170,000 returns impacted. Officials estimate costs for 2.0 FTE, with fringe benefits, equipment and expense for FY 2002 (\$79,566) , FY 2003 (\$62,323), and in FY 2004 (\$63,903). These estimates include \$13,027 for 381 hours of Programming costs and State Data Center Costs of \$2,478. If the Tourism Community Enhancement District Board elects to have the DOR collect the sales tax there would be income to the State's General Revenue Fund generated from the 1% collection fee as provided for. The amount of income cannot be estimated and is unknown.

Section 67.1965 of this proposal would allow the district board to enter into an agreement with the County Collector of the county where the majority of the area of the district is situated or with the City Collector of the largest city within the district for sales tax collection. **Oversight** is not able to determine which collection option a district board would choose, if a district were established, therefore, income to the State's General Revenue Fund will be shown as \$0.

Officials of the **Department of Elementary and Secondary Education (DESE)** stated that this proposal would have no fiscal impact to their department. Officials stated that Section 67.1968.1(1) requires that ten percent of the revenues generated from the tourism tax be distributed to the school districts within the tourism district based on the revenue collected within each school district. This new revenue would not be a deduction in the state aid formula as defined in Section 163.031, RSMo. The amount of revenue any school district would receive is unknown as it depends on, 1) creation of a Tourism Community Enhancement District; 2) the amount of sales tax approved by voters; and 3) amount of sales within a school district's boundaries.

ASSUMPTION (continued)

Officials of the **Cities of Hannibal and West Plains** assumes this proposal is not mandatory and would have no fiscal impact

Oversight assumes that Section 67.1968.2 of this proposal requires that ten percent of the sales tax collected be used for either senior citizen or youth or community enhancement purposes within the district. The board would distribute these funds to the cities within the district based upon the amount of sales tax collected within each city. Section 67.1986.3 requires that seventy-five percent of the revenue is to be used by the Tourism Board for marketing, advertising, and promotion of tourism.

Oversight assumes this proposal is not mandated and requires local approval before there would be fiscal impact, therefore, fiscal impact will be shown as \$0.

SECTIONS: 67.1922 - 67.1940:

Certain Counties: Tourism, Economic Development, Sales Tax :

The **Department of Economic Development, the Department of Transportation, and the Office of Administration** assume no fiscal impact.

Department of Revenue officials assume if a sales tax were adopted by any of the counties described in this proposal they would need to update rate tables and distribution on the MITS system. Officials estimate costs of upgrades for 727 hours of programming at \$24,569, and State Data Center implementation costs at \$4,730 for a total one-time cost of (\$29,299).

Stone County officials assume there would be no fiscal impact unless voters would approve the sales tax. Officials stated there would be some savings in costs associated with water quality meeting

Oversight assumes this substitute does not mandate that local governments initiate the provisions in this proposal. However, if an eligible county would receive voter approval to create either a tourism sales tax or a Community Enhancement District, then governmental bodies would realize fiscal impact. Oversight will show fiscal impact to state and local governments as \$0

FISCAL IMPACT - State Government

FY 2002
(10 Mo.)

FY 2003

FY 2004

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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	\$0 *	\$0 *	\$0 *
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*** Oversight assumes this proposal is permissive. Income and costs depend on three things, 1) if a Tourism Community Enhancement District or if a sales tax for Tourism is approved; 2) if the District Board would have the Department of Revenue collect the sales tax rather than local Collectors; and 3) if district boundaries are drawn along existing sales tax boundaries.**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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	\$0 *	\$0 *	\$0*
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***This proposal is permissive and requires voter approval before local governments would have fiscal impact.**

FISCAL IMPACT - Small Business

Small business located within a Tourism Community Enhancement District or within a Tourism district that would receive voter approval to impose a sales tax would expect to be fiscally impacted to the extent that they would collect and pay the sales tax within those districts. This proposal is not mandated.

DESCRIPTION

This act provides for the creation of Tourism Community Enhancement Districts by any county, city, town or village, having a population of less than one hundred thousand inhabitants. At least two percent of the registered voters of a county, city, town or village are required to have signed a petition. The petition is filed with the clerk and notice is provided for a public hearing prior to the governing body passing an order or ordinance creating a Tourism Community Enhancement District. (Section 67.1953)

Each Tourism Community Enhancement District will have a Board of Directors with no less than five members. The makeup of the Board shall be as follows:

DESCRIPTION (continue)

(1) One member appointed by the governing body of the largest city, town or village, at the inception of the district, within the district;

(2) One member selected by the governing body of the second largest city, town or village, at the inception of the district, within the district, if such exists; or if no such city, town or village exists, one member selected by the governing body from any unincorporated area of such district;

(3) Two members shall be selected by the largest convention and visitor's bureau or similar organization at the inception of the district, within the district;

(4) One member shall be selected by the destination marketing organization of the second largest city, town or village at the inception of the district, within the district. Any time the district is expanded, the board membership increases by two with the following requirements:

(1) One member shall be appointed by the governing body of the city, town or village containing the precincts added to the district or by the board for any unincorporated area:

(2) One member shall be appointed by the governing body of the city, town or village with the largest population at the inception of the district for the first expansion and every odd numbered expansion thereafter, or by the convention and visitor's bureau or similar entity of the largest city, town or village at the inception of the district, for the second expansion and every even numbered expansion thereafter. (Section 67.1956)

The board may submit up to an one percent sales tax to the voters within the district. The revenue received from the sales tax will be deposited in the Tourism Community Enhancement District Sales Tax Trust Fund which is administered by the Department of Revenue. Upon distribution by the Department of Revenue, the Board will allocate the revenue in the following manner:

(1) Ten percent will be disbursed to the school district or districts within the Tourism Community Enhancement District. This distribution will not affect the calculation of the funding formula for state aid contained in Chapter 163, RSMo.;

(2) Ten percent will be used for senior citizen or youth or community enhancement purposes within the district;

(3) Seventy-five percent will be used by the Board for marketing, advertising and promotion of tourism. Allows the Board to enter into agreement with not-for-profit organizations to develop a

DESCRIPTION (continue)

marketing plan for the district;

(4) Two percent will be distributed among the destination marketing organizations within the school district or districts within the district, according to the proportion of the sales tax collected in each school district or districts within the district;

(5) Two percent will be distributed to the not-for-profit organization for administering the marketing plan. (Section 67.1959)

All entities within the district that collect taxes pursuant to Sections 94.802 to 94.805, RSMo. (Branson hotel motel sales tax and restaurant tax) are allowed to reduce the amount that they are responsible for collecting for the Tourism Community Enhancement District sales tax by twenty-five percent of any taxes collected pursuant to Sections 94.802 to 94.805, RSMo. (Section 67.1962)

The process for expanding a Tourism Community Enhancement District is explained in Section 67.1965.

The process for repealing the Tourism Community Enhancement District's sales tax and dissolution of the district are explained in Section 67.1968.

The governing body of the city with the largest population at inception of the district, is to act as trustee and oversee the dissolution of the district. Any remaining revenue of a dissolved district will be distributed to the school district or districts within the dissolved district.

This act authorizes Taney, Stone, Barry and Ozark counties to enact sales taxes to fund programs that affect Economic Development. Voters may approve up to a one and one-half percent sales tax. The money collected from the tax will be distributed equally among programs for water quality, infrastructure and tourism. When at least twenty percent of the voters who voted in the last gubernatorial election sign a petition requesting the repeal of the tax, the question for repealing the tax will be submitted to the voters.

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
Department of Economic Development
Department of Revenue
Department of Elementary and Secondary Education
City of West Plains
City of Hannibal

NOT RESPONDING:

Cities of : Ozark, Branson, Poplar Bluff, and the County Commissions of : Stone, Taney, and Christian, Counties.



Jeanne Jarrett, CPA
Director
February 9, 2001