

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

LR No.: 1023-10  
Bill No.: HS for SS for SCS for SB 323 and 230 with HA # 1,2,3,4,HSA 1 for HA5, 6,7,HSA 2 for HA 8,9,10,11,  
Subject: Community Enhancement District and Tourism Sales Tax, Children's Services  
Type: Original  
Date: May 4, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$2,183,406 to \$4,366,812)	(\$2,698,690 to \$5,397,380)	(\$2,779,651 to \$5,559,301)
School District Trust	(\$727,802 to \$1,455,604)	(\$899,563 to \$1,799,127)	(\$926,550 to \$1,853,100)
Conservation	(\$90,975 to \$181,951)	(\$112,445 to \$224,891)	(\$115,819 to \$231,638)
Parks & Soils	(\$72,780 to \$145,560)	(\$89,956 to \$179,913)	(\$92,655 to \$185,310)
<b>Total Estimated Net Effect on <u>All</u> State Funds *</b>	<b>(\$3,074,963 to \$6,149,927)</b>	<b>(\$3,800,654 to \$7,601,310)</b>	<b>(\$3,914,675 to \$7,829,349)</b>

\* The local sales tax proposals are permissive and any income or costs to the State's General Revenue Fund are not reflected in these totals. All local tax propositions require voter approval, therefore, fiscal impact is shown as \$0.

\*\* Totals reflect a minimum revenue loss. Loss could be greater.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>NONE</b>			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>??</b>	<b>??</b>	<b>??</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>
<b>City of Branson</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>
<b>Local Government*</b>	<b>(\$1,091,703 to \$2,183,406)</b>	<b>(\$1,349,345 to \$2,698,690)</b>	<b>(\$1,389,825 to \$2,779,651)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 13 pages.

**\* Does not include potential revenue and costs for local sales tax proposals.**

### FISCAL ANALYSIS

#### ASSUMPTION

Officials of the **Department of Transportation** stated that this proposal would have no fiscal impact on their department.

Officials of the **Department of Natural Resources** assumes there would be no fiscal impact.

#### SECTION 67.571 - 67.577: MUSEUM AND CULTURAL HERITAGE SALES TAX

Officials of the **Department of Revenue** stated that their department generally is not responsible for the collection of tourism funding, however, should this proposal be voter approved the DOR would be able to collect the sales tax, with existing appropriations, provided the sales tax is established along existing boundaries. **Oversight assumes that should the voters in the eligible county approve the imposition of a museum, festival, tourism sales tax, and the DOR would collect the sales tax, a 1% collection fee would be retained by the DOR and would be deposited in the State's General Revenue Fund. For the purposes of this fiscal note fiscal impact will be shown as \$0. This proposal is enabling legislation and does not mandate the imposition of the sales tax.**

#### SECTION 67.1003-67.1005: TRANSIENT GUEST TAX

Officials of the **Department of Revenue (DOR)** indicated this proposal would have no fiscal impact since DOR generally does not agree to collect local tourism taxes and they are left up to the political subdivision or municipalities to collect.

#### SECTION 67.1360: TRANSIENT GUEST TAX

Officials of the **Department of Revenue and the Department of Economic Development - Division of Tourism**, stated that this proposal would have no administrative or fiscal impact to their departments.

ASSUMPTION (continued)

Officials of the **City of Cuba** stated that the transient tax would generate approximately \$22,000 annually.

**Oversight assumes this proposal is enabling legislation and would have no state or local fiscal impact. Local government would have no fiscal impact without voter approval. Oversight will show fiscal impact as \$0**

SECTION 67.1775: COMMUNITY CHILDREN'S SERVICES FUND:

Officials of the **Department of Revenue** assume there would be no fiscal impact or administrative impact to their department.

Officials of the **Department of Social Services** stated that it is unknown what impact this legislation would have on the Division of Family Services as the children served may or may not be involved with the agency. Funding for community based services may lead to a decrease in the need for foster care placements. Officials assume no fiscal impact.

**Oversight** assumes that the Department of Revenue would not collect the sales tax provided for in Section 67.1775, therefore, there would be no fiscal impact to state funds. Local governments that would adopt the one-quarter cent sales tax would realize some administrative impact in the collection of the sales tax, and would have election costs associated with the approval to levy the sales tax. This Section is permissive. Oversight for the purposes of this fiscal note will show fiscal impact as \$0, because this proposal does not mandate the imposition of the sales tax.

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

ASSUMPTION (continued)

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Processing Tech I for every 34,000 errors generated, a Clerk II for every 184,000 returns impacted for pre-edit, and one Data Entry Operator for every 170,000 returns impacted. Officials estimate costs for 3.0 FTE, with fringe benefits, equipment and expense for FY 2002 (\$135,647), FY 2003 (\$89,162), and in FY 2004 (\$91,424). These estimates include \$36,112 for 1073 hours of Programming costs and State Data Center Costs of \$6,981. 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. Establishment of a Community Enhancement District is not mandated by this proposal, and voter approval is required before fiscal impact would occur.**

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.

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.**

ASSUMPTION (continued)

SECTIONS: 67.1922 - 67.1940:

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**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 meetings.

**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 or a Community Enhancement District sales tax, then governmental bodies would realize fiscal impact. Oversight will show fiscal impact to state and local governments as \$0

**SECTION 1- CAR RENTAL FEE for TOURISM:**

**Oversight** assumes that the Platte County Commission would need voter approval to levy the \$1 car rental fee. Oversight assumes that the amendment does not mandate that Platte County initiate the fee, therefore, this proposal is discretionary. Should the County Commission impose the car rental fee, the county would realize an unknown amount of income to be used for only tourism related purposes. Because this amendment is discretionary fiscal impact is shown as \$0.

**SECTION 94.812 - BRANSON TOURISM TAXES:**

**Oversight** assumes that the change made to Section 94.812, by removing the language that limits the City of Branson from collecting tax on items that are less than \$1 in value would increase income generated by those tourism taxes. This would only apply to the taxes established pursuant to Sections 94.802 and 94.805. Oversight does not know if the City of Branson currently collects the taxes provided for in Sections 94.802 and 94.805, however, Oversight assumes that these taxes are currently collected and will show an increase of

**ASSUMPTION (continued)**

**income from these taxes. Income is unknown.**

Officials of the **Department of Revenue** assume that the repeal of this language would increase  
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the amount of tax that would be generated by those taxes imposed pursuant to Sections 94.802 and 94.805. The amount of increase in revenues is indeterminable. The DOR does not collect transient guest tax for the City of Branson.

Section 94.802- This Section provides for a tourism tax that is imposed on the price paid or charged for rooms or accommodations in hotels, motels, condos, or for admissions to any private tourist attraction.

Sections 94.805- This Section allows for a tourism tax to be collected on the purchase price paid or charged to any person for food and drinks sold on the premises of any restaurant establishment within the City.

**Oversight** will show fiscal impact to the City of Branson as a positive Unknown.

#### SECTION 321.242- FIRE PROTECTION DISTRICTS HA# 1

**Department of Revenue** officials assume no fiscal impact.

**Oversight assumes this section would require voter approval, and is therefore, permissive. Oversight will show fiscal impact as \$0.**

#### SECTION 2 - SALES TAX EXEMPTION FOR HEALTH CLUBS AND GOLF CLUBS HA#8

Officials of the **Department of Revenue** estimates the annual loss of sales tax revenue at a minimum of \$5,000,000 to \$10,000,000.

**Oversight** assumes that the following State Funds would have negative fiscal impact:

1) General Revenue Fund; 2) School District Trust Fund; 3) Conservation Fund; and 4) Parks and Soils. Oversight has ranged the loss of sales tax revenues to each fund based on the fiscal impact statement submitted by the DOR. The total estimated fiscal impact to all state funds is estimated to be as follows: 10 months of FY 02 is (\$3,074,963 to \$6,149,927); FY 03 (\$3,800,654 to \$7,601,310); and in FY 04 (\$3,914,675 to \$7,829,349). Loss of sales tax revenues to local governments is ranged and estimated to be as follows: For 10 months of FY 02 (\$1,091,703 to \$2,183,406); FY 03 (\$1,349,345 to \$2,698,690); and in FY 04 (\$1,389,825 to \$2,779,651). Oversight assumes a 3% annual growth rate.

#### FISCAL IMPACT - State Government

FY 2002  
(10 Mo.)

FY 2003

FY 2004

#### **GENERAL REVENUE FUND**

**Loss** of Income

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<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
from sales tax exemption (Section 2 HA # 8) *	<u>(\$2,183,406 to \$4,366,812)</u>	<u>(\$2,698,690 to \$5,397,380)</u>	<u>(\$2,779,651 to \$5,559,301)</u>

**SCHOOL DISTRICT TRUST FUND**

<u>Loss</u> of Income from sales tax exemption (Section 2 HA# 8)	<u>(\$727,802 to \$1,455,604)</u>	<u>(\$899,563 to \$1,799,127)</u>	<u>(\$926,550 to \$1,853,100)</u>
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**CONSERVATION FUND**

<u>Loss</u> of Income from sales tax exemption (Section 2 HA # 8)	<u>(\$90,975 to \$181,951)</u>	<u>(\$112,445 to \$224,891)</u>	<u>(\$115,819 to \$231,638)</u>
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**PARKS AND SOILS FUND**

<u>Loss</u> of Income from sales tax exemption (Section 2 HA# 8)	<u>(\$72,780 to \$145,560)</u>	<u>(\$89,956 to \$179,913)</u>	<u>(\$92,655 to \$185,310)</u>
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<b>ESTIMATED NET EFFECT ON ALL STATE FUNDS *</b>	<u><b>(\$3,074,963 to \$6,149,927)</b></u>	<u><b>(\$3,800,654 to \$7,601,310)</b></u>	<u><b>(\$3,914,675 to \$7,829,349)</b></u>
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**\* Oversight assumes the tax provisions contained in this proposal to be permissive, and require voter approval. Please read assumption section Department of Revenue statements to determine fiscal impact should any sales taxes be adopted by voters. DOR does not collect transient guest taxes.**

**\*\* Totals reflect a minimum revenue loss. Loss could exceed this amount.**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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**CITY OF BRANSON**

<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>Income</b> - from repeal of tax limitation language in Section 94.812	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

**CERTAIN CITIES AND COUNTIES**

<b>Loss</b> of Income from sales tax exemption (Section 2 HA # 8 )	<b><u>(\$1,091,703 to \$2,183,406)</u></b>	<b><u>(\$1,349,345 to \$2,698,690)</u></b>	<b><u>(\$1,389,825 to \$2,779,651)</u></b>
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FISCAL IMPACT - Small Business

Small businesses located within a Tourism Community Enhancement District or within a Tourism district, or an Economic Development District that would receive voter approval to impose a sales tax, or transient guest 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. Small businesses of the hotel/motel industry and businesses that rent boat slips for recreational boating that are located in a city or county that would receive voter approval to impose a transient guest tax would be expected to be fiscally impacted to the extent that they would incur additional administrative duties and costs related to collection of the transient guest tax. Should the voters of Platte County approve the imposition of a \$1 fee on car rentals, those businesses would be expected to be fiscally impacted to the extent that they would incur additional administrative duties and costs related to collection of the car rental tax.

DESCRIPTION

SECTION 67.1360: Transient Guest Tax

This section would allow any city of the third class with a population of more than three thousand but less than four thousand located in a county of the third class without a township form of government with a population of more than eighteen thousand which adjoins both a county of the first class with a population of less than one hundred thousand and at least four counties of the third class to seek voter approval to impose a tax on the charges for all sleeping

DESCRIPTION

rooms paid by transient guest.



**SECTION 67.571: Museum and Festival Tourism Sales Tax:**

This section would allow the governing body of any county of the first class with a population of more than eighty-two thousand inhabitants and less than ninety thousand inhabitants to seek voter approval of a tourism sales tax for the purpose of funding of museums and festivals.

**SECTION 67.1775 : Community Children Services Fund**

This act allows St. Louis City, St. Louis County, St. Charles County, Jefferson County, Franklin County, Warren County and Lincoln County to impose an up to one quarter of one cent sales tax for community services for children. Current law only allows St. Charles County to enact this sales tax.

This act increases the age from eighteen to nineteen for people to benefit from the services funded by this sales tax. The moneys collected from this sales tax will be deposited into the county's Community Children's Service Fund and administered by the Board of Directors. (Section 210.860)

This act modifies the current law that pertains to the Board of Directors who administer the Community Children's Service Fund by allowing St. Louis City, St. Louis County, St. Charles County, Jefferson County, Franklin County, Warren County and Lincoln County to have its Community Mental Health Board of Trustees oversee the Community Children's Services Fund,

not a separate Board of Directors. Current law only allows St. Louis City and St. Charles County to have the Community Mental Health Board of Trustees oversee the fund. This act provides for the creation of Tourism Community Enhancement Districts by any county containing any part of a Corps of Engineers lake with a shoreline of at least seven hundred miles and not exceeding a shoreline of nine hundred miles or any, city, town or village located in a county containing any part of a Corps of Engineers lake with a shoreline of at least seven hundred miles and not exceeding a shoreline of nine hundred miles. 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**

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 marketing plan for the district;

#### DESCRIPTION

(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.

#### SECTION 67.1922: Economic Development Sales Tax:

This act authorizes Taney, Stone, Barry and Ozark counties or the governing body of any county which borders on or contains part of a lake with not less than one hundred miles of shoreline 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 five 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.

Section 1 would allow the Platte County Commission to require each contract covering the rental of a motor vehicle which is rented within such county on a short-term basis to provide a box which the renter may use to indicate that a one dollar fee may be added to the contract. The County Commission would need voter approval prior to imposing the fee. The County Collector would collect the fee. All revenues generated by the fee could only be used for tourism purposes.

#### DESCRIPTION

Section 94.812 Current law prohibits the City of Branson from collecting sales tax on sales of \$1 or less. This proposal deletes the prohibitive language.

Section 321.242 - ( HA # 1) allows the governing body of any fire protection district which, has an assessed value greater than seven hundred fifty million but less than eight hundred million and

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is located in St. Louis County, to impose a voter approved sales tax in an amount up to one-fourth of one percent.

Section 67.1950 - ( HA # 2 ) provides that the definition of funeral services is to include the sale of caskets and vaults. This section applies to Tourism Community Enhancement Districts.

Section 67.1959 - ( HA# 3 ) provides that the Board of a Tourism Community Enhancement District can submit for approval of the voters of the District a one percent tax on all retail sales excluding leases of motor vehicles.

Section 67.1300 - ( HA# 4 ) would include a county of the third class with a township form of government and with a population of at least eight thousand but less than eight thousand four hundred inhabitants, to the universe of political subdivisions that could seek voter approval to impose an economic development sales tax of one-half of one percent.

Section 67.1360 - ( HA# 6 ) changes the population requirements in subdivision (17) to any fourth class city with a population of more than two thousand three hundred but less than two thousand five hundred, that could seek voter approval to impose a transient guest tax.

Section 2 - ( HA# 8 ) would exempt memberships in recreational personal fitness or health club facilities and golf clubs from state and local sales and use taxes.

Section 67.1360 - ( HA# 9 ) would include any county of the second class with a population of more than forty-four thousand but less than fifty thousand inhabitants that would be allowed to seek voter approval to impose a transient guest tax for promotion of tourism.

Section 67.1977 - 67.1979 (HA# 10 ) provides that the Board of Directors of a Tourism Community Enhancement District would be required to have an annual audit performed by a Certified Public Accountant, and they would make a report of the audit to the governing bodies within the districts. Members of the Board of Directors could be removed by 2/3 vote of the appointing governing body.

Section 67.571 - ( HA # 11 ) Requires the governing body of any county that would impose a sales tax for museums, festivals, or cultural heritage to establish a Museums and Festivals Board.

#### DESCRIPTION

House Amendment 11 would require that there be 6 members which would be composed of 3 members from each political party. One member would be appointed for a term of one year, three would be appointed for a term of two years, and two would be appointed for a term of three years.

This legislation is not federally mandated, would not duplicate any other program and would not

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require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources  
Department of Social Services- Division of Family Services  
Department of Transportation  
Department of Economic Development- Division of Tourism  
Department of Revenue  
Department of Elementary and Secondary Education  
City of West Plains  
City of Hannibal  
City of Cuba  
Stone County Commission

NOT RESPONDING:

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



Jeanne Jarrett, CPA  
Director  
May 4, 2001