

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

LR No.: 1445-03  
Bill No.: HCS for SB 365  
Subject: Tourism: Sales Tax, Transient Guest Tax  
Type: Original  
Date: April 20, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	\$0	(\$2,322,430)	(\$4,067,850)
Supplemental Revenue Fund	\$0	\$2,322,430	\$4,067,850
<b>Total Estimated Net Effect on <u>All</u> State Funds *</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Taxes in this proposal are not mandated. The Department of Revenue would collect a 1% fee on sales taxes collected. These revenues and costs of collection are not reflected in this fiscal note.

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

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

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 10 pages.

## FISCAL ANALYSIS

### ASSUMPTION

Officials of the **Department of Transportation, Department of Natural Resources,** and the **State Treasurer's Office** stated that this proposal would have no fiscal impact on their agencies..

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

Officials from **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.

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.**

#### 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.

**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**

ASSUMPTION ( continued)

**bodies would realize fiscal impact. Oversight will show fiscal impact to state and local governments as \$0**

SECTIONS: 67.1950 -67.1977:

**Tourism Community Enhancement District :**

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

Officials of the **Department of Revenue** assumes this legislation, as worded, contains ballot issues. It authorizes the creation of a tourism enhancement district and creates an economic development trust fund (both funded by sales tax), allows city of Cuba to impose a tourism tax; Section 67.1003, 67.1005 and 67.1360 either authorizes or enhances a tourism tax. DOR will have no impact on this 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 67.1922 authorizes a sales tax for economic development programs. This tax is a county wide (has boundaries) and DOR's MITS mainframe sales tax system will have minimal changes to the rate tables and distribution tables. Section 67.1953 creates a tourism community enhancement district. This tax is not county or city wide (has no boundaries). This portion of the legislation will require the DOR Sales Tax Mainframe System to have a "shape" file created of the boundaries of the district. The "shape" file will require ongoing maintenance as the district grows or expands. It is estimated that 1,073 hours of programming will be needed at a cost of \$36,112 to implement the legislation. State Data Center implementation of \$6,981. This legislation would also create an item tax situation within the district with the exemption of sales of funeral services within the tourism district (Section 67.1959) This will require the businesses within the districts to collect state and local taxes for funeral services but not the tourism district sales tax. The item tax situation will result in some accounts going from a single location voucher to a two location voucher and in some instances from a two location voucher to a long form (eliminating simplification for the taxpayer). DOR will need to handle the increase processing and errors a Tax Processing Tech I for every 34,000 errors generated, a Clerk II for every 184,000 returns impacted for pre-edit and a Data Entry Operator I for every 170,000 returns impacted for key entry. Notification letters and new rate charts will need to be mailed to all the registered businesses in the counties/districts affected by the proposed sales tax rate

ASSUMPTION (continued)

increase.

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.

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

**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.**

SECTION: 620.467 : TOURISM SUPPLEMENTAL REVENUE FUND:

Officials from the **Department of Economic Development - Division of Tourism (DED)** state that this proposal will allow for additional funding to their agency to better promote Missouri's tourism industry to the traveling public. The DED assumes this proposal contains four major changes to the formula used to determine additional funding to the Division of Tourism;

- for FY 2003 and beyond, the funding formula that determines the growth in the funding of the Tourism Supplemental Revenue Fund will use 2% as an inflation factor,
- the \$3,000,000 maximum increase in any one year will be indexed to the growth in sales of tourist-oriented goods and services,
- the 17 SIC codes that define tourist-oriented goods and services will be changed such that the current inactive SIC code 8420 (Botanical and Zoological Gardens) will be replaced with the SIC code 7510 (Automotive Rentals), and

ASSUMPTION ( continued)

- the growth in the sales of tourist-oriented goods and services is anticipated at 3.935%. This is the average growth of sales in those 17 SIC codes over the last four years.

The Division of Tourism assumes this will result in an increase in funding from the General Revenue fund to the Tourism Supplemental Revenue fund of \$2,322,430 in FY 2003 and \$4,067,850 in FY 2004. The DED also assumes these extra amounts transferred to their division will be spent on tourism advertising, and therefore will result in a total decrease in state funds in FY 2003 and FY 2004 by those amounts. DED also assumes the increased tourism advertising and promotion from these funds will result in an unknown additional tourism related tax revenue for both the state and the local governments.

Officials from the **Department of Revenue** and the **Office of Administration** assume that the proposal would have no administrative impact to their respective agencies.

Officials from the **Office of the State Treasurer** state that they defer to the response from the Department of Economic Development - Division of Tourism.

**Oversight** assumes the Division of Tourism will spend all of the additional funds that are transferred to the Tourism Supplement Revenue Fund on advertising for the state, and therefore show a zero net effect to that fund, but an overall cost to the state by the amounts transferred out of the General Revenue fund. Oversight also assumes the increased tax revenue for both the state and local governments may be beyond the scope of this fiscal note, and have therefore, not included the possible additional tax revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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**GENERAL REVENUE FUND**

<b><u>Transfer Out-</u></b> to Tourism Supplemental Revenue Fund (Section 620.467) *	\$0	(\$2,322,430)	(\$4,067,850)
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\* **Cost do not include DOR cost should a city or county receive voter approval to impose any of the sales taxes contained within this proposal. Any sales tax contained in this proposal is not mandated.**

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>TOURISM SUPPLEMENTAL REVENUE FUND</b>			
<b><u>Transfer in-</u></b> from General Revenue	<u>\$0</u>	<u>\$2,322,430</u>	<u>\$4,067,850</u>
<b>ESTIMATED NET EFFECT TO STATE FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0 *	\$0 *	\$0*

**\*Sales taxes, and transient guest taxes provided for in this proposal are 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. 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.

DESCRIPTION

#### SECTION 67.1003: Transient Guest Tax

This section allows the governing body of cities and counties to submit to the voters of the city or county a proposal allowing cities of the third class having more than 2,500 hotel and motel rooms located in a county of the first class that has another tax on the charges for all sleeping room to impose a tax of not more the 1/2 of 1% per occupied room per night.

#### SECTION 67.1005: Transient Guest Tax

This section allows the governing body of cities and counties to submit to the voters of the city or county a proposal that allows a city or county other than a city or county already imposing a tax on the charges for all sleeping rooms to impose a tax charge on sleeping rooms paid by the transient guest of hotels or motels of not more than 5% per occupied room per night.

#### 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 rooms paid by transient guest.

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

This act would allow the governing body of 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 the governing body of any county which borders on or which contains part of a utility-owned lake with not less than one thousand three 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 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 act provides for the creation of Tourism Community Enhancement Districts by any county, city, town, or village that has 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

DESCRIPTION (continued)

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:

(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.;



DESCRIPTION (continued)

(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;

(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 94.812: Retailers liable for tax, collection and return of taxes

This section eliminates the provision that no tax is charged on any sale of one dollar or less.

SECTION 620.467: Division of Tourism Supplemental Fund

This section changes the expiration date to June 30, 2010.

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 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  
Office of State Treasurer  
City of West Plains  
City of Hannibal  
City of Cuba

NOT RESPONDING:

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



Jeanne Jarrett, CPA  
Director  
April 20, 2001