

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4774-01  
Bill No.: SB 1173  
Subject: Entertainment, Sports & Amusement; Taxation and Revenue - General & Income  
Type: Original  
Date: February 28, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	Unknown	Unknown	Unknown
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>Unknown</b>	<b>Unknown</b>	<b>Unknown</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
<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 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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## FISCAL ANALYSIS

### ASSUMPTION

**Department of Revenue (DOR)** officials assume this legislation requires venues to collect withholding tax from nonresident entertainers and athletes who perform in venues located in Missouri. It also allows the collection of additions to tax and interest for non-payment of taxes. There is no administrative impact to the DOR.

In a similar proposal, the **Office of the Secretary of State (SOS)** officials assume this bill would allocate, subject to appropriation, ten percent of the nonresident income taxes from out of state professional athletes and entertainers to the Secretary of State for distribution to public libraries for the acquisition of library materials. SOS assumes this bill would provide much needed assistance to public libraries in their efforts to improve both the quality and quantity of their book collections. This will result in libraries being able to do a better job of providing accurate and needed information to their communities. The Department of Revenue has stated they would collect increased revenues if given authority to treat entertainment venues as other employers in regards to income tax withholding.

No additional staff will be needed by the Office of the Secretary of State for this program. Cost for administration of the program can be absorbed by the agency. The fund calculation is based on the FY2001 collection reported by the Department of Revenue.

In a similar proposal, officials from the **Department of Natural Resources (DNR)** assume this proposal would require any entity which pays compensation to a nonresident entertainer to collect withholding taxes from nonresident entertainers who perform in Missouri. The bill also authorizes penalties, interest and additions to tax for failure to collect the withholding tax.

This proposal appears to close a loop-hole which has been utilized by some to avoid or minimize the impact of this tax on them. The DNR assumes that the result would be additional revenue/tax being paid. By statute 10% of the additional amount will be allocated to the Historic Preservation Revolving Fund.

It is unknown how much additional tax revenue this legislation would generate; however, the DNR assumes this proposal would increase the amount going to the Historic Preservation Revolving Fund.

Officials from the **Department of Economic Development (DED)** assume the proposed legislation would require any venue which pays compensation to a nonresident entertainer to collect withholding taxes from nonresident entertainers who perform in Missouri. The bill also authorizes penalties, interest, and additions to tax for failure to collect the withholding tax.

ASSUMPTION (continued)

Additional collections may result in higher estimates of the amount of state income tax revenues that are received from nonresident members of professional athletic teams and nonresident entertainers. Any increase in this estimate may result in additional funds being transferred by appropriations to the Arts Trust Fund and the Humanities Council Trust Fund. The amount of any increase in the estimate of collections would be done by the Office of Administration.

**This legislation will increase Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Income - General Revenue</u>			
Increase in tax compliance	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<b>TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>	<b><u>UNKNOWN</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Entertainment, sports and amusement venues that are small businesses could be impacted by this legislation.

DESCRIPTION

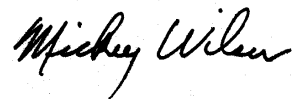
This bill requires any venue which pays compensation to a nonresident entertainer to collect withholding taxes from nonresident entertainers who perform in Missouri. The bill also authorizes penalties, interest, and additions to tax for failure to collect the withholding tax.

DESCRIPTION (continued)

his 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 Economic Development  
Secretary of State  
Department of Natural Resources



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Acting Director  
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