COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4905-01
Bill No.: SB 1242
Subject: Taxation and Revenue - Sales and Use; Counties, Cities, Towns & Villages
Type: Original
Date: March 18, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	($27,588)	$0	$0
Total Estimated Net Effect on All State Funds	**($27,588)**	**$0**	**$0**

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	**(Unknown)**	**(Unknown)**	**(Unknown)**

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

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** assume this legislation places a cap on the taxes levied by counties and municipalities. The Division of Taxation and Collection will need to track the 60/40 split between city and county as well as monitor the rate.

DOR assumes the proposed legislation seems to be attempting to hold the amount of the combined local rates to that equal to the state rate, setting a maximum rate at 8.5%.

The sales tax rates of each city and county will need to be tracked and monitored. MITS will need to be programmed to handle the 60/40 split between the city and county. DOR estimates the above changes will require 692 hours of programming at a total cost of $23,085. The State Data Center cost to implement the legislation will be $4,503.

Officials of the **Office of Administration, Budget and Planning (BAP)** assume this proposal would place restrictions on some locally imposed sales tax rates. It would have no effect on state revenues and no effect on the BAP.

Officials of the **City of Kansas City (CKC)** assume this legislation would cap the sales tax rate for local initiatives. The forty percent limitation on municipal levies as detailed in Section 1.3 would limit the ability to address important local issues such as the Liberty Memorial Sales Tax, fire sales tax and proposed sales tax for critical public safety capital improvements. Current Missouri state law requires that all sales tax be first approved by voters before implementation, and it is the belief of the CKC that local control over the ability to levy taxes is important for addressing critical local issues.

No additional local sales tax revenue could be generated if this legislation were enacted. CKC will lose the ability to address local needs through sales tax collections if this legislation were enacted. Future actions of the state and the four counties that contain the incorporated Kansas City could have significant financial implications on the ability of the CKC to address important issues such as citywide capital improvements, public transportation, and public safety. Limitations of sales tax collections will require the CKC to look at alternative funding mechanisms to address these issues or undertake massive budget reductions to other areas of the city budget.

Currently, the CKC has a combined sales tax rate of 1.75 percent (capital improvement @ one percent, public mass transport @ 0.5 percent, and recently passed firefighters' sales tax @ 0.25 percent). The current state sales tax rate is 4.225 percent. The CKC sales tax rate stands at 41.42 percent of the state sales tax, which is above the 40 percent cap suggested by this bill.

ASSUMPTION (continued)

The CKC stands to lose an estimated $39 million in sales and local use tax revenue in FY03 and

FY04 if this legislation were enacted. This number is derived by calculating the full year revenue associated with a 1/4 cent fire tax approved by voters in August of 2001 and a 1/4 cent sales tax for Public Safety Capital Improvements that is scheduled to go before the voters on April 2, 2002. Estimated total losses for the currently approved or submitted sales taxes could total $448 million over the next fifteen years.

Officials of the **City of St. Louis (STL)** and the **County Commissioners for Boone, St. Louis (SLC), and Jackson (JAC) Counties** did not respond to our fiscal note request.

This legislation would decrease Total State Revenue for the Department of Revenue's programming costs in FY03.

FISCAL IMPACT - State Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
Cost - Dept. of Revenue Programming	($27,588)	$0	$0
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	**($27,588)**	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2003 (10 Mo.)	FY 2004	FY 2005
Loss - Cities Cap on sales taxes	**(Unknown)**	**(Unknown)**	**(Unknown)**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act creates a maximum sales tax which may be levied on any sale. The act also implements a maximum tax which may be levied by a county and a maximum tax which may be levied by a municipality, both of which are in direct proportion with the statewide sales tax rate.

The act has an effective date of January 1, 2003.

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
Office of Administration
  Budget and Planning
City of Kansas City

NOT RESPONDING:
City of St. Louis
County Commissioners
  Boone
  St. Louis
  Jackson

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