

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4216H.02C
 Bill No.: HCS for HB 2291
 Subject: Taxation and Revenue - Sales and Use; Taxation and Revenue - General; Political Subdivisions; Cities, Towns, and Villages; Fire Protection; Law Enforcement Officers and Agencies; Ambulances and Ambulance Districts
 Type: Original
 Date: February 25, 2022

Bill Summary: This proposal authorizes a sales tax dedicated to public safety in the cities of Branson West, Clinton, and Lincoln.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|-----------------------|------------------------|------------------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| General Revenue* | \$0 to \$4,298 | \$0 to \$17,493 | \$0 to \$17,843 |
| Total Estimated Net Effect on General Revenue | \$0 to \$4,298 | \$0 to \$17,493 | \$0 to \$17,843 |

*Represents the potential 1% Department of Revenue collection fee if voters approve the sales tax(es).

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------|----------|----------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|-------------------------|---------------------------|---------------------------|
| FUND AFFECTED | FY 2023 | FY 2024 | FY 2025 |
| Local Government* | \$0 to \$420,165 | \$0 to \$1,714,321 | \$0 to \$1,748,607 |

*Pending voter approval.

FISCAL ANALYSIS

ASSUMPTION

Section 94.902 Public Safety Sales Tax

Officials from the **Department of Revenue (DOR)** state this proposal would allow any city with more than one thousand sixty but fewer than one thousand one hundred seventy inhabitants and located in a county with more than nineteen thousand but fewer than twenty-two thousand inhabitants and with a county seat with more than one thousand but fewer than two thousand two hundred twenty inhabitants to have a public safety sales tax. DOR believes this would be the City of Cole Camp and the City of Lincoln.

Additionally, DOR notes this proposal would allow any city with more than nine thousand but fewer than ten thousand inhabitants and that is the county seat of a county with more than

nineteen thousand but fewer than twenty-two thousand inhabitants to adopt a public safety sales tax. DOR believes this to be the City of Clinton.

This proposal allows a city with more than four hundred eighty but fewer 45 than five hundred forty inhabitants and located in a county with 46 more than thirty thousand but fewer than thirty-five thousand 47 inhabitants and with a county seat with more than two hundred but 48 fewer than nine hundred inhabitants to have a public safety sales tax. DOR believes this to be the City of Branson West.

The sales tax may be imposed in an amount up to one-half of one percent. The tax shall be imposed solely for the purpose of improving the public safety.

DOR notes when the Department collects these public safety sales taxes, they are allowed to retain 1% to reimburse the Department for collection costs.

CITY OF COLE CAMP

DOR shows that the **City of Cole Camp** has taxable sales of:

| CY | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Total |
|-----------|----------------|----------------|----------------|----------------|--------------|
| 2015 | 3,229,113 | 3,002,081 | 3,402,238 | 3,196,016 | 12,829,447 |
| 2016 | 3,095,340 | 3,003,988 | 3,225,042 | 3,279,187 | 12,603,558 |
| 2017 | 3,081,084 | 2,956,959 | 3,249,944 | 3,336,067 | 12,624,054 |
| 2018 | 3,278,248 | 3,220,758 | 3,474,064 | 4,684,461 | 14,657,531 |
| 2019 | 3,402,802 | 3,687,581 | 3,745,639 | 3,618,415 | 14,454,437 |
| 2020 | 3,331,101 | 3,451,596 | 3,915,171 | 3,748,845 | 14,446,713 |
| 2021 | 3,600,303 | 3,872,080 | 4,144,837 | | |

Source: <http://dor.mo.gov/publicreports/>

* DOR reports are generated by calendar year not fiscal year

DOR notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact, DOR will assume the one-half of one percent sales tax is adopted. However, for informational purposes, DOR has shown how much would be collected if they just chose a lesser amount than the full one-half percent sales tax.

Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Cole Camp would collect and the fee retained by DOR as:

| Cole Camp | 1/4 of 1% Tax | | 1/2 of 1% Tax | |
|----------------|---------------|---------------------|------------------|---------------------|
| | DOR 1% Fee | Local Collection | DOR 1% Fee | Local Collection |
| Fiscal Year | | | | |
| 2023 | \$375 | \$37,156 | \$751 | \$74,313 |
| 2024 | \$383 | \$37,899 | \$766 | \$75,799 |
| 2025 | \$390 | \$38,657 | \$781 | \$77,315 |

DOR notes that this proposal would become effective on August 28, 2022 and the first election this issue could be presented to the voters would be the November 2022 general election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be April 1, 2023 (FY 2023) if adopted by the voters. Therefore, the impact in FY 2023 would be for 3 months.

| | | |
|----------------|------------------|---------------------|
| Cole Camp | 1/2 of 1% Tax | |
| Fiscal Year | DOR 1% Fee | Local Collection |
| 2023 | \$188 | \$18,578 |
| 2024 | \$766 | \$75,799 |
| 2025 | \$781 | \$77,315 |

CITY OF LINCOLN

DOR shows that the **City of Lincoln** has taxable sales of:

| CY | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Total |
|------|-----------|-----------|-----------|-----------|------------|
| 2015 | 2,124,060 | 2,412,496 | 2,368,178 | 2,014,074 | 8,918,808 |
| 2016 | 2,138,130 | 2,369,529 | 2,437,892 | 2,142,464 | 9,088,015 |
| 2017 | 2,177,513 | 2,602,875 | 2,547,296 | 2,120,049 | 9,447,734 |
| 2018 | 2,444,106 | 2,542,249 | 2,617,362 | 2,318,717 | 9,922,434 |
| 2019 | 2,031,857 | 2,243,606 | 2,706,418 | 2,367,247 | 9,349,128 |
| 2020 | 2,210,290 | 2,737,197 | 2,871,955 | 2,513,477 | 10,332,919 |
| 2021 | 2,578,649 | 2,981,957 | 3,151,986 | | |

Source: <http://dor.mo.gov/publicreports/>

* DOR reports are generated by calendar year not fiscal year

DOR notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact DOR will assume the one-half of one percent sales tax is adopted. However, for informational purposes DOR has shown how much would be collected if they just chose a lesser amount than the full one half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Lincoln would collect and the fee retained by DOR as:

| Lincoln | 1/4 of 1% Tax | | 1/2 of 1% Tax | |
|---------|---------------|---------------------|------------------|---------------------|
| | DOR 1% Fee | Local Collection | DOR 1% Fee | Local Collection |
| 2023 | \$266 | \$26,320 | \$532 | \$52,641 |
| 2024 | \$271 | \$26,847 | \$542 | \$53,694 |
| 2025 | \$277 | \$27,384 | \$553 | \$54,768 |

DOR notes that this proposal would become effective on August 28, 2022 and the first election this issue could be presented to the voters would be the November 2022 general election. This sales tax would become effective on the first day of the second calendar quarter after the director

of revenue receives notice of the adoption of the sales tax, which is estimated to be April 1, 2023 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 3 months.

| Lincoln | 1/2 of 1% Tax | |
|-------------|---------------|------------------|
| Fiscal Year | DOR 1% Fee | Local Collection |
| 2023 | \$133 | \$13,160 |
| 2024 | \$542 | \$53,694 |
| 2025 | \$553 | \$54,768 |

CITY OF CLINTON

DOR shows that the **City of Clinton** has taxable sales of:

| CY | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Total |
|------|------------|------------|------------|------------|-------------|
| 2015 | 40,147,895 | 44,618,974 | 44,443,717 | 44,037,435 | 173,248,021 |
| 2016 | 41,389,150 | 45,465,065 | 45,533,177 | 44,893,260 | 177,280,651 |
| 2017 | 40,038,915 | 47,066,194 | 45,477,582 | 43,884,475 | 176,467,167 |
| 2018 | 40,961,939 | 47,940,212 | 46,462,280 | 46,505,858 | 181,870,288 |
| 2019 | 41,412,692 | 48,554,205 | 48,146,261 | 47,602,031 | 185,715,189 |
| 2020 | 42,901,586 | 51,426,027 | 50,786,586 | 49,145,326 | 194,259,525 |
| 2021 | 49,192,054 | 55,900,073 | 53,889,047 | | |

Source: <http://dor.mo.gov/publicreports/>

* DOR reports are generated by calendar year not fiscal year

DOR notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact, DOR will assume the one-half of one percent sales tax is adopted. However, for informational purposes, DOR has shown how much would be collected if they just chose a lesser amount than the full one-half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Clinton would collect and the fee retained by DOR as:

| Clinton | 1/4 of 1% Tax | | 1/2 of 1% Tax | |
|---------|---------------|------------------|---------------|------------------|
| | DOR 1% Fee | Local Collection | DOR 1% Fee | Local Collection |
| 2023 | \$5,043 | \$499,232 | \$10,086 | \$998,465 |
| 2024 | \$5,144 | \$509,217 | \$10,287 | \$1,018,434 |
| 2025 | \$5,246 | \$519,401 | \$10,493 | \$1,038,803 |

DOR notes that this proposal would become effective on August 28, 2022 and the first election this issue could be presented to the voters would be the November 2022 general election. This

sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be April 1, 2023 (FY 2023) if adopted by the voters. Therefore, the impact in FY 2023 would be for 3 months.

| Clinton | 1/2 of 1% Tax | |
|-------------|---------------|------------------|
| Fiscal Year | DOR 1% Fee | Local Collection |
| 2023 | \$2,522 | \$249,616 |
| 2024 | \$10,287 | \$1,018,434 |
| 2025 | \$10,493 | \$1,038,803 |

City of Branson West

DOR shows that the **City of Branson West** has taxable sales of:

| CY | Jan-Mar | Apr-Jun | Jul-Sep | Oct-Dec | Total |
|------|------------|------------|------------|------------|-------------|
| 2015 | 17,894,744 | 23,976,483 | 25,866,505 | 21,668,350 | 89,406,082 |
| 2016 | 18,901,040 | 25,156,599 | 26,716,172 | 23,132,889 | 93,906,700 |
| 2017 | 18,850,783 | 25,742,289 | 26,723,871 | 22,779,379 | 94,096,322 |
| 2018 | 19,229,746 | 26,277,102 | 27,300,134 | 24,081,341 | 96,888,323 |
| 2019 | 19,672,156 | 27,420,436 | 29,729,276 | 27,350,166 | 104,172,034 |
| 2020 | 22,651,716 | 29,242,763 | 29,792,719 | 26,205,570 | 107,892,768 |
| 2021 | 28,381,821 | 36,112,763 | 34,419,764 | | |

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact, DOR will assume the one-half of one percent sales tax is adopted. However, for informational purposes, DOR are showing how much would be collected if they just chose a lesser amount than the full one-half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Branson West would collect and the fee retained by DOR as:

| Branson West Fiscal Year | 1/4 of 1% Tax | | 1/2 of 1% Tax | |
|-----------------------------|---------------|------------------|---------------|------------------|
| | DOR 1% Fee | Local Collection | DOR 1% Fee | Local Collection |
| 2023 | \$2,891 | \$286,219 | \$5,782 | \$572,438 |
| 2024 | \$2,949 | \$291,943 | \$5,898 | \$583,887 |
| 2025 | \$3,008 | \$297,782 | \$6,016 | \$595,564 |

DOR notes that this proposal would become effective on August 28, 2022 and the first election this issue could be presented to the voters would be the November 2022 general election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be April 1, 2023 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 3 months.

| Branson West | 1/2 of 1% Tax | |
|--------------|---------------|------------------|
| Fiscal Year | DOR 1% Fee | Local Collection |
| 2023 | \$1,445 | \$143,109 |
| 2024 | \$5,898 | \$583,887 |
| 2025 | \$6,016 | \$595,564 |

Officials from the **DOR** do not anticipate any administrative costs stemming from the proposal.

In response to a previous version (HB 2291), officials from the **Office of Administration - Budget and Planning** note this proposal will increase total state revenue as DOR's 1% collection fee would increase

Oversight notes this proposal would become effective on August 28, 2022, and the first election this issue could be presented to the voters would be the November 2022 general election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be April 1, 2023 (FY 2023) if adopted by the voters. Therefore, Oversight will range the fiscal impact from \$0 (not approved by voters) to the estimates calculated by DOR for 3 months in FY 23 and reflect a full year of sales tax revenue for FY 24 in this proposal.

| <u>FISCAL IMPACT – State Government</u> | FY 2023 (10 Mo.) | FY 2024 | FY 2025 |
|---|------------------------------|-------------------------------|-------------------------------|
| GENERAL REVENUE FUND | | | |
| <u>Additional Revenue - DOR - '94.902 – City of Clinton 1% DOR Collection fee p. 5-6</u> | \$0 to \$2,522 | \$0 to \$10,287 | \$0 to \$10,493 |
| <u>Additional Revenue - DOR - '94.902 – City of Lincoln 1% DOR Collection fee p. 4-5</u> | \$0 to \$133 | \$0 to \$542 | \$0 to \$553 |
| <u>Additional Revenue - DOR - '94.902 – City of Cole Camp 1% DOR Collection fee p. 3-4</u> | \$0 to \$188 | \$0 to \$766 | \$0 to \$781 |
| <u>Additional Revenue - DOR - '94.902 – City of Branson West 1% DOR Collection fee p. 6-7</u> | <u>\$0 to \$1,455</u> | <u>\$0 to \$5,898</u> | <u>\$0 to \$6,016</u> |
| ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND | <u>\$0 to \$4,298</u> | <u>\$0 to \$17,493</u> | <u>\$0 to \$17,843</u> |

| <u>FISCAL IMPACT – Local Government</u> | FY 2023 (10 Mo.) | FY 2024 | FY 2025 |
|--|--------------------------------|----------------------------------|----------------------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| CITY OF CLINTON | | | |
| <u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902 p. 5-6 | \$0 to \$249,616 | \$0 to \$1,018,434 | \$0 to \$1,038,803 |
| <u>Loss</u> - 1% collection fee kept by DOR- '94.902 p. 5-6 | <u>\$0 to (\$2,522)</u> | <u>\$0 to (\$10,287)</u> | <u>\$0 to (\$10,493)</u> |
| NET EFFECT ON CITY OF CLINTON | <u>\$0 to \$247,094</u> | <u>\$0 to \$1,008,147</u> | <u>\$0 to \$1,028,310</u> |
| CITY OF LINCOLN | | | |
| <u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902 p. 4-5 | \$0 to \$13,160 | \$0 to \$53,694 | \$0 to \$54,768 |
| <u>Loss</u> - 1% collection fee kept by DOR - '94.902 p. 4-5 | <u>\$0 to (\$133)</u> | <u>\$0 to (\$542)</u> | <u>\$0 to (\$553)</u> |
| NET EFFECT ON CITY OF LINCOLN | <u>\$0 to \$13,027</u> | <u>\$0 to \$53,152</u> | <u>\$0 to \$54,215</u> |
| CITY OF COLE CAMP | | | |
| <u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902 p. 3-4 | \$0 to \$18,578 | \$0 to \$75,799 | \$0 to \$77,315 |
| <u>Loss</u> - 1% collection fee kept by DOR- '94.902 p. 3-4 | <u>\$0 to (\$188)</u> | <u>\$0 to (\$766)</u> | <u>\$0 to (\$781)</u> |
| NET EFFECT ON CITY OF COLE CAMP | <u>\$0 to \$18,390</u> | <u>\$0 to \$75,033</u> | <u>\$0 to \$76,534</u> |
| CITY OF BRANSON WEST | | | |

| | | | |
|--|--------------------------------|----------------------------------|----------------------------------|
| <u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902 p. 6-7 | \$143,109 | \$583,887 | \$595,564 |
| <u>Loss</u> - 1% collection fee kept by DOR- '94.902 p. 6-7 | <u>\$0 to (\$1,455)</u> | <u>\$0 to (\$5,898)</u> | <u>\$0 to (\$6,016)</u> |
| ESTIMATED NET EFFECT ON THE CITY OF BRANSON WEST | <u>\$0 to \$141,654</u> | <u>\$0 to \$577,989</u> | <u>\$0 to \$589,548</u> |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | <u>\$0 to \$420,165</u> | <u>\$0 to \$1,714,321</u> | <u>\$0 to \$1,748,607</u> |

FISCAL IMPACT – Small Business

Small businesses in Clinton, Lincoln, Cole Camp, and Branson West that either collect and/or pay sales taxes could be impacted by this proposal.

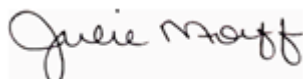
FISCAL DESCRIPTION

This proposal authorizes a sales tax dedicated to public safety in the cities of Clinton, Lincoln, Cole Camp, and Branson West

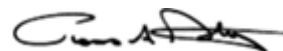
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
 Office of Administration - Budget and Planning



Julie Morff
 Director
 February 25, 2022



Ross Strobe
 Assistant Director
 February 25, 2022