

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4339S.01I
 Bill No.: SB 743
 Subject: Taxation and Revenue - Sales; Cities, Towns and Villages;
 Type: Original
 Date: January 13, 2022

Bill Summary: This proposal authorizes the cities of Clinton, Lincoln, and Cole Camp to propose a sales tax for public safety.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2023	FY 2024	FY 2025
General Revenue*	\$0 to \$2,843	\$0 to \$11,595	\$0 to \$11,595
Total Estimated Net Effect on General Revenue	\$0 to \$2,843	\$0 to \$11,595	\$0 to \$11,595

*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 \$278,511	\$0 to \$1,136,332	\$0 to \$1,159,059

FISCAL ANALYSIS

ASSUMPTION

Section 94.902

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.

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 our 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, we will assume the one-half of one percent sales tax is adopted. However, for informational purposes we are showing 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
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	
	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 we will assume the one-half of one percent sales tax is adopted. However, for informational purposes we 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 Lincoln would collect and the fee retained by DOR as:

Lincoln	1/4 of 1% Tax		1/2 of 1% Tax		
	Fiscal Year	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, we will assume the one-half of one percent sales tax is adopted. However, for informational purposes we 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 Clinton would collect and the fee retained by DOR as:

Clinton	1/4 of 1% Tax		1/2 of 1% Tax	
Fiscal Year	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

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

Officials from **Office of Administration - Budget and Planning (B&P)** defer to the local government in the cities of Clinton and Lincoln for the fiscal impact. B&P notes DOR's retained collection fee will increase TSR because DOR will be able to collect its 1% administration fee for handling the collection of the tax.

Oversight notes that officials from B&P defer to the **Department of Revenue (DOR)** and to local governments for the potential fiscal impact of this proposal.

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 - 1% DOR Collection fee</u>	\$0 to <u>\$2,843</u>	\$0 to <u>\$11,595</u>	\$0 to <u>\$11,595</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	\$0 to <u>\$2,843</u>	\$0 to <u>\$11,595</u>	\$0 to <u>\$11,595</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	\$0 to \$249,616	\$0 to \$1,018,434	\$0 to \$1,038,803
<u>Loss</u> - 1% collection fee kept by DOR	\$0 to <u>(\$2,522)</u>	\$0 to <u>(\$10,287)</u>	\$0 to <u>(\$10,493)</u>
NET EFFECT ON CITY OF CLINTON	\$0 to <u>\$247,094</u>	\$0 to <u>\$1,008,147</u>	\$0 to <u>\$1,028,310</u>
CITY OF LINCOLN			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902	\$0 to \$13,160	\$0 to \$53,694	\$0 to \$54,768
<u>Loss</u> - 1% collection fee kept by DOR	\$0 to <u>(\$133)</u>	\$0 to <u>(\$542)</u>	\$0 to <u>(\$553)</u>
NET EFFECT ON LINCOLN	\$0 to <u>\$13,027</u>	\$0 to <u>\$53,152</u>	\$0 to <u>\$54,215</u>
<u>FISCAL IMPACT – State Government (continued)</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025
CITY OF COLE CAMP			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902	\$0 to \$18,578	\$0 to \$75,799	\$0 to \$77,315
<u>Loss</u> - 1% collection fee kept by DOR	\$0 to <u>(\$188)</u>	\$0 to <u>(\$766)</u>	\$0 to <u>(\$781)</u>
NET EFFECT ON CITY OF COLE CAMP	\$0 to <u>\$18,390</u>	\$0 to <u>\$75,033</u>	\$0 to <u>\$76,534</u>

ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 to <u>\$278,511</u>	\$0 to <u>\$1,136,332</u>	\$0 to <u>\$1,159,059</u>
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FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

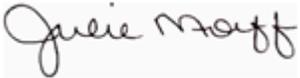
This act adds the cities of Clinton, Cole Camp and Lincoln to the list of cities authorized to levy a sales tax upon voter approval for the purposes of improving public safety.

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

L.R. No. 4339S.01I
Bill No. SB 743
Page **10** of **10**
January 13, 2022

SOURCES OF INFORMATION

Office of Administration - Budget and Planning
Department of Revenue



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January 13, 2022



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