COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4339S.01P
Bill No.: Perfected SB 743
Subject: Taxation and Revenue - Sales; Cities, Towns and Villages;
Type: Original
Date: March 10, 2022

Bill Summary: This provision modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2026)
General Revenue*	(Could exceed $16,132,932)	(Could exceed $7,566,076)	(Could exceed $7,566,578)	(Could exceed $10,08,306)
Total Estimated Net Effect on General Revenue	**(Could exceed $16,132,932)**	**(Could exceed $7,566,076)**	**(Could exceed $7,566,578)**	**(Could exceed $10,08,306)**

*Oversight notes the large majority of the stated fiscal impact to state funds is from the sales tax exemption on utilities on hotels and motels (§144.011). This exemption appears to offset an Administrative Hearing Commission and Missouri Supreme Court decision (DI Supply I, LLC vs. Department of Revenue) – opinion issued March 17, 2020. Oversight is unsure if these taxes were collected by the state prior to this decision.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2026)
School District Trust Fund*	(Could exceed $5,203,523)	(Could exceed $2,509,787)	(Could exceed $2,509,787	(Could exceed $3,350,363)
Parks and Soils State Sales Tax Funds*	(Could exceed $521,353)	(Could exceed $250,979)	(Could exceed $250,979)	(Could exceed $335,037)
Conservation Commission Fund*	(Could exceed $650,440)	(Could exceed $313,723)	(Could exceed $313,723)	(Could exceed $418,795)
Total Estimated Net Effect on Other State Funds	**(Could exceed $6,375,316)**	**(Could exceed $3,074,489)**	**(Could exceed $3,074,489)**	**(Could exceed $4,104,195)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2026)
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2026)
General Revenue DOR	10 FTE	0 FTE	0 FTE	0 FTE
Total Estimated Net Effect on FTE	**10 FTE**	**0 FTE**	**0 FTE**	**0 FTE**

*Oversight assumes all of the refunds pertaining to the provisions in §144.010 & §144.011 would be processed in FY 2023 – therefore, DOR would not require the additional FTE beyond FY 2023.

☒ 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	Fully Implemented (FY 2026)
Local Government	**(Could exceed $20,088,323)**	**(Could exceed $6,516,386)**	**(Could exceed $6,444,192)**	**(Could exceed $10,331,856)**

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency and local responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.
SEQ CHAPTER \h \r 1

Section 94.902 Clinton, Lincoln & Cole Camp Public Safety Sales Tax

Officials from the **Department of Revenue (DOR)** state this provision 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 provision 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 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 provision 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 will show 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	
Fiscal Year	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 provision 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 provision allows up to a one-half of one percent sales tax. For the fiscal impact DOR assumes the one-half of one percent sales tax is adopted. However, for informational purposes, DOR will show 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 provision 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 provision allows up to a one-half of one percent sales tax. For the fiscal impact, they will assume the one-half of one percent sales tax is adopted. However, for informational purposes DOR will show 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 provision 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 **Office of Administration - Budget and Planning** defer to the local government in the cities of Clinton and Lincoln for the fiscal impact. B&P notes that DOR is allowed to retain 1% of sales tax collections to offset the cost of collections. Therefore, this provision may increase TSR if collections from DOR's 1% collection fee increases as a result of this provision.

Section 94.900 Rolla Public Safety Sales Tax (SA 1)

Officials from the **Office of Administration - Budget and Planning** defer to the local government in Rolla for the fiscal impact. B&P notes that DOR is allowed to retain 1% of sales tax collections to offset the cost of collections. Therefore, this provision may increase TSR if collections from DOR's 1% collection fee increases as a result of this provision.

Officials from the **Department of Revenue (DOR)** state this provision would allow any city with more than eighteen thousand but fewer than twenty thousand inhabitants and that is the county seat of a county with more than forty thousand but fewer than fifty thousand inhabitants to have a public safety sales tax. DOR believes this would be the City of Rolla.

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

CITY OF ROLLA

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

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	92,842,064	100,563,126	104,245,080	106,940,496	404,590,766
2016	97,132,681	102,637,652	103,480,807	108,252,926	411,504,066
2017	97,209,519	101,345,565	100,069,066	102,812,006	401,436,156
2018	96,249,032	108,850,117	113,779,729	119,097,804	437,976,682
2019	103,515,649	115,993,709	115,635,363	122,106,587	457,251,308
2020	106,416,045	119,975,314	122,253,633	127,548,779	476,193,771
2021	124,273,324	139,268,188	140,743,858	0	404,285,370

DOR notes this provision 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 Rolla would collect and the fee retained by DOR as:

Rolla	1/4 of 1% Tax		1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2023	$12,314	$1,219,041	$24,627	$2,438,083
2024	$12,560	$1,243,422	$25,120	$2,486,844
2025	$12,811	$1,268,291	$25,622	$2,536,581

DOR notes that this provision 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.

Rolla	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2023	$6,157	$609,521
2024	$25,120	$2,486,844
2025	$25,622	$2,536,581

DOR does not expect this provision to have an administrative impact on the Department of Revenue.

Oversight notes the City of Rolla may implement such a sale tax only with approval from the voters at a general or primary election with the sole purpose of improving public safety. If such a tax should be approved by the voters, Oversight assumes it would not be in place until 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 reflect the impact in FY 2023 for 3 months, and reflect a range of $0 (voters do not approve the tax) or a positive estimated amount by the DOR (voters approve the tax).

Section 137.115 Reduction of Assessment Percentage for Personal Property Tax (SA 2)

Officials from the **Department of Revenue (DOR)** note current law requires that personal property be assessed at 33.3% of its true value in money. This act requires the county assessor of St. Charles County to annually reduce such percentage such that the amount by which the revenue generated by taxes levied on such personal property is reduced is substantially equal to one hundred percent of the growth in revenue generated by real property assessment growth, as defined in the act. Annual reductions shall be made until December 31, 2073. Property tax assessments are handled by county assessors and the State Tax Commission. This provision does not impact the Department and DOR defers to the State Tax Commission for the fiscal impact.

In response to a similar proposal (SB #649), officials from the **State Tax Commission** assume the provision has an unknown fiscal impact. Assessment reductions will impact negatively the revenue for school districts, counties, cities and other taxing jurisdiction who are supported by property taxes. This bill reduces the amount of personal property tax revenues equal to the increase in real property tax revenues so this would eliminate an increase in local revenues until the percentage for personal property assessment reaches zero.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this provision would reduce the assessment percentage for personal property each year in St. Charles County, starting with tax year 2023 and ending tax year 2073. B&P notes that the assessment percentage for personal property is currently 33.3%. The reduction in the assessment percentage will be by an amount that would offset increases in assessed valuation of real property each tax year. In other words, the revenues generated under the personal property tax would be reduced by an amount to offset any revenue gains from increased real property values.

B&P notes that the reduction in the assessment percentage must only offset the increase in the real property assessed value, up to the consumer price index (inflation) between the two years. Therefore, if housing prices increased by 7%, but CPI only increased by 2%, the reduction in personal property would offset the 2% inflation limit.

B&P further notes that Section 137.115.1(4) states that the state assessment under Article III, Section 38(b) of the Missouri Constitution shall remain at 33.3%. Article III, Section 38(b) of the Missouri Constitution applies to the Blind Pension Trust Fund and the state property tax levy of $0.03 per $100 valuation. Therefore, this provision will not impact TSR or the Blind Pension Trust Fund.

B&P notes that under this provision the St. Charles County assessor would have to maintain two sets of calculations for personal property. One for the reductions on local assessments as required under this provision and another for the Blind Pension Trust Fund state assessment.

In response to a similar proposal (SB #649), officials from the **Department of Social Services** and **Office of the State Auditor** each assume the provision will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a similar proposal (SB #649), officials from the **Howell County Assessor's Office** state the best estimate is this could reduce local funding by $1.6 billion dollars based on the 2020 data available. Personal property comprises approximately 20% of the total assessed value in the state and total revenue generated was approximately $8.5 billion dollars. So their local subdivisions will lose funding, their office will have increased operating costs and their potential for a lawsuit will be increased.

In response to a similar proposal (SB #649), officials from the **St. Francois County Assessor's Office** assume the following loss (or shift of burden) in property taxes based on different percentages:

25%	($2,240,484)
43%	($3,854,303)
61%	($5,467,732)
79%	($7,081,161)
99%	($8,873,860)

In response to a similar proposal (SB #649), officials from the **City of St. Louis** assume the passage of this bill would result in lost revenue to the City of St. Louis, the Collector of Revenue, and the Assessor's Office. In 2022, this loss would total more than $850,000 among the three entities. This loss would only increase yearly the next ten years.

The calculations rest on these assumptions:

- Personal property remains steady and stable; the City has had about $1 billion assessed value of personal property for many, many years. It does not vary up or down that much over the last decade
- The tax rate remains the same as it was in 2021.
- Real estate growth is 75% due to residential and 25% due to commercial. If total growth exceeds the CPI (which has historically been 2% average over the last 5 years) there is no

instruction on how much of the 2% to be used for growth comes from residential, agricultural or commercial property. That determination will make a difference in tax amounts as commercial taxes are approximately double residential taxes for the same value property.
- New construction stays consistent as it has over the past 5 years
- Assumes 6.5% growth PLUS new construction in every odd-numbered reassessment year

Note that the assessment rate change for personal property (one of the major components of this legislation) goes up in non-reassessment years. This is because personal property is about the same value every year, and new construction is about the same every year, so the calculations for even numbered, non-reassessment years are going to be very similar in what rate to charge to collect the allowable taxes. Since this legislation ends in 2073, then it will have a lower assessment rate (as assumed is intended).

If the assessment rate goes down 4%-5% per 10 years, then in 2073 (after approx. 50 years), there will still be approximately a 20%-25% decrease in the assessment rate, which would leave as assessment rate of approx. 8% to 13% in 2073.

Due to the number and nature of assumptions, and the very long time frame to 2073, there is a lot that could change if there are changes to any of the following:
- CPI
- Market increases or decreases in real estate
- New construction fluctuations in real estate
- Tax rates
- Personal property values

In response to a previous version (SB #649), officials from the City of St. Louis computed a reduction in the personal property assessment from 33.3% currently to 29.4% over a ten year period. In the tenth year, the estimated loss totaled over $2.075 million annually.

In response to a similar proposal (SB #649), officials from **Pattonville R-III School District** assume the elimination of personal property taxes would eliminate approximately $17 million in annual revenue to the school district, and $870 million to public schools across the state. The revenue loss will vary based on changes in real property valuation. However, the total impact to the district will be a reduction of $17 million in revenue.

In response to a similar proposal (SB #649), officials from the **Newton County Health Department** and the **St. Louis County Health Department** each assume the provision will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>Local Political Subdivisions</u>

Oversight assumes this provision reduces the percentage at which personal property is assessed effectively reducing the assessed value of personal property over time. Oversight notes the revenue growth in property tax is determine by the following method:

Last year's revenues plus an allowance for growth equal to either:
- Inflation;
- Growth in total assessed value, or;
- 5%, whichever is lower.

Oversight assumes **if** the growth in total assessed value is the lower of the three options, then any reduction in the percentage at which personal property is assessed would reduce the maximum allowed revenue growth (relative to current law) which could impact all taxing entities. For example:

	Assessed Value Real	Assessed Value PP	Total Assessed Value	Revenue Growth Factor	Maximum Allowed Revenue
Base Year (Assumed)	$4,250,000,000	$750,000,000	$5,000,000,000	-	$6,240,000
Current Law (Next Year)	$4,377,500,000	$772,500,000	$5,150,000,000	3.0%	$6,427,200
Next Proposed (Next Year)	$4,377,500,000	$702,272,727*	$5,079,772,727	-1.4%	$6,240,000

Oversight applied a 3% growth in real and personal property. To calculate the proposed assessed value, Oversight reduced the 33% currently applied to personal property values by the growth in real property (33% - 3% = 30%).

*Using the $750,000,000 assessed value for personal property, Oversight calculated the full value of personal property:

Full Value of Personal Property *.33 = $750,000,000
Full Value of Personal Property = $750,000,000/.33
Full Value of Personal Property = $2,272,727,273

Using the full value of personal property, Oversight applied a growth rate of 3% and calculated the different assessed values below.

$2,272,727,273 x 1.03	$2,340,909,091	Total PP Value w/Growth
$2,340,909,091 x .33	$772,500,000	Assessed Value PP (Current Law)
Or		
$2,340,909,091 x (.33-.03)	$702,272,727	Assessed Value PP (Proposed Law)

Oversight notes, in the example above, the provision functionally eliminates the allowable increase in revenues attributable to growth. Revenues become fixed in time. However, Oversight notes the maximum allowed revenue would be lower than what could have been achieved under current law.

Alternatively, **if** inflation or 5% is the lower option for determining the maximum allowed revenue, the calculation of revenue growth may not be limited by the reduction in assessed personal property. However, **Oversight** notes property tax revenues are designed to be revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, this provision may result in a higher tax rate relative to current law thus distributing more of the tax burden to real property owners (as personal property assessed values decrease).

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Oversight will show a range of impact of $0 (the tax burden is shifted to real property owners or no growth in real property) to an unknown loss in property tax revenue for local political subdivisions.

The next assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (due in December 2023). **Oversight** will show the impact local political subdivisions beginning in FY 2024.

Oversight notes section 137.115.1(4) requires assessors to continue to assess personal property at 33.3% for purposes of Article III, Section 38(b) of the Missouri Constitution. Therefore, Oversight assumes this provision will not impact the Blind Pension Fund.

Ultimately, **Oversight** is uncertain how language of the provision would be applied, but assume local political subdivisions (counties) would incur some additional costs administering these adjustments (i.e. computer programming changes). In addition, Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this provision. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek approval to publish a new fiscal note.

Oversight notes that this amendment only applies to St. Charles County.

Section 144.010 and 144.011 Utility Exemption for Transient Guests (SA 3)

Officials from the **Department of Revenue (DOR)** state this provision modifies the definition of "sale at retail" found in section 144.010, and adds a sales tax exemption to section to 144.011, regarding the purchases of utilities by transient guest accommodations. The utilities exempt include electricity, electrical current, water and gas used to heat or cool a guest's accommodations. Utilities purchased by hotels, motels, and transient accommodation establishments are currently subject to sales tax, but this provision would make these utilities an exemption.

DOR notes this provision allows this exemption for the sleeping rooms, meeting and banquet rooms as well as customer space rented by guests. It should be noted this applies to hotels, motels, bed-and-breakfasts as they are classified as transient. It is unclear if this exemption would be allowed to short-term rentals, such as VRBO or Airbnb. If these types of properties are allowed the exemption, the calculated estimate would be expected to be higher.

DOR found research that indicates the average utility cost for a hotel room is $2,196 per room per year. The Department was unable to determine the current number of sleeping rooms or conference/banquet rooms in the state but DOR was able to find information on the number of sleeping rooms (113,371) in the 12 largest cities in the state.

City	# Hotel Rooms
St. Louis	40,000
Springfield	6,395
Columbia	3,600
Jefferson City	1,270
Lake of the Ozarks	1,304
Joplin	1,497
St. Joseph	827
Cape Girardeau	801
Kirksville	415
Warrensburg	412
Kansas City	34,000
Branson	22,850
	113,371

Using these 113,731 rooms DOR was able to calculate the estimated total utility costs per year of $248,962,716.

The current state sales tax rate is 4.225% and is distributed with 3% to General Revenue, 1% to the School District Trust fund, 0.125% to the Conservation Commission and the 0.1% to the

Park, Soil & Water fund. When calculating the local impact, DOR uses a 4.03% weighted average. This provision is expected to result in a loss of both the state and local sales tax on hotel utilities.

DOR notes this provision has an effective date of August 28, 2022 and therefore DOR estimates only a 10 month impact in FY 2023 from the exemption. DOR calculated the following loss per fiscal year.

Fund	Tax Rate	FY 2023 (10 month)	FY 2024 +
GR	0.03	($6,224,068)	($7,468,881)
Education	0.01	($2,074,689)	($2,489,627)
Conservation	0.00125	($259,336)	($311,203)
DNR	0.001	($207,469)	($248,963)
Local	0.0403	($8,360,998)	($10,033,197)

This provision also adds language that allows any person who would be exempt from paying the sales tax on hotel utilities starting August 28, 2022, to request a refund of the utilities they paid prior to that date. Prior to April 30, 2021, hotels were able to request a refund of their utility tax but based on a decision in a recent lawsuit, they became subject to the tax. Therefore, if passed DOR notes this would only allow a refund back to May 1, 2021.

Therefore, these qualifying establishments could seek a refund from May 1, 2021 to August 28, 2022 (15 months). This refund is projected to be a loss to the following funds:

Fund	Tax Rate	FY 2023 (refunds)
GR	0.03	($9,336,101)
Education	0.01	($3,112,034)
Conservation	0.00125	($389,004)
DNR	0.001	($311,204)
Local	0.0403	($12,541,496)

While this provision does not limit when a person could apply for the refund, for the simplicity of the fiscal note DOR shows all the refund impact in FY 2023.

As noted previously, the projected impact is expected to exceed the estimated amounts due to the limited number of hotel rooms DOR used in the calculations. Additionally, if short-term rentals are allowed to receive the exemption, DOR would expect an even greater loss of revenue. The impact is projected:

Estimated Impact by Fund

	FY 2023*		FY 2024 +	
General Revenue	could exceed	($15,560,169)	could exceed	($7,468,881)
Education (SDTF)	could exceed	($5,186,723)	could exceed	($2,489,627)
Conservation	could exceed	($648,340)	could exceed	($311,203)
DNR	could exceed	($518,673)	could exceed	($248,963)
Total State Loss	could exceed	($21,913,905)	could exceed	($10,518,674)
Local Sales Tax Loss	could exceed	($20,902,494)	could exceed	($10,033,197)

*Assumes all refund claims are received during FY23.

DOR notes this refund will be claimed on the existing sales tax refund form. DOR notes that they would need 1 FTE for every 1,100 refund claims received a year. Due to the expected volume of refund requests estimated, DOR would start with hiring 10 FTE and add additional FTE as the number of refund claims increases.

Oversight assumes refunds would be processed in FY 2023 – therefore, DOR would not require the additional FTE beyond FY23. Oversight will show the abovementioned (10) FTE for purposes of this fiscal note for FY23 only. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **Office of Administration - Budget and Planning (B&P)** note this provision would exempt the utilities for transient accommodation establishments from state and local sales tax. Utilities include electricity, electrical current, water, and gas. Qualifying uses include all guest accommodations, including sleeping rooms, meeting and banquet rooms, and any other space rented by guests and are included in the charges made for accommodations.

B&P notes that the last use "included in the charges made for accommodations" could include any service offered by establishments. Including pools, restaurants, bars, lobby/congregation areas etc. as long as the cost of the item is included in the price paid by a guest.

B&P further notes that this exemption would apply to hotels, motels, bed-and-breakfasts, as well as other accommodations classified as transient. It is unclear if this would also apply to Airbnb or other short-term rentals.

Based on research, B&P determined that the average utility cost for a hotel is $2,196 per room per year. B&P was unable to determine the total number of hotel rooms in Missouri. However based on additional research, B&P found that there are more than 113,371 hotel rooms located in 12 largest areas of the state. Table 1 lists the number of hotel rooms for portions of Missouri.

Table 1: Hotel Rooms by City

St. Louis	40,000
Kansas City	34,000
Branson	22,850
Springfield	6,395
Columbia	3,600
Jefferson City	1,270
Lake of the Ozarks	1,304
Joplin	1,497
St. Joseph	827
Cape Girardeau	801
Kirksville	415
Warrensburg	412
	113,371

B&P further notes that this number does not include banquet and conference rooms, nor other services areas that would be exempted under this provision.

Based on the information above, B&P estimates that this provision could exempt at least $248,962,716 (113,371 hotel rooms x $2,196 avg. utility cost) from state and local sales tax. B&P notes that the state sales tax rate is 4.225% and the population weighted local sales tax rate for 2021 was 4.03%. Therefore, B&P estimates that this provision could reduce TSR by an amount that could exceed $10,518,675 annually.

In addition, this provision would allow qualifying establishments to request a refund for any sales taxes paid prior to August 28, 2022. B&P notes that businesses were notified that this sales tax was due beginning April 30, 2021. Therefore, there could be up to 15 months (April 30, 2021 through August 28, 2022) of refunds allowable under this provision. For the purpose of this fiscal note, B&P will reflect all refund claims as occurring in FY23. However, it is possible that refund claims could occur over multiple fiscal years. Therefore, B&P estimates that qualifying establishments could request more than $13,148,343 in refunds.

B&P further notes that the exemption would begin August 28, 2022. Therefore, FY23 will see a reduction for 10 months, in addition to the refund claims for the prior ten years. Based on the information above, B&P estimates that this provision could reduce GR by an amount that could exceed $15,560,170 and TSR by an amount that could exceed $21,913,905 in FY23. In addition, this provision could reduce local revenues by an amount that could exceed $20,902,495 in FY23. Once refund claims have been paid, this provision could reduce GR by an amount that could exceed $7,468,881 and TSR by an amount that could exceed $10,518,674. This provision could also reduce local revenues by an amount that could exceed $10,033,197 once refund claims have been paid. Table 2 shows the estimated impact by fund.

#Table 2: Estimated Impact by Fund

	FY 2023*		FY 2024 +	
General Revenue	could exceed	($15,560,170)	could exceed	($7,468,881)
Education (SDTF)	could exceed	($5,186,723)	could exceed	($2,489,627)
Conservation	could exceed	($648,340)	could exceed	($311,203)
DNR	could exceed	($518,672)	could exceed	($248,963)
Total State Loss	could exceed	($21,913,905)	could exceed	($10,518,674)
Local Sales Tax Loss	could exceed	($20,902,495)	could exceed	($10,033,197)

*Assumes all refund claims are received during FY23.

In response to a similar proposal (SB 945), officials from the **City of Kansas City** and the **City of Springfield** assume this provision would have a negative fiscal impact on their respective cities of an indeterminate amount.

Oversight notes the above local political subdivisions stated this provision would have a negative fiscal impact on their local subdivisions of an indeterminate amount. Therefore, Oversight will note B&P and DOR's estimates for local political subdivisions on the fiscal note.

In response to a similar proposal (SB 945), officials from the **City of Kirksville** note if passed, this provision will reduce sales tax revenues for the City by approximately $10,000-$15,000 annually. Currently, hotels, motels, and transient lodging facilities have the benefit of exempting long-term rentals from sales tax assessment, even though those guests utilize utility services. For that usage, no sales tax would levied if SB 945 were to pass. In addition, there are several areas in those facilities that are not related to accommodation charges, such as business offices, laundry facilities, kitchens, and plant facilities. Utility usage in those areas would not be subject to any sales tax levy, but are directly related to the benefit of the hotel.

In response to a similar proposal (SB 945), officials from the **Missouri Department of Conservation** assume the provision will have an unknown fiscal impact but greater than $250,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any decrease in sales and use tax collected would increase revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this provision.

Oversight notes that the Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution; thus, MDC's sales taxes are constitutional mandates. Therefore, Oversight will reflect the B&P's and DOR's estimates of impact on the fiscal note.

In response to a previous version (SB 945), officials from the **Department of Natural Resources** defer to the **Department of Revenue** for the potential fiscal impact of this provision.

In response to a previous version (SB 945), officials from the **Missouri Department of Transportation** and the **Department of Elementary and Secondary Education** each assume the provision will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Section 144.813 Medical Device Sales Tax Exemption

In response to a previous version (SB 943), officials from the **Department of Revenue** note this provision would allow the sales of all class III medical devices identified under 21 U.S.C. 360c(a)(1)(C) that use electric fields for the purposes of the treatment of cancer including components and repair parts and the disposable or single patient use supplies required for the use of such devices would be exempt from all state and local sales and use taxes.

Class III medical devices are those devices that have a high risk to the patient and/or user. These devices usually sustain or support life, are implanted, or present potential unreasonable risk of illness or injury. They represent 10% of medical devices regulated by the FDA. Given this provision requires the Class III device must use electric fields for the purpose of treating cancer it appears this reduces the qualifying devices to two devices. These devices are used for treating glioblastoma and mesothelioma.

There are an estimated 240,000 patients annually with glioblastoma. Per the company website that makes this product, they have treated 15,000 patients with glioblastoma with their product. Therefore, only 6.3% of the eligible patients are using the product. The estimated cost per month per user is $21,000 or $252,000 annually.

Per the National Environmental Public Health Tracking Network, there are 454 patients in MO with brain cancer and 55 with mesothelioma. The American Association of Neurological Surgeons estimates that 17% of all brain cancer is glioblastoma. Therefore, in Missouri 78 patients with glioblastoma and 55 patients with mesothelioma could be eligible to use the qualified device. However, given that only 6.3% of all patients use the qualified device they assume that only 5 glioblastoma and 3 mesothelioma patients would use it.

Therefore, at a cost of $252,000 per patient per year they assume that $2,016,000 ($252,000 * 8) in costs would be exempt from sales tax per this provision. The sales tax rate is 4.225%. This would result in a loss to TSR of $85,176.

This would require a change to the sales and use tax forms as well as the computer system. The estimated costs of the changes is $8,386.

Oversight assumes the **Department of Revenue** is provided with core funding to handle a certain amount of activity each year. Oversight assumes **DOR** could absorb the computer programming costs related to this provision. If multiple bills pass which require additional staffing and duties at substantial costs, **DOR** could request funding through the appropriation process.

In response to a previous version (SB 943), officials from the **Office of Administration - Budget and Planning (B&P)** assume this provision would exempt class III medical devices that use electric fields in the treatment of cancer from state and local sales and use taxes. This would also exempt the components, repair, and disposable patient supplies used with such devices. This exemption would begin August 28, 2022.

B&P notes that there are currently two such FDA devices approved. The first device is used to treat glioblastoma and the second device is used to treat mesothelioma. Based on data published by the manufacturer, B&P estimates that approximately 6.3% of glioblastoma patients use the qualifying device. B&P was unable to estimate the usage rate for mesothelioma. For the purpose of this fiscal note, B&P will assume that the usage rate is the same 6.3% found for glioblastoma patients.

Based on information published by the CDC, there were 458 individuals with brain and other nervous system cancers in Missouri during 2018, the most recent year available. Based on further research, B&P determined that glioblastoma cancer accounts for 17% of all brain and nervous system cancers. Therefore, **B&P** estimates that approximately 78 individuals in Missouri (458 brain and nervous system cancers x 17%) may have glioblastoma. Based on further information published by the CDC, there were 55 cases of mesothelioma in Missouri during 2018.

Assuming that Missouri cancer patients use the qualifying class III medical devices at the same rate as patients outside of Missouri, **B&P** estimates that approximately 5 individuals with glioblastoma (78 Missouri glioblastoma patients x 6.3% device usage) and 3 individuals with mesothelioma (55 Missouri mesothelioma patients x 6.3% device usage) per year may qualify for this sales tax exemption.

Based on additional research, **B&P** determined that the average cost of using the qualifying class III medical device is approximately $21,000 per month, or $252,000 per year ($121,000 per month x 12). Therefore, B&P estimates that this provision may exempt $2,016,000 [(5 glioblastoma patients x $252,000 per year costs) + (3 mesothelioma patients x $252,000 per year costs)] in sales from state and local sales taxes.

Based on the above information, **B&P** estimates that this provision may reduce TSR by $85,176 and GR by $60,480 per year. Using the population weighted local sales tax rate for 2020, B&P further estimates this provision may reduce local sales tax collections by $81,245 per year.

Oversight notes officials from B&P and DOR both assume the provision will have direct fiscal impact on total state revenues. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect DOR's and B&P's estimated impact in the fiscal note.

In response to a previous version (SB 943), officials from the **Missouri Department of Conservation (MDC)** assume the provision will have an unknown fiscal impact but greater than $250,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any decrease in sales and use tax collected would decrease revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law, which could cause some downside risk to the Conservation Sales Tax. **MDC** assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this provision.

Oversight notes that the Conservation Sales Tax Fund is derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution thus MDC=s sales taxes are constitutional mandates. The Park, Soil, and Water Sales Tax fund are derived from the one-tenth of one percent sales and use tax pursuant to Article IV Section 47 (a) thus DNR's sales taxes are constitutional mandates. Therefore, Oversight will reflect the B&P's and DOR's estimates on the fiscal note.

In response to a previous version (SB 943), officials from the **Department of Elementary and Secondary Education (DESE)** assume that the provision will have no fiscal impact on their organization; however, the provision would decrease Proposition C revenue sent to the state and distributed to Local Education Agencies in the state of Missouri, as well as, lower the St. Louis City school district sales tax revenue. DESE defers to the Department of Revenue for an estimated impact.

In response to a previous version (SB 943), officials from the **Missouri Department of Transportation**, **Department of Elementary and Secondary Education**, and the **Department of Economic Development** each assume the provision will have no fiscal impact on their organization.

Section 32.087 Local Political Subdivision Tax Rate Limits (SA 4)

In response to a previous version (SB 759), officials from the **Office of Administration Budget & Planning (B&P)** assume that Section 32.087 may reduce TSR by an unknown amount. Section 32.087 may reduce the calculation under Article X, Section 18(e) by an unknown amount. B&P is unsure how many jurisdictions are higher than the allowable caps and defers to locals for more information.

Oversight notes that officials from **B&P** defer to locals for the potential fiscal impact of this provision. Oversight also notes Section 32.087.3(5)(b) states that no taxing jurisdiction with a combined sales tax in excess of the rates provided as of August 28, 2022 shall be required to reduce or repeal any such sales tax rate. Oversight assumes this provision will not negatively impact local political subdivisions.

Officials from the **Department of Revenue (DOR)** note in addition to any local sales tax imposed or authorized to be imposed as of January 1, 2023, this act authorizes any taxing jurisdiction to impose one or more sales taxes for purposes to be designated by the taxing jurisdiction, provided that the total combined rate of local sales taxes imposed and retained by a taxing entity that is an incorporated city, town, or village shall not exceed 4.5%; the total combined rate of local sales taxes imposed and retained by a county shall not exceed 4.5%; the total combined rate of local sales taxes imposed and retained by the City of St. Louis shall not exceed 9.0%; and for all other taxing jurisdictions, the total combined rate of sales taxes in any given taxing jurisdiction shall not exceed 3.0%.

No taxing jurisdiction with a combined rate of sales tax in excess of the rates provided in the act as of August 28, 2022, shall be required to reduce or repeal any such sales tax rate.

If a political subdivision chooses to not adopt additional sales taxes, then this provision will not have a fiscal impact. Should a political subdivision choose to adopt a new sales tax, then the political subdivision will receive increased revenue. It should be noted that should they adopt a sales tax and DOR is required to collect and distribute the sales tax to the political subdivision, DOR will retain 1% of the sales tax for reimbursement of expenses. The Department is not able to predict if any political subdivisions will adopt a new sales tax. The impact of this provision is $0 to Unknown.

Oversight will reflect a potential positive impact from section 32.087.3(2) if this allows local political subdivisions to submit before its voters an additional sales tax in future elections. Oversight will show this as a $0 (no such tax increase is submitted to voters or voters do not approve the measure) to an unknown amount of sales tax revenue for the local political subdivision (and DOR retaining a 1% collection fee).

In response to a previous version (SB 759), officials from the **Kansas City BEC** state the cost to conduct an election in the Kansas City portion of Jackson County is $625,000. The State will pay their prorated share of the cost based on who else participates. This amount would range between $0 and $625,000.

In response to a previous version (SB 759), officials from the **Missouri Department of Transportation**, **Missouri Department of Conservation**, **Department of Natural Resources**, **Department of Elementary and Secondary Education**, **Platte County, St Louis County** and **Jackson County** each assume the provision will have no fiscal impact on their organization.

In response to a previous version (SB 759), officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than $5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

Section 144.051 Exemption of Sales Tax for FIFA World Cup Admission (SA 6)

Officials from the **Office of Administration - Budget and Planning (B&P)** This provision would exempt all tickets sold to the 2026 FIFA World Cup in Jackson County between 6/1/2026 and 7/31/2026.

B&P notes that Kansas City, MO is currently in the host city selection for the 2026 FIFA World Cup. B&P further notes that the final U.S. host cities have not yet been determined. As of 12/19/2021, there are currently 17 cities competing to host 11 U.S. FIFA World Cup Games.

B&P further notes that, if selected, Kansas City would host a 2026 FIFA World Cup game at the Arrowhead Stadium, which has a capacity of 76,416. Therefore, B&P will assume that 76,416 tickets would be sold and qualify under this exemption.

B&P notes that if selected, Kansas City would host a block of games. If chosen for the group match block, 10 games would be played in Kansas City. If chosen for the semi-finals match block, Kansas City would host two games. B&P is unsure which group match block Kansas City could host. Therefore, B&P will reflect both potential outcomes.

In addition, the 2026 game tickets are still unknown. However, tickets for the 2022 FIFA World cup ranged from $105 to $210 for regular group matches and $455 to $1,100 for the finals. It is currently unknown which game would be hosted in Kansas City. Table 3 shows the estimated ticket sales under both game hosting scenarios.

Table 3: Estimated Total Ticket Sales

Total Estimated Ticket Sales	# Games	Low	High
Group Match	$10	$80,236,800	$160,473,600
Finals	$2	$69,538,560	$168,115,200

*Site selection is still occurring. It is unknown if Kansas City will be selected or what game block may be hosted in the city.

B&P notes that while the exemption would cover both FY26 (6/2026) and FY27 (7/2026), ticket sales for the 2022 games typically sold out within hours of release. Therefore, B&P will reflect the total potential loss as occurring in FY26 (6/2026).

For the purpose of this fiscal note, B&P will reflect three potential impacts. First, that Kansas City is not selected. Second, that Kansas City is selected to host a group match. Third, that Kansas City is selected to host the finals. Table 4 shows the potential revenue impact under all three scenarios.

Table 4: Estimated Impact by State Fund

State Funds	FY 2026 Low Price	High Price
Not Selected	$0	
OR		
Group Match		
General Revenue	($2,407,104)	($4,814,208)
Education	($802,368)	($1,604,736)
Conservation	($100,296)	($200,592)
DNR	($80,237)	($160,474)
Total State Revenues	($3,390,005)	($6,780,010)
OR		
Finals Match		
General Revenue	($2,086,157)	($5,043,456)
Education	($695,386)	($1,681,152)
Conservation	($86,923)	($210,144)
DNR	($69,539)	($168,115)
Total State Revenues	($2,938,004)	($7,102,867)

Therefore, B&P estimates that if Kansas City is not selected to host a 2026 FIFA World Cup game, there will be no TSR or local sales tax impact. If Kansas City is selected to host a group match block, GR could be reduced by ($2,407,104 to $4,814,208) and TSR could be reduced by ($3,390,005 to $6,780,010). If Kansas City is selected to host a semi-final match block, GR could be reduced by ($2,086,157 to $5,043,456) and TSR could be reduced by ($2,938,004 to $7,102,867).

Table 5: Estimated Local Sales Tax Impact

Local Sales Tax	FY 2026 Low Price	High Price
Not Selected	$0	$0
OR		
Group Match		
• Jackson County	($1,002,960)	($2,005,920)
• Kansas City	($2,607,696)	($5,215,392)
• Kansas City Zoological District	($100,296)	($200,592)
Group Match Total	($3,710,952)	($7,421,904)
OR		
Finals		
• Jackson County	($869,232)	($2,101,440)
• Kansas City	($2,260,003)	($5,463,744)
• Kansas City Zoological District	($86,923)	($210,144)
Finals Total	($3,216,158)	($7,775,328)

For the purpose of this fiscal note, B&P assumes that the sales tax rate for the Arrowhead Stadium would be applied to all ticket sales (in-person and online). B&P notes that the sales tax rate for the Arrowhead Stadium is 4.625%, with 1.25% for Jackson County, 3.25% for Kansas City, and 0.125% for the Kansas City Zoological District. Therefore, B&P estimates that local sales tax could be reduced by ($3,710,952 to $7,421,904) if Kansas City hosts a group match block or by ($3,216,158 to $7,775,328) if Kansas City hosts a semi-final match block.

Officials from the **Department of Revenue (DOR)** note this provision grants a state and local sales and use tax exemption for admission tickets to the 2026 FIFA World Cup soccer tournament. The tournament is scheduled to be played in July 2026. Historically tickets go on sale the month before and are sold out within hours. The FIFA association is in the process of choosing a site. The City of Kansas City is under consideration as one of the sites. It is unknown if they will get chosen and if chosen whether they would host a group match or final match.

This sales tax exemption would be limited to June 1, 2026- July 31, 2026 in Kansas City for the tickets sales of the event. If Kansas City is not chosen then this provision will not have a fiscal impact.

If Kansas City is chosen they are expected to play at Arrowhead Stadium which has a seating capacity of 76,416. The average ticket prices for the 2022 World Cup show that group match tickets are between $105- $210, while final matches sell for $455-$1,100. During the hearings of this provision it was determined that up to 10 games may be played during the time period above, if Kansas City is chosen as a site. Using this information they calculated:

If only one game is played:

Table 1: Estimated Total Ticket Sales- one game played

Total Estimated Ticket Sales	Low	High
Group Match	$8,023,680	$16,047,360
Finals	$34,769,280	$84,057,600

Or if 10 games are played:

Table 2: Estimated Ticket Sales- 10 games played

Total Estimated Ticket Sales	Low	High
Group Match	$80,236,800	$160,473,600
Finals	$347,692,800	$840,576,000

The state sales and use tax rate is 4.225% broken down:
General Revenue 3%
School District Trust 1%
Conservation Commission .125%
Park, Soil & Water .1%

The impact will be either $0 (not selected as a site) or the amounts projected below:

If only one game is played:

Table 3: Estimated Impact by State Fund

State Funds	FY 2026 Low Price	High Price
Not Selected	$0	
OR		
Group Match		
General Revenue	($240,710)	($481,421)
Education	($80,237)	($160,474)
Conservation	($10,030)	($20,059)
DNR	($8,024)	($16,047)
Total State Revenues	($339,000)	($678,001)
OR		
Finals Match		
General Revenue	($1,043,078)	($2,521,728)
Education	($347,693)	($840,576)
Conservation	($43,462)	($105,072)
DNR	($34,769)	($84,058)
Total State Revenues	($1,469,002)	($3,551,434)

In 10 games are played:

<u>**State Funds**</u>	FY 2026 Low Price	High Price
Not Selected	0	
OR		
Group Match		
General Revenue	($2,407,104)	($4,814,208)
Education	($802,368)	($1,604,736)
Conservation	($100,296)	($200,592)
DNR	($80,237)	($160,474)
Total State Revenues	($3,390,005)	($6,780,010)
OR		
Finals Match		
General Revenue	($10,430,784)	($25,217,280)
Education	($3,476,928)	($8,405,760)
Conservation	($434,616)	($1,050,720)
DNR	($347,693)	($840,576)
Total State Revenues	($14,690,021)	($35,514,336)

Arrowhead Stadium is in the following taxing jurisdictions. Jackson County has a local sales tax rate of 1.25%, Kansas City has a 3.25% rate and the Kansas City Zoological District has a .0125% rate for a total of 4.625%. DOR will use the 4.625% for the fiscal note.

If only one game is played:

Table 4: Estimated Local Sales Tax Impact

Local Sales Tax	FY 2026 Low Price	High Price
Not Selected	$0	$0
OR		
Group Match		
• Jackson County	($100,296)	($200,592)
• Kansas City	($260,770)	($521,539)
• Kansas City Zoological District	($10,030)	($20,059)
Group Match Total	($371,095)	($742,190)
OR		
Finals		
• Jackson County	($434,616)	($1,050,720)
• Kansas City	($1,130,002)	($2,731,872)
• Kansas City Zoological District	($43,462)	($105,072)
Finals Total	($1,608,079)	($3,887,664)

If 10 games are played:

Local Sales Tax	FY 2026 Low Price	High Price
Not Selected	0	0
OR		
Group Match		
• Jackson County	($1,002,960)	($2,005,920)
• Kansas City	($2,607,696)	($5,215,392)
• Kansas City Zoological District	($100,296)	($200,592)
Group Match Total	($3,710,952)	($7,421,904)
OR		
Finals		
• Jackson County	($4,346,160)	($10,507,200)
• Kansas City	($11,300,016)	($27,318,720)
• Kansas City Zoological District	($434,616)	($1,050,720)
Finals Total	($16,080,792)	($38,876,640)

This will require programming changes estimated to be $3,596.

Oversight notes that **DOR** assumes this provision will require programming changes with an estimated cost of $3,596. **Oversight** assumes the **Department of Revenue** is provided with core funding to handle a certain amount of activity each year. Oversight assumes **DOR** could absorb the costs related to this provision. If multiple bills pass which require additional staffing and duties at substantial costs, **DOR** could request funding through the appropriation process. Officials from the **DOR** assume the provision will have no fiscal impact on their organization.

Oversight notes that both **B&P** and **DOR** assume the provision will have a negative fiscal impact on state revenue and local funds. Therefore, Oversight will reflect B&P's and the DOR's estimates and range their high and low impacts per match on the fiscal note as summarized in table below.

Estimated Fiscal Impact to General Revenue

	FY 2023		FY 2024		FY 2025		FY 2026	
	Low	High	Low	High	Low	High	Low	High
No Match	$0	$0	$0	$0	$0	$0	$0	$0
Group Match	$0	$0	$0	$0	$0	$0	($240,710)	($481,421)
Final Match	$0	$0	$0	$0	$0	$0	($1,043,078)	($2,521,728)

In response to a previous version (SB 652), officials from the **City of Kansas City** assume the provision would have a negative fiscal impact on Kansas City as a result of lost sales tax revenue.

Oversight notes the above local political subdivision stated this provision would have negative fiscal impact on their respective local subdivision of an indeterminate amount. Therefore, Oversight will note B&P and DOR's estimates for impact to local political subdivisions on the fiscal note.

Oversight only reflects the responses received from state agencies and political subdivisions. Officials from Jackson County were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

Oversight notes Arrowhead stadium is not configured for soccer and assume adjustments will need to be made regarding the width of the field to accommodate a FIFA match. Oversight is unsure if this will impact seating capacity. Oversight will range the fiscal impact per match from $0 (Kansas City not selected) OR a range from $105 per ticket to $1,100 per ticket.

Section 190.800 Separation of GEMT funds from the Ambulance Provider Tax fund

Officials from the **Department of Revenue** and the **Office of Administration - Budget and Planning** both defer to the **Department of Social Services** for the potential fiscal impact of this provision.

In response to a previous version (SB 725), officials from the **Department of Social Services (DSS)** assume the provision will have no fiscal impact on their organization.

Oversight learned through discussions with DSS officials, the proposed changes in §190.800 will carve out the Ground Emergency Medical Transportation (GEMT) funds from the Ambulance Provider Tax fund. Because the GEMT (fund 0422) is already separate from, and not included in, the Ambulance Provider Tax funds, there is no impact to either the GEMT fund or the Ambulance Provider Tax (fund 0958). Therefore, Oversight will reflect a zero impact in the fiscal note for this provision.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local taxing entities were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

ISCAL IMPACT – State Government	FY 2023 (10 Mo.)	FY 2024	FY 2025	FY 2026
GENERAL REVENUE FUND				
Additional Revenue - DOR - '94.902 - 1% DOR Collection fee from Public Safety Sales Taxes p. (3-6)	$0 to $2,843	$0 to $11,595	$0 to $11,595	Could exceed $0 to $11,595
Additional Revenue - DOR - '94.900 - 1% DOR Collection fee from Public Safety Sales Taxes p. (6-8)	$0 or $6,157	$0 or $25,120	$0 or $25,622	Could exceed $0 or $6,157
Revenue Reduction - §144.010 & §144.011 Utility Exemption for Transient Guests and refunds p. (13-18)	(Could exceed $15,560,169)	(Could exceed $7,468,881)	(Could exceed $7,468,881)	(Could exceed $7,468,881
Costs – DOR §144.010 & §144.011 p. (15)				
Salaries	($219,400)	$0	$0	$0
Fringe Benefits	($196,851)	$0	$0	$0
Equipment and Expense	($97,112)	$0	$0	$0
Total Costs - DOR	($513,363)	$0	$0	$0
FTE Changes - DOR	10 FTE	0 FTE	0 FTE	0 FTE
Revenue Reduction - §144.813 Medical Device sales tax exemption p. (18-21)	($50,400)	($60,480)	($60,480)	Could exceed ($60,480)
Potential Increase in Revenue – §32.087.3 DOR 1% collection fee for new local sales tax p. (21 -22)	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown
Revenue loss - § 144.051 exemption of sales tax for FIFA World Cup Admission (Per Game) p. (22-27)	$0	$0	$0	$0 or ($240,710) to ($2,521,728)

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**(Could exceed $16,132,932)**	**(Could exceed $7,566,076)**	**(Could exceed $7,566,578)**	**(Could exceed $10,08,306)**
ESTIMATED NET FTE CHANGE ON GENERAL REVENUE FUND	10 FTE	0 FTE	0 FTE	0 FTE
SCHOOL DISTRICT TRUST FUND				
Revenue Reduction - §144.010 & §144.011 Utility Exemption for Transient Guests and refunds p. (13-18)	(Could exceed $5,186,723)	(Could exceed $2,489,627)	(Could exceed $2,489,627)	(Could exceed $2,489,627)
Revenue Reduction - §144.813 Medical Device sales tax exemption p. (18-21)	($16,800)	($20,160)	($20,160)	Could exceed ($20,160)
Revenue loss - § 144.051 exemption of sales tax for FIFA World Cup Admission (Per Game p. (22-27)	$0	$0	$0	$0 or ($80,237) to ($840,576)
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**(Could exceed $5,203,523)**	**(Could exceed $2,509,787)**	**(Could exceed $2,509,787**	**(Could exceed $3,350,363)**
PARKS AND SOILS STATE SALES TAX FUNDS				
Revenue Reduction - §144.010 & §144.011 Utility Exemption for Transient Guests and refunds p. (13-18)	(Could exceed $518,673)	(Could exceed $248,963)	(Could exceed $248,963)	(Could exceed $248,963)
Revenue Reduction - §144.813 Medical Device sales tax exemption p. (18-21)	($1,680)	($2,016)	($2,016)	($2,016)
Revenue loss - § 144.051 exemption of sales tax for				$0 or ($8,024) to ($84,058)

FIFA World Cup Admission (Per Game) p. (22-27)	$0	$0	$0	
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUNDS	**(Could exceed $521,353)**	**(Could exceed $250,979)**	**(Could exceed $250,979)**	**(Could exceed $335,037)**
CONSERVATION COMMISSION FUND				
Revenue Reduction - §144.010 & §144.011 Utility Exemption for Transient Guests and refunds p. (13-18)	(could exceed $648,340)	(could exceed $311,203)	(could exceed $311,203)	(could exceed $311,203)
Revenue Reduction - §144.813 Medical Device sales tax exemption p. (18-21)	($2,100)	($2,520)	($2,520)	could exceed($2,520)
Revenue loss - § 144.051 exemption of sales tax for FIFA World Cup Admission (Per Game) p. (22-27)	$0	$0	$0	$0 or ($10,030) to ($105,072)
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**(could exceed $650,440)**	**(could exceed $313,723)**	**(could exceed $313,723)**	**(could exceed $418,795)**

FISCAL IMPACT – Local Government	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2026)
LOCAL POLITICAL SUBDIVISIONS				
Additional Revenues – Taxing Entities in Clinton, Lincoln, and Cole Camp - additional sales tax revenue for Public Safety - '94.902 p. (3-6)	$0 to $278,511	$0 to $1,136,332	$0 to $1,159,059	Could exceed $0 to $1,159,059
Additional Revenues – Taxing Entities in Rolla - additional sales tax revenue for Public Safety - '94.900 p. (6-8)	$0 or $609,521	$0 or $2,486,844	$0 or $2,536,581	Could exceed $0 or $2,536,581
Revenue Loss - Taxing Entities in Clinton, Lincoln, Cole Camp, and Rolla - 1% collection fee kept by DOR for collecting new public safety tax - '94.902 & '94.900 p. (3-8)	($9,000)	($36,715)	($37,217)	Could exceed ($37,217)
Costs – Counties – to administer the changes in assessment from this provision - §137.115 p. (9-13)	$0	(Unknown)	(Unknown)	(Unknown)
Revenue Loss - loss of property tax from reduction in personal property assessed value - §137.115 p. (9-13)	$0	$0 or (Unknown)	$0 or (Unknown)	$0 or (Unknown)
Revenue Reduction - §144.010 & §144.011 Utility Exemption for Transient Guests and refunds p. (13-18)	(Could exceed $20,902,494)	(Could exceed $10,033,197)	(Could exceed $10,033,197)	(Could exceed $10,033,197)
Revenue Reduction - §144.813 Medical Device sales tax exemption p. (18-21)				

	($67,704)	($81,245)	($81,245)	Could exceed ($81,245)
Potential Increase in Revenue – §32.087.3 local sales tax p. (21 -22)	$0	$0 or Unknown	$0 or Unknown	$0 or Unknown
Revenue loss - § 144.051 exemption of sales tax for FIFA World Cup Admission p. (22-27)	$0	$0	$0	$0 or ($371,095) to ($3,887,664)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**(Could exceed $20,088,323)**	**(Could exceed $6,516,386)**	**(Could exceed $6,444,192)**	**(Could exceed $10,331,856)**

FISCAL IMPACT – Small Business

Sections 94.902 and 94.900 - Small businesses in Clinton, Lincoln, Cole Camp, and Rolla that either collect and/or pay sales taxes could be impacted by this provision.

Section 137.115 - Oversight assumes there could be a fiscal impact to small businesses if this provision resulted in a higher overall tax rate for commercial property owners. However, small businesses that own personal property could see a reduction in property taxes.

Sections 144.010 and 144.011 - This provision may impact hotels, motels, or other transient accommodation establishments that include utility costs in the charge made for such accommodations.

Section 144.813 - Businesses that purchase or sell qualified medical devices could be impacted by this provision.

Section 32.087.3 - This provision may have a direct fiscal impact on small businesses that pay and/or collect sales tax.

Section 144.051 – No direct fiscal impact to small businesses would be expected as a result of this provision.

FISCAL DESCRIPTION

This act modifies provisions relating to taxation.

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 Economic Development
Department of Elementary and Secondary Education
Department of Natural Resources
Department of Revenue
Department of Social Services
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration - Budget and Planning
Office of the Secretary of State
Office of the State Auditor
State Tax Commission
City of Kansas City
City of Kirksville
City of Springfield
City of St. Louis
Howell County Assessor's Office
Jackson County
Kansas City BEC
Newton County Health Department
Pattonville R-III School District
Platte County
St Louis County
St. Louis County Health Department

Julie Morff
Director
March 10, 2022

Ross Strope
Assistant Director
March 10, 2022

KLP:LR:OD