

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1827-03
Bill No.: HCS for HB 812
Subject: Taxation and Revenue - Sales and Use; Saint Louis County
Type: Original
Date: April 7, 2015

Bill Summary: This proposal would modify provisions relating to the St. Louis County sales tax pool distribution formula and provide an optional half cent sales and use tax for law enforcement purposes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(\$128,126)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$128,126)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0 or \$20,500,000	\$0 or \$82,000,000	\$0 or \$82,000,000

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive agency responses in a timely manner due to the short fiscal note request time. Oversight has prepared this fiscal note with the best current information that we have, or with prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will prepare an updated fiscal note and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Section 66.620, RSMo. - Distribution of St. Louis County Sales Tax:

Officials from the **Department of Revenue (DOR)** stated this proposal would revise the distribution formula for sales tax revenue generated in St. Louis County. DOR would be required, beginning January 1, 2016, to distribute to all group A cities, towns, and villages in St. Louis County a portion of taxes based on the location where the sales is consummated under Section 66.630 and Subsection 32.087.12 based on the formula in Subsection 66.620.5. Once the Department distributes funds to group A entities, it would be required to distribute funds to group B entities following guidelines in Subsection 66.620.5.

DOR officials noted the Department would also be required to ensure each city receives no less than 50 percent of the tax generated within that city, rather than relying solely on the distribution from the pool.

Administrative Impact

DOR officials noted that St. Louis County currently takes care of the distribution, so unless they agree to continue to perform this action, the Department would need to develop a distribution system for this proposal.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal including \$68,510 for contract changes to the current design of the Integrated Revenue System including a Distribution Credit Reallocation program, a report on the reallocation, and minimal reference table configuration resulting in a cost of \$65,510.

ASSUMPTION (continued)

DOR officials also included an estimated cost of \$59,616 for 795 hours of contract programming to make change to DOR systems.

Oversight will include the DOR cost estimate in this fiscal note.
 $((\$65,510 + \$59,616) = \$128,126)$

In response to a previous version of this proposal, officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted the proposal would alter how the Department of Revenue (DOR) distributes local sales taxes to municipal governments in St. Louis County. BAP officials deferred to DOR for any change in programming or administration costs which would be involved in implementing the changes in the distribution formula, and assume the proposal would have no direct impact on general and Total State Revenues.

Oversight assumes this proposal would have no net effect on local governments although individual cities may receive more or less revenue than is the case under current provisions.

Section 94.860, Rsmo. - St. Louis County Law Enforcement Sales Tax:

Officials from the **Department of Revenue (DOR)** stated this proposal would authorize a new local sales tax in St. Louis County of one-half percent for law enforcement purposes.

Administrative impact

DOR officials assumed this proposal would result in the need to mail approximately 25,000 rate change letters to businesses and taxpayers, and provided an estimate of cost of
 $(25,000 \times \$0.555) = \$13,875.$

Oversight assumes DOR could provide the information to taxpayers and businesses through regularly scheduled DOR communications including the department website and will not include those costs in this fiscal note.

Officials from the **Office of Administration - Division of Budget and Planning** did not respond to our request for information on this provision.

ASSUMPTION (continued)

Oversight assumptions

Oversight notes the DOR report of taxable sales for FY 2014 indicates taxable sales for sales/use tax purposes of \$16.4 billion. The sales tax would become effective the first day of the second quarter after the election in which the tax is approved. This proposal does not include a specific effective date and if it is approved by the General Assembly and the Governor, would become effective August 28, 2015. The first date available for an election to approve the tax would be in November, 2015 and if the sales tax is approved by the voters at that election, could become effective April 1, 2016 (FY 2016).

Oversight will assume the vote would be scheduled on the first available election, and will indicate a fiscal impact of \$0 (no vote or tax not approved by the voters) or $(\$16,400,000,000 \times .005 \times .25) = \$20,500,000$ for FY 2016 and \$0 or $(\$16,400,000,000 \times .005) = \$82,000,000$ for FY 2017 and FY 2018.

For simplicity, **Oversight** will not include any collection cost reimbursement to the Department of Revenue in this fiscal note.

Bill as a Whole Responses

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assume this proposal would not have an impact on their organizations.

Not responding:

Officials from St. Louis County, the City of Clayton, the City of Florissant, the City of Frontenac, the City of Ladue, and the City of Maryland Heights did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE FUND			
<u>Cost - DOR</u>			
Computer programming	<u>(\$128,126)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$128,126)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
ST. LOUIS COUNTY POLITICAL SUBDIVISIONS			
<u>Additional revenue</u>	\$0 or	\$0 or	\$0 or
Countywide law enforcement sales tax	\$20,500,000	\$82,000,000	\$82,000,000
<u>Income</u> - Some political subdivisions within St. Louis County may receive additional sales tax proceeds	Unknown	Unknown	Unknown
<u>Loss</u> - Some political subdivisions within St. Louis County may less sales tax proceeds	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ST. LOUIS COUNTY POLITICAL SUBDIVISIONS	<u>\$0 or \$20,500,000</u>	<u>\$0 or \$82,000,000</u>	<u>\$0 or \$82,000,000</u>

FISCAL IMPACT - Small Business

This proposal could have a direct impact on small businesses which make purchases subject to sales or use tax.

FISCAL DESCRIPTION

The proposed legislation would revise the distribution of St. Louis County sales tax revenues and add an optional half-cent sales and use tax for St. Louis County law enforcement purposes.

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

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue

Not responding:

St. Louis County
City of Clayton
City of Florissant
City of Frontenac
City of Ladue
City of Maryland Heights



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April 7, 2015

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