

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0672-01
Bill No.: HB 214
Subject: Entertainment, Sports and Amusement; Taxation and Revenue - Income
Type: Original
Date: January 31, 2003

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
| General Revenue | Unknown | Unknown | Unknown |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | Unknown | Unknown | Unknown |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
| | | | |
| | | | |
| Total Estimated Net Effect on Other State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2004 | FY 2005 | FY 2006 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Higher Education** assume this proposal would not fiscally impact their agency.

Department of Revenue (DOR) officials assume this legislation will increase the collection of taxes paid by nonresident entertainers and athletes. The revenue is specifically earmarked in the legislation, but is subject to appropriation. If the additional revenue is not appropriated, then the additional revenue will be included in General Revenue.

DOR assumes this legislation requires venues to collect withholding tax from nonresident entertainers and athletes who perform in venues located in Missouri. It also allows the collection of additions to tax and interest for non-payment of taxes and extends the sunset for the earmarking of the revenues collected from nonresident entertainers and athletes from 2008 to 2010.

DOR assumes changes to the mainframe computer systems and to tax forms will be needed. However, these changes are minimal and any costs associated with these changes will be absorbed by DOR. DOR assumes the Office of Administration, Budget and Planning should estimate the revenue impact.

ASSUMPTION (continued)

Office of the Secretary of State (SOS) officials assume this bill would allocate, subject to appropriation, ten percent of the nonresident income taxes from out of state professional athletes and entertainers to the Secretary of State for distribution to public libraries for the acquisition of library materials.

SOS assumes this bill would provide much needed assistance to public libraries in their efforts to improve both the quality and quantity of their book collections. This will result in libraries being able to do a better job of providing accurate and needed information to their communities. The Department of Revenue has stated they would collect increased revenues if given authority to treat entertainment venues as other employers in regards to income tax withholding. The proposal also extends the period of allocation of the funds to public libraries for seven years, through 2010.

No additional staff will be needed by the Office of the Secretary of State for this program. Cost for administration of the program can be absorbed by the agency. The fund calculation is based on the FY2002 collection reported by the Department of Revenue.

Officials from the **Department of Natural Resources (DNR)** assume this proposal would require any entity which pays compensation to a nonresident entertainer to collect withholding taxes from nonresident entertainers who perform in Missouri. The bill also authorizes penalties, interest and additions to tax for failure to collect the withholding tax.

This proposal appears to close a loop-hole which has been utilized by some to avoid or minimize the impact of this tax on them. The DNR assumes that the result would be additional revenue/tax being paid. By statute 10% of the additional amount will be allocated to the Historic Preservation Revolving Fund.

It is unknown how much additional tax revenue this legislation would generate; however, the DNR assumes this proposal would increase the amount going to the Historic Preservation Revolving Fund.

Officials from the **Department of Economic Development (DED)** assume the proposed legislation authorizes lengthened period during which money can be appropriated to the trust fund rather than used elsewhere as general revenue. No fiscal impact is expected to DED.

In a prior similar proposal, DED assumed additional collections may result in higher estimates of the amount of state income tax revenues that are received from nonresident members of

ASSUMPTION (continued)

professional athletic teams and nonresident entertainers. Any increase in this estimate may result in additional funds being transferred by appropriations to the Arts Trust Fund and the Humanities Council Trust Fund. The amount of any increase in the estimate of collections would be done by the Office of Administration.

This legislation will increase Total State Revenues.

| <u>FISCAL IMPACT - State Government</u> | FY 2004 (10 Mo.) | FY 2005 | FY 2006 |
|---|-----------------------|-----------------------|-----------------------|
| GENERAL REVENUE FUND | | | |
| <u>Income - General Revenue</u> | | | |
| Increase in tax compliance | <u>Unknown</u> | <u>Unknown</u> | <u>Unknown</u> |
| TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | <u>UNKNOWN</u> | <u>UNKNOWN</u> | <u>UNKNOWN</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2004 (10 Mo.) | FY 2005 | FY 2006 |
|---|---------------------|-------------------|-------------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Entertainment, sports and amusement venues that are small businesses could be impacted by this legislation.

DESCRIPTION

This proposal requires any venue which pays compensation to a nonresident entertainer to collect withholding taxes from nonresident entertainers who perform in Missouri. The bill also authorizes penalties, interest, and additions to tax for failure to collect the withholding tax.

DESCRIPTION (continued)

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

SOURCES OF INFORMATION

Department of Revenue
Secretary of State
Department of Natural Resources
Department of Economic Development
Department of Higher Education



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