

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3635-01
Bill No.: SB 580
Subject: Political Subdivisions; Counties; County Government; Cities, Towns, and Villages; Taxation and Revenue - Sales and Use; State Tax Commission
Type: Original
Date: January 19, 2010

Bill Summary: This proposal modifies various provisions relating to political subdivisions.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|-----------------------------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---------------------------------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 11 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---------------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|-----------------------------------------------------------|----------------|----------------|----------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| | | | |
| | | | |
| Total Estimated Net Effect on FTE | 0 | 0 | 0 |

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--------------------------------------------|-----------------------|-----------------------|-----------------------|
| FUND AFFECTED | FY 2011 | FY 2012 | FY 2013 |
| Local Government | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |

FISCAL ANALYSIS

ASSUMPTION

Sections 50.660 & 50.783

In response to a similar proposal from 2009 (SB 256), officials from the **State Tax Commission**, **St. Louis County** and **Clinton County** assume there will be no fiscal impact to their county.

In a response to a similar proposal from 2009 (SB 256), officials from **Cass County** assume this proposal is raising the dollar amount before a bid must be noticed to the public. Cass County assumes there would be some cost savings since it may reduce the number of bid notices for purchases under \$6000.

In a response to a similar proposal from 2009 (SB 256), officials from **Platte County** assume there will be a net cost savings to their county, however, the amount is not determinable at this time.

Oversight, because this proposal is permissive, will show fiscal impact to local governments to be zero.

Oversight sent response requests to the following counties: **Bates County**, **Carroll County**, **DeKalb County**, **Nodaway County**, **Texas County**. No response was received.

Sections 67.1360

In a response to a similar proposal from 2009 (HB 548), officials from the **Department of Revenue** assume the proposal would not fiscally impact their agency.

Officials from **Sugar Creek**, **Jackson County** and **Clay County** did not respond to our request for fiscal impact.

Oversight assumes this proposal allows Sugar Creek to impose a transient guest tax of to five percent and could not be implemented without voter approval. Therefore, Oversight assumes this proposal to be permissive and would have no state or local fiscal impact.

ASSUMPTION (continued)

Section 67.2000

In a response to a similar proposal from 2010 (HB 3957), officials from the **Department of Revenue** state the department's response to a proposal similar to or identical to this one in a previous session indicated the department planned to absorb the administrative costs to implement the proposal. Due to budget constraints, reduction of staff and the limitations within the department's tax systems, changes cannot be made without significant impact to the department's resources and budget. Therefore, the IT portion of the fiscal impact is estimated with a level of effort valued at \$4,441.

The value of the level of effort is calculated by taking 1 FTE for a total of one month, for modifications to the department's sales tax system (MITS).

In response to a similar proposal from 2009 (SB 386), officials from **Clinton County** assumed they may incur costs of elections.

In response to a similar proposal from 2009 (HB 556), **Daviess County** states the proposal could create costs in 2010 for the county-wide sales tax election and the two publications totaling \$11,060.

Oversight assumes this proposal is permissive and would require voter approval before any fiscal impact would be realized by the state or the new district. If the governing body of the county approves the creation of an exhibition Center and Recreation Facility District and the voters within the district approve a sales tax to operate the district, the Department of Revenue would collect the sales tax and would withhold a 1% collection fee. The collection fee would be deposited in the State's General Revenue Fund.

If the counties attempt to establish a district, they would realize the cost of an election, which is required to establish a district, and the district would realize income generated by the sales tax, and would have costs related to the operation and maintenance of the district. All amounts of income and costs are indeterminable and based upon the desire and action taken to set up such a district.

Officials from **DeKalb** and **Caldwell Counties** did not respond to our request for fiscal impact.

ASSUMPTION (continued)

Section 77.305

In response to a similar proposal from 2010 (SB 581), the **Office of the Secretary of State** assume this proposal would have no fiscal impact on their agency.

In response to a similar proposal from 2010 (SB 581), officials from the **Town of Carrollton** state that election cost would be between \$5 and \$10 thousand.

In response to a similar proposal from 2010 (SB 581), officials from the **City of Maryland Heights** estimate the cost of conducting such a referendum would be approximately \$10,000 per election.

In response to a similar proposal from 2010 (SB 581), officials from the **City of Maryville** state if citizens want a law enacted through a popular vote there is a procedure to make this happen. Officials also recognize that there would be a cost to place an advisory referendum on the ballot.

Oversight assumes the proposal is permissive in nature. Therefore, Oversight will not reflect a direct fiscal impact as a result of this proposal.

Section 94.271

In a similar response from 2010 (SB 668), officials from the **Department of Revenue** assume there will be no fiscal impact to their agency.

In response to a similar proposal from 2008 (SB 1089), officials from the **City of Grandview (Grandview)** estimated the proposal will have no fiscal impact in the first year; \$100,000 in the second year; and \$100,000 in the third year. Grandview has never had a hotel/motel tax before and officials state they are seeing an increase in traffic now that the Triangle project is complete. They estimate there are now 70,000 to 75,000 cars a day along Highway 71. This will increase with the opening of the National Nuclear Security Administration complex in 2010 and the intermodal facility at the former Richards-Gebaur Airport that opened in the spring of 2008. Grandview has no funding for marketing, public relations, tourism, or infrastructure related to completing the Downtown Corridor Plan.

Costs associated with this proposal would relate to an election and voters have to authorize the tax. Grandview officials were not aware of any revenue losses associated with this proposal.

ASSUMPTION (continued)

Oversight assumes this proposal increases the tax to 5% that Grandview could charge a guest of hotels and motels and other businesses that offer sleeping rooms. **Oversight** assumes the tax could not be implemented without voter approval. Therefore, **Oversight** assumes this proposal to be permissive and there would be no state or local fiscal impact.

Section 94.902

Officials from the **Department of Revenue** and the **Department of Public Safety - Director's Office** each assume the proposal would not fiscally impact their respective agencies.

Oversight assumes this proposal is enabling legislation and would have no fiscal impact unless the governing body would request the voters of their city approve the imposition of a sales tax. Should voters approve the imposition of a sales tax, the city could expect revenue to be generated and there would be costs of providing public safety programs. Oversight assumes the Department of Revenue would collect the sales tax and retain a 1% collection fee which would be deposited into the State's General Revenue Fund.

Oversight assumes the annual City Public Safety Sales Tax Trust Fund balance would be either a positive unknown or zero.

Oversight has no way to determine if any city would receive voter approval to impose a public safety sales tax; therefore, for the purposes of this fiscal note fiscal impact will be shown as zero.

Officials from the **City of Grandview** did not respond to our request for fiscal impact.

Section 138.431

Officials from the **State Tax Commission** state that currently the Commission has only three hearing officers to handle the thousands of appeals filed each year with the Commission. This additional hearing officer will become a part of the staff to assist in the rotation of hearing officers who will be responsible for traveling around the state to hear appeals. The State Tax Commission anticipates this bill will require one (1) Hearing Officer at \$52,500 annually. The Commission estimates this new FTE will cost \$70,412 in FY 2011, \$85,233 in FY 2012 and \$87,789 in FY 2013.

Oversight assumes this would be accomplished during the normal budgetary process. Therefore, Oversight assumes the initial administrative impact of this proposal is \$0.

| | | | |
|-----------------------------------------|---------------------|------------|------------|
| <u>FISCAL IMPACT - State Government</u> | FY 2011 (10 Mo.) | FY 2012 | FY 2013 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

| | | | |
|-----------------------------------------|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2011 (10 Mo.) | FY 2012 | FY 2013 |
|-----------------------------------------|---------------------|---------|---------|

Section 67.2000

**EXHIBITION CENTER AND
 RECREATION FACILITY
 DISTRICT FUND**

| | | | |
|-----------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|
| <u>Income to Exhibition Center and Recreation Facility District from voter approved sales tax</u> | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
|-----------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|

| | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------|----------------------------|
| <u>Cost to Exhibition Recreation Facility District from operation and maintenance of the district, election cost, etc.</u> | <u>\$0 or (Unknown)</u> | \$0 or <u>(Unknown)</u> | \$0 or <u>(Unknown)</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------|----------------------------|

| | | | |
|------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| ESTIMATED NET EFFECT TO EXHIBITION AND RECREATION FACILITY DISTRICT FUND* | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> | <u>\$0 or (Unknown)</u> |
|------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|

***Oversight assumes costs would not exceed income resulting in either an annual positive fund balance or a zero fund balance.**

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

Section 67.2000

Small businesses within any newly created district may have to collect and remit additional sales taxes to the Department of Revenue.

FISCAL DESCRIPTION

This act modifies various provisions relating to political subdivisions.

Section 50.660

Under this section, a county is not required to obtain bids on purchases of \$6,000 or less. Currently, such amount is set at \$4,500.

Section 50.783

Under current law, counties may waive competitive bidding when the county commission determines that there is only one feasible source for the supply. This section requires counties to post notice on such proposed purchases of over \$6,000 and advertise the commission's intent to make such purchase in the newspaper at least ten days in advance. Currently, the commission must post notice for such proposed purchases of at least \$3,000 and also advertise in the newspaper for such purchases of at least \$5,000.

Section 67.1360

This section authorizes the City of Sugar Creek, upon voter approval, to impose a transient guest tax upon charges for all sleeping rooms paid by guests of hotels, motels, bed and breakfast inns and campgrounds for the purpose of promoting tourism. The tax must be at least two percent, but may not exceed five percent per occupied room per night.

Section 67.2000

This section allows real property owners in Caldwell, Clinton, Daviess, and DeKalb counties to seek voter approval for the creation of exhibition center and recreational facility districts. If such a district is created, it may seek voter approval for the imposition of a one-quarter of one percent sales tax, for a period not to exceed twenty-five years, to fund the district.

FISCAL DESCRIPTION (continued)

Section 77.305

This section allows the city council of a third class city to submit a question to a vote of the people as an advisory referendum. If a majority of the voters vote in favor of the question, it shall be used only to indicate the preference of the voters and shall not have the force and effect of law.

Section 94.271

This section authorizes the City of Grandview to levy a transient guest tax on charges for sleeping rooms paid by guests of hotels and motels for the purpose of promoting tourism. The proposed tax must be submitted to the voters and shall not be greater than five percent per occupied room per night.

Section 94.902

This section authorizes the City of Grandview to seek voter approval to levy a sales tax of up to one-half percent to fund public safety improvements for the city. Such improvements may include expenditures on equipment, city employee salaries and benefits, and facilities for police, fire, and emergency medical providers.

Section 138.431

This section allows one change of hearing officer for each party to an appeal heard by the State Tax Commission. A party to an appeal need not show cause to receive a change of hearing officer, but must file a written application to disqualify the assigned hearing officer within thirty days of such assignment. Assignment of a hearing officer will be deemed to have occurred when the first scheduling order is issued by the commission and signed by the hearing officer assigned, unless otherwise stated in the order.

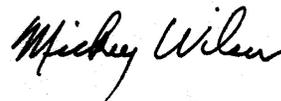
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Missouri State Tax Commission
Secretary of State's Office
Department of Revenue
Department of Public Safety
St. Louis County
Clinton County
Platte County
Clinton County
Daviness County
City of Carrollton
City of Grandview
City of Maryland Heights
City of Maryville

Not Responding:

Bates County
Carroll County
DeKalb County
Nodaway County
Texas County
Town of Sugar Creek
Jackson County
Clay County
Caldwell County
City of Grandview



Mickey Wilson, CPA

L.R. No. 3635-01
Bill No. SB 580
Page 11 of 11
January 19, 2010

Director
January 19, 2010

KG:LR:OD