

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4871-01
Bill No.: HB 1569
Subject: Taxation and Revenue - Sales and Use; Telecommunications; Revenue Dept.
Type: Original
Date: February 14, 2012

Bill Summary: This proposal would change the laws regarding the collection of sales and use taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$106,907) to More than \$100,000	(\$103,354) to More than \$100,000	(\$104,413) to More than \$100,000
Total Estimated Net Effect on General Revenue Fund	(\$106,907) to More than \$100,000	(\$103,354) to More than \$100,000	(\$104,413) to More than \$100,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 9 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Conservation Commission	More than \$100,000	More than \$100,000	More than \$100,000
School District Trust	More than \$100,000	More than \$100,000	More than \$100,000
Parks, and Soil and Water	More than \$100,000	More than \$100,000	More than \$100,000
Total Estimated Net Effect on <u>Other</u> State Funds	More than \$100,000	More than \$100,000	More than \$100,000

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	3	3	3
Total Estimated Net Effect on FTE	3	3	3

- 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 2013	FY 2014	FY 2015
Local Government	More than \$100,000	More than \$100,000	More than \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS 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 the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Department of Economic Development** assume this proposal would have no fiscal impact on their organization.

Officials from the **Office of the Attorney General** did not respond to our request for information.

ASSUMPTION (continued)

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

This proposal would expand the definition of "seller", and other related definitions, under sales tax law to specifically include transactions that occur via the internet. BAP does not have an estimate of the sales tax revenues to be gained from this proposal, but notes that sellers which conduct business over the internet and are currently exempt would be required to collect and remit sales tax.

Two studies of the state and local revenues that Missouri might gain from collecting sales tax on e-commerce provide an estimated range of \$108 million (Eisanach & Litan, Feb. 2010) and \$210 million (Bruce, Fox, & Luna, April 2009). Both studies are limited to the potential gains from sales tax collections on e-commerce transactions, and do not attempt to estimate other remote sales. This proposal would increase General and Total State Revenues, and local revenues including those for education.

For fiscal note purposes, **Oversight** will include additional revenue greater than \$100,000 for the General Revenue Fund, the Conservation Commission Fund, the Parks, and Soil and Water Fund, the School District Trust Fund, and for local governments. Oversight notes that this proposal would become effective in August, 2012 and assumes that additional collections could be received as early as the fourth quarter of calendar 2012 (FY 2013).

Officials from the **Department of Revenue** assume this proposal would expand the definition of "Seller" for sales tax collection purposes. DOR officials stated that some of the statutory changes would result in additional sales and use tax collections, but some of the changes would exempt some current filers from collecting and remitting sales taxes.

- * A seller would be defined as any business regularly or systematically soliciting business in the state or soliciting business in the state through an independent contractor or other representative, if such person has gross receipts from sales in the state which exceed \$300,000 and such person made more than 100 sales of property delivered in this state.

ASSUMPTION (continued)

- * A person would be presumed to be soliciting business through an independent contractor or other representative if the seller enters into an agreement with a resident of this state under which the resident refers potential customers to the seller, if the cumulative gross receipts from such sales is in excess of ten thousand dollars during the preceding four quarterly periods. Nothing in this paragraph shall be construed to narrow the scope of the term "independent contractor or other representative" for purposes of this section.

DOR officials assume that Collections and Tax Assistance (CATA) would require one additional FTE Revenue Processing Technician I (Range 10, Step L) per 8,300 additional registrations / maintenance entries to business tax accounts, one additional FTE Revenue Processing Technician I (Range 10, Step L) per 24,000 additional contacts annually to the registration phone line (plus CARES phone cost), and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 additional contacts annually to the field offices (plus CARES phone cost) for the Jefferson City Office. In addition, Business Tax Processing would require one additional FTE Revenue Processing Technician I (Range 10, Step L) per 62,000 additional returns for data entry, one additional FTE Revenue Processing Technician I (Range 10, Step L) per 31,000 additional returns for pre-edit, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 21,000 additional returns for manual entries.

DOR officials did not include an estimate for IT costs in their response, or for form and instruction changes, and **Oversight** assumes that any such costs could be absorbed with existing resources.

The DOR estimate of cost for this proposal including three additional FTE and related equipment and expense totaled \$121,604 for FY 2013, \$121,957 for FY 2014, and \$123,240 for FY 2015.

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2013 could be reduced by roughly \$6,000.

ASSUMPTION (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for the additional employees to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has adjusted the DOR estimate of equipment and expense in accordance with OB budget guidelines, and finally, Oversight assumes that a limited number of additional employees could be accommodated in existing office space.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE FUND			
<u>Additional revenue - sales tax</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>
<u>Cost - Department of Revenue</u>			
Salaries (3 FTE)	(\$55,050)	(\$66,060)	(\$66,721)
Employee benefits	(\$28,901)	(\$34,682)	(\$35,028)
Equipment and expense	(\$22,956)	(\$2,612)	(\$2,664)
Total	(\$106,907)	(\$103,354)	(\$104,413)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$106,907) to</u> <u>More than</u> <u>\$100,000</u>	<u>(\$103,354) to</u> <u>More than</u> <u>\$100,000</u>	<u>(\$104,413) to</u> <u>More than</u> <u>\$100,000</u>
Estimated net FTE effect on General Revenue Fund	3	3	3

**CONSERVATION COMMISSION
FUND**

<u>Additional revenue</u> - sales tax	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>
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**ESTIMATED NET EFFECT ON
CONSERVATION COMMISSION
FUND**

<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>
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**PARKS, AND SOIL AND WATER
FUND**

<u>Additional revenue</u> - sales tax	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>
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**ESTIMATED NET EFFECT ON
PARKS, AND SOIL AND WATER
FUND**

<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>
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SCHOOL DISTRICT TRUST FUND

<u>Additional revenue</u> - sales tax	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>
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**ESTIMATED NET EFFECT ON
SCHOOL DISTRICT TRUST FUND**

<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
LOCAL GOVERNMENTS			
<u>Additional revenue - sales tax</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>	<u>More than</u> <u>\$100,000</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to small businesses which meet the statutory definitions for collection of sales and use taxes.

FISCAL DESCRIPTION

This proposal would change the laws regarding the collection of sales and use taxes.

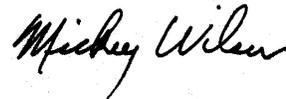
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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

NOT RESPONDING

Office of the Attorney General



Mickey Wilson, CPA
Director
February 14, 2012