

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6347-01
Bill No.: HB 2111
Subject: Taxation and Revenue - Sales and Use; Counties
Type: Original
Date: March 24, 2014

Bill Summary: This proposal would change the distribution of sales tax revenues in St. Louis County.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$46,410)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$46,410)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government *	\$0	\$0	\$0

* Net of offsetting increases and reductions in revenues.

FISCAL ANALYSIS

ASSUMPTION

Sections 66.620 and 66.630, RSMo. - St. Louis County Sales Tax Distribution:

Officials from the **Department of Revenue (DOR)** assume this proposal would change the method for distributing St. Louis County sales tax revenues.

Administrative impact

DOR officials assume the Department would have to rewrite the distribution system. Currently, St. Louis County does the St. Louis County distribution. DOR officials stated that St. Louis County has indicated if this proposal was enacted, they could not continue to do the distribution.

DOR officials did not indicate an administrative impact to their organization, and **Oversight** assumes there would be no other cost to DOR if this proposal is implemented.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$46,410 based on 1700 hours of programming to make changes to DOR systems.

Oversight will include the DOR estimate of IT cost in this fiscal note.

Officials from the **City of Frontenac** assume this proposal, when fully implemented in 2016, would cause a reduction in sales tax revenue to their organization in excess of \$695,652 per year based on information from 2011.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would alter how the Department of Revenue distributes local sales taxes to municipal governments in St. Louis County, and would have no direct impact on Total State Revenues.

Officials from the **Office of the Secretary of State** and the **Joint Committee on Administrative Rules** assume this proposal would have no fiscal impact on their organizations.

ASSUMPTION (continued)

Officials from **St. Louis County**, the **City of Florissant**, the **City of Ladue**, the **City of Maryland Heights**, the **City of O'Fallon**, and the **City of Pacific** did not respond to our request for information.

Oversight assumes this proposal would alter the distribution of sales tax revenues among local governments in St. Louis County. According to the Department of Revenue website, \$435,895,559 in sales tax revenues were distributed to St. Louis County for the year ended June 30, 2013.

Under current provisions, the proceeds of the county-wide sales tax are remitted to the county; the county then distributes sales tax revenues among the incorporated municipalities and the county according to a statutory formula. This proposal would provide for changes in the statutory distribution formula and require the Department of Revenue to distribute the sales tax.

Oversight notes this proposal would have no net impact on local governments overall, since it would not result in an increase or reduction of sales tax revenues. Oversight also assumes the proposal could have a significant impact on individual local governments depending on the relative level of retail business activity in that local government. Oversight does not have information on the relative impact this proposal might have on individual local governments if this proposal is implemented, and for fiscal note purposes will include unknown offsetting revenue increases and reductions for local governments.

Sections 94.850 and 94.857, RSMo. - St. Louis County Local Option Sales Tax

These provisions would authorize a local government in St. Louis County to levy a sales tax at a higher rate than is currently authorized in state law, if approved by the voters, and would require the revenue generated to be distributed to the local government that levied the tax after January 1, 2015.

Oversight did not receive any responses that addressed these provisions and assumes any impact from the adoption of the taxes would be the result of the local government action and voter approval. Accordingly, Oversight will not include any fiscal impact for these provisions in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
Cost - DOR			
IT cost	<u>(\$46,410)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$46,410)</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL GOVERNMENTS			
<u>Additional revenue</u> - local governments			
Sales tax distribution changes Sections 66.620 and 66.630	Unknown	Unknown	Unknown
<u>Revenue reduction</u> - local governments			
Sales tax distribution changes Sections 66.620 and 66.630	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

The proposed legislation would change the distribution of sales tax revenues in St. Louis County.

Currently, cities in St. Louis County are divided into two groups, Group A and Group B, for the purpose of distributing the county sales tax. Beginning January 1, 2015, this proposal would change the distribution of the county sales tax to the county, and Group A and Group B cities according to a specified formula. Beginning January 1, 2016, the Department of Revenue would distribute county sales tax revenue to each city, town, and village located wholly or partially within the county, and to the county based on the ratio that the population of the city, town, village, or part thereof in St. Louis County, and the unincorporated area within the county has to the total population of the county as a whole.

Currently, 75% of the revenue from the county sales tax imposed on the purchase and sale of motor vehicles, trailers, boats, and outboard motors is distributed to the cities, towns, villages, and county according to the formula in state law, and the remaining 25% is distributed based on the number of transactions occurring within the taxing jurisdiction. The proposal would revise this distribution during 2015; beginning January 1, 2016, all revenue from the county sales tax on the purchase and sale of motor vehicles, trailers, boats, and motors would be distributed according to the formula in state law.

The proposal would increase the sales tax rate options that a city, town, or village in St. Louis County could impose, upon voter approval, by authorizing a rate of three-eighths of 1% and one-half of 1%. Currently, the options are a rate of one-eighth of 1% or one-fourth of 1%.

Beginning January 1, 2015, the Director of the Department of Revenue would distribute the special municipal sales tax imposed by cities in St. Louis County to the city levying the tax based on the location in which the sales were made.

The proposal includes a nonseverability clause; if any provision is held to be invalid by a final judgment by a court and the decision is not subject to appeal, that would invalidate the remaining provisions of the proposal.

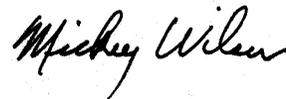
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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
City of Frontenac

Not responding:

St. Louis County
City of Florissant
City of Ladue
City Maryland Heights
City of O'Fallon
City of Pacific



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March 24, 2014

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