

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1347-01
Bill No.: HB 463
Subject: Taxation and Revenue, Tourism
Type: Original
Date: January 31, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Division of Tourism Supplemental Revenue Fund	\$0	\$0	\$0
General Revenue	\$0	(\$2,322,430)	(\$4,067,850)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(\$2,322,430)	(\$4,067,850)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Tourism (DED)** state that this proposal will allow for additional funding to their agency to better promote Missouri's tourism industry to the traveling public. The DED has made the following four assumptions in calculating the fiscal impact from this proposal and to the formula used to determine additional funding to the Division of Tourism;

- for FY 2003 and beyond, the funding formula that determines the growth in the funding of the Tourism Supplemental Revenue Fund will use 2% as an inflation factor,
- the \$3,000,000 maximum increase in any one year will be indexed to the growth in sales of tourist-oriented goods and services,
- the 17 SIC codes that define tourist-oriented goods and services will be changed such that the current inactive SIC code 8420 (Botanical and Zoological Gardens) will be replaced with the SIC code 7510 (Automotive Rentals), and
- the growth in the sales of tourist-oriented goods and services is anticipated at 3.935%. This is the average growth of sales in those 17 SIC codes over the last four years.

The Division of Tourism assumes this will result in an increase in funding from the General Revenue fund to the Tourism Supplemental Revenue fund of \$2,322,430 in FY 2003 and \$4,067,850 in FY 2004. The DED also assumes these extra amounts transferred to their division will be spent on tourism advertising, and therefore will result in a total decrease in state funds in FY 2003 and FY 2004 by those amounts. DED also assumes the increased tourism advertising and promotion from these funds will result in an unknown additional tourism related tax revenue for both the state and the local governments.

Officials from the **Department of Revenue** assume that the proposal would have no administrative impact to their agency.

Officials from the **Office of the State Treasurer** state that they defer to the response from the Department of Economic Development - Division of Tourism.

Oversight assumes the Division of Tourism will spend all of the additional funds that are transferred to the Tourism Supplement Revenue Fund on advertising for the state, and therefore shows a zero net effect to that fund, but an overall cost to the state by the amounts transferred out of the General Revenue fund. Oversight also assumes the increased tax revenue for both the state and local governments may be beyond the scope of this fiscal note, and have therefore, not included the possible additional tax revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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GENERAL REVENUE

<u>Transfer Out</u> - to Tourism Supplemental Revenue fund	\$0	(\$2,322,430)	(\$4,067,850)
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**DIVISION OF TOURISM
 SUPPLEMENTAL REVENUE FUND**

<u>Transfer In</u> - from General Revenue	\$0	\$2,322,430	\$4,067,850
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<u>Costs</u> - additional advertising and promotion for Missouri tourism	\$0	(\$2,322,430)	(\$4,067,850)
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ESTIMATED NET EFFECT ON DIVISION OF TOURISM SUPPLEMENTAL REVENUE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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	\$0	\$0	\$0
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FISCAL IMPACT - Small Business

This proposal will provide the Division of Tourism additional funds to promote tourist destinations, attractions and events, resulting in more business and having a positive impact on tourism businesses, including small businesses, in the state of Missouri.

DESCRIPTION

Currently and through Fiscal Year 2010, a portion of the increase in state sales taxes collected from the retail sale of tourist-oriented goods and services will be used to determine the amount of increase to the Tourism Supplemental Revenue Fund. The amount to be transferred is determined by computing the increase in state sales taxes derived from retail sale of tourist-oriented goods and services in the third year prior to the transfers as compared to the

DESCRIPTION (continued)

fourth year prior to the transfers. If the increase in the sales taxes in the third year prior is at least 3% more than the fourth year prior, then half of the amount above a 3% increase will be used to determine the amount of increase in the transfer to the fund. Transfers have a \$3 million cap in each year.

This bill decreases the 3% to 2% and indexes the \$3 million maximum amount of increase to the growth of tourist-oriented sales and services.

Sales of tourism-oriented goods and services are those sales by businesses registered with the Department of Revenue under certain Standard Industrial Classification (SIC) Codes or their successors.

The proposal removes one inactive SIC Code (Botanical and Zoological Gardens) and replaces it with a new SIC Code (Automotive Rentals).

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 Economic Development
Division of Tourism
Department of Revenue
Office of the State Treasurer



Jeanne Jarrett, CPA
Director
January 31, 2001