

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1455-01
Bill No.: HB 566
Subject: Taxation and Revenue - Sales and Use; Cities, Towns, and Villages
Type: Original
Date: January 30, 2015

Bill Summary: This proposal would authorize the City of Liberty to impose, upon voter approval, a sales tax of up to .5% for the purpose of improving the public safety of the city.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government*	\$0 or (\$30,000)	\$0	\$0

* Potential sales tax revenue and offsetting expenditures of approximately \$2.14 million annually if approved by voters of Liberty.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **City of Liberty** stated their estimate of revenue from a one-half cent sales tax would be approximately \$1,700,000 per year and the election cost would be approximately \$30,000. Liberty officials did not indicate any additional cost to their organization to implement this proposal, and **Oversight** assumes any additional cost could be absorbed with existing resources. Oversight will include the city's estimated municipal election cost in this fiscal note.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** noted the proposal would allow voters in Liberty to approve a sales tax up to ½ of one percent to improve public safety of the city. BAP officials provided information from the Department of Revenue (DOR) 2014 sales tax report which indicated taxable sales in Liberty totaled \$428.8 million in fiscal year 2014. Therefore, BAP officials estimated the proposed sales tax could generate up to $(\$428,800,000 \times .005) = \2.14 million (rounded) annually for the City of Liberty beginning as early as two weeks after the 2016 August primary election, unless a special election is called before such date. BAP officials assume up to \$1.79 million would be collected for FY 2017.

BAP officials also noted the revenues collected would have no direct impact on Total State Revenues; however 1% would be retained to offset DOR collection costs, and Total State Revenues could be increased by \$21,400 if the sales tax is approved.

For simplicity, **Oversight** will not include the one percent additional collection deduction in this fiscal note.

Oversight assumes the BAP estimate of \$2.14 million in annual sales tax revenue for this proposal is the best estimate available and will use that estimate for this fiscal note. Oversight assumes the additional revenues would be spent for public safety purposes and will also include additional cost for local governments equal to the additional revenue in this fiscal note.

Oversight assumes the proposal could be submitted to the voters as early as the April, 2016 (FY 2016) municipal elections. If a sales tax is approved by the voters, it would become effective on the first day of the second calendar quarter after the election. The proposed sales tax could therefore become effective as early as October 1, 2016 (FY 2017).

ASSUMPTION (continued)

For fiscal note purposes, **Oversight** will assume the election could be held with the April, 2016 municipal elections and sales tax could be collected from October 1, 2016 to June 30, 2017 (FY 2017). Oversight is also aware there is some delay in collecting, reporting, accounting, and remitting sales tax to local governments; however, we will indicate revenue up to nine months (75%) of the annual estimate for FY 2017. $(\$2,140,000 \times .75) = \$1,605,000$. For FY 2018 and following years, the sales tax revenue estimate would be \$2,140,000.

Finally, **Oversight** notes this proposal would allow but not require the City of Liberty to propose a public safety sales tax to the voters, and the fiscal impact will be presented as \$0 (no election held) or election costs of \$30,000, and \$0 (no election or voters do not approve the sales tax) or the estimated sales tax revenue above.

Officials from the **Department of Revenue (DOR)** stated this proposal would authorize the city of Liberty to impose a one-half percent sales tax for improving public safety.

DOR officials did not indicate any administrative cost to their organization to implement this proposal and **Oversight** assumes any administrative cost could be absorbed with existing resources.

DOR officials provided an estimate of the IT cost to implement the proposal of \$3,000 based on 40 hours of programming at \$75 per hour to make changes to DOR systems.

Oversight assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year, and assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the budget process.

Officials from the **Office of the Secretary of State (SOS)** assume this proposal would have no impact on their organization.

Although they did not respond to our request for information, officials from the **Joint Committee on Administrative Rules** assumed a similar proposal in the previous session (HB 1853 LR 6021-01, 2014) would not have a fiscal impact to their organization in excess of existing resources.

ASSUMPTION (continued)

Officials from **Clay County** did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
---	---------------------	---------	---------

LOCAL GOVERNMENTS

Additional revenue - City of Liberty

Sales tax	\$0	\$0 or Up to \$1,605,000	\$0 or \$2,140,000
-----------	-----	-----------------------------	-----------------------

Cost - City of Liberty

Public Safety	\$0	\$0 or (Up to \$1,605,000)	\$0 or (\$2,140,000)
---------------	-----	-------------------------------	-------------------------

Cost - City of Liberty

Election	<u>\$0 or (\$30,000)</u>	<u>\$0</u>	\$0
----------	--------------------------	------------	-----

**ESTIMATED NET EFFECT ON
LOCAL GOVERNMENTS**

	<u>\$0 or (\$30,000)</u>	<u>\$0</u>	<u>\$0</u>
--	---------------------------------	-------------------	-------------------

FISCAL IMPACT - Small Business

If the proposed sales tax is approved by the voters, this proposal would have a direct fiscal impact to a business in the City of Liberty which purchases taxable goods or services.

FISCAL DESCRIPTION

This legislation would authorize the City of Liberty to submit to the voters a proposal to impose a sales tax of up to .5% for the purpose of improving the public safety of the city.

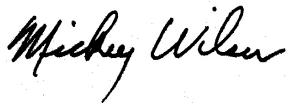
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
 Division of Budget and Planning
Department of Revenue
City of Liberty

Not responding:

Joint Committee on Administrative Rules
Clay County



Mickey Wilson, CPA
Director
January 30, 2015

Ross Strobe
Assistant Director
January 30, 2015