

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1892-02
Bill No.: Perfected HCS for HB 914
Subject: Food; Political Subdivisions; Taxation and Revenue - Sales and Use; Museums
Type: Original
Date: March 30, 2017

Bill Summary: This proposal would update the population range for the statutory authorization for the City of Independence to impose a gross receipts tax on restaurant food sales.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version of this proposal, officials from the **Office of Administration - Division of Budget and Planning (B&P)** stated that according to the City of Independence's most recent revenue report, they are not currently charging this tax. In FY 2016, the City of Independence had \$252,210,934 worth of taxable revenues from "eating and drinking places" (SIC code 581). Assuming the city charges the maximum tax allowable (2%), Independence could see net collections of $(\$252,210,934 \times .02) = \$4,795,034$ per fiscal year from the proposed tax.

B&P officials noted the proposal would permit merchants to retain 2% of their tax collections, which could come to a total of $(\$4,795,034 \times .02) = \$100,884$. B&P officials also noted this legislation would give Independence the choice of collecting the tax on their own, or contracting with the Department of Revenue (DOR) to collect the tax. If DOR collects the tax, the proposal would permit them to retain 1- 3% of the amount collected. Typically, DOR is only permitted to charge 1% for collection costs. Assuming the full 3% would be retained, DOR would retain \$148,300.

The proposed tax would be voter-approved; therefore, it would not impact Total State Revenue. If the city chooses to contract with DOR to collect this tax the DOR's collection charges would impact TSR. If the city chooses to collect the tax, there would be no impact on TSR. Finally, B&P officials stated the proposal would not impact the revenue limit calculation under Article X, Section 18(e).

Officials from the **City of Independence** stated the proposal could lead to additional revenue from \$304,172 with a 1/8 cent levy to \$4,868,348 with a two cent levy.

ASSUMPTION (continued)

Officials from the **Office of the Secretary of State** and the **Department of Revenue** assumed a previous version of this proposal would have no fiscal impact on their organizations.

Officials from the **Joint Committee on Administrative Rules** stated this legislation is not anticipated to cause a fiscal impact beyond its current appropriation.

Oversight understands the original statutory provisions which authorized the restaurant sales tax were intended to remain in effect unless rescinded. Any potential fiscal impact would have been accounted for in connection with the proposal which originally authorized the tax. This proposal would be considered a technical update, required because the most recent United States census reported a population for the City of Independence in excess of the statutory limit. This proposal, therefore, has no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal is not expected to have a direct fiscal impact on small businesses.

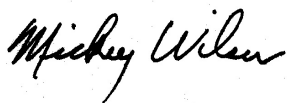
FISCAL DESCRIPTION

The proposed legislation would update the description of certain cities authorized to impose, upon voter approval, a tax on the gross receipts derived from certain food and beverage sales. The updated description would only apply to the City of Independence.

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 Independence



Mickey Wilson, CPA
Director
March 30, 2017

Ross Strobe
Assistant Director
March 30, 2017