

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6352-01
Bill No.: HB 2569
Subject: Motels and Hotels; Counties; Cities, Towns and Villages; Political Subdivisions;
Property, Real and Personal
Type: Original
Date: April 6, 2018

Bill Summary: This proposal changes the laws regarding residential dwelling rentals.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue Fund	\$424,264	\$856,228	\$856,228
Total Estimated Net Effect on General Revenue	\$424,264	\$856,228	\$856,228

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Parks, Soil and Water	\$12,183	\$24,336	\$24,336
Conservation Commission	\$18,252	\$36,504	\$36,504
School District Trust Fund	\$146,016	\$292,032	\$292,032
Total Estimated Net Effect on Other State Funds	\$176,451	\$352,872	\$352,872

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
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 2019	FY 2020	FY 2021
Local Government	Could exceed \$500,000	Could exceed \$1,000,000	Could exceed \$1,000,000

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume the proposed legislation could potentially increase state revenues by an estimated \$1,216,800 each fiscal year. Between the Clayton Times and STL Today, it was estimated that residential dwelling rentals (AirBnB) earned an approximate \$28.8 million in Missouri. Subsequently, if the state were to require such rentals have sales tax paid, collected, and remitted, the Department estimates \$1,216,800 would be added to state revenues. $\$28.8 \text{ million} \times 4.225\% = \$1,216,800$.

Fund	Impact		
	FY19	FY20	FY21
General Revenue	\$863,928.00	\$863,928.00	\$863,928.00
Conservation	\$36,504.00	\$36,504.00	\$36,504.00
Education	\$292,032.00	\$292,032.00	\$292,032.00
Parks and Soils	\$24,336.00	\$24,336.00	\$24,336.00
Total	\$1,216,800.00	\$1,216,800.00	\$1,216,800.00

Section 144.020

A tax equivalent to four percent on the amount of sales or charges for all rooms, meals, and drinks furnished at any hotel, motel, tavern, inn, restaurant, eating house, drugstore, dining car, tourist cabin, tourist camp, residential dwelling rental as defined under section 67.5140, or other place in which rooms, meals or drinks are regularly served to the public. The four percent is statutory (3% GR, 1% Education) is statutory while the other .225% (split out amongst conservation and parks and soils) is the full 4.225% sales tax imposed within this proposed legislation.

Utilizing DOR’s estimates, **Oversight** will assume a potential increase in local sales tax of approximately \$1,000,000 (3.5% sales tax rate - for a combined rate of 7.725%) per year.

Officials at the **Department of Health and Senior Services** assume currently under section 315.005, RSMo, there are 154 lodging establishments that are licensed, which will not be required to continue licensure under the proposed change to the definition of lodging establishment. Section 315.015, RSMo, requires a \$50 licensing fee for these establishments, which is deposited into General Revenue. However, because the reduction in the number of facilities is minimal, DHSS would still require the same amount of General Revenue to operate the Lodging Licensing Program.

ASSUMPTION (continued)

It is unknown, how many new establishments would be constructed, modify guest room status, or otherwise enter the market with less than 10 rooms in order to avoid licensure and paying the annual licensing fee. In summary, there would be a loss in revenue to the Department of \$7,700 each year for licensing fees.

Officials at the **City of Kansas City** assume a positive fiscal impact of an indeterminate amount from this proposal.

In response to similar legislation from this year, HB 2457, officials at the **Callaway County Commission** assumed a positive impact from this proposal.

In response to similar legislation from this year, HB 2457, officials at the **Greene County Collector's Office** assumed this proposal would negatively impact the economy.

Officials at the **City of Springfield** assume a potential negative fiscal impact to the City. This impact is unquantifiable without knowing how the restrictions would impact the City's resources with respect to regulating the described properties.

Oversight assumes local political subdivisions could also collect sales tax revenue from residential dwelling rentals and could also experience a loss in revenue from licensing fees. Oversight assumes the potential sales tax revenues collected from the rentals would outweigh the revenues loss from the licensing fees. Therefore, Oversight will reflect a positive impact to local political subdivisions from this proposal.

Officials at the **Department of Economic Development**, the **Department of Insurance**, **Financial Institutions and Professional Registration**, the **Office of State Auditor**, the **Department of Labor and Industrial Relations** and the **State Tax Commission** each assume no fiscal impact to their respective agencies from this proposal.

Officials at **St. Louis County** assume no fiscal impact from this proposal.

Oversight notes that subsection 67.5140.6 states that certain provisions regarding the collection of taxes shall take effect on January 1, 2019. Therefore, Oversight will reflect six months of sales tax collections in FY 2019.

This proposal could increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
GENERAL REVENUE FUND			
<u>Revenue</u> - DOR - increase in sales tax on residential dwelling rentals	\$431,964	\$863,928	\$863,928
Loss - DHSS - licensing revenue §315.015	(<u>\$7,700</u>)	(<u>\$7,700</u>)	(<u>\$7,700</u>)
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$424,264</u>	<u>\$856,228</u>	<u>\$856,228</u>
PARKS, SOIL AND WATER			
<u>Revenue</u> - DOR - increase in sales tax on residential dwelling rentals	<u>\$12,183</u>	<u>\$24,366</u>	<u>\$24,366</u>
ESTIMATED NET EFFECT ON THE PARKS, SOIL AND WATER FUND	<u>\$12,183</u>	<u>\$24,366</u>	<u>\$24,366</u>
CONSERVATION COMMISSION FUND			
<u>Revenue</u> - DOR - increase in sales tax on residential dwelling rentals	<u>\$18,252</u>	<u>\$36,504</u>	<u>\$36,504</u>
ESTIMATED NET EFFECT ON THE CONSERVATION COMMISSION FUND	<u>\$18,252</u>	<u>\$36,504</u>	<u>\$36,504</u>
SCHOOL DISTRICT TRUST FUND			
<u>Revenue</u> - DOR - increase in sales tax on residential dwelling rentals	<u>\$146,016</u>	<u>\$292,032</u>	<u>\$292,032</u>
ESTIMATED NET EFFECT ON THE SCHOOL DISTRICT TRUST FUND	<u>\$146,016</u>	<u>\$292,032</u>	<u>\$292,032</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - Local Political Subdivisions - increase in sales tax on residential dwelling rentals	Could exceed \$500,000	Could exceed \$1,000,000	Could exceed \$1,000,000
<u>Revenue</u> - Local Political Subdivisions - tourism and other taxes on residential dwelling rentals	Unknown	Unknown	Unknown
<u>Loss</u> - Local Political Subdivisions - in business license revenue	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Could exceed <u>\$500,000</u>	Could exceed <u>\$1,000,000</u>	Could exceed <u>\$1,000,000</u>

FISCAL IMPACT - Small Business

There could be a direct fiscal impact to small businesses that rent rooms within residential dwellings as a result of this proposal.

FISCAL DESCRIPTION

This bill defines a residential dwelling rental and prohibits any political subdivision from regulating a residential dwelling rental unless the regulation serves a compelling governmental interest relating to public health and safety, the regulation is narrowly tailored to such interest, and the regulation uses the least restrictive means to achieve that interest. The bill specifically prevents political subdivisions from adopting or enforcing building code regulations solely on residential dwelling rentals.

The bill clarifies that sales taxes, tourism taxes, and other taxes on the use of hotels and motels shall also apply to guests of residential dwelling rentals. An owner, or a facilitation platform if one is used, must collect and remit any taxes a transient guest is required to pay. Any intermediary that facilitates the rental of a residential dwelling that does not meet the definition of a facilitation platform must retain records of rentals and notify transient guests that they are obligated to pay certain taxes. Some of the provisions of this bill relating to taxes and the requirements of a facilitation platform and marketing platform will not go into effect until January 1, 2019.

FISCAL DESCRIPTION (continued)

This bill also requires a residential dwelling renter using a facilitation platform to provide a phone number to the homeowner before the rental agreement is finalized so the homeowner can vet the renter. A facilitation platform cannot penalize a homeowner for refusing to rent to a renter for the reasons described in the bill.

The bill requires that at least two of the nine members of all lake area business district advisory boards be owners of residential dwelling rentals. This bill also changes the definition of a lodging establishment in Section 315.005, RSMo.


The bill states that a homeowners' association cannot consider a residential dwelling rental a commercial enterprise and that a homeowners' association can only ban a residential dwelling rental under certain circumstances. This bill specifies that the owner of a residential dwelling rental cannot be required to obtain a business or occupational license by any political subdivision.

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 Revenue
Department of Health and Senior Services
City of Kansas City
Callaway County Commission
Greene County Collector's Office
City of Springfield
Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Office of State Auditor
Department of Labor and Industrial Relations
State Tax Commission
St. Louis County

Ross Strobe



Acting Director
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