

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1910-02
Bill No.: HB 908
Subject: Taxation and Revenue - General; Taxation and Revenue - Sales and Use;
 Department of Revenue; Uniform Laws
Type: Original
Date: March 25, 2019

Bill Summary: This proposal implements the Streamlined Sales and Use Tax Agreement.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)
Total Estimated Net Effect on General Revenue	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
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 2020	FY 2021	FY 2022
Local Government	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)	\$0 or Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal will impact Total State Revenue. This proposal will impact the calculation under Article X, Section 18(e).

B&P notes that this proposal amends old statutory language and does not incorporate changes made to included statutes within recent years. Therefore, B&P is unable to provide an estimated impact from this proposal.

Officials at the **Department of Revenue (DOR)** assume the language of this proposed legislation is outdated with references that are no longer in Missouri law. The Department will score this as a positive unknown impact.

Should Missouri join Streamlined Sales and Use Tax Agreement then DOR's Excise Tax Section will require 1 Revenue Processing Technician I for return processing and correspondence. The Sales Tax Section does not envision an FTE impact for the Sales Tax area, but rule writing will create a significant impact for which we will need additional managerial assistance a Management Analyst Specialist I. The Integrated Tax System will need changes that are estimated with a level of effort valued at \$325,000. The value of the level of effort is calculated on 2,500 FTE hours. The Collections & Tax Assistance Section will require programming support to interface with the centralized registration system required in the Streamlined Sales and Use Tax Agreement.

Oversight notes that DOR's Integrated Tax System is currently under contract and the estimated cost provided by DOR is for any changes.

Officials at the **Department of Conservation** assume an unknown fiscal impact but greater than \$100,000. The Conservation Sales Tax funds are derived from one-eighth of one percent sales and use tax pursuant to Article IV Section 43 (a) of the Missouri Constitution. Any increase in sales and use tax collected would increase revenue to the Conservation Sales Tax funds. However, the initiative is very complex and may require adjustments to Missouri sales tax law which could cause some downside risk to the Conservation Sales Tax. The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

ASSUMPTION (continued)

Officials at the **Department of Natural Resources (DNR)** assume the Department's Parks and Soils Sales Tax Funds are derived from one-tenth of one percent sales and use tax pursuant to Article IV Section 47(a) of the Missouri Constitution. Any increase in sales tax collected could increase revenue to the Parks and Soils Sales Tax Funds. The Department assumes any increase in revenue to the Parks and Soils Sales Tax fund would be used for the purposes established in Article IV Section 47(a) of the Missouri Constitution.

The Department assumes the Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Oversight notes that Article IV, Section 47 of the Missouri Constitution, allows revenue received from an additional sales tax of one-tenth (1/10) of percent (1%) to be used for the conservation and management of the soil and water resources of Missouri and for the proper management of the state parks. The Parks Sales Tax Fund (0613) and the Soil and Water Sales Tax Fund (0614) each are to receive 50% of this additional sales tax funding.

Officials at the **University of Missouri Economic & Policy Analysis Research Center (EPARC)** assume they do not possess data that could assist them in estimating the amount of revenue possible from the streamlined sales tax remittance program.

Officials at the **City of Kansas City** assume the exemption in §144.030.2 for sales of durable medical equipment found in this legislation will have an unknown negative fiscal impact on Kansas City's revenue collections. The Streamlined Sales and Use Tax Agreement Act found in this legislation will likely have a positive fiscal impact on Kansas City by increasing its revenues.

Officials at the **Joint Committee on Administrative Rules (JCAR)** assume this proposal is not anticipated to cause a fiscal impact beyond current appropriations.

Oversight assumes JCAR will be able to administer any rules resulting from this proposal with existing resources.

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the

ASSUMPTION (continued)

General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with the core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could require additional resources.

Oversight notes that this proposal is not drafted to existing statutes. Therefore, it is unclear how it could be implemented. Oversight will show an impact to General Revenue and Local Political Subdivision Funds of \$0 (can not be implemented) or Unknown to (Unknown).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Revenue - DOR</u>	\$0 or Unknown <u>to (Unknown)</u>	\$0 or Unknown <u>to (Unknown)</u>	\$0 or Unknown <u>to (Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or Unknown to (Unknown)</u>	<u>\$0 or Unknown to (Unknown)</u>	<u>\$0 or Unknown to (Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISION FUNDS			
<u>Revenue - Locals</u>	\$0 or Unknown <u>to (Unknown)</u>	\$0 or Unknown <u>to (Unknown)</u>	\$0 or Unknown <u>to (Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION FUNDS	<u>\$0 or Unknown to (Unknown)</u>	<u>\$0 or Unknown to (Unknown)</u>	<u>\$0 or Unknown to (Unknown)</u>

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill creates the "Streamlined Sales and Use Tax Agreement Act" and requires the Director of the Department of Revenue to enter into the "Streamlined Sales and Use Tax Agreement" with one or more states to simplify and modernize sales and use tax administration in order to substantially reduce the burden of tax compliance for all sellers and types of commerce.

The provisions of the bill regarding the "Streamlined Sales and Use Tax Agreement" will become effective January 1, 2020.

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

City of Kansas City
Department of Conservation
Department of Natural Resources
Department of Revenue
Joint Committee on Administrative Rules
Office of Administration Division of Budget and Planning
Office of the Secretary of State
University of Missouri Economic & Policy Analysis Research Center



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March 25, 2019

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