

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1121H.02C  
 Bill No.: HCS for HB 394  
 Subject: Taxation and Revenue - Sales and Use; Taxation and Revenue - General; Political Subdivisions; Cities, Towns, and Villages; Fire Protection; Law Enforcement Officers and Agencies  
 Type: Original  
 Date: February 9, 2021

Bill Summary: The proposal authorizes a local public safety sales tax in various cities upon voter approval.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue*	\$0	\$0 to \$26,957	\$0 to \$36,665
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 to \$26,957</b>	<b>\$0 to \$36,665</b>

\*Represents the potential 1% Department of Revenue collection fee if voters approve the sales tax(es).

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0 to \$2,675,745</b>	<b>\$0 to \$3,629,831</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration – Budget & Planning (B&P)** defer to the local **governments** for the fiscal impact. The Department of Revenue’s retained collection fee (1%) will increase Total State Revenue because DOR will be able to collect its 1% administration fee for handling the collection of the tax.

Officials from the **Department of Revenue (DOR)** assume:

### Section 94.900

This proposal in Section 94.900.1 would allow any city of the fourth classification with more than one thousand three hundred fifty but fewer than one thousand five hundred inhabitants and located in any county of the first classification with more than one hundred fifty thousand but fewer than two hundred thousand inhabitants for the implementation of a sales tax for public safety. DOR believes the only City to qualify under this description is the City of Hallsville.

The sales tax may be imposed in an amount of up to one-half of one percent. The tax shall be imposed solely for the purpose of improving the public safety.

DOR shows that the **City of Hallsville** has taxable sales of:

### City Of Hallsville

DOR shows that the **City of Hallsville** has taxable sales of:

<b>CY</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Oct-Dec</b>	<b>Total</b>
2015	2,120,442	2,206,788	2,374,865	2,281,633	8,983,728
2016	2,209,520	2,277,424	2,389,793	2,287,573	9,164,310
2017	2,283,198	2,479,424	2,423,003	2,283,876	9,469,500
2018	2,305,757	2,424,249	2,156,592	2,249,081	9,135,679
2019	2,274,635	2,275,418	2,337,986	2,149,192	9,037,231
2020	2,063,600	1,973,526			

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact we will assume the full one-half of one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a quarter of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Hallsville would collect and the fee retained by DOR as:

Hallsville	1/4 of 1% Tax		1/2 of 1% Tax	
	Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee
2022	\$221.72	\$21,950.00	\$443.43	\$43,900.00
2023	\$226.15	\$22,389.00	\$452.30	\$44,778.00
2024	\$230.67	\$22,836.78	\$461.35	\$45,673.56

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

Hallsville	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2022	\$0	\$0
2023	\$339	\$33,584
2024	\$461	\$45,674

**Section 94.902**

This proposal in Section 94.902.1(10) would allow any city of the third classification with more than nine thousand but fewer than ten thousand inhabitants and located in any county of the third classification with a township form of government and with more than twenty thousand but fewer than twenty-three thousand inhabitants to implement a sales tax for public safety. DOR believes the only City to qualify under this description is the City of Clinton.

The sales tax may be imposed in an amount of up to one-half of one percent. The tax shall be imposed solely for the purpose of improving the public safety.

**CITY OF CLINTON**

DOR shows that the **City of Clinton** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	40,147,895	44,618,974	44,443,717	44,037,435	173,248,021
2016	41,389,150	45,465,065	45,533,177	44,893,260	177,280,651
2017	40,038,915	47,066,194	45,477,582	43,884,475	176,467,167
2018	40,961,939	47,940,212	46,462,280	46,505,858	181,870,288
2019	41,412,692	48,554,205	48,146,261	47,602,031	185,715,189
2020	46,200,897	55,540,348			101,741,245

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact we will assume the full one-half of one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a quarter of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Lincoln would collect and the fee retained by DOR as:

<b>Clinton</b>	1/4 of 1% Tax		1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2022	\$0	\$0	\$0	\$0
2023	\$5,239	\$518,704	\$10,479	\$1,037,409
2024	\$5,344	\$529,078	\$10,688	\$1,058,157

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

<b>Clinton</b>	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Clinton Revenues
2022	\$0	\$0
2023	\$7,859	\$778,057
2024	\$10,688	\$1,058,157

**CITY OF WARRENSBURG**

This proposal in Section 94.902.1(11) would allow any city of the third classification with more than seventeen thousand but fewer than nineteen thousand inhabitants and that is the county seat of any county of the fourth classification with more than forty-eight thousand but fewer than sixty thousand inhabitants to implement a public safety sales tax. DOR believes this would apply to the City of Warrensburg.

DOR shows that the **City of Warrensburg** has taxable sales of:

<b>CY</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Oct-Dec</b>	<b>Total</b>
2015	73,525,691	75,778,047	77,850,153	78,204,932	305,358,823
2016	75,656,245	77,000,083	80,140,816	78,668,399	311,465,543
2017	74,974,171	79,546,510	79,546,512	76,665,224	310,732,416
2018	76,813,419	79,880,005	80,489,326	81,141,834	318,324,584
2019	76,577,988	84,062,669	84,790,144	84,187,783	329,618,585
2020	79,785,455	85,632,220	86,887,792		252,305,467

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact we will assume the full one-half of one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a quarter of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Warrensburg would collect and the fee retained by DOR as:

<b>Warrensburg</b>	<b>1/4 of 1% Tax</b>		<b>1/2 of 1% Tax</b>	
	<b>DOR 1% Fee</b>	<b>Local Collection</b>	<b>DOR 1% Fee</b>	<b>Local Collection</b>
Fiscal Year				
2022	\$0	\$0	\$0	\$0
2023	\$8,872	\$878,287	\$17,743	\$1,756,573
2024	\$9,049	\$895,852	\$18,098	\$1,791,705

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

<b>Warrensburg</b>	<b>1/2 of 1% Tax</b>	
Fiscal Year	DOR 1% Fee	Local Collection
2022	\$0	\$0
2023	\$13,307	\$1,324,180
2024	\$18,098	\$1,791,705

**CITY OF LINCOLN**

DOR shows that the **City of Lincoln** has taxable sales of:

<b>CY</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Oct-Dec</b>	<b>Total</b>
2015	2,124,060	2,412,496	2,368,178	2,014,074	8,918,808
2016	2,138,130	2,369,529	2,437,892	2,142,464	9,088,015
2017	2,177,513	2,602,875	2,547,296	2,120,049	9,447,734
2018	2,444,106	2,542,249	2,617,362	2,318,717	9,922,434
2019	2,031,857	2,243,606	2,706,418	2,367,247	9,349,128
2020	2,464,802	3,151,201			5,616,003

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact we will assume the full one-half of one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a quarter of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Lincoln would collect and the fee retained by DOR as:

<b>Lincoln</b>	<b>1/4 of 1% Tax</b>		<b>1/2 of 1% Tax</b>	
	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2022	\$0	\$0	\$0	\$0
2023	\$284	\$28,076	\$567	\$56,153
2024	\$289	\$28,638	\$579	\$57,276

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

Lincoln	1/2 of 1% Tax	
	Fiscal Year	DOR 1% Fee
2022	\$0	\$0
2023	\$425	\$42,115
2024	\$579	\$57,276

**CITY OF COLE CAMP**

DOR shows that the **City of Cole Camp** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	3,229,113	3,002,081	3,402,238	3,196,016	12,829,447
2016	3,095,340	3,003,988	3,225,042	3,279,187	12,603,558
2017	3,081,084	2,956,959	3,249,944	3,336,067	12,624,054
2018	3,278,248	3,220,758	3,474,064	4,684,461	14,657,531
2019	3,402,802	3,687,581	3,745,639	3,618,415	14,454,437
2020	3,688,039	3,837,967			7,526,006

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact we will assume the full one-half of one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a quarter of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Cole Camp would collect and the fee retained by DOR as:

Cole Camp	1/4 of 1% Tax		1/2 of 1% Tax	
	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2022	\$0	\$0	\$0	\$0
2023	\$395	\$39,109	\$790	\$78,217
2024	\$403	\$39,891	\$806	\$79,782

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2022 (FY 2023) if adopted by the voters.



Therefore the impact in FY 2023 would be for 9 months.

Cole Camp	1/2 of 1% Tax	
	DOR 1% Fee	Local Collection
2022	\$0	\$0
2023	\$592	\$58,663
2024	\$806	\$79,782

### **CITY OF BRANSON WEST**

This proposal in Section 94.902.1(13) this would allow any city of the fourth classification with more than four hundred fifty but fewer than five hundred inhabitants and located in any county of the third classification without a township form of government and with more than twenty-nine thousand but fewer than thirty-three thousand inhabitants and with a city of the fourth classification with more than four hundred but fewer than four hundred fifty inhabitants as the county seat to implement a sales tax for public safety. DOR believes this would only apply to the City of Branson West.

DOR shows that the **City of Branson West** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	17,894,744	23,976,483	25,866,505	21,668,350	89,406,082
2016	18,901,040	25,156,599	26,716,172	23,132,889	93,906,700
2017	18,850,783	25,742,289	26,723,871	22,779,379	94,096,322
2018	19,229,746	26,277,102	27,300,134	24,081,341	96,888,323
2019	19,672,156	27,420,436	29,729,276	27,350,166	104,172,034
2020	23,914,066	30,472,085			54,386,151

Source: <http://dor.mo.gov/publicreports/>

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact we will assume the full one-half of one percent sales tax is adopted. However, for informational purposes we are showing how much would be collected if they just chose a quarter of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Branson West would collect and the fee retained by DOR as:

Branson West	1/4 of 1% Tax		1/2 of 1% Tax	
	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2022	\$2,899	\$287,023	\$5,798	\$574,046
2023	\$2,957	\$292,763	\$5,914	\$585,526
2024	\$3,016	\$298,619	\$6,033	\$597,237

DOR notes that this proposal would become effective on August 28, 2021 and the first election this issue could be presented to the voters would be the April 6, 2022 election. Therefore this will not have a fiscal impact in FY 2022. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2022 (FY 2023) if adopted by the voters. Therefore the impact in FY 2023 would be for 9 months.

<b>Branson West</b>	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2022	\$0	\$0
2023	\$4,435	\$439,145
2024	\$6,033	\$597,237

Officials from the **DOR** do not anticipate any administrative costs stemming from the proposal.

Officials from the **City of Mansfield** assume the proposal would have a direct fiscal impact on their respective organization.

**Oversight** note the proposal does not identify City of Mansfield as one of the jurisdiction which is allowed for increase of tax rate in this proposal. Therefore, Oversight will note zero impact for the City on the fiscal note.

In response to the similar proposal, HCS for HB 1701 (3883-02) 2020, Officials from the **City of Clinton** assumed, based on financial data from FY 18-19, the City would expect to generate annual revenues of \$950,000 based on a one-half percent sales tax.

Additionally, Officials at the **City of Branson West** assumed if the Board of Alderman of the City decide to approve the tax at half a percent and it is passed, the approximate revenue that will be brought in is \$500,000 annually.

**Oversight** notes while the cities within this proposal could start to generate sale tax revenue beginning October 1, 2022, the reporting will not occur until 1 month later. Therefore, Oversight will range the fiscal impact from \$0 (not approved by voters) the estimates calculated by Oversight for 9 months in FY 22 and reflect a full year of sales tax revenue for FY 23 in this proposal as shown below:

<b>All Together</b>	1/2% of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2022	\$0	\$0
2023	\$26,957	\$2,675,744
2024	\$36,665	\$3,629,831

Officials from the **City of Corder**, **City of Claycomo**, and **Boone County** each assume the proposal would not have a direct fiscal impact on their respective organization.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023 (9 Mo.)	FY 2024
<b>GENERAL REVENUE FUND</b>			
Additional Revenue - DOR - '94.902 - 1% DOR Collection fee	<u>\$0</u>	<u>\$0 to \$26,957</u>	<u>\$0 to \$36,665</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<u>\$0</u>	<u>\$0 to \$26,957</u>	<u>\$0 to \$36,665</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022	FY 2023 (9 Mo.)	FY 2024
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<b>CITY OF HALLSVILLE</b>			
<u>Additional Revenues - additional sales tax for Public Safety - '94.900 (p.3)</u>	\$0	\$0 to \$33,923	\$0 to \$46,135
<u>Loss - 1% collection fee kept by DOR</u>	\$0	\$0 to (\$339)	\$0 to (\$461)
<b>ESTIMATED NET EFFECT ON CITY OF HALLSVILLE</b>	<b><u>\$0</u></b>	<b><u>\$0 to \$33,584</u></b>	<b><u>\$0 to \$45,674</u></b>
<b>CITY OF CLINTON</b>			
<u>Additional Revenues - additional sales tax for Public Safety - '94.902 (p.5)</u>	\$0	\$0 to \$785,916	\$0 to \$1,068,845
<u>Loss - 1% collection fee kept by DOR</u>	\$0	\$0 to (\$7,859)	\$0 to (\$10,688)
<b>ESTIMATED NET EFFECT ON CITY OF CLINTON</b>	<b><u>\$0</u></b>	<b><u>\$0 to \$778,057</u></b>	<b><u>\$0 to \$1,058,157</u></b>

<b>CITY OF WARRENSBURG</b>			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.900 (p. 6)	\$0	\$0 to \$1,324,180	\$0 to \$1,809,803
<u>Loss</u> - 1% collection fee kept by DOR	<u>\$0</u>	<u>\$0 to (\$13,307)</u>	<u>\$0 to (\$18,089)</u>
<b>ESTIMATED NET EFFECT ON CITY OF WARRENSBURG</b>	<b><u>\$0</u></b>	<b><u>\$0 to \$1,324,180</u></b>	<b><u>\$0 to \$1,791,705</u></b>
<b>CITY OF LINCOLN</b>			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902 (p.7)	\$0	\$0 to \$42,540	\$0 to \$42,115
<u>Loss</u> - 1% collection fee kept by DOR	<u>\$0</u>	<u>(\$425)</u>	<u>(\$579)</u>
<b>ESTIMATED NET EFFECT ON CITY OF LINCOLN</b>	<b><u>\$0</u></b>	<b><u>\$0 to \$42,115</u></b>	<b><u>\$0 to \$57,276</u></b>
<b>CITY OF COLE CAMP</b>			
<u>Additional Revenues</u> - additional sales tax for Public Safety - '94.902 (p.8)	\$0	\$0 to \$58,663	\$0 to \$79,782
<u>Loss</u> - 1% collection fee kept by DOR	<u>\$0</u>	<u>(\$592)</u>	<u>(\$806)</u>
<b>ESTIMATED NET EFFECT ON CITY OF COLE CAMP</b>	<b><u>\$0</u></b>	<b><u>\$0 to \$59,255</u></b>	<b><u>\$0 to \$80,588</u></b>

<b>CITY OF BRANSON WEST</b>			
<u>Additional Revenues - additional sales tax for Public Safety - '94.900 (p.9)</u>	\$0	\$0 to \$443,580	\$0 to \$603,270
<u>Loss - 1% collection fee kept by DOR</u>	\$0	(\$4,435)	(\$6,033)
<b>ESTIMATED NET EFFECT ON CITY OF BRANSON WEST</b>	<b><u>\$0</u></b>	<b><u>\$0 to \$439,145</u></b>	<b><u>\$0 to \$597,237</u></b>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>\$0 to \$2,675,745</u></b>	<b><u>\$0 to \$3,629,831</u></b>

FISCAL IMPACT – Small Business

Small businesses in Hallsville, Clinton, Warrensburg, Lincoln, Cole Camp and Branson West will be impacted by collecting a different sales tax rate.

FISCAL DESCRIPTION

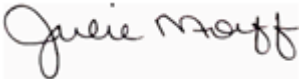
This bill adds any city of the third classification with more than 9,000 but fewer than 10,000 inhabitants and located in any county of the third classification with a township form of government and with more than 20,000 but fewer than 23,000 inhabitants and any city of the fourth classification with more than 1,050 but fewer than 1,200 inhabitants and located in any county of the third classification without a township form of government and with more than 18,000 but fewer than 20,000 and with a city of the fourth classification with more than 2,100 but fewer than 2,400 inhabitants as the county seat to the list of cities authorized to impose, upon voter approval, a sales tax in an amount of up to one-half of one percent for public safety purposes, including expenditures on equipment, city employee salaries and benefits, and facilities for police, fire and emergency medical providers.

Currently, the only additional cities described are cities describe are City of Clinton, Lincoln, Cole Camp, Warrensburg, Hallsville, and Branson West.

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  
Office of Administration  
City of Claycomo  
City of Corder  
City of Mansfield  
County of Boone



Julie Morff  
Director  
February 9, 2021



Ross Strobe  
Assistant Director  
February 9, 2021