

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1222H.011
 Bill No.: HB 555
 Subject: Taxation and Revenue - General; Revenue, Department of; Taxation and Revenue - Sales and Use; Taxation and Revenue - Income; Taxation and Revenue - Property; Economic Development; Cities, Towns, and Villages; Political Subdivisions; Urban Redevelopment
 Type: Original
 Date: February 9, 2021

Bill Summary: This proposal modifies provisions relating to taxation.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
General Revenue*	Less than (\$150,108,394) to less than (\$131,513,223)	Less than \$266,914,752 to less than \$307,705,952	Less than \$280,180,096 to less than \$322,808,150	Less than \$518,151,064 to less than \$564,414,343
Total Estimated Net Effect on General Revenue	Less than (\$150,108,394) to less than (\$131,513,223)	Less than \$266,914,752 to less than \$307,705,952	Less than \$280,180,096 to less than \$322,808,150	Less than \$518,151,064 to less than \$564,414,343

*Oversight notes the individual income tax rate is currently 5.4% (with three additional SB509 rate reductions available) and this proposal changes the tax rate to a fixed 5.3% (along with various other changes to the individual income tax statutes (143.011 – 143.161), Part of the positive fiscal impacts reflected in fiscal years 2023 -2027 are from the three additional SB 509 income tax rate reductions not occurring (without this proposal, they are estimated to occur in 2022 (to 5.3%), in 2025 (to 5.2%) and in 2026 (to 5.1%)) because of this bill.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
School District Trust Fund (0688)	Less than \$12,540,177 to \$19,158,603	Less than \$25,762,863 to \$39,359,930	Less than \$26,922,981 to \$41,132,333	Less than \$29,218,914 to \$44,640,007
Conservation Commission Fund (0609)	Less than \$1,567,522 to \$2,394,826	Less than \$3,220,358 to \$4,919,992	Less than \$3,365,373 to \$5,141,542	Less than \$3,652,365 to \$5,580,001
Parks and Soils State Sales Tax Funds (0613 & 0614)	Less than \$1,254,018 to \$1,915,861	Less than \$2,576,286 to \$3,935,993	Less than \$2,692,298 to \$4,113,233	Less than \$2,921,891 to \$4,464,001
Blind Pension Fund (0621)	\$0 to (\$500)	\$0 to (\$500)	\$0 to (\$500)	\$0 to (\$500)
Total Estimated Net Effect on <u>Other</u> State Funds	Less than \$15,361,717 to \$23,468,790	Less than \$31,559,507 to \$48,215,415	Less than \$32,980,652 to \$50,386,608	Less than \$35,793,170 to \$54,683,509

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
General Revenue – DOR	40 FTE	40 FTE	40 FTE	40 FTE
Total Estimated Net Effect on FTE	40 FTE	40 FTE	40 FTE	40 FTE

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

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Local Government	Less than or greater than \$30,969,515 to less than or greater than \$63,005,408	Less than or greater than \$0 to less than or greater than \$56,665,927	Less than or greater than \$0 to less than or greater than \$55,010,892	Less than or greater than \$0 to less than or greater than \$47,236,423

FISCAL ANALYSIS

ASSUMPTION

Section 32.310 – DOR Sales and Use Tax Map

Officials from the **Missouri Department of Revenue (DOR)** state this section adds “use tax” to the DOR mapping feature which currently states sales tax. DOR assumes this will not have a fiscal impact as use tax is already included in the map where provided by the political subdivision.

This section requires DOR to add property tax levy information from all political subdivision in this state to the map by July 1, 2022. The Missouri State Auditor, by January 1, 2022, will provide the information to DOR to comply with these requirements. The Missouri State Auditor does maintain a list of the current levy rates and putting this list on DOR’s website is not expected to have a financial impact.

This section will require, by July 1, 2022, that the current sales tax map be updated to include the ability to see the total sales tax rate for combined rates in overlapping sales tax districts. These combined rates are to include sales, use and property tax.

DOR notes its existing sales tax map is not capable of being expanded at this time to meet these additional requirements without additional resources.

When the previous map was designed, political subdivisions were required to submit their rates and boundaries but some refused, some did not have GIS capabilities to provide clear and concise boundaries, and some provided hand-drawn maps that were not always able to be uploaded to make clear and concise boundaries.

The current map is a list of what was provided, and there is no reconciliation of the boundary lines. In order to overlay all current sales and use tax districts with the property tax districts it would require the creation of a composite of all tax boundaries. This can only be done by reconciling the thousands of gaps and slivers that occur when bringing together data from numerous sources.

Creation of such a map can be done but DOR will required the following resources in order to accomplish it:

The current map is handled by the Office of Geospatial Information at OA/ITSD. They have the technical expertise and knowledge to create the needed interface for DOR. However, to provide

the expanded capabilities they would require additional server hardware, cloud storage and software including additional GIS server infrastructure at a cost of \$195,000.

Additionally, they will require one GIS Manager (\$75,000) and two GIS Specialists (\$55,405) and \$36,300 for GIS computer equipment (both hardware and software).

Additionally, DOR would handle the business aspects of this project, such as notification of the political subdivisions of the information needed. Verifying that correct tax rates are provided and working to ensure that the boundaries of a taxing jurisdiction reconcile.

During the collection of the data for the existing sales tax map it was found that only 75% of the counties have GIS capabilities while 25% do not. DOR will need to work with districts to determine jurisdictional boundaries in order to line up the boundaries.

DOR will also need two GIS Specialists (\$55,405) and one Associate Customer Service Representative (\$24,360) to handle the correspondence and initial collection of the information from the political subdivisions. Including salaries, equipment and GIS licensing it is estimated to cost \$135,010 in the first year. It should be noted that the FTE would be ongoing expenses as districts are changing rates and boundaries all the time.

It is unclear when the fully functioning database would be able to go online. Hiring of staff and collecting and merging all the data will take time. While this project can be completed, DOR is unsure of its ability to accomplish in the timeframe required.

Due to the apparent complexity of reporting the tax rate(s) for overlapping jurisdictions, **Oversight** will include OA-ITSD's and DOR's administrative costs for this section, as reported. Since this proposed legislation states DOR must have the new mapping features online by July 1, 2022 (Fiscal Year 2023), Oversight will report the costs beginning in Fiscal Year 2022.

Officials from the **Office of Administration – Budget & Planning Division (B&P)** state this section adds use tax information to the Missouri Department of Revenue's mapping system. This section further requires the Missouri Department of Revenue to update the mapping system, by July 2022, to include the total sales and use tax rates for jurisdictions with overlapping sales or use tax levies. In addition, by July 2022 the Missouri Department of Revenue must update the map with property tax rate information for each taxing jurisdiction that levies a property tax. This section will not impact Total State Revenue (TSR) or the calculation under Article X, Section 18(e).

Section 67.1401 – Community Improvement District Act - Definitions

Oversight notes this section modifies the definition of "Blighted Area". This section removes from the definition the areas of improper subdivision or obsolete platting and removes the condition that retards morals that currently permit classification as a blighted area.

This section would also require that, for the City of St. Louis, blighted areas be located in a census tract that is defined as a “low-income community” under Section U.S.C. Section 45D or is eligible to be designated as a “qualified opportunity zone”, as defined under 26 U.S.C Section 1400Z-1.

Officials from **B&P** state this section changes the definition of blighted area by removing references to improper subdivision, obsolete platting, and morals. This section also limits blighted areas within St. Louis City to only those tracts that are Qualified Opportunity Zones or have poverty rates greater than 20%. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the definition of blight to remove the requirement of being declared blighted under current law. It requires that, to be a blighted area, a land tract must be eligible to be designated as a qualified opportunity zone under federal law.

Oversight will not show a net fiscal impact as a result of the changes made to definition of “Blighted Area”. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 67.1545 – Community Improvement District Act – Sales and Use Taxes

Oversight notes this section modifies the voting requirements for sales and use taxes imposed by community improvement districts.

Currently, Community Improvement Districts are authorized to impose a sales tax or use tax on purchases made within the Community Improvement District so long as the sales tax or use tax is approved by a majority of the voters who reside within the district.

This section requires that any sales tax or use tax imposed be approved by a majority of the voters residing within the municipality in which the Community Improvement District is located, rather than just the district.

Officials from **DOR** state this section modifies the election language used for taking a Community Improvement District to the voters. This change would not fiscally impact DOR.

Additionally, a Community Improvement District may levy a sales and use tax, of which DOR collects and retains a 1% collection fee for reimbursement of expenses. DOR notes this section would not impact existing Community Improvement Districts but could impact the number that qualify in the future.

Officials from **B&P** state this section clarifies that the sales tax levy vote for a Community Improvement District must occur in the municipality in which the district is located. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from the **City of Springfield (Springfield)** state this section is not anticipated to have a direct cost on Springfield. However, costs to Community Improvement District petitioners will increase with a municipality wide vote. Springfield assumes this could hinder the establishment of new Community Improvement Districts.

Oversight will not show a net fiscal impact as a result of the changes made to Community Improvement District laws. Oversight assumes the changes put forth may or may not impact future Community Improvement Districts; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 67.2677 – Video Service Providers - Definitions

Oversight notes this section modifies the definition of “Gross Revenues” so that amounts received by video service providers from advertisers for: rental of set top boxes and other video service equipment, service charges, administrative charges, and a pro rata portion of all revenue derived for advertising are no longer included within a video service provider’s gross revenues.

Officials from **DOR** state this section modifies the definition of gross revenues to remove income from advertisers, rental fees, service charges and administrative charges from being considered gross revenues.

Officials from **B&P** state this section changes the local franchise fees for cable operators.

Officials from the **City of Kansas City (Kansas City)** state this section narrows the definition of gross revenue to no longer include: rental set top boxes, modems or other equipment used to provide video services, service charges related to the provision of video services, administrative charges related to the provision of services, and a pro rate portion of all revenues derived from advertising.

Officials from the **City of Springfield** state this section caps video taxes if Springfield adopts a local use tax. This section could reduce Springfield’s cable revenue by eliminating franchise video revenue in 2027. Springfield’s cable revenue was \$1.1 million in Fiscal Year 2020.

Section 67.2689 – Video Service Provider Fee

Oversight notes this section modifies the calculation of the video service provider fee.

Current law states a franchise entity, which is a political subdivision that was entitled to franchises and imposed fees on cable operators on the date before the effective date of Section(s) 67.2675 to 67.2714, may collect a video service provider fee equal to not more than five percent

(5%) of the gross revenues from each video service provider that provides video service within the geographic area of such franchise entity.

This section modifies the fee to state that a franchise entity may collect a service provider fee equal to not more than five percent (5%) of the gross revenues charged to each customer of a video service provider that provides video service in a geographic area of such franchise entity.

This section further states, beginning January 1, 2023 (Fiscal Year 2023), in any county or municipality that adopts a local use tax under Section 144.757, the maximum percent of such gross revenues that franchise entities may collect fee(s) on becomes:

Calendar Year 2023 – 4%
Calendar Year 2024 – 3%
Calendar Year 2025 – 2%
Calendar Year 2026 – 1%
Calendar Year 2027, and each year thereafter, 0%

This section would require video service providers to identify and collect the fee and other specified fees as separate line items on a subscriber’s bill. The video service provider fee must be titled “City Utility Pole Fee” on each subscriber’s bill.

Oversight notes, per information received from the Missouri Municipal League during the interim, of responding municipalities, municipalities collected \$20,451,246 in cable/franchise/video service provider fees in 2016.

Oversight notes, per information received from responding municipalities during the interim, municipalities collected \$22,311,372 in video service provider fees in 2018 and \$22,033,761 in video service provider fees in 2019.

Using the amount reported for 2019, Oversight estimates the total gross receipts reported by video service providers totaled \$440,675,220 (\$22,033,761 / 5%).

Using the estimated total gross receipts reported in 2019, Oversight estimates local revenues could decrease each fiscal year by \$0 (municipality does not adopt a use tax under Section 144.757) up to an amount that “Could exceed” (accounting for the municipalities who did not respond and the modification(s) to the definition of “Gross Receipts”):

Fiscal Year	Video Service Provider Fee (%)	Loss to Local Municipalities
2023	4%	(\$4,406,752)
2024	3%	(\$8,813,504)
2025	2%	(\$13,220,257)
2026	1%	(\$17,627,009)
2027	0%	(\$22,033,761)

2028	0%	(\$22,033,761)
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Oversight notes the first year in which a reduction in the video service provider fee could occur is Calendar Year 2023, provided the county or municipality adopts a local use tax under Section 144.757.

Oversight notes video service providers pay the video service provider fee on or before the last day of the month following the end of each calendar quarter.

Therefore, should the video service provider fee be reduced January 1, 2023, the first payment made by video service providers to franchise entities would occur, at the latest, April 30, 2023 (Fiscal Year 2023).

Officials from **B&P** state this section would phase-out the franchise fee for cable companies in any local jurisdiction that has adopted a use tax under Section 144.757, beginning January 2023. These sections may have an unknown negative impact on local revenues. These sections will not impact TSR or the calculation under Article X, Section 18(e).

Oversight notes B&P assumes the modifications put forth under this section could reduce local revenues by a negative “Unknown” amount.

Officials from **DOR** state this section, beginning January 1, 2023, limits the maximum percent of gross revenue that an entity maybe assessed. This percentage starts at 4% and phases out to 0% over the following five years. These provisions will not impact DOR as this involves local money.

Officials from the **Kansas City** state this section decreases the amount franchise entities (such as the City) can collect from video service providers. Franchise entities can currently collect a fee of 5% of the gross revenues of a video service provider providing service within the boundaries of the franchise entity. Under this section, for any municipality imposing a use tax, the 5% is reduces gradually to 0% by 2027. This would have a negative fiscal impact in an indeterminate amount.

Section 99.020 – Housing Authorities Law - Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition states a “Blighted Area” shall mean any area where dwellings predominate which, by reason of dilapidation, overcrowding, lack of ventilation, light or sanitary facilities or any combination of these factors are detrimental to safety, health, and morals.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 67.1401, as mentioned above in Section 67.1401.

Officials from **B&P** state this section changes the definition for blight to match the revised definition under Section 67.1401. The change to the definition of blight will not impact Total State Revenue TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the definition of blight to remove the requirement of being declared blighted under current law. It requires that, to be a blighted area, a land tract must be eligible to be designated as a qualified opportunity zone under federal law. DOR is unable to estimate if this may impact the number of properties that qualify for this program in the future. This provision is not expected to fiscally impact DOR.

Oversight will not show a net fiscal impact as a result of the changes made to definition of “Blighted Area”. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.320 – Land Clearance for Redevelopment Law - Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition states a “Blighted Area” is an area which, by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 67.1401, as mentioned above in Section 67.1401.

Officials from **B&P** state this section changes the definition for blight to match the revised definition under Section 67.1401. The change to the definition of blight will not impact Total State Revenue TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the definition of blight to remove the requirement of being declared blighted under current law. It requires that, to be a blighted area, a land tract must be eligible to be designated as a qualified opportunity zone under federal law. DOR is unable to estimate if this may impact the number of properties that qualify for this program in the future. This provision is not expected to fiscally impact DOR.

Oversight will not show a net fiscal impact as a result of the changes made to definition of “Blighted Area”. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.805 – Real Property Tax Increment Allocation Redevelopment - Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition states a “Blighted Area” is an area which, by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 67.1401, as mentioned above in Section 67.1401.

Officials from **B&P** state this section changes the definition for blight to match the revised definition under Section 67.1401. The change to the definition of blight will not impact Total State Revenue TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the definition of blight to remove the requirement of being declared blighted under current law. It requires that, to be a blighted area, a land tract must be eligible to be designated as a qualified opportunity zone under federal law. This may impact the number of projects that qualify for this program in the future and the Department of Economic Development may be better able to estimate any future impact. This provision is not expected to fiscally impact DOR.

Oversight notes the Missouri Department of Economic Development has stated this proposed legislation would not have a fiscal impact on their organization.

Oversight will not show a net fiscal impact as a result of the changes made to definition of “Blighted Area”. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.918 – Missouri Downtown and Rural Economic Stimulus Act – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition states a “Blighted Area” is an area which, by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 67.1401, as mentioned above in Section 67.1401.

Officials from **B&P** state this section changes the definition for blight to match the revised definition under Section 67.1401. The change to the definition of blight will not impact Total State Revenue TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the definition of blight to remove the requirement of being declared blighted under current law. It requires that, to be a blighted area, a land tract must be eligible to be designated as a qualified opportunity zone under federal law. This may impact the number of projects that qualify for this program in the future and the Department of Economic Development may be better able to estimate any future impact. This provision is not expected to fiscally impact DOR.

Oversight notes the Missouri Department of Economic Development has stated this proposed legislation would not have a fiscal impact on their organization.

Oversight will not show a net fiscal impact as a result of the changes made to definition of “Blighted Area”. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 99.1082 – Downtown Revitalization Preservation Program – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition states a “Blighted Area” is an area which, by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 67.1401, as mentioned above in Section 67.1401.

Officials from **B&P** state this section changes the definition for blight to match the revised definition under Section 67.1401. The change to the definition of blight will not impact Total State Revenue TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the definition of blight to remove the requirement of being declared blighted under current law. It requires that, to be a blighted area, a land tract must be eligible to be designated as a qualified opportunity zone under federal law. This may impact the number of projects that qualify for this program in the future and the Department of Economic Development may be better able to estimate any future impact. This provision is not expected to fiscally impact the DOR.

Oversight notes the Missouri Department of Economic Development has stated this proposed legislation would not have a fiscal impact on their organization.

Oversight will not show a net fiscal impact as a result of the changes made to definition of “Blighted Area”. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 100.310 – Planned Industrial Expansion

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition states a “Blighted Area” is an area which, by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 67.1401, as mentioned above in Section 67.1401.

Officials from **B&P** state this section changes the definition for blight to match the revised definition under Section 67.1401. The change to the definition of blight will not impact Total State Revenue TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the definition of blight to remove the requirement of being declared blighted under current law. It requires that, to be a blighted area, a land tract must be eligible to be designated as a qualified opportunity zone under federal law. This may impact the number of projects that qualify for this program in the future and the Department of Economic Development may be better able to estimate any future impact. This provision is not expected to fiscally impact DOR.

Oversight notes the Missouri Department of Economic Development has stated this proposed legislation would not have a fiscal impact on their organization.

Oversight will not show a net fiscal impact as a result of the changes made to definition of “Blighted Area”. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 105.145 – Annual Report by Political Subdivisions

Oversight notes, currently, political subdivisions are required to prepare an annual report of the financial transactions of such political subdivision each year.

At the end of each fiscal year, each political subdivision must submit a copy of the annual report to the Missouri State Auditor.

In the event a political subdivision fails to submit a copy of the annual report in a timely manner, the political subdivision is subject to a fine of five hundred dollars (\$500) per day.

In the event a political subdivisions fails to submit a copy of the annual report in a timely manner, the Missouri State Auditor is to notify the Missouri Department of Revenue.

The Missouri Department of Revenue, then, must notify the political subdivision that has failed to timely submit the annual report indicating the annual report has not been received and indicating the applicable fine of five hundred dollars (\$500) per day.

Should the political subdivision submit a copy of the annual report within thirty (30) days, no fine shall accrue. Should the political subdivision fail to submit a copy of the annual report within thirty (30) days, the applicable fine shall begin to accrue.

In order to collect the fine(s), the Missouri Department of Revenue is authorized to offset any sales or use tax distributions due to the political subdivision that has failed to timely submit the annual report. In conjunction, the Missouri Department of Revenue is authorized to retain two percent (2%) for the cost of collection.

The sales and use tax revenue collected by the Missouri Department of Revenue for the fines accrued to political subdivisions are distributed to schools of the county of the political subdivision that failed to timely submit the annual report.

Currently, any Transportation Development District having gross revenues of less than five thousand dollars (\$5,000) within any fiscal year, that did not submit timely the annual report, shall not be subject to the five hundred dollars (\$500) a day fine.

This section is modified to state that any political subdivision that has gross revenues of less than five thousand dollars (\$5,000) or that has not levied or collected sales or used taxes, that did not submit timely the annual report, shall not be subject to the five hundred dollars (\$500) a day fine.

This section is further modified to state, should the cause for the failure to timely submit the annual report be a result of fraud or other illegal conduct by an employee or officer of the political subdivision, the political subdivisions shall not be subject to the five hundred dollars (\$500) a day fine.

This section states that the Missouri Department of Revenue shall make a one-time downward adjustment to the outstanding balance of any political subdivision that has an outstanding balance for fines or penalties at the time it files its first annual report after August 28, 2021 in an amount that reduces the outstanding balance by ninety percent (90%).

If the Missouri Department of Revenue further determines the fine(s) imposed on a political subdivision are uncollectable, the Missouri Department of Revenue is granted authority to make a one-time downward adjustment.

If any political subdivision with an outstanding balance for fines or penalties of this section fails to file an annual report after August 28, 2021 and before January 31, 2022, or if any political subdivision files an annual report after August 28, 2021 and before January 31, 2022, but fails to file any annual report thereafter, the Missouri Department of Revenue is required to notify the Missouri Attorney General who shall initiate the process to dissolve the political subdivision. The question of whether a political subdivision subject to dissolution shall be submitted to the voters of the political subdivision.

Officials from **DOR** state, currently, local political subdivisions are required to file annual financial statements with the State Auditor's Office. Failure to file those statements results in the political subdivision being assessed a fine of \$500 per day per statute, which is deposited into school district funds. DOR notes that DOR started imposing this fine in August 2017. DOR receives notice from the State Auditor's Office if a political subdivision does not file their annual financial statement. At that time DOR sends a notice to the political subdivision and thirty (30) days later, the fee starts to accumulate.

DOR collects the fine by offsetting any sales or use tax distributions due to the political subdivisions. In essence, DOR only gets to collect the fee if the political subdivision has a sales or use tax. Most of these political subdivisions do not have a sales or use tax for DOR to collect, so DOR assumes much of what is owed is uncollectable. Additionally, this is not state money but local political subdivision funds.

Currently, a Transportation Development District that has gross revenues of less than \$5,000 in a fiscal year is not subject to this fine. This section states that **any** political subdivision that has gross revenues less than \$5,000 or has not levied or collected a sales and use tax in the fiscal year, would not be subject to the fine.

Additionally, language is added so that if the failure to file is a result of fraud or illegal conduct by an employee or officer of the political subdivision, and if the political subdivision complies with filing the financial statement within thirty days of the discovery of the fraud or illegal conduct, the fine shall not be assessed.

This section is allowing a political subdivision that files its financial statement after January 1, 2022 to receive a 90% reduction of their outstanding balance of their fines owed. DOR notes that this fine money is given to the local jurisdiction's school district when paid, minus a 2% collection fee retained by DOR that is deposited into GR.

Current records of DOR show total fines of \$72,444,999.99 and that \$2,438,991.50 has been collected.

DOR shows the assessment of the fines by the political subdivision type and by the county in which the district that owes the fine is located:

By Political Subdivision Type

PolSub Type	Total Owed	Total Paid
911	\$500.00	\$0.00
AMB	\$2,143,500.00	\$91,639.53
CID	\$13,349,500.00	\$360,986.77
City	\$23,435,499.99	\$1,745,878.33
Drain	\$3,789,000.00	\$0.00
FPD	\$9,502,500.00	\$42,500.00
Health	\$333,500.00	\$0.00
Hospital	\$524,500.00	\$0.00
Levy	\$3,128,500.00	\$0.00
Library	\$757,000.00	\$0.00
NHD	\$215,000.00	\$0.00
PWSD	\$3,124,000.00	\$6,500.00
SEWER	\$223,500.00	\$0.00
SLD	\$771,500.00	\$0.00
SRD	\$6,666,500.00	\$0.00
TDD	\$4,480,500.00	\$191,486.87
	\$72,444,999.99	\$2,438,991.50

By County

County	Sum of Total Fine Imposed	Sum of Total Fine Collected
Adair	\$551,500.00	\$1,500.00
Andrew	\$46,500.00	\$0.00
Atchison	\$525,500.00	\$0.00
Audrain	\$688,000.00	\$0.00
Barry	\$1,320,500.00	\$14,113.87
Barton	\$0.00	\$0.00
Bates	\$492,500.00	\$29,408.04
Benton	\$38,500.00	\$0.00
Bollinger	\$1,086,000.00	\$0.00
Boone	\$259,000.00	\$20,967.30
Buchanan	\$506,500.00	\$34,689.99
Butler	\$913,000.00	\$26,694.50
Caldwell	\$100,000.00	\$14,500.93
Callaway	\$190,000.00	\$1,947.94
Camden	\$220,000.00	\$22,000.00
Cape Girardeau	\$195,500.00	\$0.00
Carroll	\$2,142,500.00	\$0.00
Carter	\$1,172,500.00	\$17,500.00
Cass	\$2,944,500.00	\$8,463.47
Cedar	\$211,500.00	\$28,500.00
Chariton	\$372,000.00	\$39,500.00
Christian	\$1,427,500.00	\$0.00
Clark	\$454,000.00	\$37,500.00
Clay	\$682,500.00	\$14,500.00
Clinton	\$875,500.00	\$0.00
Cole	\$434,000.00	\$3,628.34
Cooper	\$828,500.00	\$22,000.00
Crawford	\$944,000.00	\$20,000.00
Dade	\$143,500.00	\$0.00
Dallas	\$806,500.00	\$0.00
Daviess	\$425,500.00	\$0.00

DeKalb	\$390,000.00	\$0.00
Dent	\$194,500.00	\$0.00
Douglas	\$0.00	\$0.00
Dunklin	\$1,200,500.00	\$14,818.20
Franklin	\$947,500.00	\$443.90
Gasconade	\$65,500.00	\$4,249.10
Gentry	\$1,159,500.00	\$0.00
Greene	\$516,500.00	\$9,000.00
Grundy	\$645,000.00	\$0.00
Harrison	\$390,000.00	\$0.00
Henry	\$492,500.00	\$76,883.03
Hickory	\$416,500.00	\$0.00
Holt	\$995,000.00	\$10,500.00
Howard	\$690,000.00	\$147,500.00
Howell	\$489,500.00	\$56,000.00
Iron	\$20,000.00	\$12,000.00
Jackson	\$1,688,500.00	\$204,833.53
Jasper	\$729,000.00	\$24,598.49
Jefferson	\$807,000.00	\$17,800.33
Johnson	\$391,500.00	\$1,500.00
Knox	\$738,500.00	\$0.00
Laclede	\$193,500.00	\$12,000.00
Lafayette	\$237,000.00	\$33,417.80
Lawrence	\$1,916,000.00	\$0.00
Lewis	\$1,187,000.00	\$0.00
Lincoln	\$712,500.00	\$26,313.03
Linn	\$304,000.00	\$30,500.00
Livingston	\$812,500.00	\$22,000.00
Macon	\$38,500.00	\$0.00
Madison	\$1,340,500.00	\$5,139.53
Maries	\$7,000.00	\$0.00
Marion	\$0.00	\$0.00
McDonald	\$38,500.00	\$0.00
Mercer	\$416,500.00	\$0.00
Miller	\$554,500.00	\$2,528.17
Mississippi	\$807,500.00	\$70.56
Moniteau	\$0.00	\$0.00
Monroe	\$10,000.00	\$10,000.00

Montgomery	\$109,500.00	\$0.00
Morgan	\$0.00	\$0.00
New Madrid	\$1,232,500.00	\$102,036.35
Newton	\$242,500.00	\$25,500.00
Nodaway	\$1,804,000.00	\$10,000.00
Oregon	\$0.00	\$0.00
Osage	\$369,500.00	\$9,937.93
Ozark	\$43,000.00	\$43,000.00
Pemiscot	\$2,032,500.00	\$6,500.00
Perry	\$1,162,000.00	\$0.00
Pettis	\$401,000.00	\$0.00
Phelps	\$333,500.00	\$50,000.00
Pike	\$0.00	\$0.00
Platte	\$632,500.00	\$22,500.00
Polk	\$267,000.00	\$0.00
Pulaski	\$860,500.00	\$17,000.00
Putnam	\$0.00	\$0.00
Ralls	\$177,500.00	\$31,055.19
Randolph	\$660,500.00	\$10,500.00
Ray	\$1,374,000.00	\$0.00
Reynolds	\$397,500.00	\$657.95
Ripley	\$232,000.00	\$0.00
Saline	\$463,500.00	\$0.00
Schuyler	\$430,500.00	\$0.00
Scotland	\$548,000.00	\$0.00
Scott	\$1,298,000.00	\$0.00
Shannon	\$104,500.00	\$95,001.92
Shelby	\$6,500.00	\$6,500.00
St. Charles	\$935,000.00	\$46,455.82
St. Clair	\$1,418,500.00	\$229.37
St. Francois	\$238,500.00	\$0.00
St. Louis	\$2,052,500.00	\$473,564.92
St. Louis City	\$4,018,000.00	\$104,946.13
Ste. Genevieve	\$0.00	\$0.00
Stoddard	\$950,500.00	\$132,693.13
Stone	\$687,999.99	\$88,499.99
Sullivan	\$455,000.00	\$0.00
Taney	\$909,500.00	\$8,500.00

Texas	\$697,500.00	\$39,500.00
Vernon	\$764,000.00	\$12,000.00
Warren	\$10,500.00	\$10,500.00
Washington	\$482,500.00	\$12,000.00
Wayne	\$852,500.00	\$402.75
Webster	\$231,000.00	\$0.00
Worth	\$19,000.00	\$0.00
Wright	\$0.00	\$0.00
Grand Total	\$72,444,999.99	\$2,438,991.50

DOR notes, per statute, DOR is allowed to retain 2% of the amount collected for administration. Since the program began, DOR has collected \$48,779.83 which has been deposited into GR.

The current outstanding balance is \$70,006,008.49 (\$72,444,999.99 - \$2,438,991.50). This is money DOR notes is owed, but most likely uncollectable.

Should it be collected it will be forwarded to the local school district fund. Therefore if all political subdivision file their report and receive the reduction it would be a loss of \$61,745,300 to the local school districts from not receiving the fine money, a loss to the state of \$1,260,108 in collection fees and a gain to the local political subdivisions of \$63,005,408(\$70,006,008 * 90%).

The new provisions to this proposal calls for DOR to initiate a ballot measure that could dissolve political subdivisions that fail to timely submit annual financial statements after January 1, 2022. DOR assumes that if there is an impact it could be absorbed with existing resources.

Officials from **B&P** state this section excludes the fine for failure to submit annual financial statements for political subdivisions with gross revenues of less than \$5,000, or for political subdivisions that have not levied or collected sales or use taxes in the fiscal year. This may result in a revenue loss for both the state and schools.

This section also provides grace from fines if the failure to timely submit the annual financial statement is the result of fraud or other illegal conduct and allows a refund by the Missouri Department of Revenue of any fines already paid under these circumstances. The 90% downward adjustment the Missouri Department of Revenue is allowed to make on outstanding fine or penalty balances after August 28, 2021 will reduce Missouri Department of Revenue's collection of fees and monies distributed to schools within the county of delinquent taxing districts. A similar downward adjustment may be made by the Missouri Department of Revenue if the outstanding fines are deemed uncollectable. These downward adjustments will likewise result in a revenue loss for both the state and schools.

Based on information from the Missouri Department of Revenue, the Missouri Department of Revenue started imposing this fine in August 2017. This section directs that the Director of the Missouri Department of Revenue to initiate a ballot measure that could dissolve political subdivisions that fail to timely submit annual financial statements after August 28, 2021.

Based on information provided by the Missouri Department of Revenue, there are currently \$70,006,009 in outstanding fine balances. Reducing the balances by 90% will leave outstanding balances of \$7,000,601. Therefore, B&P estimates that this section will reduce General Revenue (GR) (Missouri Department of Revenue's collection fee) by \$1,260,108 in Fiscal Year 2022. This section will also reduce money to schools by \$61,745,300 in Fiscal Year 2022.

Oversight notes, if a political subdivision has an outstanding balance at the time it files its first annual financial statement after August 28, 2021, the Director of the Missouri Department of Revenue may make a one-time downward adjustment to such outstanding balance in an amount that reduces the outstanding balance by ninety percent (90%). Therefore, Oversight assumes this section could result in the reduction of fines or penalties beginning on August 29, 2021 (Fiscal Year 2022).

Therefore, for purposes of this fiscal note, Oversight will report the reduction to GR, equal to \$0 (fine was uncollectable) up to \$1,260,108 (the amounts estimated by B&P for the Missouri Department of Revenue's collection fee) in Fiscal Year 2022.

Oversight will report a revenue reduction to GR equal to \$0 (future fines would have been uncollectable) to a negative "Unknown" beginning in Fiscal Year 2022 as a result of the exemption from fine imposition expanded to **any** political subdivision that has gross revenues of less than five thousand dollars (\$5,000) or that has not levied or collected sales or use taxes in the fiscal year in which the annual report is due that would have otherwise permitted the Missouri Department of Revenue to retain a collection fee for such collection.

Oversight will report a revenue reduction to local political subdivisions equal to \$0 (fine was never collected to be distributed) up to \$61,745,300 (the amount of money that would have otherwise been collected (less DOR's collection fee) and distributed to school districts if fine was collected had a downward adjustment not occurred, as estimated by B&P) in Fiscal Year 2022.

Oversight will report a revenue reduction to local political subdivisions beginning in Fiscal Year 2022 equal \$0 (fine was uncollectable) up to a negative "Unknown" as a result of the exemption from fine imposition expanded to **any** political subdivision that has gross revenues of less than five thousand dollars (\$5,000) or that has not levied or collected sales or use taxes in the fiscal year in which the annual report is due that would have otherwise been collected and distributed to local school districts.

Oversight will report a savings to local political subdivisions equal to \$63,005,408 (\$70,006,009 * 90%) as a result of the downward adjustment to existing fines in Fiscal Year 2022.

Oversight will report a savings to local political subdivision equal to \$0 (newly exempt political subdivisions filed annual report timely) up to a positive “Unknown” as a result of the exemption of fine imposition extended to **any** political subdivision that has gross revenues of less than five thousand dollars (\$5,000) or that has not levied or collected sales or use taxes in the fiscal year in which the annual report is due that would have otherwise been imposed.

Section 135.950 – Enhanced Enterprise Zones – Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition states a “Blighted Area” is an area which, by reason of the predominance of defective or inadequate street layout, unsanitary or unsafe conditions, deterioration of site improvements, improper subdivision or obsolete platting, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, morals, or welfare in its present condition and use. The term “Blighted Area” shall also include any area which produces or generates or has the potential to produce or generate electrical energy from a renewable energy resource, and which, by reason of obsolescence, decadence, blight, dilapidation, deteriorating or inadequate site improvements, substandard conditions, the predominance or defective or inadequate street layout, unsanitary or unsafe conditions, improper subdivision or obsolete platting, or the existence of conditions which endanger the life or property y fire or other means, or any combination of such factors, is underutilized, unutilized, or diminishes the economic usefulness of the land, improvements, or lock and dam site within such area for the production, generation, conversion, and conveyance of electrical energy from a renewable energy resource.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 67.1401, as mentioned above in Section 67.1401.

Officials from **B&P** state this section changes the definition for blight to match the revised definition under Section 67.1401. The change to the definition of blight will not impact Total State Revenue TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the definition of blight to remove the requirement of being declared blighted under current law. It requires that, to be a blighted area, a land tract must be eligible to be designated as a qualified opportunity zone under federal law. This may impact the number of projects that qualify for the Enhanced Enterprise Zone tax credit program in the future and the Department of Economic Development may be better able to estimate any future impact. This provision is not expected to fiscally impact DOR.

Oversight notes the Missouri Department of Economic Development has stated this proposed legislation would not have a fiscal impact on their organization.

Oversight will not show a net fiscal impact as a result of the changes made to definition of “Blighted Area”. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 137.115 – Real and Personal Property Assessment

Oversight notes, currently motor vehicles which are eligible for registration as and are registered as historic motor vehicles under Section 301.131 and aircraft which are at least twenty-five (25) years old and which are used solely for noncommercial purposes and are operated less than fifty (50) hours per year or aircraft that are home built from a kit are assessed and valued at 5%.

This section modifies the amount of time qualifying aircraft under this section may be operated under an assessment and valuation of 5% from fifty (50) hours per year to one hundred (100) hours per year.

Officials from **B&P** state this section changes the allowed hours of flying for historical aircraft. This could increase the number of aircraft that are eligible for a **reduced** property tax rate. Based on information provided by the State Tax Commission, this could decrease revenues to the Blind Pension Trust Fund by \$0 to \$500. This could also decrease local revenues by \$0 to \$90,000.

Officials from the **Missouri State Tax Commission (STC)** estimate the fiscal impact of this section to local jurisdictions (school districts, cities, counties, etc.) to be a loss of \$0 to \$35,000. The change regarding the amount of non-commercial aircraft flight hours, from fifty (50) hours to one hundred (100) hours per year could have a fiscal impact on local taxing jurisdictions. STC does not have exact data of how many aircraft in Missouri are within the criteria and threshold(s) put forth.

STC notes, though, that for HB 2784 – 2016 (which did not become law), that proposed an increase in hours up to two hundred and fifty (250) STC had calculated the fiscal impact to be up to \$90,000 to local taxing jurisdictions.

Oversight assumes B&P’s estimated decrease to the Blind Pension Fund and to local political subdivisions stems from STC’s analysis of increasing the number of flight hours to two hundred fifty (250) hours.

Officials from **DOR** state this section changes the hours a historic aircraft is allowed to fly from 50 hours to 100 hours for classification of real property. By changing the hours of operation it could potentially result in fewer aircraft being assessed at their current full value and reduce the amount of property tax owed. It is expected this could result in some political subdivisions receiving less property tax though the loss is expected to be minimal. This would not fiscally impact DOR.

Therefore, for purposes of this fiscal note, Oversight will report a reduction to the Blind Pension Fund equal to \$0 (no additional aircraft qualify for the lower tax rate) up to \$500, as estimated by B&P for the increased number of aircraft that could qualify for the lower tax rate.

Oversight will report a revenue reduction to local political subdivisions (school districts, cities, counties, etc.) equal to \$0 (no additional aircraft qualify for the lower tax rate) up to \$35,000, as estimated by STC for an increase in the number of aircraft that could qualify for the lower tax rate.

Oversight assumes the changes put forth in this section would become effective August 28, 2021 (Fiscal Year 2022). Therefore, Oversight will report the aforementioned impact(s) beginning in Fiscal Year 2022.

Section 143.011 – Imposition of Individual Income Tax for Resident Individuals

Officials from **B&P** state this section would stop the income tax reductions currently scheduled to occur under [SB 509 \(2014\)](#), beginning with Calendar Year 2022.

Based on current revenue forecasts and average revenue growth, B&P estimates that revenues in Fiscal Year 2021, Fiscal Year 2024, and Fiscal Year 2025 will reach the SB 509 (2014) growth trigger requirement for reductions to the top rate of tax. Therefore, the top rate of tax will be reduced by 0.1% in Tax Year(s) 2022, 2025, and 2026 under SB 509 (2014).

B&P notes this section would institute a flat tax rate of 5.3% beginning with Tax Year 2022, subject to the provisions of Section 143.021.

B&P notes that Section 143.021 states that there shall be no tax on taxable income less than \$100.

Therefore, B&P assumes that this provision would create a flat tax rate of 5.3% on all taxable income of \$100 or more.

Table 1 shows the top tax rate and minimum taxable income for each tax year through the full implementation of SB 509 (2014) versus the proposed tax rate.

Table 1: Top Tax Rate by Tax Year

Tax Year	Current Law		Proposed	
	Top Tax Rate	Min. Income	Tax Rate	Min. Income
2020	5.4%	\$8,586	N/A	N/A
2021	5.4%	\$8,715	N/A	N/A
2022*	5.3%	\$8,889	5.3%	\$100
2023	5.3%	\$9,067	5.3%	\$100
2024	5.3%	\$9,248	5.3%	\$100
2025*	5.2%	\$9,433	5.3%	\$100
2026*	5.1%	\$9,622	5.3%	\$100

*Assumes rate reduction is triggered under Section 143.011.2

Officials from **DOR** state this section eliminates the current individual income tax rates and brackets, and eliminates the SB 509 (2014) scheduled reductions of the income tax rate after December 31, 2021.

Starting January 1, 2022, this section institutes an individual income tax of 5.3% on all income subject to the provision of Section 143.021. Section 143.021 says that there shall be no tax on a taxable income of less than one hundred dollars (\$100).

Oversight assumes this section modifies the Individual Income Tax brackets/rates by, beginning January 1, 2022, eliminating the existing tax brackets/rates and eliminating the tax bracket/rate reductions currently permitted in law pursuant to [SB 509 – 2014](#).

This section further states, beginning January 1, 2022, a flat tax shall be imposed for every tax year on the Missouri taxable income of every resident at a rate of five and three-tenths percent (5.3%), subject to the provisions of Section 143.021. Section 143.021 states that no tax shall be imposed on taxable income of less than \$100.

Section 143.031 – Combined Return of Married Couples

Officials from **B&P** state this section changes references of husband and wife to married couple. This section also removes the requirement that the taxable income of each spouse be in the same proportion as that spouse’s Missouri Adjusted Gross Income to their total combined Missouri adjusted gross income. B&P assumes that the changes in this section will not impact state revenues given the tax structure change created under Subsection 143.011.6.

Officials from **DOR** state this section removes language stating a husband and wife who file a combined return and replaces it with language that says a married couple filing a combined return. This change is not expected to fiscally impact DOR.

This section also removes the language requiring the apportionment of the combined income between the spouses. Since tax is applied to the combined amount of income this is not expected to fiscally impact DOR.

Oversight notes this section modifies the language used in this section, by changing references of “husband and wife” to “married couple”. Also, this section removes language stating that the income of individuals filing a combined return shall be apportioned. Whether tax is calculated on an apportioned amount of two individuals or the combined amount, the result remains the same.

Section 143.131 – Missouri Standard Deduction

Officials from **B&P** state this section would create a \$3,000 standard deduction in addition to the standard deduction that is already allowable. B&P notes that the \$3,000 is a flat addition and is not doubled for individuals who file married combined returns. Therefore, individuals who are married, but filing separate, will receive a \$6,000 additional standard deduction. Whereas individuals who are married, but file a joint return, will only receive a \$3,000 additional standard deduction.

B&P notes that this section would start on August 28, 2021 and will therefore impact Tax Year 2021 returns. B&P further notes that the standard deduction is not granted until individuals file their annual return in April of the year after the Tax Year (April 2022).

Therefore, while this provision will be granted for Tax Year 2021, the impact will not occur to state revenues until Fiscal Year 2022.

Officials from **DOR** state, currently, the Missouri standard deduction is the same amount allowed under the federal standard deduction. This section increases the Missouri standard deduction to the federal standard deduction plus \$3,000.

In Tax Year 2021 the federal standard deduction is scheduled to be \$12,550 for single filers. Under this proposal the Missouri standard deduction would become \$15,550 for singles filers.

DOR notes that this section becomes effective in the middle of a tax year instead of at the beginning; however, deductions are only granted once taxpayers file their annual return. Therefore, this section will increase the standard deduction starting with Tax Year 2021. While this section will impact Tax Year 2021, it will not affect state revenues until Fiscal Year 2022.

The impact of this section will be calculated with the other individual income tax changes occurring as a result of this entire proposed legislation. The impact will be listed later in this response under Section 143.011.

Oversight notes, currently, the Missouri Standard Deduction, the amount that may be deducted in determining a taxpayer's Missouri taxable income, shall be equal to the allowable federal standard deduction.

Oversight notes the standard deduction for the each filing status for the last completed tax year (Tax Year 2020) was:

Filing Status	Current Standard Deduction Amount
Single or Married Filing Separate	\$12,400
Head of Household	\$18,650
Married Filing Combined or Qualifying Widow(er)	\$24,800

This section states the Missouri Standard Deduction shall be equal to the allowable federal standard deduction plus three thousand dollars (\$3,000).

Therefore, Oversight assumes the Missouri Standard Deduction (using Tax Year 2020's standard deduction(s)) would become:

Filing Status	Current Standard Deduction Amount
Single or Married Filing Separate	\$15,400
Head of Household	\$21,650
Married Filing Combined or Qualifying Widow(er)	\$27,800

Oversight estimates, when using the tax rate put forth under this section (5.3%), the after tax benefit for increasing each filing status's Missouri Standard Deduction by \$3,000 equates to \$159 ($\$3,000 * 5.3\%$) per return.

Oversight notes, historically, the Missouri Standard Deduction for individuals filing with a filing status of Married Filing Combined has been equal to twice the amount of individuals filing with a filing status of Single or Married Filing Separate.

Oversight assumes, should married couples file separately, **each** individual will receive the standard deduction of \$15,400.

Thus, the combined pre-tax benefit from the Missouri Standard Deduction for married couples filing separately, would total \$30,800; an additional \$3,000 compared to the \$27,800 had such individuals filed a combined return.

Thus, Oversight estimates, when using the tax rate put forth under this section (5.3%), the combined after-tax benefit for married couples who filing separate would total \$318 ($(\$3,000 * 5.3\%) * 2$); benefiting \$159 more than had such couple filed a married filing combined return.

Section 143.151 – Missouri Personal Exemption

Officials from **B&P** state this section would end the personal exemption and the low-income exemption beginning with Tax Year 2022. B&P notes that these exemptions are currently not allowable. Therefore, this section will not impact revenues.

Officials from **DOR** state this section would, after December 31, 2021, eliminate the personal and dependent care deductions in statutes. DOR notes that the Tax Cut and Jobs Act had already stopped these deductions. DOR does not anticipate a fiscal impact from these provisions.

Oversight notes, under current law, for all taxable years after January 1, 1999, a resident shall be allowed a deduction of two thousand one hundred dollars (\$2,100) for himself or herself and two thousand one hundred dollars (\$2,100) for his or her spouse if he or she is entitled to a deduction for such personal exemptions for federal income tax purposes, provided that the exemption amount as defined under 26 U.S.C. Section 151 is not zero (\$0).

This section would eliminate the aforementioned deduction for all tax years beginning January 1, 2022.

Oversight notes, currently, the exemption amount, as defined under 26 U.S.C. Section 151 is zero (\$0) for taxable years beginning January 1, 2018 and ending December 31, 2025.

Therefore, Oversight notes the aforementioned exemption permitted under this section, for purposes of determining Missouri taxable income, for taxable years beginning January 1, 2018 and ending December 31, 2025 is zero (\$0).

Oversight notes, under current law, for all tax years beginning on or after January 1, 2017, a resident with a Missouri Adjusted Gross Income of less than twenty thousand dollars (\$20,000) shall be allowed an additional deduction of five hundred dollars (\$500) for himself or herself and an additional five hundred dollars (\$500) for his or her spouse if he or she is entitled to a deduction for such personal exemptions for federal income tax purposes, provided that the exemption amount as defined under Section 26 U.S.C. Section 151 is not zero (\$0) and his or her spouse's Missouri Adjusted Gross Income is less than twenty thousand dollars (\$20,000).

This section would eliminate the aforementioned deduction for all tax years beginning January 1, 2022.

Oversight notes, currently, the exemption amount, as defined under 26 U.S.C. Section 151 is zero (\$0) for taxable years beginning January 1, 2018 and ending December 31, 2025.

Therefore, Oversight notes the aforementioned exemption permitted under this section, for purposes of determining Missouri taxable income, for taxable years beginning January 1, 2018 and ending December 31, 2025 is zero (\$0).

Oversight assumes, since these exemptions are not currently permitted, this section will **not** result in a fiscal impact.

Section 143.161 – Missouri Dependency Exemptions

Officials from **B&P** state this section would end the dependent deduction and the head of household deduction starting with Tax Year 2022. B&P notes that these deductions are currently not allowable; therefore, this change will not impact revenues.

However, Subsection 143.161.4 would create a dependent deduction for taxpayers with a dependent aged 65 or older who does not receive Medicaid or state funding while residing in a state licensed nursing home or facility.

Officials from **DOR** state this section, starting in January 1, 2022, allows a resident to deduct \$1,000 for each dependent who is over 65 years of age and resides in the taxpayer's home. The dependent must meet the qualification of an eligible dependent.

The impact from this provision will be calculated with the other individual income tax changes occurring as a result of this entire proposal. The impact will be listed later in this response under Section 143.011.

Oversight notes, under current law, for all tax years beginning January 1, 1998, a resident may deduct one thousand two hundred dollars (\$1,200) for each dependent for whom such resident is entitled to a dependency exemption deduction for federal income tax purposes, provided that the exemption amount as defined under 26 U.S.C. Section 151 is not zero (\$0). In the event a dependent who has attained sixty-five (65) years of age on or before the last day of the taxable year, if such dependent resides in the taxpayer's home or the dependent's own home or if such dependent does not receive Medicaid or state funding while residing in a facility licensed pursuant to Chapter 198, the taxpayer may deduct an additional one thousand dollars (\$1,000).

Furthermore, under current law, for all taxable years beginning on or after January 1, 1999, a resident who qualifies as an unmarried head of household or as a surviving spouse for federal income tax purposes may deduct an additional one thousand four hundred dollars (\$1,400).

This section would eliminate the aforementioned deduction(s) for all tax years beginning January 1, 2022.

Oversight notes, currently, the exemption amount, as defined under 26 U.S.C. Section 151 is zero (\$0) for taxable years beginning January 1, 2018 and ending December 31, 2025.

Therefore, Oversight notes the aforementioned exemption permitted under this section, for purposes of determining Missouri taxable income, for taxable years beginning January 1, 2018 and ending December 31, 2025 is zero (\$0).

Oversight notes this section also states, for all tax years beginning on or after January 1, 2022, a resident may deduct one thousand dollars (\$1,000) for each dependent who has attained sixty-five years of age on or before the last day of the tax year if such dependent resides in the taxpayer's home or the dependent's own home or if such dependent does not receive Medicaid or state funding while residing in a facility licensed under Chapter 198.

B&P – Income Tax Summary

Using Tax Year 2018 tax data, the most current complete year available, and accounting for the changes in Individual Income Tax law created by SB 509 (2014) and HB 2540 (2018), B&P estimates that Section 143.131 will reduce TSR and GR by \$262,919,152 in Tax Year 2021.

Section(s) 143.011, 143.131, and Subsection 143.161.4 will increase TSR and GR by \$189,029,197 in Tax Year 2022. Table 2 shows the estimated impacts by tax year.

Table 2: Income Tax Changes by Calendar Year

Tax Year	GR Impact
2021	(\$262,919,152)
2022	\$189,029,197
2023	\$197,599,053
2024	\$209,122,902
2025	\$321,395,959
2026	\$433,600,453

However, as noted above even though the increased standard deduction would begin for Tax Year 2021, it would not impact state revenues until Fiscal Year 2022. In addition, individuals will adjust their withholdings and declarations during Fiscal Year 2022 for the tax structure change that begins in Tax Year 2022 under Subsection 143.011.6.

Therefore, B&P estimates that these sections will reduce TSR and GR by \$183,526,889 in Fiscal Year 2022. Once SB 509 (2014) would have been fully implemented, these sections will increase TSR and GR by \$433,600,453. Table 3 shows the estimated impacts per fiscal year.

Table 3: Income Tax Changes by Fiscal Year

Fiscal Year	GR Impact
2022	(\$183,526,889)
2023	\$192,628,536
2024	\$202,439,069
2025	\$256,277,586
2026	\$368,521,847
2027	\$433,600,453

DOR – Income Tax Summary

DOR used its internal Income Tax Model that contains confidential taxpayer data to calculate the fiscal impact for Sections 143.011, 143.131, and 143.161.

Tax Year	Amount
2021	(\$262,320,097)
2022	\$190,873,393
2023	\$199,408,266
2024	\$210,885,560
2025	\$322,726,594
2026	\$434,507,109

DOR uses a 42/58 split; 42% in the first year and 58% in the second year, to convert from tax year to fiscal year. DOR notes that the full impact from the Tax Year 2021 change in Section 143.131 will occur in Fiscal Year 2022.

Fiscal Year	Amount
2021	\$0
2022	(\$182,153,272)
2023	\$194,458,040
2024	\$204,228,730
2025	\$257,858,794
2026	\$369,674,410
2027	\$434,507,109

Oversight notes that it **does not currently have the resources and/or access to state tax data** to produce an independent revenue estimate and is unable to verify the revenue estimates provided by B&P and DOR.

For purposes of this fiscal note, Oversight will report a reduction and gain to GR as a result of the individual income tax change(s), as reported by B&P.

Section(s) 144.605 & 144.752 – Online Use Tax Collection

Oversight notes Section 144.605 modifies the definition of “engages in business activities within this state.”

The definition now reads that engaging in business activities within this state, beginning January 1, 2022, shall include any vendor whose cumulative gross receipts from the vendor’s sales of tangible personal property to purchasers for the purpose of storage, use, or consumption in this state equal one hundred thousand dollars (\$100,000) or more during any twelve-month period.

The provisions of this section, for which use tax shall be imposed on vendor’s whose cumulative gross receipts from the vendor’s sale of tangible personal property to purchasers for the purpose of storage, use, or consumption in this state equal to one hundred thousand dollars (\$100,000), shall only apply to vendors that do not have a physical presence within the state and if the associated sales of tangible personal property occurred with the use of the internet.

Any entity that has constitutional authority to collect sales or use tax under Article IV of the Constitution of Missouri may remit any moneys collected under this paragraph to the Missouri Department of Revenue to be deposited into General Revenue.

This section states, for any vendor whose cumulative gross receipts from the vendor’s sales of tangible personal property to purchasers for the purpose of storage, use, or consumption in this state equal one hundred thousand dollars (\$100,000) or more during any twelve-month period, such vendor shall not be subject to local use tax imposed by a political subdivision enacted prior to January 1, 2022, except in any political subdivision in which a majority of the voters have approved expanding a use tax onto such vendors.

This section would allow any political subdivision who wishes to enact a new local use tax, but does not wish to subject such vendors to such local use tax to exclude such vendors from such new local use tax.

Oversight notes Section 144.752 states, by no later than January 1, 2022, marketplace facilitators whose cumulative gross receipts from sales of tangible personal property to purchasers for the purpose of storage, use, or consumption in this state equal one hundred thousand dollars (\$100,000) or more during any twelve-month period shall register with the Missouri Department of Revenue to collect and remit sales and use tax.

Officials from **B&P** state Section(s) 144.605 and 144.752 require retailers and marketplace facilitators that do not have a physical presence within Missouri to collect and remit sales tax on purchases delivered into Missouri beginning January 1, 2022. Only retailers with gross revenue greater than \$100,000 from deliveries into Missouri would be required to collect Missouri sales tax.

Section 144.605(2)(g)c states that the use tax thresholds shall only apply to vendors that do not have a physical presence within the state and complete sales of tangible personal property online. B&P notes that this would exclude mail order businesses from the online use tax remittance requirements in Section 144.605(2)(g).

Section 144.605(2)(g)d states that any department with constitutional authority to collect sales or use taxes under Article IV of the Missouri Constitution may remit the money collected from online vendors to the Missouri Department of Revenue and the money shall then be deposited into GR. B&P notes that both the Missouri Department of Conservation and the Missouri Department of Natural Resources have constitutional sales and use taxes under Article IV.

However, the Missouri Department of Revenue collects and then distributes the sales and use tax money to each department. In addition, the language in this subparagraph would only capture online vendor use tax and would not capture marketplace facilitator use taxes. For the purpose of this fiscal note, B&P will reflect the use tax money generated from online vendors as going to both the Missouri Department of Conservation and the Missouri Department of Natural Resources.

Section 144.605(2)(g)e states that any vendor that meets the requirements in Section 155.605(2)(g)c shall not be subject to any local use tax that was enacted prior to January 1, 2022 unless an expansion of such tax to include online vendors has been voter approved. B&P notes that it is unclear whether purchasers would still be subject to such local use tax in the event an expansion has not been approved by voters. Section 144.757 includes the ballot language to be used for voter approval of the use tax expansion. Therefore, B&P will show potential local revenues from Section 144.605 and 144.752 as \$0 (no local expansion approved) to \$X (the full amount, all local jurisdictions with a current use tax approved expansion). Section 144.605(2)(g)f allows local taxing jurisdictions to exclude online vendors from any new use tax levies after January 1, 2022.

B&P states Section 144.752 defines marketplace facilitators and states that a facilitator counts as one seller. Starting January 1, 2022 marketplace facilitators that reach the sales threshold outlined under Section 144.605(2)(g) must register with the Missouri Department of Revenue and begin remitting sales tax on behalf of individual marketplace sellers. B&P notes that this provision would apply to retailers such as Amazon's marketplace, ETSY, EBAY, etc. This section further clarifies that internet advertisers, travel agencies, and third party payment processors are not considered marketplace facilitators. In addition, marketplace facilitators that collect and remit use tax in a timely manner are eligible for the 2% use tax timely filing discount.

B&P & DOR – Online Use Tax Collection Summary

OA-Budget and Planning (B&P) and the Department of Revenue (DOR) worked together to estimate the potential revenue gains from the U.S. Supreme Court *Wayfair* decision, which overturned the *Quill* decision and held that states may charge a tax on purchases made from out-of-state sellers, even if the seller doesn't have a physical presence in the taxing state. In November 2017, the U.S. Government and Accountability Office (GAO) released state-by-state estimates for potential revenue gains if the 1992 *Quill* decision were overturned during the *Wayfair* case. In the report, the GAO estimated that Missouri could gain \$180 million to \$275 million in state and local sales taxes during 2017 from e-commerce sales tax revenue. B&P notes that there were three (3) limitations to the study, which B&P and DOR attempted to address by further refining the GAO estimates.

At the time of the study, the GAO did not remove the sales of digital downloads from the state and local estimates due to data limitations and different tax treatments across states. B&P notes that digital downloads are currently exempt from sales tax under Missouri law. B&P and DOR were able to find limited studies on the e-commerce market share for such sales. The studies indicated that digital downloads account for approximately 14.1% of all e-commerce sales. B&P and DOR then reduced the original GAO estimates by that 14.1%.

The GAO provided a point-in-time estimate for potential state and local revenue gains during 2017. This estimate, though, does not account for anticipated growth in e-commerce sales. To address this, B&P and DOR adjusted the GAO estimate to incorporate e-commerce sales growth for tangible personal property from 2018 through 2022. Only growth for e-commerce sales of tangible personal property were used, rather than growth in the full e-commerce market, in order to accurately reflect growth in the online sales tax base. B&P notes that using growth in the full e-commerce market would overestimate the sales tax base as services and digital download products are not currently taxable in Missouri.

At the time of the study, the GAO did not incorporate potential in-state sales or in-state transaction requirements that would limit the companies required to comply with e-commerce sales tax collections. Using data published by the U.S. Census Bureau and industry reports, B&P and DOR were able to estimate the percent of sales that would remain taxable if Missouri instituted an in-state sales threshold of \$100,000. If Missouri were to enact a \$100,000 in-state sales threshold, B&P and DOR estimate that approximately 86.7% of all e-commerce sales would remain taxable. B&P and DOR used this estimate to further adjust the GAO provided revenue estimate.

B&P and DOR were unable to estimate the impact from a potential in-state transaction requirement. B&P notes that the majority of states are currently enacting e-commerce sales tax requirements of \$100,000 in in-state sales or 200 in-state transactions.

Table 1: Collections by Calendar Year

Revenue Estimates	2022		2023		2024	
	Low	High	Low	High	Low	High
General Revenue	\$75,241,059	\$114,951,618	\$79,336,120	\$121,207,962	\$82,201,766	\$125,586,032
Education (SDTF)	\$25,080,353	\$38,317,206	\$26,445,373	\$40,402,654	\$27,400,589	\$41,862,011
Conservation	\$3,135,044	\$4,789,651	\$3,305,672	\$5,050,332	\$3,425,074	\$5,232,751
Parks, Soil, Water	\$2,508,035	\$3,831,721	\$2,644,537	\$4,040,265	\$2,740,059	\$4,186,201
TSR	\$105,964,491	\$161,890,196	\$111,731,702	\$170,701,213	\$115,767,488	\$176,866,995
Local	\$0	\$59,488,813	\$0	\$62,726,544	\$0	\$64,992,247

**Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.*

***Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

Table 1: Collections by Calendar Year (cont.)

Revenue Estimates	2025		2026		2027	
	Low	High	Low	High	Low	High
General Revenue	\$84,339,012	\$128,851,269	\$86,531,827	\$132,201,401	\$88,781,654	\$135,638,638
Education (SDTF)	\$28,113,004	\$42,950,423	\$28,843,942	\$44,067,134	\$29,593,885	\$45,212,879
Conservation	\$3,514,126	\$5,368,803	\$3,605,493	\$5,508,392	\$3,699,236	\$5,651,610
Parks, Soil, Water	\$2,811,300	\$4,295,042	\$2,884,394	\$4,406,713	\$2,959,388	\$4,521,288
TSR	\$118,777,442	\$181,465,537	\$121,865,656	\$186,183,640	\$125,034,163	\$191,024,415
Local	\$0	\$66,682,045	\$0	\$68,415,778	\$0	\$70,194,589

**Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.*

***Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

B&P and DOR estimate that in Fiscal Year 2024, TSR could increase by \$53.0 million to \$80.9 million. By fiscal year 2027, B&P and DOR estimate that TSR could increase by \$123.4 million to \$188.6 million. Table 2 shows the estimated impact by fiscal year.

Table 2: Collections by Fiscal Year

Revenue Estimates	FY 2022		FY 2023		FY 2024	
	Low	High	Low	High	Low	High
General Revenue	\$37,620,530	\$57,475,809	\$77,288,590	\$118,079,790	\$80,768,943	\$123,396,997
Education (SDTF)	\$12,540,177	\$19,158,603	\$25,762,863	\$39,359,930	\$26,922,981	\$41,132,333
Conservation	\$1,567,522	\$2,394,826	\$3,220,358	\$4,919,992	\$3,365,373	\$5,141,542
Parks, Soil, Water	\$1,254,018	\$1,915,861	\$2,576,286	\$3,935,993	\$2,692,298	\$4,113,233
TSR	\$52,982,246	\$80,945,098	\$108,848,097	\$166,295,705	\$113,749,595	\$173,784,104
Local	\$0	\$29,744,407	\$0	\$61,107,679	\$0	\$63,859,396

**Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.*

***Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

Table 2: Collections by Fiscal Year (cont.)

Revenue Estimates	FY 2025		FY 2026		FY 2027	
	Low	High	Low	High	Low	High
General Revenue	\$83,270,389	\$127,218,651	\$85,435,419.50	\$130,526,335	\$87,656,741	\$133,920,020
Education (SDTF)	\$27,756,797	\$42,406,217	\$28,478,473	\$43,508,779	\$29,218,914	\$44,640,007
Conservation	\$3,469,600	\$5,300,777	\$3,559,810	\$5,438,598	\$3,652,365	\$5,580,001
Parks, Soil, Water	\$2,775,680	\$4,240,622	\$2,847,847	\$4,350,878	\$2,921,891	\$4,464,001
TSR	\$117,272,465	\$179,166,266	\$120,321,549	\$183,824,589	\$123,449,910	\$188,604,028
Local	\$0	\$65,837,146	\$0	\$67,548,912	\$0	\$69,305,184

**Section 144.637.3 requires that the lowest combined tax rate within a zip code be used to determine local sales tax due. This may lower the actual local tax collections.*

***Section 144.605(2)(g)e requires local jurisdictions to receive voter approval prior to enacting use tax on online vendors.*

B&P notes that these estimates reflect the full potential revenue and do not include adjustments for implementation timing or business compliance. Therefore, the actual revenue collected in earlier years may be significantly lower than the estimated amount.

B&P further notes that the COVID-19 pandemic has changed current consumer behavior. It is unknown yet if and how much of these consumer behavior changes will remain permanent. While these estimates account for some of the behavior changes seen to date, a more permanent shift could alter actual revenues.

DOR would notify an estimated 200,000 sellers of their potential reporting requirements, estimated postage and printing costs for notifications to online sellers may be up to an estimated \$100,000.

DOR's Sales/Use Tax Division anticipates the need for three (3) Associate Customer Service Representatives (\$24,360 annual salary/FTE) to process additional sales/use tax returns, one (1) Associate Customer Service Representative to respond to additional correspondence, two (2) Associate Customer Service Representatives to process additional registration applications and perform location maintenance, one (1) Associate Customer Service Representative to process additional refund requests under Section 144.190.

DOR states DOR will need to increase the number of auditors; especially those in out-of-state offices, in order to address the potential of a greater non-compliant tax base. DOR will need to add twenty-five (25) Associate Auditors. DOR believes the need for twenty-five total Associate Auditors could increase over a period of time, as DOR generally performs three-year audits and there will be limited records to audit in the first several years following implementation of this proposed bill. DOR notes the Associate Auditors would be located as follows:

- Dallas – 7 (\$48,309.36 per FTE)
- New York – 5 (\$62,409.84 per FTE)
- Chicago – 5 (\$52,275.12 per FTE)
- St. Louis – 3 (\$44,784.48 per FTE)
- Kansas City – 2 (\$44,784.48 per FTE)
- Springfield -2 (\$44,784.48 per FTE)
- Central Office in Jefferson City – 1 (\$44,784.48 per FTE)

DOR also anticipates it will need two (2) additional auditors in training (\$44,784 annual salary/FTE) to perform discovery work needed to identify potential audit leads from non-registered businesses. These auditors would be located in Dallas and Kansas City.

Oversight conducted independent analysis in relation to the impact(s) to state revenues should legislation be passed that would require out-of-state/online retailers and marketplace facilitators to collect and remit Missouri use tax. Oversight's analysis supports B&P's and DOR's estimated impact(s).

Oversight notes, the overall impact of requiring out-of-state/online retailers and marketplace facilitators to remit use tax is **largely dependent** on the percentage of collections from out-of-state/online retailers and marketplace facilitators that Missouri is currently receiving versus the percentage that is not currently collected from such entities. Currently, the **actual** participation in sales/use tax remittance by out-of-state/online retailers and/or marketplace facilitators cannot be identified. If Missouri is currently collecting sales/use tax(es) from out-of-state/online retailers and marketplace facilitators at a rate higher than estimated, the impact(s) reported above could prove to be lower.

Oversight notes many sources suggest Missouri and Florida are the only two (2) states that impose a sales tax that haven't begun requiring remote sellers to collect and remit applicable tax(es) after the U.S. Supreme Court's 2018 *Wayfair* decision. Oversight notes that, should many of these remote sellers have begun remitting the applicable taxes to Missouri on their own accord, anticipating the requirement will occur at some point, the impact(s) reported above could prove to be lower.

Oversight notes, at some point, revenues generated through online retail sales could simply **replace** (net \$0) revenues currently generated from Missouri's brick and mortar operations. For example, if there is a continuous increase in the percent of total retail sales that are online retail sales, eventually, it would suggest that one hundred percent (100%) of all retail sales are that of online retail sales. This does not indicate that state revenues would increase significantly. Rather, the source of the tax would simply change from brick and mortar operations to online retailers.

Oversight is unable to determine at what point an increase in the percent of total retail sales that are online retail sales becomes a transition of tax revenues from brick and mortar sales to online retail sales.

Oversight further notes, though, that if legislation is not passed that requires out-of-state/online retailers and/or marketplace facilitators to remit applicable Missouri tax(es), that state revenues could decrease should a continuous transition of retail sales from brick and mortar sales to online retail sales occur; a loss of revenues currently collected.

Officials from the **Missouri Department of Conservation (MDC)** assumes this section would have an unknown fiscal impact but greater than \$100,000.

MDC states 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 change in sales and use tax collected would affect 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. MDC assumes the Missouri Department of Revenue would be better able to estimate the anticipated fiscal impact that would result from this proposal.

Officials from the **Missouri Department of Natural Resources (DNR)** state DNR'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.

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

Officials from **Kansas City** assume this section will result in a positive fiscal impact.

Officials from **Springfield** assume this section will have a positive fiscal impact on Springfield's revenue(s).

For purposes of this fiscal note, **Oversight** will report the fiscal impact(s) of Section(s) 144.605 and 144.752 as reported by B&P and DOR, including DOR's administrative impact(s).

Section 144.637 – DOR Tax Database

Officials from **DOR** state that the Director of Revenue shall provide and maintain a database that describes boundary changes for all taxing jurisdictions and the effective dates of such changes for the use of vendors collecting tax.

This section states that for the identification of counties and cities, codes corresponding to the rates shall be provided according to Federal Information Processing Standards. For the identification of all other jurisdictions, codes corresponding to the rates shall be in a format determined by the Director.

This section states that the electronic databases provided for in Subsections 1 and 3 of this section shall be in downloadable format as determined by the Director. The databases shall be provided at no cost to the user of the database, and no vendor shall be liable for reliance upon erroneous data provided by the director on tax rates, boundaries, or taxing jurisdiction assignments.

DOR anticipates that this section would require a totally new program that would require DOR to contract with a certified service provider. DOR believes the fiscal impact for this would be significantly greater than \$1 million. DOR has reached out to multiple CSP providers, though we have yet to get any definitive fiscal response. DOR will continue to research and update when needed.

For purposes of this fiscal note, Oversight will include DOR's anticipated administrative costs as it relates to this section. Oversight notes the cost will be included in DOR's equipment and expense cost(s) for Fiscal Year 2022.

Officials from **B&P** state this section requires the Missouri Department of Revenue to create, maintain, and provide a database that assigns each nine-digit and five-digit zip code with the lowest combined local tax rate for that zip code. Vendors are required to use the database in determining the amount of use tax to collect and remit. The Missouri Department of Revenue may provide an address level database with the corresponding tax rate for each address. If such a database is created, vendors must use the address level database in lieu of the zip code database when determining the amount of use tax to collect and remit.

All databases created, maintained, or certified by the Missouri Department of Revenue must be provided at no cost to vendors for their use in collecting and remitting use taxes. B&P defers to the Missouri Department of Revenue for the estimated cost to the agency from this section.

B&P states this section requires that the lowest combined tax rate within a zip code area must be applied if there are multiple tax rates within the zip code. B&P notes that using the lowest combined local tax rate may reduce the local sales tax collections estimated for online sales.

Section 144.757 – Local Use Tax

Officials from **B&P** state this section requires voter approval in order for political subdivisions to expand existing use taxes to online vendors under Section 144.602.1(2)(g). (See discussion under online use tax section.)

This section also places a cap on local use taxes. Under this provision, a local use tax shall not exceed the rate enacted as of January 1, 2021. B&P notes that this would remove the parity between local sales and use taxes.

Currently, local use taxes are set at the same rate as local sales taxes. This provision would prevent local use taxes from being increased any time a local sales tax is increased after January 1, 2022.

Officials from **DOR** state this section modifies the ballot language that must be used when submitting a sales and use tax issue to the voters to be approved. DOR assumes no fiscal impact from changing the wording of the ballot language.

Oversight notes this section could induce a change in the amount of revenue(s) local political subdivisions recognize in future years should such local political subdivision (or voters of) approved an increase in the local political subdivisions local use tax in the future should such political subdivision not be bound by the rate equal to the use tax rate as of January 1, 2022.

Oversight is unable to determine the amount of revenue(s) local political subdivisions would have received in future years had such local political subdivisions increased their respective local use tax rate having not been bound by a rate equal to the use tax rate as of January 1, 2022.

For purposes of this fiscal note, since the proposed legislation does not impact the amount of use tax local political subdivisions **currently** collect, Oversight will not report a fiscal impact for this section.

Section 238.207 – Transportation Development Districts

Oversight notes this section modifies the voting requirements for funding mechanisms imposed by Transportation Development Districts.

Currently, Transportation Development Districts are authorized to propose funding mechanisms to fund the district so long as the funding is approved by a majority of the voters who reside within the district.

This section requires that any funding mechanisms be approved by a majority of the voters residing within the municipality in which the Transportation Development District is located, rather than just the district.

Officials from **B&P** state this section clarifies that a vote for a Transportation Development District must occur in the municipality in which the district is located. This section will not impact TSR or the calculation under Article X, Section 18(e).

Oversight will not show a net fiscal impact as a result of the changes made to Transportation Development District laws. Oversight assumes the changes put forth may or may not impact future Transportation Development Districts; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 238.235 – Transportation Development Districts – Sales Tax

Oversight notes this section modifies the voting requirements for sales taxes imposed by Transportation Development Districts.

Currently, Transportation Development Districts are authorized to impose a sales tax on purchases made within the Transportation Development District so long as the sales tax is approved by a majority of the voters who reside within the district.

This section requires that any sales tax imposed be approved by a majority of the voters residing within the municipality in which the Transportation Development District is located, rather than just the district.

Officials from **B&P** state this section clarifies that a vote for a Transportation Development District must occur in the municipality in which the district is located. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section clarifies who is a qualified voter in the elections concerning transportation development districts. This is not expected to fiscally impact DOR.

Oversight will not show a net fiscal impact as a result of the changes made to Transportation Development District laws. Oversight assumes the changes put forth may or may not impact future Transportation Development Districts; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 238.237 – Transportation Development Districts – Toll Roads

Oversight notes this section modifies the voting requirements for tolls and fees imposed by Transportation Development Districts.

Currently, Transportation Development Districts are authorized to impose tolls and fees so long as the funding is approved by a majority of the voters who reside within the district.

This section requires that any tolls and fees imposed be approved by a majority of the voters residing within the municipality in which the Transportation Development District is located, rather than just the district.

Officials from **DOR** state this section clarifies who is a qualified voter in the elections concerning transportation development districts. This is not expected to fiscally impact DOR.

Officials from **B&P** state this section clarifies that a vote for a Transportation Development District must occur in the municipality in which the district is located. This section will not impact TSR or the calculation under Article X, Section 18(e).

Oversight will not show a net fiscal impact as a result of the changes made to Transportation Development District laws. Oversight assumes the changes put forth may or may not impact future Transportation Development Districts; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 262.900 – Urban Agricultural Zones

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition states a “Blighted Area” is that portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate, or outmoded design or physical deterioration have become economic and social liabilities, and that such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 67.1401, as mentioned above in Section 67.1401.

Officials from **B&P** state this section changes the definition for blight to match the revised definition under Section 67.1401. The change to the definition of blight will not impact Total State Revenue TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the definition of blight to remove the requirement of being declared blighted under current law. It requires that, to be a blighted area, a land tract must be eligible to be designated as a qualified opportunity zone under federal law. This may impact the number of projects that qualify for this program in the future and the Department of Agriculture may be better able to estimate any future impact. This provision is not expected to fiscally impact DOR.

Oversight notes the Missouri Department of Agriculture has stated this proposed legislation would not have a fiscal impact on their organization.

Oversight will not show a net fiscal impact as a result of the changes made to definition of “Blighted Area”. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 353.020 – Urban Redevelopment Corporations Law - Definitions

Oversight notes this section modifies the definition of “Blighted Area”.

Currently, the definition states a “Blighted Area” is that portion of the city within which the legislative authority of such city determines that by reason of age, obsolescence, inadequate, or outmoded design or physical deterioration have become economic and social liabilities, and that such conditions are conducive to ill health, transmission of disease, crime or inability to pay reasonable taxes.

This section modifies the definition so that “Blighted Area” becomes the same as defined in Section 67.1401, as mentioned above in Section 67.1401.

Officials from **B&P** state this section changes the definition for blight to match the revised definition under Section 67.1401. The change to the definition of blight will not impact Total State Revenue TSR or the calculation under Article X, Section 18(e).

Officials from **DOR** state this section modifies the definition of blight to remove the requirement of being declared blighted under current law. It requires that, to be a blighted area, a land tract must be eligible to be designated as a qualified opportunity zone under federal law. This may impact the number of projects that qualify for this program in the future and the Department of Economic Development may be better able to estimate any future impact. This provision is not expected to fiscally impact DOR.

Oversight notes the Missouri Department of Economic Development has stated this proposed legislation would not have a fiscal impact on their organization.

Oversight will not show a net fiscal impact as a result of the changes made to definition of “Blighted Area”. Oversight assumes the changes put forth may or may not impact future development projects; however, Oversight assumes this would be an indirect impact of the proposed legislation.

Section 620.2005 – Missouri Works Program - Definitions

Officials from **B&P** state this section would allow storefront retailers to be considered qualified companies in counties of the third and fourth class.

In the event that this change leads to higher utilization of MO Works tax credits, this section could reduce TSR and GR by an unknown amount beginning in Fiscal Year 2022.

Officials from **DOR** state this section modifies the definition of a qualified company. This may impact the number of projects that qualify for this program in the future and the Department of Economic Development may be better able to estimate any future impact. This provision is not expected to fiscally impact DOR.

Oversight notes the Missouri Department of Economic Development has stated this proposed legislation would not have a fiscal impact on their organization.

Oversight notes this section modifies the definition of “Qualified Company”.

Currently, the definition of “Qualified Company” states term shall not include: store front consumer-based retail trade establishments (under NAICS Sectors 44 and 45), except with respect to any company headquartered in this state with a majority of its full time employees engaged in operations not within the NAICS codes specified in this subdivision.

This section modifies the definition so that store front consumer based retail trade establishments (under NAICS Sectors 44 and 45) located in a county of the third or fourth classes would qualify as a “Qualified Company”.

For purposes of this fiscal note, Oversight will report a revenue reduction equal to \$0 (participation in MO Works Program does not increase as a result of the change) to a negative “Unknown” as the result of an actual increase in participation of the MO Works Program as a result of the change.

Oversight assumes this section will become effective August 28, 2021 (Fiscal Year 2022). Therefore, Oversight will report the aforementioned impact as a result of this section beginning in Fiscal Year 2022.

Sections 144.1000 – 144.1015 – Simplified Sales and Use Tax Administration Act

Oversight notes this proposed legislation eliminates Section(s) 144.1000 – 144.1015; the Simplified Sales and Use Tax Administration Act.

Legislation as a Whole –

Officials from the **City of Hale** assume this proposed legislation will have an impact on the City of Hale.

Officials from the **City of Corder** assume this proposed legislation will have an impact on the City of Corder.

Officials from the **Callaway County Assessor's Office** state this proposed legislation would negatively impact Callaway County (school districts, fire districts and special services).

Officials from the **Lexington Water/Wastewater Department** assume this proposed legislation will have an impact.

Officials from the **Missouri Attorney General's Office (AGO)** assume any additional costs arising from this proposed legislation can be absorbed with existing personnel and resources. However, AGO may seek additional appropriation if there is a significant increase in workload.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. 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 SOS for administrative rules is less than \$5,000. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what SOS can sustain with SOS's core budget. Therefore, 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 proposed legislation. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process.

Officials from the **Missouri Department of Insurance and Commerce**, the **Missouri Department of Economic Development**, the **Missouri Department of Agriculture**, the **Missouri Department of Transportation**, the **Missouri State Auditor**, the **Office of State Courts Administrator**, the **City of Claycomo**, the **City of Hughesville**, the **City of Southwest City**, the **Kansas City Board of Election Commissioners**, the **Platte County Election Authority**, the **St. Louis County Election Authority**, the **High Point Elementary School**, the **High Point R-III School District**, the **Cass County Public Water Supply District**, the **Glasgow Village Sld**, the **Hancock Street Light District**, the **Little Blue Valley Sewer District**, the **Metropolitan St. Louis Sewer District**, the **Schell City Water Department**, the **South River Drainage District**, the **Southwest City Water/Wastewater**, the **Wayne County Public Water Supply District #2**, the **Corder Water/Wastewater Department**, the **Hughesville Water/Wastewater Department**, the **Tri-County Water Authority**, and the **St. Louis Assessor** do not anticipate this proposed legislation will have a fiscal impact on their organizations. Oversight does not have any information to the contrary. Therefore, for purposes of this fiscal note, Oversight will not report a fiscal impact for these organizations.

<u>FISCAL IMPACT</u> – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
GENERAL REVENUE FUND				
<u>Revenue Reduction</u> – Section 105.145 – Reduced DOR Collection Fee As Result of Downward Reduction to Fine - p. 14-22	\$0 up to (\$1,260,108)	\$0	\$0	\$0
<u>Revenue Reduction</u> – Section 105.145 – Reduced DOR Collection Fee As A Result Of Increased Number of Local Political Subdivisions Exempt From Fine - p. 14-22	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Revenue Reduction/Revenue Gain</u> – Section(s) 143.011, 143.131, & 143.161 – Changes to Individual Income Tax – p. 24-32	(\$183,526,889)	\$192,628,536	\$202,439,069	\$433,600,453
<u>Revenue Gain</u> – Section(s) 144.605 & 144.752 – Online Retailer Use Tax Collection – p. 32-39	Less than \$37,620,530 to \$57,475,809	Less than \$77,288,590 to \$118,079,790	Less than \$80,768,943 to \$123,396,997	Less than \$87,656,741 to \$133,920,020

<u>Revenue Reduction</u> – Section 620.2005 – Change In Definition of “Qualified Company” – p. 44	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Cost – DOR –</u> Section(s) 32.310, 144.605, & 144.752 p. 4-5 & 32-39				
Personnel Services	(\$1,545,378)	(\$1,872,998)	(\$1,891,728)	(\$1,949,049)
Fringe Benefits	(\$919,565)	(\$1,109,737)	(\$1,116,058)	(\$1,135,404)
Equipment & Expense	(\$1,737,092)	(\$19,639)	(\$20,130)	(\$21,677)
Total Cost - DOR	(\$4,202,035)	(\$3,002,374)	(\$3,027,916)	(\$3,106,130)
FTE Change - DOR	40 FTE	40 FTE	40 FTE	40 FTE
ESTIAMTED NET EFFECT ON GENERAL REVENUE FUND	<u>Less Than</u> <u>(\$150,108,394)</u> <u>to less than</u> <u>(\$131,513,223)</u>	<u>Less than</u> <u>\$266,914,752</u> <u>to less than</u> <u>\$307,705,952</u>	<u>Less than</u> <u>\$280,180,096</u> <u>to less than</u> <u>\$322,808,150</u>	<u>Less than</u> <u>\$518,151,064</u> <u>to less than</u> <u>\$564,414,343</u>
SCHOOL DISTRICT TRUST FUND (0688)				
<u>Revenue Gain –</u> Section(s) 144.605 & 144.752 – Online Retailer Use Tax Collection – p. 32-39	<u>Less than</u> <u>\$12,540,177 to</u> <u>\$19,158,603</u>	<u>Less than</u> <u>\$25,762,863 to</u> <u>\$39,359,930</u>	<u>Less than</u> <u>\$26,922,981 to</u> <u>\$41,132,333</u>	<u>Less than</u> <u>\$29,218,914 to</u> <u>\$44,640,007</u>
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	<u>Less than</u> <u>\$12,540,177 to</u> <u>\$19,158,603</u>	<u>Less than</u> <u>\$25,762,863 to</u> <u>\$39,359,930</u>	<u>Less than</u> <u>\$26,922,981 to</u> <u>\$41,132,333</u>	<u>Less than</u> <u>\$29,218,914 to</u> <u>\$44,640,007</u>

CONSERVATION COMMISSION FUND (0609)				
<u>Revenue Gain</u> – Section(s) 144.605 & 144.752 – Online Retailer Use Tax Collection – p. 32-39	<u>Less than</u> <u>\$1,567,522 to</u> <u>\$2,394,826</u>	<u>Less than</u> <u>\$3,220,358 to</u> <u>\$4,919,992</u>	<u>Less than</u> <u>\$3,365,373 to</u> <u>\$5,141,542</u>	<u>Less than</u> <u>\$3,652,365 to</u> <u>\$5,580,001</u>
ESTIAMTED NET EFFECT ON CONSERVATION COMMISSION FUND	<u>Less than</u> <u>\$1,567,522 to</u> <u>\$2,394,826</u>	<u>Less than</u> <u>\$3,220,358 to</u> <u>\$4,919,992</u>	<u>Less than</u> <u>\$3,365,373 to</u> <u>\$5,141,542</u>	<u>Less than</u> <u>\$3,652,365 to</u> <u>\$5,580,001</u>
PARKS AND SOILS STATE SALES TAX FUND(S) (0613 & 0614)				
<u>Revenue Gain</u> – Section(s) 144.605 & 144.752 – Online Retailer Use Tax Collection – p. 32-39	<u>Less than</u> <u>\$1,254,018 to</u> <u>\$1,915,861</u>	<u>Less than</u> <u>\$2,576,286 to</u> <u>\$3,935,993</u>	<u>Less than</u> <u>\$2,692,298 to</u> <u>\$4,113,233</u>	<u>Less than</u> <u>\$2,921,891 to</u> <u>\$4,464,001</u>
ESTIMATED NET EFFECT ON PARKS AND SOILS STATE SALES TAX FUND(S)	<u>Less than</u> <u>\$1,254,018 to</u> <u>\$1,915,861</u>	<u>Less than</u> <u>\$2,576,286 to</u> <u>\$3,935,993</u>	<u>Less than</u> <u>\$2,692,298 to</u> <u>\$4,113,233</u>	<u>Less than</u> <u>\$2,921,891 to</u> <u>\$4,464,001</u>

BLIND PENSION TRUST FUND (0621)				
<u>Revenue Reduction</u> – Section 137.115 – Increased Number of Aircraft That Qualifies For Lower Property Tax Rate p. 23-24	<u>\$0 to (\$500)</u>	<u>\$0 to (\$500)</u>	<u>\$0 to (\$500)</u>	<u>\$0 to (\$500)</u>
ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0 to (\$500)</u>	<u>\$0 to (\$500)</u>	<u>\$0 to (\$500)</u>	<u>\$0 to (\$500)</u>

<u>FISCAL</u> <u>IMPACT – Local</u> <u>Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
LOCAL POLITICAL SUBDIVISIONS				
<u>Revenue</u> <u>Reduction –</u> Section(s) 67.2677 & 67.2689 – Change in Definition of Gross Receipts and Percent Of Video Service Provider Fee(s) p. 7-9	\$0	\$0 to could exceed (\$4,406,752)	\$0 to could exceed (\$8,813,504)	\$0 to could exceed (\$22,033,761)
<u>Revenue</u> <u>Reduction –</u> Public School Districts – Section 105.145 – 90% Downward Reduction to Fine For Failure To Timely File Annual Report to State Auditor p. 14-22	\$0 up to (\$61,745,300)	\$0	\$0	\$0

<u>Revenue Reduction</u> – Section 105.145 – Public School Districts - Increased Number of Local Political Subdivisions Exempt From Fine – p. 14-22	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)	\$0 to (Unknown)
<u>Revenue Gain</u> – Section 105.145 – Local Political Subdivisions – 90% Downward Reduction To Fine For Failure To Timely File Annual Report To State Auditor p. 14-22	\$63,005,408	\$0	\$0	\$0
<u>Revenue Gain</u> – Section 105.145 – Local Political Subdivisions – Increased Number Of Local Political Subdivisions Exempt From Fine p. 14-22	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Revenue Reduction</u> – Section 137.115 – Increased Number Of Aircraft That Qualify For Lower Tax Rate p. 23-24	\$0 to (\$35,000)	\$0 to (\$35,000)	\$0 to (\$35,000)	\$0 to (\$35,000)

Revenue Gain – Section(s) 144.605 & 144.752 – Online Retailer Use Tax Collection p. 32-39	<u>\$0 to less than \$29,744,407</u>	<u>\$0 to less than \$61,107,679</u>	<u>\$0 to less than \$63,859,396</u>	<u>\$0 to less than \$69,305,184</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>Less than or greater than \$30,969,515 to less than or greater than \$63,005,408</u>	<u>Less than or greater than \$0 to less than or greater than \$56,665,927</u>	<u>Less than or greater than \$0 to less than or greater than \$55,010,892</u>	<u>Less than or greater than \$0 to less than or greater than \$47,236,423</u>

FISCAL IMPACT – Small Business

The collection of use tax from out-of-state/online retailers and marketplace facilitators could even the playing field for local in-state small businesses. Out-of-state/online businesses and marketplace facilitators would be required to collect and remit the tax to the Missouri Department of Revenue; increasing their administrative costs.

Any small business that qualifies for the modified definition of “Qualified Company” might benefit as a result of this proposed legislation. Should such small business become a qualifying company, such small business could receive the benefits associated with the Missouri Works Program, increasing the small business’s revenues.

This proposed legislation could impact any small business operating as a video service provider as such small business would collect and remit less amount(s) of video service provider fee(s) over several years.

This proposed legislation could impact any small business that is the owner of non-commercial qualifying aircraft as such aircraft may be taxed (property tax) at a lower tax rate than it was previously.

FISCAL DESCRIPTION

TAX MAP (Section 32.310, RSMo)

Currently, the Department of Revenue maintains a mapping feature on its website that displays sales tax information of political subdivisions of this state that have taxing authority.

This bill requires use tax information to be added to the mapping feature.

By July 1, 2022, this bill requires the mapping feature to show the total of rates of sales and use taxes of overlapping taxing jurisdictions and requires the mapping feature to include property tax levy information, including the current rate, of political subdivisions in this state that have property taxing authority. The State Auditor will provide the Department of Revenue all property tax levy information for the Department to comply with the property tax requirement by January 1, 2022.

CERTAIN TAXING DISTRICTS (Sections 67.1545, 238.207, 238.235, and 238.237)

Currently, Community Improvement Districts (CIDs) and Transportation Development Districts (TDDs) are authorized to impose a sales tax on purchases made within such districts if approved by a majority of voters living within the district. This bill requires such sales taxes to be approved by a majority of the voters of the municipality in which the district is located, rather than just the district. Additionally, current law authorizes TDDs to charge and collect tolls or fees for the use of a project if approved by a majority of voters within the district. This bill requires such tolls or fees to be approved by a majority of voters within the municipality in which the TDD is located.

VIDEO SERVICE PROVIDERS (Sections 67.2677 and 67.2689)

This bill modifies the definition of "gross revenues" as it applies to video service provider fees and modifies the video service provider fee that a franchise entity may collect from each customer.

Currently, a franchise entity may collect a fee of 5% of gross revenues. Beginning January 1, 2023, for any county or municipality that adopts a local use tax under Section 144.757 of this bill, the fee would be 4% of gross revenues. The fee would reduce by 1% of gross revenues each year until the fee is eliminated on January 1, 2027. The video service provider must also identify and collect the fee and other specified fees as separate line items on a customer's bill.

FINANCIAL REPORTS OF POLITICAL SUBDIVISIONS (Section 105.145)

Currently, any TDD having gross revenues of less than \$5,000 in a fiscal year for which an annual financial statement was not timely filed to the State Auditor is not subject to a fine.

This bill expands that exemption to any political subdivision that has gross revenues of less than \$5,000 or that has not levied or collected sales or use taxes in the fiscal year for which the annual financial statement was not timely filed is not subject to a fine.

Additionally, if failure to timely submit the annual financial statement is the result of fraud or other illegal conduct by an employee or officer of the political subdivision, the failure will not be subject to a fine if the statement is filed within 30 days of discovery of the fraud or illegal conduct.

If the political subdivision has an outstanding balance or fines at the time it files its first annual financial statement after January 1, 2021, the Director of Revenue will make a one-time downward adjustment to such outstanding balance in an amount that reduces the outstanding balance by 90%. If the Director of the Department of Revenue determines a fine is uncollectable, the Director will have the authority to make a one-time downward adjustment to any outstanding penalty.

The Director will initiate the process to disincorporate a political subdivision if a political subdivision has an outstanding balance for fines or penalties and fails to file an annual financial statement as provided in the bill. A resident of a political subdivision may file an affidavit with the Director with information regarding the political subdivision's failure to report.

The question of whether a political subdivision may be subject to disincorporation will be submitted to the voters of the political subdivision as provided in the bill. Upon the affirmative vote of a majority of voters in the political subdivision, the Director will file an action to disincorporate the political subdivision in the circuit court with jurisdiction over the political subdivision. The circuit court will enforce such orders and carry out remedies as provided in the bill.

Additionally, the Attorney General will have the authority to file an action in a court of competent jurisdiction against any political subdivision that fails to comply with these provisions.

TAXATION OF AIRCRAFT (Section 137.115)

This bill increases the number of hours of operation per year a noncommercial aircraft at least 25 years old can fly from less than 50 hours to less than 100 hours in order to be assessed and valued at 5% of the aircraft's true value for property tax purposes.

INCOME TAX (Sections 143.011, 143.031, 143.131, 143.151, and 143.161)

This bill changes the income tax rate for all residents to 5.3% for all tax years beginning on January 1, 2022.

This bill requires a married couple who files a joint federal income tax return to file a combined return.

This bill increases the Missouri standard deduction to the allowable federal standard deduction plus \$3000.

Currently, an individual can deduct \$2,100 as a personal exemption, \$2,100 for a spouse, and \$1,200 for each dependent. This bill eliminates these deductions and the additional \$1,400 deduction for head of household or surviving spouse beginning January 1, 2022.

For all tax years beginning on or after January 1, 2022, a resident may deduct \$1,000 for each dependent who has attained 65 years of age on or before the last day of the tax year if the dependent resides in the taxpayer's home or the dependent's own home or does not receive Medicaid or state funding while residing in a facility licensed under Chapter 198.

USE TAX (Section 144.605)

Beginning January 1, 2022, this bill provides that a vendor engages in business activities in this state if a vendor during a 12 month period meets the following criteria:

- (1) Has cumulative gross receipts of at least \$100,000 from the sale of tangible personal property to purchasers for the purpose of storage, use, or consumption in this state, as determined by the bill; and
- (2) Does not have a physical presence within the state and the associated sales occurred with use of the Internet.

Any department that has the Constitutional authority to collect sales and use tax under Article IV of the Constitution of Missouri may remit any new revenue collected under the provisions of the bill to the General Revenue Fund.

This bill specifies that any vendor that does not have a physical presence within the state and the associated sales occurred with use of the Internet will not be subject to use taxes of a political subdivision in this state unless the use tax is approved or reapproved by the voters of the political subdivision.

Additionally, this bill provides that political subdivisions that wish to enact a new local use tax, but do not wish to subject vendors that do not have a physical presence within the state and the associated sales occurred with use of the Internet to such local use tax, may enact such local use tax according to the applicable provisions local use tax laws, or any other applicable local use tax authorization provisions, and may exclude such vendors from such new tax.

TAXING JURISDICTION DATABASE (Section 144.637)

This bill requires the Director of the Department of Revenue to provide and maintain a downloadable electronic database at no cost to the user for taxing jurisdiction boundary changes and tax rates. Such databases may be directly provided by the Director, or may be provided by a third party as designated by the Director.

Vendors will not be liable for reliance upon incorrect data provided by the Director on tax rates, boundaries, or taxing jurisdiction assignments.

MARKETPLACE FACILITATORS (Section 144.752)

By January 1, 2022, marketplace facilitators, as defined in the bill, that meet the use tax economic nexus threshold established in the bill must register with the Department of Revenue to collect and remit use tax on sales made into the state through the marketplace facilitator's marketplace by or on behalf of a marketplace seller, as defined in the bill. These retail sales will include those made directly by the marketplace facilitator as well as those made by marketplace sellers through the marketplace facilitator's marketplace, as defined in the bill.

Marketplace facilitators properly collecting and remitting use tax in a timely manner will be eligible for any discount provided for currently.

Marketplace facilitators must provide purchasers with a statement or invoice showing that the use tax was collected and will be remitted on the purchaser's behalf.

LOCAL USE TAX (Section 144.757)

This bill alters ballot language for approval or reapproval by the voters of the political subdivision for the collection of use taxes.

Under this bill, any county or municipality with an existing local use tax enacted prior to January 1, 2022, will be permitted to keep such existing local use tax at a rate not to exceed the rate enacted as of January 1, 2022. If any such county or municipality places a new use tax measure on the ballot and the measure fails to pass, the use tax enacted prior to January 1, 2022, will remain in effect until it expires or is repealed, reduced, or raised by a future ballot measure. If any such county or municipality places the use tax measure of this section on the ballot and the measure passes, the use tax of this section will replace the previously enacted use tax.

Currently, a local use tax may be referred to or described as the equivalent of a sales tax on purchases made from out-of-state sellers by in-state buyers and on certain intrabusiness transactions and the description will not change the classification, form or subject of the use tax or the manner in which it is collected.

This bill provides that the use tax must not be described as a new tax, described as not being a new tax, nor will it be advertised or promoted in a manner in violation of current law.

DEFINITION OF "BLIGHTED" (Sections 67.1401, 99.020, 99.320, 99.805, 99.918, 99.1082, 100.310, 135.950, 262.900, and 353.020)

This bill redefines the term "blighted" and "blighted area" as an area which, by reason of the predominance of defective or inadequate street layout, insanitary or unsafe conditions, deterioration of site improvements, or the existence of conditions which endanger life or property by fire and other causes, or any combination of such factors, retards the provision of housing accommodations or constitutes an economic or social liability or a menace to the public health, safety, or welfare in its present condition and use, and, for an area located in a city not within a county, which is located in a census tract that is defined as a "low-income community" under 26 U.S.C. Section 45D or is eligible to be designated as a "qualified opportunity zone" under 26 U.S.C. Section 1400Z.

MISSOURI WORKS PROGRAM (Section 620.2005)

This bill provides store front consumer-based retail trade establishments located in any county of the third or fourth classification may qualify for benefits under the Missouri Works Program.

SIMPLIFIED SALES AND USE TAX ADMINISTRATION ACT (Sections 144.1000-144.1015)

This bill repeals the Simplified Sales and Use Tax Administration Act.

This bill has a nonseverability clause.

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

Missouri Attorney General's Office
Office of Administration – Budget & Planning
Missouri Department of Commerce and Insurance
Missouri Department of Economic Development
Missouri Department of Natural Resources
Missouri Department of Revenue
Missouri Department of Agriculture
Missouri Department of Conservation
Missouri Department of Transportation
Missouri Secretary of State's Office
Missouri State Auditor's Office
Office of State Courts Administrator
Missouri State Tax Commission
City of Claycomo
City of Corder
City of Hale
City of Hughesville
City of Kansas City
City of Southwest City
City of Springfield
Kansas City Board of Election Commissioners
Platte County Election Authority
St. Louis County Election Authority
Callaway County Assessor
St. Louis County Assessor
High Point R-III School District
Cass County Public Water Supply District #2
Corder Water and Wastewater Department
Glasgow Village Sld
Hale Water/Wastewater Department
Hancock Street Light District
High Point Elementary School
Hughesville Water/Wastewater Department
Lexington Water/Wastewater Department

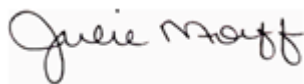
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Bill No. HB 555

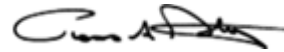
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February 9, 2021

Little Blue Valley Sewer District
Metropolitan St. Louis Sewer District
Schell City Water Department
South River Drainage District
Southwest City Water/Wastewater Department
Tri-County Water Authority
Wayne County Public Water Supply #2



Julie Morff
Director
February 9, 2021



Ross Strobe
Assistant Director
February 9, 2021