

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0733H.01I
Bill No.: HB 247
Subject: Taxation and Revenue - Sales and Use; Political Subdivisions; Fire Protection;
Cities, Towns, and Villages
Type: Original
Date: March 3, 2023

Bill Summary: This proposal authorizes cities and fire protection districts to impose a public safety sales tax.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
General Revenue*	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
Total Estimated Net Effect on General Revenue	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

* Represents the potential 1% Department of Revenue collection fee, if voters approve the sales tax(es). Oversight assumes the revenue collected from the collections fees will *not* reach the \$250,000 threshold.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on FTE	0	0	0

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

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Local Government	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown

FISCAL ANALYSIS

ASSUMPTION

Sections 94.900, 94.902 & 94.903 Repealed

Officials from the **Department of Revenue (DOR)** state currently these statutes allow certain delineated cities to adopt a sales tax for the purpose of public safety. These sections identify those cities. This proposal is removing the individual sections and replacing with Section 94.905 which allows all cities to have the sales tax. This provision is cleanup language and will not have a fiscal impact.

Section 94.905 Public Safety Sales Tax

DOR notes this proposal will allow any city to adopt a sales tax up to one-half of one percent for the purpose of public safety. The election for the sales tax must be at a county or state general election. Currently, in order for a city to have a sales tax for public safety the General Assembly must adopt legislation giving them authority. This proposal will give blanket authority to all cities.

If a political subdivision chooses to not adopt additional sales taxes, then this proposal will not have a fiscal impact. Should a political subdivision choose to adopt a new sales tax, then the political subdivision will receive increased revenue. The Department is not able to predict if any political subdivisions will adopt a new sales tax. The impact of this proposal is \$0 to Unknown.

Section 144.518 Coin Operated Amusement Devices

DOR notes Section 144.518 is amended to remove Section 321.242, which was a tax exemption from collection on sales collected from coin-operated amusement devices. The legislation repeals Section 321.242 which provided the particular city descriptions who could impose a fire protection district sales tax and because Section 321.242 would be repealed it would need to be removed from the coin-operated amusement device sales tax exemptions under Section 144.518. This provision is cleanup language and will not have a fiscal impact.

Section 321.244

DOR notes this provision is cleanup language and will not have a fiscal impact.

Section 321.900 Fire Protection District Sales Tax

DOR notes this proposal will allow any fire protection district to adopt a sales tax up to one-half of one percent. The election for the sales tax must be at a county or state general election.

Currently, in order for a fire protection district to have a sales tax the General Assembly must adopt legislation giving them authority. This proposal will give blanket authority to all fire protection districts.

If a fire protection district chooses to not adopt additional sales taxes, then this proposal will not have a fiscal impact. Should a fire protection district choose to adopt a new sales tax, then the fire protection district will receive increased revenue. It should be noted that if they adopt a sales tax and DOR is required to collect and distribute the sales tax to the district, DOR will retain 1% of the sales tax for reimbursement of their expenses. The Department is not able to predict if any fire protection districts will adopt a new sales tax. The impact of this proposal is \$0 to Unknown.

Section 321.242 & 321.246 Repealed

DOR notes currently these statutes allow certain delineated fire protection districts to adopt a sales tax for district operations. These sections identify those districts. This proposal is removing the individual sections and replacing with Section 321.900 which allows all fire protection districts to have the sales tax. This provision is cleanup language and will not have a fiscal impact.

Section 321.241 Fire Protection District Property Tax

DOR notes currently, fire protection districts have the ability to levy a property tax for the purpose of funding the district. Section 321.240 allows a levy of \$0.30 for every \$100 in valuation. Section 321.241 allows an additional \$0.25 for every \$100 of valuation. This proposal is repealing the ability of districts to levy the additional \$0.25. This proposal will prevent additional districts from implementing the additional property tax. This proposal will not directly fiscally impact the state.

This proposal will require programming changes to DOR's tax computer system. These changes are estimated at \$7,193.

Oversight assumes the Department of Revenue is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the system and computer costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Proposal as a Whole

Officials from the **Office of Administration - Budget and Planning** defer to the local government in the cities and fire protection districts for the fiscal impact. DOR's retained collection fee will increase TSR because DOR will be able to collect its 1% administration fee for handling the collection of the tax.

Oversight notes the proposed Public Safety and Fire Protection sales taxes shall not become effective unless the governing body of the city/county submits to its voters a proposal to authorize the respective city/county to impose the tax and the voters approve the proposal.

Oversight will show a revenue impact to all local political subdivisions ranging from \$0 (localities do not propose the tax to its respective voters or voters reject the proposal) to an unknown positive amount.

Oversight notes upon voter approval, if the city/county adopts the sales tax and DOR is required to collect and distribute the sales tax to the district, DOR will retain 1% of the sales tax for reimbursement of its expenses. Therefore, Oversight will show a range of \$0 (locality does not propose the tax to its respective voters or voters reject the proposal) to an unknown positive amount to the general revenue fund.

Officials from the **City of Kansas City** and the **City of Springfield** each assume this proposal could have a positive fiscal impact on their respective cities in an indeterminate amount if the tax were approved.

Officials from the **City of Urich** note if this would pass, their current tax, approved by their residents for their Fire Department would be repealed and they would have to go back to the voters and ask the same question again, at an estimated expense of (\$700.00). Officials from the City of Urich also noted they could possible lose the \$18,000.00 per year that they are currently receiving in public safety taxes.

Officials from the **City of O'Fallon** assume the proposal will have no fiscal impact on their organization.

Officials from the **Missouri Department of Transportation, Missouri Department of Conservation**, and the **Department of Natural Resources**, each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
GENERAL REVENUE			
<u>Revenue Impact</u> - Public Safety Sales Tax 1% collection fee- \$94.905	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Revenue Impact</u> - Fire Protection District Sales Tax 1% collection fee- \$321.900	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Impact</u> - Public Safety Sales Tax - \$94.905	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Revenue Impact</u> - Fire Protection District Sales Tax - \$321.900	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>	\$0 to <u>Unknown</u>

FISCAL IMPACT – Small Business

Businesses located in cities and fire protection districts who adopt the public safety sales tax will be impacted by this proposal.

FISCAL DESCRIPTION

This bill creates, modifies, and repeals numerous provisions of law relating to public safety sales taxes.

CITY SALES TAX FOR PUBLIC SAFETY (Section 94.905)

Under this bill, the governing body of any city is authorized to impose, upon a 4/7 majority approval by voters, a sales tax in the amount of up to .05% for the purpose of improving public safety for the city, including expenditures on equipment, city employee salaries and benefits, and facilities for police, fire, and emergency medical providers. Any city with a public safety sales tax in effect prior to August 28, 2023, may:

- (1) Continue to impose the public safety sales tax previously authorized; or
- (2) Impose a new public safety sales tax as provided under this bill; however, such city shall not enact a new public safety sales tax under this bill without discontinuing any public safety sales tax authorized prior to August 28, 2023.

The provisions of this bill shall not be construed as an authorization upon any sales tax previously authorized.

SALES TAX FOR FIRE PROTECTION SERVICES (Section 321.900)

Under this bill, the governing body of any fire protection district, or the governing body of any municipality having a municipal fire department or contracting for fire protection services is authorized to impose, upon a four-sevenths majority approval by voters, a sales tax in the amount of up to .05% for the operation of the fire protection district, the municipal fire department, or the municipal contract for fire protection services. All sales taxes collected by the Director of Revenue on behalf of any fire protection district or municipality, less 1% for cost of collection, shall be deposited in a special trust fund, which is hereby created, to be known as the "Fire Protection Sales Tax Trust Fund" and shall be distributed to fire protection districts or municipalities, as described in the bill. Any fire protection district or municipality with a public safety sales tax in effect prior to August 28, 2023, may:

- (1) Continue to impose the public safety sales tax previously authorized; or
- (2) Impose a new public safety sales tax as provided under this bill; however, such fire protection district or municipality shall not enact a new public safety sales tax under this section without discontinuing any public safety sales tax authorized prior to August 28, 2023.

The provisions of this bill shall not be construed as an authorization upon any sales tax previously authorized.

REPEAL AND REFERENCES TO CURRENT SALES TAX LAWS

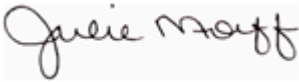
This bill repeals Sections 94.900, 94.902, 94.903, 321.241, 321.242, and 321.246, RSMo.

Additionally, this bill removes references to such sections in Sections 144.518 and 321.244.

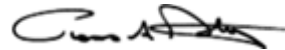
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning
Missouri Department of Transportation
Department of Natural Resources
Missouri Department of Conservation
City of Kansas City
City of Springfield
City of Ulrich
City of O'Fallon



Julie Morff
Director
March 3, 2023



Ross Strobe
Assistant Director
March 3, 2023