

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0733H.03C
Bill No.: HCS for HB 247
Subject: Taxation and Revenue - Sales and Use; Political Subdivisions; Fire Protection;
Cities, Towns, and Villages
Type: Original
Date: April 24, 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Sections 94.900, 94.902, & 94.903 Repealed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)** note 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 them 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

Officials from the **Department of Revenue (DOR)** note 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 and DOR will retain 1% of the collected tax to cover administration of the tax. 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

Officials from the **Department of Revenue (DOR)** note 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

Officials from the **Department of Revenue (DOR)** note this provision is cleanup language and will not have a fiscal impact.

Section 321.900 Fire Protection District Sales Tax

Officials from the **Department of Revenue (DOR)** note 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 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

Officials from the **Department of Revenue (DOR)** note currently these statutes allow certain delineated fire protection districts to adopt a sales tax for. 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.

Responses regarding the proposed legislation as a whole

In response to a previous version (HB 247), 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.

In response to a previous version (HB 247), officials from the **City of Kansas City** assume this proposal could have a positive fiscal impact in an indeterminate amount if the tax were approved.

Officials from the **Branson Police Department** state this could have a very beneficial financial impact for many areas in Missouri.

Officials from the **City of Springfield** anticipate a potential positive fiscal impact, if they chose to impose an applicable tax and voters chose to approve it.

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.

<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 that adopt the public safety sales tax will be impacted by this proposal.

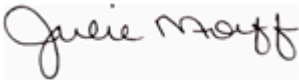
FISCAL DESCRIPTION

The proposed legislation authorizes cities and fire protection districts to impose a public safety sales tax.

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

Office of Administration - Budget and Planning
Department of Revenue
City of Kansas City
City of Springfield
Branson Police Department



Julie Morff
Director
April 24, 2023



Ross Strobe
Assistant Director
April 24, 2023