

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1701H.01I
Bill No.: HB 876
Subject: Cities, Towns, and Villages; Taxation and Revenue - Sales and Use; Political Subdivisions
Type: Original
Date: March 3, 2023

Bill Summary: This proposal adds the city of Smithville to the list of cities authorized 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	\$0 or up to \$16,366	\$0 or up to \$22,258
Total Estimated Net Effect on General Revenue	\$0	\$0 or up to \$16,366	\$0 or up to \$22,258

*Represents the potential 1% Department of Revenue collection fee, if voters approve the sales tax(es). The estimated fiscal impact for fiscal year 2025 is lesser because FY 2025 is a partial year (9 months). Oversight notes the amounts above reflect the totals if the cities of Smithville (population 10,406), as well as Kearney (population 10,404) and Excelsior Springs (population 10,553) implement the sales tax (all appear to fit under the description).

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
City Of Smithville*	\$0	\$0 or up to \$378,728	\$0 or up to \$515,069
City Of Kearney*	\$0	\$0 or up to \$541,643	\$0 or up to \$736,634
City Of Excelsior Springs*	\$0	\$0 or up to \$699,818	\$0 or up to \$951,753
Local Government	\$0	\$0 or up to \$1,620,189**	\$0 or up to \$2,203,456

*Pending voter approval.

** The estimated fiscal impact for fiscal year 2025 is lesser because FY 2025 is a partial year (9 months).

FISCAL ANALYSIS

ASSUMPTION

Section 94.900 Public Safety Sales Tax

Officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal allows voters in the City of Excelsior Springs, the City of Kearney, and the City of Smithville to impose a sales tax up to 0.50% for the purpose of funding public safety for the cities. B&P defers to the local government 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.

Officials from the **Department of Revenue (DOR)** note this proposal would allow any city with more than ten thousand but fewer than eleven thousand inhabitants and partially located in a county with more than two hundred thirty thousand but fewer than two hundred sixty thousand inhabitants to have a public safety sales tax. DOR believes this would be the Cities of Smithville, Kearney and Excelsior Springs.

These sales taxes may be imposed in an amount up to one-half of one percent. The tax shall be imposed solely for the purpose of improving public safety. When the Department collects these public safety sales taxes DOR is allowed to retain 1% to reimburse the Department for their collection costs.

CITY OF SMITHVILLE

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

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$18,671,654	\$22,070,560	\$21,628,460	\$19,691,818	\$82,062,492
2018	\$19,056,529	\$22,849,004	\$22,213,205	\$20,463,774	\$84,582,512
2019	\$19,126,749	\$24,175,713	\$23,189,729	\$22,835,526	\$89,327,717
2020	\$20,837,703	\$27,382,249	\$27,849,623	\$25,989,624	\$102,059,199
2021	\$26,491,251	\$32,417,017	\$31,599,459	\$29,336,717	\$119,844,444
2022	\$24,313,219	\$33,123,490			

Sales Tax only

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact, DOR will assume the one-half of one percent sales tax is adopted. However, for informational purposes DOR is showing how much would be collected if they just chose a lesser

amount than the full one-half percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Smithville would collect and the fee retained by DOR as:

Smithville	1/4 of 1% Tax		1/2 of 1% Tax	
	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2024	\$2,550	\$252,485	\$5,101	\$504,970
2025	\$2,601	\$257,534	\$5,203	\$515,069
2026	\$2,653	\$262,685	\$5,307	\$525,370

DOR notes that this proposal would become effective on August 28, 2023 and the first election this issue could be presented to the voters would be the April 2024 general election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2024 (FY 2025) if adopted by the voters. Therefore the impact in FY 2025 would be for 9 months.

Smithville	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2024	\$3,826	\$378,728
2025	\$5,203	\$515,069
2026	\$5,307	\$525,370

This is not anticipated to have an administrative impact on the Department.

CITY OF KEARNEY

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

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$30,965,917	\$33,837,063	\$33,228,851	\$31,556,051	\$129,587,881
2018	\$31,091,023	\$34,389,327	\$33,602,628	\$32,563,846	\$131,646,825
2019	\$30,976,066	\$35,044,505	\$34,102,828	\$34,057,453	\$134,180,852
2020	\$30,907,456	\$35,718,614	\$35,319,113	\$35,342,990	\$137,288,173
2021	\$31,173,262	\$37,716,432	\$37,463,196	\$39,355,323	\$145,708,213
2022	\$35,539,998	\$41,156,739			

The Department notes this proposal allows up to a one-half of one percent sales tax. For the fiscal impact, DOR will assume the one-half of one percent sales tax is adopted. However, for informational purposes DOR is showing how much would be collected if they just chose a lesser

amount than the full one-half percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Kearney would collect and the fee retained by DOR as:

Kearney	1/4 of 1% Tax		1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2024	\$3,647	\$361,095	\$7,295	\$722,191
2025	\$3,720	\$368,317	\$7,441	\$736,634
2026	\$3,795	\$375,684	\$7,590	\$751,367

DOR notes that this proposal would become effective on August 28, 2023 and the first election this issue could be presented to the voters would be the April 2024 general election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2024 (FY 2025) if adopted by the voters. Therefore, the impact in FY 2025 would be for 9 months.

Kearney	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2024	\$5,471	\$541,643
2025	\$7,441	\$736,634
2026	\$7,590	\$751,367

This is not anticipated to have an administrative impact on the Department.

CITY OF EXCELSIOR SPRINGS

DOR shows that the **City of Excelsior Springs** has taxable sales of:

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	38,075,134	41,127,657	40,475,258	40,078,203	159,756,252
2018	41,168,245	45,207,396	45,136,160	46,761,901	178,273,702
2019	39,989,534	44,270,654	43,065,626	44,611,387	171,937,201
2020	40,957,066	45,513,740	46,318,186	46,770,225	179,559,217
2021	43,766,411	47,433,341	48,526,824	50,187,939	189,914,515
2022	45,097,658	53,794,298			

Sales Tax Only

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

Excelsior Springs	1/4 of 1% Tax		1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection	DOR 1% Fee	Local Collection
2024	\$4,713	\$466,545	\$9,425	\$933,091
2025	\$4,807	\$475,876	\$9,614	\$951,753
2026	\$4,903	\$485,394	\$9,806	\$970,788

DOR notes that this proposal would become effective on August 28, 2023 and the first election this issue could be presented to the voters would be the April 2024 general election. This sales tax would become effective on the first day of the second calendar quarter after the director of revenue receives notice of the adoption of the sales tax, which is estimated to be October 1, 2024 (FY 2025) if adopted by the voters. Therefore, the impact in FY 2025 would be for 9 months.

Excelsior Springs	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2024	\$7,069	\$699,818
2025	\$9,614	\$951,753
2026	\$9,806	\$970,788

This is not anticipated to have an administrative impact on the Department.

Oversight only reflects the responses received from state agencies and political subdivisions; however, officials from the City of Smithville and the City of Excelsior Springs were each requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

Oversight will range the fiscal impact from \$0 (not approved by voters) up to the estimates calculated by the Department of Revenue for the fiscal impact to general revenue and local political subdivisions.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025 (9 Mo.)	FY 2026
GENERAL REVENUE			
<u>Revenue Gain</u> – §94.900 DOR 1% Collection Fee p. (3-6)	<u>\$0</u>	<u>\$0 or up to \$16,366</u>	<u>\$0 or up to \$22,258</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or up to \$16,366</u>	<u>\$0 or up to \$22,258</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025 (9 Mo.)	FY 2026
CITY OF SMITHVILLE			
<u>Revenue Gain</u> – §94.900 Public Safety Sales Tax p. (3-4)	\$0	\$0 or up to \$382,554	\$0 or up to \$520,272
<u>Revenue Loss</u> – §94.900 DOR 1% Collection Fee p. (3-4)	<u>\$0</u>	<u>\$0 or up to (\$3,826)</u>	<u>\$0 or up to (\$5,203)</u>
ESTIMATED NET EFFECT ON THE CITY OF SMITHVILLE	<u>\$0</u>	<u>\$0 or up to \$378,728</u>	<u>\$0 or up to \$515,069</u>
CITY OF KEARNEY			
<u>Revenue Gain</u> – §94.900 Public Safety Sales Tax p. (4-5)	\$0	\$0 or up to \$547,114	\$0 or up to \$744,075
<u>Revenue Loss</u> – §94.900 DOR 1% Collection Fee p. (4-5)	<u>\$0</u>	<u>\$0 or up to (\$5,471)</u>	<u>\$0 or up to (\$7,441)</u>
ESTIMATED NET EFFECT ON THE CITY OF KEARNEY	<u>\$0</u>	<u>\$0 or up to \$541,643</u>	<u>\$0 or up to \$736,634</u>

CITY OF EXCELSIOR SPRINGS			
<u>Revenue Gain</u> – §94.900 Public Safety Sales Tax p. (5-6)	\$0	\$0 or up to \$706,887	\$0 or up to \$961,367
<u>Revenue Loss</u> – §94.900 DOR 1% Collection Fee p. (5-6)	\$0	\$0 or up to (\$7,069)	\$0 or up to (\$9,614)
ESTIMATED NET EFFECT ON THE CITY OF EXCELSIOR SPRINGS	\$0	<u>\$0 or up to \$699,818</u>	<u>\$0 or up to \$951,753</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	<u>\$0 or up to \$1,620,189</u>	<u>\$0 or up to \$2,203,456</u>

FISCAL IMPACT – Small Business

Small businesses in the cities of Smithville, Kearney, and/or Excelsior Springs would be impacted if the new tax were approved by voters.

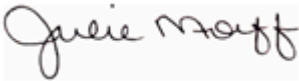
FISCAL DESCRIPTION

This bill allows a city with more than 10,000 but fewer than 11,000 inhabitants, and partially located in a county with more than 230,000 but fewer than 260,000 inhabitants, to impose, by ordinance or order, a sales tax in the amount of up to 0.5% on all retail sales for the purpose of improving public safety.

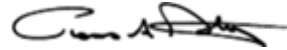
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning



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Director
March 3, 2023



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March 3, 2023