

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3345H.011  
 Bill No.: HB 1985  
 Subject: Cities, Towns, and Villages; Taxation and Revenue - Sales and Use  
 Type: Original  
 Date: January 21, 2024

Bill Summary: This proposal authorizes the City of Richmond to levy a sales tax up to one-half of one percent whose revenues are dedicated to public safety, upon voter approval.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0 or up to \$1,151**	\$0 or up to \$7,042	\$0 or up to \$7,182
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0 or up to \$1,151**</b>	<b>\$0 or up to \$7,042</b>	<b>\$0 or up to \$7,182</b>

\*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 (2 months).

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
City of Richmond*	\$0 or up to \$113,908**	\$0 or up to \$697,118	\$0 or up to \$711,060
<b>Local Government</b>	<b>\$0 or up to \$113,908**</b>	<b>\$0 or up to \$697,118</b>	<b>\$0 or up to \$711,060</b>

\*Pending voter approval.

\*\* The estimated fiscal impact for fiscal year 2025 is lesser because FY 2025 is a partial year (2 months).

**FISCAL ANALYSIS**

**ASSUMPTION**

**Section 94.900 City of Richmond Sales Tax for Public Safety**

Officials from the **Department of Revenue (DOR)** note this proposal allows any city with more than five thousand six hundred but fewer than six thousand three hundred inhabitants and that is the county seat of a county with more than twenty-two thousand but fewer than twenty-five thousand inhabitants to adopt a sales tax to fund public safety. DOR assumes this is for the City of Richmond only.

DOR shows that the City of Richmond had these taxable sales:

<b>CY</b>	<b>Jan-Mar</b>	<b>Apr-Jun</b>	<b>Jul-Sep</b>	<b>Oct-Dec</b>	<b>Total</b>
2017					\$0
2018	\$23,856,414	\$25,797,094	\$25,344,445	\$25,215,739	\$100,213,692
2019	\$23,016,557	\$25,793,735	\$25,439,077	\$26,207,685	\$100,457,054
2020	\$24,964,469	\$28,091,507	\$27,102,776	\$27,978,039	\$108,136,791
2021	\$28,893,422	\$29,753,520	\$29,480,585	\$31,288,952	\$119,416,479
2022	\$29,693,490	\$31,698,332	\$32,037,453	\$34,606,388	\$128,035,663
2023	\$33,056,003	\$33,009,162			

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 Richmond could receive as well as the 1% reimbursement fee that DOR is allowed to retain.

<b>Richmond</b>	<b>1/4 of 1% Tax</b>		<b>1/2 of 1% Tax</b>	
	<b>DOR 1% Fee</b>	<b>Local Collection</b>	<b>DOR 1% Fee</b>	<b>Local Collection</b>
2025	\$3,452	\$341,724	\$6,904	\$683,449
2026	\$3,521	\$348,559	\$7,042	\$697,118
2027	\$3,591	\$355,530	\$7,182	\$711,060

DOR notes that this proposal has an emergency clause and would become effective immediately. The first election this issue could be presented to the voters would be the November 5, 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 April 1, 2025 (FY 2025) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2025 of 2 months.

Richmond	1/2 of 1% Tax	
Fiscal Year	DOR 1% Fee	Local Collection
2025 (2 months)	\$1,151	\$113,908
2026	\$7,042	\$697,118
2027	\$7,182	\$711,060

\*Emergency Clause Effective Date

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

Officials from the **Office of Administration - Budget and Planning (B&P)** defer to the local government in the city of Richmond 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. B&P defers to DOR for more specific estimates of actual collection costs.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, officials from the City of Richmond were requested to respond to this proposed legislation but did not.

**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.

**Oversight** notes this proposal contains an emergency clause. Oversight assumes the first election this proposal could be presented to voters is the November 2024. 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. Therefore, Oversight will show the impact of this proposal beginning in April 2025 (FY 2025).

<u>FISCAL IMPACT – State Government</u>	FY 2025 (2 Mo.)	FY 2026	FY 2027
<b>GENERAL REVENUE</b>			
<u>Revenue Gain</u> - \$94,900 - DOR 1% Collection Fee	\$0 or up to <u>\$1,151</u>	\$0 or up to <u>\$7,042</u>	\$0 or up to <u>\$7,182</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b>\$0 or up to <u>\$1,151</u></b>	<b>\$0 or up to <u>\$7,042</u></b>	<b>\$0 or up to <u>\$7,182</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (2 Mo.)	FY 2026	FY 2027
<b>CITY OF RICHMOND</b>			
<u>Revenue Gain</u> - §94.900 - Public Safety Sales Tax	\$0 or up to <u>\$113,908</u>	\$0 or up to <u>\$697,118</u>	\$0 or up to <u>\$711,060</u>
<b>ESTIMATED NET EFFECT ON THE CITY OF RICHMOND</b>	<b>\$0 or up to <u>\$113,908</u></b>	<b>\$0 or up to <u>\$697,118</u></b>	<b>\$0 or up to <u>\$711,060</u></b>

FISCAL IMPACT – Small Business

Small businesses in Richmond would be impacted if the new tax is approved by voters.

FISCAL DESCRIPTION

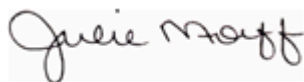
This bill authorizes certain cities, upon voter approval, to impose a sales tax of up to .05% for the purpose of improving the public safety of the city, limited to expenditures on equipment, salaries and benefits, and facilities for police, fire, and emergency medical providers. Upon enactment, the bill will add the City of Richmond.

This bill has an emergency 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

Department of Revenue  
 Office of Administration - Budget and Planning



Julie Morff  
 Director  
 January 21, 2024



Ross Strope  
 Assistant Director  
 January 21, 2024