

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5343H.011  
 Bill No.: HB 2863  
 Subject: Political Subdivisions; Cities, Towns, and Villages; Taxation and Revenue -  
 General; Economic Development  
 Type: Original  
 Date: April 10, 2024

Bill Summary: This proposal authorizes a transient guest tax for economic development purposes in Arrow Rock upon voter approval.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<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>
<b>Local Government</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>	<b>\$0 or Unknown</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

**§94.1016 - Transient Guest Tax for Economic Development in Arrow Rock**

Officials from the **Department of Revenue (DOR)** note this provision would be handled by the City of Arrow Rock. DOR assumes no fiscal impact for this proposal.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this proposal allows the Village of Arrow Rock to impose a transient guest tax of about 6.0%. B&P defers to the Village of Arrow Rock on the transient guest tax for specific estimates of actual collection costs. This proposal:

- Has no direct impact on B&P.
- Has no direct impact on general or total state revenues.
- Will not impact the calculation pursuant to Art. X, Sec. 18(e).

Officials from the **Office of the Secretary of State** assume the proposal will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

**Oversight** was unable obtain a response from the Village of Arrow Rock regarding the fiscal impact of the bill.

**Oversight** assumes this proposal authorizes the Village of Arrow Rock, upon voter approval, to enact a transient guest tax not more than 6% per occupied lodging establishment room per night or 6% per rental term of such lodging facility.

**Oversight** assumes this proposal is permissive in nature and would have no local fiscal impact without action by the governing body and approval by the majority of voters. If the majority of voters approve this issue on the ballot, then there would be potential tax revenue for the Village of Arrow Rock. Therefore, Oversight will reflect a \$0 (no voter approval) or an unknown revenue impact for this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>VILLAGE OF ARROW ROCK</b>			
<u>Potential Revenue Gain</u> - §94.1016 – potential income from transient guest tax <b>if</b> approved by voters	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>
<b>ESTIMATED NET EFFECT ON THE VILLAGE OF ARROW ROCK FUNDS</b>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>	<u>\$0 or Unknown</u>

FISCAL IMPACT – Small Business

Small businesses that operate as lodging establishments and lodging facilities may be impacted by this proposal.

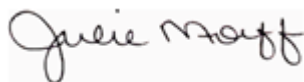
FISCAL DESCRIPTION

This bill authorizes certain cities to impose, upon voter approval, a transient guest tax of not more than 6% per occupied lodging establishment room per night or more than 6% per rental term of such lodging facility for economic development purposes and the construction and maintenance of infrastructure improvements. Upon enactment, the bill adds the Village of Arrow Rock.


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  
 Office of the Secretary of State



Julie Morff  
 Director  
 April 10, 2024



Ross Strope  
 Assistant Director  
 April 10, 2024