

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5707H.01I
 Bill No.: HB 2731
 Subject: Political Subdivisions; Hospitals; Taxation and Revenue - Sales and Use; Counties
 Type: Original
 Date: March 1, 2024

Bill Summary: This proposal authorizes a county sales tax for supporting the operations of hospital services in bates county upon voter approval.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
General Revenue*	\$0	\$0 or up to \$9,698**	\$0 or up to \$14,838
Total Estimated Net Effect on General Revenue	\$0	\$0 or up to \$9,698**	\$0 or up to \$14,838

*Represents the potential 1% Department of Revenue collection fee, if voters approve the sales tax(es).

** The estimated fiscal impact for fiscal year 2026 is lesser because FY 2026 is a partial year (8 months).

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

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Bates County*	\$0	\$0 or up to \$960,116**	\$0 or up to \$1,468,978
Local Government	\$0	\$0 or up to \$960,116**	\$0 or up to \$1,468,978

*Pending voter approval.

** The estimated fiscal impact for fiscal year 2026 is lesser because FY 2026 is a partial year (8 months).

FISCAL ANALYSIS

ASSUMPTION

Section 67.597 Bates County Sales Tax for Operation of Hospital

Officials from the **Department of Revenue (DOR)** note this proposal allows Bates County to take to the vote of the people the issue of creating a sales tax to fund the operation of a hospital. The tax allowed by this proposal shall not exceed one percent. The Department of Revenue (DOR) is to collect and distribute the sales tax per this proposal and shall retain 1% for collection expenses. DOR records show that the taxable sales for the Bates County for the last five years have been.

CY	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2017	\$24,923,365	\$28,164,526	\$26,530,672	\$27,725,812	\$107,344,375
2018	\$24,979,649	\$28,903,521	\$29,961,356	\$36,577,510	\$120,422,036
2019	\$25,235,914	\$30,043,861	\$29,343,069	\$28,680,665	\$113,303,509
2020	\$26,791,279	\$32,257,135	\$30,899,825	\$30,899,634	\$120,847,873
2021	\$28,663,803	\$33,572,928	\$35,825,842	\$34,105,961	\$132,168,534
2022	\$29,179,422	\$35,282,545	\$34,385,717	\$34,875,364	\$133,723,048

DOR notes that this proposal would become effective on August 28, 2024, and the first election this issue could be presented to the voters would be the April 2025 general municipal 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, 2025 (FY 2026) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2026 of 8 months. This will result in the following impact to DOR and the County.

Bates County	1% Tax	
	DOR 1% Fee	Local Collection
2025	\$0	\$0
2026 * (8 months)	\$9,698	\$960,116
2027	\$14,838	\$1,468,978

*Effective Date 8/28/2024

Should the district pass the sales tax and notify the Department, DOR will need to upgrade the following computer systems; Revenue Premier, MyTax, Rate Manager and the department's Avalara sales and use tax map as well as notify the vendors in the area about the tax. This is estimated to cost \$10,000.

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 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.

Officials from the **Office of Administration - Budget and Planning (B&P)** defer to Bates County governments for the fiscal impact of this proposed 1% sales tax. The tax is intended to support operations of hospital services. 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 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 the tax rate shall not exceed one percent; therefore, Oversight will reflect “up to” the 1% sales tax estimates.

<u>FISCAL IMPACT – State Government</u>	FY 2025	FY 2026 (8 Mo.)	FY 2027
GENERAL REVENUE			
<u>Potential Revenue Gain - §67.597 - DOR 1% Collection Fee if approved by voters</u>	\$0	\$0 or up to \$9,698	\$0 or up to \$14,838
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	\$0 or up to \$9,698	\$0 or up to \$14,838

<u>FISCAL IMPACT – Local Government</u>	FY 2025	FY 2026 (8 Mo.)	FY 2027
BATES COUNTY			
<u>Potential Revenue Gain - §67.597 - Sales Tax for Operation of Hospital if approved by voters</u>	\$0	\$0 or up to \$960,116	\$0 or up to \$1,468,978
ESTIMATED NET EFFECT ON BATES COUNTY	\$0	\$0 or up to \$960,116	\$0 or up to \$1,468,978

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

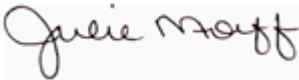
This bill authorizes certain counties to impose, upon voter approval, a county sales tax of up to 1% for the purposes of supporting the operation of hospital services within the county.

Upon enactment, this authorization will include Bates County.

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
March 1, 2024



Ross Strobe
Assistant Director
March 1, 2024