

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2176H.01I
Bill No.: HB 895
Subject: Political Subdivisions; Fire Protection; Ambulances and Ambulance Districts;
Taxation and Revenue - Sales and Use
Type: Original
Date: April 1, 2025

Bill Summary: This proposal authorizes ambulance and fire protection districts in certain counties to propose a sales tax rate of up to one percent upon voter approval.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue	\$0	\$0 or less than \$911,191	\$0 or less than \$1,366,787
Total Estimated Net Effect on General Revenue	\$0	\$0 or less than \$911,191*	\$0 or less than \$1,366,787

***Oversight** notes that the fiscal impact for FY 2027 is lesser because FY 2027 is a partial year (8 months).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
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 2026	FY 2027	FY 2028
Local Government	\$0	\$0 or \$89,564,738*	\$0 or \$134,347,107

***Oversight** notes the fiscal impact for FY 2027 is lesser because FY 2027 is a partial year (8 months).

FISCAL ANALYSIS

ASSUMPTION

Section 321.552 - Taxes for Emergency Services

Officials from the **Department of Revenue (DOR)** note this proposal would allow any governing body of an ambulance or fire protection district to impose a sales tax in an amount up to one percent on all retail sales made in such district. Previously the cap was at one-half of one percent. This proposal would not allow the districts in Clay, Greene, Jackson, Jefferson, St. Charles County, and St. Louis City to increase their rates. In order to increase their sales tax, the district would be required to hold an election and notify the Department of the increase. The first available election would be April 2026, so the tax would not be collected until October 2026 (FY 2027) and remitted starting November 2026.

Currently there are districts that have a sales tax that varies from 0.375% to 0.5%. Using information on the amount of sales tax DOR collects from these districts, DOR calculated how much additional revenue would be raised by the districts if **all** raised their sales tax to the maximum 1% allowed by this proposal. DOR notes that the department is able to retain 1% of all sales tax collected as reimbursement of DOR's collection costs out of this revenue. DOR's 1% collection fee is deposited into general revenue.

If all eligible political subdivisions increased their fee to the 1% it would result in an additional \$134,347,107 in sales tax revenue. Additionally, general revenue would retain an additional \$1,366,787.

This will not have a fiscal impact on the Department to administer unless a political subdivision increases their sales tax rate. At that time, it would cost \$1,832 to update the department's computer system per political subdivision rate change.

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 321.552.1 - B&P defers to the ambulance and fire protection districts for the fiscal impact. DOR's retained 1% collection fee will increase TSR because these districts can impose a sales tax up to 1% instead of the 0.5% cap.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DOR for the potential increase in revenue from the increase in sales tax, the 1% administration fee, and the cost for computer updates to DOR's system for each political subdivision. Oversight notes the fiscal impact for FY 2027 is lesser because it is a partial year (8 months).

Oversight notes in order for the updates to DOR's computer system to reach the \$250,000 threshold, 136 (\$250,000/\$1,832) political subdivisions would need to adopt a new sales tax rate.

Oversight will assume the unknown cost to GR for DOR's computer updates will not meet the \$250,000 threshold.

Officials from the **Kansas City Election Board** state the cost to conduct an election in the Kansas City portion of Jackson County is approximately \$800,000. If this election is ran in an even number year, the State already pays their pro-rata share and the additional costs would be minimal. Any other time, the State would share the cost of the election based on voter registration.

Oversight assumes the timing for an election to adopt a sales tax for emergency services would take place during a regular election cycle (April or November) to streamline any election costs that would be impacted. Therefore, Oversight will assume no direct fiscal impact from this proposal.

Officials from the **Office of the Secretary of State, City of Kansas City, City of O'Fallon, Phelps County Sheriff, Kansas City Police Dept., Platte County Board of Elections, St. Louis County Board of Elections, and the St. Louis County Police Dept.**, each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026	FY 2027 (8 Mo.)	FY 2028
GENERAL REVENUE			
<u>Potential Revenue Gain</u> - §321.552 - DOR - potential collection of 1% administration fee on the adoption of a sales tax for emergency services, if approved by voters	\$0	\$0 or \$911,191	\$0 or \$1,366,787
<u>Cost</u> – DOR – updates to computer system per local political subdivision's rate change	\$0	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or less than \$911,191</u>	<u>\$0 or less than \$1,366,787</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026	FY 2027 (8 Mo.)	FY 2028
LOCAL POLICAL SUBDIVISIONS			
<u>Potential Revenue</u> - §321.552 - Revenue on new sales taxes adopted for emergency services if approved by voters	\$0	<u>\$0 or</u> \$89,564,738	<u>\$0 or</u> \$134,347,107
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0 or</u> <u>\$89,564,738</u>	<u>\$0 or</u> <u>\$134,347,107</u>

FISCAL IMPACT – Small Business

Small businesses within a taxing district for emergency services could be impacted by this proposal.

FISCAL DESCRIPTION

Current law authorizes ambulance and fire protection districts in certain counties to propose a sales tax at a rate of up to 0.5%. This bill increases that authorization to a rate of up to 1%.

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
Kansas City Election Board
Office of the Secretary of State
City of Kansas City
City of O'Fallon
Phelps County Sheriff
Kansas City Police Dept.
St. Louis County Police Dept

L.R. No. 2176H.01I

Bill No. HB 895

Page 6 of 6

April 1, 2025

Kansas City Election Board
Platte County Board of Elections
St. Louis County Board of Elections

A handwritten signature in black ink that reads "Julie Morff". The script is cursive and fluid.

Julie Morff
Director
April 1, 2025

A handwritten signature in black ink that reads "Jessica Harris". The script is cursive and fluid.

Jessica Harris
Assistant Director
April 1, 2025