

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3161H.01I
Bill No.: HB 1572
Subject: Taxation and Revenue - Sales and Use; Motels and Hotels; Cities, Towns, and Villages
Type: Original
Date: April 8, 2025

Bill Summary: This proposal authorizes the city of Nevada to impose a sales tax for public safety.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	\$0	\$0 or up to \$7,596**	\$0 or up to \$11,622
Total Estimated Net Effect on General Revenue	\$0	\$0 or up to \$7,596**	\$0 or up to \$11,622

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

** The estimated fiscal impact for fiscal year 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
City of Nevada*	\$0	\$0 or up to \$752,017**	\$0 or up to \$1,150,586
Local Government	\$0	\$0 or up to \$752,017**	\$0 or up to \$1,150,586

*Pending voter approval.

** The estimated fiscal impact for fiscal year 2027 is lesser because FY 2027 is a partial year (8 months).

FISCAL ANALYSIS

ASSUMPTION

Section 94.900 - Public Safety Sales Tax for the City of Nevada

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 94.900.1(1)(n) - B&P defers to the local government in the City of Nevada 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.

Officials from the **Department of Revenue (DOR)** note the legislation states any city with more than eight thousand but fewer than nine thousand inhabitants and that is a county seat of a county with more than nineteen thousand but fewer than twenty-two thousand inhabitants can impose a sales tax for public safety services. DOR believes that the City of Nevada is the one allowed the sales tax.

DOR records show that the City of Nevada has taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	\$38,208,695	\$44,612,841	\$43,665,437	\$42,989,998	\$169,476,971
2021	\$43,931,887	\$49,116,769	\$46,410,826	\$48,826,592	\$188,286,074
2022	\$43,446,518	\$51,704,817	\$51,124,402	\$52,879,022	\$199,154,759
2023	\$48,624,132	\$53,461,870	\$51,767,032	\$56,676,505	\$210,529,539

The Department notes this proposal allows a one-half of one percent sales tax. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount that Nevada would collect, and the fee retained by DOR as:

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2026	\$223,415,631	\$1,117,078	\$11,171	\$1,105,907
2027	\$227,883,943	\$1,139,420	\$11,394	\$1,128,026
2028	\$232,441,622	\$1,162,208	\$11,622	\$1,150,586

DOR notes that this proposal would become effective on August 28, 2025, and the first election this issue could be presented to the voters would be the April 2026 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, 2026 (FY 2027) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2027 of 8 months.

Nevada	1/2 of 1% Tax	
Fiscal Year	DOR 1%	Local Collection
2026	\$0	\$0
2027 (8 months)	\$7,596	\$752,017
2028	\$11,622	\$1,150,586
*Effective Date 8/28/2025		

If any city passes a sales tax the Department will need to make changes to the department's Revenue Premier system, Rate Manager system, MyTax portal system, Avalara Sales and use tax rate map, and website changes. These changes are estimated at \$1,832 per system change (\$7,328) per city that passes the sales tax.

Oversight notes the DOR requests one-time cost for website income-tax changes and updates to comply with the proposed language; however, Oversight notes that DOR receives appropriation for routine website updates and will not show those costs in the fiscal note.

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 2026	FY 2027 (8 Mo.)	FY 2028
GENERAL REVENUE			
<u>Potential Revenue Gain</u> - \$94.900 - DOR 1% Collection Fee, if approved by voters	\$0	\$0 or up to \$7,596	\$0 or up to \$11,622
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	\$0 or up to \$7,596	\$0 or up to \$11,622

<u>FISCAL IMPACT – Local Government</u>	FY 2026	FY 2027 (8 Mo.)	FY 2028
CITY OF NEVADA			
<u>Potential Revenue Gain - \$94,900 - Public Safety Sales Tax if approved by voters</u>	<u>\$0</u>	<u>\$0 or up to \$752,017</u>	<u>\$0 or up to \$1,150,586</u>
ESTIMATED NET EFFECT ON CITY OF NEVADA	<u>\$0</u>	<u>\$0 or up to \$752,017</u>	<u>\$0 or up to \$1,150,586</u>

FISCAL IMPACT – Small Business

Small businesses in the city of Nevada would be impacted if the new tax is approved by voters.

FISCAL DESCRIPTION

Current law authorizes certain cities to impose a sales tax of up to 0.5% for the purpose of improving public safety. This bill adds any city with a population between 8,000 and 9,000 inhabitants, that is the county seat of a county with a population between 19,000 and 22,000 inhabitants to this authorization.

Upon enactment, this will apply to the City of Nevada.

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
April 8, 2025



Jessica Harris
Assistant Director
April 8, 2025