

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 7156H.011
 Bill No.: HB 3277
 Subject: Taxation and Revenue - Sales and Use; Political Subdivisions; Cities, Towns, and Villages
 Type: Original
 Date: April 7, 2026

Bill Summary: This proposal allows the City of Northwoods to impose a sales tax for public safety purposes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	\$0	\$0 or (Up to \$51,914)	\$0 or \$16,313
Total Estimated Net Effect on General Revenue	\$0	\$0 or (Up to \$51,914)*	\$0 or \$16,313

* Oversight notes the above costs for modifications to sales tax forms and computer updates assuming the City of Northwoods and the City of Frontenac each present the sales tax to voters at the April 2027 general election (FY 28).

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Local Government	\$0	\$0 or \$1,055,598 *	\$0 or \$1,615,065

*Oversight notes the potential fiscal impact for FY2028 is lesser because FY2028 is a partial year (8 months).

FISCAL ANALYSIS

ASSUMPTION

§94.900 – Public Safety Sales Tax(es)

Officials from the **Department of Revenue (DOR)** note this proposal would allow a city of more than three thousand four hundred but fewer than three thousand eight hundred inhabitants and located in a county with more than one million inhabitants could have a public safety sales tax up to one half of one percent. DOR believes this would be the City of Northwoods and the City of Frontenac.

Northwoods

DOR shows that the City of Northwoods has taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	\$4,571,637	\$4,450,271	\$4,973,475	\$4,880,927	\$18,876,311
2021	\$5,167,271	\$5,420,359	\$4,924,004	\$5,090,717	\$20,602,351
2022	\$4,965,467	\$5,310,216	\$5,338,653	\$5,257,589	\$20,871,925
2023	\$5,076,579	\$5,328,225	\$5,070,188	\$5,176,941	\$20,651,932
2024	\$5,332,659	\$5,360,478	\$5,180,431	\$5,145,807	\$21,019,374

Sales Tax only

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. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Northwoods would collect, and the fee retained by DOR as:

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2027	\$22,305,928	\$111,530	\$1,115	\$110,414
2028	\$22,752,047	\$113,760	\$1,138	\$112,623
2029	\$23,207,088	\$116,035	\$1,160	\$114,875

DOR notes that this proposal would become effective on August 28, 2026, and the first election this issue could be presented to the voters would be the April 2027 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 October 1, 2027 (FY 2028) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2028 of 8 months.

Northwoods	1/2 of 1% Tax	
Fiscal Year	DOR 1%	Local Collection
2027	\$0	\$0
2028 (8 months)	\$758	\$75,082
2029	\$1,160	\$114,875
*Effective Date 8/28/2026		

If the tax is adopted, DOR would need to update the department's 4-sales tax collection and distribution systems at a cost of \$7,547 each (\$30,188) for each county that adopts this tax.

Frontenac

DOR shows that the City of Frontenac has taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	\$38,981,076	\$18,618,881	\$39,979,818	\$49,875,936	\$147,455,710
2021	\$41,830,434	\$57,725,964	\$57,998,423	\$77,925,744	\$235,480,565
2022	\$52,329,467	\$68,403,624	\$60,953,028	\$85,782,242	\$267,468,362
2023	\$57,694,527	\$69,709,867	\$63,611,090	\$85,958,132	\$276,973,615
2024	\$56,988,351	\$67,565,332	\$62,977,305	\$86,967,588	\$274,498,575

Sales Tax only

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. Using the taxable sales and a 2% inflation rate in the future, DOR calculated the amount the City of Frontenac would collect, and the fee retained by DOR as:

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2027	\$291,300,084	\$1,456,500	\$14,565	\$1,441,935
2028	\$297,126,086	\$1,485,630	\$14,856	\$1,470,774
2029	\$303,068,607	\$1,515,343	\$15,153	\$1,500,190

DOR notes that this proposal would become effective on August 28, 2026, and the first election this issue could be presented to the voters would be the April 2027 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 October 1, 2027 (FY 2028) if adopted by the voters. Sales tax is remitted one month behind collection of the tax, so DOR estimates an impact for FY 2028 of 8 months.

Frontenac	1/2 of 1% Tax	
Fiscal Year	DOR 1%	Local Collection
2027	\$0	\$0
2028 (8 months)	\$9,904	\$980,516
2029	\$15,153	\$1,500,190
*Effective Date 8/28/2026		

If the tax is adopted, DOR would need to update the department’s 4-sales tax collection and distribution systems at a cost of \$7,547 each (\$30,188) for each city that adopts this tax.

Oversight will show the one-time cost (\$2,200) to update the sales tax forms in FY 2028 in addition to the cost to update the department’s 4-sales tax collection and distribution systems at a cost of \$7,547 each (\$30,188) for each city that adopts this tax.

Oversight will range the fiscal impact from \$0 (not approved by voters) to the estimates calculated by DOR for 8 months in FY 28 and reflect a full year of sales tax revenue for FY 29.

Officials from the **Office of Administration - Budget and Planning (B&P)** state Section 94.900.1(1)(l) - The bill allows Northwoods in St. Louis County to establish a 0.5% sales tax for the purpose of public safety.

B&P defers to the local government for the fiscal impact. Any administration fee retained by DOR for handling the collection will increase TSR. B&P defers to DOR for more specific estimates of actual collection costs.

<u>FISCAL IMPACT – State Government</u>	FY 2027	FY 2028 (8 Mo.)	FY 2029
GENERAL REVENUE			
<u>Revenue Gain</u> – DOR (§94.900) 1% Collection Fee, if approved by voters p.4-5	\$0	\$0 or \$10,662	\$0 or \$16,313
<u>Cost</u> – DOR (§94.900) Updates for sales tax forms and collection and distribution systems, if approved by voters in both qualifying districts	\$0	\$0 or (Up to \$62,576)	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0	\$0 or (Up to \$51,914)	\$0 or \$16,313

<u>FISCAL IMPACT – Local Government</u>	FY 2027	FY 2028 (8 Mo.)	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain – City of Northwoods</u> (\$94,900) Public safety sales tax, if approved by voters p.4	\$0	\$0 or \$75,082	\$0 or \$114,875
<u>Revenue Gain – City of Frontenac</u> (\$94,900) Public safety sales tax, if approved by voters p.5	\$0	\$0 or \$980,516	\$0 or \$1,500,190
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	\$0 or \$1,055,598	\$0 or \$1,615,065

FISCAL IMPACT – Small Business

Certain small businesses in the City of Northwoods and/or the City of Frontenac would need to collect the new sales tax (pending voter approval).

FISCAL DESCRIPTION

Currently, several cities are statutorily authorized to, upon voter approval, impose a sales tax of up to 0.5% on all retail sales made in the city. Proceeds of this tax may be used solely for the purpose of improving public safety. This bill adds a city with more than 3,400 but fewer than 3,800 inhabitants in a county with more than one million inhabitants to this list of authorized cities.

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

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue

Office of Administration - Budget and Planning



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