

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1921-01  
Bill No.: SB 447  
Subject: Health Care; Counties; Hospitals; Taxation - Sales and Revenue  
Type: Original  
Date: April 2, 2013

Bill Summary: This proposal would allow a local hospital to abolish the current property taxes authorized to fund hospital operations and establish a sales tax for such operations.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
<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.

This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</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 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## FISCAL ANALYSIS

### ASSUMPTION

#### Section 96.155 RSMo. - Municipal Hospital Tax:

Officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration - Division of Budget and Planning (BAP)** assume this proposal would not result in any additional costs or savings to their organization.

BAP officials noted this proposal would allow various hospital districts that are funded by property taxes to abolish those taxes and replace them with sales taxes. This would have no direct impact on General and Total State Revenues, but General and Total State Revenues would increase to the extent a 1% collection fee is retained to offset the DOR's costs of collection.

Officials from the **Department of Revenue (DOR)** assume this proposal would allow the board of trustees of a municipal hospital, with the concurrence of the city council and voter approval, to abolish the current hospital property tax and impose a sales tax. The sales tax would apply to all retail sales made within the city which are subject to sales tax, and to all sales of metered water services, electricity, electrical current and natural, artificial or propane gas, wood, coal, or home heating oil for domestic use. The sales tax rate could not be more than one percent, and would be restricted to funding hospital operations.

#### Fiscal impact

DOR officials stated the Department would collect one percent of sales taxes to be deposited in the General Revenue Fund which would create an unknown, positive impact on Total State Revenue.

#### Administrative impact

DOR officials did not include an estimate of the administrative impact on their response, and **Oversight** assumes any cost would be minimal and could be absorbed with existing resources.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal. The estimate was \$15,797 based on 584 hours of programming to make changes to DOR systems.

**Oversight** assumes OA - ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight also assumes OA - ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA - ITSD (DOR) could request funding through the appropriation process.

Officials from the **Department of Social Services (DOSS)** note this proposal would allow a hospital which currently imposes a property tax to change to a sales tax method with the approval of the voters.

If the tax amounts collected under the sales tax method are approximately the same amount as the property tax method, there would be no impact to the Medicaid hospital program. If a hospital would increase their tax revenues through the sales tax, there could be a fiscal impact on the amount of direct Medicaid payments they receive. Direct Medicaid payments are used to reimburse hospitals to reflect more recent cost. Tax revenues as well as other factors in the cost report affect the calculation of direct Medicaid payments for hospitals. Therefore the fiscal impact is unknown.

There would not be a fiscal impact for the Medicaid reimbursement rate. Medicare costs, which are the basis of the Medicaid reimbursement rate, would not change as a result of increased tax revenues.

Officials from the **Office of the Secretary of State**, the **Department of Health and Senior Services, St. Louis County**, and the **City of Columbia** each assume the proposal would not fiscally impact their respective agencies.

**Oversight** notes this proposal would authorize the governing board of a hospital in a third class city, with city council approval, to submit to the voters a proposition to replace the current property tax for hospital support with a sales tax. The sales tax rate could not exceed one percent of taxable sales and would be restricted to funding hospital operations.

ASSUMPTION (continued)

**Oversight** assumes the board and/or the city would have unknown election costs if the proposition authorized in this proposal was submitted to the voters. If the voters approved the proposition, the current property tax for hospital purposes would be eliminated but the board and/or the city would have additional revenue from the sales tax. The Department of Revenue would retain a 1% collection fee which would be deposited into the State's General Revenue Fund.

Finally, **Oversight** notes this proposal would only authorize the governing board and/or the city to submit the issue to the voters. Since potential election costs would depend on action by the governing board and city council, and changes in property or sales tax revenues would depend on voter approval, this proposal would not have any direct fiscal impact to the state or to local governments.

<u>FISCAL IMPACT - State Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2014 (10 Mo.)	FY 2015	FY 2016
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation appears to have no direct fiscal impact.

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

Office of the Secretary of State  
Joint Committee on Administrative Rules  
Office of Administration - Division of Budget and Planning  
Department of Health and Senior Services  
Department of Revenue  
Department of Social Services  
Boone County  
St. Louis County  
City of Columbia



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