

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1602S.01I
Bill No.: SB 492
Subject: Taxation and Revenue - Sales and Use; Counties; Hospitals
Type: Original
Date: March 7, 2025

Bill Summary: This proposal authorizes a sales tax for the operation of hospital services.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
General Revenue*	\$0	\$0 or up to \$10,079**	\$0 or up to \$15,421
Total Estimated Net Effect on General Revenue	\$0	\$0 or up to \$10,079**	\$0 or up to \$15,421

*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
Bates County*	\$0	\$0 or up to \$997,839**	\$0 or up to \$1,526,694
Local Government	\$0	\$0 or up to \$997,839**	\$0 or up to \$1,526,694

*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 67.597 - Bates County Sales Tax for Operation of Hospital

Officials from the **Department of Revenue (DOR)** note the legislation states any county with more than fifteen thousand seven hundred but fewer than seventeen thousand six hundred inhabitants with a county seat with more than four thousand two hundred and ten but fewer than six thousand inhabitants can impose a sales tax for operation of hospital services. DOR believes that Bates County is the one allowed the sales tax.

DOR records show that Bates County has taxable sales of:

Fiscal Year	Jul-Sept	Oct-Dec	Jan-Mar	April- June	Total
2020	26,791,278.79	32,257,135.02	30,899,825.25	30,899,633.61	120,847,872.67
2021	28,663,803.27	33,572,927.71	35,825,842.14	34,105,960.73	132,168,533.85
2022	29,179,421.54	35,282,545.40	34,385,716.69	34,875,363.80	133,723,047.43
2023	31,417,103.92	36,928,185.95	34,641,411.74	36,687,412.74	139,674,114.35

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

Fiscal Year	Total Sales	Total Collections	DOR 1% Fee	Final Collection
2026	\$148,223,288	\$1,482,233	\$14,822	\$1,467,411
2027	\$151,187,753	\$1,511,878	\$15,119	\$1,496,759
2028	\$154,211,508	\$1,542,115	\$15,421	\$1,526,694

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.

Bates County	1% Tax	
Fiscal Year	DOR 1%	Local Collection
2026	\$0	\$0
2027 (8 months)	\$10,079	\$997,839
2028	\$15,421	\$1,526,694
*Effective Date 8/28/2025		

If passed, this will require the Department to make changes to Revenue Premier, Rate Manager, MyTax portal, Avalara Sales and use tax rate map, and website changes. These changes are estimated at \$1,832 per system change (\$7,328).

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

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 2026	FY 2027 (8 Mo.)	FY 2028
GENERAL REVENUE			
<u>Potential Revenue Gain</u> - \$67.597 - DOR 1% Collection Fee, if approved by voters	<u>\$0</u>	<u>\$0 or up to \$10,079</u>	<u>\$0 or up to \$15,421</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0</u>	<u>\$0 or up to \$10,079</u>	<u>\$0 or up to \$15,421</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026	FY 2027 (8 Mo.)	FY 2028
BATES COUNTY			
<u>Potential Revenue Gain - \$67.597 - Sales Tax for Operation of Hospital, if approved by voters</u>	<u>\$0</u>	<u>\$0 or up to \$997,839</u>	<u>\$0 or up to \$1,526,694</u>
ESTIMATED NET EFFECT ON BATES COUNTY	<u>\$0</u>	<u>\$0 or up to \$997,839</u>	<u>\$0 or up to \$1,526,694</u>

FISCAL IMPACT – Small Business

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

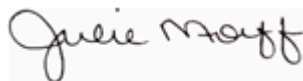
FISCAL DESCRIPTION

This act authorizes Bates County to impose a sales tax not to exceed 1% for the purposes of supporting the operations of hospital services in the 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 7, 2025



Jessica Harris
Assistant Director
March 7, 2025