

Fiscal Estimate - 2005 Session

Original Updated Corrected Supplemental

LRB Number 05-3353/1 **Introduction Number** AB-642

Subject
 "Allow county board to raise county sales tax to one percent with a two-thirds vote".

Fiscal Effect

State:

No State Fiscal Effect
 Indeterminate

Increase Existing Appropriations Increase Existing Revenues Increase Costs - May be possible to absorb within agency's budget
 Decrease Existing Appropriations Decrease Existing Revenues Yes No
 Create New Appropriations Decrease Costs

Local:

No Local Government Costs
 Indeterminate

1. Increase Costs 3. Increase Revenue
 Permissive Mandatory Permissive Mandatory
2. Decrease Costs 4. Decrease Revenue
 Permissive Mandatory Permissive Mandatory

5. Types of Local Government Units Affected
 Towns Village Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By DOR/ Blair Kruger (608) 266-1310	Authorized Signature Paul Ziegler (608) 266-5773	Date 10/13/2005
---	--	---------------------------

Fiscal Estimate Narratives

DOR 10/13/2005

LRB Number	05-3353/1	Introduction Number	AB-642	Estimate Type	Original
Subject					
"Allow county board to raise county sales tax to one percent with a two-thirds vote".					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a county board, by a majority vote, may impose a sales and use tax at a rate of 0.5% of the purchase price of taxable goods and services. Under the bill, a county board, by a two-thirds vote, may impose a sales and use tax at a rate greater than 0.5% but no more than 1.0% of the purchase price of taxable goods and services.

The fiscal effect of the bill depends on the number of counties that would enact an ordinance imposing a county sales tax at a rate between 0.5% and 1.0%. The number of counties that would enact an ordinance under the bill, and the rate each county would impose, are unknown. Therefore, only the range of the fiscal effect is provided below.

The lower bound of the bill's fiscal effect is zero indicating that no county would enact an ordinance under the bill. The upper bound is first calculated as the revenue increase that would occur if the 58 counties that currently impose a county sales tax increased the rate from the current 0.5% to 1.0%. In addition, if the bill induces the 14 counties that do not currently impose a county sales tax to impose a 1.0% tax as provided under the bill, the additional revenue resulting from the 14 new counties' taxes would be included in the fiscal effect.

Total distributions to the 58 counties with a county sales tax were \$259,653,953 in 2004. Assuming all of the 58 counties doubled the rate to 1.0% as provided under the bill, total distributions would have been \$519.3 million [$\$259,653,953 \times 2$] in 2004, an increase of \$259.7 million. As noted above, there is no reliable way to determine which of the 58 counties would enact an ordinance increasing the rate to 1.0%. The attachment shows the actual 2004 distributions to the 58 counties and the amounts that would have been distributed to those counties if the rate had been 1.0%.

Statewide transactions subject to sales and use taxes were about \$78.8 billion in 2004. Assuming all 72 counties imposed a county sales tax at 1.0% in 2004, and adjusting for the 1.75% retained by the Department, total county sales tax distributions would have been about \$774 million, an increase of \$514 million (\$774 million - \$260 million) over actual 2004 distributions. The \$514 million increase consists of \$259 million from the additional 0.5% tax imposed by the 58 counties that currently have a county sales tax, plus \$255 million from a 1.0% county sales tax imposed by the 14 counties that do not currently have a county sales tax.

The bill would entail significant administrative costs. The Department estimates that it would incur non-recurring costs of \$485,800 to reprogram its computer systems, revise its procedures and notify taxpayers of new or changed tax rates under the bill. In addition, the Department would incur annual costs of \$188,400, including 2.0 FTE, to administer the tax.

The Department of Revenue retains 1.75% of county sales tax collections to recover the agency's costs of administering the county sales taxes. As with the change in county revenues under the bill, the change in state revenue cannot be reliably estimated.

Long-Range Fiscal Implications

ATTACHMENT: COUNTY SALES TAX DISTRIBUTION, 2004

County	Actual Distribution 0.5% Rate	Estimated Distribution 1.0% Rate	County	Actual Distribution 0.5% Rate	Estimated Distribution 1.0% Rate
Adams	\$982,910	\$1,965,819	Langlade	\$1,256,905	\$2,513,810
Ashland	1,020,052	2,040,104	Lincoln	1,535,860	3,071,719
Barron	3,456,553	6,913,106	Marathon	10,595,278	21,190,556
Bayfield	827,872	1,655,744	Marinette	2,799,484	5,598,968
Buffalo	571,389	1,142,779	Marquette	687,631	1,375,263
Burnett	862,015	1,724,029	Milwaukee	61,556,248	123,112,496
Chippewa	3,358,768	6,717,535	Monroe	2,479,972	4,959,944
Columbia	3,385,448	6,770,896	Oconto	1,556,084	3,112,167
Crawford	1,270,325	2,540,651	Oneida	3,753,174	7,506,347
Dane	41,141,077	82,282,154	Ozaukee	6,110,050	12,220,100
Dodge	4,585,383	9,170,767	Price	773,984	1,161,000
Door	2,971,221	5,942,442	Richland	856,016	1,284,000
Douglas	2,956,289	5,912,577	Rusk	680,697	1,021,000
Dunn	2,184,646	4,369,292	St Croix	4,238,196	6,357,000
Eau Claire	7,905,427	15,810,853	Sauk	4,981,258	7,472,000
Forest	376,941	753,883	Sawyer	1,301,198	1,952,000
Grant	2,274,119	4,548,238	Shawano	1,781,760	2,673,000
Green	1,866,494	3,732,989	Taylor	897,618	1,346,000
Green Lake	1,134,238	2,268,476	Trempealeau	1,101,169	1,652,000
Iowa	1,660,373	3,320,746	Vernon	1,032,800	1,549,000
Iron	386,778	773,555	Vilas	1,789,375	2,684,000
Jackson	1,004,313	2,008,627	Walworth	6,093,017	9,140,000
Jefferson	4,773,729	9,547,457	Washburn	885,459	1,328,000
Juneau	1,259,679	2,519,358	Washington	6,948,925	10,423,000
Kenosha	9,514,183	19,028,366	Waupaca	2,689,369	4,034,000
La Crosse	9,311,371	18,622,742	Waushara	1,007,568	1,511,000
Lafayette	604,434	1,208,867	Wood *	3,642,920	7,285,839
			Total	\$259,653,953	\$519,307,905

* Wood County's tax was effective January 1, 2004 and so was not fully implemented in early 2004.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

LRB Number 05-3353/1		Introduction Number AB-642	
Subject			
"Allow county board to raise county sales tax to one percent with a two-thirds vote".			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
\$485,800 to reprogram computer systems, revise procedures and notify taxpayers.			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$116,200	
(FTE Position Changes)		(2.0 FTE)	
State Operations - Other Costs		72,200	
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category		\$188,400	\$
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS (20.566(1)(g))		188,400	
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues		\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$188,400	\$
NET CHANGE IN REVENUE		\$	\$ See text & attachment
Agency/Prepared By		Authorized Signature	Date
DOR/ Blair Kruger (608) 266-1310		Paul Ziegler (608) 266-5773	10/13/2005