

Fiscal Estimate Narratives

DOR 2/20/2014

| | | | | | |
|--|------------------|---------------------|---------------|---------------|-----------------|
| LRB Number | 13-3960/1 | Introduction Number | SB-593 | Estimate Type | Original |
| Description Additional county sales and use tax for highway improvements | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Under current law, counties may impose a 0.5% sales and use tax for the purpose of reducing county property tax levies. The Department of Revenue collects the tax on behalf of the counties and distributes 98.25% of the tax collections to the counties. The department retains 1.75% of collections to cover administrative costs.

Under the bill, counties with a population under 100,000 may impose an additional sales and use tax of up to 0.5% to pay for highway improvements in the county. Counties may only impose the additional sales and use tax after the enactment of an ordinance that is approved in a contingent referendum. Ordinances adopted to impose the additional county sales and use tax are valid for six years, but may be renewed at a county referendum.

The fiscal effect of the bill depends on the number of counties that impose the additional tax and the tax rate adopted by each county. Currently, 52 counties with a population under 100,000 impose the 0.5% county sales and use tax. Local sales and use tax collections for these counties totaled \$121.3 million in 2013 (distributions of \$119.2 million / 98.25%). For illustrative purposes, assuming the 52 counties imposed an additional 0.5% sales tax, 2013 county distributions would have increased by approximately \$119.2 (collections of \$121.3 million x 98.25%) million. Such a scenario would have increased state administrative fee revenue by approximately \$2.1 million (\$121.3 million x 1.75%).

Administrative costs for the bill would also depend on the number of counties that impose the additional sales tax. One-time programming changes to WINPAS, the state's tax processing system, would cost approximately \$14,000. Additional costs of approximately \$5,000 would be incurred for each additional county that elects to impose the additional sales tax.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

| | | | |
|--|---------------|--|-----------------|
| LRB Number 13-3960/1 | | Introduction Number SB-593 | |
| Description Additional county sales and use tax for highway improvements | | | |
| I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One-time programming changes to WINPAS, the state's tax processing system, would cost approximately \$14,000. | | | |
| II. Annualized Costs: | | Annualized Fiscal Impact on funds from: | |
| | | Increased Costs | Decreased Costs |
| A. State Costs by Category | | | |
| State Operations - Salaries and Fringes | \$ | \$ | |
| (FTE Position Changes) | | | |
| State Operations - Other Costs | | | |
| Local Assistance | | | |
| Aids to Individuals or Organizations | | | |
| TOTAL State Costs by Category | \$ | \$ | |
| B. State Costs by Source of Funds | | | |
| GPR | | | |
| FED | | | |
| PRO/PRS | | | |
| 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 | | | |
| | <u>State</u> | <u>Local</u> | |
| NET CHANGE IN COSTS | \$see text | \$ | |
| NET CHANGE IN REVENUE | \$see text | \$see text | |
| Agency/Prepared By | | Authorized Signature | Date |
| DOR/ Robert Schmidt (608) 266-5773 | | Robert Schmidt (608) 266-5773 | 2/20/2014 |