

Fiscal Estimate - 2019 Session

Original Updated Corrected Supplemental

LRB Number **19-4457/1** Introduction Number **SB-471**

Description
 additional local sales and use tax for Milwaukee County

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

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Fiscal Estimate Narratives

DOR 10/17/2019

LRB Number	19-4457/1	Introduction Number	SB-471	Estimate Type	Original
Description additional local sales and use tax for Milwaukee County					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, a county may impose a sales and use tax at the rate of 0.5 percent of the sales price of tangible personal property, goods, and services sold or used in the county. The tax may be imposed only for the purpose of reducing the property tax levy.

Under the bill, with the approval of the electors in the county at a referendum, Milwaukee County may impose an additional sales and use tax at the rate of 1 percent of the sales price of tangible personal property, goods, and services sold or used in the county. The bill requires that 25 percent of the revenue from the additional tax be used to provide residential property tax relief, divided evenly between county and municipal property tax relief, and that 7 percent of the revenue be used for public health infrastructure projects. For the remaining 68 percent of tax revenue, the bill requires that the county use half for its operational and capital expenses and distribute the other half to the cities, villages, and towns in the county for their operational and capital expenses.

Using 2018 Milwaukee County distributions and assuming 3.5% growth, the department estimates a 1% increase in the county sales tax rate will increase distributions by \$166.3 million in FY20. The actual amount generated would depend on if and when the tax is adopted.

The department's administrative costs would be covered by the 1.75% of collections it would retain to administer this tax. The department estimates that the administrative fee would generate about \$2.9 million (\$168.8 million * 1.75%) on an annual basis.

Under the bill, approximately \$40 million could be used for a residential property tax credit. Based on 2018-19 residential equalized value data, the bill could reduce residential property taxes by a combined \$0.85 per thousand. The county credit would be approximately \$0.51 per thousand, while the municipal credit would have a median value of \$0.34 per thousand. For a home with a median value of \$167,000, the total credit would be approximately \$142—\$85 for the county and \$57 for the municipality. The actual property tax reduction would vary by property value, sales tax allocation to a specific municipality, and actions by local officials.

The bill would not impact tax incremental district (TID) revenues if applied as a residential property tax credit. To the extent the additional sales tax revenue is utilized in place of future levy increases, tax increments would be smaller than under current law.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description additional local sales and use tax for Milwaukee County			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One-time administrative costs of \$147,100 for updating WINPAS, the state's tax processing system			
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		\$	\$
NET CHANGE IN REVENUE		\$See test	\$See text
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		Date	
		10/17/2019	