

Fiscal Estimate - 2007 Session

Original Updated Corrected Supplemental

LRB Number 07-2202/1		Introduction Number AB-0379		
Description Authorizing the city of St. Croix Falls to become a premier resort area				
Fiscal Effect				
State:				
<input type="checkbox"/> No State Fiscal Effect				
<input type="checkbox"/> Indeterminate				
<input type="checkbox"/> Increase Existing Appropriations		<input checked="" type="checkbox"/> Increase Existing Revenues		
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Decrease Existing Revenues		
<input type="checkbox"/> Create New Appropriations		<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
<input type="checkbox"/> Decrease Costs				
Local:				
<input type="checkbox"/> No Local Government Costs				
<input type="checkbox"/> Indeterminate				
1. <input type="checkbox"/> Increase Costs		3. <input checked="" type="checkbox"/> Increase Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue		
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		
5. Types of Local Government Units Affected				
<input type="checkbox"/> Towns		<input type="checkbox"/> Village <input checked="" type="checkbox"/> Cities		
<input type="checkbox"/> Counties		<input type="checkbox"/> Others		
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts		
Fund Sources Affected		Affected Ch. 20 Appropriations		
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.566 (1) (gf)				
Agency/Prepared By		Authorized Signature		Date
DOR/ Blair Kruger (608) 266-1310		Paul Ziegler (608) 266-5773		6/8/2007

Fiscal Estimate Narratives

DOR 6/11/2007

LRB Number	07-2202/1	Introduction Number	AB-0379	Estimate Type	Original
Description Authorizing the city of St. Croix Falls to become a premier resort area					

Assumptions Used in Arriving at Fiscal Estimate

In general, a municipality may declare itself to be a premier resort area if at least 40% of the taxable property in the municipality is classified in certain tourism-related Standard Industrial Codes (SICs) specified in the law. A premier resort area may impose a 0.5% premier resort area tax on sales that are subject to the state sales tax by retailers in specified SICs. The premier resort area tax applies only to sales; it does not include a use tax. In addition, current law requires a premier resort area to notify the Department of Revenue (DOR) at least 120 days before the effective date of the tax, which must be the first day of a calendar quarter. DOR retains 3% of premier resort area tax collections to cover state administrative costs.

Under the bill, the City of St. Croix Falls (Polk County) may declare itself a premier resort area even if less than 40% of the taxable property in the municipality is classified in the specified tourism-related SICs. The bill would treat St. Croix Falls the same as Bayfield, Eagle River, Ephraim and Sister Bay, which are exempted from the 40% tourism-related property threshold under current law. In addition, the bill provides that the premier resort area tax may not take effect in St. Croix Falls unless the tax is approved in a referendum of the electors. In this manner, the bill would treat St. Croix Falls the same as Ephraim and Sister Bay, which also require referenda.

Polk County sales and use taxes, including administrative fees, were \$2.39 million in 2006. To adjust for the absence of a use tax complement to the resort tax, these sales and use taxes are reduced by 6% to \$2.25 million (\$2.39 mil. x 94%) since use taxes average 6% of total sales and use taxes statewide. The premier resort area tax base is narrower than the county sales and use tax base (e.g., motor vehicles, utilities, and building materials are not taxable); based on a breakdown of Polk County sales and use taxes by NAICS classifications, an estimated 37% of sales in the county are potentially subject to premier resort area tax. In addition, St. Croix Falls accounts for about 20% of commercial property in Polk County. Assuming 37% of sales subject to sales tax are also subject to premier resort area tax, and that the sales subject to the premier resort area tax are distributed among the municipalities in a county the same as commercial property, premier resort area taxes in St. Croix Falls would have been \$170,000 (\$2.25 mil. x 37% x 20%) in 2006. Finally, assuming 95% compliance and adjusting for the 3% DOR administrative fee, St. Croix Falls would have received about \$160,000 (\$170,000 x 95% x 97%) in 2006 if the premier resort area tax had been in effect for the full year.

The Department would have received about \$5,000 to recover its costs of administering the tax, if the tax had been in effect in 2006.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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 Corrected
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Description Authorizing the city of St. Croix Falls to become a premier resort area			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$5,000	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$5,000	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS	5,000	
	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	5,000	
	SEG/SEG-S		
	TOTAL State Revenues	\$5,000	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
	NET CHANGE IN COSTS	\$5,000	\$
	NET CHANGE IN REVENUE	\$5,000	\$160,000
Agency/Prepared By		Authorized Signature	Date
DOR/ Blair Kruger (608) 266-1310		Paul Ziegler (608) 266-5773	6/8/2007