

Fiscal Estimate Narratives

DOR 2/18/2016

LRB Number	15-4556/1	Introduction Number	SB-733	Estimate Type	Original
Description Authorizing the city of Prescott to become a premier resort area					

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

The governing body of a municipality or county may, by two-thirds vote, enact an ordinance declaring that it is a "premier resort area" if a least 40% of the equalized value of taxable property within its borders can be classified as belonging to "tourism-related retailers". Under sec. 66.1113, a retailer is deemed to be a "tourism-related retailer" if, based on the classification system under the Standard Industrial Manual issued in 1987 by the U. S. Office of Management and Budget, the retailers sales place it in one of the following standard industrial codes (SIC): (a) 5331 – variety stores; (b) 5399 – miscellaneous general merchandise stores; (c) 5441 – candy, nut, and confectionary stores; (d) 5451 - dairy product stores, (e) 5461 – retail bakeries, (f) 5541 – gasoline service stations; (g) 5812 – eating places; (h) 5813 – drinking places; (i) 5912 – drug stores and proprietary stores; (j) 5921 – liquor stores; (k) 5941 – sporting good stores and bicycle shops, (l) 5946 – camera and photographic supply stores, (m) 5947 – gift, novelty, and souvenir shops, (n) 7011 – hotels and motels; (o) 7032 – sporting and recreational camps, (p) 7033 – recreational vehicle parks and campsites, (q) 7948 – racing, including racing track operations, (r) 7992 – public golf courses, (s) 7993 - coin-operated amusement devices, (t) 7996 – amusement parks, and (u) 7999- other amusement and recreational services.

Under sec. 77.994, a "premier resort area" tax may be imposed on sales that are subject to the state sales tax by retailers in the SIC codes noted in the paragraph above plus retailers in the following SIC codes: (a) 5311 – department stores, (b) 5499 – miscellaneous food stores, (b) 5611 – men's and boy's clothing and accessory stores, (d) 5651 – women's clothing stores, (e) 5632 – women's accessory and specialty stores, (e) 5641 – children's and infant's wear stores, (f) 5651 – family clothing stores, (g) 5661 – shoe stores, (h) 5699 – miscellaneous apparel and accessory stores, (i) 5942 – bookstores, (j) 5943 - stationery stores, (k) 5944 – jewelry stores, (l) 5945 - hobby, toy, and game shops, (m) 5948 – luggage and leather goods stores, (n) 5949 – sewing, needlework, and piece goods stores, (o) 5992 – florists, (p) 5993 – tobacco stores and stands, (q) 5994 – news dealers and newsstands, (r) 5999 – miscellaneous retail stores, (s) 7922 – theatrical producers and miscellaneous theatrical services (except motion pictures), (t) 7929 - bands, orchestras, actors, and other entertainers and entertainment groups, and (u) 7991 – physical fitness facilities.

The premier resort area tax can be imposed at a rate of 0.5% (The Village of Lake Delton and the City of Wisconsin Dells may impose this tax at a rate of 1.25%). The premier resort area tax is on sales only; it does not include a use tax. When a premier resort area tax is imposed, the municipality or county must notify the Department of Revenue (DOR) at least 120 days before the effective date of the tax. The tax may start on the first day of a calendar quarter. DOR retains 3.0% of premier resort area tax collections to cover its administrative costs.

Six municipalities have been allowed to declare themselves to a premier resort area and therefore impose the premier resort area despite not having sufficient commercial property to qualify. For the cities of Bayfield and Eagle River, the municipal boards approved resolutions to take advantage of the exception granted them by state law. The Village of Stockholm approved a resolution and passed a referendum to impose the premier resort area tax. For the Villages of Ephraim and Sister Bay and the City of Rhinelander, the designation as a premier resort area requires the approval of the municipal boards and voters at a referendum.

PROPOSED LAW

Under the bill, the city of Prescott (Pierce County) may declare itself a premier resort area. The designation of the city as a premier resort area and the imposition of the premier resort area tax would require approval by voters at a referendum.

Pierce County imposes the 0.5% county sales tax. Remittances to the county totaled \$2.05 million in 2015. Based on sales tax returns for businesses with sales in Pierce County, approximately 46.8% of taxable sales tax occur at businesses that would be subject to a premier resort area tax. The city of Prescott's share of Pierce County's total commercial real estate was approximately 19.7% in 2014. Based on 2014 population estimates, the city of Prescott's share of Pierce County's population is 10.3%. Assuming that 15% of the taxable sales in Pierce County are attributable to the City of Prescott and that 46.8% of the sales take place at businesses subject to the premier resort tax, the 0.5% tax would generate approximately \$140,000 on an annual basis. The amount could differ to the extent taxable sales activity occurs within the city's borders.

The department's costs would be absorbed by the 3.0% of collections it would retain to administer this tax. The department estimates that the administrative fee would generate \$4,200 on an annual basis.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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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	\$	\$
(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 (20.566(1)(gf))	4,200	
SEG/SEG-S		
TOTAL State Revenues	\$4,200	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$4,200	\$140,000
Agency/Prepared By		
Authorized Signature		Date
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		2/18/2016