

### Fiscal Estimate - 2023 Session

Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> 23-2164/1	<b>Introduction Number</b> AB-0857	
<b>Description</b> additional local sales and use taxes and making an appropriation		
<b>Fiscal Effect</b>		
<b>State:</b> <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 checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs		
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input checked="" type="checkbox"/> Increase Revenue <b>5. Types of Local Government Units Affected</b> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
<b>Agency/Prepared By</b> DOR/ Travis Arthur (608) 266-8565	<b>Authorized Signature</b> Robert Schmidt (608) 266-5773	<b>Date</b> 1/8/2024

## Fiscal Estimate Narratives

DOR 1/8/2024

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<b>Description</b> additional local sales and use taxes and making an appropriation					

### Assumptions Used in Arriving at Fiscal Estimate

Current law allows a county to enact an ordinance to impose sales and use taxes at the rate of 0.5 percent of the sales price or purchase price on tangible personal property and taxable services. The county must use the revenue from the taxes for property tax relief. This bill allows a county to impose, by ordinance, an additional sales and use tax at the rate of 0.5 percent of the sales price or purchase price on tangible personal property and taxable services. The revenue from those taxes may be used for any purpose designated by the county board or specified in the ordinance.

The bill also allows a municipality to enact an ordinance to impose sales and use taxes at the rate of 0.5 percent of the sales price or purchase price on tangible personal property and taxable services. The revenue from those taxes may be used for any purpose designated by the governing body of the municipality or specified in the ordinance.

The amount of county and municipal sales tax generated would depend on the number local governments that adopt the taxes allowed under the bill.

#### County Sales Tax

The state sales tax rate is 10 times the county tax rate allowed under the bill. Based on department forecasts, FY24 state sales tax collections are estimated to be about \$7.6 billion. Assuming all 72 counties impose the 0.5% tax, county tax revenues are estimated to increase by about \$760 million (annualized) with increasing amounts in future years.

#### Municipal Sales Tax

The department does not have data at the municipal level, therefore the overall estimate is indeterminate. However, assuming all municipalities impose the 0.5% tax, municipal tax revenues are estimated to increase by about \$760 million.

Administrative fee revenue (0.75% of the tax amount) would increase. The extent of the increase depends on the taxes imposed.

#### Administrative Costs

The department estimates one-time costs of about \$643,000 for updates to the State's tax processing system. One-time costs of \$85,000 for training, testing, and developing procedures to implement the new municipal taxes. Total one-time costs are estimated to be \$728,000.

The department estimates on-going costs of about \$972,000 (PR) for auditing and customer service activities. This includes salaries, fringe benefits, and associated costs for two revenue auditors and seven revenue agents. In addition, the department estimates \$18,200 in ongoing technology costs. Total ongoing costs are estimated to be \$990,200 annually. Depending on the number of local governments that adopt the tax, the administrative fee revenue may not be sufficient to cover the department's costs.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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<b>LRB Number</b> 23-2164/1	<b>Introduction Number</b> AB-0857	
<b>Description</b> additional local sales and use taxes and making an appropriation		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
The department estimates one-time costs of about \$643,000 for updates to the State's tax processing system. One-time costs of \$85,000 for training, testing, and developing procedures to implement the new municipal taxes. Total one-time costs are estimated to be \$728,000.		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs      Decreased Costs	
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$905,200	\$
(FTE Position Changes)	(9.0 FTE)	
State Operations - Other Costs	85,000	
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$990,200</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED		
PRO/PRS	990,200	
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$990,200	\$
NET CHANGE IN REVENUE	\$	\$See Text
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
DOR/ Travis Arthur (608) 266-8565		Robert Schmidt (608) 266-5773
		1/8/2024