

Fiscal Estimate Narratives

DOR 11/5/2009

LRB Number	09-3121/4	Introduction Number	AB-0504	Estimate Type	Original
Description A Milwaukee County sales and use tax for parks, recreation, and culture					

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% of the sales price of tangible personal property, goods, and services sold or used in the county, provided that the tax is imposed only for the purpose of reducing the county's property tax levy. The Department of Revenue retains 1.75% of the amounts collected for the department's costs in administering county sales taxes.

Under the bill, Milwaukee County may impose an additional sales and use tax at the rate of no more than 0.5% to pay for parks, recreation, and culture. If the county imposes the tax, it may not levy property taxes for such purposes. The department would retain 1.75% of the collections from the additional sales tax for the department's administrative costs. 98.25% would be distributed to the county.

County sales taxes are generally remitted by the seller to the Department of Revenue in the month after the taxable sale occurs. The department generally distributes the amount collected from retailers to the county imposing the tax in the following month. Consequently, county sales tax distributions from September 2008 to the August 2009 largely coincide with sales during the July 2008 to June 2009 period, and thus the state's FY09 fiscal year. County sales tax distributions to Milwaukee County for the twelve month period of September 2008 to August 2009 for the county's existing 0.5% county sales tax totaled \$62.0 million. This figure is net of the amount retained for the department's administrative costs.

Based on the May 11, 2009 estimate prepared by the Legislative Fiscal Bureau, Wisconsin's state sales and use tax collections are expected to decline by 1.8% in FY10 but then increase by 5.5% in FY11. Applying these rates of change to Milwaukee County suggests that the county's current 0.5% sales tax would be expected to generate \$60.9 million for sales during state FY10 and \$64.3 million for sales during state FY11.

According to Milwaukee County's adopted 2009 operating budget, the 2009 levy for the county's Department of Parks, Recreation, and Culture was approximately \$24.6 million. Assuming that the county's levy for these purposes remains at this amount, a sales tax of 2/10ths of one percent would produce approximately the same amount of revenue as the county's current levy for this department. If, however, other costs beyond this specific department are considered as expenditures for parks, recreation and culture, a higher rate may be necessary. An additional 0.2% sales tax in the county would generate an estimated \$24.4 million on sales during state FY10 and \$25.7 million on sales during state FY11, net of the amounts retained for state administration of the tax. The amount retained for state administrative costs under a 0.2% tax would be approximately \$430,000 in FY10 and \$460,000 in FY11.

The county's total levy for the 2009 budget year was approximately \$259 million. Reducing the total levy by the amount levied in 2009 for the operations of the Department of Parks, Recreation, and Culture would reduce the levy by \$24.6 million or about 9.5% if no other changes occur. Since a reduction in property tax levies for this county department may be at least partially offset by an increase in the county's levy for other purposes, however, the actual reduction in the county's levy may be less than this amount.

Because the unencumbered balance of the department's appropriation for administration of county sales taxes lapses to the general fund, the bill may increase general fund revenues to the degree that the amounts generated for the state's administrative expenses exceed the actual expenses authorized and incurred.

The Department of Revenue may have additional administrative costs under the bill to provide notice of the higher tax rate. These expenses would be absorbed within existing budget authority.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description A Milwaukee County sales and use tax for parks, recreation, and culture			
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 (S.20.566(1)(g))	460,000		
SEG/SEG-S			
TOTAL State Revenues	\$460,000		\$
NET ANNUALIZED FISCAL IMPACT			
	State		Local
NET CHANGE IN COSTS	\$		\$
NET CHANGE IN REVENUE	\$460,000		\$25,700,000
Agency/Prepared By		Authorized Signature	
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		Date	
		11/5/2009	