

Fiscal Estimate - 2017 Session

Original Updated Corrected Supplemental

LRB Number 17-4969/1 **Introduction Number** SB-863

Description
Allowing a municipality to impose a sales and use tax and allowing a county to increase the rate of its sales and use tax and making appropriations

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 20.566 (1) (gh), 20.835 (4) (gh)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 3/19/2018

LRB Number	17-4969/1	Introduction Number	SB-863	Estimate Type	Original
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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 bill allows a county, with the approval of the county electors at a referendum, to increase the tax rate in 0.1 percent increments, as long as the overall rate does not exceed 1 percent. The bill also allows a municipality to impose a sales and use tax at a rate of 0.1, 0.2, 0.3, 0.4, or 0.5 percent, if approved by municipal voters at referendum. The overall municipal tax rate may not exceed 0.5 percent

The magnitude of the potential revenue increase is indeterminate and dependent on the number of counties that increase county sales taxes, the number of municipalities that vote to impose a municipal sales tax, and the tax rates imposed by the municipalities.

Based on the most recent revenue estimates published by the Legislative Fiscal Bureau, sales subject to sales/use tax are expected to reach \$109.3 billion in FY18. Assuming all municipalities adopt a local tax, the department estimates the following potential municipal sales and use tax collections for the given rate:

0.1 percent: \$109.3 million annually
0.2 percent: \$218.6 million annually
0.3 percent: \$327.9 million annually
0.4 percent: \$437.2 million annually
0.5 percent: \$546.5 million annually

Currently, 64 counties impose a county sales/use tax. Assuming all of these counties increased their tax rate by 0.1 percent, county sales tax collections would increase by \$67.8 million on an annual basis.

Current law requires DOR to provide a database for retailers to use that properly identifies address boundaries for purposes of imposing tax rates for particular jurisdictions. The department estimates the cost to build the database to be about \$100,000 with an annual maintenance cost of about \$20,000. In addition, changes to WINPAS, the state's tax processing software system, are estimated to cost about \$563,000 with ongoing maintenance costs to be about \$209,000 on an annual basis.

The department's costs would be partially funded by the 1.75% of collections it would retain to administer the county tax and the new municipality tax.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

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 Updated
 Corrected
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One-time cost of \$100,000 to build address boundary database. One-time cost of \$563,000 to make changes WINPAS.		
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 text	\$see text
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