



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Local Government Fiscal Impact 2009 Biennium

Bill # SB0275

Title: Local option sales tax

Primary Sponsor: Kitzenberg, Sam

Status: As Amended in Senate Committee

Check the box if "Yes".

- This act has a significant impact on local government revenues or expenditures for which no specific means of financing has been provided in the bill.

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of Fiscal Impact: This legislation would allow counties or municipalities to establish local sales taxes.

FISCAL ANALYSIS

Assumptions:

1. This legislation would give all cities and counties the authority to levy a local option sales tax on gift items, luxury items, or other items or services normally sold to the public, transient visitors, or tourists, and excluding certain goods. The combined city and county tax rates for a location could not exceed 4%. The revenue raised by this legislation would depend on the number of jurisdictions adopting the tax, the tax rates adopted, and the specific goods and services taxed.
2. The proposed legislation allows for the taxation of lodging facilities and campgrounds; meals prepared for on-site consumption or to take-out; and alcoholic beverages sold by the drink. This fiscal note assumes that meals consumed in hospitals or other medical facilities are taxable.
3. The statewide tax base is estimated to be \$2.091 billion in FY 2008, \$2.177 billion in FY 2009, \$2.266 billion in FY 2010, and \$2.359 million in FY 2011.
4. Assuming that every locality adopts a 4% tax rate, the estimated state-wide taxes raised would be \$83.664 million in FY 2008, \$87.065 million in FY 2009, \$90.630 million in FY 2010, and \$94.357 million in FY 2011.

5. This legislation also requires that a mill levy that has been reduced because of tax relief resulting from the imposition of a local option sales tax may not be reinstated while the sales tax is in effect, unless the reinstatement is approved in an election. Because this provision is conditional on both the reduction of mill levies, then a subsequent election, this provision is assumed to have no fiscal impact to local governments.
6. This legislation places the responsibility of collection and administration of the taxes at the local level.

Long-Range Impacts to Local Governments:

1. This legislation would have significant impacts on local government public finance by allowing sales taxes as an option of raising local revenues.

Sponsor's Initials

Date

Budget Director's Initials

Date