



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	SB0385	Title:	Reduce sales tax rates and redistribute proceeds to provide funding for tourism
Primary Sponsor:	Priest, Jason	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$4,989,000	\$5,266,000	\$5,650,000	\$6,112,000
Revenue:				
General Fund	(\$21,997,000)	(\$23,221,000)	(\$24,913,000)	(\$26,946,000)
State Special Revenue	\$4,989,000	\$5,266,000	\$5,650,000	\$6,112,000
Net Impact-General Fund Balance:	<u>(\$21,997,000)</u>	<u>(\$23,221,000)</u>	<u>(\$24,913,000)</u>	<u>(\$26,946,000)</u>

Description of fiscal impact: SB 385 reduces the sales and use tax rate on lodging from 3% to 0.68%, and it reduces the sales and use tax on rental vehicles from 4% to 0.91%. This bill redirects the reduced revenue from the general fund to a state special revenue fund to the credit of the Department of Commerce and provides a transfer to Fish Wildlife and Parks for tourism promotion.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR):

- According to estimates from the SJR 2, revenue from the lodging sales and use tax under the current rate of 3% is \$18.365 million in FY 2014 and \$19.477 million in FY 2015. Using OBPP's growth rates for FY 2016 of 1.0698% and for FY 2017 of 1.0817%, estimated revenue is \$20.836 million in FY 2016 and \$22.538 million in FY 2017. This revenue would no longer be deposited into the general fund.

- SB 385 reduces the lodging sales and use tax from 3% to 0.68%. This reduces revenue to \$4.163 million in FY 2014, \$4.415 million in FY 2015, \$4.723 million in FY 2016, and \$5.109 million in FY 2017.

Lodging Sales Tax (\$ millions)					
Fiscal Year	Imputed Gross Taxable Revenue	Current Law General Fund (3%)	Current Law DOC State Special Fund	SB 385 General Fund	SB 385 DOC State Special Fund (0.68%)
2014	\$612.17	\$18.365	\$0.000	\$0.000	\$4.163
2015	\$649.23	\$19.477	\$0.000	\$0.000	\$4.415
2016	\$694.53	\$20.836	\$0.000	\$0.000	\$4.723
2017	\$751.26	\$22.538	\$0.000	\$0.000	\$5.109

- According to SJ2, revenue from the rental car sales and use tax under the current rate of 4% is \$3.632 million in FY 2014 and \$3.744 million in FY 2015. Using OBPP’s growth rate of 1.089% in FY 16 and 1.081% in FY 17, estimated revenue is \$4.077 million in FY 2016 and \$4.409 million in FY 2017. This revenue would no longer be deposited in to the general fund.
- SB 385 reduces the rental car sales and use tax rate from 4% to 0.91%. This reduces revenue to \$0.826 million in FY 2014, \$0.852 million in FY 2015, \$0.928 million in FY 2016, and \$1.003 million in FY 2017.

Rental Car Sales Tax (\$ millions)					
Fiscal Year	Imputed Gross Taxable Revenue	Current Law General Fund (4%)	Current Law DOC State Special Fund	SB 385 General Fund	SB 385 DOC State Special Fund (0.91%)
2014	\$90.80	\$3.632	\$0.000	\$0.000	\$0.826
2015	\$93.60	\$3.744	\$0.000	\$0.000	\$0.852
2016	\$101.93	\$4.077	\$0.000	\$0.000	\$0.928
2017	\$110.21	\$4.409	\$0.000	\$0.000	\$1.003

- Costs to the DOR due to this bill will be minimal. This includes updating both the rental vehicle tax form and the lodging tax form and changing revenue accounting to deposit funds into a state special revenue fund instead of the general fund.
- This act is effective July 1, 2013.

Department of Commerce (DOC):

7. The general fund currently receives all the revenue from the lodging facility sales tax and the rental car sales tax. Under the proposed bill, the general fund would cease to receive any revenue from either the lodging facility sales tax or the rental car sales tax.
8. The Department of Fish, Wildlife and Parks would receive 6.9% of the tax collected.
9. The Department of Commerce would receive 69.1% of the tax collected.
10. The Department of Commerce would distribute 24% of the tax collected to regional nonprofit tourism corporations.

Distribution of State Special Revenue					
(\$ millions)					
		2014	2015	2016	2017
Total State Special Revenue	100%	4.989	5.267	5.650	6.112
Dept. of Fish, Wildlife, and Parks	6.9%	\$0.344	\$0.363	\$0.390	\$0.422
Dept. of Commerce	69.1%	\$3.447	\$3.639	\$3.904	\$4.223
Regional nonprofit tourism corporations	24%	\$1.197	\$1.264	\$1.356	\$1.467
Total	100%	\$4.989	\$5.267	\$5.650	\$6.112

Due to rounding error, some revenues may differ slightly from what is reflected in the fiscal note

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$3,447,000	\$3,639,000	\$3,904,000	\$4,223,000
Local Assistance (Regions)	\$1,198,000	\$1,264,000	\$1,356,000	\$1,467,000
Transfers (to FWP)	\$344,000	\$363,000	\$390,000	\$422,000
TOTAL Expenditures	<u><u>\$4,989,000</u></u>	<u><u>\$5,266,000</u></u>	<u><u>\$5,650,000</u></u>	<u><u>\$6,112,000</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$4,989,000	\$5,266,000	\$5,650,000	\$6,112,000
TOTAL Funding of Exp.	<u><u>\$4,989,000</u></u>	<u><u>\$5,266,000</u></u>	<u><u>\$5,650,000</u></u>	<u><u>\$6,112,000</u></u>
<u>Revenues:</u>				
General Fund (01)	(\$21,997,000)	(\$23,221,000)	(\$24,913,000)	(\$26,946,000)
State Special Revenue (02)	\$4,989,000	\$5,266,000	\$5,650,000	\$6,112,000
TOTAL Revenues	<u><u>(\$17,008,000)</u></u>	<u><u>(\$17,955,000)</u></u>	<u><u>(\$19,263,000)</u></u>	<u><u>(\$20,834,000)</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$21,997,000)	(\$23,221,000)	(\$24,913,000)	(\$26,946,000)
State Special Revenue (02)	\$0	\$0	\$0	\$0

Technical Notes:

1. Page 3 line 4 directs the Department of Commerce to distribute 24% of the taxes to regional nonprofit tourism corporations. However, page 3 line 7 identifies a qualifier to this distribution and uses 22.5% as the percentage. It is assumed the intent is to make the percentage on line 7 to be 24% and not 22.5%.
2. It is assumed that funds would be deposited into existing state special revenue accounts at the Department of Commerce. Subsequent transfers to the Department of Fish, Wildlife, and Parks (FWP) would have to be made by the Department of Commerce per the bill as introduced.

Sponsor's Initials

Date

Budget Director's Initials

Date