

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7015
BILL NUMBER: HB 1358

DATE PREPARED: Dec 29, 2001
BILL AMENDED:

SUBJECT: Scottsburg Food and Beverage Tax.

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FUNDS AFFECTED: **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

LOCAL IMPACT	CY 2002	CY 2003	CY 2004
Local Revenues	67,200	137,800	141,400
Local Expenditures			
Net Increase (Decrease)	67,200	137,800	141,400

Summary of Legislation: This bill authorizes Scott County to pledge Innkeeper's Tax revenue to pay obligations incurred by the City of Scottsburg for the construction of a regional conference center. The bill authorizes the City of Scottsburg to impose a Food and Beverage tax and dedicate the revenues to the construction of a regional conference center.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of State Revenue (DOR) administrates, audits, and collects local food and beverage taxes. For the year 2000, the Department administrated, audited, and collected the Food and Beverage Tax at approximately \$0.48 per \$100 of revenue. The DOR's current resources are sufficient to absorb the additional costs associated with this proposal.

The DOR currently processes Scott County Innkeeper's Tax. The Department should not be affected by the bill regarding the County's Innkeeper's Tax revenue.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill gives the fiscal body of the City of Scottsburg the option to

adopt an ordinance to impose the 1% Food and Beverage Tax. Upon adoption of an ordinance to the effect, the fiscal body would be required to send a certified copy of the ordinance to the Department of State Revenue.

If the Food and Beverage Tax is imposed, the city fiscal officer will receive monthly payments of the Food and Beverage Tax from the Treasurer of State on warrants issued by the Auditor of State. Revenue from the Food and Beverage Tax received by the city fiscal officer from the Auditor of State would be placed in the Food and Beverage Tax Receipts Fund (FBTRF) established by the city fiscal officer. All revenue in the FBTRF is to be used by the City of Scottsburg for the following purposes in the City: financing, construction (including land acquisition, demolition, and site clearance and preparation), renovation, improvement, equipping, or maintenance of a regional conference center in the City. Additionally, the city may issue bonds leases, or incur other obligations with the revenue generated by the Food and Beverage Tax as specified in the bill.

Explanation of Local Revenues: *Scottsburg Food and Beverage Tax:* This bill allows the City of Scottsburg to adopt a 1% tax on food and beverages prepared and served for sale in the city. The estimated revenues are **\$67,200** for CY 2002, **\$137,800** for CY 2003, and **\$141,400** for CY 2004.

Background: According to the most recent U.S. Census data and the November 14, 2001, state revenue forecast (2.6% sales tax growth rate estimated for FY 2002), total food and beverage sales in Scott County for CY 1997 were \$13,527,000. Based on this amount, the 1% Food and Beverage Tax would have generated an additional \$135,270, or 1% of the total sales. Before projecting future revenues, this figure must be adjusted to reflect sales of prepared foods (such as those sold in supermarkets) which would be subject to the proposed tax but are not included in the U.S. Census data. In order to account for these prepared foods, an additional 10% adjustment to the \$135,270 projection is added to establish a CY 1997 baseline of \$148,800 for Scott County.

The average sales tax growth rate estimated for FY 2002 in the most recent state revenue forecast is 2.6%. This percentage was applied to food- and beverage-related total sales in Scott County from CY 1992. This rate was used to project sales of food and beverages through CY 2004. Furthermore, approximately 79% of all food and beverage sales in Scott County are attributable to the City of Scottsburg. This percentage is applied to the calendar year totals for Scott County to provide estimates for Scottsburg.

The effective date of the bill is upon passage. As a result, the city could begin receiving revenue from food and beverage sales by the third quarter of CY 2002. A three-month lag is applied from the effective date of the bill to account for the county to pass an ordinance and then set up the mechanisms necessary to begin receiving revenue. The actual expected impact for CY 2002 would be one-half of the annual projection, or **\$67,200**. Complete year collection would begin in CY 2003.

Scott County Innkeeper's Tax: The bill allows the legislative body of Scott County to pledge revenue from the County's Innkeeper's Tax to assist Scottsburg for the financing, construction (including land acquisition, demolition, and site clearance and preparation), renovation, improvement, or equipping of a regional conference center in the City of Scottsburg. Under current law, Scott County Innkeeper's Tax revenue may be expended only to promote and encourage conventions, visitors, and tourism within the county. Expenditures may include, but are not limited to, expenditures for advertising, promotional activities, trade shows, special events, and recreation. Revenue may also be used to pay outstanding indebtedness from a bond issue prior to July 1, 1997. In FY 2001, Scott County received \$211,432 in Innkeeper's Tax revenue.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Scott County legislative body, City of Scottsburg.

Information Sources: U.S. Census Bureau; Department of State Revenue; *Indiana Handbook of Taxes, Revenues, and Appropriations FY 2001*; *State of Indiana Revenue Forecast Methodology, November 14, 2001*.