

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

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7547

BILL NUMBER: HB 1760

NOTE PREPARED: Jan 13, 2003

BILL AMENDED:

SUBJECT: White County Food and Beverage Tax.

FIRST AUTHOR: Rep. Klinker

BILL STATUS: As Introduced

FIRST SPONSOR:

**FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL**

IMPACT: State & Local

LOCAL IMPACT	CY 2003	CY 2004	CY 2005
Local Revenues	45,400	189,500	198,800
Local Expenditures			
Net Increase (Decrease)	45,400	189,500	198,800

Summary of Legislation: The bill establishes a 1% Food and Beverage Tax for White County. The bill creates a Convention and Visitor's Bureau authority to use the tax revenue to promote tourism.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Summary:* The Department of State Revenue administrates, audits, and collects local food and beverage taxes. For the year 2001, the Department administrated, audited, and collected the Food and Beverage Tax at approximately \$0.51 per \$100 of revenue. The Department's current resources are sufficient to absorb the additional costs associated with this proposal.

Explanation of State Revenues:

Explanation of Local Expenditures: The bill gives the fiscal body of White County 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 bill requires the fiscal body to establish the five-member Convention and Visitor's Bureau Authority (CVBA.) The CVBA 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 CVBA from the Auditor of State would be placed in the Food and Beverage Tax Receipts Fund (FBTRF) established by the CVBA. All revenue in the FBTRF is to be used by the CVBA to promote tourism in White County. The County Treasurer would deposit the tax revenue into the FBTRF.

Explanation of Local Revenues: *Summary:* This bill allows White County to adopt a 1% tax on food and beverages prepared and served for sale in White County. The estimated revenues are **\$45,400** for CY 2003, **\$189,500** for CY 2004, and **\$198,800** for CY 2005.

The average growth rate of food and beverage-related total sales in White County reported by the U.S. Census Bureau from CY 1992 to CY 1997 was approximately 0.7%. This rate was used to project sales of food and beverages through CY 2000. Based on recent economic performance, CY 2001 and CY 2002 collections were based on state Sales Tax growth rates of 1% and 2% respectively in those years. The base amount estimated for CY 2002 was \$184,000. Projected years FY 2003-2005 were grown using the state Sales Tax projected growth rates from the December 18, 2002 state revenue forecast. These growth rates include the effects of raising the state sales tax rate from 5% to 6% under HEA 1001(ss)-2002. Removal of the effects of the increased sales tax rate yields projected growth rates of 4.2% in FY 2003, 4.3% in FY 2004, and 4.9% in FY 2005. These rates (with the effects of the sales tax rate increase removed) were applied to the CY 2002 base of \$184,000 to project revenue from CY 2003 through CY 2005. The CY 2003 projected base is \$191,000.

The effective date of the bill is July 1, 2003. As a result, White County could begin receiving revenue from food and beverage sales by the fourth quarter of CY 2003. 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 projected impact for CY 2003 would be one-quarter of the annual projection, or \$47,800 (one-fourth of the CY 2003 complete year estimate of \$191,000.) Following adjustment for the collection retainer by the retailer (*see below*), the estimate would be **\$45,400**. Complete year collection would begin in CY 2004.

Five Percent Collection Retention by Retail Merchants: Under current law, a retail merchant remitting the Food and Beverage Tax may retain a collection allowance of one percent (1%) of the 1% Food and Beverage tax receipts as compensation for collecting and remitting the tax to the Department. Under the bill, retail merchants would be able to retain a collection allowance of five percent (5%) of the 1% Food and Beverage tax as compensation. The 5% that would be allowed to be retained by retail merchants in White County is estimated at \$2,400 in FY 2003, \$10,000 in FY 2004, and \$10,500 in FY 2005.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: White County.

Information Sources: US Bureau of Census; Department of State Revenue.

Fiscal Analyst: Chris Baker, 317-232-9851