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FISCAL IMPACT STATEMENT

LS 7102

BILL NUMBER: HB 1282

NOTE PREPARED: Jan 5, 2004

BILL AMENDED:

SUBJECT: RTA Food and Beverage Tax.

FIRST AUTHOR: Rep. Aguilera

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill authorizes a county that has established a regional transportation authority (RTA) to impose a 1% food and beverage tax to fund the authority.

Effective Date: July 1, 2004.

Explanation of State Expenditures: Current cost for the Department of State Revenue to administrate, audit, and collect the food and beverage tax is 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 a county that has established an RTA under IC 36-9-3-2 the option to adopt an ordinance to impose the 1% food and beverage tax. (Currently, the Lake County RTA is in existence under IC 36-9-3-2.) Upon adoption of an ordinance, the fiscal body would be required to send a certified copy of the ordinance to the Department of State Revenue.

Payments received from the collection of the tax would be used to finance, construct, renovate, improve, operate, equip, maintain, and promote public transportation within the jurisdiction of an RTA. An RTA county would receive monthly payments of the food and beverage tax from the Treasurer of State on warrants issued by the Auditor of State. Revenue from an RTA food and beverage tax received by the county from the Treasurer of State would be placed by the county auditor into a county food and beverage tax receipts fund (FBTRF).

Explanation of Local Revenues: *Summary:* The imposition of a county food and beverage tax in Lake

County would generate an estimated \$1,473,000 in CY 2004, \$6,179,000 in CY 2005, and \$6,482,000 in CY 2006. The food and beverage tax is an excise tax on food and beverages prepared and served for sale in the local unit imposing the tax. The tax rate would be 1% and would be collected and remitted in the same manner as the state Sales Tax.

However, under the bill, any other county that establishes an RTA under IC 36-9-3-2 would be able to adopt an RTA food and beverage tax.

Estimation Background: According to the most recent U.S. Census data, total food and beverage sales in Lake County for CY 1997 were \$419,562,000. Based on this amount, the 1% food and beverage tax would have generated an additional \$4,195,620 in CY 1997, 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 \$4,195,620 projection is added to establish a CY 1997 baseline of \$4,615,182 for Lake County.

The average growth rate of food- and beverage-related total sales in Lake County reported by the U.S. Census Bureau from CY 1992 to CY 1997 was approximately 4.53%. 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 \$5,432,000. Projected years of FY 2003-2005 were grown using the state Sales Tax estimated growth rates from the April 10, 2003, 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 2.3% in FY 2003, 6% in FY 2004, and 4.9% in FY 2005. The growth rate for FY 2006 is flat-lined at 4.9% until additional forecast information is available. These rates (with the effects of the Sales Tax increase removed) were applied to the CY 2002 base of \$5,432,000 to project revenue from CY 2004 to CY 2006. The CY 2004 projected base is \$5,890,000.

The effective date of the bill is July 1, 2004. As a result, Lake County could begin to receive revenue from food and beverage sales by October 2004. 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 2004 would be one-quarter of the annual projection, or \$1,473,000 (1/4th of the CY 2004 complete-year estimate of \$5,890,000). Complete-year collection would begin in CY 2005.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Counties that have an RTA established under IC 36-9-3-2.

Information Sources: U.S. Census Bureau; Bob Walls, Department of State Revenue.

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