

**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 6303

BILL NUMBER: HB 1070

NOTE PREPARED: Mar 13, 2013

BILL AMENDED: Mar 12, 2013

SUBJECT: Cloverdale Food and Beverage Tax.

FIRST AUTHOR: Rep. Baird

FIRST SPONSOR: Sen. Bray

BILL STATUS: CR Adopted - 2nd House

**FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: (Amended) *Cloverdale Food and Beverage Tax* - This bill authorizes the Cloverdale town council to impose a 1% Food and Beverage Tax on taxable food and beverage transactions in the town. It specifies the uses to which receipts from the Food and Beverage Tax may be applied.

Fishers Food and Beverage Tax - The bill also authorizes the Fishers town council to adopt, on or before December 31, 2013, an ordinance to impose a town Food and Beverage Tax of not more than 1% on taxable food and beverage transactions in the town. It specifies that the revenue from the tax must be used to reduce the town's actual property tax levy (but not maximum permissible levy) or for economic development purposes, including the pledge of money to bonds, leases, or other obligations for economic development purposes.

Effective Date: (Amended) Upon Passage; July 1, 2013.

Explanation of State Expenditures: (Revised) *Department of State Revenue (DOR)* - The Cloverdale and Fishers Food and Beverage Taxes would be collected in the same manner as the state Sales Tax. The DOR may need to make administrative adjustments to process these taxes. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Summary* - Cloverdale and Fishers could incur administrative costs associated with implementing the respective taxes. However, the costs incurred by each town would likely

be offset by revenue generated by their Food and Beverage Taxes. The bill specifies the purposes for which each town may use these revenues.

Cloverdale Food and Beverage Tax - Cloverdale would establish a Food and Beverage Tax Receipts Fund for the financing, construction, operation, maintenance, and debt service of the following facilities: sanitary sewers or wastewater treatment facilities; drainage or flood control facilities; and water treatment, storage, or distribution facilities. All Cloverdale Food and Beverage Tax revenue would be deposited in this fund.

Fishers Food and Beverage Tax - Fishers would also establish a Food and Beverage Tax Receipts Fund, in which all Food and Beverage Tax revenue would be deposited. The town may use the revenue in this fund for economic development purposes or to reduce the property tax levy.

Explanation of Local Revenues: (Revised) *Cloverdale Food and Beverage Tax* - The bill authorizes the Cloverdale town council to levy a 1% Food and Beverage Tax. The tax could go into effect as early as September 1, 2013, in which case Cloverdale could receive three months of revenue in CY 2013 and a full year of revenue beginning in CY 2014. The table below shows predicted revenue for the proposed 1% Food and Beverage Tax.

Calendar Year	Cloverdale Food and Beverage Tax Revenue
2013*	\$15,659
2014	73,683
2015	84,790

*3 months of revenue.

Fishers Food and Beverage Tax - The bill allows the Town of Fishers to levy a Food and Beverage Tax of not more than 1% , provided the tax is adopted by the end of CY 2013. Fishers could begin collecting revenue from the tax as early as October 2013. The table below shows projected revenue, assuming the town adopts the tax in July 2013 and levies the maximum 1% rate.

Calendar Year	Fishers Food and Beverage Tax Revenue
2013*	\$244,217
2014	1,016,975
2015	1,058,731

*3 months of revenue.

Background - The revenue estimates above are based on county-level projections. A portion of the county total is allocated to each town based on its share of the food and beverage industry in that county. Food and Beverage Tax estimates for Putnam County are derived from a statistical model estimating the relationship

between county-level food and beverage expenditures and socioeconomic factors. The estimate for Hamilton County is based on historic revenue data.

Currently 11 counties and 12 cities and towns levy a 1% Food and Beverage Tax. Marion County levies a 2% Food and Beverage Tax. Total receipts in state FY 2012 were about \$73 M.

State Agencies Affected: Department of State Revenue.

Local Agencies Affected: Town of Cloverdale, Town of Fishers.

Information Sources: State Auditor's Data; OFMA ES-202 databases; IHS Global Insight, Indiana County Level Data Forecast, June 2012; U.S. Census Bureau; Indiana Handbook of Taxes, Revenues, and Appropriations.

Fiscal Analyst: Lauren Sewell, 317-232-9586.