

# Local Option Sales Taxes and Sewer Separation

Presentation to  
Clean Rivers Task Force  
November 10, 2008



## Sales Taxes

Nationally, sales taxes have increased as a percentage of municipal gross receipts

Revenue Source	1960	1970	1980	1990	2000
General Revenue, total	100.0	100.0	100.0	100.0	100.0
<b>Taxes</b>	<b>78.1</b>	<b>75.6</b>	<b>66.4</b>	<b>62.5</b>	<b>61.7</b>
Property	68.9	64.1	50.5	46.6	44.2
<b>Sales and gross receipts, total</b>	<b>5.8</b>	<b>6.0</b>	<b>9.3</b>	<b>9.6</b>	<b>10.6</b>
General Sales	3.8	3.8	6.3	6.7	7.5
Selective Sales	2.0	2.2	3.0	2.9	3.0
Individual Income	1.1	3.2	3.8	2.8	3.2
Corporate Income <sup>a</sup>	-	-	-	0.6	0.7
Licenses and other taxes	2.5	1.9	2.6	2.8	3.1
Charges and miscellaneous nontax revenue	21.1	24.4	33.6	37.5	38.3

Note: Because of rounding, detail may not add to totals

<sup>a</sup> Indicates a negligible amount included in the individual income tax figure



## Sales Taxes

- Most local option sales taxes are authorized by state legislation
  - Some based on home rule charters
- More than 7,000 jurisdictions
- 34 states and District of Columbia
- Rates range from 0.25% to 4%
- Tax structures generally exempt certain commodities (i.e. food, prescription drugs, etc.), organizations (charities, local government, etc.), and goods purchased for resale



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## Common in Larger Cities

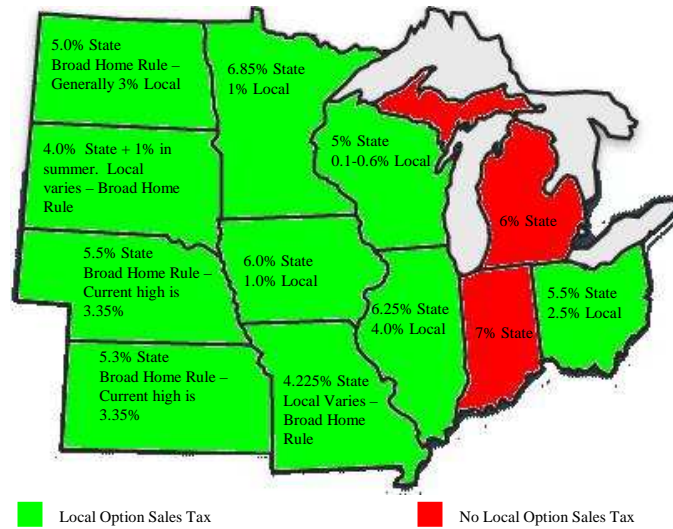
- Several cities with populations greater than 250,000 collect more than half their tax revenue from their local general sales tax
  - Albuquerque (51.1 percent)
  - Aurora, Colorado (69.1 percent)
  - Baton Rouge (53.0 percent)
  - Colorado Springs (70.5 percent)
  - Denver (52.0 percent)
  - Mesa, Arizona (73.7 percent)
  - Oklahoma City (80.8 percent)
  - Tucson (67.9 percent)
  - Tulsa (79.2 percent)

Source: U.S. Department of Commerce, Bureau of the Census, *Government Finances: 1998-99* (Washington, D.C.: U.S. Government Printing Office 2001), 129-131



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# Common in Midwest



# Current LTCP

## Impact to Specific Communities

Community (Census Tract)	Estimated 2005 MHI (Dollars)	Estimated 2023 MHI (Dollars)	Peak Impact 18-Year Implementation (Percent MHI)	U.S. EPA Residential RI
West Central (12)	13,535	20,025	5.68%	High
Hanna - Creighton (17)	18,058	26,717	4.26%	High
East Central (14)	26,025	38,504	2.96%	High
Harvester Neighborhood (15)	27,104	40,100	2.84%	High
Oakdale (25)	42,441	62,792	1.81%	Medium
Glenwood Park (108.05)	53,126	78,600	1.45%	Medium
Arlington Park (108.08)	73,025	108,041	1.05%	Medium
Autumn Ridge (103.04 BG2)	95,662	141,532	0.80%	Low



## Local Option Sales Tax in Allen County

- Beginning in 2010, a half-cent sales tax would generate approximately \$14 million per year
- Collectively, it would generate approximately \$248 million by 2025



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## Regressivity

According to the Economic Policy Institute, a two-parent, two-child Allen County family needs \$38,100 to meet basic needs.

Household Type	Housing	Food	Childcare	Transportation	Health Care	Other Necessities	Taxes	Monthly Total	Annual
2 parents, 2 children	\$567	587	847	324	311	312	227	\$3,175	\$38,100
Subject to Sales Tax?	No	No	No	Yes	No	Yes	N/A		
Effect of Additional Half Penny Sales Tax	0	0	0	1.62	0	1.56	0	3.18	\$38.16



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## Effect of Sales Tax on Residential Indicator

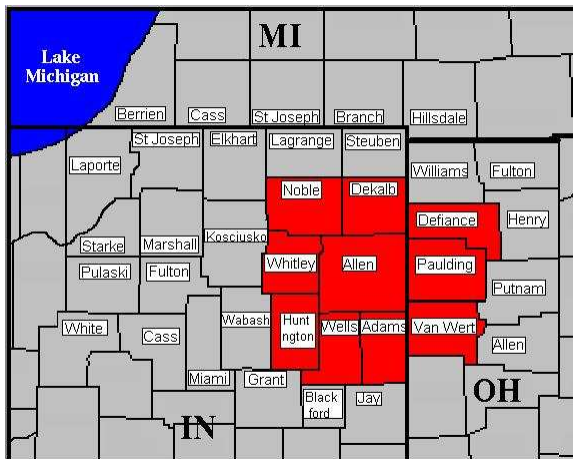
Community (Census Tract)	Estimated 2005 MHI (Dollars)	Current RI	Estimated 2023 MHI (Dollars)	Peak Impact 18-Year Implementation (Percent MHI)	Estimated Annual Amount of Sales Tax Paid at 1/2 percent (2023)	Estimated RI at 1/2 Percent	Current RI + Sales Tax RI
West Central (12)	13,535	2.26%	20,025	5.68%	\$ 59.76	0.30%	2.56%
Hanna - Creighton (17)	18,058	1.69%	26,717	4.26%	\$ 59.76	0.22%	1.92%
East Central (14)	26,025	1.18%	38,504	2.96%	\$ 59.76	0.16%	1.33%
Harvester Neighborhood (15)	27,104	1.13%	40,100	2.84%	\$ 59.76	0.15%	1.28%
Oakdale (25)	42,441	0.72%	62,792	1.81%	\$ 74.14	0.12%	0.84%
Glenwood Park (108.05)	53,126	0.58%	78,600	1.45%	\$ 153.18	0.19%	0.77%
Arlington Park (108.08)	73,025	0.42%	108,041	1.05%	\$ 300.38	0.28%	0.70%
Autumn Ridge (103.04 BG2)	95,662	0.32%	141,532	0.80%	\$ 467.84	0.33%	0.65%



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## Capture of Out-of-County/Out-of-State Revenue

Fort Wayne is a regional shopping hub



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## Location Quotients

Local Employment in Industry/Total Local Employment  
vs.  
National Employment in Industry/Total National Employment

1 = neutral  
> 1 = exporting industry  
< 1 = importing industry

University of Utah identified tourist-related industries that contribute out-of-jurisdiction sales tax dollars



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## Location Quotients

University of Utah identified travel and tourism-related industries that contribute out-of-jurisdiction sales tax dollars.

Motor and vehicle parts dealers; furniture/home furnishing stores; electronic/appliance stores; building material/garden supply stores; food and beverage stores; health and personal care stores; gasoline stations; clothing and clothing accessory stores; sporting goods, hobby, book, and music stores; general merchandise stores; miscellaneous store retailers; air transportation; rail transportation; water transportation; truck transportation; transit and ground passenger transportation; scenic and sightseeing transportation; support activities for transportation; real estate; rental and leasing services; administrative and support services; ambulatory health care services; performing arts and spectator sports; museums, historical sites, zoos, and parks; amusements, gambling, and recreation; accommodation; food services and drinking places; repair and maintenance; personal and laundry services



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## Median Location Quotients – Travel and Tourism-Related Industries

Allen County = Base (1.00)

Allen County	1.00
Adams County	0.68
Dekalb County	0.68
Huntington County	0.755
Kosciusko County	0.61
Wells County	0.97
Whitley County	0.845
Noble County	0.45
Defiance County	0.96
Paulding County	0.89



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## Pros and Cons

### Pros:

- Better-distributes burden to beneficiaries of clean water
- Less regressive than sewer rates
- Reduces rate burden on industry; thus, reducing economic development impact

### Cons:

- Unstable source of revenue
  - bonding offsets elasticity
- Difficult to get through State Legislature
- Somewhat regressive



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