

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5806-01  
Bill No.: SB 885  
Subject: Taxation and Revenue - Sales and Use, Political Subdivisions, Cities, Counties, Towns and Villages  
Type: Original  
Date: February 19, 2018

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Bill Summary: This proposal authorizes the City of Centralia to impose a sales tax for public safety.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
General Revenue	\$0	\$0 or Up to \$1,695	\$0 or Up to \$2,034
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0 or Up to \$1,695</b>	<b>\$0 or Up to \$2,034</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2019	FY 2020	FY 2021
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0 or Up to \$166,206</b>	<b>\$0 or Up to \$199,363</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal allows voters in the City of Centralia to impose a sales tax up to 0.50% for the purpose of funding public safety for the city. Using forecast estimates for statewide average growth in local sales taxes and state taxes (including food), the estimated average growth for FY 2018 and FY 2019 is 2.5% and 1.90%, respectively. Budget and Planning estimates the City of Centralia FY 2019 taxable sales totals \$40 million. The bill indicates that this sales tax would take effect starting April 1, thus only impacting Q4 of FY 2019 sales collections. With estimated Q4 sales collections of \$10.1 million, this proposed sales tax could generate approximately \$51,349 for the city for FY 2019. As a voter approved tax, the collected revenues will not impact General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, that portion could increase General and Total State Revenues by approximately \$509 in FY 2019.

Using the same methodology to estimate FY 2020 and FY 2021 sales, we estimate taxable sales in the City of Centralia to total \$40.7 million in FY 2019. This proposed sales tax might generate approximately \$201,397 for the city in FY 2020, and annually thereafter. The collected revenues will have no impact on General and Total State Revenues; however, DOR will retain 1% to offset collection costs. Therefore, General and Total State Revenues could increase by approximately \$2,034 in FY 2020 and annually thereafter if the county sales tax is approved.

B&P defers to DOR for estimates of actual collection costs.

Officials at the **City of Centralia** assume the City would reap almost all of the revenue, except the small percentage retained by the Department of Revenue for collection and disbursement. A ½ cent sales tax is anticipated to raise \$210,000 annually for the City of Centralia. Most of those funds would come from expenditures by Centralia residents.

Officials at the **Department of Revenue** assume there is no fiscal impact from this proposal.

**Oversight** notes this proposal would give the City of Centralia the option to vote to increase their local sales tax by .50% in order to fund public safety. Oversight notes the effective date of this proposal would be August 28, 2018. Oversight assumes the question would be put before the voters at the general municipal election in April 2019 (FY 2019). Therefore, the earliest the sales tax could become effective would be the first day of the second calendar quarter after the Department of Revenue is notified of voter approval. In this case, the earliest effective date assuming voter approval at the April 2019 general municipal election would be October 1, 2019 (FY 2020). Therefore, only nine months of taxes would be collected in FY 2020.

ASSUMPTION (continued)

**Oversight** notes that if the proposal is adopted DOR would be allowed to keep 1% of the amount of sales tax collected to cover their expenses. Oversight notes that DOR would retain \$2,034 Oversight will show the fee as \$0 (no sales tax increase is adopted by voters) to up to the amount listed for the City.

For fiscal note purposes, **Oversight** will indicate a range of additional local government revenue from \$0 (the sales tax is not adopted by the City of Centralia and/or voters fail to approve the sales tax) to up to \$201,397 for a full year of tax collections estimated by B&P.

City of Centralia - Taxable Sales Report	
FY 2017	\$19,490,976 (6 month total)
FY 2016	\$38,458,884
FY 2015	\$37,677,040

Source: Department of Revenue website

<u>FISCAL IMPACT - State Government</u>	FY 2019	FY 2020 (9 Mo.)	FY 2021
<b>GENERAL REVENUE FUND</b>			
<u>Additional Revenue - DOR</u>		\$0 or Up to	\$0 or Up to
Collection charges	<u>\$0</u>	<u>\$1,695</u>	<u>\$2,034</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>\$0</u></b>	<b><u>\$0 or Up to \$1,695</u></b>	<b><u>\$0 or Up to \$2,034</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2019	FY 2020 (9 Mo)	FY 2021
<b>CITY OF CENTRALIA</b>			
<u>Additional Revenues</u> -additional half cent Sales taxes for Public Safety	\$0	\$0 to Up to \$167,831	\$0 to Up to \$201,397
<u>Loss</u> - Collection Fee kept by DOR	<u>\$0</u>	\$0 or (Up to <u>\$1,625</u> )	\$0 or (Up to <u>\$2,034</u> )
<b>ESTIMATED NET EFFECT ON THE CITY OF CENTRALIA</b>	<b><u>\$0</u></b>	<b><u>\$0 or Up to \$166,206</u></b>	<b><u>\$0 or Up to \$199,363</u></b>

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses in the City of Centralia which purchase taxable items.

FISCAL DESCRIPTION

This act adds the City of Centralia to the list of cities authorized to propose a sales tax for the purposes of improving public safety. Such sales tax, if approved by the voters, would be at a rate of 0.5%.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

City of Centralia  
Department of Revenue  
Office of Administration  
Division of Budget and Planning

Ross Strope

A handwritten signature in black ink, appearing to read "Ross Strope". The signature is stylized with a large initial "R" and a long horizontal stroke extending to the right.

Acting Director  
February 19, 2018