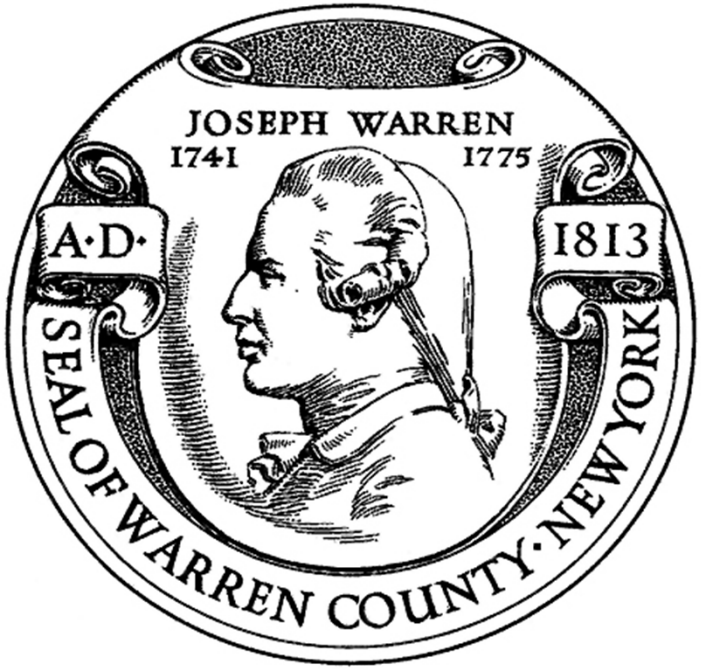
Warren County
Sales Tax Distribution



FACTS

VS.

ASSUMPTIONS

How is Sales Tax Distributed?

- For sales tax generated within the City of Glens Falls, the City keeps half and the County keeps half.
- For sales tax generated outside the City limits, the County share is 50% and the rest is distributed to the towns and village according to their assessed value.

Why did the Warren County Board of Supervisors decide to distribute sales tax this way?

THEY DIDN'T. THAT IS AN ASSUMPTION.

FACT: This is the State Law distribution formula that goes into effect when a city pre-empts, as Glens Falls did 50 years ago.

Why does State Law impose the distribution formula that we use?

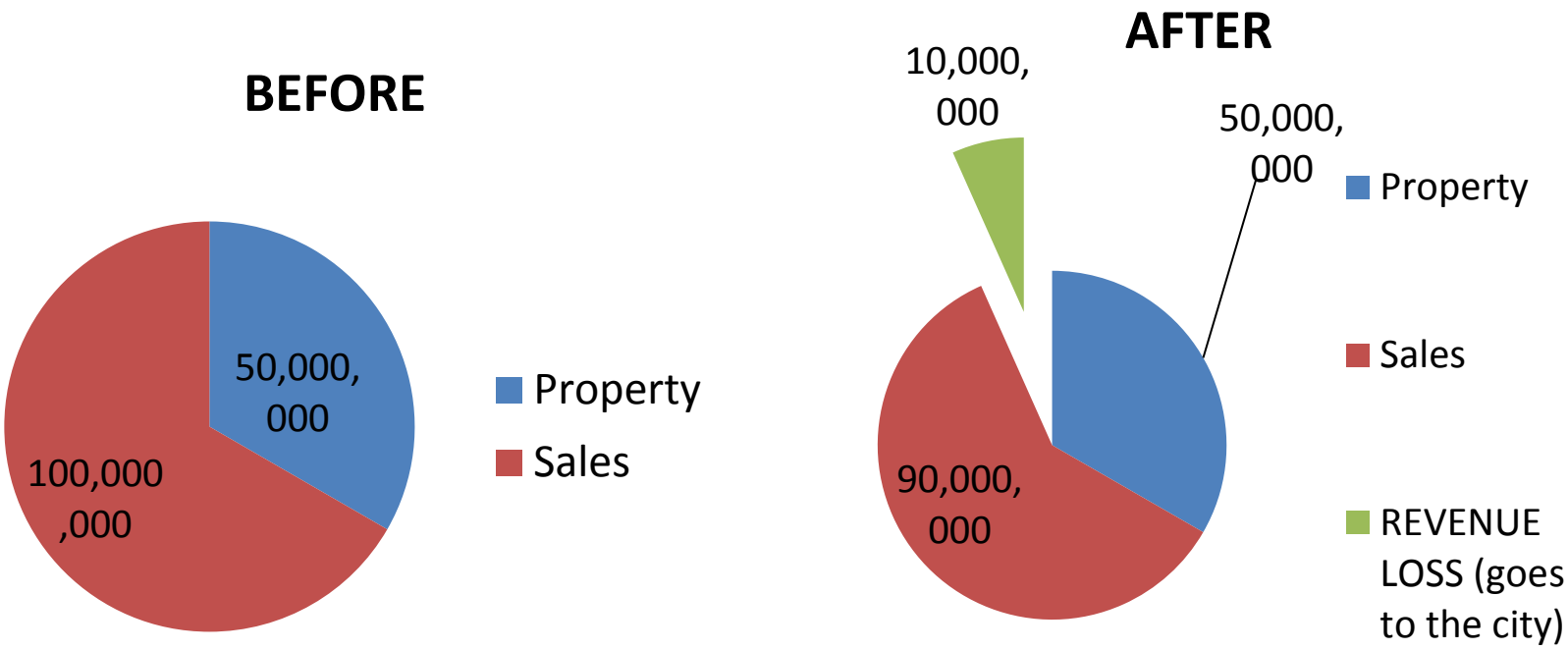
THE STATE DETERMINED IT WAS THE FAIREST WAY TO DISTRIBUTE SALES TAX.

Please keep an open mind while I explain why the state came to this conclusion...

To keep the numbers simple, assume:

- County budget is $150 million. $100 million is sales tax, $50 million is property tax.
- The County has one city. Out of the $100 million in sales tax, $20 million is raised within the city and $80 million is raised outside the city.
- This city decides to pre-empt. This means the city keeps $10 million (half of the $20 million raised within the city).

What Happens to the County Budget?



WHAT HAPPENED? The County lost $10 million in sales tax. To balance the budget, the County needs to raise an additional $10 million in property tax.

- County property taxes are levied upon every municipality. That means the new $10 million that needs to be levied countywide will be paid by taxpayers in all municipalities.
- What's my point?
- The city just got $10 million, and property taxpayers in all the other municipalities helped pay for it.
- How is this fair to property taxpayers who don't live in the city and didn't get a benefit out of that $10 million? **It isn't!!!**

THEREFORE…..

The State Law Formula Solves the Problem!

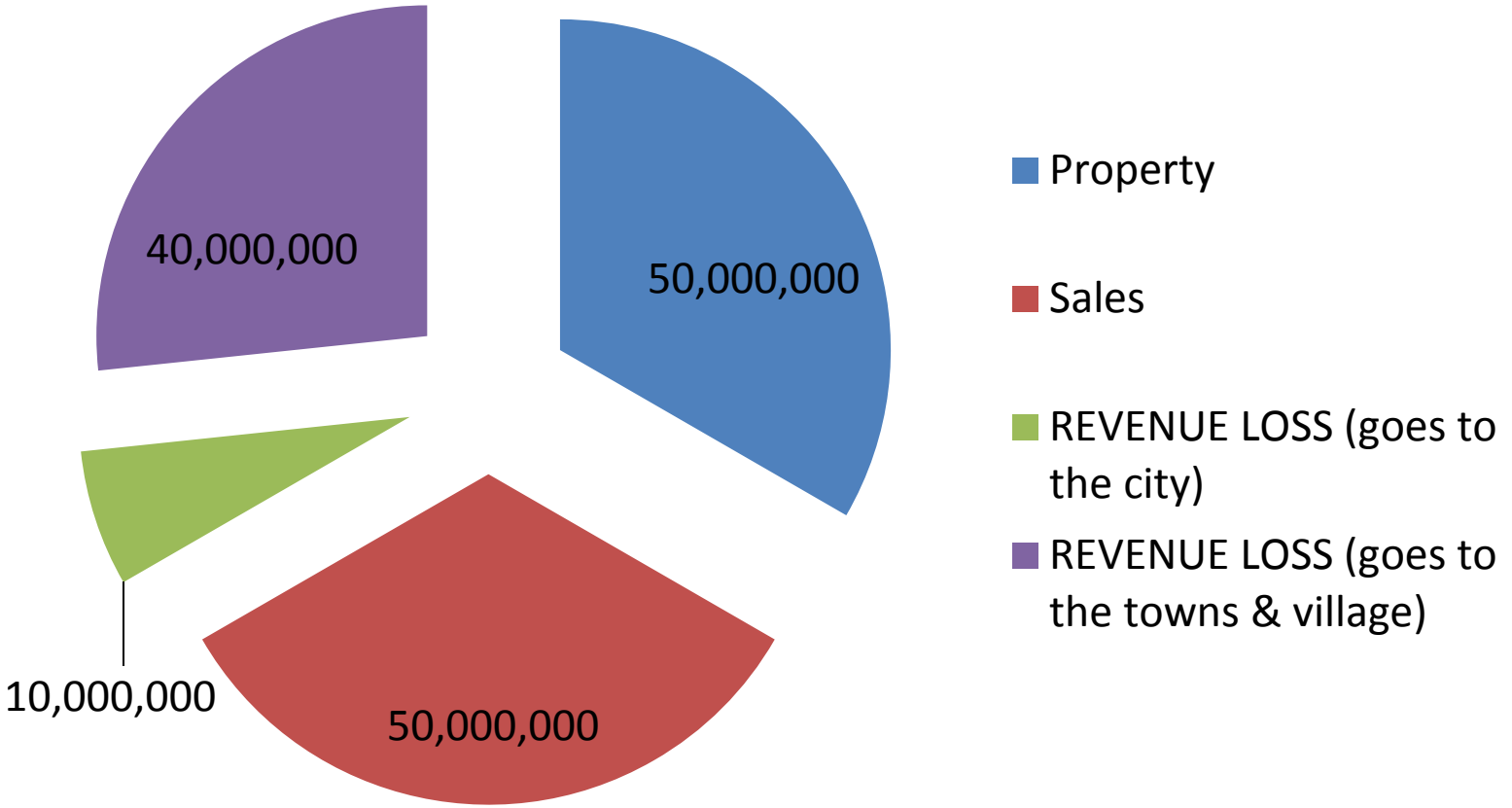
State Law Sales Tax Distribution Formula

As a matter of equity to the other municipalities, the County must distribute 50% of the revenue raised outside the city to the municipalities outside the city.

Recap…$100 million raised in total…$20 million inside the city and $80 million outside the city.

Therefore…out of the $20 million, city took 10 and County kept 10. Out of the $80 million, other municipalities get 40 and County keeps 40.

What Happens to the County Budget?



- The County just lost $50 million in sales tax. This means the county tax levy has to increase by $50 million.
- County property taxes are levied upon every municipality. That means the new $50 million that needs to be levied countywide will be paid by taxpayers in all municipalities.
- Before, the city would have taken $10 million out of the County budget and taxpayers outside the city would have helped pay for it, despite not receiving a benefit. This isn't fair.
- **Now**, due to the State Law formula, all municipalities are getting the benefit (sales tax revenue) **as their property taxpayers pay for it.**
- **Now there is fairness.**

The previous slides demonstrate that when the County lost money (because sales tax was distributed), the County had to make it up by levying property taxes.

FACT: THE DISTRIBUTION OF SALES TAX CAUSES AN INCREASE IN COUNTY PROPERTY TAX.

If taxpayers are paying for sales tax distribution according to assessed value, it stands to reason that the benefit they receive would also be based on assessed value. If the benefit is based on any other formula, it is unavoidable that property taxpayers in some municipalities will be **subsidizing** the sales tax benefit received by other municipalities.

This is why state law says that our sales tax revenue must be distributed according to assessed value.

In Practice

- Town A: a small town on Lake George with high value properties along the lake.
- Town B: a small town (larger that Town A) with lakes of its own, but not Lake George.
- Town C: a very large town with a suburban feel and many lakes, including Lake George.
- Town D: a large town in the center of the County with no lakes.

In Practice

- Town A: has **15.3%** of countywide assessed value and **3.5%** of the population.
- Town B: has **3.8%** of countywide assessed value and **5.1%** of the population.
- Town C: has **33.0%** of countywide assessed value and **42.5%** of the population.
- Town D: has **3.1%** of countywide assessed value and **6.2%** of the population.

In 2018, taxpayers in…

(property tax levy = $43.7m) *(sales tax dist = $29.7m)*

Town A: owed **$6.7m** to County, received **$4.4m** from County
(15.3%) (14.7%)

Town B: owed **$1.6m** to County, received **$1.1m** from County
(3.8%) (3.6%)

Town C: owed **$14.4m** to County, received **$9.4m** from County
(33.0%) (31.6%)

Town D: owed **$1.3m** to County, received **$0.9m** from County
(3.1%) (2.9%)

In 2018, taxpayers in…

(owed to County, minus received from County = $14m)

Town A: owed a net obligation of **$2.3m** to the County (16.4%)

Town B: owed a net obligation of **$0.5m** to the County (3.6%)

Town C: owed a net obligation of **$5.0m** to the County (35.7%)

Town D: owed a net obligation of **$0.4m** to the County (2.9%)

To summarize, taxpayers in…

Town A: shouldered **16.4%** of net cost of County government

assessed value = 15.3%

Town B: shouldered **3.6%** of net cost of County government

assessed value = 3.8%

Town C: shouldered **35.7%** of net cost of County government

assessed value = 33.0%

Town D: shouldered **2.9%** of net cost of County government

assessed value = 3.1%

What About Future Growth?

- Assume Town A grows in its share of countywide assessed value, while Town B and Town D decrease. Town C stays the same.
- New assessed values…
  - Town A: 18% (up from 15.3%)
  - Town B: 3% (down from 3.8%)
  - Town C: 33% (same)
  - Town D: 2.5% (down from 3.1%)

What About Future Growth?

- New sales tax revenues…
  - Town A: $5.4m (gained $1 million)
  - Town B: $0.9m (lost $200,000)
  - Town C: $9.4m (same)
  - Town D: $0.7m (lost $200,000)

Is this fair to Town B and D???

- Sales Tax distributions are paid for by County Property Tax levy.

- You can’t have one without the other.

- So…what had to happen on the property tax levy if these towns grew in this fashion?

What About Future Growth?

- County taxes levied on the taxpayers of…
  - Town A: $7.9m (increased $1.2 million)
  - Town B: $1.3m (decreased $300,000)
  - Town C: $14.4m (same)
  - Town D: $1.1m (decreased $250,000)

What About Future Growth?

Town A: they got $1 million more in revenue, but their County tax bill went up $1.2 million…they are $200,000 to the bad.

Town B: they lost $200,000 in revenue, but their County tax bill decreased $300,000…they are $100,000 to the good.

Town C: stays the same

Town D: they lost $200,000 in revenue, but their County tax bill decreased $250,000…they are $50,000 to the good.

Is this fair to Town A???

The answer is yes.

The concept of taxation based on assessment is rooted in the principle that you pay based on your ability to pay.

A “rich town” (Town A) that grew at the expense of the “poor towns” (Town B & D) ends up shouldering more of the cost of Countywide government while the “poor towns” shoulder less.

FACT: When “the rich get richer,” our sales tax distribution formula ensures that the financial burden of County government shifts toward “the rich towns” and away from “the poor towns.”

THAT’S WHY THE STATE WROTE THE LAW THIS WAY.

So…what if we ask for State permission to do something different?

Population-based…

(property tax levy = $43.7m) *(sales tax dist = $29.7m)*

Town A: owes **$6.7m** to County, receives **$1.0m** from County

(15.3%) (~~14.7%~~) (3.5%)

Town B: owes **$1.6m** to County, receives **$1.5m** from County

(3.8%) (~~3.6%~~) (5.1%)

Town C: owes **$14.4m** to County, receives **$12.6m** from County

(33.0%) (~~31.6%~~) (42.5%)

Town D: owes **$1.3m** to County, receives **$1.8m** from County

(3.1%) (~~2.9%~~) (6.2%)

So…what if we ask for State permission to do something different?

Population-based…

Town A: its taxpayers would owe a net obligation of **$5.7m** to the County (under the current formula, they owe $2.3m)

Town A taxpayers owe $3.4m more

Town B: its taxpayers would owe a net obligation of **$100,000** to the County (under the current formula, they owe $500,000)

Town B taxpayers owe $400,000 less

Town C: its taxpayers would owe a net obligation of **$1.8m** to the County (under the current formula, they owe $5m)

Town C taxpayers owe $3.2m less

Town D: its taxpayers would get a net benefit of **$500,000** from the County (under the current formula, they owe $400,000)

Town D taxpayers owe $900,000 less

The previous slide showed that changing the sales tax distribution formula from assessment based (which will always be the basis used to pay for the distribution of sales tax) would **redistribute wealth** from Town A to Towns B, C and D. That's because taxpayers in Town A end up paying more, while taxpayers in B, C and D pay less.

Care must be taken if we're going to redistribute wealth by changing the formula. Town C, after all, might be described as a "rich town." They have 33% of countywide assessed value, which is double the 15.3% held by Town A (a fellow "rich town"). So why should wealth be redistributed from one "rich town" (Town A) to another (Town C)?

ANSWER: Maybe it shouldn't. Maybe this formula is bad.

The question then becomes…what's a good formula?

FACT: Every alternative sales tax distribution formula we've looked at results in winners and losers. Taxpayers in the losing towns end up paying more for County government while taxpayers in the winning towns pay less.

"50/50" losers: Bolton, Chester, Hague, Horicon, Johnsburg, Lake George

"$200k Flat" losers: Bolton, Lake George, Queensbury

"Cap Revenue Growth" losers: Bolton, Glens Falls, Queensbury

"Population Expense Basis" losers: Glens Falls, Lake Luzerne, Queensbury, Thurman, Warrensburg

One thing all of these formulas have in common: the Supervisor who proposed it does not represent a town that it would hurt.

This is understandable. Who among you would want to impose a new formula that negatively impacts your own constituents?

So where does that leave us in terms of deciding what the new formula should be?

MIGHT MAKES RIGHT?

Pending Item from May 2nd Meeting: Impact of 1%

2018 Actuals

58,301,516.14	TOTAL REVENUE

25,865,137.08	County's half of non-City revenue
3,285,620.99	County's half of City revenue
29,150,758.07	
(583,015.16)	(less 2% special distribution to City
28,567,742.91	COUNTY TOTAL
3,285,620.99	City's half of City revenue
583,015.16	2% special distribution to City
3,868,636.15	CITY TOTAL
25,865,137.08	T&V half of non-City revenue
25,222,746.62	TOWNS TOTAL
642,390.46	VILLAGE TOTAL

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25,865,137.08	T&V half of non-City revenue
25,222,746.62	TOWNS TOTAL
642,390.46	VILLAGE TOTAL

19,433,838.71	GROSS

9,522,580.97	COUNTY NET
1,095,207.00	preemption
194,338.39	2% special
1,289,545.38	CITY NET
8,407,582.21	TOWNS NET
214,130.15	VILLAGE NET

$8,621,712

- Bolton - $1,453,419
- Chester - $639,028
- Hague - $508,547
- Horicon - $557,059
- Johnsburg - $383,352
- LG Town - $816,557
- LG Village - $214,130
- Lake Luzerne - $357,419
- Queensbury - $3,136,499
- Stony Creek - $117,709
- Thurman - $148,098
- Warrensburg - $289,895

Who Pays Our Sales Tax?

Conservatively, 65% paid by locals and 35% by visitors.

Category	% of Collections	% from visitors	% from locals
Auto Dealers	10.1%	0%	100%
Amusement Parks/Arcades	1.5%	68%	32%
Traveler Accommodations	7.3%	100%	0%
RV Parks/Recreational Camps	0.3%	60%	40%
Gas Stations	8.4%	32%	68%
Restaurants	10.6%	40%	60%
Electronic Shopping	1.5%	5%	95%
Bars	0.3%	40%	60%
Building Materials/Supplies	6.6%	20%	80%
Beer/Wine/Liquor Stores	1.3%	28%	72%
Retail	24.1%	32%	68%
Other	28.0%	35%	65%

End of Presentation.