

COUNTY LOCAL OPTION GROSS RECEIPTS TAXES

There are 13 authorized county local option gross receipts taxes. Only six may be imposed by all counties. Nine may be imposed county-wide. Four may be imposed only in that part of the county outside all municipalities. One can be imposed either way. Authorized rates vary from one-sixteenth to one-half percent. Some taxes must be re-voted periodically. Five taxes are essentially authorized for use only by one or at most a few counties. One tax essentially was designed to meet a contingency that might have arisen from a federal court case, but the case's disposition did not activate the tax.

By comparison, all municipalities may impose the four available municipal local option taxes. None are limited to specific lengths of time.

All counties have enacted at least one of the three authorized one-eighth percent increments of county gross receipts tax. All but a few counties have enacted the county environmental services gross receipts tax and 20 levy the county fire protection excise tax. None of the other authorized taxes have been enacted by a majority of the counties.

OPTION

OPTION 1. County-Proposed Simplification Plan.

This overly complex web of authorizations for county taxes is proposed to be simplified by the following plan, which is a revision of the plan forwarded to the commission by the Equity Committee.

1. County gross receipts tax.

- Remove the positive referendum requirement on the "third" one-eighth increment.
- Add authority for a "fourth" one-eighth increment that is not subject to referendum and that may be used for general purposes.

2. County correctional facilities gross receipts tax.

- Make all counties eligible.
- Allow proceeds to be used for operations of correctional facilities and remove the referendum requirement.

3. County fire protection excise tax.

- Remove 10-year sunset provision.

4. County emergency communications and emergency medical services tax.

- Remove 10-year sunset provision.

5. REPEAL the county emergency gross receipts tax as obsolete.

6. REPEAL the following taxes, but grandfather in their continued use by the counties that have imposed their tax until all associated debt obligations are retired:

- **special county hospital gross receipts tax**
- **local hospital gross receipts tax**
- **county hospital emergency gross receipts tax**
- **county educational gross receipts tax**

FISCAL IMPACT

A gross receipts tax imposed county-wide by all counties raises about \$45 million on a full-year basis.

PROS

- There is no reason that the requirements for county local option gross receipts taxes should differ substantially from those for municipal taxes.
- The clutter of taxes illustrates the ad hoc nature of responses to funding issues at the county level. This proposal is a start on a more comprehensive approach.
- County government needs the flexibility provided by general purpose revenues, rather than a string of earmarked taxes.
- This plan offers a solution for many counties having a problem with the costs of housing state prisoners.

CONS

- While this proposal represents justifiable simplification and consolidation, it represents, more importantly, a major policy change. The legislature has always been very conservative in its approach to giving additional gross receipts tax authority to counties, whose principal source of revenue is the property tax. The reason is that gross receipts tax revenues are a major funding source for the state and the principal funding source for municipalities. As the total gross receipts tax rate in some areas of the state exceeds seven percent and averages approximately six percent statewide, it may not be prudent to expand and increase the counties' gross receipts tax authority.
- This proposal will increase gross receipts taxes, perhaps in the majority of counties.
- Not only does the proposal call for tax increases, but proposes such increases without benefit of a vote of the people. While a vote is not necessary on every proposed imposition of these taxes, the people should retain the right to have an election through negative referendum requirements.