WARREN COUNTY BOARD OF SUPERVISORS

COMMITTEE: **AD HOC SALES TAX**

DATE: **FEBRUARY 6, 2007**

COMMITTEE MEMBERS PRESENT:	**OTHERS PRESENT:**
SUPERVISORS MONROE	PAUL DUSEK, COUNTY ATTORNEY
CAIMANO	JOAN PARSONS, COMMISSIONER OF ADMINISTRATIVE AND FISCAL SERVICES
W. THOMAS	JOAN SADY, CLERK
KENNY	SUPERVISORS BELDEN
CHAMPAGNE	GABRIELS
	GERAGHTY
	MERLINO
	O'CONNOR
	SHEEHAN
	STEC
	TESSIER
	F. THOMAS
	FRANK O'KEEFE, COUNTY TREASURER
	HAL PAYNE, ADMINISTRATOR - THE WESTMOUNT HEALTH FACILITY
	TORI RILEY, ADIRONDACK REGIONAL CHAMBER OF COMMERCE
	STEPHEN BRIGGS, QUEENSBURY
	MAURY THOMPSON, *THE POST STAR*
	DAVID CEDERSTROM, *THE CHRONICLE*
	AMANDA ALLEN, LEGISLATIVE OFFICE SPECIALIST

Mr. Monroe called the meeting of the Ad Hoc Sales Tax Committee to order at 12:00 p.m.

The purpose of the Committee, Mr. Monroe apprised was to explore the possibility of offsetting property tax costs by increasing Warren County sales tax. He said that it was his feeling that the property taxes were too high and he added that the County portion of the property tax paid by residents of the Town of Chester had increased by 26% for 2007. He said that property taxes were the worst and most regressive type of tax because they were based on property values rather than income and some of the residents least able to pay the tax were responsible for the most just because they purchased, or inherited, real property. Mr. Monroe said that the impact of the property tax had to be lowered and the only way to do this was either to cut costs or increase revenues in areas other than property tax, such as sales tax. Although he thought that expenses needed to be reduced also, Mr. Monroe stated that the Committee should explore other areas of revenue that had less impact on residents than property tax. If the sales tax were increased, Mr. Monroe said, it should be done in a way that dedicates the increase solely to the reduction of property tax.

Mr. Kenny stated that although he felt that the property tax was somewhat regressive, he did not feel it was the most regressive. He apprised that in researching the topic on the internet he had typed 'most regressive tax' into the search window and had found that most of the responses received classified sales tax as the most regressive tax. Mr. Kenny read some of the information he had found aloud for the Committee's consideration.

As some of the information read by Mr. Kenny was somewhat confusing, he attempted to provide a more easily comprehendible analogy comparing the purchase of a vehicle by a lower income person to that of a more wealthy consumer. He said that if a person with a household income of $25,000 per year purchased a vehicle for $14,300, the sales tax (computed at 7%) for the purchase would be approximately $1,000, or 4% of their annual household income. Mr. Kenny explained that if a person with an annual income of $100,000 purchased the same vehicle, the sales tax paid would be only 1% of his total income. In essence, Mr. Kenny explained, it was four times more regressive for the person with the lower income to purchase the vehicle than it was for the higher income consumer.

Mr. O'Connor pointed out that the comparison did not include any allowances for the possibility of a trade-in vehicle, on which no tax would be paid; and he added that a higher income family would likely purchase a more expensive vehicle raising the amount of tax paid. Mr. Kenny stated that the purchase could be considered a second vehicle for a wealthy person, and for the comparison's purpose, they should assume that there was no trade-in vehicle on either transaction. Mr. Monroe agreed that a more wealthy person would likely purchase a higher priced vehicle in which the percentage of tax paid would still be smaller although a higher dollar amount was paid. Mr. Kenny reiterated that this principal was what made sales tax the more regressive tax.

Mr. Merlino noted that this instance was simply a part of life. He apprised that recently the Town of Lake Luzerne had constructed a new garage, the cost of which was $2 million. Mr. Merlino said that because the resident contribution to the cost of the building had been assessed based on property value residents with higher real property values had paid more than other residents, even though the garage did just as much for one resident as it did for another. He stated that the status of all of the residents of Warren County in general should be considered when exploring the increase rather than just the income of each.

Mr. Kenny stated that his analogy compared the percentage of tax as reflected by their income rather than real property values, and he noted that the only way to determine whether a tax were progressive or regressive was to use income as the deciding factor.

Mr. Stec said that although Mr. Kenny was making a fair point, other factors had to be considered. He said that because Warren County had a tourism based economy they needed to determine what percentage of Warren County's revenue was generated by

County residents as opposed to tourists. Mr. Caimano stated that the figure Mr. Stec was seeking was approximately 28%. Using the figure given by Mr. Caimano, Mr. Stec voiced his own analogy that for every $1 raised by sales tax, Warren County residents contributed $.72 while tourists subsidized the remaining $.28. In keeping with this thought, Mr. Stec stated that if the same analogy were applied to property tax, Warren County residents would provide the full $1. Mr. Stec stated that the Committee needed to determine where the median was to decide whether an increase in sales tax would be more viable than the current property tax levy. He added that the analysis of whether a tax was progressive or regressive was secondary to researching the median level for Warren County and the affects of increases of either tax on that group.

Mr. Monroe stated that he agreed with Mr. Stec's statement and he noted that he had asked Wayne LaMothe, Assistant Director of Planning & Community Development, to research the amount of sales tax contributed by non-residents and he hoped to have the actual figure shortly; however, he noted, Mr. LaMothe had given an initial indication in the neighborhood of 60%. Mr. Caimano stated that the figure he had given (28%) was based on New York State documentation.

Mr. Kenny stated that he thought the 28% estimate was incorrect and should be lower because in reviewing the listing of high priced items purchased in Warren County, most of them are not purchased by tourists. Mr. Caimano apprised that the State's study showed that 28% of Warren County's income came from buyers not residing within Warren County and it did not matter whether the figure was derived from the purchase of t-shirts or Cadillacs.

Mr. Caimano explained that raising the sales tax by 1% would net an increase of approximately $13 million intended to reduce the amount to be raised by property taxes. However; he stated, the Budget would continue to increase, as it had historically, until it consumed the additional funds raised and property taxes had to be increased again. Mr. Monroe stated that the amount received from the sales tax increase would also grow larger and Mr. Caimano stated that they may not grow at the same rate and he would have to be assured that the Budget would not grow out of control before he would agree to the sales tax increase. Mr. Stec stated that Budget reduction and minimizing of costs were separate issues in themselves that needed to be addressed regardless of the source of additional income and Mr. Caimano agreed. Referring to a chart distributed by Joan Parsons, Commissioner of Administrative and Fiscal Services, Mr. Caimano stated that in 2006 the amount of sales tax received had increased by 8.9% while expenses had increased by 10.8% and such practices could not continue.

Mr. Kenny agreed with Mr. Caimano's statement and added that there were two components to solving the current Budget issues and they were to reduce spending and increase revenues and the Board of Supervisors, as a whole, had to find a way to do both. He suggested that the optional services provided by Warren County be prioritized to determine which could be eliminated, thereby returning funds to the Budget. In addition, Mr. Kenny stated, the institution of a sales tax increase would not be a tax break for Warren County residents because although their annual property tax would be lower the sales tax paid for every day purchases would increase.

Mr. Monroe replied that Mr. Kenny's statement was not necessarily correct because residents had the ability to make discretionary choices when purchasing their day-to-day items, thereby decreasing the amount of sales tax paid; however, the same could not be said for the amount of property tax levied, Mr. Monroe added.

Discussion ensued.

Mr. Camaino stated that, although it would be a lot of hard work, the institution of a zero based budgeting tactic was the best way to deal with the current Budget issues. He suggested that an expert on the subject be invited to their next meeting to inform the Committee on the specifics of zero based budgeting for their consideration. Mr. Monroe advised that the Committee needed to explore all options available to reduce the property tax burden on Warren County residents.

Mr. Kenny asked if any of the monies received from the proposed increase in sales tax would be returned to the individual Towns and Mr. Monroe replied that it would not. He added that if the increase were imposed 100% of the funds received from the 1% increase would be applied directly to property tax reduction. Mr. Monroe stated that if he could not be assured that this was the case he would not advocate the increase.

Mr. Kenny read additional information derived from his internet research which opposed sales tax increases and he stated that if the sales tax were increased they would simply be raising taxes with no benefit to Warren County residents. He reiterated that the answer to their problem was to decrease spending.

Mr. Gabriels stated that the property tax increases had become outrageous, citing that the taxes for the Town of Bolton had increased approximately $162 for a home valued at $200,000 over one year. He said that in order to reduce spending the Committee should have a better analysis of what was spent in 2006 as opposed to 2007 on a monthly basis. As he was present, Mr. Gabriels asked Frank O'Keefe, County Treasurer, when the final figures for 2006 would be available so he could begin his own comparison. Mr. O'Keefe replied that the figures were not yet ready and he would contact Mr. Gabriels once they were complete.

Mr. Caimano suggested that Joan Parsons, Commissioner of Administrative and Fiscal Services, be directed to contact NYSAC (New York State Association of Counties), to find a budgeting expert to discuss the subject of zero based budgeting at a joint meeting of the Ad Hoc Sales Tax and Budget Committees within the month of March. He noted that a presentation should be given to educate the Committees on how expenses could be maintained while shifting the burden away from property taxes.

Discussion ensued.

Motion was made by Mr. Caimano, seconded by Mr. Monroe and carried to authorize Mrs. Parsons to contact NYSAC and request the attendance of a budgeting expert at a joint meeting of the Ad Hoc Sales Tax and Budget Committees, to be scheduled within the month of March, to educate the groups on the subject of zero based budgeting and budget maintenance and reduction with Mr. Kenny voting in opposition.

Mr. Stec stated that unless a new strategy were developed, the Board would continue the past practices of increasing spending along with revenues. He said that in order to make a distinct determination and analysis in the best interest of the Warren County taxpayer, the following totals would be required:

- The percentage of sales tax generated by tourism
- The median residential property assessment
- The fifth percentile residential property assessment
- The median household income
- The fifth percentile household income

Mr. Stec stated that these numbers might be found by contacting the Real Property and Planning Departments and he asked Mrs. Parsons to provide them for the next Committee meeting. By reviewing the statistical information together, Mr. Stec apprised that the Committee would have the ability to determine the direction with the least negative impact on Warren County residents.

Mr. Monroe agreed with Mr. Stec's suggestion and he noted that the Planning and Real Property Departments should also be invited to the next Committee meeting to discuss these numbers.

Discussion ensued.

Mrs. Parsons noted that as the Committee reviewed the Budget in consideration of a sales tax increase it was important to separate the expenses for programs mandated by New York State because those costs were uncontrollable.

As there was no further business to come before the Committee, on motion made by Mr. Caimano and seconded by Mr. Champagne, Mr. Monroe adjourned the meeting at 1:00 p.m.

Respectfully Submitted,
Amanda Allen, Legislative Office Specialist