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The Generation of Sales Tax Revenues and the Need for Services in Deerfield Township

prepared for

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THE GENERATION OF SALES TAX REVENUES

AND THE NEED FOR SERVICES

IN DEERFIELD TOWNSHIP

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Introduction

Through the high sales activity of its businesses and purchases of its residents, Deerfield Township has a very large impact on the sales tax revenues that accrue to Warren County.

The Economics Center for Education & Research (Economics Center), located in the College of Business at the University of Cincinnati has conducted an analysis of sales-tax-related data to estimate the amount of Warren County's sales tax revenue that is generated by Deerfield Township businesses and residents.

This analysis is intended to allow the Deerfield Township Board of Trustees to gain a better understanding of the extent of the Township's contribution to the County's sales tax revenue, and to provide insights that will assist the Board in making well-informed financial planning and budgeting decisions.

The body of this report contains an estimate of the amount of sales tax revenue generated by the Township as a share of the County total, as well as projected increases due to new construction.

To facilitate the Board of Trustees' discussion of the relationship between costs and revenues, an appendix provides some preliminary information about the scope of the related need for government services.

Deerfield Township's Contribution to County Sales Tax Revenues

The Ohio Department of Taxation administers the permissive sales and use tax (commonly known as "sales tax") for all counties that levy the tax. These permissive taxes, which are enacted at the local level, are collected by the state along with a 6.0 percent state sales tax. The local share is then returned to the counties, with the State of Ohio retaining 1 percent of each county's sales tax revenues as an administration fee.[1]

Warren County levies a sales tax of 1 percent on all qualifying purchases. Because of the large number of businesses and households in Deerfield Township, the Township accounts for a substantial share of the County's sales tax revenues.

Estimating Deerfield Township's Contribution to Revenues

The majority of all sales taxes are collected on the basis of business location, so they are generally described here as "business-based." In this arrangement, which is the most common situation, sales taxes are paid by consumers at the point of purchase, generally a retail store or some similar establishment.

A smaller proportion of sales taxes is collected on the basis of where the purchaser lives ("resident-based"), including purchases of motor vehicles and purchases of watercraft and outboard motors, as well as purchases made through catalog or Internet-based businesses.

As shown in the following table, the Economics Center estimates that $5,362,882 of the County's sales tax revenue for fiscal year 2004 (FY2004:

[1] All sales taxes are remitted to the Ohio Department of Taxation, which sends a monthly report to each county that details its sales tax revenues by various categories.

July 2003 through June 2004) is attributable to Deerfield Township residents and businesses. The table also presents figures on the County sales tax revenue totals for FY2004.[2]

Warren County Sales Tax Revenue
July 2003 - June 2004

		Warren County Total	Deerfield Township	Township Share
Motor Vehicle and Similar Taxes	(Resident-based)	$6,199,741	$1,123,444	18%
All Other Sales Taxes	(Business-based)	$16,144,627	$4,239,438	26%
TOTAL SALES TAX REVENUE		$22,344,367	$5,362,882	24%

During FY2004, Warren County received $22,344,367 in sales tax revenue. Of this amount, $6.20 million came from resident-based purchases, while $16.14 million in revenue was the result of business-based purchases (based on data contained in the detailed monthly reports by the Ohio Department of Taxation).

Based on the 2000 Census, 16.4 percent of county households reside in Deerfield Township. However, because these households, on average, have higher incomes, they account for an estimated 18.1 percent of the value of vehicle sales (based on 2002 U.S. Consumer Spending data for the Midwest region). This figure is applied to all of Warren County's resident-based purchases, producing an estimate of $1,123,444 in resident-based purchases attributable to Deerfield Township residents.

After deducting property values for Deerfield Township automobile dealers (because motor vehicle purchases are resident-based), Deerfield Township has 26.3 percent of all commercial property in Warren County (based on 2003 valuation from the Ohio Department of Taxation). This figure is applied to all of Warren County's business-based purchases, producing an estimate of $4,239,438 in purchases attributable to Deerfield Township businesses.

When all sales taxes are taken into consideration, Deerfield Township accounted for $5.36 million, or 24 percent of Warren County's sales tax revenue in FY2004.

[2] These sales tax figures do not include the Lodging Tax that is levied on lodging furnished to transient guests by hotels and motels. Deerfield Township and Warren County each levy a Lodging Tax of 3.0 percent. Based on figures reported for 2002, and assuming a 5 percent annual growth rate, the Lodging Tax generated an estimated $1.49 million in FY2004, half for the Township and half for the County, the latter being used to fund the County's convention and visitors' bureau.

Future Revenue Generation

A substantial amount of commercial development continues to occur in Deerfield Township. Because of this trend, the amount of sales tax revenue generated by Deerfield Township businesses can also be expected to grow. Similarly, additional residential development will increase sales tax revenue from resident-based sources.

The following table combines the Economics Center's estimates for FY2004 with projections for the next four fiscal years.[3] During this four-year period, the annual amount of County sales tax revenue generated by Deerfield Township is expected to reach $6.74 million.

Warren County Sales Tax Revenue Generated by Deerfield Township

	Motor Vehicle and Similar Taxes	All Other Sales Taxes	TOTAL SALES TAX REVENUE
FY2004	$1,123,444	$4,239,438	$5,362,882
FY2005	$1,191,000	$4,759,000	$5,950,000
FY2006	$1,262,000	$4,940,000	$6,202,000
FY2007	$1,338,000	$5,127,000	$6,465,000
FY2008	$1,418,000	$5,322,000	$6,740,000

Most of this sales tax revenue growth is expected to come from new commercial development. Current figures on commercial property valuation do not include recent developments, such as Deerfield Town Center, that are only now beginning to generate sales tax revenue. Based on a development review by Deerfield Township staff, new construction has recently increased the number of commercially-developed acres (excluding automobile dealers) from 382.5 to 444.9 acres, an increase of 16.3 percent. Over the next three years, as the Shoppes of Deerfield and other proposed new developments are completed, new construction is expected to add another 71.0 acres (an additional 16.0%) to Deerfield Township's commercial land use inventory.

Future residential and commercial development will mean continued growth in the amount of sales tax revenue generated by Deerfield Township. As a result, Deerfield Township's contribution to Warren County's sales tax revenue figures is expected in increase considerably in future years.

[3] These projections employ a conservative underlying assumption: revenue increases are estimated to grow at three-fourths of the projected growth rates of population or commercially developed acreage.

Appendix:
Deerfield Township's Generation of Demand for Services

Population and commercial property, the two factors that directly affect the amount of sales tax revenue generated, also produce demand for various government services. Consequently, the need for law enforcement and other services is also greater in Deerfield Township.

Deerfield Township and Sheriff's Department Coverage

Based on the 2000 Census, approximately 91,957 county residents are served by local police departments, while the other 66,426 are served primarily by the Warren County Sheriff's Department. Deerfield Township's population of 25,515 accounts for more than 38 percent of the population in those areas where the primary coverage is provided by the Sheriff's Department.

Warren County Population, by Primary Law Enforcement Coverage

Warren County	158,383	100%	
Cities, villages, and townships with police service *	91,957	58%	
Areas primarily served by Sheriff's Department	66,426	42%	100%
Deerfield Township	25,515	16%	38%
Other areas	40,911	26%	62%

* Carlisle, Franklin, Lebanon, Loveland, Maineville, Mason, Middletown, Monroe, Morrow, and Waynesville, as well as Clear Creek and Hamilton Townships

Deerfield Township and Commercial Property Value

Deerfield Township is the source of a large share of the county's economic activity, which also generates demand for law enforcement and other services.

The proportion of the County's assessed valuation of commercial property located in Deerfield Township is even higher than the Township's share of population. Deerfield Township contains 29 percent of all commercial property in the county, based on 2003 valuation, and 84 percent of all commercial property in the area served primarily by the Sheriff's Department.

Warren County Commercial Property Value, by Primary Law Enforcement Coverage

Warren County	$502,635,470	100%	
Areas with police service	$326,964,300	65%	
Areas primarily served by Sheriff's Dept.	$175,671,170	35%	100%
Deerfield Township	$146,942,950	29%	84%
Other areas	$28,728,220	6%	16%