Jonathan Schechter – "Corpus Callosum" Column
***Jackson Hole News&Guide* – August 11, 2010**

With the SPET election coming up next week, my editor asked "What does the average Teton County resident pay in sales taxes?" Today's column is an effort to answer that question.

To get to my answer, I needed to do some analysis. Recognizing that discussing methodology bores most people to tears, I'll start with my conclusions:

1) The median Teton County resident pays around $300 per year in sales taxes.
2) By extension, if every one of the 11 SPET tax initiatives is rejected by local voters, the median Teton County resident will save around $50.
3) If even one SPET proposal passes, our sales tax rate will stay at the current six percent. As a result, regardless of what Tuesday's precise outcomes are, it's highly unlikely our tax rate is going to change.
4) As a result, you should make your decision on any SPET proposal based on its merits, rather than on thinking you're going to find an extra $50 in your pocket.
5) For Teton County residents, the SPET tax is an incredible investment. Every $1 the median resident pays in day-today SPET taxes is matched eight-fold by a combination of tourists, seasonal residents, local businesses, and others paying sales taxes.

For those willing to slog on, here's the underlying analysis. Let's start with a few basic facts.

First, Wyoming's governments operate on a July 1 fiscal year. In FY 2010, Teton County merchants sold $912 million worth of taxable goods, and collected $54.7 million in sales taxes (based on our current six percent sales tax). Of this, $9.1 million went toward previously-authorized SPET projects.

Second, in Wyoming, very little of what individuals spend money on is subject to sales tax. On a day-to-day basis, taxable items basically boil down to tangible goods, (e.g. clothes, gifts, hardware, and the like), liquor and prepared food (whether purchased in a restaurant or store), and lodging. In contrast, items not taxed include groceries, services (including recreational items such as ski lift tickets), and some products bought on-line (there's all sort of variability in this).

Third, the Wyoming Department of Revenue assigns a North American Industrial Classification System (NAICS) code to every business that sells taxable goods. DoR then issues monthly reports showing how much sales tax was collected by businesses in each of the hundreds of NAICS categories. This allows us to make broad-brushed estimates of how much money was spent in basic categories such as tourism, construction, and the like.

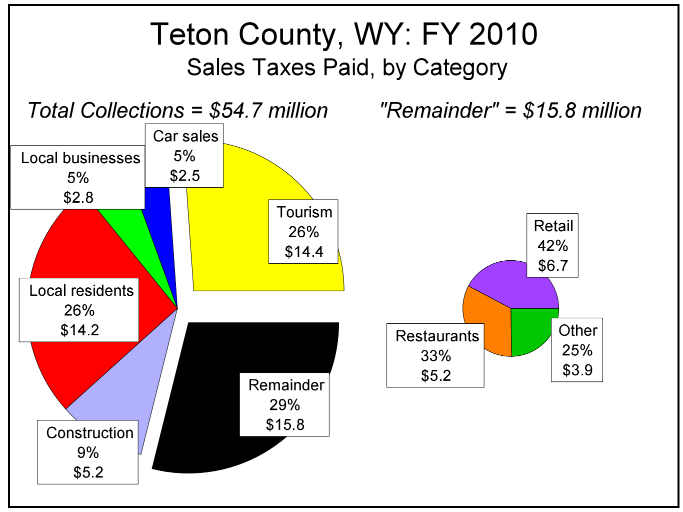
Finally, according to federal government estimates, Teton County's permanent population is around 21,000, our average household size is around 2.6 people, and our median family income is $92,500.

If you take these basic facts and play with them a bit, you get Tables 1 & 2.

Table 1 is an effort to figure out what the typical resident pays in sales taxes. I started with median family income, then whittled it down to get "disposable income" (i.e. the money left after paying income tax and housing). I then estimated the typical family spends 1/3 of its disposable income locally on taxable items. Do a bit of math, and the median Teton County household paid around $770 per year in sales taxes, roughly 0.8 percent of its gross income. Do a bit more math, and each person in that household paid an average of around $300 per year in local sales taxes.

Table 2 is an effort to see how our taxable sales are generated. I started with the total sales tax collections of $54.7 million. From that, I backed out taxable sales that could clearly be assigned to a specific category, in this case tourist, construction, car sales, and business-related. Combined, these accounted for roughly 45 percent of all purchases, with the remaining 55 percent falling into one of three additional categories: non-construction retail; restaurants, and other. For each of these, I then calculated the minimum expenditures made by locals, figuring the remainder was made by some combination of locals (both residents and businesses) and non-locals (i.e. seasonal residents and tourists).

Graph 1 summarizes the basic findings, namely that in 2010, locally-based expenditures accounted for 45 percent of all taxable sales, and tourism-based expenditures accounted for 26 percent. The remaining 29 percent spent came from some impossible-to-tease-apart combination of spending by locals and non-locals.



Graph 1

Do a bit more math, and the two approaches both suggest a similar conclusion: In 2010, while some residents clearly spent less than $300/year in sales taxes on basic expenditures (i.e. expenditures not related to construction or buying a car), and while many others clearly paid more, the typical resident paid on the order of $300 per year in local sales taxes. For each of Teton County's 21,000 residents, this translates into annual spending of around $5,000 on taxable goods from local merchants, or $13,000 for a typical household of 2.6 people.

Here's one final piece of math. Of the $300 the typical Teton County resident paid in annual sales taxes, $50 went to SPET projects. Multiply this by 21,000 permanent residents, and you get a little over $1 million. Figure this is the low end of what local residents paid toward the SPET tax through their day-to-day purchases.

The obvious shortcoming of this approach is that it assumes all people spend equal amounts on taxable goods. Recognizing that Teton County is full of wealthy people, and that wealthy people buy a lot more stuff, let's assume this methodology underestimates things by half. Making this assumption gives us a range: in FY 2010, through their local day-to-day purchases, Teton County residents contributed somewhere between $1-$2 million toward SPET projects.

The significance of this number lies in the fact that, in 2010, Teton County raised $9.1 million in SPET funds. This means that every dollar residents paid in SPET taxes was matched between four- and eight-fold by other sources: tourists, seasonal residents, local businesses, and residents' capital expenditures. All in all, it's hard to think of a more effective way to invest in the community's future.

Table 1 **Estimating Annual Sales Tax Expenditures by Teton County Residents – FY 2010**		
Category	**Amount**	**Notes**
Median family income	$92,500	Source: HUD
33% spent on rent	$30,525	
25% spent on income tax	$23,125	
Remainder (i.e. disposable income)	$38,850	
Assume 33% spent locally on taxable goods	$12,821	Includes utilities, gasoline, prepared food, clothing, etc.
Amount spent on tax (6%)	$769	
Per capita (2.6 people/household)	$296	Inferred per capita local taxable purchases = $4,931
Amount saved if all SPET measures rejected		
Per individual	$49	
Per household	$128	2.6 people/household

Table 2 **Calculating Sources of Local Sales Tax Collections – FY 2010**		
Category	**Amount**	**Notes**
Total Sales Taxes Collected	$54,722,824	
Back out…		
Tourism-based collections	$14,413,556	Lodging and rental cars
Construction-based collections	$5,239,144	Construction, materials, equipment rentals
Car sales	$2,497,944	
Business-based collections	$2,787,877	Business-related categories
Total	$24,938,522	
Remainder	$29,784,302	Remainder is paid by a combination of locals, local businesses, and tourists
Remainder consists of...		
Non-construction retail	$15,030,839	Total retail less construction materials
Restaurants	$7,343,719	
All other	$7,409,745	
Total	$29,784,302	
Locals' minimum share of remainder (Includes spending by residents and local businesses)		Schechter methodology (annual monthly minimum monthly x 12)
Non-construction retail	$8,389,187	
Restaurants	$2,307,432	
All other	$3,520,611	
Total	$14,217,230	
Remainder	$15,763,398	Amount spent by local residents and businesses (beyond minimum), and non-locals (tourists and seasonal residents)