

Sublette County, Wyoming Sales and Use Tax Report

Covering Sales and Use Tax Revenues for Fiscal Years 2001 through 2006

Fall 2006

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This document and related data available at www.sublette-se.org

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Sources: Unless otherwise noted, all sales and use tax figures are derived from the Wyoming Department of Revenue, rig count figures are from Drilling Records Inc/Divestco USA, and population figures are from the U.S. Census Bureau.

Executive Summary:

► In Fiscal Year 2006, Sublette County generated \$52,568,766 worth of sales and use tax revenue, of which \$16,278,557 was returned to the county and local municipalities. This equates to roughly \$1.3 Billion worth of sales transactions in the county in fiscal year 2006 (see table below), or almost 9% of all taxed sales in the State of Wyoming.

Sublette County Sales/Use Tax

Fiscal Year 2006 (July 2005 - June 2006)

Source: Wyoming Department of Revenue

Type of Tax	Gross Revenue	Revenue Returned to County	Gross Amount of Sales	Percentage of Returned Total
Sales	\$47,508,261	\$14,711,510	\$1,187,706,513	90.37%
Use	\$4,307,669	\$1,333,922	\$107,691,722	8.19%
Lodging	\$235,749	\$233,125	\$6,735,686	1.43%
Total	\$52,568,766	\$16,278,557	\$1,314,219,150	100.00%

► Sales/Use tax revenue in Sublette County has increased by about 278% since 2001. Sales tax revenue increased by about 271%, Use Tax revenue has increased by over 300%.

► In fiscal year 2006, about 90% of the revenue was comprised from sales taxes, 8.2% from use taxes, and 1.4% from lodging taxes. In 2004, about 6.7% of revenue came from use taxes.

► The majority (51%) of the Sales Tax revenue has come from the mining industry, while the industry is by far the biggest contributor (45.6%) of Use Tax Revenue. In 2004, 54% of sales tax revenue came from the mining industry, and 46% of use tax revenue came from the mining industry.

► The monthly fluctuations in sales tax activity seem to mirror fluctuations in oil and gas activity. Natural gas activity appears to play a huge part of the increases in sales/use revenue seen in Sublette County. However, the non-mining industries have largely kept pace with the increases in mining-related sales tax revenue. Wholesale & retail trade, real estate, food/accommodation, and construction industries have shown similar increases in sales/use tax revenue.

Wyoming Sales Tax Summary

Wyoming has a base sales tax rate of 4% effective in all counties. In addition, a use tax is imposed when a product is purchased in another state but delivered to a Wyoming destination. The use tax is charged in the county where the product is delivered at the same rate as the sales tax (see note on use tax, below).

The state collects the sales/use tax revenue, retains 69% and returns about 30% to the counties from which the sale occurred. The remaining 1% is used for administrative fees and to fund a state-wide redistribution program whereby each county is given at least \$40,000 annually, with additional amounts based on population.

The remaining 30% or so of gross tax revenue that is returned to the counties of origin is distributed to both the county government and the local town municipalities based on the county's population distribution. Therefore, the tax revenue returned to each municipality is not necessarily indicative of the amount of sales activity that took place within each municipality.

On top of the 4% tax base, counties and municipalities can impose a general purpose tax and/or a specific purpose tax at their option to a maximum of 1% for each tax. These taxes are then returned by the state in full (minus a 1% administrative fee) to the counties imposing the tax. Additionally, municipalities can impose an optional lodging tax to a maximum of 4% that is also returned in full (minus a 1% administrative fee) to the municipality of origin.

Sublette County compared to the rest of Wyoming:

At 4%, Sublette County has among the lowest sales/use tax rates in Wyoming (and the lowest allowed by state law), a rate shared only with Washakie and Fremont counties.

Use tax:

Use tax is charged in lieu of a sales tax (at the same rate) when a product is purchased across state lines then delivered to the taxing county for "storage use or consumption"¹. For example, if pipe is purchased from a business in Utah but delivered to Sublette County, then the purchaser will pay a use tax of 4% in Sublette County and pay no sales tax in Utah. However, if a separate delivery company is used to deliver the pipe, then sales tax may be paid in Utah on the pipe, and the delivery cost is exempt from sales or use tax as per Wyoming law

Sales tax across county lines:

If a product is to be delivered across county lines as part of the purchase agreement, sales tax is paid in the county where they product is delivered at that county's tax rate². If a separate delivery company is used to deliver the product, however, than sales tax is paid in the county where the vendor is located, and the delivery cost is exempt from sales or use tax as per Wyoming Law.

Wyoming Sales Tax By County - Fiscal Year 2006

County	State Tax	General Purpose	Specific Purpose	Total Sales/Use	Gross Tax Revenue	Total Amount of Sales	Statewide Rank In sales
ALBANY	4%	1%	1.00%	6.00%	\$31,030,250	\$517,170,833	10
BIG HORN	4%	1%	0.00%	5.00%	\$8,064,012	\$161,280,240	16
CAMPBELL	4%	1%	0.25%	5.25%	\$135,042,255	\$2,572,233,429	1
CARBON	4%	1%	1.00%	6.00%	\$29,654,986	\$494,249,767	11
CONVERSE	4%	1%	0.00%	5.00%	\$16,808,386	\$336,167,720	14
CROOK	4%	1%	1.00%	6.00%	\$5,719,440	\$95,324,000	22
FREMONT	4%	0%	0.00%	4.00%	\$31,025,251	\$775,631,275	7
GOSHEN	4%	1%	0.00%	5.00%	\$7,461,740	\$149,234,800	17
HOT SPRINGS	4%	1%	0.00%	5.00%	\$5,103,987	\$102,079,740	21
JOHNSON	4%	1%	0.00%	5.00%	\$14,346,708	\$286,934,160	15
LARAMIE	4%	1%	1.00%	6.00%	\$93,132,245	\$1,552,204,083	4
LINCOLN	4%	1%	0.00%	5.00%	\$23,230,722	\$464,614,440	12
NATRONA	4%	1%	0.00%	5.00%	\$95,736,661	\$1,914,733,220	2
NIOBRARA	4%	1%	1.00%	6.00%	\$2,533,228	\$42,220,467	23
PARK	4%	0%	0.00%	4.00%	\$26,130,286	\$653,257,150	8
PLATTE	4%	1%	0.00%	5.00%	\$7,322,636	\$146,452,720	19
SHERIDAN	4%	1%	1.00%	6.00%	\$37,060,918	\$617,681,967	9
SUBLETTE	4%	0%	0.00%	4.00%	\$52,568,766	\$1,314,219,150	5
SWEETWATER	4%	1%	1.00%	6.00%	\$94,473,675	\$1,574,561,250	3
TETON	4%	1%	1.00%	6.00%	\$57,964,870	\$966,081,167	6
UINTA	4%	1%	0.00%	5.00%	\$21,455,505	\$429,110,100	13
WASHAKIE	4%	0%	1.00%	5.00%	\$7,442,868	\$148,857,360	18
WESTON	4%	1%	0.00%	5.00%	\$5,487,369	\$109,747,380	20

Sublette County imposes neither a general or specific purpose tax, although it does impose a lodging tax that is returned directly from the state to the municipality of origin, after a 1% administration fee.

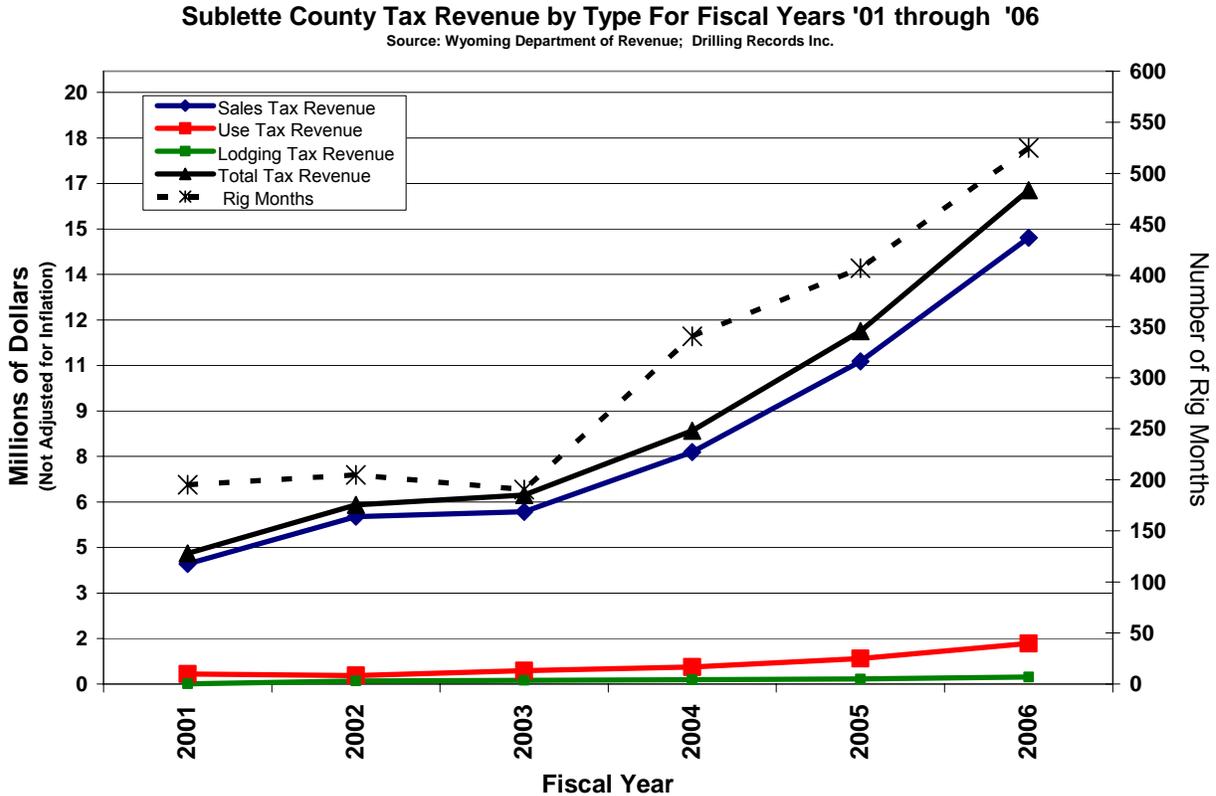
Despite the low tax rate, Sublette County ranked 6th in tax revenue generated in the Fiscal year 2006 at \$52,568,766. Given that this figure is only 4% of the total amount of sales activity in Sublette County, over \$1,314,219,150 worth of sales transactions took place in Sublette County during fiscal year 2006, ranking 5th in the state, despite the fact Sublette County ranks low in population compared to other counties. Only Campbell, Natrona, Sweetwater, and Laramie counties, respectively, had a larger amount of taxable sales transactions in fiscal year 2006 than did Sublette.

Even though Sublette County makes up only about 1.5% of Wyoming's population, the county is responsible for 6.5% of the sales/use tax revenue received by the state and is home to about 8.5% of the total sales activity occurring in Wyoming.

The vast majority (about 53%) of the sales and use tax revenue collected in Sublette County is from the Mining industry (which includes oil and gas activity). (See industry discussion on the following pages).

Sublette County

Sublette County's sales and use tax revenue has increased dramatically between fiscal years 2001 thru 2006, climbing from just under \$5 million returned to the county in 2001 to over \$16 million returned in 2006, an increase of about 278%. (Amounts generated in Sublette County and collected by the state and not returned increased by the same margin) These figures include activity within the three town municipalities. With a tax rate of 4%, this means that about \$1.3 billion worth of sales activity took place in Sublette County during fiscal year 2006.



Sales:

The largest driver of this increase is by far sales tax revenue, which has also grown about 270% between 2001 and 2006 and comprised about 90% of all tax revenue in Sublette County in fiscal year 2006.

Use:

Use tax revenue has grown by over 300% since 2001, from about \$332 thousand returned in fiscal year 2001 to about \$1.4 million returned in fiscal year 2006. This means that use tax revenues are growing at a rate of about 10% faster than sales tax revenues. Use tax comprised over 8% of county sales/use tax revenues in fiscal year 2006, as compared to about 7.5% of county sales/use tax revenues in 2001.

Fiscal Year	Use Tax as a Percent of Total Revenue
2001	7.72%
2002	4.75%
2003	7.00%
2004	6.73%
2005	7.21%
2006	8.19%

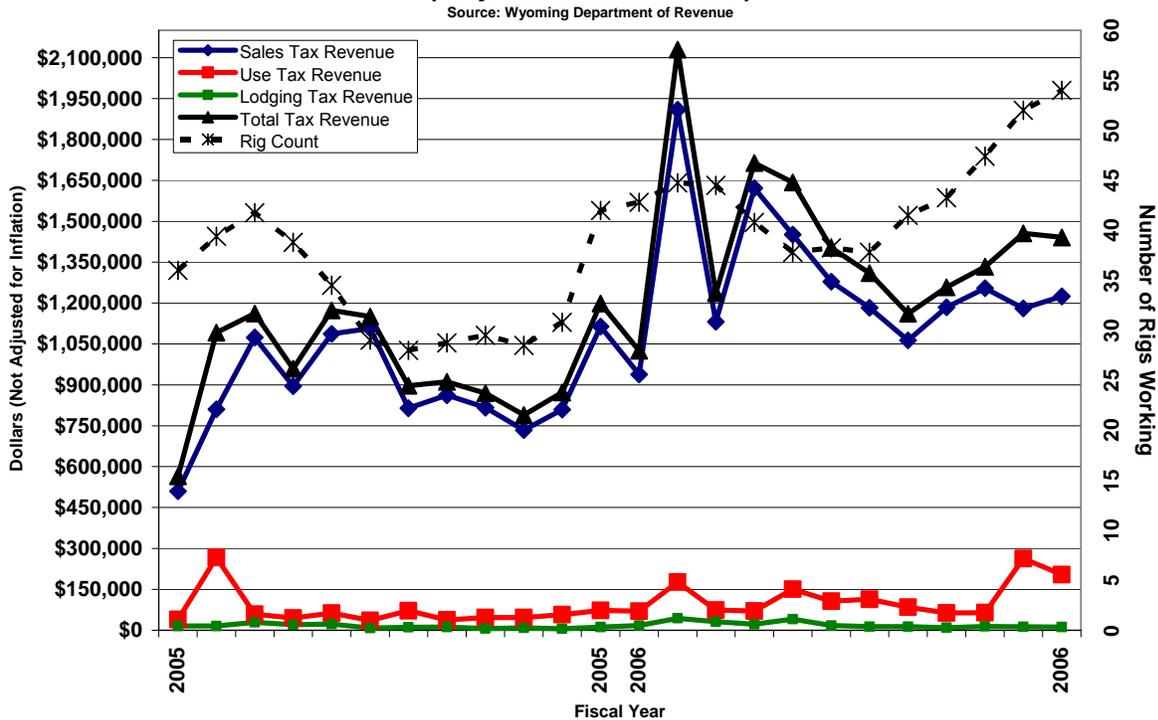
Lodging:

Lodging tax revenues have increased over 20 fold since 2001, although this is mostly due to the slow implementation of the tax around fiscal year 2001. Tax revenues increased from about \$9 thousand in fiscal year 2001 to almost \$234 thousand in fiscal year 2006. In 2006, lodging tax revenues accounted for about 1.5% of the sales/use tax revenue in Sublette County.

Monthly Fluctuations:

Sublette County sales/use tax revenue seems to vary on a month-to-month basis, with the greatest amount of revenue occurring during the summer months – corresponding with traditional increases in both gas field activity and tourist activity. There is about a 2 month lag time in distribution. The large spike in August of 2005 (fiscal year 2006) was confirmed by the Wyoming Department of Revenue to be accurate, although no explanation for the fluctuation was immediately available other than tax filings for that month may have been early or late. The sales tax revenue spike predated the huge spike in natural gas prices by about two months.

**Sublette County Tax Revenue by Type For Fiscal Years '05 & '06
(July 2004 -- June 2006)**

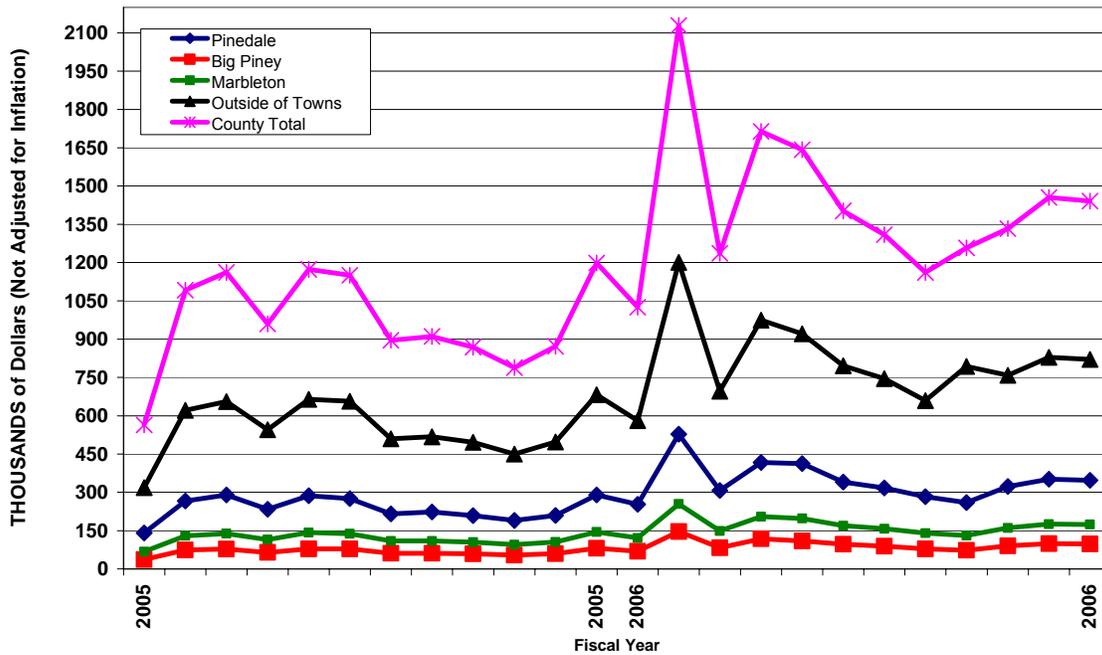


By Municipality:

When broken down by municipality (Big Piney, Marbleton, Pinedale, and the County Government), the majority (about 57%) of Sublette County’s fiscal year 2006 sales/use tax is returned to the County Government, with Pinedale making up about 25%, Marbleton about 12%, and Big Piney about 7%. The breakdown is similar to 2001, although Marbleton’s share of the county use/sales tax revenue has grown by about 2%, while Big Piney has lost about 3% of the county total.

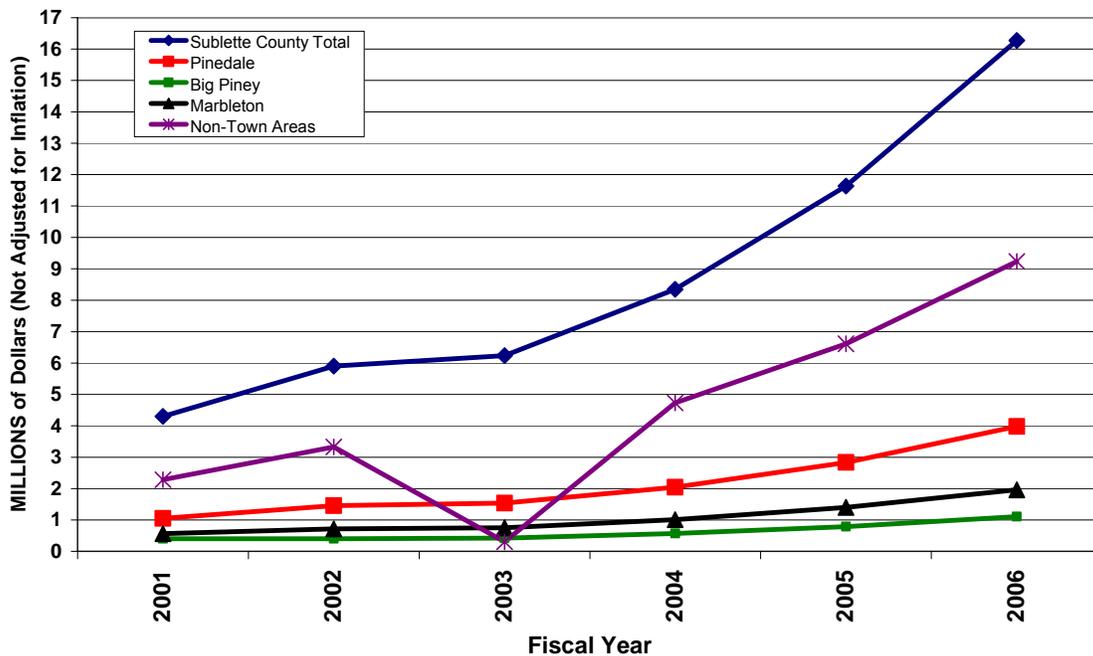
All three towns and rural Sublette County have seen growth in sales/use tax revenue. Tax Revenue to Pinedale has grown about 278% between 2001 and 2006, Big Piney revenue

Sublette County Total Tax Revenue by Municipality For Fiscal Years '05 & '06
 (July 2004 -- June 2006)
 Source: Wyoming Department of Revenue



has increased about 175%, Marbleton revenue has increased by 247%, while revenue to Sublette County Government increased by about 305%. In fiscal year 2006, total sales activity reached \$316 Million in Pinedale, \$90 Million in Big Piney, \$159 Million in Marbleton, and \$749 Million in areas outside of the three towns. Since the distribution

Sublette County Tax Revenue by Municipality For Fiscal Years 2001 thru 2006
 (July 2004 -- June 2006)
 Source: Wyoming Department of Revenue

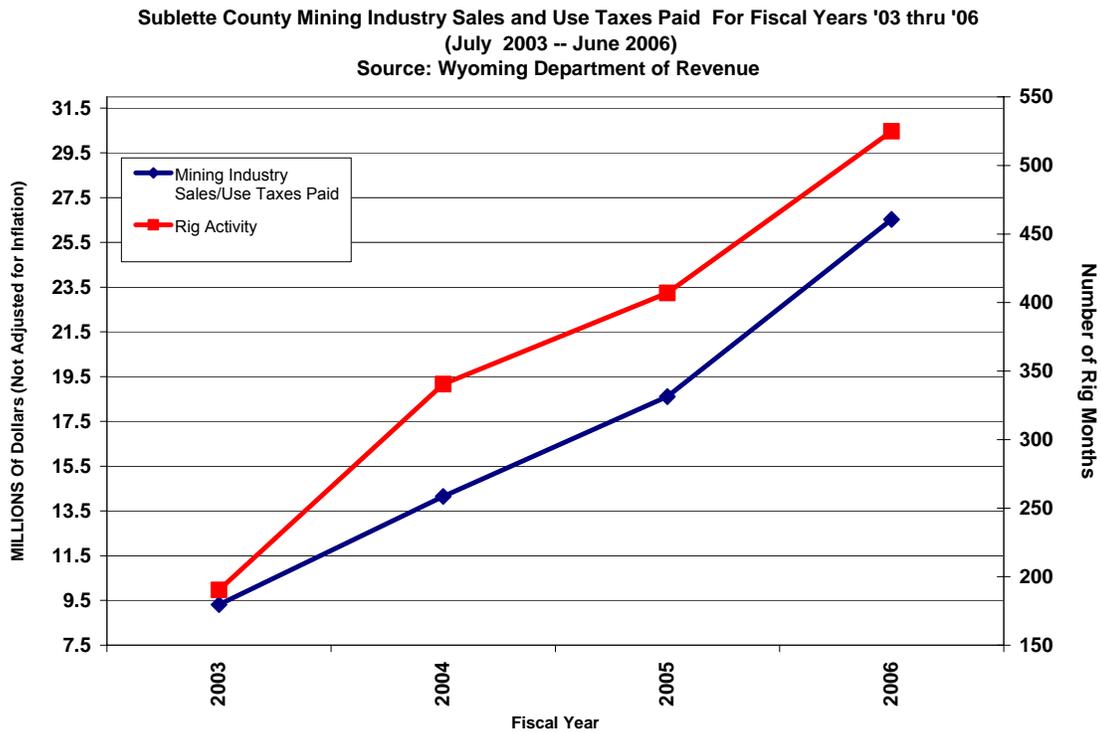


of revenue is dependent on population, the increases in each municipality's revenue correspond to recent population trends: rural Sublette County has seen the greatest

population increases since 2000, followed respectively by Pinedale, Marbleton, and Big Piney.

By Industry:

The Mining Industry pays the overwhelming majority of sales and use taxes in Sublette County when compared to any other industry classification. In fiscal year 2006, the mining industry in Sublette County paid over \$24.5 Million in sales taxes and nearly \$2 Million in use taxes, comprising about 50% of sales activity in Sublette County. The nearest industry classification in sales/use taxes paid was Retail Trade, with about \$6.6 Million in taxes paid in fiscal year 2006. The construction industry paid about \$1.1 Million in sales and use taxes.



The amount of taxes paid by the Mining Industry had largely kept pace with the increases in the amount of oil and gas activity as measured by the rig count. Sales taxes have more than kept pace, while use taxes have nearly kept pace with the rig count increases.

Sublette County Mining Industry										
Growth in Activity & Taxes Paid (including percentage of Sales/Use Tax revenue)										
Fiscal Years 2004-2006										
Source: Wyoming Department of Revenue; Drilling Records Inc										
Year	Increase in Rig Activity Since 2003	Taxes Paid			Increase in Taxes Paid Since 2003:			Percentage of County Sales/Use Revenue		
		Sales	Use	Total	Sales	Use	Total	Sales	Use	Total
2003	-----	\$8,585,423	\$732,984	\$9,318,407	-----	-----	-----	44.73%	49.68%	44.20%
2004	79%	\$13,324,385	\$826,325	\$14,150,710	55%	13%	52%	51.42%	43.43%	50.02%
2005	114%	\$17,667,543	\$938,743	\$18,606,286	106%	28%	100%	51.45%	34.66%	49.51%
2006	176%	\$24,565,016	\$1,962,591	\$26,527,607	186%	168%	185%	51.71%	45.56%	50.46%

Sales and Use tax revenues from the mining industry has increased by nearly \$20 Million since 2001, which would in itself account for a 100% increase in the Sublette county sales tax activity. However, non-mining industries have almost kept pace with the mining industry growth in terms of sales/use tax receipts. In fiscal year 2003, mining accounted for 44% of Sublette County sales/use tax revenue, in fiscal year 2006 Mining accounted for about 52%. Considering the huge increases in overall revenue during that period, non-mining industries have had to increase at a similar rate.

Unfortunately, in 2004 the federal and state governments replaced the Standard Industrial Classification System (SIC) with the North American Industry Classification system (NAICS). The SIC contained 10 major categories, while the new system contains over 20 major categories. Thus, it is difficult -- if not impossible -- analyze industry data over a historical continuum that spans both before and after fiscal year 2005. However, classifications that comprised the Mining Industry remained similar so that figures in the mining industry are roughly congruent. Comparative historical figures for the construction and retail industries before fiscal year 2005 are unavailable.

However, between fiscal year 2005 and 2006 in terms of sales/use tax revenue, wholesale trade grew by 53%, retail trade grew by 59%, real estate industry grew by 59%, public administration grew by 30%, food & accommodation grew by 32%. While much of this growth is likely due to increased sale volumes, part of it may be due rising inflation in the local area.

References:

¹ See: "Wyoming Use Tax and YOU" by the Wyoming Department of Revenue. Available from the Department of Revenue (307-777-5200) or online at:
<http://revenue.state.wy.us/PortalVBVS/uploads/Wyoming%20Use%20Tax%20and%20YOU.doc.pdf>

² See: "Vendor's Manual" by the Wyoming Department of Revenue. Available from the Department of Revenue (307-777-5200) or online at:
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Sublette County (includes Towns)						
Fiscal Year	Gross Tax Revenue	Total Amount of Sales	Revenue Returned			
			Sales	Use	Lodging	Total
			2001	15520968	388024200	3961059
2002	21059374	526484350	5520576	280411	103064	5904051
2003	21082473	527061825	5675004	436263	122471	6233738
2004	28291190	707279750	7649411	561690	140500	8351601
2005	37580227	939505675	10632904	838716	164990	11636610
2006	52568766	1314219150	14711510	1333922	233125	16278557

Big Piney

Fiscal Year	Revenue Returned			
	Sales	Use	Lodging	Total
2001	371324	31118	266	402708
2002	380473	19329	4209	404011
2003	388533	29645	4372	422550
2004	524450	38279	4919	567648
2005	726954	56897	5152	789003
2006	1007285	90905	7376	1105566

Marbleton

Fiscal Year	Revenue Returned			
	Sales	Use	Lodging	Total
2001	518545	43456	2215	564216
2002	671421	34111	12008	717540
2003	685646	52315	11331	749292
2004	925500	67551	17221	1010272
2005	1282861	100406	18015	1401282
2006	1777563	160420	20475	1958458

Pinedale

Fiscal Year	Revenue Returned			
	Sales	Use	Lodging	Total
2001	965932	80949	4313	1051194
2002	1316731	66896	73772	1457399
2003	1344627	102596	89388	1536611
2004	1815008	132474	96722	2044204
2005	2515832	196907	118903	2831642
2006	3485998	314601	180170	3980769

Sublette County (does not include towns)

Fiscal Year	Revenue Returned			
	Sales	Use	Lodging	Total
2001	2105258	176428	2064	2283750
2002	3151951	160134	13075	3325160
2003	283065	6115	17381	306561
2004	4384454	323387	21637	4729478
2005	6107256	484506	22920	6614682
2006	8440665	767996	25103	9233764

¹ See: “Wyoming Use Tax and YOU” by the Wyoming Department of Revenue. Available from the Department of Revenue (307-777-5200) or online at

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