

FAB Tax: An Overview and FAQ

Q: What is a Food and Beverage Tax?

A: The Food and Beverage Tax (FAB) is a consumption tax that is applied to restaurant receipts. Specifically, it is a 1% tax on all food that is sold or served by a retail merchant who caters, serves cooked or heated food, or where the seller provides eating utensils. This list includes any commercial establishment (including food trucks) that serves these items. Typically, the FAB is a pass-through cost from the restaurant to the consumer's bill. Groceries/pre-packaged foods are not taxed a FAB.

Q: What will the FAB cost me at a restaurant?

A: It is a 1% tax on the prepared food you purchase. So, if you spend \$10, you will pay an extra 10 cents. If you pay \$50, you will pay an extra 50 cents. If you spend \$100 you will pay an extra \$1.00.

Q: What did the approval process include?

A: The mayor introduced the idea in the 2022 State of the City Address. At the beginning of 2023, a resolution of support was unanimously approved by the City Council which encouraged the Indiana General Assembly to approve the ability for the city to pass the FAB. During the 2023 Legislative Session, the legislature approved Columbia City's FAB and it was signed by the governor as a part of House Bill 1454. A city ordinance was then created, and a public hearing was held. The city council then passed the ordinance in two separate meetings to adopt the FAB for a 20-year period as allowed by HB 1454.

Throughout the process, the mayor discussed the proposal in his *Lunch with the Mayor* program as well as the 2023 State of the City Address. It was also discussed in multiple public forums, speeches, and was included in the CityScene Newsletter in the Spring of 2023.

Q: How many other communities have a FAB?

A: At the creation of this document, 37 other Indiana counties/cities have instituted the FAB. These include Allen County (Fort Wayne), Shipshewana, Martinsville, Lebanon, Delaware County (Muncie), and most of the Indianapolis suburbs.

Q: What will the FAB funds be used for?

A: To Build Eagle Park. The \$50 Million Dollar project includes a whole host of amenities that will attract visitors to our community while also continuing to build our population and retain local talent. The dollars acquired by the FAB will be used as a match for grants

and construction to build Eagle Park over the next 1-2 decades. Most FABs, across the State of Indiana, were passed for parks, tourism, and quality of life projects.

Further, the Indiana General Assembly has consistently encouraged local governments to find alternative streams of revenue for special projects and for community improvement.

Q: How much money will the FAB gather for the city?

A: The City's financial consultant, Baker-Tilly, anticipated an annual revenue of around \$400,000 per year.

Q: Will this hurt the city's restaurants?

A: Information and statistics from many other FAB Tax communities have shown that the FAB does not impact the patronage of restaurants or food service establishments. This is a pass-thru tax from the restaurants to the consumer. Further, citizens and visitors are probably already paying this tax in Fort Wayne, Indianapolis, or Shipshewana. Many of the city's restaurants actually signed a letter of support of the FAB noting that the addition of Eagle Park and its amenities will attract additional visitors to the city and will ultimately grow their customer base. Further, the Whitley County Chamber of Commerce and Visitors Center, as well as Columbia City Connect were vocal supporters of the FAB.

Q: Will this tax ever end?

A: Yes, the FAB in Columbia City will sunset in 20 years from its start. That means the FAB will expire in 2044. The city cannot renew this tax without an act of the Indiana General Assembly.

Q: Does this FAB have anything to do with the theft of park funds?

A: Absolutely not. As mentioned earlier in the document, this process was started in 2023 prior to the discovery of monetary theft in the parks department.

Q: How can I find out more information on the FAB?

A: The Indiana Department of Revenue has a FAB Guide located at:
<https://www.in.gov/dor/business-tax/food-and-beverage-tax/>