



**FULL RESTORATION OF THE HISTORIC RELATIONSHIP:
STATE-SHARED SALES TAX
*SB177 (BRIGGS) / HB909 (GARRETT)***

BACKGROUND

Municipalities are the state's economic engine. Municipal residents pay taxes that fund essential infrastructure and services—such as police, fire, roads, schools, and parks—that support growth and attract businesses. This local investment drives much of the state's economic output, yet it also creates a significant tax burden for those residents.

To acknowledge this contribution, the state began sharing a small portion of its annual sales tax collections with cities in 1947. This practice recognized that over 80% of the state's sales tax collections are generated within city limits and aimed to ease residents' local tax obligation.

In 2002, facing fiscal challenges, the state dramatically altered the historic sharing relationship by raising the sales tax rate from 6% to 7% and directing all additional revenue associated with the 1% increase to the state's general fund.

PROBLEM

For more than 50 years, the state maintained the sales tax sharing relationship by returning 4.6% of the state's total annual sales tax revenues to cities. But that changed when the state addressed a budget shortfall by altering this relationship and retaining more sales tax revenues for itself.

More than 20 years later, the threat of a fiscal crisis has passed. Yet this austerity measure remains in place. Precluding cities from sharing in the 2002 rate increase has allowed the state to realize an additional **\$1.2 billion** in revenues that could have directly benefited city residents.

SOLUTION

Reverse the action taken in 2002 by fully restoring the historic sharing relationship.

The returned revenue would provide relief to local taxpayers by assisting local governments to meet funding demands to maintain vital infrastructure, provide essential services to citizens, and continue investment in economic expansion that affords the quality of life that has enabled this state to prosper.