

## Effect of Revenue Changes Enacted 2012-2017 on Bulls Gap

*The estimates shown are based on the Fiscal Review Committee's actual fiscal notes for the bills passed into law, and allocated proportionally based on the 2016 certified populations or 2014-2016 average Hall Income Tax proportions. These estimates do not assume any growth in the tax base; therefore, any reduction prior to 2017 may currently be higher or lower depending on the actual growth.*

### Changes Prior to IMPROVE Act

#### Reductions in Sales Tax on Food Rate

Sales Tax on Food rate was reduced two times between 2012 and 2016. The 2012 reduction resulted in a reduction in state shared sales revenues to Bulls Gap of \$( 120). In 2013, the rate reduction on food reduced state shared sales revenues to Bulls Gap of \$( 165).

#### Increase in Hall Income Tax Exemptions

Hall exemptions were increased three times between 2012 and 2016. The 2012 increase from 16k/27k to 26k/37k reduced Bulls Gap Hall revenues by \$( 18). The 2013 increase to 33k/59k reduced Bulls Gap revenues by an additional \$( 24). The final increase in exemption to 37k/68k in 2015 further reduced Bulls Gap revenues by \$( 16).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Bulls Gap by \$( 457).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Bulls Gap by estimated \$4,292 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Bulls Gap by projected total of \$7,201.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(1,174) in state shared taxes to Bulls Gap.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Bulls Gap by an estimated \$( 546) in first year, \$(1,637) in first three years of phase-out and a total projected reduction of \$(2,728) when Hall is eliminated.

## IMPROVE Act, as Modified by Chairman Doss' Proposal

- Proposed 95-5 reallocation of the gas/diesel tax will reallocate the current fuel tax collections so that 95% of the collections assigned to cities will be distributed on a per capita basis, while 5% will be allocated so that each city receives an equal amount. This change will result in a \$18,669 difference to Bulls Gap.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$7,601 in state shared sales tax revenue to Bulls Gap.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$28,770 in funds flowing to Bulls Gap as compared to an estimated net impact of \$3,300, if the Doss Proposal is not enacted.

## Impact of Revenue Changes Enacted 2012-2017 and Impact as Modified by Doss Proposal on Bulls Gap

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$( 120)
2013 Food Tax.....	( 165)
2012 Hall Income Exemption (26k/37k) .....	( 18)
2013 Hall Income Exemption (33k/59k) .....	( 24)
2015 Hall Income Exemption (37k/68k) .....	( 16)
2016 Hall Income Rate Cut (6% to 5%) .....	( 457)

**Total Prior Changes (2012-2016).....** \$( 800)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$5,294
<u>Diesel Tax Increase in Year 3.....</u>	<u>1,907</u>
Subtotal.....	\$7,201

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(1,174)
<u>Hall Income Tax Full Elimination.....</u>	<u>(2,728)</u>
Subtotal.....	(3,901)

**Total IMPROVE Act Changes.....** \$3,300

**Total All Changes 2012-IMPROVE .....** \$2,500

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$20,523
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>5,347</u>
Subtotal.....	\$25,870

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	7,601
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$7,601

**Total All Changes 2012-IMPROVE and Doss.....** \$28,770

## Comparison of Net Changes of 2012-2016, IMPROVE, and Doss Proposal

Bulls Gap	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	5,294	20,523	15,229
Diesel tax increase .....	1,907	5,347	3,440
<b>General Fund</b>			
2012 to 2016 tax changes.....	( 800)	( 800)	0
2017 Sales Tax on Food .....	(1,174)	(1,174)	0
Hall Income phase-out.....	(2,728)	(2,728)	0
Increase state shared sales % .....	<u>0</u>	<u>7,601</u>	<u>7,601</u>
<b>Total Impact .....</b>	<u>2,500</u>	<u>28,770</u>	<u>26,270</u>