

## Effect of Revenue Changes Enacted 2012-2017 on Clarksville

*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 Clarksville of \$(21,638). In 2013, the rate reduction on food reduced state shared sales revenues to Clarksville of \$(29,630).

#### 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 Clarksville Hall revenues by \$(4,592). The 2013 increase to 33k/59k reduced Clarksville revenues by an additional \$(5,964). The final increase in exemption to 37k/68k in 2015 further reduced Clarksville revenues by \$(3,880).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Clarksville by \$(114,441).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Clarksville by estimated \$773,079 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Clarksville by projected total of \$1,297,021.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(211,376) in state shared taxes to Clarksville.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Clarksville by an estimated \$(136,490) in first year, \$(409,470) in first three years of phase-out and a total projected reduction of \$(682,449) 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 \$(233,188) difference to Clarksville.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$1,369,168 in state shared sales tax revenue to Clarksville.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$1,359,030 in funds flowing to Clarksville as compared to an estimated net impact of \$403,196, if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$(21,638)
2013 Food Tax.....	(29,630)
2012 Hall Income Exemption (26k/37k) .....	(4,592)
2013 Hall Income Exemption (33k/59k) .....	(5,964)
2015 Hall Income Exemption (37k/68k) .....	(3,880)
2016 Hall Income Rate Cut (6% to 5%) .....	<u>(114,441)</u>

**Total Prior Changes (2012-2016).....** \$(180,146)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$953,521
<u>Diesel Tax Increase in Year 3.....</u>	<u>343,500</u>
Subtotal.....	\$1,297,021

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(211,376)
<u>Hall Income Tax Full Elimination.....</u>	<u>(682,449)</u>
Subtotal.....	<u>(893,825)</u>

**Total IMPROVE Act Changes.....**\$403,196

**Total All Changes 2012-IMPROVE .....**\$223,050

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$763,301
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>300,532</u>
Subtotal.....	\$1,063,833

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	1,369,168
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$1,369,168

**Total All Changes 2012-IMPROVE and Doss.....**\$1,359,030

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

Clarksville	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	953,521	763,301	(190,220)
Diesel tax increase .....	343,500	300,532	(42,968)
<b>General Fund</b>			
2012 to 2016 tax changes.....	(180,146)	(180,146)	0
2017 Sales Tax on Food .....	(211,376)	(211,376)	0
Hall Income phase-out.....	(682,449)	(682,449)	0
Increase state shared sales % .....	0	1,369,168	1,369,168
<b>Total Impact .....</b>	<b>223,050</b>	<b>1,359,030</b>	<b>1,135,980</b>