

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

*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 Ducktown of \$( 77). In 2013, the rate reduction on food reduced state shared sales revenues to Ducktown of \$( 106).

#### 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 Ducktown Hall revenues by \$( 13). The 2013 increase to 33k/59k reduced Ducktown revenues by an additional \$( 17). The final increase in exemption to 37k/68k in 2015 further reduced Ducktown revenues by \$( 11).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Ducktown by \$( 328).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Ducktown by estimated \$2,762 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Ducktown by projected total of \$4,635.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$( 755) in state shared taxes to Ducktown.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Ducktown by an estimated \$( 391) in first year, \$(1,173) in first three years of phase-out and a total projected reduction of \$(1,955) 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 \$19,170 difference to Ducktown.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$4,892 in state shared sales tax revenue to Ducktown.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$25,434 in funds flowing to Ducktown as compared to an estimated net impact of \$1,924, if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$( 77)
2013 Food Tax.....	( 106)
2012 Hall Income Exemption (26k/37k) .....	( 13)
2013 Hall Income Exemption (33k/59k) .....	( 17)
2015 Hall Income Exemption (37k/68k) .....	( 11)
2016 Hall Income Rate Cut (6% to 5%) .....	( 328)

**Total Prior Changes (2012-2016).....** \$( 552)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$3,407
<u>Diesel Tax Increase in Year 3.....</u>	<u>1,227</u>
Subtotal.....	\$4,635

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$( 755)
<u>Hall Income Tax Full Elimination.....</u>	<u>(1,955)</u>
Subtotal.....	(2,711)

**Total IMPROVE Act Changes.....** \$1,924

**Total All Changes 2012-IMPROVE .....** \$1,372

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$19,045
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>4,760</u>
Subtotal.....	\$23,805

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	4,892
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$4,892

**Total All Changes 2012-IMPROVE and Doss.....** \$25,434

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

Ducktown	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	3,407	19,045	15,638
Diesel tax increase .....	1,227	4,760	3,532
<b>General Fund</b>			
2012 to 2016 tax changes.....	( 552)	( 552)	0
2017 Sales Tax on Food .....	( 755)	( 755)	0
Hall Income phase-out.....	(1,955)	(1,955)	0
Increase state shared sales % .....	0	4,892	4,892
<b>Total Impact .....</b>	<u>1,372</u>	<u>25,434</u>	<u>24,063</u>