

## Effect of Revenue Changes Enacted 2012-2017 on East Ridge

*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 East Ridge of \$(3,415). In 2013, the rate reduction on food reduced state shared sales revenues to East Ridge of \$(4,676).

#### 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 East Ridge Hall revenues by \$( 471). The 2013 increase to 33k/59k reduced East Ridge revenues by an additional \$( 612). The final increase in exemption to 37k/68k in 2015 further reduced East Ridge revenues by \$( 398).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to East Ridge by \$(11,744).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to East Ridge by estimated \$122,008 in the first year. When fully phased in, Improve Act will have increased gas/diesel to East Ridge by projected total of \$204,697.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(33,360) in state shared taxes to East Ridge.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to East Ridge by an estimated \$(14,007) in first year, \$(42,022) in first three years of phase-out and a total projected reduction of \$(70,036) 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 \$(19,895) difference to East Ridge.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$216,084 in state shared sales tax revenue to East Ridge.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$276,173 in funds flowing to East Ridge as compared to an estimated net impact of \$101,302, if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$(3,415)
2013 Food Tax.....	(4,676)
2012 Hall Income Exemption (26k/37k) .....	( 471)
2013 Hall Income Exemption (33k/59k) .....	( 612)
2015 Hall Income Exemption (37k/68k) .....	( 398)
2016 Hall Income Rate Cut (6% to 5%) .....	<u>(11,744)</u>

**Total Prior Changes (2012-2016).....** \$(21,317)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$150,486
<u>Diesel Tax Increase in Year 3.....</u>	<u>54,212</u>
Subtotal.....	\$204,697

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(33,360)
<u>Hall Income Tax Full Elimination.....</u>	<u>(70,036)</u>
Subtotal.....	<u>(103,396)</u>

**Total IMPROVE Act Changes.....**\$101,302

**Total All Changes 2012-IMPROVE .....**\$79,984

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$134,256
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>50,546</u>
Subtotal.....	\$184,802

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	216,084
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$216,084

**Total All Changes 2012-IMPROVE and Doss.....**\$276,173

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

East Ridge	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	150,486	134,256	(16,229)
Diesel tax increase .....	54,212	50,546	(3,666)
<b>General Fund</b>			
2012 to 2016 tax changes.....	(21,317)	(21,317)	0
2017 Sales Tax on Food .....	(33,360)	(33,360)	0
Hall Income phase-out.....	(70,036)	(70,036)	0
Increase state shared sales % .....	0	216,084	216,084
<b>Total Impact .....</b>	<b>79,984</b>	<b>276,173</b>	<b>196,188</b>