

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

*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 Fayetteville of \$(1,111). In 2013, the rate reduction on food reduced state shared sales revenues to Fayetteville of \$(1,522).

#### 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 Fayetteville Hall revenues by \$( 474). The 2013 increase to 33k/59k reduced Fayetteville revenues by an additional \$( 615). The final increase in exemption to 37k/68k in 2015 further reduced Fayetteville revenues by \$( 400).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Fayetteville by \$(11,805).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Fayetteville by estimated \$39,704 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Fayetteville by projected total of \$66,613.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(10,856) in state shared taxes to Fayetteville.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Fayetteville by an estimated \$(14,080) in first year, \$(42,239) in first three years of phase-out and a total projected reduction of \$(70,398) 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 \$7,068 difference to Fayetteville.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$70,318 in state shared sales tax revenue to Fayetteville.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$46,818 in funds flowing to Fayetteville as compared to an estimated net impact of \$(14,641), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$(1,111)
2013 Food Tax.....	(1,522)
2012 Hall Income Exemption (26k/37k) .....	( 474)
2013 Hall Income Exemption (33k/59k) .....	( 615)
2015 Hall Income Exemption (37k/68k) .....	( 400)
2016 Hall Income Rate Cut (6% to 5%) .....	<u>(11,805)</u>

**Total Prior Changes (2012-2016).....** \$(15,927)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$48,971
<u>Diesel Tax Increase in Year 3.....</u>	<u>17,642</u>
Subtotal.....	\$66,613

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(10,856)
<u>Hall Income Tax Full Elimination.....</u>	<u>(70,398)</u>
Subtotal.....	<u>(81,254)</u>

**Total IMPROVE Act Changes.....** \$(14,641)

**Total All Changes 2012-IMPROVE .....** \$(30,568)

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$54,737
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>18,944</u>
Subtotal.....	\$73,681

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	70,318
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$70,318

**Total All Changes 2012-IMPROVE and Doss.....** \$46,818

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

Fayetteville	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	48,971	54,737	5,766
Diesel tax increase .....	17,642	18,944	1,302
<b>General Fund</b>			
2012 to 2016 tax changes.....	(15,927)	(15,927)	0
2017 Sales Tax on Food .....	(10,856)	(10,856)	0
Hall Income phase-out.....	(70,398)	(70,398)	0
Increase state shared sales % .....	0	70,318	70,318
<b>Total Impact .....</b>	<b>(30,568)</b>	<b>46,818</b>	<b>77,386</b>