

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

*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 Gallatin of \$(5,611). In 2013, the rate reduction on food reduced state shared sales revenues to Gallatin of \$(7,684).

#### 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 Gallatin Hall revenues by \$(5,241). The 2013 increase to 33k/59k reduced Gallatin revenues by an additional \$(6,806). The final increase in exemption to 37k/68k in 2015 further reduced Gallatin revenues by \$(4,428).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Gallatin by \$(130,598).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Gallatin by estimated \$200,486 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Gallatin by projected total of \$336,362.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(54,817) in state shared taxes to Gallatin.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Gallatin by an estimated \$(155,760) in first year, \$(467,279) in first three years of phase-out and a total projected reduction of \$(778,797) 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 \$(45,605) difference to Gallatin.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$355,072 in state shared sales tax revenue to Gallatin.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$(348,153) in funds flowing to Gallatin as compared to an estimated net impact of \$(497,252), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$(5,611)
2013 Food Tax.....	(7,684)
2012 Hall Income Exemption (26k/37k) .....	(5,241)
2013 Hall Income Exemption (33k/59k) .....	(6,806)
2015 Hall Income Exemption (37k/68k) .....	(4,428)
2016 Hall Income Rate Cut (6% to 5%) .....	(130,598)

**Total Prior Changes (2012-2016).....** \$(160,368)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$247,280
<u>Diesel Tax Increase in Year 3.....</u>	<u>89,081</u>
Subtotal.....	\$336,362

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(54,817)
<u>Hall Income Tax Full Elimination.....</u>	<u>(778,797)</u>
Subtotal.....	(833,614)

**Total IMPROVE Act Changes.....** \$(497,252)

**Total All Changes 2012-IMPROVE .....** **\$(657,620)**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$210,079
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>80,678</u>
Subtotal.....	\$290,757

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	355,072
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$355,072

**Total All Changes 2012-IMPROVE and Doss.....** **\$(348,153)**

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

Gallatin	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	247,280	210,079	(37,201)
Diesel tax increase .....	89,081	80,678	(8,403)
<b>General Fund</b>			
2012 to 2016 tax changes.....	(160,368)	(160,368)	0
2017 Sales Tax on Food .....	(54,817)	(54,817)	0
Hall Income phase-out.....	(778,797)	(778,797)	0
Increase state shared sales % .....	0	355,072	355,072
<b>Total Impact .....</b>	<b>(657,620)</b>	<b>(348,153)</b>	<b>309,467</b>