

## Effect of Revenue Changes Enacted 2012-2017 on Johnson City

*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 Johnson City of \$(10,280). In 2013, the rate reduction on food reduced state shared sales revenues to Johnson City of \$(14,077).

#### 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 Johnson City Hall revenues by \$(5,175). The 2013 increase to 33k/59k reduced Johnson City revenues by an additional \$(6,720). The final increase in exemption to 37k/68k in 2015 further reduced Johnson City revenues by \$(4,373).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Johnson City by \$(128,959).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Johnson City by estimated \$367,275 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Johnson City by projected total of \$616,190.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(100,421) in state shared taxes to Johnson City.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Johnson City by an estimated \$(153,806) in first year, \$(461,417) in first three years of phase-out and a total projected reduction of \$(769,028) 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 \$(100,245) difference to Johnson City.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$650,465 in state shared sales tax revenue to Johnson City.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$127,377 in funds flowing to Johnson City as compared to an estimated net impact of \$(253,259), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$(10,280)
2013 Food Tax.....	(14,077)
2012 Hall Income Exemption (26k/37k) .....	(5,175)
2013 Hall Income Exemption (33k/59k) .....	(6,720)
2015 Hall Income Exemption (37k/68k) .....	(4,373)
2016 Hall Income Rate Cut (6% to 5%) .....	(128,959)

**Total Prior Changes (2012-2016).....** \$(169,584)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$452,999
<u>Diesel Tax Increase in Year 3.....</u>	<u>163,190</u>
Subtotal.....	\$616,190

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(100,421)
<u>Hall Income Tax Full Elimination.....</u>	<u>(769,028)</u>
Subtotal.....	(869,449)

**Total IMPROVE Act Changes.....** \$(253,259)

**Total All Changes 2012-IMPROVE .....** **\$(422,843)**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$371,225
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>144,719</u>
Subtotal.....	\$515,944

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	650,465
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$650,465

**Total All Changes 2012-IMPROVE and Doss.....** **\$127,377**

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

Johnson City	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	452,999	371,225	(81,774)
Diesel tax increase .....	163,190	144,719	(18,472)
<b>General Fund</b>			
2012 to 2016 tax changes.....	(169,584)	(169,584)	0
2017 Sales Tax on Food .....	(100,421)	(100,421)	0
Hall Income phase-out.....	(769,028)	(769,028)	0
Increase state shared sales % .....	0	650,465	650,465
<b>Total Impact .....</b>	<b>(422,843)</b>	<b>127,377</b>	<b>550,220</b>