

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

*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 Knoxville of \$(29,117). In 2013, the rate reduction on food reduced state shared sales revenues to Knoxville of \$(39,872).

#### 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 Knoxville Hall revenues by \$(50,920). The 2013 increase to 33k/59k reduced Knoxville revenues by an additional \$(66,126). The final increase in exemption to 37k/68k in 2015 further reduced Knoxville revenues by \$(43,025).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Knoxville by \$(1,268,914).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Knoxville by estimated \$1,040,283 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Knoxville by projected total of \$1,745,318.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(284,435) in state shared taxes to Knoxville.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Knoxville by an estimated \$(1,513,393) in first year, \$(4,540,180) in first three years of phase-out and a total projected reduction of \$(7,566,958) 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 \$(320,725) difference to Knoxville.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$1,842,402 in state shared sales tax revenue to Knoxville.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$(6,082,372) in funds flowing to Knoxville as compared to an estimated net impact of \$(6,106,075), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$(29,117)
2013 Food Tax.....	(39,872)
2012 Hall Income Exemption (26k/37k) .....	(50,920)
2013 Hall Income Exemption (33k/59k) .....	(66,126)
2015 Hall Income Exemption (37k/68k) .....	(43,025)
2016 Hall Income Rate Cut (6% to 5%) .....	<u>(1,268,914)</u>

**Total Prior Changes (2012-2016).....****\$(1,497,974)**

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$1,283,091
<u>Diesel Tax Increase in Year 3.....</u>	<u>462,226</u>
Subtotal.....	\$1,745,318

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(284,435)
<u>Hall Income Tax Full Elimination.....</u>	<u>(7,566,958)</u>
Subtotal.....	<u>(7,851,393)</u>

**Total IMPROVE Act Changes.....****\$(6,106,075)**

**Total All Changes 2012-IMPROVE .....****\$(7,604,049)**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$1,021,464
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>403,128</u>
Subtotal.....	\$1,424,592

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	1,842,402
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$1,842,402

**Total All Changes 2012-IMPROVE and Doss.....****\$(6,082,372)**

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

Knoxville	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	1,283,091	1,021,464	(261,627)
Diesel tax increase .....	462,226	403,128	(59,098)
<b>General Fund</b>			
2012 to 2016 tax changes.....	(1,497,974)	(1,497,974)	0
2017 Sales Tax on Food .....	(284,435)	(284,435)	0
Hall Income phase-out.....	(7,566,958)	(7,566,958)	0
Increase state shared sales % .....	0	1,842,402	1,842,402
<b>Total Impact .....</b>	<b>(7,604,049)</b>	<b>(6,082,372)</b>	<b>1,521,676</b>