

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

*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 Lebanon of \$(5,328). In 2013, the rate reduction on food reduced state shared sales revenues to Lebanon of \$(7,296).

#### 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 Lebanon Hall revenues by \$(2,355). The 2013 increase to 33k/59k reduced Lebanon revenues by an additional \$(3,058). The final increase in exemption to 37k/68k in 2015 further reduced Lebanon revenues by \$(1,990).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Lebanon by \$(58,682).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Lebanon by estimated \$190,360 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Lebanon by projected total of \$319,374.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(52,049) in state shared taxes to Lebanon.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Lebanon by an estimated \$(69,988) in first year, \$(209,964) in first three years of phase-out and a total projected reduction of \$(349,939) 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 \$(42,288) difference to Lebanon.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$337,140 in state shared sales tax revenue to Lebanon.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$133,530 in funds flowing to Lebanon as compared to an estimated net impact of \$(82,614), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$(5,328)
2013 Food Tax.....	(7,296)
2012 Hall Income Exemption (26k/37k) .....	(2,355)
2013 Hall Income Exemption (33k/59k) .....	(3,058)
2015 Hall Income Exemption (37k/68k) .....	(1,990)
2016 Hall Income Rate Cut (6% to 5%) .....	(58,682)

**Total Prior Changes (2012-2016).....** \$(78,709)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$234,792
<u>Diesel Tax Increase in Year 3.....</u>	<u>84,582</u>
Subtotal.....	\$319,374

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(52,049)
<u>Hall Income Tax Full Elimination.....</u>	<u>(349,939)</u>
Subtotal.....	(401,988)

**Total IMPROVE Act Changes.....** \$(82,614)

**Total All Changes 2012-IMPROVE .....** **\$(161,322)**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$200,296
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>76,790</u>
Subtotal.....	\$277,087

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	337,140
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$337,140

**Total All Changes 2012-IMPROVE and Doss.....** **\$133,530**

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

Lebanon	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	234,792	200,296	(34,496)
Diesel tax increase .....	84,582	76,790	(7,792)
<b>General Fund</b>			
2012 to 2016 tax changes.....	(78,709)	(78,709)	0
2017 Sales Tax on Food .....	(52,049)	(52,049)	0
Hall Income phase-out.....	(349,939)	(349,939)	0
Increase state shared sales % .....	0	337,140	337,140
<b>Total Impact .....</b>	<b>(161,322)</b>	<b>133,530</b>	<b>294,852</b>