

## Effect of Revenue Changes Enacted 2012-2017 on Lenoir 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 Lenoir City of \$(1,407). In 2013, the rate reduction on food reduced state shared sales revenues to Lenoir City of \$(1,926).

#### 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 Lenoir City Hall revenues by \$( 629). The 2013 increase to 33k/59k reduced Lenoir City revenues by an additional \$( 817). The final increase in exemption to 37k/68k in 2015 further reduced Lenoir City revenues by \$( 532).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Lenoir City by \$(15,684).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Lenoir City by estimated \$50,260 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Lenoir City by projected total of \$84,322.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(13,742) in state shared taxes to Lenoir City.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Lenoir City by an estimated \$(18,705) in first year, \$(56,116) in first three years of phase-out and a total projected reduction of \$(93,527) 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 \$3,610 difference to Lenoir 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 \$89,013 in state shared sales tax revenue to Lenoir City.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$48,681 in funds flowing to Lenoir City as compared to an estimated net impact of \$(22,947), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$(1,407)
2013 Food Tax.....	(1,926)
2012 Hall Income Exemption (26k/37k) .....	( 629)
2013 Hall Income Exemption (33k/59k) .....	( 817)
2015 Hall Income Exemption (37k/68k) .....	( 532)
2016 Hall Income Rate Cut (6% to 5%) .....	(15,684)

**Total Prior Changes (2012-2016).....** \$(20,995)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$61,990
<u>Diesel Tax Increase in Year 3.....</u>	<u>22,332</u>
Subtotal.....	\$84,322

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(13,742)
<u>Hall Income Tax Full Elimination.....</u>	<u>(93,527)</u>
Subtotal.....	(107,269)

**Total IMPROVE Act Changes.....** \$(22,947)

**Total All Changes 2012-IMPROVE .....** **\$(43,942)**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$64,935
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>22,997</u>
Subtotal.....	\$87,932

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	89,013
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$89,013

**Total All Changes 2012-IMPROVE and Doss.....** **\$48,681**

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

Lenoir City	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	61,990	64,935	2,945
Diesel tax increase .....	22,332	22,997	665
<b>General Fund</b>			
2012 to 2016 tax changes.....	(20,995)	(20,995)	0
2017 Sales Tax on Food .....	(13,742)	(13,742)	0
Hall Income phase-out.....	(93,527)	(93,527)	0
Increase state shared sales % .....	0	89,013	89,013
<b>Total Impact .....</b>	<b>(43,942)</b>	<b>48,681</b>	<b>92,623</b>