

## Effect of Revenue Changes Enacted 2012-2017 on Lookout Mountain

*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 Lookout Mountain of \$( 298). In 2013, the rate reduction on food reduced state shared sales revenues to Lookout Mountain of \$( 408).

#### 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 Lookout Mountain Hall revenues by \$(3,461). The 2013 increase to 33k/59k reduced Lookout Mountain revenues by an additional \$(4,495). The final increase in exemption to 37k/68k in 2015 further reduced Lookout Mountain revenues by \$(2,924).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Lookout Mountain by \$(86,248).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Lookout Mountain by estimated \$10,654 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Lookout Mountain by projected total of \$17,875.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(2,913) in state shared taxes to Lookout Mountain.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Lookout Mountain by an estimated \$(102,866) in first year, \$(308,597) in first three years of phase-out and a total projected reduction of \$(514,327) 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 \$16,585 difference to Lookout Mountain.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$18,870 in state shared sales tax revenue to Lookout Mountain.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$(561,746) in funds flowing to Lookout Mountain as compared to an estimated net impact of \$(499,365), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$( 298)
2013 Food Tax.....	( 408)
2012 Hall Income Exemption (26k/37k) .....	(3,461)
2013 Hall Income Exemption (33k/59k) .....	(4,495)
2015 Hall Income Exemption (37k/68k) .....	(2,924)
2016 Hall Income Rate Cut (6% to 5%) .....	(86,248)

**Total Prior Changes (2012-2016).....** \$(97,835)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$13,141
<u>Diesel Tax Increase in Year 3.....</u>	<u>4,734</u>
Subtotal.....	\$17,875

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(2,913)
<u>Hall Income Tax Full Elimination.....</u>	<u>(514,327)</u>
Subtotal.....	(517,240)

**Total IMPROVE Act Changes.....** \$(499,365)

**Total All Changes 2012-IMPROVE .....** **\$(597,200)**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$26,670
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>7,790</u>
Subtotal.....	\$34,460

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	18,870
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$18,870

**Total All Changes 2012-IMPROVE and Doss.....** **\$(561,746)**

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

Lookout Mountain	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	13,141	26,670	13,529
Diesel tax increase .....	4,734	7,790	3,056
<b>General Fund</b>			
2012 to 2016 tax changes.....	(97,835)	(97,835)	0
2017 Sales Tax on Food .....	(2,913)	(2,913)	0
Hall Income phase-out.....	(514,327)	(514,327)	0
Increase state shared sales % .....	0	18,870	18,870
<b>Total Impact .....</b>	<b>(597,200)</b>	<b>(561,746)</b>	<b>35,454</b>