

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

*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 Memphis of \$(105,300). In 2013, the rate reduction on food reduced state shared sales revenues to Memphis of \$(144,194).

#### 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 Memphis Hall revenues by \$(88,802). The 2013 increase to 33k/59k reduced Memphis revenues by an additional \$(115,321). The final increase in exemption to 37k/68k in 2015 further reduced Memphis revenues by \$(75,034).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Memphis by \$(2,212,934).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Memphis by estimated \$3,762,132 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Memphis by projected total of \$6,311,855.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(1,028,645) in state shared taxes to Memphis.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Memphis by an estimated \$(2,639,296) in first year, \$(7,917,889) in first three years of phase-out and a total projected reduction of \$(13,196,465) 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 \$(1,212,413) difference to Memphis.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$6,662,955 in state shared sales tax revenue to Memphis.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$(5,204,298) in funds flowing to Memphis as compared to an estimated net impact of \$(7,913,255), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$(105,300)
2013 Food Tax.....	(144,194)
2012 Hall Income Exemption (26k/37k) .....	(88,802)
2013 Hall Income Exemption (33k/59k) .....	(115,321)
2015 Hall Income Exemption (37k/68k) .....	(75,034)
2016 Hall Income Rate Cut (6% to 5%) .....	(2,212,934)

**Total Prior Changes (2012-2016).....**\$(2,741,585)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$4,640,237
<u>Diesel Tax Increase in Year 3.....</u>	<u>1,671,619</u>
Subtotal.....	\$6,311,855

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(1,028,645)
<u>Hall Income Tax Full Elimination.....</u>	<u>(13,196,465)</u>
Subtotal.....	(14,225,110)

**Total IMPROVE Act Changes.....**\$(7,913,255)

**Total All Changes 2012-IMPROVE .....**\$(10,654,840)

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$3,651,228
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>1,448,214</u>
Subtotal.....	\$5,099,442

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	6,662,955
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$6,662,955

**Total All Changes 2012-IMPROVE and Doss.....**\$(5,204,298)

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

Memphis	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	4,640,237	3,651,228	(989,009)
Diesel tax increase .....	1,671,619	1,448,214	(223,404)
<b>General Fund</b>			
2012 to 2016 tax changes.....	(2,741,585)	(2,741,585)	0
2017 Sales Tax on Food .....	(1,028,645)	(1,028,645)	0
Hall Income phase-out.....	(13,196,465)	(13,196,465)	0
Increase state shared sales % .....	0	6,662,955	6,662,955
<b>Total Impact .....</b>	<b>(10,654,840)</b>	<b>(5,204,298)</b>	<b>5,450,542</b>