

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

*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 Nashville of \$(69,901). In 2013, the rate reduction on food reduced state shared sales revenues to Nashville of \$(95,719).

#### 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 Nashville Hall revenues by \$(92,724). The 2013 increase to 33k/59k reduced Nashville revenues by an additional \$(120,413). The final increase in exemption to 37k/68k in 2015 further reduced Nashville revenues by \$(78,348).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Nashville by \$(2,310,656).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Nashville by estimated \$2,497,396 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Nashville by projected total of \$4,189,967.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(682,840) in state shared taxes to Nashville.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Nashville by an estimated \$(2,755,846) in first year, \$(8,267,538) in first three years of phase-out and a total projected reduction of \$(13,779,212) 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 \$(798,081) difference to Nashville.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$4,423,035 in state shared sales tax revenue to Nashville.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$(9,414,892) in funds flowing to Nashville as compared to an estimated net impact of \$(10,272,085), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

|   |                    |
|---|--------------------|
| 2012 Food Tax.....                                | \$(69,901)         |
| 2013 Food Tax.....                                | (95,719)           |
| 2012 Hall Income Exemption (26k/37k) .....        | (92,724)           |
| 2013 Hall Income Exemption (33k/59k) .....        | (120,413)          |
| 2015 Hall Income Exemption (37k/68k) .....        | (78,348)           |
| <u>2016 Hall Income Rate Cut (6% to 5%) .....</u> | <u>(2,310,656)</u> |

**Total Prior Changes (2012-2016).....****\$(2,767,761)**

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

|   |                  |
|---|------------------|
| Gasoline Tax Increase in Year 3 .....     | \$3,080,304      |
| <u>Diesel Tax Increase in Year 3.....</u> | <u>1,109,662</u> |
| Subtotal.....                             | \$4,189,967      |

#### General Fund (Discretionary)

|  |                     |
|--|---------------------|
| Sales Tax on Food Rate Reduction .....       | \$(682,840)         |
| <u>Hall Income Tax Full Elimination.....</u> | <u>(13,779,212)</u> |
| Subtotal.....                                | (14,462,052)        |

**Total IMPROVE Act Changes.....****\$(10,272,085)**

**Total All Changes 2012-IMPROVE .....****\$(13,039,846)**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

|  |                |
|--|----------------|
| 95-5 Sharing Gasoline Tax Impact.....      | \$2,429,281    |
| <u>95-5 Sharing Diesel Tax Impact.....</u> | <u>962,604</u> |
| Subtotal.....                              | \$3,391,885    |

#### General Fund (Discretionary)

|   |             |
|---|-------------|
| Sales Tax on Food Rate Reduction Doss Change .....        | \$0         |
| Increase State Sharing of State Shared Sales Tax .....    | 4,423,035   |
| <u>Hall Income Tax Full Elimination Doss Change .....</u> | <u>0</u>    |
| Subtotal.....   | \$4,423,035 |

**Total All Changes 2012-IMPROVE and Doss.....****\$(9,414,892)**

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

| Nashville                           | IMPROVE Act         | Doss Proposal      | Difference       |
|-------------------------------------|---------------------|--------------------|------------------|
| <b>Street Aid Fund</b>              |                     |                    |                  |
| Gasoline tax increase .....         | 3,080,304           | 2,429,281          | (651,023)        |
| Diesel tax increase .....           | 1,109,662           | 962,604            | (147,058)        |
| <b>General Fund</b>                 |                     |                    |                  |
| 2012 to 2016 tax changes.....       | (2,767,761)         | (2,767,761)        | 0                |
| 2017 Sales Tax on Food .....        | (682,840)           | (682,840)          | 0                |
| Hall Income phase-out.....          | (13,779,212)        | (13,779,212)       | 0                |
| Increase state shared sales % ..... | 0                   | 4,423,035          | 4,423,035        |
| <b>Total Impact .....</b>           | <b>(13,039,846)</b> | <b>(9,414,892)</b> | <b>3,624,954</b> |