

## Effect of Revenue Changes Enacted 2012-2017 on New Tazewell

*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 New Tazewell of \$( 494). In 2013, the rate reduction on food reduced state shared sales revenues to New Tazewell of \$( 677).

#### 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 New Tazewell Hall revenues by \$( 327). The 2013 increase to 33k/59k reduced New Tazewell revenues by an additional \$( 425). The final increase in exemption to 37k/68k in 2015 further reduced New Tazewell revenues by \$( 276).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to New Tazewell by \$(8,153).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to New Tazewell by estimated \$17,662 in the first year. When fully phased in, Improve Act will have increased gas/diesel to New Tazewell by projected total of \$29,633.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(4,829) in state shared taxes to New Tazewell.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to New Tazewell by an estimated \$(9,724) in first year, \$(29,171) in first three years of phase-out and a total projected reduction of \$(48,618) 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 \$14,289 difference to New Tazewell.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$31,281 in state shared sales tax revenue to New Tazewell.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$11,403 in funds flowing to New Tazewell as compared to an estimated net impact of \$(23,814), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$( 494)
2013 Food Tax.....	( 677)
2012 Hall Income Exemption (26k/37k) .....	( 327)
2013 Hall Income Exemption (33k/59k) .....	( 425)
2015 Hall Income Exemption (37k/68k) .....	( 276)
2016 Hall Income Rate Cut (6% to 5%) .....	<u>(8,153)</u>

**Total Prior Changes (2012-2016).....** \$(10,353)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$21,785
<u>Diesel Tax Increase in Year 3.....</u>	<u>7,848</u>
Subtotal.....	\$29,633

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(4,829)
<u>Hall Income Tax Full Elimination.....</u>	<u>(48,618)</u>
Subtotal.....	<u>(53,447)</u>

**Total IMPROVE Act Changes.....** \$(23,814)

**Total All Changes 2012-IMPROVE .....** \$(34,167)

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$33,441
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>10,481</u>
Subtotal.....	\$43,922

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	31,281
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$31,281

**Total All Changes 2012-IMPROVE and Doss.....** \$11,403

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

New Tazewell	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	21,785	33,441	11,656
Diesel tax increase .....	7,848	10,481	2,633
<b>General Fund</b>			
2012 to 2016 tax changes.....	(10,353)	(10,353)	0
2017 Sales Tax on Food .....	(4,829)	(4,829)	0
Hall Income phase-out.....	(48,618)	(48,618)	0
Increase state shared sales % .....	0	31,281	31,281
<b>Total Impact .....</b>	<b>(34,167)</b>	<b>11,403</b>	<b>45,570</b>