

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

*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 Newbern of \$( 539). In 2013, the rate reduction on food reduced state shared sales revenues to Newbern of \$( 738).

#### 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 Newbern Hall revenues by \$( 202). The 2013 increase to 33k/59k reduced Newbern revenues by an additional \$( 263). The final increase in exemption to 37k/68k in 2015 further reduced Newbern revenues by \$( 171).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Newbern by \$(5,046).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Newbern by estimated \$19,268 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Newbern by projected total of \$32,326.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(5,268) in state shared taxes to Newbern.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Newbern by an estimated \$(6,018) in first year, \$(18,055) in first three years of phase-out and a total projected reduction of \$(30,091) 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 \$13,763 difference to Newbern.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$34,124 in state shared sales tax revenue to Newbern.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$37,893 in funds flowing to Newbern as compared to an estimated net impact of \$(3,034), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

|  |                |
|--|----------------|
| 2012 Food Tax.....                         | \$( 539)       |
| 2013 Food Tax.....                         | ( 738)         |
| 2012 Hall Income Exemption (26k/37k) ..... | ( 202)         |
| 2013 Hall Income Exemption (33k/59k) ..... | ( 263)         |
| 2015 Hall Income Exemption (37k/68k) ..... | ( 171)         |
| 2016 Hall Income Rate Cut (6% to 5%) ..... | <u>(5,046)</u> |

**Total Prior Changes (2012-2016).....** **\$(6,960)**

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

|   |              |
|---|--------------|
| Gasoline Tax Increase in Year 3 .....     | \$23,765     |
| <u>Diesel Tax Increase in Year 3.....</u> | <u>8,561</u> |
| Subtotal.....                             | \$32,326     |

#### General Fund (Discretionary)

|  |                 |
|--|-----------------|
| Sales Tax on Food Rate Reduction .....       | \$(5,268)       |
| <u>Hall Income Tax Full Elimination.....</u> | <u>(30,091)</u> |
| Subtotal.....                                | <u>(35,359)</u> |

**Total IMPROVE Act Changes.....** **\$(3,034)**

**Total All Changes 2012-IMPROVE .....** **\$(9,994)**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

|  |               |
|--|---------------|
| 95-5 Sharing Gasoline Tax Impact.....      | \$34,992      |
| <u>95-5 Sharing Diesel Tax Impact.....</u> | <u>11,097</u> |
| Subtotal.....                              | \$46,089      |

#### General Fund (Discretionary)

|   |          |
|---|----------|
| Sales Tax on Food Rate Reduction Doss Change .....        | \$0      |
| Increase State Sharing of State Shared Sales Tax .....    | 34,124   |
| <u>Hall Income Tax Full Elimination Doss Change .....</u> | <u>0</u> |
| Subtotal.....   | \$34,124 |

**Total All Changes 2012-IMPROVE and Doss.....** **\$37,893**

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

| Newbern                             | IMPROVE Act    | Doss Proposal | Difference    |
|-------------------------------------|----------------|---------------|---------------|
| <b>Street Aid Fund</b>              |                |               |               |
| Gasoline tax increase .....         | 23,765         | 34,992        | 11,227        |
| Diesel tax increase .....           | 8,561          | 11,097        | 2,536         |
| <b>General Fund</b>                 |                |               |               |
| 2012 to 2016 tax changes.....       | (6,960)        | (6,960)       | 0             |
| 2017 Sales Tax on Food .....        | (5,268)        | (5,268)       | 0             |
| Hall Income phase-out.....          | (30,091)       | (30,091)      | 0             |
| Increase state shared sales % ..... | 0              | 34,124        | 34,124        |
| <b>Total Impact .....</b>           | <b>(9,994)</b> | <b>37,893</b> | <b>47,887</b> |