

## Effect of Revenue Changes Enacted 2012-2017 on Red Bank

*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 Red Bank of \$(1,897). In 2013, the rate reduction on food reduced state shared sales revenues to Red Bank of \$(2,597).

#### 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 Red Bank Hall revenues by \$( 144). The 2013 increase to 33k/59k reduced Red Bank revenues by an additional \$( 187). The final increase in exemption to 37k/68k in 2015 further reduced Red Bank revenues by \$( 122).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Red Bank by \$(3,587).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Red Bank by estimated \$67,759 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Red Bank by projected total of \$113,682.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(18,527) in state shared taxes to Red Bank.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Red Bank by an estimated \$(4,278) in first year, \$(12,834) in first three years of phase-out and a total projected reduction of \$(21,390) 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 \$(2,123) difference to Red Bank.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$120,005 in state shared sales tax revenue to Red Bank.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$183,114 in funds flowing to Red Bank as compared to an estimated net impact of \$73,765, if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

|  |           |
|--|-----------|
| 2012 Food Tax.....                         | \$(1,897) |
| 2013 Food Tax.....                         | (2,597)   |
| 2012 Hall Income Exemption (26k/37k) ..... | ( 144)    |
| 2013 Hall Income Exemption (33k/59k) ..... | ( 187)    |
| 2015 Hall Income Exemption (37k/68k) ..... | ( 122)    |
| 2016 Hall Income Rate Cut (6% to 5%) ..... | (3,587)   |

**Total Prior Changes (2012-2016).....** \$(8,533)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

|   |               |
|---|---------------|
| Gasoline Tax Increase in Year 3 .....     | \$83,574      |
| <u>Diesel Tax Increase in Year 3.....</u> | <u>30,107</u> |
| Subtotal.....                             | \$113,682     |

#### General Fund (Discretionary)

|  |                 |
|--|-----------------|
| Sales Tax on Food Rate Reduction .....       | \$(18,527)      |
| <u>Hall Income Tax Full Elimination.....</u> | <u>(21,390)</u> |
| Subtotal.....                                | (39,917)        |

**Total IMPROVE Act Changes.....** \$73,765

**Total All Changes 2012-IMPROVE .....** **\$65,232**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

|  |               |
|--|---------------|
| 95-5 Sharing Gasoline Tax Impact.....      | \$81,843      |
| <u>95-5 Sharing Diesel Tax Impact.....</u> | <u>29,716</u> |
| Subtotal.....                              | \$111,559     |

#### General Fund (Discretionary)

|   |           |
|---|-----------|
| Sales Tax on Food Rate Reduction Doss Change .....        | \$0       |
| Increase State Sharing of State Shared Sales Tax .....    | 120,005   |
| <u>Hall Income Tax Full Elimination Doss Change .....</u> | <u>0</u>  |
| Subtotal.....   | \$120,005 |

**Total All Changes 2012-IMPROVE and Doss.....** **\$183,114**

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

| Red Bank                            | IMPROVE Act   | Doss Proposal  | Difference     |
|-------------------------------------|---------------|----------------|----------------|
| <b>Street Aid Fund</b>              |               |                |                |
| Gasoline tax increase .....         | 83,574        | 81,843         | (1,732)        |
| Diesel tax increase .....           | 30,107        | 29,716         | ( 391)         |
| <b>General Fund</b>                 |               |                |                |
| 2012 to 2016 tax changes.....       | (8,533)       | (8,533)        | 0              |
| 2017 Sales Tax on Food .....        | (18,527)      | (18,527)       | 0              |
| Hall Income phase-out.....          | (21,390)      | (21,390)       | 0              |
| Increase state shared sales % ..... | 0             | 120,005        | 120,005        |
| <b>Total Impact .....</b>           | <b>65,232</b> | <b>183,114</b> | <b>117,882</b> |