

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

*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 Shelbyville of \$(3,310). In 2013, the rate reduction on food reduced state shared sales revenues to Shelbyville of \$(4,533).

#### 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 Shelbyville Hall revenues by \$( 397). The 2013 increase to 33k/59k reduced Shelbyville revenues by an additional \$( 515). The final increase in exemption to 37k/68k in 2015 further reduced Shelbyville revenues by \$( 335).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Shelbyville by \$(9,887).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Shelbyville by estimated \$118,263 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Shelbyville by projected total of \$198,414.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(32,336) in state shared taxes to Shelbyville.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Shelbyville by an estimated \$(11,792) in first year, \$(35,377) in first three years of phase-out and a total projected reduction of \$(58,961) 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 \$(18,668) difference to Shelbyville.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$209,450 in state shared sales tax revenue to Shelbyville.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$278,922 in funds flowing to Shelbyville as compared to an estimated net impact of \$107,117, if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$(3,310)
2013 Food Tax.....	(4,533)
2012 Hall Income Exemption (26k/37k) .....	( 397)
2013 Hall Income Exemption (33k/59k) .....	( 515)
2015 Hall Income Exemption (37k/68k) .....	( 335)
2016 Hall Income Rate Cut (6% to 5%) .....	(9,887)

**Total Prior Changes (2012-2016).....** \$(18,977)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$145,866
<u>Diesel Tax Increase in Year 3.....</u>	<u>52,547</u>
Subtotal.....	\$198,414

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(32,336)
<u>Hall Income Tax Full Elimination.....</u>	<u>(58,961)</u>
Subtotal.....	(91,297)

**Total IMPROVE Act Changes.....**\$107,117

**Total All Changes 2012-IMPROVE .....**\$88,139

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$130,638
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>49,108</u>
Subtotal.....	\$179,745

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	209,450
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$209,450

**Total All Changes 2012-IMPROVE and Doss.....**\$278,922

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

Shelbyville	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	145,866	130,638	(15,228)
Diesel tax increase .....	52,547	49,108	(3,440)
<b>General Fund</b>			
2012 to 2016 tax changes.....	(18,977)	(18,977)	0
2017 Sales Tax on Food .....	(32,336)	(32,336)	0
Hall Income phase-out.....	(58,961)	(58,961)	0
Increase state shared sales % .....	0	209,450	209,450
<b>Total Impact .....</b>	<b>88,139</b>	<b>278,922</b>	<b>190,782</b>