

## Effect of Revenue Changes Enacted 2012-2017 on Soddy-Daisy

*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 Soddy-Daisy of \$(2,070). In 2013, the rate reduction on food reduced state shared sales revenues to Soddy-Daisy of \$(2,834).

#### 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 Soddy-Daisy Hall revenues by \$( 908). The 2013 increase to 33k/59k reduced Soddy-Daisy revenues by an additional \$(1,179). The final increase in exemption to 37k/68k in 2015 further reduced Soddy-Daisy revenues by \$( 767).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Soddy-Daisy by \$(22,617).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Soddy-Daisy by estimated \$73,941 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Soddy-Daisy by projected total of \$124,054.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(20,217) in state shared taxes to Soddy-Daisy.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Soddy-Daisy by an estimated \$(26,975) in first year, \$(80,924) in first three years of phase-out and a total projected reduction of \$(134,873) 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 \$(4,148) difference to Soddy-Daisy.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$130,954 in state shared sales tax revenue to Soddy-Daisy.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$65,396 in funds flowing to Soddy-Daisy as compared to an estimated net impact of \$(31,036), if the Doss Proposal is not enacted.

Impact of Revenue Changes Enacted 2012-2017 and Impact as Modified by Doss Proposal on Soddy-Daisy

PRIOR CHANGES (2012-2016)

**General Fund (Discretionary)**

2012 Food Tax.....	\$(2,070)
2013 Food Tax.....	(2,834)
2012 Hall Income Exemption (26k/37k) .....	( 908)
2013 Hall Income Exemption (33k/59k) .....	(1,179)
2015 Hall Income Exemption (37k/68k) .....	( 767)
<u>2016 Hall Income Rate Cut (6% to 5%) .....</u>	<u>(22,617)</u>

**Total Prior Changes (2012-2016).....** **\$ (30,374)**

IMPROVE ACT CHANGES

**State Street Aid Fund (Roads)**

Gasoline Tax Increase in Year 3 .....	\$91,200
<u>Diesel Tax Increase in Year 3.....</u>	<u>32,854</u>
Subtotal.....	\$124,054

**General Fund (Discretionary)**

Sales Tax on Food Rate Reduction .....	\$(20,217)
<u>Hall Income Tax Full Elimination.....</u>	<u>(134,873)</u>
Subtotal.....	(155,090)

**Total IMPROVE Act Changes.....** **\$ (31,036)**

**Total All Changes 2012-IMPROVE .....** **\$ (61,410)**

DOSS MODIFICATIONS TO IMPROVE ACT

**State Street Aid Fund (Roads)**

95-5 Sharing Gasoline Tax Impact.....	\$87,816
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>32,090</u>
Subtotal.....	\$119,905

**General Fund (Discretionary)**

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	130,954
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$130,954

**Total All Changes 2012-IMPROVE and Doss.....** **\$65,396**

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

Soddy-Daisy	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	91,200	87,816	(3,384)
Diesel tax increase .....	32,854	32,090	( 764)
<b>General Fund</b>			
2012 to 2016 tax changes.....	(30,374)	(30,374)	0
2017 Sales Tax on Food .....	(20,217)	(20,217)	0
Hall Income phase-out.....	(134,873)	(134,873)	0
Increase state shared sales %.....	0	130,954	130,954
<b>Total Impact .....</b>	<b>(61,410)</b>	<b>65,396</b>	<b>126,806</b>