

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

*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 Spencer of \$( 261). In 2013, the rate reduction on food reduced state shared sales revenues to Spencer of \$( 357).

#### 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 Spencer Hall revenues by \$( 40). The 2013 increase to 33k/59k reduced Spencer revenues by an additional \$( 52). The final increase in exemption to 37k/68k in 2015 further reduced Spencer revenues by \$( 34).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Spencer by \$( 994).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Spencer by estimated \$9,311 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Spencer by projected total of \$15,621.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(2,546) in state shared taxes to Spencer.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Spencer by an estimated \$(1,186) in first year, \$(3,558) in first three years of phase-out and a total projected reduction of \$(5,930) 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 \$17,025 difference to Spencer.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$16,490 in state shared sales tax revenue to Spencer.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$38,924 in funds flowing to Spencer as compared to an estimated net impact of \$7,146, if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$( 261)
2013 Food Tax.....	( 357)
2012 Hall Income Exemption (26k/37k) .....	( 40)
2013 Hall Income Exemption (33k/59k) .....	( 52)
2015 Hall Income Exemption (37k/68k) .....	( 34)
2016 Hall Income Rate Cut (6% to 5%) .....	( 994)

**Total Prior Changes (2012-2016).....** \$(1,737)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$11,484
<u>Diesel Tax Increase in Year 3.....</u>	<u>4,137</u>
Subtotal.....	\$15,621

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$(2,546)
<u>Hall Income Tax Full Elimination.....</u>	<u>(5,930)</u>
Subtotal.....	(8,475)

**Total IMPROVE Act Changes.....** \$7,146

**Total All Changes 2012-IMPROVE .....** **\$5,409**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$25,372
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>7,274</u>
Subtotal.....	\$32,646

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	16,490
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$16,490

**Total All Changes 2012-IMPROVE and Doss.....** **\$38,924**

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

Spencer	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	11,484	25,372	13,888
Diesel tax increase .....	4,137	7,274	3,137
<b>General Fund</b>			
2012 to 2016 tax changes.....	(1,737)	(1,737)	0
2017 Sales Tax on Food .....	(2,546)	(2,546)	0
Hall Income phase-out.....	(5,930)	(5,930)	0
Increase state shared sales % .....	0	16,490	16,490
<b>Total Impact .....</b>	<u>5,409</u>	<u>38,924</u>	<u>33,515</u>