

**Allow Local Governments to Receive Local
Share of Sales Tax Collected
Between \$1,600- \$3,200**



**Proposed
Legislation**

SB1356 (Powers) / HB1424 (Hicks, G)

Background

In 2002, during difficult budget times, the state doubled the amount of the purchase price of an individual sale item that is subject to the combined state and local option sales tax (9.75%) from \$1,600 to \$3,200. In addition, the state altered the distribution of the associated sales tax collections.

Under the altered arrangement, the state receives its full 7% levy and local government continues to receive its local levy on the first \$1,600 of the purchase price of an item. However, the state retains 100 percent of its 7% levy as well as 100 percent of the levy that is customarily reserved for local government (2.75%) on the sale of items with a purchase price above \$1,600.

Problem

For 50 years, the state continued the sharing relationship first established in 1947, by returning 4.6% of the state's total annual sales tax revenues to cities. But that changed in the early 2000's, when the state elected to address its budget shortfall by altering this relationship; thereby, retaining more sales tax revenues for itself.

Twenty years later, the state is enjoying fiscal prosperity and the threat of a fiscal crisis is a distant memory. Yet, this austerity measure remains in place. Precluding cities from sharing in this rate increase has reduced the effective share of the sales tax revenues provided cities from 4.6% to 3.6% of total state sales tax revenues. If one were to isolate only the effects of the state's decision to keep 100% of the revenues associated with the increase in the state's sales tax rate from 6% to 7%, then one would find that cities have been denied \$913 million in shared revenues since its adoption.

Remedy

Reverse this 20-year old measure to provide needed revenues for cities, counties and school systems. The returned revenue would provide relief to local taxpayers and assist local governments to meet increasing demand for services, to continue to provide an environment that has enabled existing business and industry to succeed, to continue to promote economic expansion, and to continue to afford residents a high quality of life.

