

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

*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 Tullahoma of \$(3,037). In 2013, the rate reduction on food reduced state shared sales revenues to Tullahoma of \$(4,158).

#### 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 Tullahoma Hall revenues by \$(1,660). The 2013 increase to 33k/59k reduced Tullahoma revenues by an additional \$(2,156). The final increase in exemption to 37k/68k in 2015 further reduced Tullahoma revenues by \$(1,403).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Tullahoma by \$(41,363).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Tullahoma by estimated \$108,492 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Tullahoma by projected total of \$182,021.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$(29,664) in state shared taxes to Tullahoma.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Tullahoma by an estimated \$(49,333) in first year, \$(147,999) in first three years of phase-out and a total projected reduction of \$(246,664) 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 \$(15,467) difference to Tullahoma.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$192,146 in state shared sales tax revenue to Tullahoma.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$28,596 in funds flowing to Tullahoma as compared to an estimated net impact of \$(94,307), if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

|   |                 |
|---|-----------------|
| 2012 Food Tax.....                                | \$(3,037)       |
| 2013 Food Tax.....                                | (4,158)         |
| 2012 Hall Income Exemption (26k/37k) .....        | (1,660)         |
| 2013 Hall Income Exemption (33k/59k) .....        | (2,156)         |
| 2015 Hall Income Exemption (37k/68k) .....        | (1,403)         |
| <u>2016 Hall Income Rate Cut (6% to 5%) .....</u> | <u>(41,363)</u> |

**Total Prior Changes (2012-2016).....** \$(53,776)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

|   |               |
|---|---------------|
| Gasoline Tax Increase in Year 3 .....     | \$133,815     |
| <u>Diesel Tax Increase in Year 3.....</u> | <u>48,206</u> |
| Subtotal.....                             | \$182,021     |

#### General Fund (Discretionary)

|  |                  |
|--|------------------|
| Sales Tax on Food Rate Reduction .....       | \$(29,664)       |
| <u>Hall Income Tax Full Elimination.....</u> | <u>(246,664)</u> |
| Subtotal.....                                | (276,328)        |

**Total IMPROVE Act Changes.....** \$(94,307)

**Total All Changes 2012-IMPROVE .....** **\$(148,083)**

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

|  |               |
|--|---------------|
| 95-5 Sharing Gasoline Tax Impact.....      | \$121,198     |
| <u>95-5 Sharing Diesel Tax Impact.....</u> | <u>45,356</u> |
| Subtotal.....                              | \$166,554     |

#### General Fund (Discretionary)

|   |           |
|---|-----------|
| Sales Tax on Food Rate Reduction Doss Change .....        | \$0       |
| Increase State Sharing of State Shared Sales Tax .....    | 192,146   |
| <u>Hall Income Tax Full Elimination Doss Change .....</u> | <u>0</u>  |
| Subtotal.....   | \$192,146 |

**Total All Changes 2012-IMPROVE and Doss.....** **\$28,596**

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

| Tulahoma                            | IMPROVE Act      | Doss Proposal | Difference     |
|-------------------------------------|------------------|---------------|----------------|
| <b>Street Aid Fund</b>              |                  |               |                |
| Gasoline tax increase .....         | 133,815          | 121,198       | (12,617)       |
| Diesel tax increase .....           | 48,206           | 45,356        | (2,850)        |
| <b>General Fund</b>                 |                  |               |                |
| 2012 to 2016 tax changes.....       | (53,776)         | (53,776)      | 0              |
| 2017 Sales Tax on Food .....        | (29,664)         | (29,664)      | 0              |
| Hall Income phase-out.....          | (246,664)        | (246,664)     | 0              |
| Increase state shared sales % ..... | 0                | 192,146       | 192,146        |
| <b>Total Impact .....</b>           | <b>(148,083)</b> | <b>28,596</b> | <b>176,679</b> |