

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

*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 Watauga of \$( 75). In 2013, the rate reduction on food reduced state shared sales revenues to Watauga of \$( 102).

#### 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 Watauga Hall revenues by \$( 12). The 2013 increase to 33k/59k reduced Watauga revenues by an additional \$( 15). The final increase in exemption to 37k/68k in 2015 further reduced Watauga revenues by \$( 10).

#### Reduction in Hall Income Tax Rate

The 2016 reduction in the Hall Tax rate from 6% to 5% reduced Hall revenues to Watauga by \$( 292).

### IMPROVE Act Changes

#### Gasoline & Diesel Fuel Tax Revenues

Improve Act will increase gasoline & diesel shared revenues to Watauga by estimated \$2,664 in the first year. When fully phased in, Improve Act will have increased gas/diesel to Watauga by projected total of \$4,469.

#### Reduction in Sales Tax on Food Rate

Enacted reduction in the state sales tax rate on food will result in an estimated reduction of \$( 728) in state shared taxes to Watauga.

#### Phased Elimination of Hall Income Tax

Enacted Hall phase-out will reduce Hall revenues to Watauga by an estimated \$( 348) in first year, \$(1,044) in first three years of phase-out and a total projected reduction of \$(1,740) 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 \$19,203 difference to Watauga.
- Proposed increase in the “sharing percentage” of State Shared Sales Tax to cities from 3.6 to 4% will provide an estimated increase of \$4,717 in state shared sales tax revenue to Watauga.
- The interaction of Chairman Doss' Proposal and the enacted Improve Act will result in an estimated net impact of \$25,415 in funds flowing to Watauga as compared to an estimated net impact of \$2,000, if the Doss Proposal is not enacted.

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

### PRIOR CHANGES (2012-2016)

#### General Fund (Discretionary)

2012 Food Tax.....	\$( 75)
2013 Food Tax.....	( 102)
2012 Hall Income Exemption (26k/37k) .....	( 12)
2013 Hall Income Exemption (33k/59k) .....	( 15)
2015 Hall Income Exemption (37k/68k) .....	( 10)
2016 Hall Income Rate Cut (6% to 5%) .....	( 292)

**Total Prior Changes (2012-2016).....** \$( 505)

### IMPROVE ACT CHANGES

#### State Street Aid Fund (Roads)

Gasoline Tax Increase in Year 3 .....	\$3,285
<u>Diesel Tax Increase in Year 3.....</u>	<u>1,184</u>
Subtotal.....	\$4,469

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction .....	\$( 728)
<u>Hall Income Tax Full Elimination.....</u>	<u>(1,740)</u>
Subtotal.....	(2,469)

**Total IMPROVE Act Changes.....** \$2,000

**Total All Changes 2012-IMPROVE .....** \$1,495

### DOSS MODIFICATIONS TO IMPROVE ACT

#### State Street Aid Fund (Roads)

95-5 Sharing Gasoline Tax Impact.....	\$18,949
<u>95-5 Sharing Diesel Tax Impact.....</u>	<u>4,722</u>
Subtotal.....	\$23,671

#### General Fund (Discretionary)

Sales Tax on Food Rate Reduction Doss Change .....	\$0
Increase State Sharing of State Shared Sales Tax .....	4,717
<u>Hall Income Tax Full Elimination Doss Change .....</u>	<u>0</u>
Subtotal.....	\$4,717

**Total All Changes 2012-IMPROVE and Doss.....** \$25,415

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

Watauga	IMPROVE Act	Doss Proposal	Difference
<b>Street Aid Fund</b>			
Gasoline tax increase .....	3,285	18,949	15,664
Diesel tax increase .....	1,184	4,722	3,538
<b>General Fund</b>			
2012 to 2016 tax changes.....	( 505)	( 505)	0
2017 Sales Tax on Food .....	( 728)	( 728)	0
Hall Income phase-out.....	(1,740)	(1,740)	0
Increase state shared sales % .....	0	4,717	4,717
<b>Total Impact .....</b>	<u>1,495</u>	<u>25,415</u>	<u>23,920</u>