

Tax Collections

Overview

Tax collections dropped significantly in fiscal year 2002. Collections fell as a result of the global recession, which was deepened by the World Trade Center disaster on September 11, 2001, the end of the Olympics construction build-up, and the loss of jobs, capital gains, and corporate profits due to the dot-com implosion. Fiscal year 2003 tax collections should remain weak due to continued weakness in investment income, employment reductions, high debt burdens, and a lack of pent-up consumer demand. Current condition highlights include the following:

- ▶ General and School Fund revenues grew \$314.1 million in fiscal year 2000 and \$119.3 million in fiscal year 2001. Revenues stopped growing in fiscal year 2002. That year witnessed a decline of \$192.8 million. General and School Fund revenues are expected to decline another \$26.9 million in fiscal year 2003.
- ▶ Capital gains income tax payments declined to \$114.8 million in fiscal year 2002 from \$184.9 million in the prior fiscal year. Capital gains payments should continue to decline to around \$95 million in fiscal year 2003.
- ▶ The year-end revenue surplus also shrank significantly in fiscal year 2002 to \$736,000 (well below the \$39.1 million inflation-adjusted average for fiscal years 1983 to 2002).
- ▶ Indeed, fiscal year 2002 had a \$394.7 million revenue deficit that was turned into a \$736,000 surplus through \$105.5 million in budget cutbacks, the use of \$133.3 million in "rainy day" funds (including \$20 million from public education's "rainy day" fund), a \$53.3 million switch to bonds from cash for projects, \$82.3 million in revenue transfers from restricted funds, and \$20.3 million from beginning balances and miscellaneous sources.
- ▶ Revenue estimates issued in November 2002 for the 2003 fiscal year show an additional shortfall of \$117 million. A special session of the Utah Legislature will be held in mid-December 2002 to deal with the new revenue deficit.
- ▶ The primary taxes affected are individual income taxes of \$88 million and sales taxes of \$31 million. The 2003 budget was reduced from \$3.7 billion to \$3.4 billion and is 7.7% less than the original budget. The \$117 million is in addition to the \$173 million shortfall for fiscal year 2003 addressed by a special session of the Utah Legislature in July 2002.
- ▶ Income tax collections continued to surpass sales tax collections in fiscal year 2002 for the 5th year in a row, even though income taxes as a percent of total revenues declined in that year.
- ▶ Cumulative tax collections, including adjustments for "bracket creep," were \$1.45 billion lower than they would otherwise have been due to tax reductions authorized during the past nine legislative sessions.

2002 Summary

Inflation-Adjusted Revenues. Inflation-adjusted General Fund and School Fund revenues dropped \$192.8 million in fiscal year 2002. After adjusting for inflation, this was considerably lower than the \$121.3 million growth that occurred in fiscal year 2001, and the \$327 million growth in

fiscal year 2000. Fiscal year 2000 had the largest single-year growth in revenue since 1984 (when inflation-adjusted revenues grew \$359.6 million), and fiscal year 2002 had the largest decrease in revenue.

Inflation-Adjusted Surpluses. The \$736,000 General and School Fund year-end surplus was considerably less than the \$12.5 million inflation-adjusted surplus in fiscal year 2001 and the \$118.1 million surplus in fiscal year 2000. By comparison, year-end surpluses over the past nineteen years (fiscal year 1983 to fiscal year 2002) have averaged \$39.1 million. Indeed, fiscal year 2002 had a \$394.7 million revenue deficit that was turned into a \$736,000 surplus through budget cutbacks, bonding, lapsing monies, rainy day funds, and revenue transfers from restricted funds. For budgeting purposes, year-end surpluses are the beginning revenue balance for the start of the next fiscal year and are considered one-time money.

Windfall, Inflation, and Tax Rate and Base-Adjusted Revenue

Growth. When revenues are adjusted not only for inflation, but also for windfalls, tax rate and base changes, fiscal year 2002 revenues dropped \$153.7 million compared to growth of \$172 million in fiscal year 2001 and growth of \$264.5 million in fiscal year 2000. From 1992 through 2001 inflation, windfall, and tax rate and base-adjusted revenue collections came in above the average growth of \$139.2 million (the 1980 to 2003 average). State government experienced an abrupt turnaround in revenue collections when after 10 years of above average growth revenues collections came in at a negative \$153.7 million in fiscal year 2002.

Fiscal year 2002 is more reminiscent of, although much more severe than, the Utah recession years of 1983, 1986 and 1987. Rate, base and inflation adjusted growth in revenues was also negative in 1987. Fiscal year 2002 revenue collections would have been \$18 million higher were it not for a re-bracketing of the income tax cut that year.

Action to Balance the Budget Shortfall. The decrease in revenue collections in fiscal year 2002 was due to the combination of a national recession, which was deepened by the World Trade Center disaster on September 11, 2001, the end of the Olympics construction build-up, and the drop in capital gains and corporate profits due to the dot-com implosion.

Final (non-withholding) income tax payments declined \$144.3 million in fiscal year 2002 (from \$177.7 million in fiscal year 2001 to \$33.4 million in fiscal year 2002). Final payments are all non-withholding income tax collections net of refunds. Final payments come from volatile capital gains, interest income, entrepreneurial profits, partnership income, and other income distributions. Capital gains income tax payments declined to \$114.8 million in fiscal year 2002 from \$184.9 million in the prior fiscal year.

The fiscal year 2002 budget shortfall of \$394.7 million was balanced through a combination of measures including: 1) \$105.5 million in net budget reductions, 2) \$113.3 million from the Budget Reserve Account, more commonly known as the rainy day fund, 3) \$53.3 million by replacing state fund cash appropriations for capital facilities with bonds, 4) \$82.3 million in revenue transfers from restricted funds including \$35.4 million made available by replacing restricted fund cash appropriations for capital facilities with bonds, 5) \$20 million from the

Reserve for Growth in Student Population (public education rainy day fund), 6) \$17.7 million from surpluses and beginning balances, and 7) \$2.6 million from miscellaneous sources.

Income Tax Continues Its Preeminence. Income taxes were larger than sales taxes in fiscal year 2002 for the 5th year in a row. Prior to fiscal year 1998, the sales tax made up the largest portion of state government's unrestricted revenues. In fiscal year 2002 income tax collections were 41.7% of total unrestricted revenue collections, whereas sales tax collections were only 37.4% of the total. Income taxes were only 34.0% of the total as recently as 1989 (when sales taxes were 37.1% of the total). This reversal in tax preeminence during the 1990s is due in part to: 1) sales tax rate reductions; 2) stronger historic growth in sales tax exempt services industries than in taxable goods industries; 3) increased sales tax exemptions; 4) increased sales over the internet; 5) income tax bracket creep; 6) capital gains realizations; and 7) the transfer of unrestricted general fund monies to restricted accounts.

Historic Tax Reductions. Tax collections in Utah experienced a net reduction of \$222.4 million (on an annualized basis) due to statutory changes that occurred during the past nine legislative sessions. The cumulative reduction in taxes authorized in these sessions for fiscal year 1995 through fiscal year 2003 is \$1.63 billion. Nonetheless, an individual taxpayer may actually be paying more in taxes now than eight years ago. This is because non-state government taxes may have increased, and/or an individual's income, spending, or property values may have increased. More income or spending, or greater property values, can result in higher taxes even at lower tax rates. There are 633 taxing entities other than state government in Utah.

Bracket Creep. The net reduction in tax collections does not, however, account for income tax increases due to inflation or "bracket creep." Bracket creep has occurred in Utah since 1973 (the year in which the current brackets were established). Around \$3.9 million per year is currently raised from income tax bracket creep. The cumulative "bracket creep" effect from fiscal year 1995 to fiscal year 2003 is a tax increase of \$176 million. Thus, the net reduction in state government taxes over this period including "bracket creep" is \$1.45 billion. Tax increases due to "bracket creep" have been lessened in the 1990's due to lower inflation (than in the 1970's and 1980's) and because most taxpayers have "crept" into the top income tax bracket.

Fiscal Year 2003 Outlook

The Governor's Office of Planning and Budget, Utah State Tax Commission, and the Office of the Legislative Fiscal Analyst announced on November 22, 2002 that revenue estimates for the 2003 fiscal year showed an additional shortfall of \$117 million. This was in addition to the \$173 million shortfall for fiscal year 2003 addressed by a special session of the Utah Legislature in July 2002. The primary taxes affected were individual income taxes of \$88 million and sales taxes of \$31 million. These tax shortfalls were offset by increases in certain other taxes such as the insurance premium tax of \$10 million and the inheritance tax of \$13 million. Other minor increases and decreases made up the difference to total a net \$117 million reduction.

Sales taxes will be weak in fiscal year 2003 due to slow business investment (supply and equipment purchases), and lower consumer confidence and spending. Income tax collections could be negative due to numerous job layoffs and fewer capital gains. And, corporate tax

collections should show little or no growth due to recent federal tax changes that allow corporations to accelerate depreciation for three years.

The original fiscal year 2003 budget passed by the 2002 General Session was based on revenue estimates of \$3.7 billion. Estimates issued in November 2002 reduced the budget to \$3.4 billion and were 7.7% less than the original estimates. A special session of the Utah Legislature will be held in mid-December 2002 to deal with the new revenue deficit. Inflation-adjusted General and School Fund revenues should continue to drop in fiscal year 2003 (by \$26.5 million). This \$26.5 million reduction is much lower than inflation-adjusted average increases of \$139.2 million per year over the past twenty-three years.

Figure 35
Inflation, Windfall, Rate and Base-Adjusted Revenue Growth in Combined General and School Fund Revenues

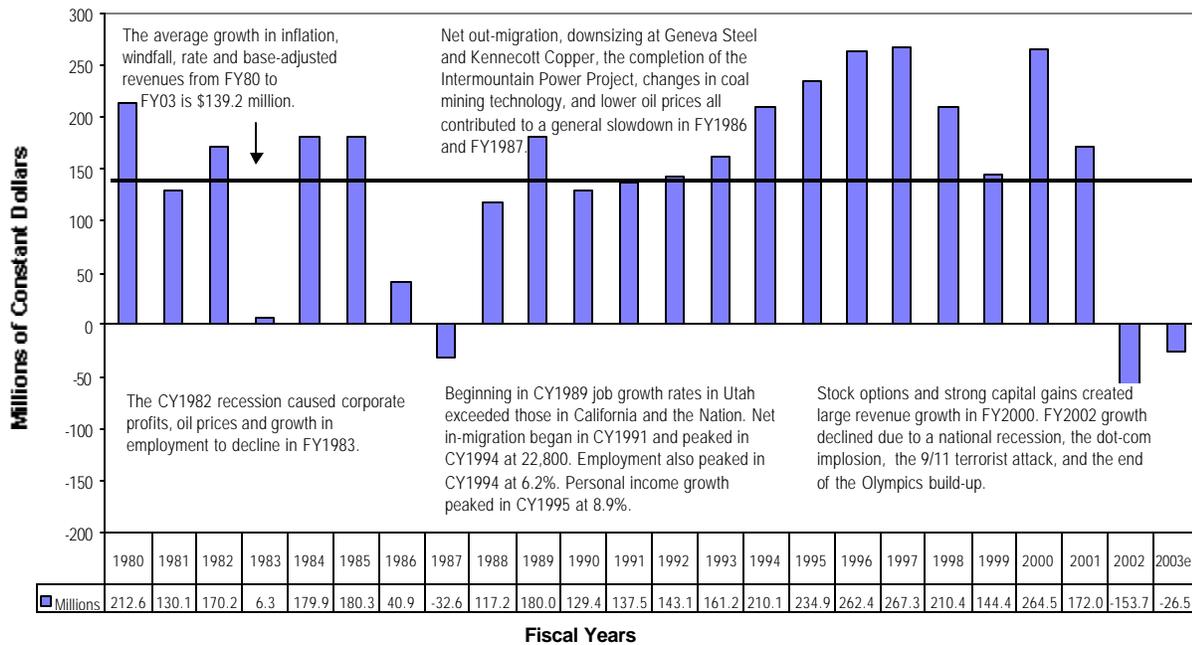


Figure 36
Inflation-Adjusted Revenue Growth and Surpluses for Combined General and School Fund Revenues

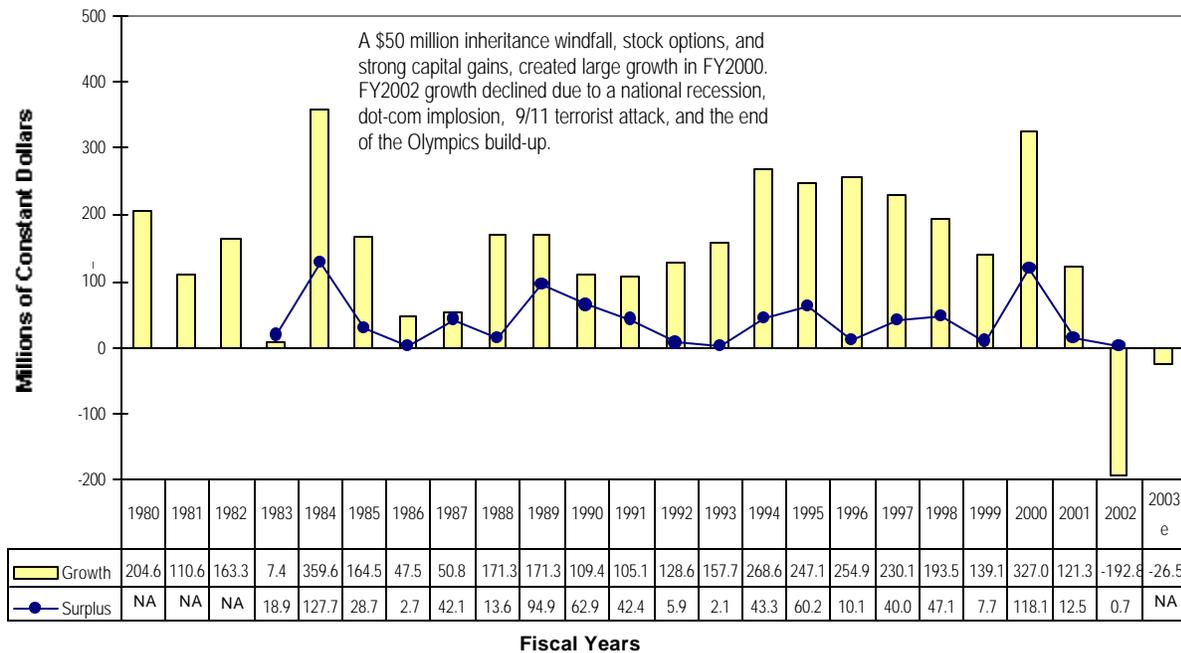
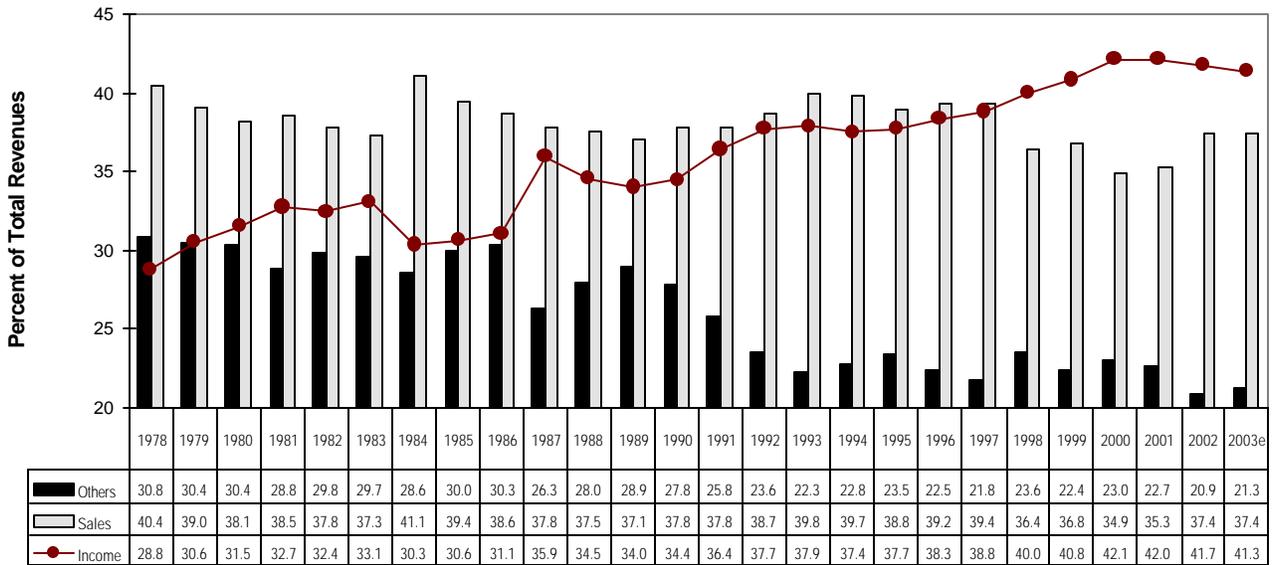


Figure 37
Sales Tax, Income Tax, and All Other Unrestricted Revenues as a Percent of Total State Unrestricted Revenues



*The "Others" category includes unrestricted fines and fees, investment income, liquor profits, mineral lease, school land income (ended in fiscal 1988), federal revenue sharing (ended in fiscal 1982); and, corporate, gross receipts, severance, beer, cigarette, insurance, inheritance and motor fuels taxes.

Figure 38
Comparison of Utah and U.S. Capital Gains: October 28, 2002

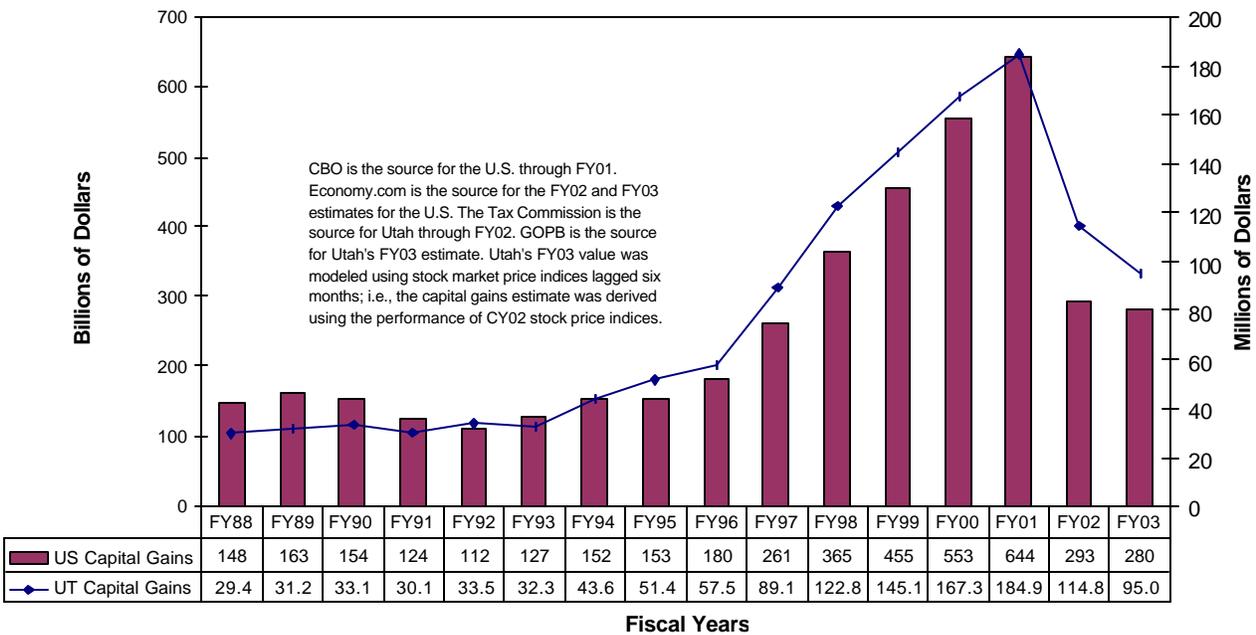


Table 42
Cash Collection of Unrestricted Revenues (Current Dollar Percent Changes): FY 1985 to FY 2003

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	
General Fund (GF)																				
Sales and Use Tax	na	0.6	0.1	10.5	8.1	6.0	4.6	8.4	9.9	10.9	7.9	10.2	7.7	0.0	5.2	4.0	4.5	0.7	-0.5	
Liquor Profits	na	0.7	-9.6	-7.3	0.4	3.9	5.8	-5.5	9.3	-1.3	12.2	10.3	9.7	8.2	2.3	6.6	5.6	7.6	0.0	
Insurance Premiums	na	17.1	0.5	1.7	-0.4	13.7	-7.2	8.4	12.7	12.3	7.3	-2.0	7.4	3.4	7.1	9.3	-11.8	23.1	9.0	
Beer, Cigarette, and Tobacco	na	-1.2	14.0	21.6	5.3	-1.8	2.7	11.5	-0.9	6.3	3.4	0.3	9.0	29.2	12.8	-3.4	-0.2	3.5	2.6	
Severance Taxes	na	-6.6	-50.8	35.3	-3.5	7.0	3.1	-41.5	6.1	-2.0	13.4	-4.9	16.8	-3.2	-43.3	76.3	98.0	-47.7	-8.8	
Inheritance Tax	na	-1.3	-50.9	48.5	183.6	-22.3	-36.6	-17.4	91.9	7.4	204.8	-66.6	23.5	147.2	-67.6	683.7	-53.5	-68.6	138.8	
Investment Income	na	-16.3	-68.1	178.6	80.0	-7.0	-38.8	-36.1	-37.8	46.2	93.4	36.5	-2.8	-3.6	-4.5	29.9	40.9	-64.6	-24.5	
Other	na	-5.0	11.0	7.2	3.7	18.8	4.2	-18.4	-6.0	15.3	9.6	12.9	-6.1	16.8	-6.1	7.1	13.5	8.8	-9.2	
Circuit Breaker Credits	na	-32.9	-16.4	-7.2	21.2	140.9	4.5	15.8	2.9	7.0	5.7	-1.7	-4.4	1.8	17.0	-17.4	23.8	-1.3	-1.7	
Subtotal GF	na	0.1	-3.8	11.9	8.4	5.5	2.9	4.8	9.1	10.6	9.8	8.1	7.5	2.4	3.0	8.7	3.5	-1.8	0.2	
School Fund (SF)																				
Individual Income Tax	na	4.3	17.4	6.9	8.0	5.2	10.8	9.3	7.4	9.9	11.0	10.9	8.6	11.3	6.3	13.1	3.5	-6.0	-1.3	
Corporate Franchise Tax	na	27.5	-18.0	14.4	18.0	7.2	-12.0	-7.8	-1.8	52.3	26.8	9.7	8.6	3.4	-2.5	-2.5	-2.7	-31.7	-7.8	
School Land Income	na	-39.0	-29.3	na																
Permanent Fund Interest	na	na	na	na	48.9	45.8	1.3	2.8	37.5	-32.0	10.9	-35.5	9.8	-29.4	178.0	-64.9	274.7	7.7	1.6	
Gross Receipts Tax	na	na	na	782.0	-37.4	48.3	-11.7	-2.9	25.9	-8.4	6.3	90.3	8.6	-20.8	10.3	-7.4	13.6	-4.6	-7.0	
Other	na	15.2	9.7	-20.2	39.6	-18.6	15.1	27.1	-66.4	25.9	20.7	1.3	-42.7	45.9	7.1	11.9	13.8	-42.4	8.9	
Subtotal SF	na	5.9	11.1	6.8	9.5	5.3	7.7	7.7	5.4	13.2	12.8	10.8	8.3	10.1	5.5	10.9	3.3	-8.4	-1.7	
Transportation Fund (TF)																				
Motor Fuel Tax	na	3.2	8.5	29.4	1.4	1.0	-1.1	4.0	3.6	6.4	3.4	5.0	3.2	29.3	3.5	5.5	-3.4	3.7	2.0	
Special Fuel Tax	na	8.9	6.5	33.6	6.4	-0.7	26.4	-9.2	6.5	1.8	12.3	7.6	5.7	56.7	1.1	4.6	5.2	4.7	2.4	
Other	na	2.6	0.5	2.0	3.8	4.9	2.3	12.7	6.1	4.8	6.1	3.1	-3.0	4.1	6.7	11.1	-0.8	-2.6	3.5	
Subtotal TF	na	3.7	6.3	23.8	2.6	1.4	3.6	3.3	4.6	5.4	5.3	5.0	2.3	29.0	3.5	6.2	-1.2	2.9	2.4	
Mineral Lease Payments																				
	na	-4.7	-31.3	28.8	76.2	-31.2	-7.3	0.5	-6.9	10.1	-12.8	19.5	-1.8	-1.8	-6.1	26.0	46.0	-36.7	-0.2	
TOTAL																				
Average Annual Growth Rate	na	2.5	2.4	11.2	9.4	4.0	4.7	5.8	6.8	11.2	10.4	9.1	7.3	8.1	4.1	9.6	3.4	-5.0	-0.5	
	na	2.5	2.5	5.3	6.3	5.8	5.6	5.7	5.8	6.4	6.8	7.0	7.0	7.1	6.9	7.1	6.8	6.1	5.7	

Sources: Comprehensive Annual Reports, Division of Finance; Utah State Tax Commission Annual Reports; Governor's Office of Planning and Budget

Table 43

State Tax and Fee Changes (Over \$200,000) Enacted in the 1994 through 2002 Regular and Special Legislative Sessions (A)(B)(C)

Bill Number and Effective Year	Bill Subject	Tax & Fee Changes	Cumulative to FY2003
FY 1995			
H.B. 145 (1994 Session)	Sales Tax Exemption - Replacement Parts for Steel Mills	(\$516,700)	
H.B. 162 (1994 Session)	Sales Tax - Repeal of Flood Tax Authorization	(23,600,000)	
H.B. 205 (1994 Session)	Tax Credit for Low-Income Housing	(226,600)	
Various Bills (1994 Session)	Sales Tax Exemptions Repealed	10,713,500	
S.B. 9 (1994 Session)	Property Tax Rate & Residence Exemption Changes	(8,500,000)	
S.B. 191 (1994 Session)	Treatment of Admission and User Fees	3,290,000	
	Subtotal FY 1995	(\$18,839,800)	(\$169,558,200)
FY 1996			
Various Bills (1995 Session)	Sales Tax Exemptions Authorized	(\$3,613,000)	
S.B. 254 (1995 Session)	Gross Receipts Taxes	9,400,000	
S.B. 56 and 254 (1995 Session)	Property Taxes (1)	(141,440,833)	
S.B. 56 and 254 (1995 Session)	Income Taxes (1)	4,500,000	
	Subtotal FY 1996	(\$131,153,833)	(\$1,049,230,664)
FY 1997			
S.B. 56 and 254 (1995 Session)	Property Taxes (Restricted to New Growth, 1995 Session) (1)	(\$8,703,800)	
H.B. 274 (1995 Session)	Additional Sales Tax on Construction Projects (1995 Session)	(2,000,000)	
H.B. 58 (1996 Regular Session)	Driving Under the Influence -- Repeat Offenders (2)	258,000	
Various Bills (1996 Session)	Reinstate Sales Tax Exemptions	(1,188,300)	
H.B. 349 (1996 Regular Session)	Gross Receipts Taxes - Modifications (3)	(4,750,000)	
H.B. 404 (1996 Regular Session)	Income Tax - Health Care Insurance Deduction (4)	(4,000,000)	
H.B. 405 (1996 Regular Session)	Minimum School Program Act (Property Taxes)	(30,000,000)	
H.B. 405 (1996 Regular Session)	Income Taxes (1)	1,500,000	
H.B. 3001 (1996 November Session)	Sales Tax - Manufacturing Exemption Modifications (1996 Nov. Session) (5)	(8,700,000)	
S.B. 195 (1996 Regular Session)	Income Tax - Credit for Disabled Education Costs	(750,000)	
S.B. 237 (1996 Regular Session)	Income Tax Rate Reductions (6)	(41,000,000)	
S.B. 275 (1996 Regular Session)	Sales Tax - Ski Exemption (7)	(338,000)	
H.B. 27 (1997 Session)	Cigarettes Tax Increase and Regulation (8)	462,000	
	Subtotal FY 1997	(\$99,210,100)	(\$694,470,700)
FY 1998			
S.B. 239 (1996 Regular Session)	Tax Credits for Rural Economic Resettlement Zones (Tax Credits)	(\$275,000)	
H.B. 3001 (1996 November Session)	Additional Sales Tax - Manufacturing Exemption Modifications (1996 Nov. Session) (5)	(8,700,000)	
S.B. 161 (1997 Session)	Motor Vehicle Compliance With Insurance, Registration, And Sales Tax Requirements	870,000	
S.B. 252 (1997 Session)	Collection of Fuel Tax (9)	10,000,000	
S.B. 253 (1997 Session)	Fuels Taxes, and Repeal of Environmental Surcharge on Petroleum (10)	63,250,000	
S.B. 253 (1997 Session)	Sales Tax Reduction (10)	(34,300,000)	
H.B. 27 (1997 Session)	Cigarettes Tax Increase and Regulation (8)	21,800,000	
H.B. 111 (1997 Session)	Transportation Corridor Funding (11)	4,300,000	
H.B. 225 (1997 Session)	Assessment on Workers' Compensation (12)	6,100,000	
H.B. 359 (1997 Session)	Endangered Species Mitigation Fund (13)	400,000	
H.B. 414 (1997 Session)	Registration Fee on Vehicles (14)	16,500,000	
	Subtotals FY 1998	\$79,945,000	\$479,670,000
FY 1999			
H.B. 3001 (1996 November Session)	Additional Sales Tax - Manufacturing Exemption Modifications (1996 Nov. Session) (5)	(\$11,200,000)	
S.B. 252 (1997 Session)	Additional Collection of Fuel Tax	300,000	
H.B. 154 (1997 Session)	Property Tax Circuit Breaker	(215,000)	
H.B. 414 (1997 Session)	Additional Registration Fee on Vehicles	495,000	
S.B. 34 (1998 Session)	Sales Tax Exemption for Higher Education Athletic Events (15)	(402,000)	
	Subtotals FY 1999	(\$11,022,000)	(\$55,110,000)
FY 2000			
H.B. 58 (1998 Session)	Oil and Gas Severance Tax Amendments (16)	(\$900,000)	
S.B. 47 (1998 Session)	Research Tax Credit (17)	(3,200,000)	
S.B. 185 (1998 Session)	Sales and Use Tax Exemption Amendments and Study (18)	5,600,000	
S.B. 220 (1998 Session)	Research and Development Credit for Machinery and Equipment (19)	(2,000,000)	
H.B. 396 (1999 Session)	Sales and Use Tax Exemption for Steel Mills	(617,500)	
S.B. 19 (1999 Session)	Sales and Use Tax Exemption for Hearing Aids and Accessories	(311,000)	
S.B. 69 (1999 Session)	Manufacturing Sales and Use Tax Exemption (20)	(5,600,000)	
S.B. 150 (1999 Session)	Utilities in Highway Rights-of-Way (21)	1,600,000	
	Subtotals FY 2000	(\$5,428,500)	(\$21,714,000)
FY 2001			
H.B. 25 (1999 Session)	Income Tax Deduction for Health Care Insurance (22)	(\$1,770,000)	
S.B. 62 (1999 Session)	Individual Income Tax Credits for At-Home Parents	(500,000)	
H.B. 345 (2000 Session)	Unemployment Insurance Amendments (23)	(26,500,000)	
S.B. 15 (2000 Session)	Use of Tobacco Settlement Revenues (24)	(5,500,000)	
	Subtotals FY 2001	(\$34,270,000)	(\$102,810,000)
FY 2002			
HB 78 (2001 Session)	Sales and Use Tax - Sales Relating to Schools (School Related Activities)	(\$281,000)	
HB 98 (2001 Session)	Enterprise Zones (Income Tax Credits for Rural Areas)	(300,000)	
SB 34 (2001 Session)	Individual Income Tax - Relief for Low Income Individuals (25)	(800,000)	
SB 36 (2001 Session)	Individual Income Tax Bracket Adjustments (26)	(18,000,000)	
SB 58 (2001 Session)	Repeal of Nursing Facilities Assessment (27)	(4,422,400)	
SB 71 (2001 Session)	Tax Credits for Special Needs Adoptions (Income Tax Credit of \$1,000)	(256,000)	
HB 205 (2001 Session)	Employers' Reinsurance Fund Special Assessment (Workers' Compensation) (12)	6,135,000	
HB370 (2001 Session)	Hazardous Waste Amendment (28)	1,694,000	
	Subtotals FY 2002	(\$16,230,400)	(\$32,460,800)
FY 2003			
HB238 (2002 Session)	Cigarette and Tobacco Tax Amendments (29)	\$13,800,000	
	Subtotals FY 2003	\$13,800,000	\$13,800,000
Grand Total for Taxes and Fees FY 1995 to FY 2003 (A)(B)(C)		(\$222,409,633)	(\$1,631,884,364)

* See next page for footnotes

Table 43 (Continued)**State Tax and Fee Changes (Over \$200,000) Enacted in the 1994 through 2002 Regular and Special Legislative Sessions (A)(B)(C)**

FOOTNOTES:

- (A) This table is not adjusted for tax increases due to income tax "bracket creep." The most recent fiscal note estimate for indexing income taxes for inflation is \$3.9 million (fiscal note from the 2000 General Session). Tax increases due to "bracket creep" have been lessened in the 1990's due to lower inflation (than in the 1970's and 1980's) and because most taxpayers have "creeped" into the top income tax bracket.
- B) This table is not adjusted for inflation. Only fiscal notes for state tax and fee increases or decreases greater than or equal to \$200,000 are listed. Changes in local taxes are excluded. Extensions of existing laws are excluded. For example, SB76 (1999 Session) extended the sales tax exemption for pollution equipment at a cost of \$6,000,000.
- (C) This table does NOT include shifts within the total state budget due to earmarking or other diversions. For example, H.B. 393 (1996 Session) reduces General Fund sales tax revenues by \$36 million beginning in FY1998 in order to earmark sales taxes to local water and local transportation projects; but, total budget sales taxes were not reduced by this bill.
- (1) In 1995 the Legislature and Tax Commission increased the residential exemption from 32% to 45%, decreased the basic school rate from .00422 to .00264, and reduced the state assessing and collecting rate from .0003 to .000281. The 1995 Legislature also restricted the growth in taxable valuations to new growth only, effective in fiscal year 1997. In 1996 the Legislature further ordered the Tax Commission to reduce the basic school rate to a level sufficient to generate a \$30 million tax cut. State income taxes increased due to the reduction in property tax deductibility against federal income taxes owed.
- (2) Increased fines and surcharges.
- (3) Effective January 1, 1996, reduced gross receipts tax rates 53 percent to benefit electric utilities.
- (4) Effective January 1, 1996, allows 60 percent of health care insurance, not already deductible against federal taxes, to be deducted against state taxes owed.
- (5) As of July 1996 (FY97) 30% of the exemption is allowed, as of July 1997 60% is allowed, and as of July 1998 100% is allowed. The original fiscal note for FY99 was \$28.6 million. The Tax Commission subsequently ruled that parts (in addition to equipment) were eligible for the exemption (which raised the fiscal note to \$71.3 million). In November 1996 a special session of the legislature met to modify the law in order to restore the fiscal note to \$28.6 million in FY99.
- (6) Reduced effective income tax rates as of January 1, 1996. Reduced top rate from 7.2 percent to 7.0 percent on taxable incomes over \$7,500. The minimum income tax rate will be reduced from 2.55% to 2.3%.
- (7) This is a consensus estimate. The Fiscal Analyst's estimate is \$65,000.
- (8) Increases the cigarette tax 25 cents per pack. FY1997 fiscal impact is from stocking up of inventories in order to partially avoid the July 1, 1997 tax increase.
- (9) Changes the point of collection for the diesel fuels tax from dealers to refineries.
- (10) Raises the diesel and gasoline tax 5 cents a gallon and reduces the sales tax by 1/8th cent. Enactment of this bill will generate \$63,250,000 in increased revenue to the Transportation Fund due to the increase in the diesel and gas tax and the 1/2 cent diversion from underground storage tanks to highways. There will be a decrease in General Fund sales taxes of \$34,300,000. The net tax change from this bill is \$28,950,000.
- (11) Implements a 2.5 percent tax on rental cars to pay for transportation corridors.
- (12) Permits the Department of Workforce Services to impose an assessment related to the Employers' Reinsurance Fund.
- (13) Creates an Endangered Species Mitigation Fund and imposes a royalty tax on brine shrimp harvesting.
- (14) Increases the vehicle registration fee by \$10 and trucking fees by about 10 percent. This restricted money goes into the Centennial Highway Trust Fund.
- (15) Amounts paid for admission to an athletic event at an institution of higher education that is subject to the provisions of Title IX are exempt from sales and use tax.
- (16) Extends the repeal date for a tax credit for workover credits and recompletions of oil wells.
- (17) Gives a 6% tax credit for qualified research activities conducted in the state.
- (18) Reduces the sales tax exemption for machinery and equipment from 100% in FY1999 to 80% in FY2000. After July 1, 1999, vendors shall collect sales tax on 20% of the sales price of normal operating replacements.
- (19) Gives a 6% individual or corporate income tax credit on the purchase price of machinery, equipment or both.
- (20) Reinstates the manufacturing sales tax exemption on replacement parts at 100%. S.B. 185 (1998 Session) had previously reduced this exemption to 80%.
- (21) Permit fees and compensation paid into the Transportation Fund for access to rights-of-way on Interstate Highways by telecommunication companies.
- (22) Increases income tax deduction for amounts paid for health care insurance from 60% to 100% of amounts not deducted from federal taxes.
- (23) Changes in the reserve rate and calculation method will produce a tax reduction for all employers paying this insurance at the contributory rate. Taxes (income to the Employment Compensation Fund) will be reduced by \$26,500,000 per year beginning in fiscal year 2001. The reserve fund was reduced from 22 to 18 months.
- (24) The hospital assessment tax was repealed in fiscal year 2001. This was a tax rate on hospital gross revenues, as well as \$0.9 for each surgery performed. The tax rate was adjusted quarterly so that no more than \$5.5 million annually was collected.
- (25) Exempts an individual from paying income taxes if federal AGI is less than the sum of the individual's personal exemptions plus his/her standard deduction (removes about 30,000 low income individuals from state income tax rolls).
- (26) The top bracket was increased from \$7,500 to \$8,626 and the bottom bracket was increased from \$1,500 to \$1,726 (15,000 taxpayers were dropped out of the highest bracket).
- (27) Repeals the \$1.83 per patient day nursing home "bed" tax (the hospital bed tax was repealed in the 2000 General Session).
- (28) Established fees and taxes that apply to the reprocessing, treatment, or disposal of certain types of radioactive waste.
- (29) Increased tax on cigarettes 18 cents per 20 pack, from 51.5 cents to 69.5 cents.