

Tax Collections

Overview

The Utah economy is prospering once again. General and School Fund year-end revenue collections for FY 2004 exceeded budget estimates by \$94.4 million. The state ended the 2004 budget year with a remaining surplus of \$54.4 million after distributions to various funds, including allocations to General and School Fund rainy day accounts and the Industrial Assistance Fund. FY 2005 tax collections will continue to show strong growth. General and School Fund revenues in FY 2005 will increase about \$188 million or 5.1% over FY 2004 collections.

The sharp turn around in tax collections in FY 2004 and FY 2005 stands in stark contrast to the prior two years. In just four years (between FY 2000 and FY 2004) the inflation-adjusted swing in revenue growth went from a positive \$352 million (FY 2000) down to a negative \$205 million (FY 2002) and then back up to a positive \$194 million (FY 2004).

Fiscal Years 2002 and 2003

FY 2002 General and School Fund revenue collections fell 5.4% compared to the prior year. This was due to a global recession, which was deepened by the attacks on and effects of September 11, 2001; the end of the 2002 Olympic Winter Games construction build-up; and the dot-com implosion and associated stock market crash. Capital gains income tax payments declined to \$115 million in FY 2002 from \$185 million in the prior fiscal year. The fiscal year 2002 revenue deficit was turned into a \$736,000 surplus through budget cutbacks, bonding, lapsing monies, rainy day funds, and revenue transfers from restricted funds.

General and School Fund revenues grew only 1.9% in FY 2003. Total income as reported by the Internal Revenue Service actually decreased 2.4% in calendar year 2002 (FY 2003). All sources of taxable income declined that year except for wages, which only grew 1.4%. Capital gains income tax payments declined to \$84 million in FY 2003 from \$115 million in the prior fiscal year.

The state ended FY 2003 with a \$0.0 million General Fund surplus, and a \$1.8 million Uniform School Fund surplus. Even though tax collections were \$12 million short of estimates, the \$1.8 million Uniform School Fund surplus was made possible by the return of unspent money from state departments and a federal relief grant of \$38 million the state received in June of 2003. Funding was also available due to FY 2003 ongoing budget cuts of \$353.6 million.

Fiscal Year 2004

The Legislature cut ongoing agency FY 2004 budgets by \$45.7 million during the 2003 General Session. After the 2003 General Session, which ended in March, the Utah economy emerged from its prolonged recession. Job growth in Utah has remained consistently positive since July 2003. Prior to July 2003, the percent change in year-over employment growth in Utah was flat or negative for 22 consecutive months (except for one month).

General and School Fund year-end revenue collections grew 5.4% in FY 2004 and exceeded budget estimates by \$94.4 million. The state ended the 2004 budget year with a remaining surplus of \$54.4 million after distributions to various funds including allocations to General and School Fund rainy day accounts and the Industrial Assistance Fund. The School Fund ending surplus balance was \$38 million and the General Fund net surplus was \$16.4 million. Additionally, the Education Budget Reserve Account received \$12.7 million and the General Fund Budget

reserve account received \$22.4 million in rainy day funds. The Industrial Assistance Fund received \$4.3 million.

Fiscal Year 2005

FY 2005 tax collections will continue to show strong growth. The Governor's recommended budget in December 2004 showed an increase in General and School Fund revenues in FY 2005 of about \$188 million or 5.1% over FY 2004 collections. These FY 2005 budget and revenue estimates will be revised in February 2005 during the General Session of the Legislature. Updated tax collection information will also be available at that time. Revenues in FY 2005 will not include \$38 million in federal relief grant money that was received in both FY 2003 and FY 2004.

2004 General and Special Session Tax Policy

The legislature passed two bills in the 2004 General Session that affect tax collections. Senate Bill 195, Taxation of Multi-channel Video or Audio Service (Waddoups), changed the sales tax on cable and satellite TV services to an excise tax. The net result was a \$4.4 million increase in taxes collected. And, House Bill 273, Tax and Charge Amendments (Harper), required remote sales tax collections greater than \$8.8 million to be deposited into a restricted account. SB4002, Treatment of Certain Military Income (Bramble) was passed in the September 2004 Special Session. This bill carried a \$4 million fiscal note and exempts active national guard and reservists from income taxation in CY 2004 (FY 2005).

2004 Spending Legislation

House Bill 66, State Spending and Debt Limitations Amendments (Hughes), modified the formula for calculating the appropriations spending limit and exempted certain appropriations from the limit. In general, Uniform School Fund, Transportation Fund, and Centennial Highway Fund appropriations are exempt from the limit. All unrestricted General Fund appropriations are subject to a limit based upon the combined changes in population and inflation. The outstanding general obligation debt of the state may not exceed 45% of the maximum allowable appropriations limit unless approved by more than a two-thirds vote of both houses of the legislature.

Inflation-Adjusted Revenues

Inflation-adjusted General Fund and School Fund revenues increased \$194 million (in 2005 dollars) in FY 2004 after increasing just \$66.8 million in FY 2003, and after decreasing \$204.8 million in FY 2002. By comparison, fiscal year 2000 had the largest single-year growth in revenue since 1984 (when inflation-adjusted revenues grew \$377.2 million), and FY 2002 had the largest decrease in revenue. In a period of just four years the inflation-adjusted swing in revenue growth went from a positive \$352.2 million (in FY 2000) down to a negative \$204.8 million (in FY 2002) and then back up to a positive \$194 million (in FY 2004).

Inflation-Adjusted Surpluses

State government's \$55.5 million (in 2005 dollars) surplus in FY 2004 was much larger than the \$1.9 million inflation-adjusted surplus in FY 2003. In fact, the FY 2003 surplus would have been a deficit were it not for \$38 million in federal relief that the state received in June 2003. 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 and tax rate and base changes, FY 2004 revenues increased \$189.7 million (in 2005 dollars). This compares to an increase of only \$4.9 million in FY 2003, and a drop in revenue of \$159.6 million in FY 2002. For historic comparison purposes, revenue growth in inflation, windfall, and tax rate and base-adjusted collections from 1980 to 2005 averaged around \$154.8 million. Thus, growth in FY 2004 (at \$189.7 million) was slightly above historic returns.

Income Tax Continues Its Preeminence

Income taxes were larger than sales taxes in FY 2004 for the seventh 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 2004 income tax collections were 40.9% of total unrestricted revenue collections, whereas sales tax collections were only 36.3% of the total. Income taxes were only 34.1% of the total as recently as 1989 (when sales taxes were 37.1% of the total). This reversal in tax preeminence 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 (earmarking).

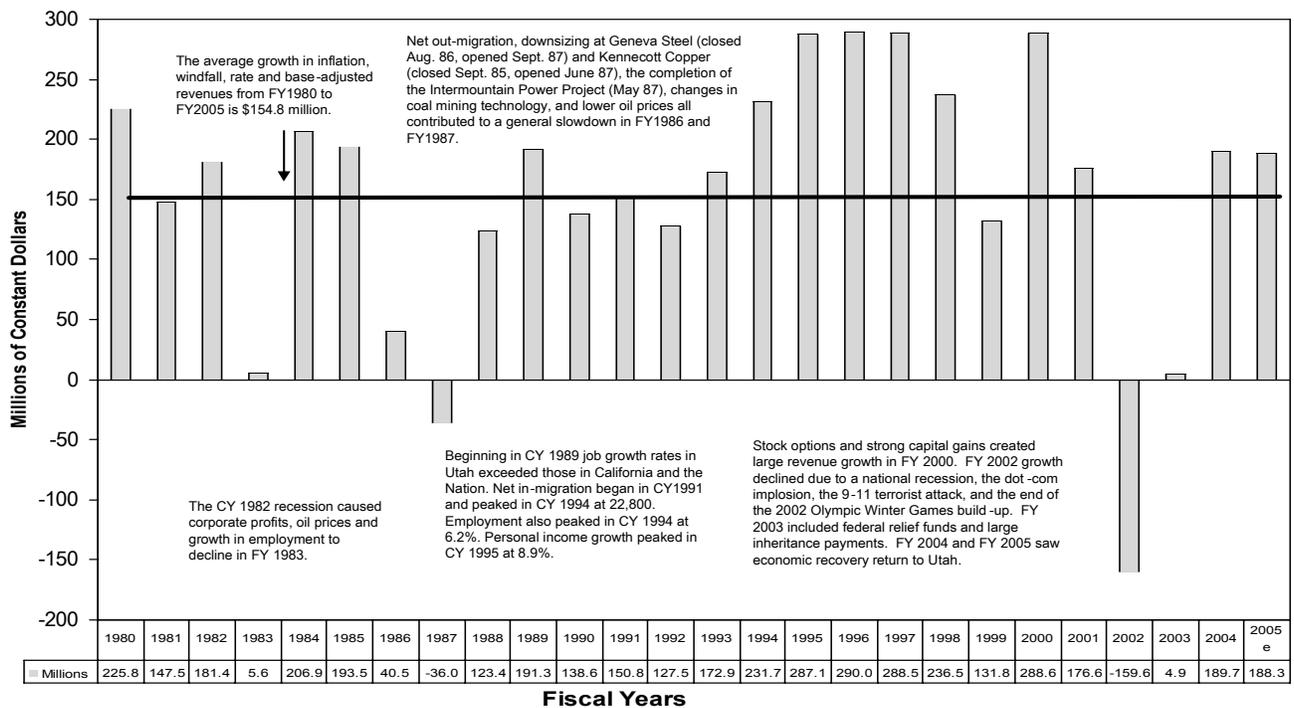
Historic Tax Reductions

Tax collections in Utah experienced a net reduction of \$159.4 million (on an annualized basis) due to statutory changes that occurred during the past ten legislative sessions. The cumulative reduction in taxes authorized in these sessions for FY 1996 through FY 2005 is \$1.8 billion. The net reduction in tax collections does not, however, account for income tax increases due to inflation or "bracket creep." Around \$4 million per year is currently raised from income tax bracket creep. The cumulative bracket creep effect from FY 1996 to FY 2005 is a tax increase of \$220 million. Thus, the net reduction in state government taxes over this period including bracket creep is \$1.6 billion.

An individual taxpayer may actually be paying more in taxes now than ten 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.

Figure 34

Windfall, Inflation, Rate and Base-Adjusted Revenue Growth in Combined General and School Fund Revenues (in 2005 \$'s)

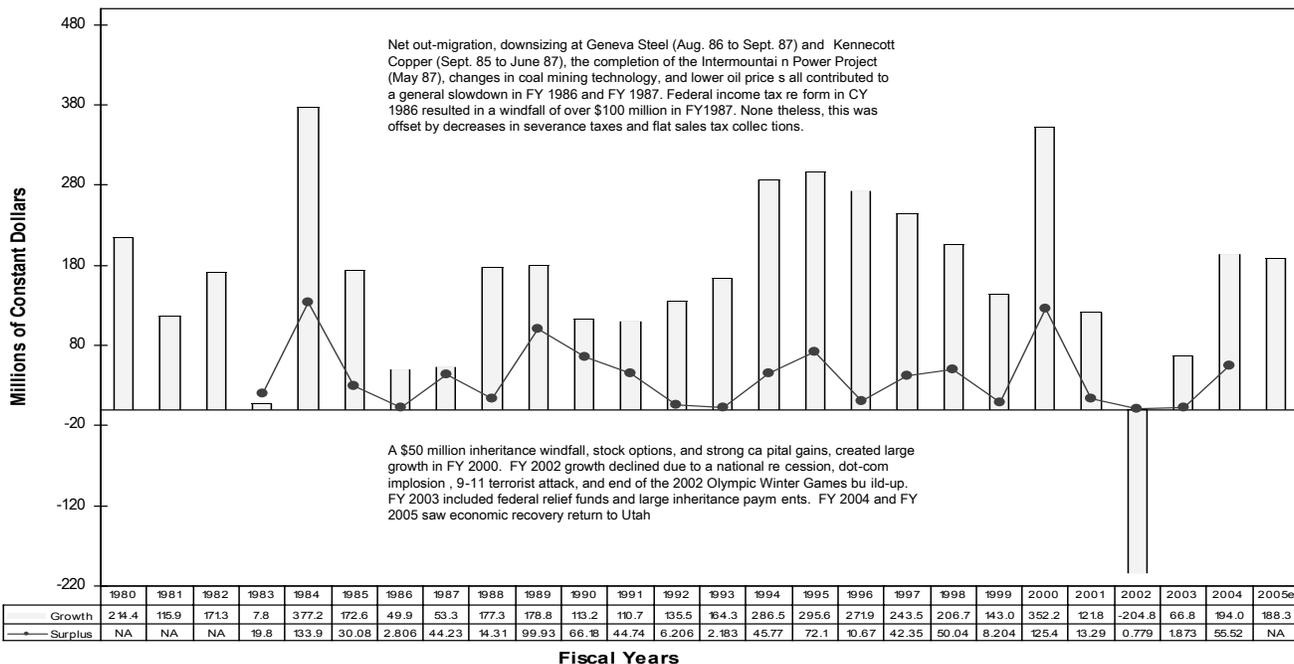


e = estimate

Source: Governor's Office of Planning and Budget

Figure 35

Inflation-Adjusted Revenue Growth and Surpluses for Combined General and School Fund Revenues (in 2005 \$'s)

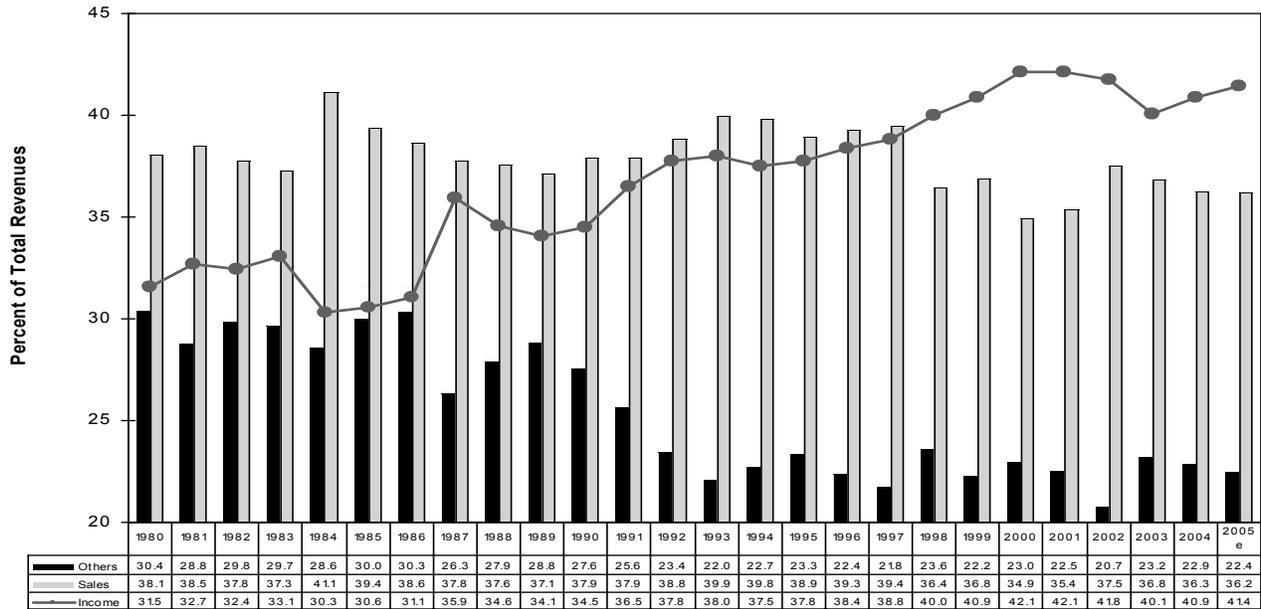


e = estimate

Source: Governor's Office of Planning and Budget

Figure 36

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



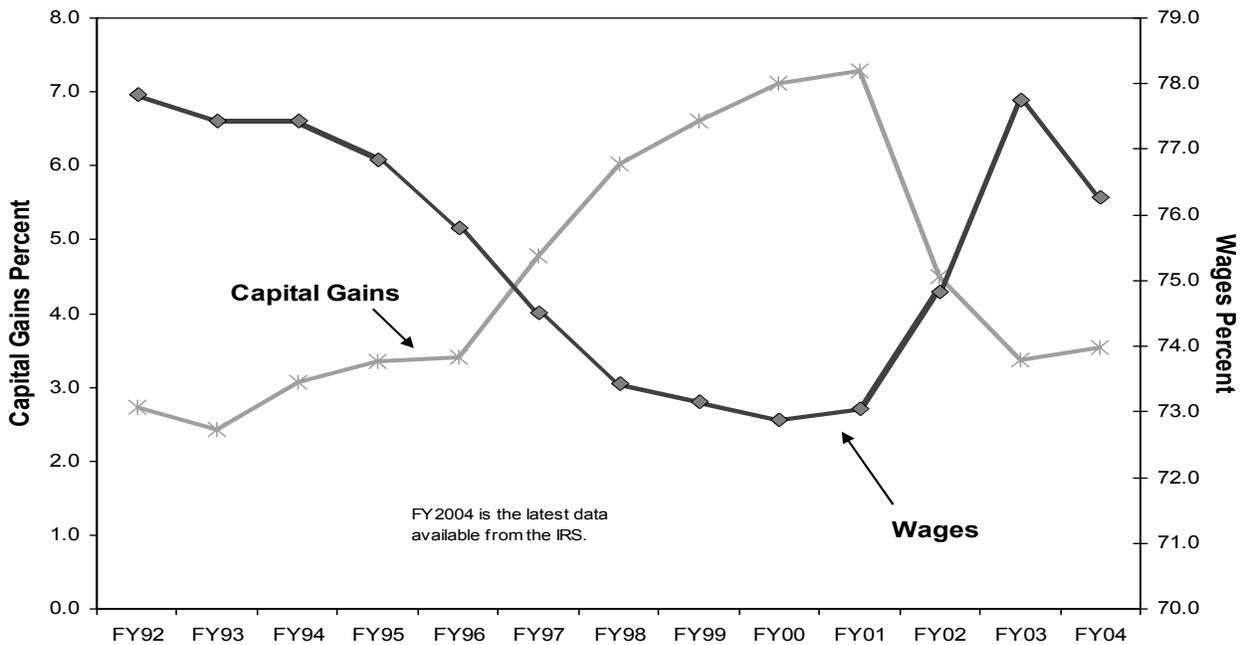
*The "Others" category includes unrestricted fines and fees, investment income, liquor profits, mineral lease, school land income (ended in fiscal 1988), federal revenue sharing (ended in fiscal 1982); and, corporate, gross receipts, severance, beer, cigarette, insurance, inheritance and motor fuels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

e = estimate

Source: Governor's Office of Planning and Budget

Figure 37

IRS Wages and Capital Gains as a Percent of Total Taxable Income



Source: Governor's Office of Planning and Budget

Table 37
Cash Collection Unrestricted Revenues (Millions of Current Dollars): FY 1990 to FY 2005

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund (GF)																
Sales and Use Tax	707.4	740.3	802.4	881.9	978.2	1,055.1	1,162.5	1,252.1	1,251.8	1,316.4	1,369.6	1,431.4	1,441.3	1,444.0	1,501.9	1,565.0
Cable/Satellite Excise Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.5
Liquor Profits	16.6	17.6	16.6	18.1	17.9	20.1	22.2	24.3	26.3	26.9	28.7	30.3	32.5	33.2	36.4	38.0
Insurance Premiums	30.0	27.8	30.2	34.0	38.2	40.9	40.1	43.1	44.6	47.7	52.2	46.0	56.6	59.0	62.4	66.0
Beer, Cigarette, and Tobacco	30.2	31.0	34.6	34.3	36.4	37.7	37.8	41.2	53.2	60.1	58.0	57.9	60.0	54.2	62.8	63.0
Severance Taxes	30.1	31.0	18.2	19.3	18.9	21.4	20.4	23.8	23.0	13.1	23.0	45.6	23.8	32.6	42.7	54.5
Inheritance Tax	7.6	4.8	4.0	7.6	8.2	25.0	8.3	10.3	25.4	8.2	64.6	30.0	9.4	33.0	9.7	4.8
Investment Income	17.9	11.0	7.0	4.4	6.4	12.3	16.8	16.3	15.7	15.0	19.5	27.5	9.7	6.5	5.5	10.0
Other	32.6	33.9	27.7	26.0	30.0	32.9	37.2	34.9	40.8	38.3	41.0	46.5	50.6	88.2	87.9	47.0
Circuit Breaker Credits	-3.4	-3.5	-4.1	-4.2	-4.5	-4.7	-4.6	-4.4	-4.5	-5.3	-4.4	-5.4	-5.3	-5.5	-5.6	-5.6
Subtotal GF	869.1	894.0	936.5	1,021.4	1,129.7	1,240.6	1,340.6	1,441.6	1,476.2	1,520.4	1,652.2	1,709.8	1,678.7	1,745.0	1,803.7	1,861.2
School Fund (SF)																
Individual Income Tax	647.6	717.6	784.4	842.3	925.3	1,026.9	1,139.1	1,237.3	1,377.5	1,463.9	1,654.9	1,712.7	1,610.2	1,575.5	1,699.6	1,801.0
Corporate Franchise Tax	99.7	87.8	80.9	79.5	121.1	153.5	168.4	182.9	189.1	184.3	179.6	174.8	119.4	152.4	154.9	182.0
Gross Receipts Tax	4.2	3.7	3.6	4.5	4.1	4.4	8.4	9.1	7.2	7.9	7.3	8.3	8.0	8.1	8.0	8.0
Other	11.2	12.9	16.4	5.5	6.9	8.4	8.5	4.8	7.1	7.6	8.5	9.7	5.6	5.0	9.7	12.0
Subtotal SF	762.6	821.9	885.3	931.7	1,057.4	1,193.1	1,324.3	1,434.2	1,580.8	1,663.7	1,850.4	1,905.5	1,743.0	1,741.0	1,872.2	2,003.0
Transportation Fund (TF)																
Motor Fuel Tax	132.5	131.1	136.4	141.3	150.4	155.5	163.2	168.4	217.7	225.2	237.6	229.4	237.9	236.6	239.9	235.5
Special Fuel Tax	29.1	36.8	33.4	35.6	36.2	40.7	43.7	46.2	72.4	73.2	76.6	80.6	84.4	84.5	86.2	90.5
Other	38.7	39.6	44.6	47.3	49.6	52.6	54.3	52.6	54.8	58.5	65.0	64.5	62.8	65.4	64.9	65.5
Subtotal TF	200.3	207.4	214.3	224.2	236.2	248.7	261.2	267.3	344.9	356.9	379.1	374.5	385.2	386.6	391.0	391.5
Mineral Lease Payments	34.9	32.4	32.5	30.3	33.3	29.1	34.7	34.1	33.5	31.5	39.6	57.9	36.6	53.1	74.8	72.5
TOTAL	1,866.9	1,955.7	2,068.7	2,207.6	2,456.6	2,711.5	2,960.8	3,177.1	3,435.5	3,572.4	3,921.3	4,047.6	3,843.6	3,925.7	4,141.7	4,328.2

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

Table 38
Cash Collection Unrestricted Revenues (Current Dollar Percent Changes): FY 1990 to FY 2005

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund (GF)																
Sales and Use Tax	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	0.2	4.0	4.2
Liquor Profits	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	1.9	9.8	4.3
Insurance Premiums	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	4.2	5.8	5.7
Beer, Cigarette, and Tobacco	-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	-9.6	15.9	0.3
Severance Taxes	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	36.6	31.0	27.7
Inheritance Tax	-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	249.9	-70.7	-50.4
Investment Income	-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	-33.5	-14.9	81.7
Other	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	74.1	-0.3	-46.5
Circuit Breaker Credits	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	3.2	2.2	-0.6
Subtotal GF	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	3.9	3.4	3.2
School Fund (SF)																
Individual Income Tax	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	-2.2	7.9	6.0
Corporate Franchise Tax	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	27.7	1.6	17.5
Gross Receipts Tax	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	1.7	-1.8	0.6
Other	-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	-10.7	95.8	23.5
Subtotal SF	5.3	7.8	7.7	5.2	13.5	12.8	11.0	8.3	10.2	5.2	11.2	3.0	-8.5	-0.1	7.5	7.0
Transportation Fund (TF)																
Motor Fuel Tax	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	-0.5	1.4	-1.8
Special Fuel Tax	-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	0.1	1.9	5.0
Other	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	4.1	-0.8	1.0
Subtotal TF	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	0.4	1.1	0.1
Mineral Lease Payments	-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	45.0	40.9	-3.1
TOTAL	4.0	4.8	5.8	6.7	11.3	10.4	9.2	7.3	8.1	4.0	9.8	3.2	-5.0	2.1	5.5	4.5
Average Annual Growth Rates	na	4.8	5.3	5.7	7.1	7.8	8.0	7.9	7.9	7.5	7.7	7.3	6.2	5.9	5.9	5.8

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

Table 39

Rolling 10 Year State Tax and Fee Changes (Over \$500,000) Regular and Special Legislative Sessions (A)(B)(C)

Bill Number and Effective Year	Bill Subject	Tax & Fee Changes	10 Year Cumulative
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	<u>(\$131,153,833)</u>	<u>(\$1,311,538,330)</u>
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)	
Various Bills (1996 Session)	Reinstate Sales Tax Exemptions	(1,188,300)	
H.B. 349 (1996 Regular Session)	Gross Receipts Taxes - Modifications (2)	(4,750,000)	
H.B. 404 (1996 Regular Session)	Income Tax - Health Care Insurance Deduction (3)	(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 November Session) (4)	(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 (5)	(41,000,000)	
	Subtotal FY 1997	<u>(\$99,592,100)</u>	<u>(\$896,328,900)</u>
FY 1998			
H.B. 3001 (1996 November Session)	Additional Sales Tax - Manufacturing Exemption Modifications (1996 November Session) (4)	(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 (7)	10,000,000	
S.B. 253 (1997 Session)	Fuels Taxes, and Repeal of Environmental Surcharge on Petroleum (8)	63,250,000	
S.B. 253 (1997 Session)	Sales Tax Reduction (8)	(34,300,000)	
H.B. 27 (1997 Session)	Cigarettes Tax Increase and Regulation (6)	21,800,000	
H.B. 111 (1997 Session)	Transportation Corridor Funding (9)	4,300,000	
H.B. 225 (1997 Session)	Assessment on Workers' Compensation (10)	6,100,000	
H.B. 414 (1997 Session)	Registration Fee on Vehicles (11)	16,500,000	
	Subtotals FY 1998	<u>\$79,820,000</u>	<u>\$638,560,000</u>
FY 1999			
H.B. 3001 (1996 November Session)	Additional Sales Tax - Manufacturing Exemption Modifications (1996 November Session) (4)	(\$11,200,000)	
	Subtotals FY 1999	<u>(\$11,200,000)</u>	<u>(\$78,400,000)</u>
FY 2000			
H.B. 58 (1998 Session)	Oil and Gas Severance Tax Amendments (12)	(\$900,000)	
S.B. 47 (1998 Session)	Research Tax Credit (13)	(3,200,000)	
S.B. 185 (1998 Session)	Sales and Use Tax Exemption Amendments and Study (14)	5,600,000	
S.B. 220 (1998 Session)	Research and Development Credit for Machinery and Equipment (15)	(2,000,000)	
H.B. 396 (1999 Session)	Sales and Use Tax Exemption for Steel Mills	(617,500)	
S.B. 69 (1999 Session)	Manufacturing Sales and Use Tax Exemption (16)	(5,600,000)	
S.B. 150 (1999 Session)	Utilities in Highway Rights-of-Way (17)	1,600,000	
	Subtotals FY 2000	<u>(\$5,117,500)</u>	<u>(\$30,705,000)</u>
FY 2001			
H.B. 25 (1999 Session)	Income Tax Deduction for Health Care Insurance (18)	(\$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 (19)	(26,500,000)	
S.B. 15 (2000 Session)	Use of Tobacco Settlement Revenues (20)	(5,500,000)	
	Subtotals FY 2001	<u>(\$34,270,000)</u>	<u>(\$171,350,000)</u>
FY 2002			
HB 78 (2001 Session)	Sales and Use Tax - Sales Relating to Schools (School Related Activities)	(\$281,000)	
SB 34 (2001 Session)	Individual Income Tax - Relief for Low Income Individuals (21)	(800,000)	
SB 36 (2001 Session)	Individual Income Tax Bracket Adjustments (22)	(18,000,000)	
SB 58 (2001 Session)	Repeal of Nursing Facilities Assessment (23)	(4,422,400)	
HB 205 (2001 Session)	Employers' Reinsurance Fund Special Assessment (Workers' Compensation) (10)	6,135,000	
HB370 (2001 Session)	Hazardous Waste Amendment (24)	1,694,000	
	Subtotals FY 2002	<u>(\$15,674,400)</u>	<u>(\$62,697,600)</u>
FY 2003			
HB238 (2002 Session)	Cigarette and Tobacco Tax Amendments (25)	\$13,800,000	
	Subtotals FY 2003	<u>\$13,800,000</u>	<u>\$41,400,000</u>
FY 2004			
SB66 (2003 Session)	Alcoholic Beverage Enforcement & Treatment (26)	\$1,567,000	
SB85 (2003 Session)	Underground Storage Tank Amendments (27)	4,048,900	
SB153 (2003 Session)	Alcoholic Beverage Amendments (28)	3,818,000	
SB213 (2003 Session)	Cable and Satellite TV Service Tax (29)	14,000,000	
HB286 (2003 Session)	Hazardous Waste Collection/Storage Fee (30)	2,769,500	
HB371 (2003 Session)	Court Security Fee (31)	2,200,000	
	Subtotals FY 2004	<u>\$28,403,400</u>	<u>\$56,806,800</u>
FY 2005			
SB4002 (September Session)	Treatment of Certain Military Income (one-time only) (32)	(\$4,000,000)	
SB1 (2004 Session)	Appropriations Act (33)	4,555,157	
SB128 (2004 Session)	Long-Term Care Facilities Amendments (34)	10,100,000	
SB195 (2004 Session)	Taxation of Multi-Channel Video or Audio Service (35)	4,421,100	
HB13 (2004 Session)	Hazardous Waste and Nonhazardous Solid Waste Fee (36)	(712,900)	
HB239 (2004 Session)	Sexually Explicit Business and Escort Service Tax (37)	510,000	
HB312 (2004 Session)	Nonparticipating Tobacco Manufacturer's Fee (38)	680,000	
	Subtotals FY 2005	<u>\$15,553,357</u>	<u>\$15,553,357</u>
Grand Total for Rolling 10 Year Taxes and Fees (A)(B)(C)		<u>(\$159,431,076)</u>	<u>(\$1,798,699,673)</u>

*See next page for footnotes

Figure 39 (Continued)

Rolling 10 Year State Tax and Fee Changes (Over \$500,000) 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 \$4 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 \$500,000 are listed. Changes in local taxes are excluded. Extensions of existing laws are excluded.
- (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 FY 1998 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 FY 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) Effective January 1, 1996, reduced gross receipts tax rates 53% to benefit electric utilities.
- (3) Effective January 1, 1996, allows 60% of health care insurance, not already deductible against federal taxes, to be deducted against state taxes owed.
- (4) 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.
- (5) Reduced effective income tax rates as of January 1, 1996. Reduced top rate from 7.2% to 7.0% on taxable incomes over \$7,500. The minimum income tax rate will be reduced from 2.55% to 2.3%.
- (6) Increases the cigarette tax 25 cents per pack. FY 1997 fiscal impact is from stocking up of inventories in order to partially avoid the July 1, 1997 tax increase.
- (7) Changes the point of collection for the diesel fuels tax from dealers to refineries.
- (8) 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.
- (9) Implements a 2.5% tax on rental cars to pay for transportation corridors.
- (10) Permits the Department of Workforce Services to impose an assessment related to the Employers' Reinsurance Fund.
- (11) Increases the vehicle registration fee by \$10 and trucking fees by about 10%. This restricted money goes into the Centennial Highway Trust Fund.
- (12) Extends the repeal date for a tax credit for workover credits and recompletions of oil wells.
- (13) Gives a 6% tax credit for qualified research activities conducted in the state.
- (14) Reduces the sales tax exemption for machinery and equipment from 100% in FY 1999 to 80% in FY 2000. After July 1, 1999, vendors shall collect sales tax on 20% of the sales price of normal operating replacements.
- (15) Gives a 6% individual or corporate income tax credit on the purchase price of machinery, equipment or both.
- (16) Reinstates the manufacturing sales tax exemption on replacement parts at 100%. S.B. 185 (1998 Session) had previously reduced this exemption to 80%.
- (17) Permit fees and compensation paid into the Transportation Fund for access to rights-of-way on Interstate Highways by telecommunication companies.
- (18) Increases income tax deduction for amounts paid for health care insurance from 60% to 100% of amounts not deducted from federal taxes.
- (19) 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 FY 2001. The reserve fund was reduced from 22 to 18 months.
- (20) The hospital assessment tax was repealed in FY 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.
- (21) 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).
- (22) 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).
- (23) Repeals the \$1.83 per patient day nursing home "bed" tax (the hospital bed tax was repealed in the 2000 General Session).
- (24) Established fees and taxes that apply to the reprocessing, treatment, or disposal of certain types of radioactive waste.
- (25) Increased tax on cigarettes 18 cents per 20 pack, from 51.5 cents to 69.5 cents.
- (26) Increased tax on 31-gallon barrel of beer from \$11 to \$12.80 and created the Alcoholic Beverage Enforcement and Treatment Restricted Account.
- (27) Increased the environmental assurance fee of 1/4 cent per gallon on the first sale or use of petroleum products to 1/2 cent per gallon. The fee will be reduced when the cash balance in the restricted Petroleum Storage Tank Trust Fund exceeds \$20,000,000 in any year.
- (28) Increased some fees and the mark-up on liquor from 61% to 64.5%.
- (29) Imposed sales and use tax on cable and satellite TV service.
- (30) Increased regulatory fees and taxes on radioactive and hazardous waste received at waste facility for treatment or disposal.
- (31) Increased court filing fees to fund creation of Court Security Account which will be used to contract for security at courts across the state. Money is deposited into a restricted account.
- (32) Provides a one-time only (FY 2005) subtraction from federal taxable income an active reservist or guardsman receives for qualifying military service.
- (33) Restricted revenues for commerce (professional licensing), courts, natural resources, agriculture and other general user fees.
- (34) This bill establishes an assessment on nursing care facilities in order to gain federal matching funds to enhance the total funding for these facilities. The bill authorizes the assessment to be up to 6% of each nursing care facility's total gross revenue.
- (35) Imposes a state excise tax of 6.25% on amounts paid or charged for cable and satellite TV service.
- (36) Reduces the tipping fee from \$28 to \$14 per ton and eliminates the 3% gross receipts tax (created in 2003 General Session by HB 286s 1) for nonhazardous and low radioactive waste.
- (37) Imposes a 10% tax on nude dancing and escort services.
- (38) Levies an equity assessment of 1.75 cents per cigarette on nonparticipating tobacco product manufacturers.