

Tax Collections

Overview

The struggling Utah economy has had a significant impact on recent state budgets. An historic drop in state revenues caused elected officials and state leaders to make tough budget decisions for fiscal years 2002 through 2004. In order to address revenue shortfalls and pressing issues for each of these years, services were curtailed; the state workforce was reduced; various reserves, surpluses, and restricted funds were tapped; and some taxes and fees were raised.

Fiscal Year 2002

Tax collections dropped significantly in FY 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 2002 Olympic Winter Games construction build-up; and the loss of jobs, capital gains, and corporate profits due to the dot-com implosion. Initial revenue estimates for FY 2002 were \$3.814 billion, an increase of 5.2% over actual FY 2001 revenue collections. With the unexpected severity of the downturn in the economy, these initial revenue estimates were subsequently lowered by a total of \$395 million.

Final payments (non-withholding income tax payments) declined \$145 million in FY 2002 (from \$178 million in FY 2001 to \$33 million in FY 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 \$115 million in FY 2002 from \$185 million in the prior fiscal year.

Final action taken to balance the FY 2002 budget included reducing agency budgets by \$111.7 million and balancing the remaining shortfall by using most of the Budget Reserve Account, replacing cash appropriations with bonds, and using balances in various accounts that were slated for use in other areas.

Fiscal Year 2003

The FY 2003 budget was initially set in the 2002 General Session. The budget challenges included FY 2003 revenue estimates that were lower than the initial revenue estimates of FY 2002, and significant use of one-time money for ongoing programs in the FY 2002 budget. Revenues remained weak in FY 2003 due to continued softness in sales and income tax collections. These tax collections were weak due to low business investment, employment reductions, high debt burdens, and a lack of pent-up consumer demand. Total income as reported to 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.

Consequently, FY 2003 revenue estimates were lowered by \$173 million and required budget modification in the Fifth Special Session held in July 2002. In November 2002, revenue estimates were lowered again by \$117.3 million. The governor called the Sixth Special Session in December 2002 to rebalance the budget. The Legislature reduced agency programs by \$53.6 million for FY 2003. This reduction consisted of an ongoing cut of \$85.6 million that was partially offset by \$32 million in one-time funding. This one-time funding minimized the impact of mid-year cuts by keeping programs whole (or with small cuts) for FY 2003; however, the full impact of the cuts was fully effective for FY 2004. The Legislature also shifted a total of \$63.7 million to balance the

budget, including: 1) \$21.1 million from tobacco settlement funds; 2) \$35 million in cash for building construction, which was replaced with bonding; 3) \$4.5 million from water loan programs and Class B and Class C road funds that are funded with dedicated sales tax; and, 4) \$3.1 million from miscellaneous sources.

The state ended FY 2003 with a \$0.0 million General Fund surplus, and a \$1.8 million Uniform School Fund surplus. Also, \$6.7 million was deposited into the General Fund Budget Reserve Account (rainy day fund), bringing the balance up to \$26.6 million. And, \$0.6 million was deposited into the new (established by the Legislature in 2003) Education Budget Reserve Account. 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 that the state received in June of 2003.

Fiscal Year 2004

During the 2003 General Session the challenges for balancing the FY 2004 budget included the need to replace one-time money used to balance the ongoing FY 2003 budget and to address other mandated costs. Initial FY 2004 revenue estimates (during the 2003 General Session) showed a \$92.2 million increase (including additional tax revenue from legislation that passed). The 2003 Legislature used several other sources to bolster state funds for FY 2004, including \$9.8 million from tobacco settlement funds, \$1.6 million from proceeds from the sale of the Iron County Jail, \$3.2 million from the Commerce Service Fund, and \$4.5 million from miscellaneous sources. Funding was also available due to the FY 2003 cuts of \$77.8 million that were deemed ongoing in the Sixth Special Session and \$35.6 million carried-over from FY 2003. In addition, the Legislature cut agency budgets another \$45.7 million in FY 2004 during the 2003 General Session. A total of approximately \$42 million of one-time sources were used to balance the FY 2004 budget.

The FY 2004 budget and revenue estimates will be revised February 2004 during the General Session of the Legislature. Updated tax collection information will also be available at that time. Revenues in FY 2004 will include an additional \$38 million federal relief grant that was received in October of 2003. In December, the Governor gives recommendations to the Legislature for the use of ongoing revenues, federal monies, and rainy day and surplus funds.

2003 General Session Tax Policy

Three bills that passed in the 2003 General Session increased unrestricted state funds. House Bill 286, Waste Tax and Fee Amendments, modifies taxes paid by radioactive waste facilities and imposes taxes on hazardous waste facilities and non-hazardous solid waste facilities. The additional taxes implemented by this bill are estimated to generate an additional \$2.2 million in unrestricted tax collections for FY 2004. Senate Bill 213, Amendments to Sales and Use Tax, eliminated the sales tax exemption on amounts paid or charged for multi-channel video or audio service provided by a multi-channel video or audio service provider and is estimated to raise \$14 million in additional revenue for FY 2004. Senate Bill 153, Alcoholic Beverage Amendments, increased liquor markups from 61% to 64.5% and increased some fees for a fiscal note of \$3.8 million in FY 2004. Some of this money is then appropriated out of the General Fund for various enforcement and treatment purposes.

Inflation-Adjusted Revenues

Inflation-adjusted General Fund and School Fund revenues increased \$64.0 million in FY 2003, after having dropped \$198.4 million in FY 2002. After adjusting for inflation, both of these years were considerably lower than the \$124.9 million growth that occurred in FY 2001, and the \$336.5 million growth that occurred in FY 2000. Fiscal year 2000 had the largest single-year growth in revenue since 1984 (when inflation-adjusted revenues grew \$370.1 million), and FY 2002 had the largest decrease in revenue.

Inflation-Adjusted Surpluses

The \$1.8 million Uniform School Fund surplus in FY 2003 was slightly larger than the \$736,000 combined General and School Fund year-end surplus in FY 2002. However, this surplus would have been a deficit were it not for \$38 million in federal relief that the state received in June 2003. Fiscal year 2002 had a \$395 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 and tax rate and base changes, FY 2003 revenues increased only \$24.6 million. This compares to a drop of \$149.3 million in FY 2002 and growth of \$179.6 million and \$274.3 million in fiscal years 2001 and 2000 respectively. For 2000 and 2001 inflation, windfall, and tax rate and base-adjusted revenue collections came in above the average growth of \$144.6 million (the 1980 to 2004 average). State government experienced an abrupt turnaround when revenue collections came in at a negative \$149.3 million in FY 2002. Growth in FY 2003 was small (at \$24.6 million) by historic standards.

Income Tax Continues Its Preeminence

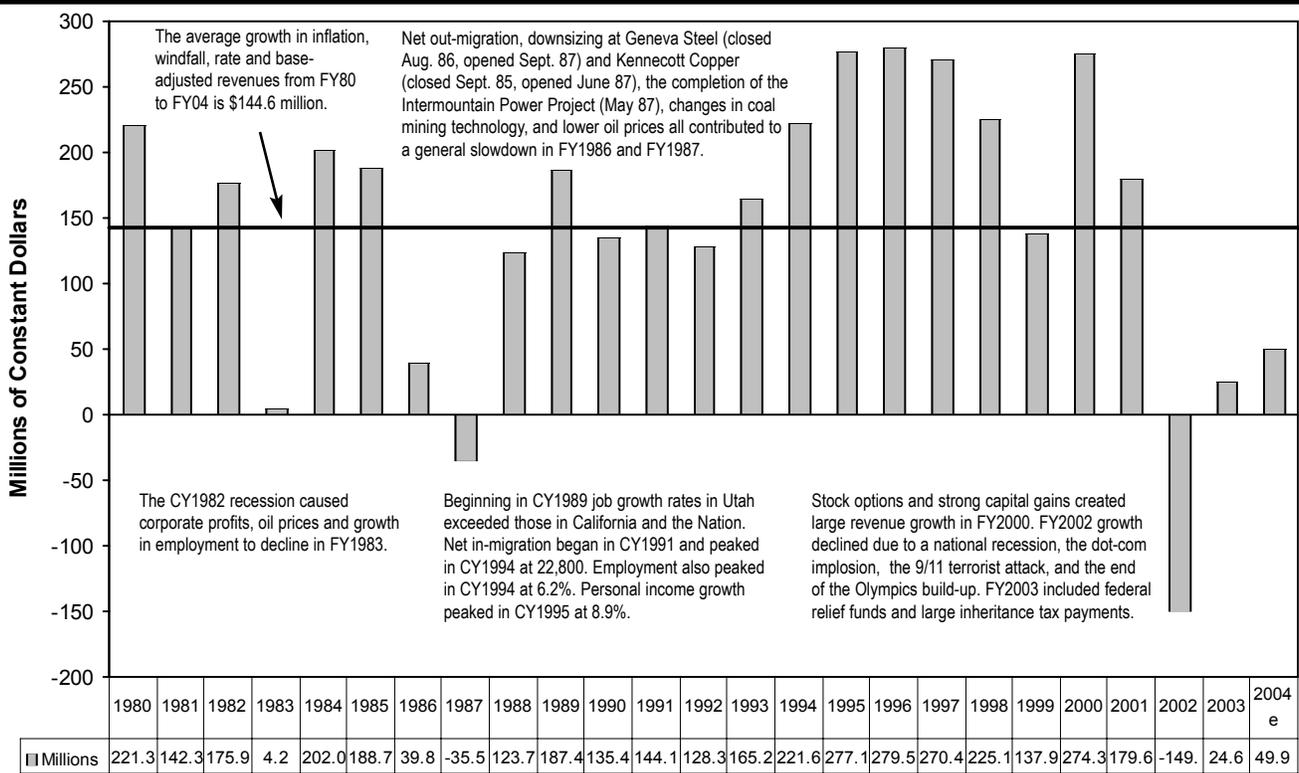
Income taxes were larger than sales taxes in FY 2003 for the sixth year in a row. Prior to fiscal year 1998, the sales tax made up the largest portion of state government's unrestricted revenues. In fiscal year 2003 income tax collections were 40% of total unrestricted revenue collections, whereas sales tax collections were only 36.7% 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 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 \$193.6 million (on an annualized basis) due to statutory changes that occurred during the past 10 legislative sessions. The cumulative reduction in taxes authorized in these sessions for FY 1995 through FY 2004 is \$1.83 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 1995 to FY 2004 is a tax increase of \$220 million. Thus, the net reduction in state government taxes over this period including bracket creep is \$1.61 billion.

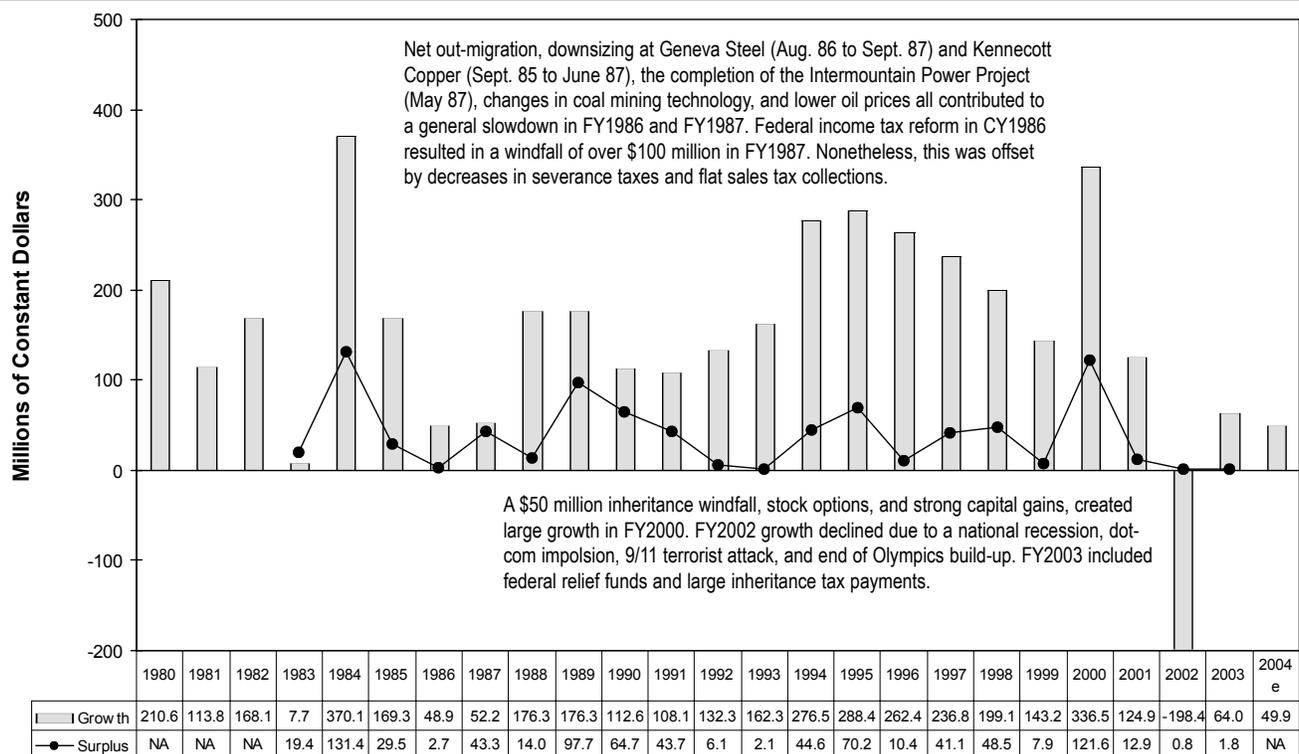
An individual taxpayer may actually be paying more in taxes now than eight years ago. This is because non-state government taxes may have increased, and/or an individual's income, spending, or property values may have increased. More income or spending, or greater property values, can result in higher taxes even at lower tax rates. There are 633 taxing entities other than state government in Utah.

Figure 36
Inflation, Windfall, Rate and Base-Adjusted Revenue Growth in Combined General and School Fund Revenues



Source: Governor's Office of Planning and Budget

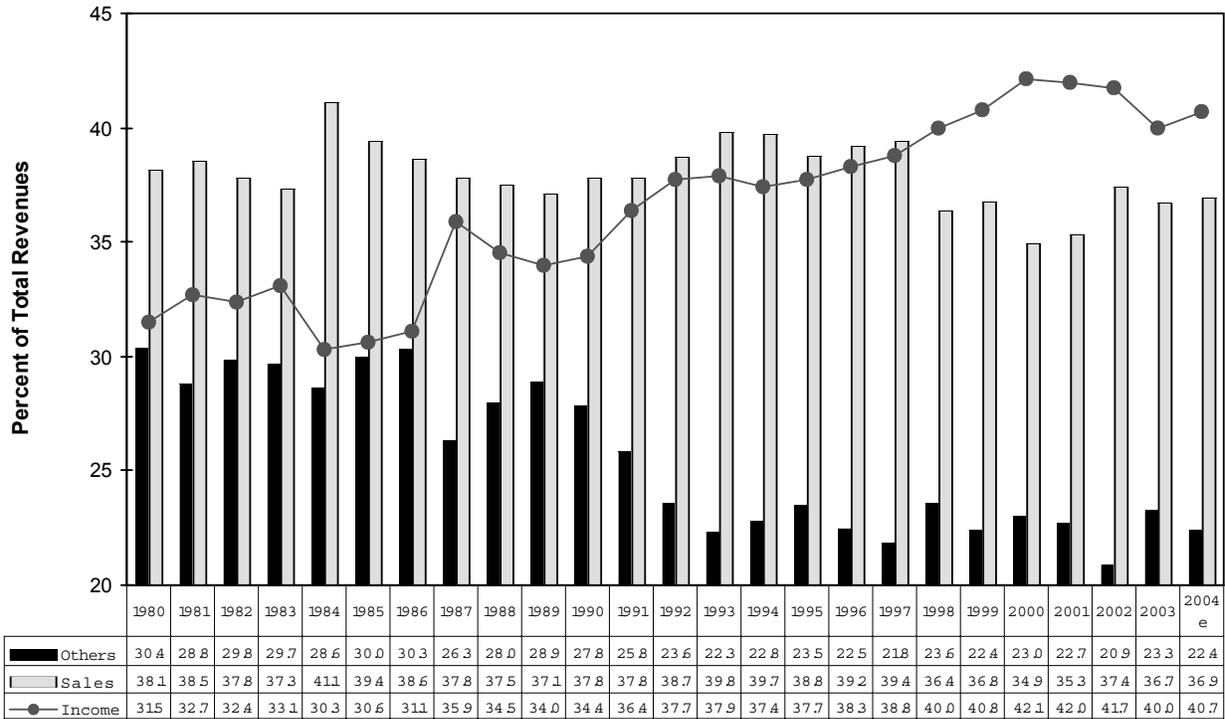
Figure 37
Inflation-Adjusted Revenue Growth and Surpluses for Combined General and School Fund Revenues



Source: Governor's Office of Planning and Budget



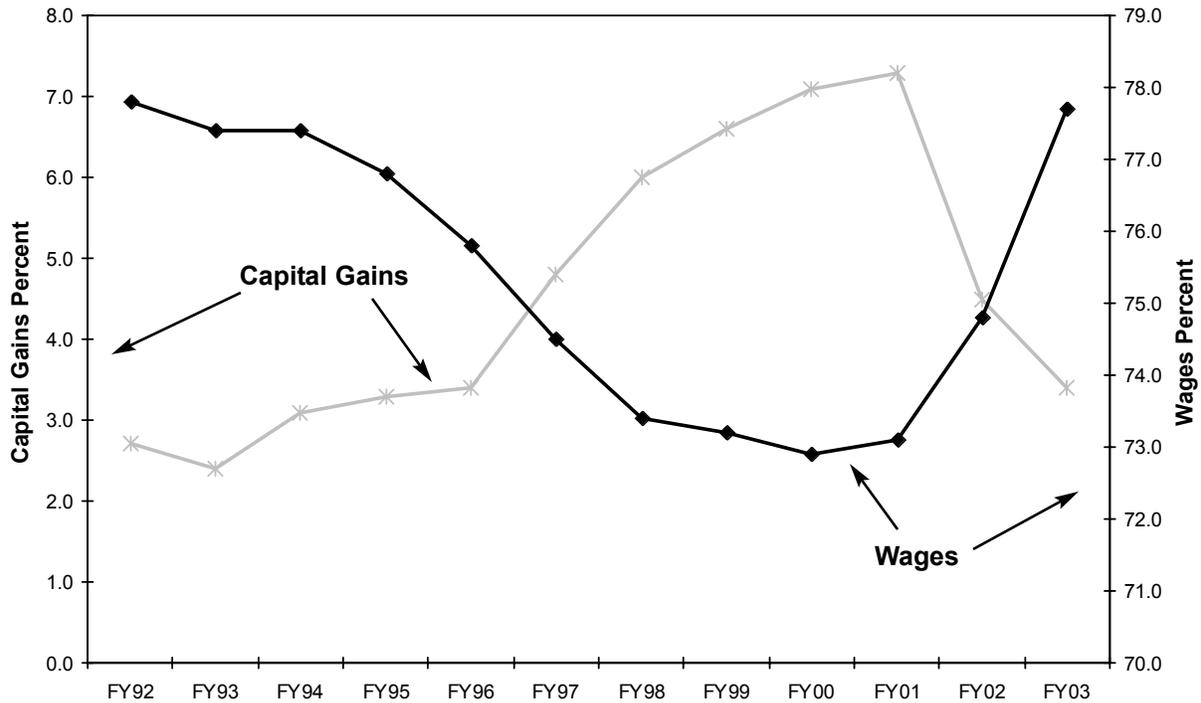
Figure 38
Sales Tax, Income Tax, and All Other Unrestricted Revenues as a Percent of Total State Unrestricted Revenues*



Source: Governor's Office of Planning and Budget

Note: *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 39
IRS Wages and Capital Gains as a Percent of Total Taxable Income



Source: Governor's Office of Planning and Budget

Table 39

Cash Collection Unrestricted Revenues (Millions of Current Dollars): FY 1985 to FY 2004

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Fund (GF)																				
Sales and Use Tax	555.4	558.6	559.0	617.6	667.4	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	1,466.5
Liquor Profits	18.9	19.0	17.2	15.9	16.0	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	35.9
Insurance Premiums	22.3	26.1	27.8	28.2	26.4	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	63.1
Beer, Cigarette, and Tobacco	21.3	21.1	24.0	29.2	30.7	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	60.6
Severance Taxes	46.9	43.8	21.5	29.2	28.1	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	33.9
Inheritance Tax	4.8	4.7	2.3	3.4	9.8	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	8.3
Investment Income	14.4	12.0	3.8	10.7	19.2	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	7.6
Other	23.4	22.2	24.7	26.5	27.4	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	85.1
Circuit Breaker Credits	-2.2	-1.5	-1.2	-1.2	-1.4	-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	-5.5
Subtotal GF	705.1	706.0	679.1	759.6	823.7	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	1,755.2
School Fund (SF)																				
Individual Income Tax	435.5	454.3	533.3	569.9	615.6	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	1,621.1
Corporate Franchise Tax	65.9	84.0	68.9	78.8	93.0	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	144.2
School Land Income	18.4	11.2	7.9	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	0.0	0.0
Permanent Fund Interest	0.0	0.0	0.0	2.1	3.1	4.5	4.6	4.7	6.5	4.4	4.9	3.2	3.5	2.5	6.8	2.4	9.0	9.6	8.4	8.8
Gross Receipts Tax	0.0	0.0	0.5	4.5	2.8	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	7.8
Other	9.8	11.2	12.3	9.9	13.7	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	7.3
Subtotal SF	529.6	560.8	623.0	665.1	728.3	767.2	826.5	890.0	938.2	1,061.8	1,198.0	1,327.5	1,437.6	1,583.3	1,670.5	1,852.8	1,914.4	1,752.7	1,749.4	1,789.1
Transportation Fund (TF)																				
Motor Fuel Tax	89.3	92.2	100.0	129.4	131.2	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	240.1
Special Fuel Tax	17.8	19.4	20.6	27.6	29.3	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	86.5
Other	33.8	34.7	34.8	35.5	36.9	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	66.5
Subtotal TF	140.9	146.2	155.4	192.4	197.4	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	393.1
Mineral Lease Payments	34.2	32.6	22.4	28.8	50.8	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	38.3
TOTAL	1,409.8	1,445.6	1,479.9	1,645.9	1,800.2	1,871.4	1,960.3	2,073.4	2,214.1	2,461.0	2,716.4	2,964.0	3,180.6	3,437.9	3,579.2	3,923.7	4,056.5	3,853.2	3,934.0	3,975.6

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

Table 40
Cash Collection Unrestricted Revenues (Current Dollar Percent Changes): FY 1985 to FY 2004

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	
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	0.2	1.6	
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	1.9	8.1	
Insurance Premiums	na	17.1	6.5	1.7	-6.4	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	4.2	6.9	
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	-9.6	11.7	
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	36.6	3.9	
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	249.9	-74.8	
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	-33.5	16.7	
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	74.1	-3.5	
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	3.2	-1.1	
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	3.9	0.6	
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	-2.2	2.9	
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	27.7	-5.4	
School Land Income	na	-39.0	-29.3	na																	
Permanent Fund Interest	na	na	na	na	49.9	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	-13.1	4.9	
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	1.7	-3.6	
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	-10.7	47.1	
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	-0.2	2.3	
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	-0.5	1.4	
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	0.1	2.3	
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	4.1	1.7	
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	0.4	1.7	
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	45.0	-28.0	
TOTAL	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	2.1	1.1	
Average Annual Growth Rates	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	5.9	5.6	

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

Table 41

State Tax and Fee Changes (Over \$500,000) Enacted in the FY95 through FY03 Regular and Special Legislative Sessions (A)(B)(C)

Bill Number and Effective Year	Bill Subject	Tax & Fee Changes	Ten Year Cumulative
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)	
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	<u>(\$18,613,200)</u>	(\$186,132,000)
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>	(\$1,180,384,497)
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>	(\$796,736,800)
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>	\$558,740,000
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>	(\$67,200,000)
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>	(\$25,587,500)
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>	(\$137,080,000)
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>	(\$47,023,200)
FY 2003			
HB238 (2002 Session)	Cigarette and Tobacco Tax Amendments (25)	\$13,800,000	
	Subtotals FY 2003	<u>\$13,800,000</u>	\$27,600,000
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>	\$28,403,400
	Grand Total for Taxes and Fees FY 1995 to FY 2004 (A)(B)(C)	<u>(\$193,597,633)</u>	<u>(\$1,825,400,597)</u>

*See next page for footnotes

Table 41 (Continued)

State Tax and Fee Changes (Over \$500,000) Enacted in the FY95 through FY03 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) Effective January 1, 1996, reduced gross receipts tax rates 53% to benefit electric utilities.
- (3) Effective January 1, 1996, allows 60 percent 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 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%.
- (6) 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.
- (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 FY1999 to 80% in FY2000. 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 fiscal year 2001. The reserve fund was reduced from 22 to 18 months.
- (20) 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.
- (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 facilities 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.