

Tax Collections

Overview

Fiscal Year (FY) 2005 was a record setting year for tax collections. The 8.8% growth rate in combined General and School Fund revenues was the highest in over 25 years, even after adjusting for inflation, windfalls, and tax rate and tax base changes. By comparison, the average annual growth rate in state revenues over this period was only 3.3% (after adjusting for inflation, and tax rate and tax base changes).

The sharp turn around in tax collections in FY 2004, FY 2005 and FY 2006 stands in stark contrast to FY 2002 and FY 2003. In just four years (between FY 2000 and FY 2004) the inflation-adjusted fluctuation in the revenue growth rate went from a positive 6.3% (FY 2000) down to a negative 6.0% (FY 2002) and then back up to a positive 3.6% (FY 2004). The inflation-adjusted General and School Fund growth rate in FY 2005 accelerated to 8.8% and will remain above-average at 5.0% in FY 2006.

General and School Fund year-end revenue collections for FY 2005 exceeded budget estimates by \$170.6 million. The state ended the 2005 budget year with a surplus of \$105.7 million after distributions to various funds, including allocations to General and School Fund rainy day accounts and the Industrial Assistance Fund.

Fiscal Years 2002 and 2003

Inflation, tax rate and tax base adjusted FY 2002 General and School Fund revenue collections fell 6.0% compared to the prior year. This was due to a global recession, which was deepened by: the attacks on, and the 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. 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.

The General and School Fund revenue adjusted growth rate decreased by 1.9% in FY 2003. The state ended FY 2003 with a \$1.8 million General and School Fund surplus. Even though tax collections were \$12 million short of estimates, the \$1.8 million 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 reduced ongoing agency FY 2004 budgets by \$45.7 million during the 2003 General Session. After the 2003 General Session 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).

Inflation, tax rate and tax base General and School Fund year-end revenue collections grew 3.6% in FY 2004 and exceeded budget estimates by \$94.4 million. The state ended the 2004 budget year with a General and School Fund 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.

Fiscal Year 2005

FY 2005 was a truly remarkable year for Utah. FY 2005 General and School Fund tax collections adjusted for inflation, tax and base changes

showed exceptionally strong growth of 8.8%. This was the highest growth rate in the last 25 years and it occurred despite the fact that FY 2005 collections did not include \$38 million in federal relief grant money that was received in both FY 2003 and FY 2004.

General and School Fund year-end revenue collections for FY 2005 exceeded budget estimates by \$170.6 million. The state ended the 2005 budget year with a remaining surplus of \$105.7 million after distributions to various funds, including allocations to General and School Fund rainy day accounts and the Industrial Assistance Fund. The surplus was primarily due to strong growth in income and sales tax collections.

IRS data showing the breakdown of taxable income sources for FY 2005 (CY 2004) revealed that the growth in income tax collections flowed from strong growth in partnership profits and capital gains (excluding IRS allowed 1031 exchanges of real estate which are not taxable). Strong net in-migration, residential housing construction, taxable business purchases, and higher spending due to home equity loans were key players behind the surge in sales tax collections. Taxable business investments and construction purchases, as well as retail sales of furniture, building and garden supplies all exhibited double digit growth rates.

Fiscal Year 2006

The Governor's recommended budget (in December 2005) showed an increase in inflation, tax rate and base adjusted General and School Fund revenues for FY 2006 of 5.0% over FY 2005 collections. This 5.0% real growth is above the historical average of 3.3% real growth. These FY 2006 budget and revenue estimates will be revised in February 2006 during the General Session of the Legislature. Updated tax collection information will also be available at that time.

2005 General and Special Session Tax Policy

In the 2005 General Session, the legislature passed House Bill 78, which reduced corporate tax collections by \$7.0 million beginning in FY 2007. House Bill 78 provides for the option of double weighting the sales tax factor in the apportionment formula used to compute corporate tax payments. This tax change primarily benefits corporations with significant out-of-state sales.

In the 2005 First Special Session, the legislature passed House Bill 1008, Transportation Investment Act (Lockhart), which created the Transportation Investment Fund of 2005 and changed the Centennial Highway Fund into a restricted account within the fund. Beginning in FY 2006, the legislature earmarked \$59.6 million of sales tax monies to a restricted account to finance this fund for roads. Ongoing unrestricted sales tax (General Fund) revenues were consequently reduced by the same amount.

Income Tax Continues Its Preeminence

Income taxes were larger than sales taxes in FY 2005 for the eighth 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 2005 income tax collections were 42.1% of total unrestricted revenue collections, whereas sales tax collections were only 35.7% 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 (earmarking).

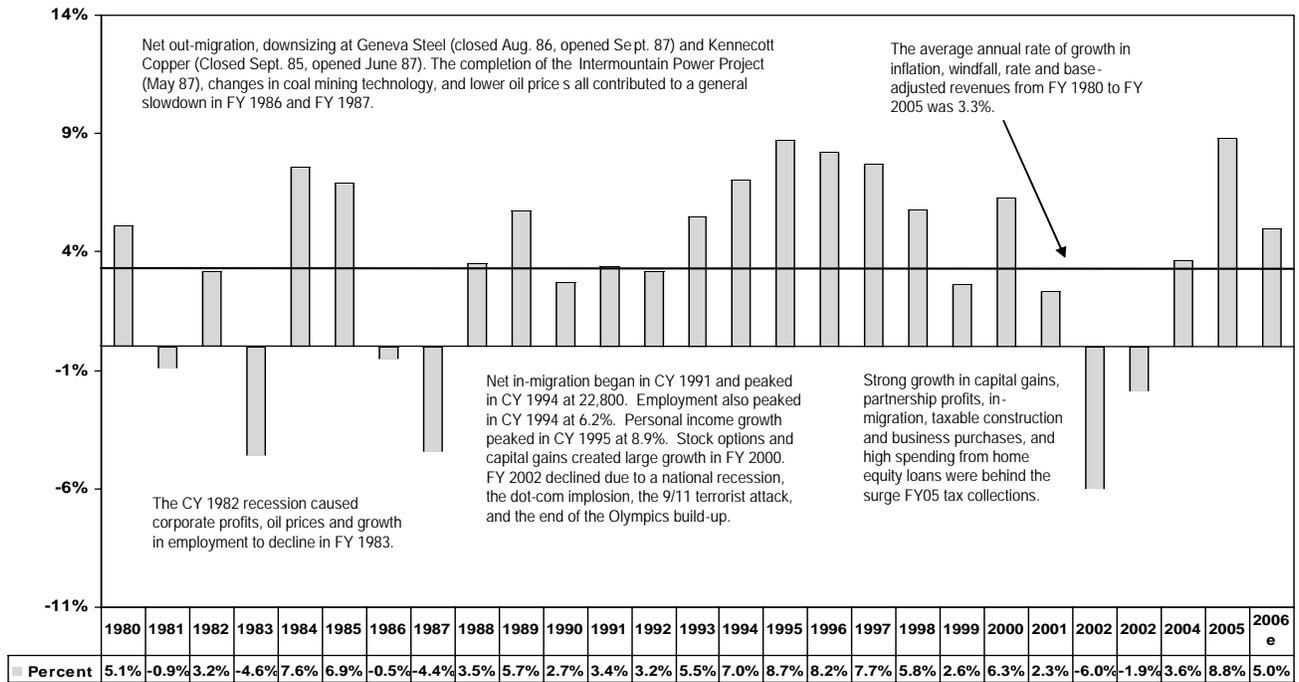
Historic Tax Reductions

Tax collections in Utah experienced a net reduction of \$30.7 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 1997 through FY 2006 is \$513.9 million. 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 1997 to FY 2006 is a tax increase of \$220 million. Thus, the net reduction in state government taxes over this period including bracket creep is \$294 million.

The 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. Also, there are hundreds of taxing entities other than state government in Utah.

Figure 35

Windfall, Inflation, Rate and Base-Adjusted Percentage Change in Combined General and School Fund Revenues

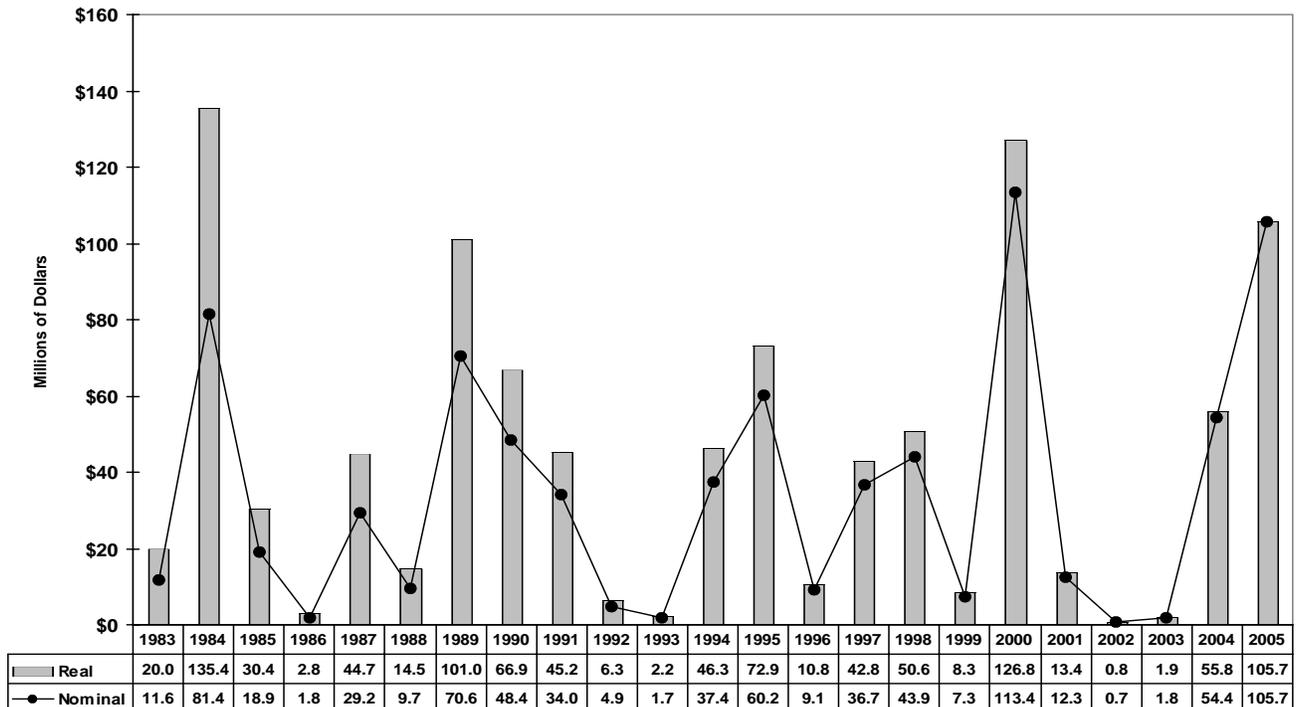


e = estimate

Source: Governor's Office of Planning and Budget

Figure 36

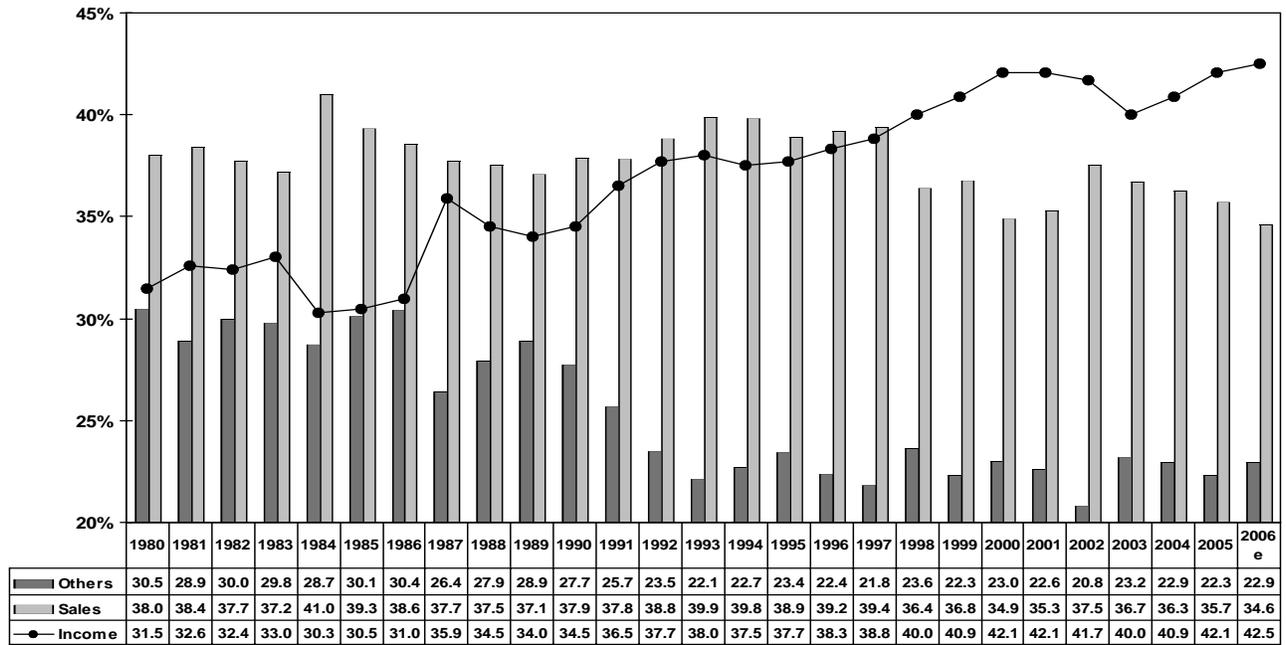
Actual and Inflation-Adjusted Revenue Surplus for Combined General and School Funds



Source: Governor's Office of Planning and Budget

Figure 37

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



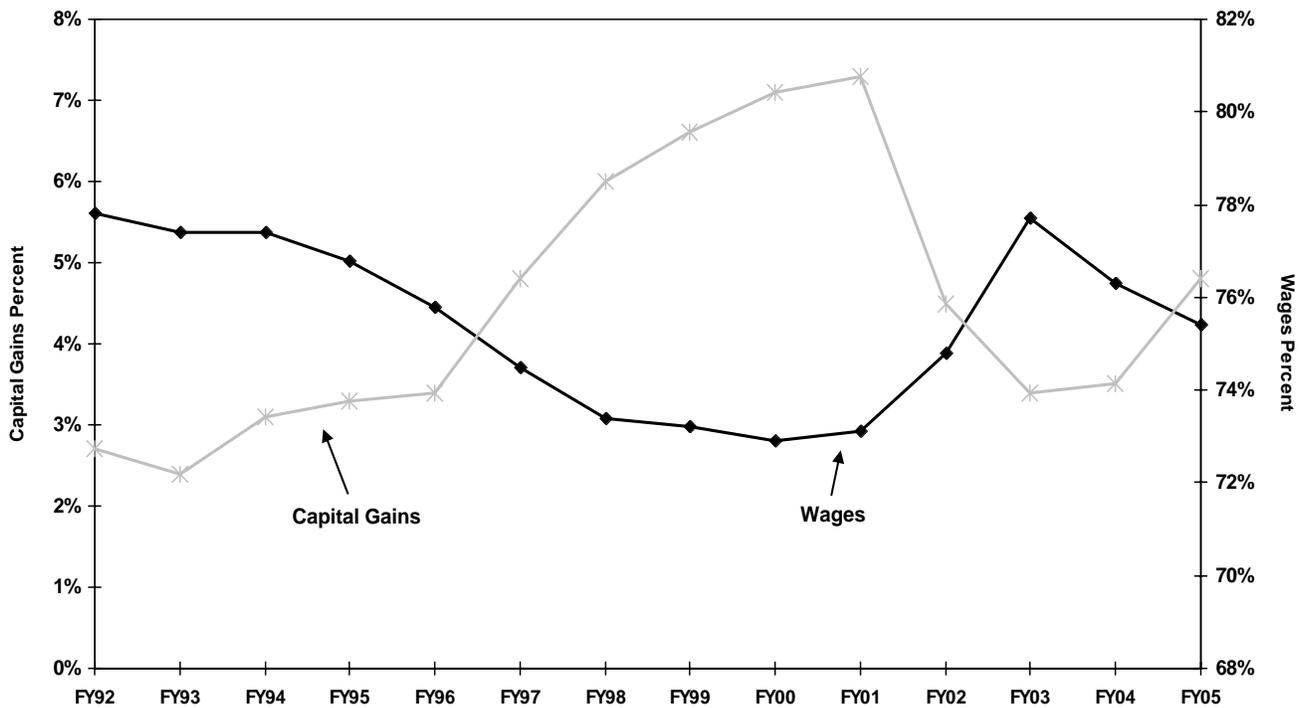
Note: The "Others" category includes unrestricted fines and fees, invested income, liquor profits, mineral lease, school land income (ended in fiscal 1988), federal revenue sharing (ended in fiscal 1982), corporate, severance, beer, cigarette, insurance, inheritance and motor fuels taxes.

e = estimate

Source: Governor's Office of Planning and Budget

Figure 38

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



Source: Utah State Tax Commission

Table 40
Cash Collection Unrestricted Revenues (Millions of Current Dollars): FY 1990 to FY 2006

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006e
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	1,389.6	1,431.4	1,441.3	1,444.0	1,501.9	1,634.5	1,705.0
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	11.7	21.0
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	37.1	38.1	39.5
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	67.4	75.0
Beer, Cigarette, and Tobacc	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	61.9	59.0
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	64.9	83.4
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	3.0	3.7
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	13.6	19.0
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	46.4	47.5
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	-5.9	-6.0
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	1,804.4	1,935.4	2,047.1
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	1,934.0	2,105.0
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	198.1	240.0
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	8.6	9.5
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	6.8	10.0
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	2,147.6	2,364.5
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	241.5	242.6
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	93.8	99.0
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	70.0	72.7
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	405.3	414.30
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	92.0	101.50
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	4,142.4	4,580.3	4,927.4

e = estimate

Sources:

1. Comprehensive Annual Reports, Division of Finance
2. Utah State Tax Commission Annual Reports
3. Governor's Office of Planning and Budget

Table 41
Cash Collection Unrestricted Revenues Percent Change: FY 1990 to FY 2006

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006e
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	8.8	4.3
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	11.9	2.5	80.2
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	7.9	3.8
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	-1.4	11.3
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	52.1	-4.7
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	-69.5	28.4
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	147.1	25.3
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	-47.3	39.7
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	5.6	2.5
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	7.3	5.8
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	13.8	8.8
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	27.9	21.1
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	7.9	10.7
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	-30.0	47.0
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	14.7	10.1
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	0.6	0.5
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	8.9	5.5
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	7.9	3.9
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	3.7	2.2
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	23.0	10.3
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	10.6	7.6
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	6.2	6.3

e = estimate

Sources:

1. Comprehensive Annual Reports, Division of Finance
2. Utah State Tax Commission Annual Reports
3. Governor's Office of Planning and Budget

Table 42

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 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	(\$99,592,100)	(\$995,921,000)
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	\$79,820,000	\$718,380,000
FY 1999			
H.B. 3001 (1996 November Session)	Additional Sales Tax - Manufacturing Exemption Modifications (1996 November Session) (4)	(\$11,200,000)	
	Subtotals FY 1999	(\$11,200,000)	(\$89,600,000)
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	(\$5,117,500)	(\$35,822,500)
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	(\$34,270,000)	(\$205,620,000)
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	(\$15,674,400)	(\$78,372,000)
FY 2003			
HB238 (2002 Session)	Cigarette and Tobacco Tax Amendments (25)	\$13,800,000	
	Subtotals FY 2003	\$13,800,000	\$55,200,000
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	\$28,403,400	\$85,210,200
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	\$15,553,357	\$35,106,714
FY 2006			
SB13 (2005 Session)	Subtraction for Certain Military Income (one-time only) (39)	(\$1,100,000)	
SB127 (2005 Session)	Tax, Fee, or Charge Amendments (40)	(\$1,350,000)	
	Subtotals FY 2006	(\$2,450,000)	(\$2,450,000)
Grand Total for Rolling 10 Year Taxes and Fees (A)(B)(C)		(\$30,727,243)	(\$513,888,586)

Table 42 (Continued)

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

Citations

- (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 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 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 percent 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 percent 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 percent. 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 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 (FY2005) 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 286s1) 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.
- (39) Provides a one-time only (FY2006) subtraction from federal taxable income. As of January 1, 2005, exempts the first \$2,200 in military income for guardsmen and reservists from income taxation.
- (40) Eliminates unintended sales tax increases by exempting delivery, installation and 'direct mailing' charges as well as rebates on new motor vehicles.