FISCAL NOTE

	FY 2019	FY 2020	FY 2021
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue increase/(decrease)			
GENERAL FUND (1)	$0	$108,000,000	$108,000,000
SCHOOL CAP CON ACCOUNT (3)	$42,000,000	$42,000,000	$42,000,000
COMMON SCHOOL - PL FUND (3)	($42,000,000)	($42,000,000)	($42,000,000)
SCHOOL FOUNDATION FUND (4)	$64,597,500	$64,597,500	$64,597,500
HIGHWAY FUND (4)	($64,597,500)	($64,597,500)	($64,597,500)
SCHOOL FOUNDATION FUND (5)	($0)	($1,386,000)	($1,386,000)
PROPERTY TAX REFUND ACCOUNT (5)	$0	$1,386,000	$1,386,000
GENERAL FUND (6)	($257,000)	($254,000)	($251,000)
GENERAL FUND (8)	$2,800,000	$2,900,000	$3,000,000
SCHOOL FOUNDATION FUND (9)	$0	$16,400,000	$16,700,000
AD VALOREM TAX (9)	$0	$33,000,000	$33,600,000
SCHOOL CAP CON ACCOUNT (10)	$0	$61,861,800	$62,400,300
GENERAL FUND (11)	$28,500,000	$28,500,000	$28,500,000
BUDGET RESERVE ACCOUNT (11)	$57,000,000	$57,000,000	$57,300,000
LOCAL SOURCES FUND (12)	$161,200,000	$162,300,000	$164,200,000
GENERAL FUND (13)	$22,730,000	$22,730,000	$22,730,000
GENERAL FUND (14)	$3,079,800	$3,079,800	$3,079,800
LOCAL SOURCES FUND (14)	$2,920,200	$2,920,200	$2,920,200
GENERAL FUND (16)	$9,188,070	$9,188,070	$9,188,070
LOCAL SOURCES FUND (16)	$8,711,930	$8,711,930	$8,711,930
GENERAL FUND (17)	($127,600,000)	($128,600,000)	($130,000,000)
LOCAL SOURCES FUND (17)	$127,600,000	$128,600,000	$130,000,000
HIGHWAY FUND (19)	$65,700,000	$66,600,000	$67,400,000
GENERAL FUND (20)	$7,300,000	$7,300,000	$7,300,000
TOBACCO SETT INC ACCT (21)(22)	$35,250,000	$35,250,000	$35,250,000
GENERAL FUND (21)(22)	($13,250,000)	($13,250,000)	($13,250,000)

	FY 2019	FY 2020	FY 2021
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure (decrease)			
SCHOOL FOUNDATION FUND (9)	$0	($42,500,000)	($43,300,000)

Sources of revenue increase(decrease) and expenditure (decrease):

Non-administrative impact estimates in the tables above are numbered to correlate with the sources of revenue and expenditure increase (decrease) and the assumptions provided below:

1. Imposition of 4% income tax on all taxable income over $200,000, distributed to the General Fund (GF), beginning in FY 2020;
2. Imposition of 0.25% to 2.0% county optional real estate transfer tax, distributed to local governments (indeterminable);
3. Elimination of $8 million/year state royalty cap to School CapCon Account;
4. Diversion of $64.5975 million in under-the-cap federal mineral royalties (FMRs) from the Highway Fund to the School Foundation Program (SFP);

5. Diversion of $1,386,000 in under-the-cap FMRs from the SFP to the Property Tax Refund Account, beginning in FY 2020;
6. Elimination of state excise tax on malt beverages (General Fund);
7. Imposition of optional local excise tax on malt beverages, distributed to local governments (indeterminable);
8. Increase in maximum profit percentage on liquor sales from 17.6% to 20.6%, distributed to the GF;
9. Increase in assessment rates from 11.5% to 13.5% for industrial property and from 9.5% to 10.5% for all other property, beginning in FY 2020 (SFP, Ad Valorem Tax). The SFP will experience both an entitlement expenditure decrease and recapture revenue increase from the 31 mill revenue increase in K-12 local resource to school districts. This impact is shown as an expenditure decrease to the SFP.
10. Imposition of a 3 mill state levy to School CapCon Account beginning in FY 2020;
11. Increase in severance tax rates for underground coal, oil, natural gas, trona, uranium and all miscellaneous minerals to 7% (GF and Budget Reserve Account (BRA));
12. Increase state sales & use tax rate by 1%, distributed to local govts;
13. Imposition of a 3.5% statewide lodging tax, distributed to the GF;
14. 2-year limitation of sales & use tax exemption on the sale or lease of manufacturing machinery (GF and local governments);
15. 2-year limitation of sales & use tax exemption on the sale of equipment used to construct a new coal gasification or coal liquefaction facility (no impact);
16. 2-year limitation of sales & use tax exemption on data processing service centers (GF and local governments);
17. Decrease in state sales & use tax distribution percentage to the GF from 69% to 49%. This change results in a corresponding increase in the distribution of sales & use tax to local governments (decrease to GF and increase to local governments);
18. Imposition of 0.1% to 1.0% municipal optional sales & use tax, distributed to municipalities (indeterminable);
19. Increase in fuel tax rates from $0.24/gallon to $0.34/gallon, with 100% of the increase distributed to the Highway Fund;
20. Increase in excise tax on moist snuff, cigars, snuff and other tobacco products, distributed to the GF;
21. Increase in cigarette tax from $0.60/pack to $1.60/pack and distributing additional tax to the Tobacco Settlement Trust Fund;
22. Diversion of $0.48/pack of current $0.60/pack cigarette tax from the General Fund to the Tobacco Settlement Trust Fund;

Assumptions:

1. The income tax imposed would apply beginning in calendar year 2020 for income earned in the 2019 tax year. Estimate is limited to individual income tax filers as there is not sufficient data available to determine what the corporate tax would look like. Utilized the 2015 Statistics of Income Report from the Internal Revenue Service (most recent report available). Derived amount of credit for sales & use tax as well as property tax from the report. Made no assumption for inflation as there is no information on how credits might be affected.

2. Real Estate Transfer Tax – County Option: All revenue would be distributed to county, municipalities/towns in proportion to population. No impact for state. Unable to identify amount that would be collected at the local level due to county option and amount can vary up to 2% of sale price. The list of real property that would be exempt from paying transfer tax is extensive.
3. From FY 2007-FY 2017, mineral royalties from school lands have averaged in excess of $150 million per year. One-third of this average amount is approximately $50 million per year. Removal of the $8 million per year cap would increase school lease revenues to the School Capital Construction Account from $8 million per year to an estimated $50 million per year, an estimated increase of $42 million per year. Removal of this cap would also result in a corresponding decrease in school lease revenues to the Common School Permanent Land Fund. Over time, this decrease in school lease revenues to the Common School Permanent Land Fund would also result in a decrease in investment income from the Common School Permanent Land Fund. This decrease is not reflected in the table above.
4. The diversion of under-the cap FMRs from the Highway Fund to the SFP is based on the FMRs projected in table 7(a) of the January 2018 CREG forecast.
5. The diversion of under-the-cap FMRs from the SFP to the Property Tax Refund Account beginning in FY 2020 is based on FMRs projected in table 7(a) of the January 2018 CREG forecast ($200,000,000 x 0.7% x 99% = $1,386,000).
6. Elimination of state tax on malt beverages would reduce GF revenues by $251,000-$257,000/year, based on projected sales by Dept. of Revenue (DOR).
7. The fiscal impact of the imposition of optional local excise tax on malt beverages is indeterminable, as it is dependent on the local governments that would implement the tax.
8. The above estimate of the increase in the liquor profit percentage from 17.6% to 20.6% is based on projected sales of spirits and wines, which are anticipated to increase at a rate of 2.85% per year.
9. This estimate is based on 2017 actual assessed values for industrial and all other property, and the 2017 average mill levy of 67.1 mills. The total increase in FY20 property tax is estimated at $91,900,000. This estimate assumes mill levies remain at 2017 levels. The estimates are adjusted by the projected growth rate from the January 2018 CREG forecast. The increase in assessment rates is repealed January 1, 2024 or on January 1 of the year immediately following the calendar year the state Board of Equalization certifies that the assessed valuation for all mineral production in the previous calendar year was at least $12.5 billion. The January 2018 CREG forecast projects the assessed value of mineral production to remain below this $12.5 billion threshold throughout the CREG forecast period.
10. The revenue increase to the School CapCon Account from the imposition of a 3 mill state levy is based on the total assessed valuations in Table 9 of the January 2018 CREG forecast.
11. The increases in severance taxes distributed to the GF and BRA are based on the severance taxes forecasted in the January 2018 CREG forecast.
12. The sales & use tax increase to local governments from the rate increase from 4% to 5% is based on projected sales and use tax revenues to the General Fund reflected in Table 1 of the January 2018 CREG forecast.
13. The above estimate of the 3.5% statewide lodging tax distributed to the GF is based on lodging taxes collected by local governments in FY 2017.
14. The DOR annually surveys manufacturers and compiles the information to produce the Effect of the Sales and Use Tax Exemption for Manufacturing

Machinery Report. The 2017 survey results reflect approximately 85% of all qualifying purchases were made by manufacturers operating in excess of two years. This represents approximately $6,000,000 in exemptions that no longer qualify. The $6,000,000 remains flat for the measurement period.

15. There would be no revenue increase from the limitation to the exemption for purchases of equipment to construct and maintain a coal gasification or coal liquefaction facility as no such facility has been constructed in Wyoming. The DOR is not aware of any planned future construction of this type of facility in Wyoming.

16. The DOR annually surveys data processing centers and compiles the information to produce the Effect of the Sales and Use Tax Exemption for Qualifying Data Processing Centers Report. The 2017 survey results reflect 100% of all qualifying purchases were made by data processing service centers operating in excess of two years. This represents $17,900,000 exemptions that would no longer qualify. The 17,900,000 remains flat for the measurement period.

17. The above estimate in changing the sales & use tax distribution to the GF from 69% to 49% is based on projected sales and use tax revenues to the General Fund reflected in Table 1 of the January 2018 CREG forecast. The above estimate includes the fiscal impact to the 1% administrative fee distributed to the GF. The distribution of the 1% administrative fee to the General Fund would increase by approximately $1.3 million per year.

18. The potential revenue increase to local governments from the imposition of a local municipal option tax is indeterminable. Any revenue increase would be dependent upon the entity imposing the option tax.

19. The revenue increase to the Highway Fund from $0.10/gallon fuel tax increase is based on projected fuel tax distributions from the Wyoming Department of Transportation (WYDOT). WYDOT states that there are items in WYDOT's budget that cannot be funded with highway user fees. These items are currently being funded with federal mineral royalties and severance taxes. In order to continue funding these items, WYDOT would still need to receive the full $6,711,500 in severance tax distribution.

20. The revenue increase to the GF from the excise tax increase on other tobacco products is based on FY 2017 actual revenues from other tobacco products. The floor stock tax in Section 5 will ensure the tax increases will be collected as of the effective date of the tax increases. Due to the magnitude of the tax increases, a 12% reduction in sales is projected from reduced consumption and increased purchases not subject to Wyoming tobacco taxes. There is also a potential revenue decrease from the likely reduction in the sales of Wyoming other tobacco products sold for consumption outside of Wyoming. However, this potential revenue decrease is unknown and therefore not incorporated into the above estimates.

21. The revenue increase from the $1/pack increase in the cigarette tax is estimated at $22.0 million per year. The floor stock tax will ensure the tax increase will be collected as of the effective date of the tax increase. Due to the magnitude of the tax increase, a 12% reduction in sales is projected from reduced consumption and increased purchases not subject to Wyoming cigarette tax. There is also a potential revenue decrease from the likely reduction in Wyoming cigarettes sold for consumption outside of Wyoming. However, this potential revenue decrease is unknown and therefore not incorporated into the above estimates.

22. The estimated diversion of $0.48/pack cigarette taxes to the Tobacco Settlement Trust Fund from the GF is based on the cigarette taxes projected in the January 2018 CREG forecast.

NOTICE-AGENCY ESTIMATE OF ADMINISTRATIVE IMPACT REQUESTED

This bill has administrative impact that appears to increase duties or responsibilities of one or more state agencies and may impact agency spending or staffing requirements. As introduced, the bill does not modify any state agency budget or current personnel authorizations.
The following state agencies will be asked to provide their estimate of the administrative fiscal impact prior to the first committee meeting held to consider the bill:

Department of Revenue

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