

ESTIMATED IMPACT OF REVENUE ALTERNATIVES

State General Fund Impact¹ (unless otherwise noted) - \$ in millions
Impact for Fiscal Year 2011 Assumes Effective Date of July 1, 2010

This is a list of options for raising revenues that have been commonly requested. The Department does not advocate these options; we consider them to be administrable.

<u>Synopsis of Alternative</u>		<u>FY 2011²</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>2011-13 Biennium</u>
RETAIL SALES/USE TAX - Rate Increase					
# 1	State rate from 6.5% to 6.6%	\$104.1	\$119.4	\$125.5	\$244.9
# 2	State rate from 6.5% to 7.0%	518.1	594.3	624.9	1,219.2
# 3	State rate from 6.5% to 7.5%	1,030.7	1,182.3	1,243.1	2,425.4
RETAIL SALES/USE TAX - Tax Base Expansion (except services)					
#4	Sewerage/garbage - shift from PUT/B&O to sales tax	22.8	25.9	26.7	52.6
#5	Repeal exemption - motor vehicle fuel (incl. fuel taxes)	707.9	860.0	902.8	1,762.8
#6	Manufacturing machinery & equipment exemption - total repeal	168.4	218.7	264.2	482.9
#7	Warehouse/grain elevator exemption - total repeal	3.7	4.1	4.1	8.2
#8	Trade-in exemption - total repeal	92.3	102.3	105.3	207.6
#9	extend tax to boats, trailers, mobile homes, appliances	3.8	4.6	4.9	9.5
#10	extend tax to motor vehicles	78.0	886.0	87.9	973.9
#11	Prescribed over-the-counter drugs - total repeal	19.1	21.6	22.3	43.9
#12	Extend tax to candy & gum	28.0	31.0	31.4	62.4
#13	Extend tax to bakery products, baked & sold on-site	15.9	18.2	19.1	37.3
#14	Limit exemption to NOP approved fertilizers, sprays, and washes	35.0	40.0	42.0	82.0
#15	Nonresident exemption (states with <3.0% sales tax - total repeal:	33.3	37.7	39.1	76.8
#16	Repeal exemption for custom software	70.1	84.4	96.7	181.1
#17	Limit deduction for bad debts to sellers only	1.6	1.9	2.2	4.1
#18	Cosmetic Surgery	6.6	7.4	7.7	15.1
RETAIL SALES/USE TAX - Extend Tax Base to Services³					
#19	Consumer Services ⁴	99.6	109.4	114.0	223.4
#20	Business Services ⁵	732.4	825.5	884.5	1,710.0
#21	Financial Services	189.9	209.9	220.2	430.1
BUSINESS & OCCUPATION TAX - Rate Increases					
#22	10% surtax on all existing rates	267.5	294.8	299.2	594.0
#23	25% surtax on all existing rates	668.8	736.9	748.0	1,484.9
#24	Retail rate - from 0.471% to 0.484%	17.8	19.7	20.0	39.7
#25	Service rate - from 1.5% to 1.75%	181.3	199.7	202.7	402.4

BUSINESS & OCCUPATION TAX - Tax Base Expansion

#26	1st mortgage deduction - total repeal	84.5	96.7	102.9	199.6
#27	Eliminate deduction for federal motor fuel taxes	3.8	4.4	4.5	8.9
#28	Modify exemption for shared real estate commissions	9.2	12.1	13.9	26.0
#29	Repeal exemption for state-chartered credit unions	16.9	19.0	20.6	39.6

OTHER BUSINESS TAXES

#30	PUT rate increase - 10% surtax on all rates	50.7	55.8	56.7	112.5
#31	PUT rate increase - 25% surtax on all rates	126.6	139.5	141.6	281.1
#32	PUT/B&O sewerage - all related activities taxed at 3.852%	10.6	12.1	12.7	24.8
#33	PUT on motor/urban transportation - increase to 3.852%	39.1	43.0	43.7	86.7

OTHER TAXES - Rate/Base Increases

#34	Property Tax - State levy increase - \$3.60	618.2	1,301.5	1,336.7	2,638.2
#35	Real estate excise tax increase - from 1.28% to 1.6%	122.7	147.3	162.0	309.3
#36	Cigarette tax - \$2.025 to \$2.10 ⁶	7.8	8.5	8.5	17.0
#37	Cigarette tax - \$2.025 to \$2.125	10.3	11.2	11.2	22.4
#38	Cigarette tax - \$2.025 to \$2.275	24.7	27.0	27.0	54.0
#39	Increase Other Tobacco Products tax from 75% to 85%	1.0	1.1	1.2	2.3
#40	Oil spill tax - from 5 cents per barrel to 5% of value	377.7	420.2	428.6	848.8
#41	Oil spill tax - 0.7% based on value of product, not volume	49.7	55.3	56.4	111.7
#42	Estate tax - \$1,000,000 threshold ^{7,8}	0.0	47.3	63.3	110.6
#43	Estate tax - \$1,500,000 threshold	0.0	17.7	23.8	41.5
#44	Estate tax - \$2,000,000 threshold; double all rates	0.0	130.4	131.2	261.6
#45	Repeal B&O credit for Syrup Tax	7.7	8.4	8.4	16.8
#46	Repeal B&O credit for Syrup Tax - Increase Syrup Tax from \$1 to \$2	15.4	16.8	16.8	33.6

NEW TAXES

#47	Soft drinks - 5 cents per 12 oz. at wholesale (<i>excludes fountain</i>)	93.6	101.5	100.9	202.4
#48	Bottled water - 1 cents per oz. at wholesale (<i>includes bulk sales</i>)	134.7	152.1	159.3	311.4

NOTES:

¹ Estimates reflect the November 2009 revenue forecast issued by the Forecast Council.

² Estimates for FY 2011 generally reflect 11 months of cash receipts, due to the 7/1/2010 effective date.

³ Extension of sales tax to services includes reduction in B&O tax to retailing classification.

⁴ Some items in this category are already subject to retail sales tax.

⁵ Some items in "business services" are also purchased by households.

⁶ Cigarette tax estimates are net of amounts to hold the Education Legacy Account harmless.

⁷ Estate tax proposals assume a January 1, 2011 effective date.

⁸ Estate tax is deposited in the Education Legacy Account.