How is Wyoming going to pay the bills today and in the future?

January 28, 2020
“The art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest possible amount of hissing.”

- Jean-Baptiste Colbert, Finance Minister (1665-1683), King Louis XIV
What is the WTA?
**Cornerstones of Taxation**

- Justification
- Equity
- Balance
- Stability
- Transparency

<table>
<thead>
<tr>
<th>JUSTIFICATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Is there a justified need for the tax and is it fiscally prudent?</td>
</tr>
<tr>
<td>✓ Are existing government funds spent efficiently before considering a new tax?</td>
</tr>
<tr>
<td>✓ Is the primary goal of the tax to generate revenue or does it mostly behavior or influence policy?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Does the tax impose equal and uniform liabilities upon similarly situated taxpayers?</td>
</tr>
<tr>
<td>✓ Is the tax constitutional?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BALANCE</th>
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</thead>
<tbody>
<tr>
<td>✓ Does the tax result in diversification in taxation?</td>
</tr>
<tr>
<td>✓ Does the tax influence decisions regarding spending, saving or investing?</td>
</tr>
<tr>
<td>✓ Does the tax concentrate a financial burden on a few and will the tax distort economic behavior?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STABILITY</th>
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</thead>
<tbody>
<tr>
<td>✓ Is the tax stable and predictable under changing political, economic, regulatory and environmental conditions?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TRANSPARENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Is the tax visible, accountable and auditable?</td>
</tr>
<tr>
<td>✓ Is the tax easy to understand, administer and cost effective to collect?</td>
</tr>
</tbody>
</table>
“Wyoming’s tax structure lacks equity, stability, and balance.” – Tax Reform 2000 Committee

- **Inequitable**: structure is regressive (lower income households pay a larger percentage of income in excise and property taxes than households with higher income).

- **Unstable**: mineral production taxes based on market values many of which are subject to national and international volatility.
Lacks balance: Tax structure reliant on extractive industries to fund operating budget (income inelastic as mineral tax collections are unrelated to state income changes).

Primary tax sources: Almost 75% of the State’s tax revenue is generated by property taxes, mineral severance taxes, and sales & use taxes.
Major Sources of Revenue

- Federal Mineral Royalties
- Coal Lease Bonus Payments
- State Mineral Severance Taxes
- State Mineral Royalties/Leases
- State Investment Income
- State Motor Fuel Taxes
- State Tobacco Taxes
- State & Local Sales/Use Taxes
- State & Local Property Taxes
- Inheritance, Alcohol & Misc. Taxes
Property Classes for Tax Assessment

Minerals (& Mine Products): 100.0%
Industrial: 11.5%
Commercial/Residential: 9.5%
Wyoming Tax Facts

- Wyoming ranks as one of the highest in per capita state and local government revenue and expenditures.
- And, we have no corporate or personal income tax and low property taxes!
- Yet, we are ranked lowest in the nation in household tax burden.
Direct Tax Collections & Public Service Costs

For a 3-person family with income of $60,000 and owning a home valued at $200,000

**Personal Tax Collections**

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales</td>
<td>$900</td>
</tr>
<tr>
<td>Gasoline</td>
<td>$220</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>$110</td>
</tr>
<tr>
<td>Alcohol</td>
<td>$90</td>
</tr>
<tr>
<td>Vehicle Registration</td>
<td>$460</td>
</tr>
<tr>
<td>Property Tax</td>
<td>$1,400</td>
</tr>
</tbody>
</table>

**Public Service Costs**

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>$2,970</td>
</tr>
<tr>
<td>City/Town</td>
<td>$3,320</td>
</tr>
<tr>
<td>Special District</td>
<td>$5,310</td>
</tr>
<tr>
<td>K-12 Education</td>
<td>$7,320</td>
</tr>
<tr>
<td>State Services</td>
<td>$8,130</td>
</tr>
</tbody>
</table>

Source: Department of Administration & Information, Economic Analysis Division 2018
“Breaking The Pace “
Can we make do with less?

General Fund & Reserve Accounts
(with Savings)

Notes/Source: Revenues from Jan 2020 CREG 2020/Previous Revenues include capital gains from Budget Fiscal Data Book / Fiscal Profile, Legislative Service Office/ Additional information from State Economic Analysis Division
CREG

- $77M General Fund shortfall
  - $72M lower natural gas prices
  - $5M reduction in state mineral royalties
- $200M Education shortfall
  - 800+ students
  - expenditures outpace revenues
- Oil is a bright spot, but will keep the budget revenue flat

Budget

- Flat budget made it through Governor’s recommendations & Appropriations
- $100M saved to go to LSRA
- Around $40M left on the table in discretionary funds for the Legislature
2020 Budget Session – Official Positions (no bill#s yet 1/10/2020)

Support
• HB0086 Fuel tax – Revenue
• 20LSO-0399 Wyoming tourism account funding – Appropriations

Oppose
• HB0064 National corporate tax recapture – Revenue
• HB0071 Wyoming public safety communications system funding – Transportations
Agriculture - Monitoring
- HB0036 Pesticide registration fee

Corporations
- SF0025 Energy production inventory exemption.

Labor
- HB0062 Senior healthcare special districts.

Revenue
- HB0033 Agricultural land qualifications.
- HB0047 Local sales and use taxes.
- SF0053 Property tax exemption.

Representative Hallinan
- HJ0001 State lands mineral royalties-constitutional amendment.
2020 Budget Session – Misc. bills
No position

Revenue
• HB0073 Nicotine products- taxation.
• SF0019 Ad valorem-confidentiality exception
• SF0030 Reporting of Property
• SF0040 Direct appeal to state board of equalization.
• SF0042 Nicotine products – age verification and shipping.
• SF0043 Sales and use tax - definitions update.
• SF0050 Nicotine products – lawful age and penalties.
• SF 0052 Tobacco products – mail and online sales prohibition.

Corporations
• HB0019 Municipal right-of-way franchise fees.

Transportation
• SF0006 Tolling authority for I-80,
TOPICS

Revenue

- 20LSO-0258 Tax exemption
- 20LSO-0263 Medicaid expansion
- 20LSO-0092 Statements of consideration

INTERIM

Select Committee of Coal/Mineral Bankruptcies - 1/30-1/31

- 20LSO-0302 v0.10 Monthly payment of ad valorem tax on mineral production

Travel, Recreation, Wildlife & Cultural Resources – 2/6

- 20LSO-0217 v0.9 Wyoming gaming commission.
Thank you!!!

Ashley Harpstreith
Executive Director

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