

Background

In 2002, during difficult budget times, the state doubled the amount of the purchase price of an individual sale item that is subject to the combined state and local option sales tax (9.75%) from \$1,600 to \$3,200. In addition, the state altered the distribution of the associated sales tax collections.

Under the altered arrangement, the state receives its full 7% levy and local government continues to receive its local levy on the first \$1,600 of the purchase price of an item. However, the state retains 100 percent of its 7% levy as well as 100 percent of the levy that is customarily reserved for local government (2.75%) on the sale of items with a purchase price above \$1,600.

Problem

Nineteen years later, the threat of a fiscal crisis is a distant memory. Yet, this austerity measure remains in place.

Last year, alone, the state received \$72 million in sales tax revenues that were generated by the additional 2.75 % levy on items with a purchase price above \$1,600. As a result, nearly \$36 million in sales tax revenues were diverted from local school systems and another \$36 million was diverted from local governments.

Since its adoption in 2002, this measure has resulted in the state realizing more than \$951 million in sales tax collections – revenues that would have benefitted the city, county and school system where these purchases occurred had the change not been enacted.

Remedy

Reverse this 19-year old measure to provide needed revenues for cities, counties and school systems.

The returned revenue would provide relief to local taxpayers and assist local governments to meet increasing demand for services, to continue to provide an environment that has enabled existing business and industry to succeed, to continue to promote economic expansion, and to continue to afford residents a high quality of life.

