

# WYOMING TAXPAYERS ASSOCIATION

## ACTION ALERT



Legislative Summary – Week One – Friday, January 16, 2009

### FISCAL REVIEW

The Consensus Revenue Estimating Group (CREG) announced sharply reduced budget reserves last week. The overall impact to all funds available includes a decrease of \$650.60 M to General Funds and the Budget Reserve Account. In October, the CREG estimated the available revenues to be approximately \$909.85 M. **The result is \$259.25 M available to the GF/BRA for 2009-2010.** Categories for sales and use tax, severance tax, investment income and federal mineral royalties all include decreases due to anticipated reductions in oil and gas employment, lower rates of growth, and deterioration and growing uncertainty in the financial markets.

### GOVERNOR REDUCES SUPPLEMENTAL BUDGET RECOMMENDATIONS

The day after the revised revenue estimates were announced from the CREG, the Governor announced his revised budget recommendations. The revised supplemental budget recommendations were reduced by \$216 M in General Fund appropriations, leaving approximately \$32.6 M for legislators. Among the items he kept in his recommendations: \$39 M in residential property tax relief, \$11 M for the Gillette water project, capital construction projects, including \$50 for roads, \$7 for airports, Casper College, the Girls School in Sheridan, the Pioneer Home, the Wyoming State Hospital, and the state laboratory projects in Cheyenne and Laramie. Some of the items cut include: \$47 M for additional school construction, \$20 M for University of Wyoming endowments, \$67 M for local governments, \$10 M for the Wyoming Wildlife and Natural Resources Trust, and \$10.3 M to adjust state employee salaries to market levels.

### GOVERNOR'S STATE-OF-THE-STATE ADDRESS

Governor Dave Freudenthal opened the general session of the sixtieth legislature with his state-of-the-state address Wednesday, January 14, 2009. Opening his remarks with a commentary on the remarkable decline of the national economy, Governor Freudenthal reminded everyone that we have a "false sense of immunity in Wyoming." He noted that, "Wyoming has historically been a state that enters a recession late and exits a recession late. And that pattern is being repeated in Wyoming today."

Indeed uncertainty comes in different forms. Just in July, oil prices were \$150 and Wyoming was projected to once again have a budget surplus of \$900 million. In January, the revenue estimates dropped to a mere \$259 million. And so the Governor's message continued, "expectations have changed, and we are not going to fund everything." The Governor even likened the decline in revenue projections to the seven stages of grief. "First there's shock and denial...then we move on to anger." "Yet, we are still in a remarkably good position relative to other states." As a result of the revenue projections, the Governor cut his supplemental budget request of \$500 million by \$216 million.

When approaching the budget, the Governor kept three things in mind: (1) the need to address the accumulated problems that arose in the state during the last several decades when there was no money; (2) investing in efforts to build Wyoming's future (i.e. clean coal, building roads or schools, as one-time expenditures); and (3) limiting ongoing expenditures.

The Governor's supplemental budget recommendations highlighted the following: capital construction projects and continued advertising for the tourism sector, accrued obligations for the retired teacher salaries, the new prison facility in Torrington, communities affected by energy development, and \$39 million in residential property tax relief, among other things. However, the main message was one of restraint and fiscal discipline.

## **BILLS OF INTEREST THIS WEEK**

**HB 22 – Qualification for veteran’s tax exemption** - Abolishes the requirement that veterans annually prove their qualification for the exemption and allows them to prove their eligibility via telephone. Amended in committee to be effective January 1, 2009 so that it may apply to the immediate tax year. Passed House Revenue Friday and will move to general file Monday.

**HB 50 Tax sales – costs** - Increases amounts of costs that may be collected by a county treasurer under tax sales of real or personal property from \$.23 per mile to an amount equal to the costs incurred (as determined by the State Auditor’s office), and from \$20 to \$40 to advertise in the case of sale of personal property. Passed House Revenue Friday and will move to general file Monday.

**HB 67 – Tobacco Excise Tax** - Provides that moist snuff tobacco will be taxed based upon net weight. And for anything up to 1 oz. an excise tax at the rate of \$.60. Anticipated increase in revenue \$819,000 yearly. The bill passed House Revenue on Wednesday with a vote of 2 no votes and 7 affirmative votes. Amendments on the floor of the House for first and second reading attempted to increase the amount of the excise tax for products weighing up to 1 oz from \$.60 to \$.90 or build an inflationary factor into the bill to increase the price, but all failed. One amendment to require the Department of Revenue to report on the sales and revenue from moist snuff tobacco at least every five years passed. The inflationary concepts spurred a broader discussion as to what Wyoming’s tax policy really entails. More amendments are anticipated for third reading. The bill will move to third reading Monday. **WTA supports this bill without any inflationary factors written into statute.**

**HB 101 – Excise tax – manufacturing exemption** - Provides for agents of persons engaged in manufacturing to claim an excise tax exemption. No fiscal impact. Passed House Revenue and is moving through the House. The bill was amended in committee to be enacted as soon as possible. Passed second reading on Friday. **WTA supports this bill.**

**HB 102 – Excise Tax – Vendor Compensation** - Provides a credit to vendors for the collection and payment of sales and use taxes. 1% credit, not to exceed \$10,000 per calendar year. Approximate \$6.9 M impact to GF and locals. This bill is identical to Arizona’s vendor allowance program. The revenue committee explored different ways to give more relief to vendors, while keeping the bill revenue neutral, however all attempts yielded increased loss to the state and local government. The bill passed out of House Revenue Friday unamended and will be heard on general file Monday. **WTA supports this bill.**

**SF 53 – Property tax deferral program** – Senator Jennings - Amends the property tax deferral program to 250% of the federal poverty level instead of 150% and imposes a requirement that an applicant be a resident of at least 8 years. Was up in Senate Revenue Thursday; however there was a constitutional question of whether the bill could start in the Senate because it affects revenue statutes. Therefore a mirror bill sponsored by Representative Pete Anderson will be introduced in the House.

## **SUMMARY OF PROPERTY TAX RELIEF BILLS**

The House Revenue Committee will hear all property tax relief bills on Wednesday of next week. WTA will provide information to the Committee on various relief options, what other states are doing, Wyoming’s current property tax relief programs, as well as other highly acclaimed studies on the implications of revenue limitations. Here is a summary of the property tax relief bills that are out so far:

**HB 68 – Property Tax – Homestead Exemption – Joint Revenue Committee** - Homestead property tax exemption of \$4,400 of assessed value on owner-occupied primary dwellings for homeowners who currently live in Wyoming and have lived in Wyoming for at least 3 years. Appropriation of \$40.2 M.

**HB 87 – Property Tax – Assessment Rate 2 – Simpson, Buchanan, Gingery, Miller, Bebout, Coe and Larson** - Reduces the assessment rate for the all other property category from 9.5% to 8.25%. Appropriation of \$44 M from GF for 2010 only. Locals will be held harmless with the \$44 M. The SFP will suffer an estimated loss of approximately \$9.6 M in 2010 and \$10 M in 2011, however, the 12 mills for payment to the SFP will not be held harmless.

**HB 138 – Property Tax Refund Program – Madden, Anderson, Landon, Teeters, and Schiffer - Amends** the Property Tax Refund Program so that property taxes must be paid by the first Monday in June, changes the income requirement from 2/3 the median gross household income to 3/4, extends the total household assets from \$50,000 to \$100,000 per adult member, amends language pertaining to an IRA or other pension plan. Fiscal note estimates that an increase of 10% per year or 1,850 applicants. Should yield \$72,000 in 2010, \$79,000 in 2011, and \$87,000 in 2012 in increased property tax refunds.

**HB 175 – Property Tax – assessment rate – 3 – Miller and Philp - Mirror to SF 55.** For January 1, 2010, through December 31, 2011, changes the ratio for industrial property from 11.5% to 11% and 'all other' from 9.5% to 9%. The reduction of assessment rates will result in reduction of property tax revenues to local governments and the School Foundation Program to the amount of \$5.3 M. There is an appropriation of \$50 M to keep locals whole.

**HB 189 – Property Tax – Assessed Valuation – Shepperson, Dockstader - Limits** the amount property tax assessments may increase to 102% of the assessed valuation from the previous year. The property comes up to FMV when the property is sold. Essentially a "Prop 13" concept. Anticipated revenue decreases of more than \$18 M for FY 2010, \$30 M for FY 2011, and \$40 M+ for FY 2012.

**HB 202 – Homestead Exemption -3 – Davison, Brechtel, Gilmore, Goggles, Cooper, Dockstader, Larson, and Martin - Mirror to SF 81.** Homestead exemption of up to \$300 for a resident of WY for 3 years. Applies to tax year 2009, which will impact property taxes collected in 2010. Locals held harmless by appropriation of \$40,000 from the GF for 2010. Applicable only if one of two things happen: (1) the legislature has appropriated funds to reimburse local governments for tax losses, or (2) the combined unappropriated balance of the GF/BRA meets or exceeds 5% of the GF projection for the current biennium AND the unappropriated balance of the SFP meets or exceeds \$100 M.

**SF 53 – Property tax deferral program – Jennings, Brechtel, Miller, Edmonds, Wallis - Amends** the property tax deferral program to 250% of the federal poverty level instead of 150% and imposes a requirement that an applicant be a resident of at least 8 years.

**SF 55 – Property Tax Assessment Rate – Bebout and Larson - For January 1, 2010 through December 31, 2011,** changes the ratio for industrial property from 11.5% to 11% and 'all other' from 9.5% to 9%. The reduction of assessment rates will result in reduction of property tax revenues to local governments and the School Foundation Program to the amount of \$5.3 M. There is an appropriation of \$50 M to keep locals whole.

**SF 81 – Homestead Exemption 2 – Cooper, Dockstader, Larson, Martin, Davison - Homestead exemption** of up to \$300 for a resident of WY for 3 years. Applies to tax year 2009, which will impact property taxes collected in 2010. Locals held harmless by appropriation of \$40,000 from the GF for 2010. Applicable only if one of two things happen: (1) the legislature has appropriated funds to reimburse local governments for tax losses, or (2) the combined unappropriated balance of the GF/BRA meets or exceeds 5% of the GF projection for the current biennium AND the unappropriated balance of the SFP meets or exceeds \$100 M.

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**WTA MEMBERS, PLEASE NOTE – WTA WEEKLY LEGISLATIVE POLICY MEETINGS EVERY  
MONDAY OF THE LEGISLATIVE SESSION**

**WHERE: 2120 CAREY AVE., CHEYENNE, 4<sup>TH</sup> FLOOR CONFERENCE ROOM**

**WHEN: 2:00 PM**

**WHY: TO DISCUSS TIMELY LEGISLATIVE POLICY ISSUES, SUMMARY OF BILLS, AND MAKE  
RECOMMENDATIONS FOR WTA POLICY DIRECTION.**

**ALL WTA MEMBERS ARE ENCOURAGED TO ATTEND.**

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2009 LEGISLATIVE SESSION - Tentative schedule  
(37 day schedule – Recess on President's Day)

**WYOMING'S LEADING TAX POLICY AND RESEARCH ORGANIZATION SINCE 1937.**

Day 1 Tuesday, January 13	Session convenes.
Day 12 Wednesday, January 28	Last day for Senate Files to be submitted to LSO for introduction. (noon)
Day 15 Monday, February 2	Last day for House Bills to be submitted to LSO for introduction. (noon)
Day 19 Friday, February 6	Last day for bills to be reported out of Committee in house of origin.
Day 20 Monday, February 9	Last day for Committee of the Whole in house of origin.
Day 21 Tuesday, February 10	Last day for Second Reading in house of origin.
Day 22 Wednesday, February 11	Last day for Third Reading on Bills in house of origin.
<b>Monday, February 16</b>	<b>President's Day Recess</b>
Day 32 Thursday, February 26	Last day for bills to be reported out of Committee in second house.
Day 33 Friday, February 27	Last day for Committee of the Whole on bills in the second house.
Day 34 Monday, March 2	Last day for Second Reading on bills in the second house.
Day 35 Tuesday, March 3	Last day for Third Reading on bills in the second house.
Day 36 Wednesday, March 4	Concurrence on Amendments/Joint Conference Committee Reports.
Day 37 Thursday, March 5	Joint Conference Committee Reports; All JCC Reports due to Front Desk by 2:00 p.m. <u>ADJOURN</u> by Midnight.
Friday, Monday, and Tuesday - March 6, 9 and 10 are available if necessary.	