



WYOMING LEGISLATIVE SERVICE OFFICE

# Memorandum

DATE November 14, 2005

TO Members, Task Force on Utility and Tax Relief

FROM Dave Gruver, Assistant Director  
Don Richards, Senior Research Analyst

SUBJECT Additional detail: categories of previously proposed relief bills

Please find enclosed a summary of current tax and utility relief programs and examples of recently prepared draft legislation that would amend, expand or create new relief programs. This discussion expands upon a previous mailing you should have already received and comes at the request of Chairman Luthi.

LSO will have a few fiscal details relating to some relief options as well as a discussion of Constitutional issues to present at the Thursday, November 17th meeting in Casper. These materials are not yet ready for distribution.

If you have any questions on this topic or other research, do not hesitate to contact us at 777-7881.

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WYOMING LEGISLATIVE SERVICE OFFICE  
DAN J. PAULI, *Director*

**Property tax – general reduction.**

All property is grouped into one of three categories under the Constitution: minerals, industrial and all other. The legislature is to prescribe the percentage of value to be assessed within each class. All taxable property must be valued at its full value, except that agricultural and grazing lands are to be valued according to the capability of the land to produce agricultural products. The percentage of value prescribed for industrial property cannot be more than forty percent higher nor more than four percentage points more than the percentage prescribed for property other than minerals. Current law assesses minerals at 100% of value, industrial at 11.5% and all other at 9.5%.

The legislature is prohibited by the Constitution from further subdivision of the three groups. Residential falls under "all other" property. Two approaches have been taken to lower residential property taxes:

1. Lower the assessment rate for the all other property class (currently 9.5%), see 2003 HB 138. Given the current constitutional restriction, unless industrial is lowered, the lowest rate for residential would be approximately 8.25%;
2. Propose amending the Constitution to carve a fourth class for residential. Variations would include limiting or allowing the legislature to limit increases and/or allow the legislature to further subdivide this class. See 2005 HJ 6.

The Constitution also exempts certain property from taxation and allows the legislature to exempt other property by general law. The legislature has exempted property owned by veterans providing an annual total tax benefit of \$800.00. The \$800.00 limitation does not apply to qualified widows of veterans nor veterans of the Spanish American War. The cap is also raised for service connected disability.

**Motor vehicles.**

The county registration fee is established by statute as a percentage of a percentage of the factory price of the vehicle, with the second percentage decreasing with age. Three percent of 60% of the factory price for a vehicle in its first year of service, down to 3% of 15% of the factory price for a vehicle in its sixth year of service and thereafter. The state registration fee is a fixed amount. (Fifteen dollars for passenger cars.) Certain groups of citizens and uses of vehicles have the fees waived or reduced. (War veterans and prisoners of war, vehicles used primarily off-road have a reduced fee.) Proposals to cap the vehicle value or to reduce the fee based upon certain other criteria (e.g. fuel efficiency) have been introduced. See, e.g., 2005 HB 116. Other options would include changing the percentage applied or setting a vehicle price floor before any fee is collected.

### **Energy assistance grants.**

Low income energy assistance program. This program is income based and for the most part federally funded. Program benefits are determined by a household income based on 150% of the federal poverty guideline and the number of people in a household.

The Program has three components:

1. Provide financial assistance to a household to offset the cost of home heating.
2. Energy Crisis Intervention Program (CRISIS) which helps with deposits and potential utility shut-off.
3. Heating system repair and replacement may be available year round through the Weatherization Assistance Program.

Last session, of the state appropriation to the department of family services, \$750,000 was earmarked for the program. Proposals in the past have been to supplement the federal program with state funds to increase eligibility to as much as 250% of the federal poverty level. Other proposals would create a separate state supplemental energy assistance program based upon income and work qualifications. See e.g., 2005 HB 296, 2001 SF 177.

### **Sales tax.**

The state sales tax is 4%, the general local option can be an additional 2%. Approximately 30% of the state tax is redistributed to local governmental entities based upon the location generating the revenues. Of the state tax, ½% can be reduced based upon anticipated general fund balances. Proposals in the recent past include as minimal as a state tax holiday for school clothing for a very limited period of time to reducing the state sales tax overall. In between are reductions or removal of the sales tax on particular items, often food or utilities such as gas and electric. Variations of these proposals have included sunsets, limited periods for the reduction or exemption (e.g., utilities during the winter months), and proposals to keep the local entities "harmless" as a result of reduced tax collections from removal of the optional local taxes and from a reduction in the distributions to local governments based upon a smaller statewide tax collection. Another variation was to collect the sales tax on utilities, but pool those funds and use them to offset utility commodity increases approved by the PSC. Some proposals have been contingent on certain revenue amounts, such as the current law for the ½% of the state 4%. See 2001 SF 179. A draft bill, 06 LSO-0259.W1, contains many of the options noted above with both the food and utility exemption, a sunset and payment to local governments. (Attached)

### **Tax credit/rebate programs.**

There are three existing programs for which numerous amendments have been proposed in the recent past. All are described in more detail in the Issue Brief (05IB016).

**The homeowner's tax credit** is based upon the value of the property and the mills assessed against the property. A fixed dollar amount times the mill levy is granted for housing under certain levels. (\$1,460 times the mills imposed for houses under \$41,052 or \$590 times the mills for houses under \$61,579 (market value).) This amounts to about \$42 and \$105 per year. The purpose of this program is stated "to provide general property tax relief for certain persons who own their residences

through a system of tax credits and general fund appropriations. The relief provided is to offset in part the general tax burden. Thus, the tax relief provided is determined by reference to property tax assessment and collection mechanisms but is not limited to property tax relief nor formulated upon legislative power to relieve such taxes. It is for the general relief of taxes and grounded upon general legislative power."

Proposals have included modifying the value of the property eligible and including income and age criteria. Based upon the structure of the program, the multiplier for the credit could also be adjusted. The program is subject to legislative appropriation and has not been funded in the recent past. See 2001 HB 245.

**Tax refund to elderly and disabled.** This is an income, resource, age and disability criteria program. The purpose of the program is stated to be an allowance for sales and use tax refund, property tax refund and a refund for utility or energy costs. A qualified single person (age 65 or totally disabled) whose actual income is less than \$10,000 receives \$500 reduced by the percentage that his actual income exceeds \$6,000. Qualified married persons whose actual income is less than \$14,000 receive \$600 reduced by the percentage that their actual income exceeds \$8,000 per year. The resource limitation is \$4,500 (after a \$100,000 exemption for a house, furnishings and a car.) All eligibility criteria could be modified to increase either the number of persons eligible or the amount of the refund. See, e.g., 2004 HB 113.

**Property tax relief.** This program is based upon income, resources and payment of property taxes. The income maximum is one-half the median income in the county. Resources cannot exceed \$20,000 per adult household member (excluding house, furnishings, car and retirement savings). The maximum refund is ½ the property tax paid, not to exceed ½ of the median for the county. A five year residency requirement applies. Again the eligibility criteria could be modified to make more people eligible and the maximum refund could be increased. See e.g. 2005 SF 34.

Additional tax credit programs have been proposed. The rebate of \$500 for property, sales and use taxes was proposed by 2001 SF 176. A lower amount (\$200) and representing a rebate of fuel taxes in addition to property and sales and use taxes was proposed by 2004 SF 10.

### **Distributions.**

Pure distribution programs, distinguished from tax rebate programs, in that they do not represent or purport to represent a rebate of taxes the individual paid, have also been proposed. In recognition of the Constitutional prohibition on donations to individuals, these generally are proposals to amend the Constitution. Both distributions from existing funds and distributions based upon additional severance taxes have been proposed. See 2001 HJ 10 and 2005 HJ 12.

**WORKING DRAFT**

HOUSE BILL NO. \_\_\_\_\_

Consumer tax relief.

Sponsored by:

A BILL

for

1 AN ACT relating to taxation; providing sales and use tax  
2 exemptions on certain consumer transactions; providing an  
3 appropriation for local governments to offset decreased  
4 revenues resulting from the exemptions; providing a sunset;  
5 and providing for an effective date.

6

7 *Be It Enacted by the Legislature of the State of Wyoming:*

8

9       **Section 1.** W.S. 39-15-101(a) by creating a new  
10 paragraph (xxxix), 39-15-105(a)(vi) by creating new  
11 subparagraphs (E) and (F), 39-16-101(a) by creating a new  
12 paragraph (xvii) and 39-16-105(a)(vi) by creating new  
13 subparagraphs (E) and (F) are amended to read:

14

15       **39-15-101. Definitions.**

1

2 (a) As used in this article:

3

4 (xxxix) "Food" means food for domestic home  
5 consumption as defined by department rule and regulation.

6 This paragraph is repealed effective July 1, 2008.

7

8 **39-15-105. Exemptions.**

9

10 (a) The following sales or leases are exempt from the  
11 excise tax imposed by this article:

12

13 (vi) For the purpose of exempting sales of services  
14 and tangible personal property which are essential human  
15 goods and services, the following are exempt:

16

17 (E) For the period commencing July 1, 2006 and  
18 ending June 30, 2008, sales of food for domestic home  
19 consumption;

20

21 (F) For the period commencing July 1, 2006  
22 and ending June 30, 2008, sales of gas, electricity or heat  
23 for domestic consumption which would otherwise be taxed  
24 pursuant to W.S. 39-15-103.

1

2       **39-16-101. Definitions.**

3

4       (a) As used in this article:

5

6               (xvii) "Food" means food for domestic home  
7 consumption as defined by department rule and regulation.  
8 This paragraph is repealed effective July 1, 2008.

9

10       **39-16-105. Exemptions.**

11

12       (a) The following purchases or leases are exempt from  
13 the excise tax imposed by this article:

14

15               (vi) For the purpose of exempting sales of services  
16 and tangible personal property and services which are  
17 essential human goods and services, the following are  
18 exempt:

19

20               (E) For the period commencing July 1, 2006 and  
21 ending June 30, 2008, purchases of food for domestic home  
22 consumption;

23

1                   (F) For the period commencing July 1, 2006  
2 and ending June 30, 2008, purchases of gas, electricity or  
3 heat for domestic consumption which would otherwise be  
4 taxed pursuant to W.S. 39-16-103.

5

6           **Section 2.** For the fiscal biennium beginning July 1,  
7 2006 and ending June 30, 2008, there is appropriated to the  
8 state treasurer from the general fund twenty-nine million  
9 dollars (\$29,000,000.00) for the purpose of augmenting  
10 revenues to local governments in recognition of revenues  
11 lost by local governments as a result of the sales and use  
12 tax exemptions provided under this section. The  
13 appropriation provided in this section shall be divided  
14 into twenty-four (24) equal amounts to be distributed  
15 monthly. Each month the state treasurer shall distribute  
16 to each county, city and town a share of this total monthly  
17 amount in the same proportion as each county, city and town  
18 receives that same month from all sales and use tax monthly  
19 distributions under W.S. 39-15-111, W.S. 39-15-211, W.S.  
20 39-16-111 and W.S. 39-16-211.

21

22           **Section 3.** This act is effective immediately upon  
23 completion of all acts necessary for a bill to become law



1 as provided by Article 4, Section 8 of the Wyoming  
2 Constitution.

3

4

(END)

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