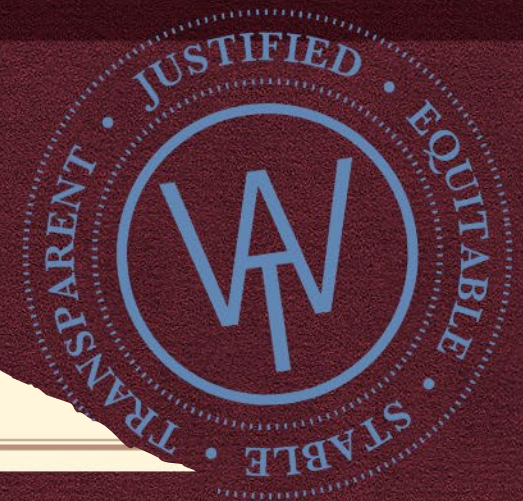




2023

Tax Structure 101 & Legislative considerations





The Tax Collector's Creed

“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 purpose of taxes?



“Taxes are the structure by which we as citizens pool our resources to pay for infrastructure and services we could not afford on our own. The goal for those responsible for administering those taxes is to ensure taxpayers are paying their fair share of the tax burden. No more, no less. It is the responsibility of the legislature to determine what that amount is.”

- Brenda Henson, Director of Wyoming Department of Revenue

[Not All Taxes Are Created Equal – YouTube](#)



Wyoming Taxpayers Association

What is the WTA?

CORNERSTONES OF TAXATION



JUSTIFIED

- ✓ Is there a justified need for the tax and is it fiscally prudent?
- ✓ Are existing government funds spent efficiently before considering a new tax?
- ✓ Is the primary goal of the tax to generate revenue or does it modify behavior or influence policy?

EQUITABLE

- ✓ Does the tax impose equal and uniform liabilities upon similarly situated taxpayers?
- ✓ Is the tax constitutional?
- ✓ Does the tax disadvantage one taxpayer over another?
- ✓ Will the tax distort economic behavior?

STABLE

- ✓ Is the tax stable and predictable under changing political, economic, regulatory and environmental conditions?
- ✓ Does the tax result in diversification in taxation?

TRANSPARENT

- ✓ Is the tax visible, accountable and auditable?
- ✓ Is the tax easy to understand, administer and cost effective to collect?

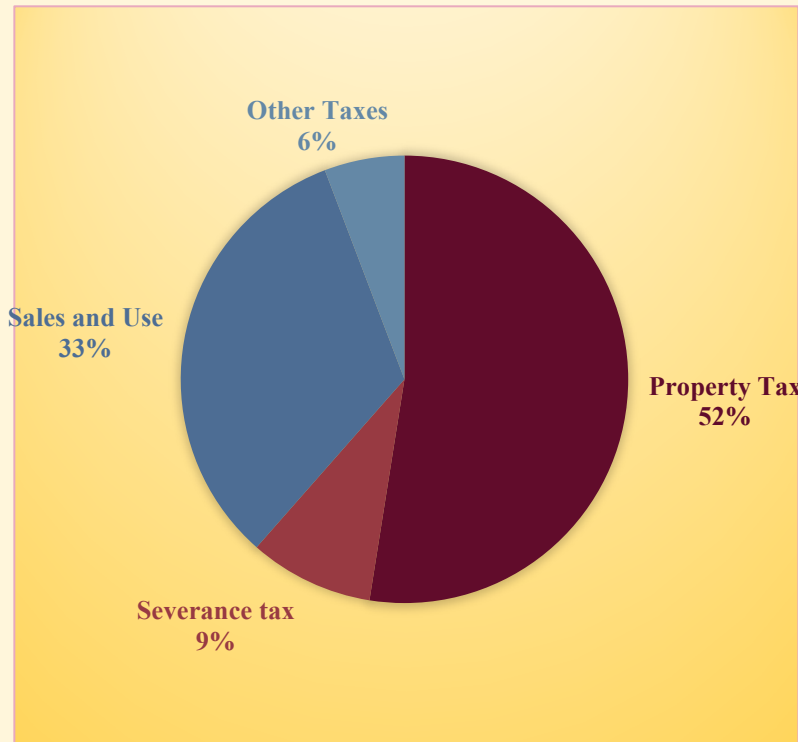


Tax Reform 2000 Committee

“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.
- <https://wyotax.org/research-education/wyoming-tax-reform-2000/>

Major Components of Wyoming's Tax Structure



NO INDIVIDUAL INCOME TAX
NO CORPORATE INCOME TAX

Property Tax - 52%

- Property tax for mineral production 45% of FY21 total
- CY18 effective tax rate on owner-occupied housing value 0.56% (#44)

General Sales Tax - 33%

- State tax rate 4%, avg. local rate 1.51% = 5.51% combined rate (#44)

Severance Tax - 9%

- 6% of value on oil & gas, 4% on stripper oil
- 7.0%* of value on surface coal, 3.75% of value on underground coal. 6.5% as of January 1, 2021

Other Taxes - 6%

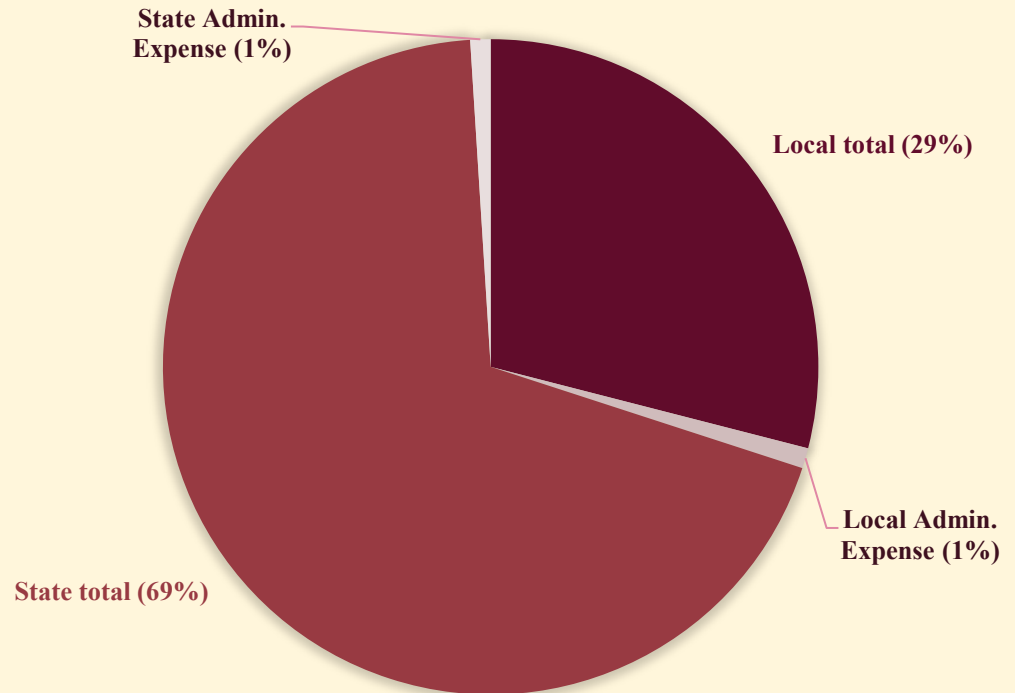
- Fuel tax \$0.24/gallon (#38)
- Cigarette tax \$0.60/pack (#43)
- Alcohol – Beer \$0.02/gallon (#50), Wine \$0.28/gallon, Spirits \$0.94/gallon (no ranks)
- Insurance premium tax
- Franchise tax
- Wind generation tax

Source: Wyoming Legislative Service Office Fiscal Profile 2021, Wyoming Department of Revenue, Tax Foundation



Excise – The Power of a Penny

<u>Sales and Use Tax</u>	<u>(\$ Millions)</u>
Local total (29%)	\$312,386,701
Local Admin. Expense (1%)	\$10,771,955
State total (69%)	\$743,264,909
State Admin. Expense (1%)	\$10,771,955
Total Sales and Use Tax Collected FY 2022	\$1,077,195,521



Source: Department of Revenue, FY 2022

Excise – The Power of a Penny

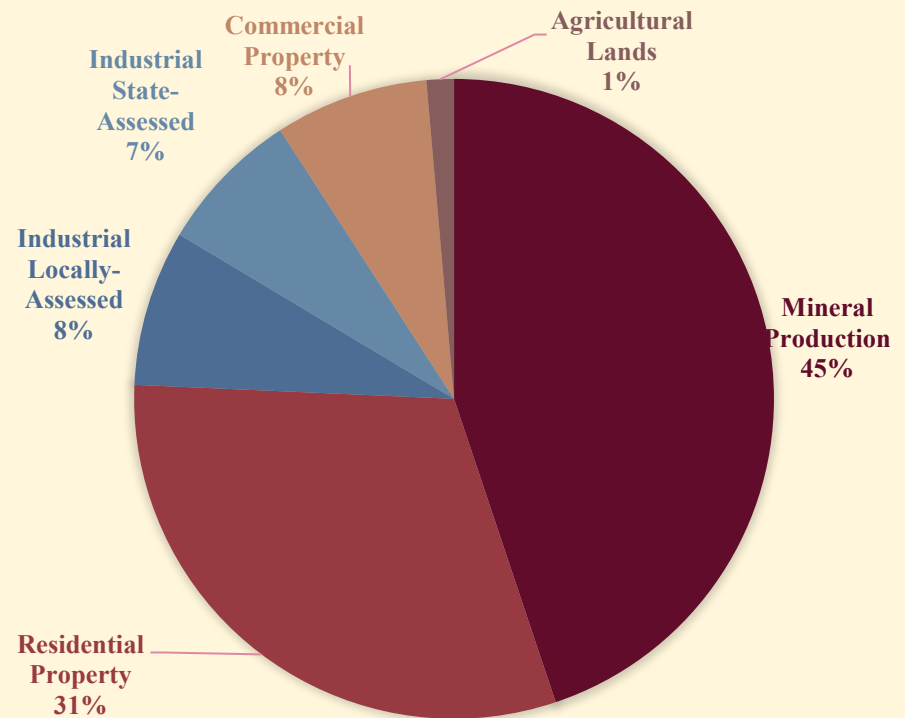


SALES TAX TYPE	AMOUNT	COUNTIES & DISTRICTS THAT LEVY
Statewide	\$0.04	23
General Purpose	\$0.01	21
Specific Purpose	\$0.01	15
Municipal Purpose	\$0.01	None at this time
Resort District	\$0.03	2
Econ Development	\$0.01	2



Property tax – How it is derived

<u>How It's Derived</u>	<u>(\$ Millions)</u>
Mineral Production	\$775
Residential Property	\$533
Industrial Locally-Assessed	\$136
Industrial State-Assessed	\$126
Commercial Property	\$134
<u>Agricultural Lands</u>	<u>\$24</u>
TOTAL TAX REVENUE:	\$1,728

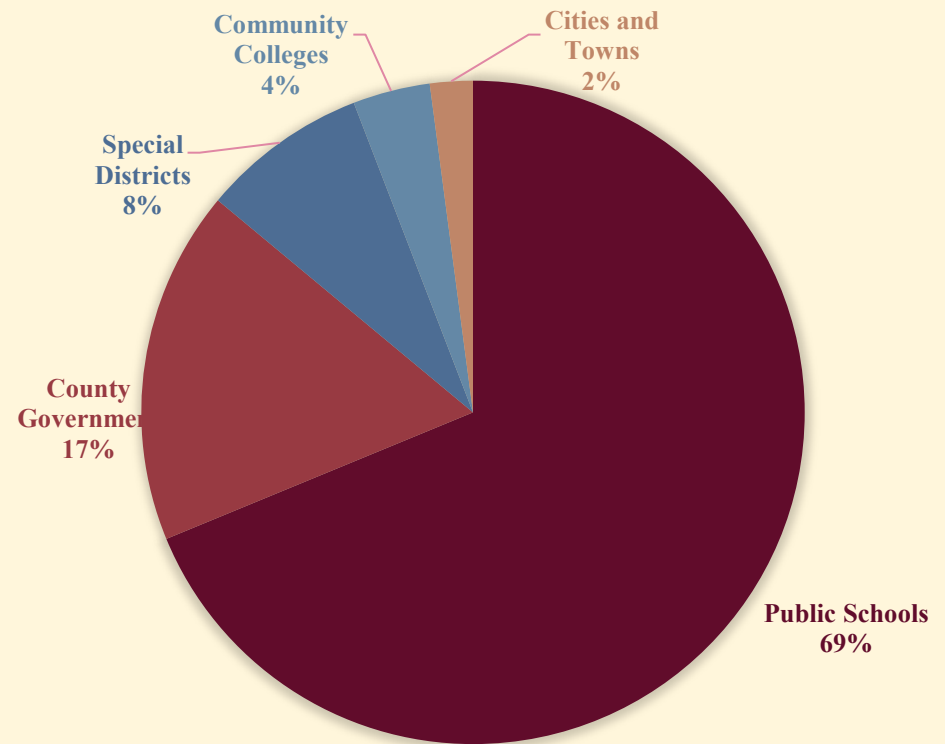


Source: Department of Revenue, FY 2022



Property tax – How it is used

<u>How It's Used</u>	<u>(\$ Millions)</u>
Public Schools	\$1,187
County Government	\$298
Special Districts	\$140
Community Colleges	\$65
Cities and Towns	\$36
TOTAL:	\$1,726



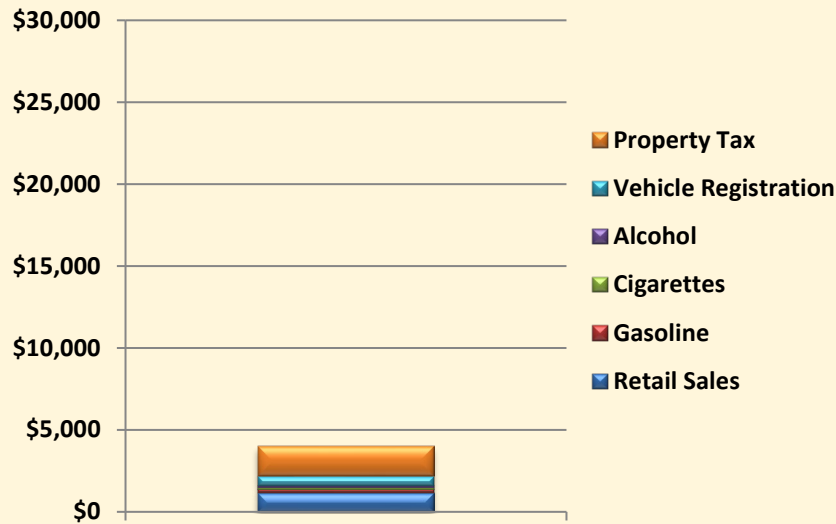
Source: Department of Revenue, FY 2022

Direct Tax Collections & Public Service Costs 2021

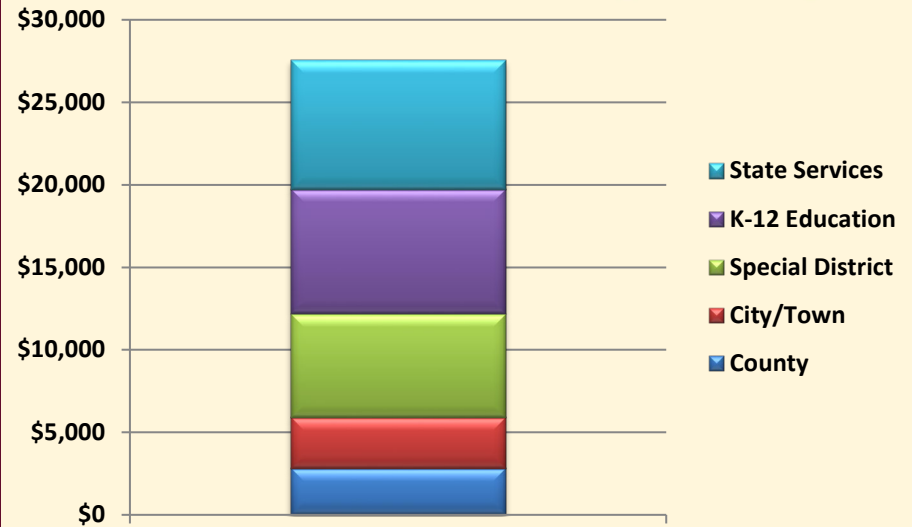


For a 3-person family with income of \$67,000 and owning a home valued at \$290,000

Personal Tax Collections



Public Service Costs



Personal Tax Collections

Retail Sales	\$ 1,150	} \$ 3,990
Gasoline	\$ 210	
Cigarettes	\$ 120	
Alcohol	\$ 110	
Vehicle Registration	\$ 600	
Property Tax	\$ 1,780	

Public Service Costs

County	\$ 2,810	} \$27,550
City/Town	\$ 3,070	
Special District	\$ 6,290	
K-12 Education	\$ 7,570	
State Services	\$ 7,810	

Source: Department of Administration & Information, Economic Analysis Division 2022

NOTE: Excludes Federal Funds and Enterprise Revenues

What does this mean for economic development and diversification?



Economic diversification efforts are unable to improve revenue flow in Wyoming – *without tax reform*

REMI

Under Wyoming's current tax structure, costs associated with adding 100 new workers in every field except the Oil and Gas Industry would outstrip the tax revenue generated within a few years.

Impact of 100 new jobs added to the following industries in 2017	USING EXISTING TAX STRUCTURE IN	
	WYOMING <i>(No corporate or personal income taxes)</i>	UTAH, NORTH DAKOTA AND KENTUCKY <i>(Corporate and personal income taxes and slightly higher sales taxes)</i>
OIL AND GAS INDUSTRY	Revenue outpaces expenditures by 2017	Revenue outpaces expenditures by 2021
CHEMICAL MANUFACTURING	Expenditures outpace revenue by 2022	Revenue outpaces expenditures by 2021
UTILITY INDUSTRY	Expenditures outpace revenue by 2024	Revenue outpaces expenditures by 2021
FOOD MANUFACTURING, NAMELY AGRICULTURAL PRODUCTS	Expenditures outpace revenue by 2027	Revenue outpaces expenditures by 2021

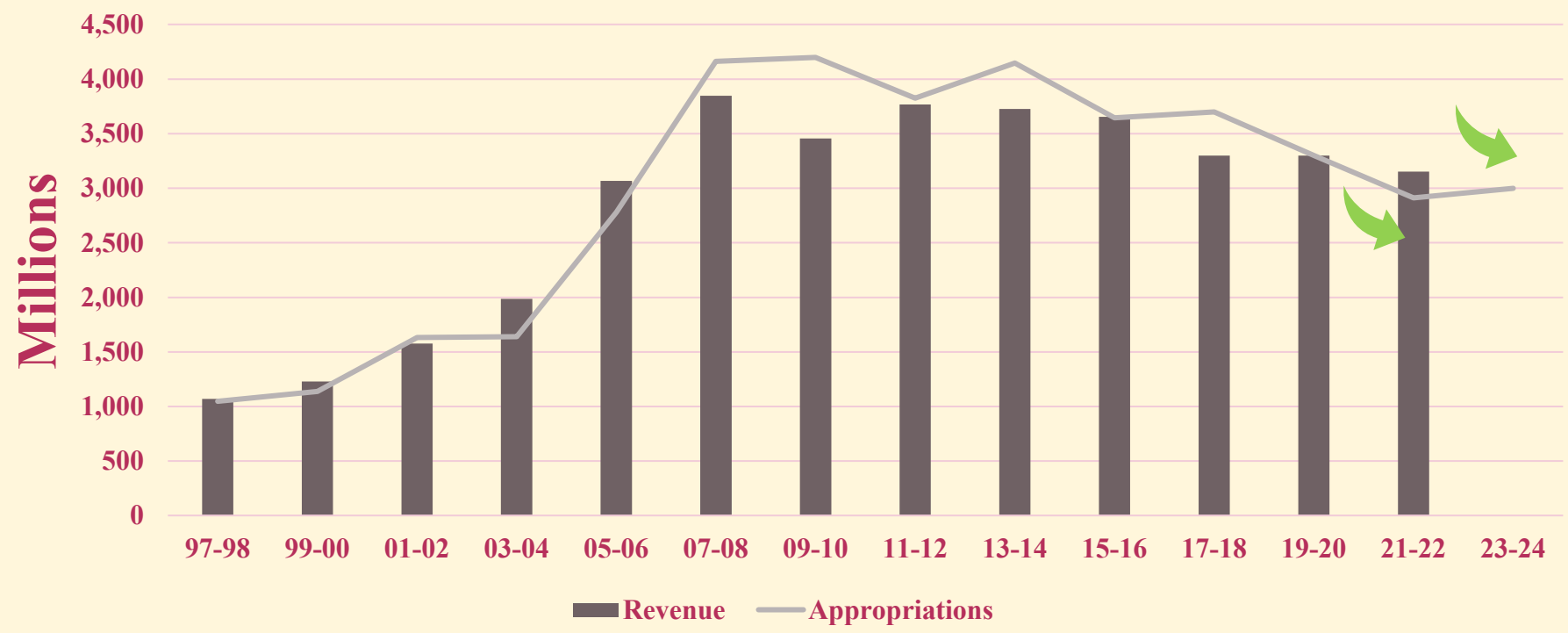
SOURCE: REMI model presentation to Joint Revenue Committee dated June 4, 2018



“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 & Wyomingense.gov

2023 General Session

Items of interest with fiscal impacts



- The 2023 General Session numbered:
 - 288 House Bills and 12 House Joint Resolutions for constitutional amendments
 - 183 Senate Files and 14 Senate Joint Resolutions for constitutional amendments.
- Of which there were over 20 bills considering property tax relief due to high assessment values. The four that made it through:
 - **Immediate relief was provided** through the expansion of **HB 0099 Property tax refund program**, now HEA 0075. This provides targeted relief for Wyoming's residents struggling to pay property taxes due to high assessment values. This established program provided total funding for the biennium of \$8 million, minus the \$1,856,033.32 refunded for Tax Year 2021 and leaves \$6,143,966.68 for TY2022. Property tax refund system is now available online at <https://wptrs.wyo.gov>.
 - **A long-term solution** was accomplished with the passage of **SJ 0003 Property tax residential property class** (formerly known as **Property tax for the elderly and infirm**). The voters will now decide through a constitutional amendment if they would like to separate out the residential property class from the other category.
 - **A study of other property tax systems** is made possible through **HB 0100 Acquisition value study**. The state will fund a study to look at an acquisition value-based property tax structure, similar to California's Prop 13.
 - **Homeowners have expanded protection in bankruptcy** thanks to **HB 0174 Homestead exemption – amendments**. This law allows increased protection to the homeowner in case of bankruptcy from \$20,000 to \$100,000.

2023 General Session

Items of interest with fiscal impacts



- Other bills we monitored that passed with tax implications included:
 - **SF 0042 Taxation of cigars**, now SEA No. 0098, addressed differences in amendments and adopted to delay the payment of the tax until the product is sold.
 - **HB 0229 Electronic payment of sales and use taxes**, now HEA No. 0057, streamlines the electronic collection of sale and use taxes by county treasurers.
- Trust funds became a major topic of discussion this year, the following passed:
 - **HB 0065 988 suicide prevention**, now HEA No. 0036 and establishes a trust to fund the federally mandated 988 suicide line. No appropriation for the trust.
 - **HB 0074 Wyoming Outdoor recreation and tourism trust fund**, now HEA No. 0081, is funded from the special projects account funded through the lodging tax and will go to fund special projects.
- Special Districts are still a big tax consideration:
 - **SF 0043 EMS Districts**, now SEA No. 0038, if adopted by local voters creates a special district for EMS services.

2023 General Session

Failed proposals, but will be back...



- **SF 0110 Personal Property – tax exemption.** Failed on Third Reading in the Senate and would have eliminated tangible personal property tax.
- **HB 213 Energy production inventory exemption.** Failed the Senate on Third Reading. This would have exempted personal property being held for inventory and paid the sales tax to the county where the property tax was installed.
- **HB 124 Electricity generation – taxation.** Failed Senate Revenue. Would have imposed \$1.00 per megawatt hour tax on electricity generated from solar resources (just like wind but did not consider other renewable resources or stock that produced electricity generation).
- **HB 0071 Sales tax holiday – back to school.** Failed on COW in the House. This would have created a sales tax holiday for school supplies in the first weekend of August on the sale or purchase of specified back to school clothing, computers and computer hardware and software, school supplies and sport equipment.
- **HB 0072 Sales tax revisions.** Tabled in House Revenue and ultimately **FAILED**. This would have lowered the state sales tax rate to 2.5% and then repealed most of our exemptions on services, food tax exemptions creating a net loss of \$170 M. This would have affected any and every industry that utilizes a sales tax exemption.
- **SF 0101 Wyoming legal tender act - amendments.** Failed in House on Third Reading. This would have allowed the DOR to accept gold for payment for severance taxes.
- **HB 0058 Cigarette tax.** As amended, would have raised the cigarette tax from \$0.03 to \$0.052 per cigarette or \$1.05 a pack.

2023 General Session

FY 23 – 24 Supplemental Budget



- The 67th passed 383 M supplemental budget for FY 23-24.
 - State of WY FLUSH with cash \$\$\$.
 - Total \$3.383 B budget.
 - Approximately \$1.41 B was recommended to be appropriated for savings, of which \$725 M is permanent savings with a 50/50 split to Common Schools Permanent Fund and the Permanent Mineral Trust Fund.
- The Governor noted, *“for every dollar of state revenue spent, the supplemental budget saves \$3.50”*. He also noted the budget saves over \$1 billion which allows *“the state to keep taxes low and generate higher investment returns that will benefit future generations.”*

2024 Budget Session

2023 Interim Priorities with fiscal impacts



Budget Year!

- 2/3rds vote for bill introduction
- Must present balanced budget

Appropriations

- Priority 1: Pension Plans, Unemployment Insurance and Workers Compensations
- Priority 2: Performance Compensation and State Treasurer's Office
- Priority 3: Environmental, Social, and Governance Issues
- Priority 4: Major Maintenance Review
- Priority 5: Statutory Responsibilities and Reports

Revenue

- Priority 1: Electrical Generation tax
- Priority 2: Property Tax Issues
- Priority 3: Sales Tax Issues
- Priority 4: Tax Administration Issues

2024 Budget Session

Interim Priorities



Minerals, Business & Economic Development

- Priority 1: Energy Issues
- Priority 2: Carbon Dioxide and Carbon Capture, Utilization, and Sequestration
- Priority 4: Oil and Gas Refinery and Capacity Issues
- Priority 5: Committee Reports

Corporations, Elections & Political Subdivisions

- Priority 1: Electric Utilities
- Priority 4: Special Districts

Transportation, Highways & Military Affairs

- Priority 1: Transportation and Highways
 - I-80 funding
- Priority 4: Reports from Agencies, State and Local Entities

2024 Budget Session

Interim Priorities



Management Audit

- Priority 2: Receive Reports
 - Department of Audit – Public Funds Division
- Priority 4: State Lands

Education

- Priority 4: Community Colleges
 - Funding
- Priority 5: Recruiting and Retaining School District Personnel
 - ECA & block grant

Labor, Health & Social Services

- Priority 1: Emergency Medical Services (EMS) / Firefighters
 - The funding of and definition of critical services

Select Committee on Blockchain, Financial Technology and Digital Innovation Technology

- Priority 4: Previous Legislation
 - Lean on digital assets

Select Committee on Capital Financing and Investments

- Priority 1: Statutory Obligations
- Priority 2: Performance Compensation for Investment Staff
- Priority 3: Investment of Non-permanent Funds



Resources

wyotax.org

wyotax.org/research-education/publications

wyotax.org/research-education/wyoming-tax-reform-2000/

wyoleg.gov

wyoleg.gov/budget/2021databook.pdf

drivethrive.wyo.gov

Wyomingsense.gov

Wyoming Department of Revenue 2022 Annual Report

Wyoming State Budget

Follow Us!



@wyomingtaxpayersassociation



@wyotax



ashley@wyotax.org

200 E 8th Avenue, Ste. 208
Cheyenne, WY 82001
307.635.8761 o | 30.575.4459 c
www.wyotax.org

A collage of various publications from the Wyoming Taxpayers Association, including "Educate", "Research", "Advocate", and "Wyoming Taxpayers Association". The publications feature the association's logo and various headlines related to tax policy and advocacy.

Educate
About WTA | Research
The backbone to a high-level public

Research
About WTA | Research
Our Mission: Advancing sound policy for a healthy Wyoming Economy.

Advocate
About WTA | Research & Education
Advocating sound tax policy for a healthy Wyoming economy

Wyoming Taxpayers Association
Advocating sound tax policy for a healthy Wyoming economy

Public Policies that matter
Our Mission: Advancing sound policy for a healthy Wyoming Economy.

Calendar
Upcoming Events
Cheyenne, WY