



Examples of CAT Policy/Revenue Options

Senate Committee On Finance and Revenue



Outline

- Examples of Policies that Reduce Revenue
- Options for Changing \$1 million tax threshold
- Examples of Policies that Increase Revenue
- Impact of combined changes is not the sum of individual changes

Intent of the slides and graphs is to provide context to options





Examples of Policy Changes that Reduce Revenue

- Exempt payments from Public Medical Insurance (SB 56) - \$34.9 million
- Increase \$1 million commercial activity threshold to \$3 million - \$173.6 million
- Provide credit of 100% of tax liability for taxpayers with up to \$3 million commercial activity - \$40 million
- Provide credit of 100% up to \$2 million, and 50% up to \$3 million, and 25% to 5 million of commercial activity - \$39.2 million

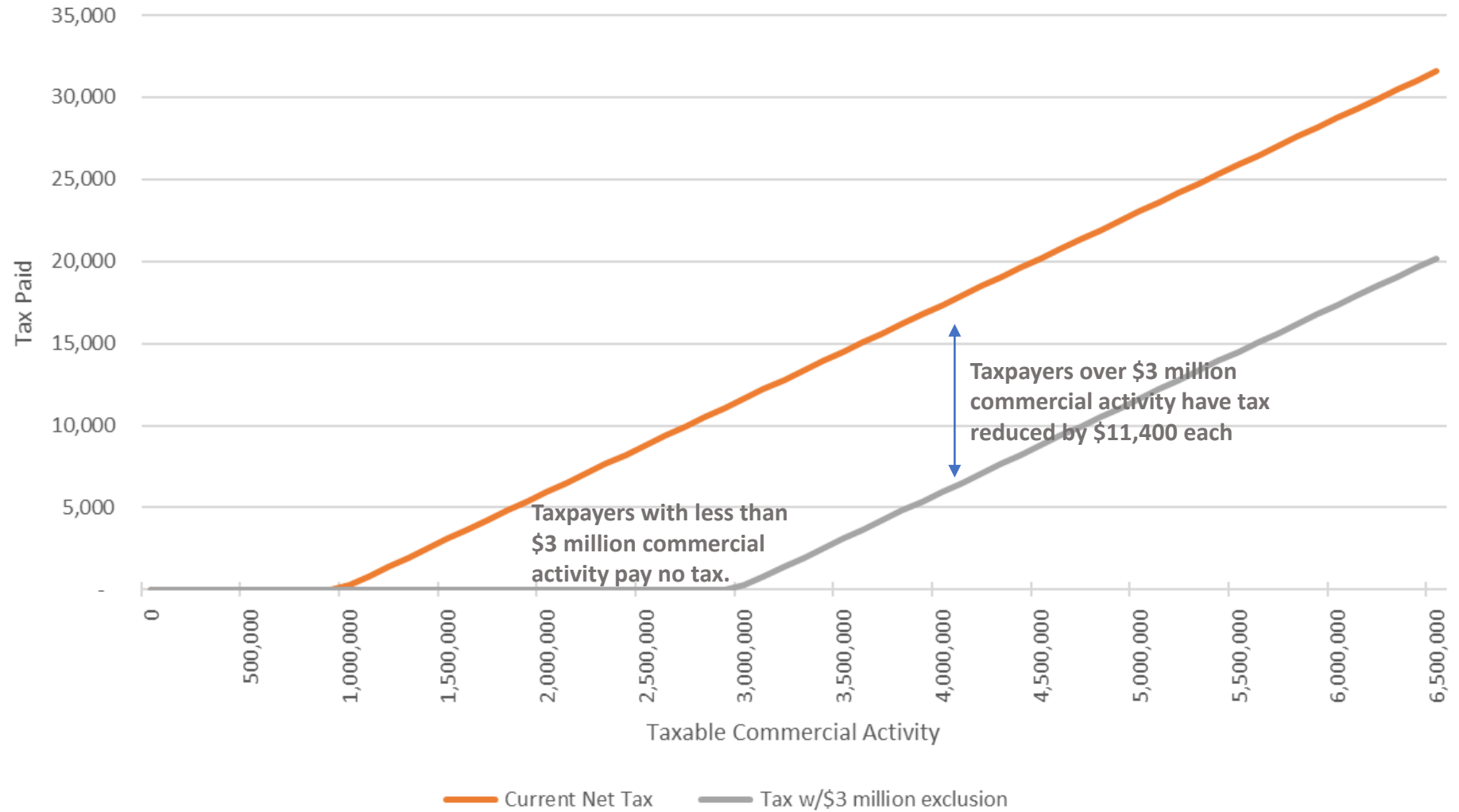
*Estimates are preliminary





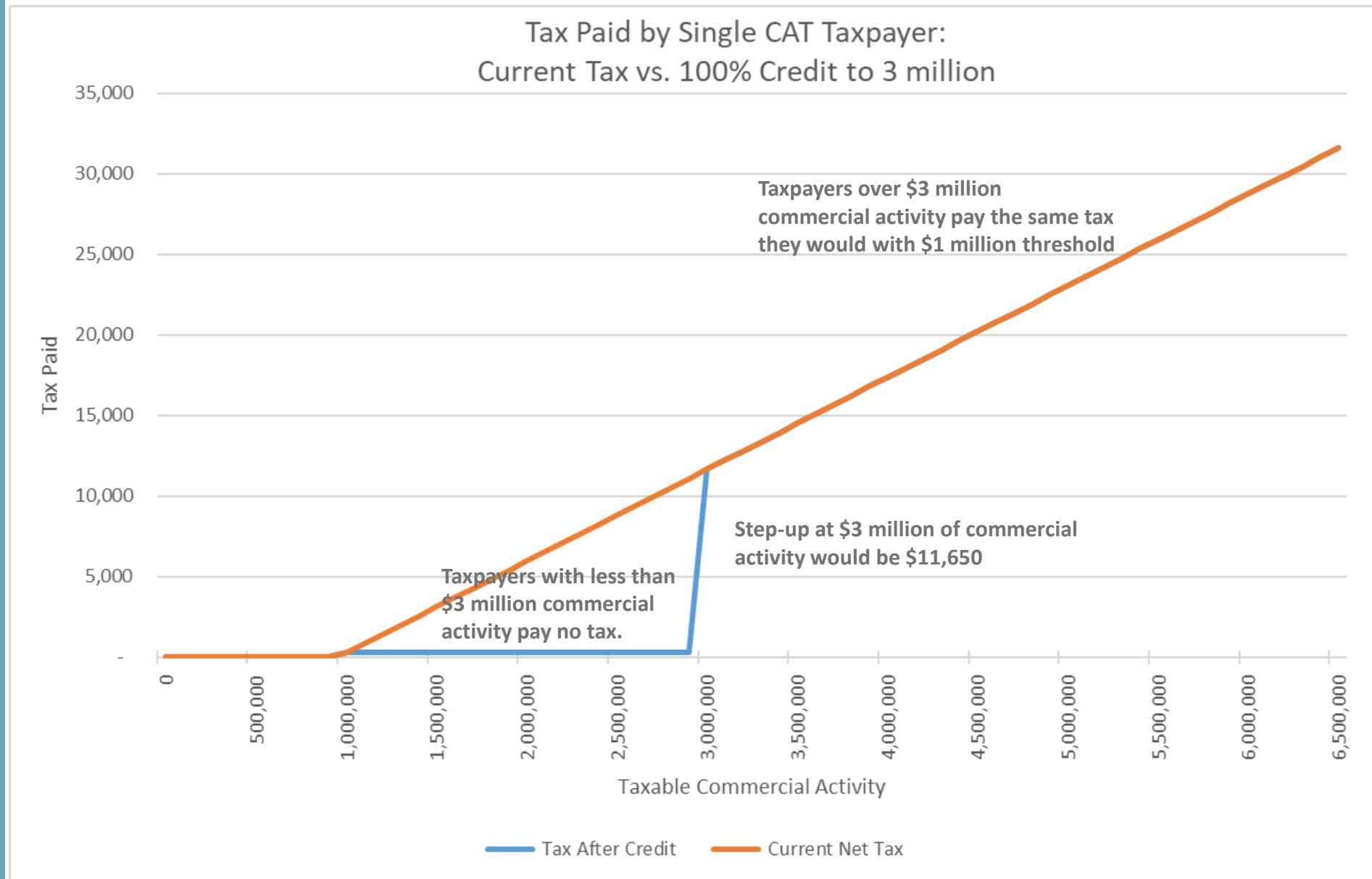
Threshold Change Example

Tax Paid by Single CAT Taxpayer:
Current Tax at \$1 million threshold vs. \$3 million threshold



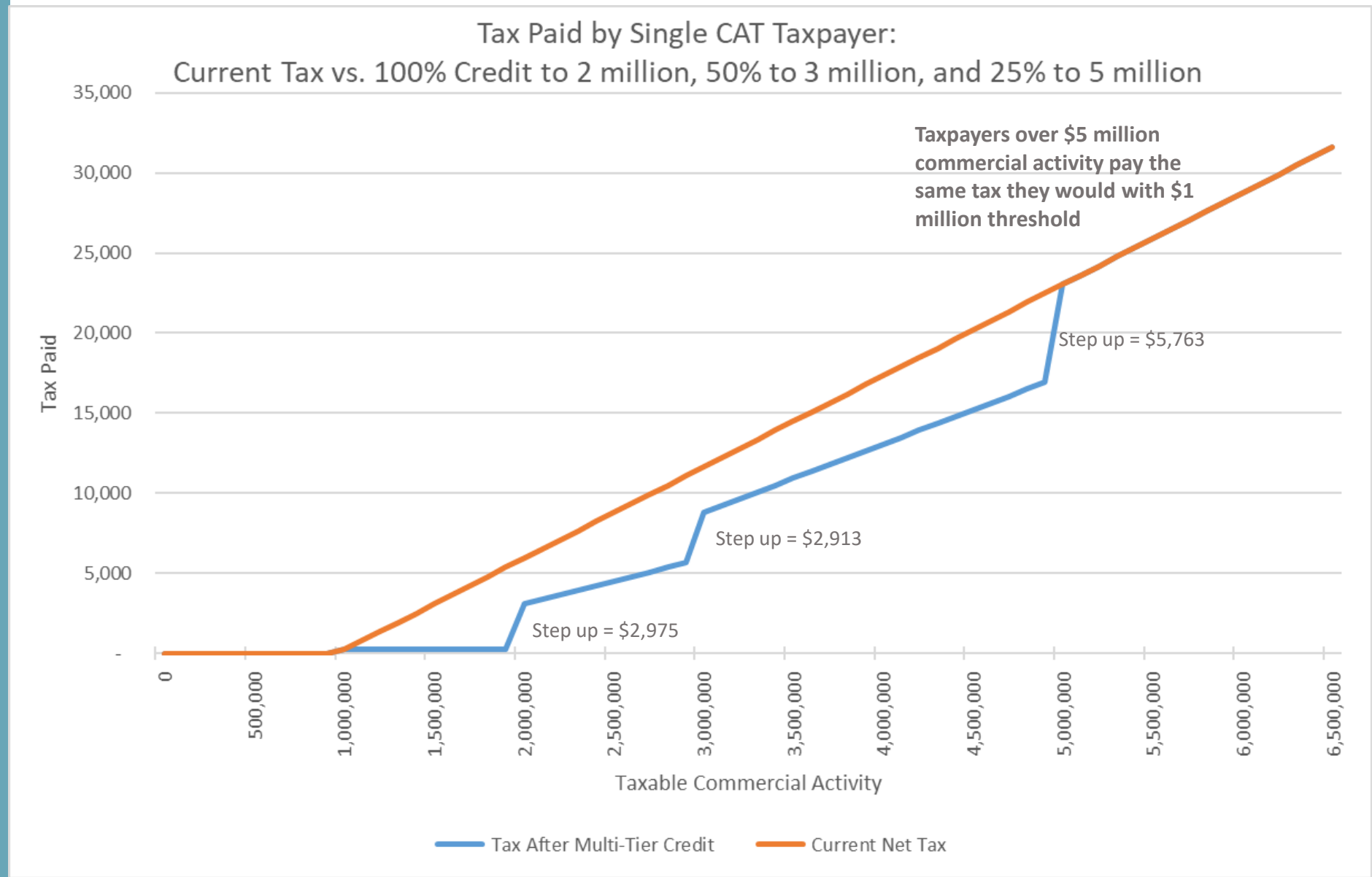


Credit Example





Tiered Credit Example





Examples of Policy Changes that Increase Revenue

- Increase tax rate from 0.57% to 0.62% + \$119.8 million
- Add second tax rate tier 0.62% that would apply to commercial activity over \$25 million +\$65.9 million
- Decrease 35% Subtraction for cost inputs/labor to 30% +60.7 million
- Eliminate \$1 million commercial activity threshold for taxpayers with commercial activity over \$25 million +\$8.6 million

*Estimates are preliminary





Interaction of Combined Changes

- Increase \$1 million commercial activity threshold to \$3 million -\$173.6 million
- AND**
- Increase tax rate from 0.57% to 0.62% +\$119.8 million

- Combined Policies -\$68.6 million
 - This is not the sum of the two impacts (-\$53.8 million) because increasing the threshold reduces the tax base that the new tax rate applies to

*Estimates are preliminary

