PRELIMINARY REPORT
State of Wyoming Tax Reform 2000 Committee
January 11, 1998

Background

Committee
The Tax Reform 2000 Committee was formed by an act of the 1997 Wyoming State Legislature. The Act requires the Committee to recommend standards and options for developing a fair, viable and economically competitive State and local tax system capable of generating sufficient revenues to meet expected needs of the 21st Century. The Committee interprets this mission to mean that it must primarily develop a tax structure that will meet the long-term revenue needs of the future, not the immediate needs of the present.

As its first task, the Committee adopted a set of criteria to judge Wyoming's current tax system and to base recommended changes. A Wyoming tax system should:

(i) Be accountable to taxpayers.
(ii) Rely on a balanced variety of revenue sources that will provide income to the State in a reliable manner.
(iii) Treat individuals and businesses equitably, imposing similar tax burdens on people and businesses in similar circumstances and minimizing regressivity.
(iv) Be framed in such a way to enhance economic development efforts. The tax structure should attract and not deter businesses seeking to move into the state or desiring to stay in Wyoming.
(v) Be composed of elements that support the ability of local governments to raise revenue to meet their needs.
(vi) Be easy to understand and administer, and therefore easy for the taxpayer to comply with as well as for the administrator to implement the system.
(vii) Be responsive to interstate and international economic competition and to changes in business.
(viii) Minimize its involvement in spending and land use decisions.

Existing Revenue Structure
In order to understand the problems the Committee found with the current tax system and the options the Committee is considering, the residents of Wyoming must first have a
basic knowledge of State and local government funding. Governments in Wyoming rely on four funding sources: taxes, Federal funds, interest and investment earnings and miscellaneous revenue sources.

Federal funds flow to the State and local governments from grants and aid, Federal Mineral Royalties and sources such as Payments in Lieu of Taxes (PILT) and Forest Reserve Funds. Interest and investment earnings are generated at all levels of government. Funded by the severance tax on minerals, the earnings from the Permanent Wyoming Mineral Trust Fund are an important source of revenue for the State General Fund. In 1996, these earnings were $86.5 million. Miscellaneous revenue sources include licenses and permit fees, property rents, fines and forfeitures, and user fees. Table 1 shows the breakdown of these revenue sources for all levels of government in FY1996.

<table>
<thead>
<tr>
<th>TABLE 1: Revenue Sources, All Governments, FY 1996</th>
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</thead>
<tbody>
<tr>
<td>Tax Revenues</td>
</tr>
<tr>
<td>Federal Funds</td>
</tr>
<tr>
<td>Interest</td>
</tr>
<tr>
<td>Miscellaneous Sources of Revenue</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
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SOURCE: Wyoming State Auditors Office, Wyoming Department of Audit, and Wyoming Department of Education.

Tax revenues are largely raised from property taxes, severance taxes on mineral production and sales/use taxes. Taxes levied on cigarettes, alcoholic beverages, motor fuels, estates, insurance premiums and corporate assets are relatively minor sources of revenue, accounting for 6.57 percent of all tax revenues in FY1996. Wyoming does not have a State individual or corporate income tax.

Assessed valuation of all taxable property in the State in FY1996 totaled $6.4 billion and about $450 million in property tax revenue was collected. These revenues support local public services, primarily education. State government has no access to
these funds. A feature of this tax is that mineral production is treated as property and since it is only taxed one time, it is taxed at 100 percent of its market value. Residential and commercial property is taxed at 9.5 percent of market value and agricultural land at 9.5 percent of production value. Industrial property is taxed at 11.5 percent of market value. Motor vehicles are taxed as property at 3 percent of the factory costs adjusted for age. Mineral production accounted for 51.4 percent of all assessed valuation in FY1996.

**TABLE 2. Wyoming Property Tax: Assessed Valuation by Source, FY 1996**

<table>
<thead>
<tr>
<th>Mineral Production Property</th>
<th>Non-Mineral Property</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Production</td>
<td>16.3%</td>
<td>Residential Property</td>
</tr>
<tr>
<td>Coal Production</td>
<td>18.5%</td>
<td>Commercial Property</td>
</tr>
<tr>
<td>Natural Gas Production</td>
<td>12.1%</td>
<td>Agricultural Lands</td>
</tr>
<tr>
<td>Trona Production</td>
<td>03.7%</td>
<td>Industrial Property</td>
</tr>
<tr>
<td>Other Mineral Production</td>
<td>0.6%</td>
<td></td>
</tr>
<tr>
<td>All Mineral Production</td>
<td>51.4%</td>
<td>All Non-Mineral Property</td>
</tr>
<tr>
<td><strong>Total – 100%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Mineral severance taxes are levied at the State level on the market value of minerals. This means two taxes are levied against the value of these commodities as they are "severed" from the earth, the local property tax and the State severance tax. In FY1996, assessed valuation of all mineral production totaled $3.3 billion and $206 million in severance taxes was collected. Oil, coal and natural gas production generate the most mineral valuation. Together, these three commodities represent 91.9 percent of all mineral assessed valuation. Trona (natural soda ash used, for example, in baking soda and glass making) and other mineral production (bentonite, limestone, sand and gravel, etc.) comprise the remaining 8.1 percent. Proceeds from the severance tax are directed to the State General Fund, the Permanent Wyoming Mineral Trust Fund, city, town and county governments, water and highway funds and the State Budget Reserve Account.
Wyoming also collects revenues from sales/use and lodging taxes. The sales/use tax is levied on the retail sale price of tangible personal property and certain designated services. Tax proceeds are used to fund State and local governments and higher education in Wyoming. The State sale/use tax rate is 4 percent. Counties can levy two optional sales taxes of up to 1 percent each for operations and/or capital improvements if the electorate or the governing bodies approve them. An optional lodging tax can also be approved by local governmental entities with 90 percent the funds going for the promotion of tourism, and at certain levels of collection to local governments to mitigate tourist impacts. In FY1996, sales/use tax collections were $320.7 million and $2.6 million from the lodging tax.

The table below shows total tax collections in 1996 from all sources. Taxes paid directly by the extractive industries account for 43.8 percent of total tax collections. If indirect collections were considered, the extractive industries would account for an even larger percentage of total tax collections.

**TABLE 3:**

<table>
<thead>
<tr>
<th><strong>Property Tax-All Sources</strong></th>
<th>1996 Taxes Collected</th>
<th>% of Total</th>
<th>Taxes Paid by Minerals Directly</th>
<th>% of Specific Tax</th>
<th>% of Total Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dollars (in millions)</td>
<td>%</td>
<td>Dollars (in millions)</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>------------------------------</td>
<td>----------------------</td>
<td>------------</td>
<td>--------------------------------</td>
<td>------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Property Tax-All Sources</td>
<td>452.4</td>
<td>42.6%</td>
<td>224.8</td>
<td>49.7%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Severance Tax</td>
<td>206.2</td>
<td>19.4%</td>
<td>206.2</td>
<td>100.0%</td>
<td>19.5%</td>
</tr>
<tr>
<td>Sales/Use and Lodging Tax</td>
<td>323.3</td>
<td>30.4%</td>
<td>206.2</td>
<td>100.0%</td>
<td>19.5%</td>
</tr>
<tr>
<td>Fuel Tax</td>
<td>53.8</td>
<td>5.1%</td>
<td>34.0</td>
<td>10.5%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Insurance Premium Tax</td>
<td>11.8</td>
<td>1.1%</td>
<td>11.8</td>
<td>100.0%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Cigarette Tax</td>
<td>5.8</td>
<td>0.5%</td>
<td>5.8</td>
<td>100.0%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Estate Tax</td>
<td>4.5</td>
<td>0.4%</td>
<td>4.5</td>
<td>100.0%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Corporate Franchise Tax</td>
<td>3.0</td>
<td>0.3%</td>
<td>3.0</td>
<td>100.0%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Liquor Tax</td>
<td>1.1</td>
<td>0.1%</td>
<td>1.1</td>
<td>100.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Totals</td>
<td>1062.9</td>
<td>100.0%</td>
<td>763.4</td>
<td>72.1%</td>
<td></td>
</tr>
</tbody>
</table>

**SOURCE:** State of Wyoming, Wyoming Department of Revenue (1996), Wyoming Department of Transportation (1996), Wyoming Insurance Department, Wyoming Secretary of State.
Problems with the Current Tax System

During the past year, the Committee has studied Wyoming’s tax statutes, listened to the concerns of many Wyoming residents and examined the tax features of other states. The Committee agrees the following problems exist with Wyoming’s current tax system.

- **Tax collections in Wyoming are less stable than other states.** As previously indicated, Wyoming’s mineral taxes are levied on the 100 percent market value of production. The prices are nationally and internationally determined. Price changes dominate the swings in the valuation of major mineral production. Also, prices of Wyoming energy commodities move together. For example, when the price of oil declines, the price of coal and natural gas decrease. Between 1970 and 1982, all mineral prices increased and tax revenues in 1982 were at a high of $752.5 million. Between 1982-1996 prices of all minerals fell and tax collections in 1997 were $494.5 million, a 34 percent decrease. A continuous decline in the production of oil since the 1970’s had a negative impact on mineral revenues but not to the extent of the mineral price swings. Natural gas and coal production has risen, but prices keep declining resulting in very little gain in revenue to the State. Since taxes on minerals generated 43.8 percent of Wyoming’s tax revenues in 1996, the instability associated with the collection of these taxes makes it difficult for State and local officials to initiate long-term planning and creates cash flow problems.

Sales tax revenues and non-mineral property tax revenues are much more stable and less cause for concern than tax revenues from minerals. Property tax collections from residential property have increased steadily since 1993, though not consistently statewide. Agricultural, industrial and commercial property tax collections have been
stable with slight increases. Growth in property taxes on all property except agriculture land depend on the market values of these properties. Market values fluctuate due to changes in economic forces such as the job market, personal income, the availability and terms of credit, price level, tax rates and location desirability.

Sales tax collections have increased annually since the fourth cent was added in 1994. The State Consensus Revenue Estimating Group (CREG) estimates that more than half of the increase is due to stricter enforcement of the sales tax law and the rest to economic growth. Continued increase is uncertain because stricter enforcement of the tax laws may reach a plateau, and the state lags behind the national average in economic growth. The fourth cent is also due to sunset June 30, 2002.

- The beneficiaries of the taxes paid are Wyoming residents and non-residents using facilities in the State, however they are not the primary payers of these taxes. A large portion of Wyoming's tax revenues is borne by out-of-state residents. Though, some of the mineral taxes are paid by Wyoming residents, most of these taxes are paid by out-of-state owners or stockholders of mineral companies operating in Wyoming. Wyoming residents pay mineral taxes only to the extent that the stockholders reside in the State. Wyoming ranks second of the fifty states in tax revenue generated per person. This figure does not mean individuals actually paid the taxes. The irony is that studies show the State has the second lowest tax burden for a family of four. This was determined by considering what taxes a family of four actually pay in Wyoming. Wyoming families pay sales taxes, excise taxes on alcohol, cigarettes and gasoline and residential property taxes. Excise taxes and property taxes in some areas of the State are relatively low when compared to other
states. This is further indication that even though Wyoming's tax revenues per capita are high, only a modest portion is actually paid by the State's residents. The Committee is concerned that residents do not contribute to the services they receive based on their ability to pay.

- **Wyoming has both a larger public infrastructure and larger public services per capita than it would if Wyoming residents had to pay for them entirely.** Wyoming ranks second per capita for State and local expenditures for public services. Public services are provided for education, public health and welfare, transportation, public safety, natural resources, administration, judicial and legal services and bonded debt. Wyoming's low density population and vast spaces account for some of this situation, but states such as Montana, South Dakota, Nevada and Idaho that have comparable demographics rank eleventh, twenty-third, twenty-seventh, and thirty-second, respectively, for expenditures per capita. Past studies show that the average public service costs for a family of four significantly exceed estimated tax payments at all income levels. Table 4 on page 8 illustrates this cost-revenue gap. The gap narrows at higher income levels because these individuals make larger taxable expenditures. The gap is also smaller in communities with little nearby mineral activities (i.e. Laramie). In mineral-rich counties (i.e. Campbell), local property tax revenue is derived largely from mineral production and sharing these local revenues between counties is only for school funding. Other revenue sources, primarily taxes on minerals and revenues received from the Federal government, make up this gap. In 1996, the Federal government provided 23 percent of all revenues coming into the
State. Federal Mineral Royalties comprised $200.3 million or 22 percent of these Federal funds.

TABLE 4: Public Service Costs Minus Total Taxes Paid by Consumer Units of Four Persons:

<table>
<thead>
<tr>
<th>City</th>
<th>$10,000-$14,999</th>
<th>$15,000-$19,999</th>
<th>$20,000-$29,999</th>
<th>$30,000-$39,999</th>
<th>$40,000-$49,999</th>
<th>$50,000-$69,999</th>
<th>$70,000 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheyenne</td>
<td>6,018</td>
<td>5,658</td>
<td>5,458</td>
<td>5,107</td>
<td>4,760</td>
<td>4,298</td>
<td>2,911</td>
</tr>
<tr>
<td>Laramie</td>
<td>5,221</td>
<td>4,824</td>
<td>4,598</td>
<td>4,227</td>
<td>3,841</td>
<td>3,344</td>
<td>1,847</td>
</tr>
<tr>
<td>Gillette</td>
<td>10,410</td>
<td>10,062</td>
<td>9,860</td>
<td>9,532</td>
<td>9,194</td>
<td>8,587</td>
<td>7,450</td>
</tr>
</tbody>
</table>


* Wyoming’s current tax structure may contribute to the lack of economic growth in the State. On one hand, the State has been able to advertise the fact that non-mineral businesses and individuals can relocate to the State with the realization that the tax burden on household and businesses in non-extractive industries is relatively low. On the other hand, economic development efforts lack cohesion because one of the State’s main players, the mineral industry, may not fully support economic development efforts. Owners of the extractive industries typically do not live in the State and may have a smaller stake in the future of the State than its residents. They may also consider the possibility of further economic development and the resulting population growth as creating a demand for higher mineral taxes that they would have to pay. More people means a greater volume of public services, and without a change in the State’s tax structure, an increased volume of public services only means greater burdens on existing taxpayers. So while greater economic development activity often indicates a greater sense of responsibility for helping shape future economic outcomes, in Wyoming this activity is likely to continue to be hindered by those facing the tax burdens that would come as a consequence.*
In addition, when an existing business is considering expansion or a new business is considering relocating to the State, long-range business planning takes place, especially if a large capital investment is anticipated. If there is skepticism as to whether Wyoming will be able to fund public services with its present tax structure, prospective business developers may hesitate to expand because of the uncertainty concerning future taxes in the equation used to determine long range business profits.

Not enough of the mineral taxes are being diverted to trust funds in order to secure public services funding for future generations. Though Wyoming has vast mineral wealth, it will not last forever. Mineral deposits are not renewable. For example, Wyoming's oil fields have been in production for many years and reserves are limited. Production has decreased and the outlook for the future is poor because of low oil prices and the fact that oil can be produced more cheaply in other states and countries. A mineral severance tax of 1.5 percent is assessed on the value of coal, oil and gas for the State's Permanent Wyoming Mineral Trust Fund (PWMTF). The Legislature created the PWMTF in 1974. This legislation showed tremendous foresight on the part of State officials. A portion of the mineral severance taxes is also diverted to permanent water development funds.

The balance in the PWMTF as of 1997 was $1.46 billion. The earnings from the PWMTF were $92.2 million in 1997 and these were deposited in the State General Fund. Estimated severance tax collections in 1997 were $227.2 million and 33 percent of this amount was deposited to permanent trust funds. An additional $293.4 million was collected from property taxes on minerals, and none was diverted into permanent trust funds. It is important that current generations consider future
generations' needs because they may not have a mineral base to tax to provide public services. The current funding of mineral trust funds is not adequate to provide for the future.

- **Funds currently in permanent trust funds are not managed to maximize income.**
  
  In 1998, Wyoming had $3.6 billion in permanent trust funds including the PWMTF. The yield on these funds was 7.2 percent. Of these funds, $1.1 billion is invested in Legislative Designated Investments that earn below market returns. Past investment history has been conservative, and it was not until 1996 that the electorate voted to allow the State Treasurer to invest in a stock portfolio. The stock portfolio investment is limited to 25 percent of permanent funds and currently 8 percent of permanent funds are invested in stock. The State is missing investment opportunities that can enhance the returns on these funds.

- **Wyoming sales tax exhibits regressivity.** Individuals with higher incomes pay a smaller percentage of their income in sales tax than those at lower incomes. Families with incomes between $10,000 and $14,999 pay 5 percent of their income in sales tax, those families in the $30,000 to $39,000 range pay about 3 percent and those at $70,000 per year and above pay 1.8 percent. This outcome occurs because as incomes rise, people save a greater portion of their income and spend a greater fraction on items not subject to the Wyoming sales tax such as personal, household and professional services.

- **In certain areas of the State, the market value of agriculture land far exceeds the production value of land on which property taxes are assessed.** Many individuals have suggested that special treatment is given to agricultural interests because they
pay property taxes on the production value of the land rather than its market value. Agriculture interests argue that if the land was valued at market value, the high taxes would force many operators to sell. The problem lies not so much with the agricultural operation that is actually a working ranch or farm, but rather with the purchaser of agricultural land who uses it for recreational and scenic purposes. Many times these individuals are allowed to pay the taxes on the production value because the land also meets the definition of agricultural use.

- **Market values of real estate have risen significantly in some areas of the State causing a property tax burden for individuals on fixed and low incomes.** A current property tax rebate program, that counties fund, expired January 1, 1999. The Wyoming Attorney General’s office has informed the Committee that any legislation that would allow county optional property tax relief measures would be unconstitutional. Currently, the only relief measures allowed for these individuals are the veteran’s exemption, the deferred tax payment program, which does not reduce taxes but defers payment until the property sells or an individual’s income increases, and the sales tax and property tax payment program for low income individuals funded by the Department of Health. Many people who are impacted by rising property taxes do not meet the qualifications for the above mentioned programs.

- **Future revenue streams may not be adequate to fund the services provided by State and local governments.** CREG estimates that by the 2003-04 biennium, State government could face a $150 million deficit. School funding issues still remain uncertain and there is a backlog of deferred maintenance at State institutions. Local government officials have testified they are just "getting by" and are anticipating
additional State and Federal mandates for water, wastewater and solid waste treatment that will need to be funded. The types and number of special property tax districts have increased to provide services that local governments have been unable to meet.

The Committee has heard testimony that State and local governments need to cut expenditures in order to stay within their budgets. Wyoming residents are in a position that is comparable to how health insurance operates. For the cost of the premium, a deductible and a co-payment, some beneficiaries of medical insurance receive medical benefits far in excess of their financial contributions. With minerals and the Federal Government paying most of the tax bill, a similar climate to that of "third party payer" insurance is created. If cuts are made, they may have to be at levels that will be uncomfortable for the State's residents.

- **Local governments do not have equal funding.** The primary source of tax funding for cities/towns is the sales tax. The amount of sales tax each municipality generates depends on the sales activity within the county's borders. In addition, sales tax collections vary depending on whether optional sales taxes are adopted. Mineral resources are also not distributed equally throughout the State. Counties that have large mineral wealth have better facilities and can provide more extensive public services than those counties that do not have mineral wealth.

- **Wyoming's excise tax rates on cigarettes, alcoholic beverages and motor fuels are the lowest of surrounding states.**
Tax Administration Issues:

• The reporting and collection of mineral taxes in the State are confusing and time consuming. Mineral producers must report the same production three times for severance taxes, property taxes and if applicable, the oil and gas conservation tax. These procedures are costly for both the taxpayer and the administrators. Property taxes on minerals are paid as far as two years after production. County treasurers sometimes have difficulties collecting mineral property taxes and many times must initiate collection procedures against mineral interest owners who may be scattered throughout the nation.

• Tax administrative authority is not clearly defined. Authority to assess and collect taxes is split between the State and counties. However, there are some inconsistencies in the statutes that create an overlapping of functions and in some cases cause conflicts between the State and county governments. One example is the Department of Revenue is responsible for assessing state defined industrial property and minerals. The counties collect the property tax on minerals and the State assessed property based on the taxable value determined by the Department of Revenue. County assessors assess residential, agricultural, commercial and industrial property within their county’s boundaries. In recent years, there have been increasing appeals made by counties over the appraisal methods used by the Department to assess mineral production. These appeals have impacted the caseload of the Board of Equalization, caused delays in the assessment process and confusion and frustration on the part of Department personnel.
Another example of an overlapping function is in sales tax collection. The Department of Revenue must collect all sales tax in the State except the sales tax paid on motor vehicles. Motor vehicles are the only goods purchased in the State on which the vendor does not collect the tax. Instead, the consumer must go to his county treasurer's office to pay the tax. The treasurer then remits the tax to the Department of Revenue. This is expensive and time consuming for the administrators and confusing for the consumer. This extra step in the collection process is also conducive to tax avoidance.

Assessment practices of county assessors vary from county to county. County assessors are elected county officials. The Department of Revenue must, however, provide them with guidelines to follow when assessing property within their county. The Department has no authority to enforce equal practices. The Department is required to certify to the State Board of Equalization that practices have been uniformly applied without having any way to verify that this is happening. The result is inconsistencies in assessment values on similar properties with comparable market and production values between counties. Although the Board of Equalization must equalize values, it is difficult to do so after the property assessments have been mailed to property owners.

The distinction between tangible and real property is not clear in the sales tax law. One of the issues causing confusion in the administration of the sales tax law is the distinction between tangible and real property. Services performed for the repair, alteration or improvement of tangible personal property are taxable. These services performed on real property are not taxed. The distinction between these two types of
property is very difficult and causes disputes between the tax remitters and the Department of Revenue.

• The use tax statutes are largely unenforceable. Like most states, the enforcement of the use tax statute is a problem for Wyoming tax administrators. Residents who make purchases from catalog, Internet, telephone or television sale outlets do not pay the State’s sales tax to the vendor unless the vendor has a presence within the State or voluntarily agrees to collect the tax. Purchasers are required to file a use tax report form with the tax due to the State’s Department of Revenue. If a resident makes a merchandise purchase in a state that does not have a sales tax, they too must pay the use tax to the Department of Revenue. Many purchases made out-of-state by State’s residents go untaxed. Some residents do not realize the law exists, and if they do, find it easy to evade. The United States Congress recently passed legislation that sets up a commission to study the remote sales tax problem and perhaps arrive at solutions that can be applied nationwide.

• Financial reporting by local governments is not consistent. The Tax Reform 2000 Committee studied the revenues and expenditures of local governments. It was difficult to make comparisons because there was no consistency in financial reporting. This is also a complaint of the Wyoming Department of Audit when preparing its reports. Wyoming statute does not provide accounting standards for local governments to follow to prepare financial reports similar to those provided for school districts. When significant amounts of funds flow from the State to local governments, it is important that comparisons can be made as to their uses.
Options under Consideration

Once the problems with Wyoming's tax system were identified, the task was to develop options that would solve the problems and provide sufficient tax revenues to meet State and local revenue needs in the 21st Century. The measures below are under consideration by the Committee. The Committee will hold public meetings on this preliminary report after the 1999 Legislative session. Written comments can be sent to Tax Reform 2000, P. O. Box 472, Encampment, WY, by fax to (307) 327-5910 and by Email to philnoble@jacor.com or irarchib@union-tel.com. The Committee's final report must be issued by June 30, 1999.

Short-term Options:

The ideal situation for the Committee would have been to issue its decisions at a time when State and local officials were not concerned about having enough money to fund State and local government. If this had been the situation, the Committee could have extended its total effort to solving the fairness, stability and economic development issues. This is not the case, and even though most of the alternatives made by the Committee are long-term options to solve the above issues, the Committee does propose the following short-term options if the Legislature determines it must find adequate funding for this and the next biennium.

- **Examine the current excise taxes on cigarettes, alcohol and motor fuels for possible increases.** Currently, the taxes on these items are lower than surrounding states. Wyoming's tax on cigarettes is one of the lowest in the nation and the tax on beer is the lowest. Wyoming's fuel tax is eight cents below the average rate of surrounding states. An increase in the fuel tax could free the severance tax currently
designated for the highway fund. Increasing the cigarette and alcohol taxes separately would not generate significant funds, but an increase in these taxes combined with an increase in the motor fuel taxes, does generate significant funds for both State and local governments. The Legislature may also want to consider an excise tax on tobacco products other than cigarettes and amending State law to have the State sales tax apply to the sale of cigarettes.

- **The Legislature should examine the exclusions and exemptions in the State's sales tax statutes for possibilities of broadening this tax.** It is difficult to estimate the amounts that could be generated, but many exemptions may have outgrown their usefulness. Certain items such as the repair, maintenance and alteration of real property, personal services and sporting fees are not taxed. Lower income individuals pay a greater percentage of their income on sale taxes than those at higher incomes. Broadening the tax to include services that are used by higher income individuals would not only generate additional funds for the State but would also lessen the tax’s regressivity.

- **The Legislature should implement a real estate transfer tax.** The tax would be assessed at the time of sale of real property. A portion of the proceeds from the tax could be used to fund property tax rebates for individuals highly impacted by increases in the property tax and help support the infrastructure of local governments. A real estate transfer tax could also help solve the problem of the market value of agricultural land exceeding the production value of the same land. Taxing agricultural land at its market value rather than production value for property taxes would cause a financial hardship for many operators in the State. A real estate
transfer tax would be assessed on the market value at the time of sale of the land and would recoup property taxes lost due to the scenic and recreational value of agricultural land.

- The Committee heard testimony from many residents who were concerned about State and local government spending. The Statute that established the Committee does not authorize it to study government expenditures, however, fiscal restraint on the part of the Legislature-and local-governing bodies is encouraged. State and local officials should also review the user fee schedules to assure that realistic fees are charged.

Long-term Options:

These long-term options were studied to remedy the current tax structure problems the Committee has identified. Clause (v) of the Statute that formed Tax Reform 2000 requires the committee to identify and analyze revenue options available to Wyoming State and local governments. In this report, the committee has presented possible options for changes to Wyoming's tax system. Clause (vi) of the same Statute requires the Committee to make recommendations. These recommendations are not being made at this time but will be made in the Committee's final report due June 30, 1999.

Some of these options may not be popular. The Committee arrived at these options through many hours of testimony, research and deliberation. The Committee found there are many fundamental problems with the current tax system that only extensive changes can correct. The options identified were made by general
consensus of the Committee. A vote of Committee members has not been taken to include them as recommendations in the Committee's final report.

An individual and corporate income tax is an option being considered by the Committee. Some of the reasons are:

1) An income tax will bring more stability to the State's tax system allowing for better forecasting of State and local revenues. Currently, because of the State's reliance on mineral taxes, this is not possible due to the fluctuating prices and declining production of some minerals. It has been shown that revenue from an income tax will be easier to estimate than that from taxes on minerals and the State could maintain more stability in its revenue sources.

2) An income tax will bring more balance and fairness to the State tax structure. Mineral taxes and royalties pay over 45 percent of State and local expenditures. The burden would be lessened on the mineral industry and the State residents would assume a greater responsibility for the revenues the State receives and the resulting expenditures. The past tendency to overspend on public infrastructure and services would be reduced if the State's residents had a greater stake in the revenue sources that fund them.

3) An income tax will provide a greater certainty in the State's tax structure for those businesses considering expansion in Wyoming. Prospective business developers would be better able to determine their future tax liabilities in Wyoming and may have a greater confidence that government could be funded without having additional taxes levied once they have located in the State. There may be a greater
cohesiveness of economic development efforts throughout the State with all industries in support.

4) An income tax may help negate the regressivity of the State’s sale tax. The Wyoming State Constitution requires full credit for sales, use and property taxes paid in the taxable year against any income tax liability. Preliminary studies completed by the Committee have shown that because of this provision, the primary payers of an income tax would be higher income individuals. This provision would apply not only to an individual income tax but also a corporate income tax.

5) Wyoming loses tax revenues to other states that have a corporate state income tax. Owners of corporations who have operations in Wyoming pay the corporate state income tax of the state where the corporation is domiciled on the earnings made in Wyoming. If Wyoming had a corporate income tax, the portion of their income earned in Wyoming would be taxed by Wyoming instead of the State where the corporation is domiciled.

6) Other alternatives to an income tax were considered. These included increasing the State’s sales tax, property taxes, or the mineral severance tax, adopting a gross receipts tax, and implementing taxes similar to those used in other states that do not have an income tax.

a) An increase in the State sales tax is an option not advised at this time for these reasons: i) Wyoming’s northern tier of counties is already at a competitive disadvantage since Montana has no sales tax. ii) The sales tax is regressive for lower income individuals. iii) Wyoming’s sales tax rates are
comparable to those of surrounding states except for Montana. iv) Depending on how an income tax is structured, the current Constitutional provision that allows taxpayers to deduct the sales, use and property taxes paid from an income tax due, may mean individuals at lower incomes may pay less in an income tax than they would in an increase in the sales tax. v) A State income tax would also be deductible on the Federal income tax return whereas a sales tax is not.

b) The Legislature can authorize a maximum of four property tax mills for the operation of State government or increase the amount of mills each school district is allowed for school funding. The four mills are allowed by the State Constitution but have not been assessed since the mineral severance tax was adopted. The Committee did not consider the option of levying the State’s four mills or an increase in school district mills because increases in property taxes are already occurring as market values increase, and in some areas of the State these increases are significant. An increase in the mill levies would also mean an increase in the property tax on minerals which would be a continuation of the problems previously identified by the Committee with Wyoming’s tax system: a lack of stability, fairness and balance.

c) The Committee did not consider an increase in the mineral severance tax an option at this time for the same reason that it did not consider an increase in the property tax. An increase would not address the problems identified with Wyoming’s tax system.
d) The gross receipts tax concept was not a primary option because the tax is applied to the gross receipts of businesses and not to the profits. A gross receipts tax means a tax is assessed whether the business makes a profit or not. It is assessed on all forms of business including wholesalers and providers of professional and personal services. The rate structure is different depending on the type of business. In some states the gross receipts tax is assessed rather than a sales tax. In other states it is in addition to a sales tax. Hawaii and New Mexico levy a gross receipts tax in place of a sales tax, the State of Washington uses it in addition to a sales tax. A gross receipts tax is more easily passed onto consumers than a business income tax.

e) Tax structures of states that also did not have a state income tax were reviewed. Texas has revised its corporate franchise tax so that its provisions are very similar to a corporate income tax and has a 6.25 percent state sales tax. New Hampshire has a business profits tax which taxes the profits of all forms of business, one of the highest property tax rates in the country and an interest and dividends tax. Florida has instituted an intangible tax on the ownership of financial assets, which could be a disincentive for saving and investment and has a 6 percent state sales tax. The State of Washington levies a gross receipts tax called the Business and Occupation tax and 6.25 percent state sales tax. Michigan replaced its corporate income tax with a single business tax that is similar to a value-added tax and difficult and expensive to administer. Nevada relies on its gaming taxes and South Dakota in 1997 generated $118.9 million in lottery and video gaming proceeds.
f) Revenue projections for the future from minerals continue to be conservative with little growth. This means additional sources of revenue may need to be found. If new options for revenues are not considered, the State’s sales and property taxes will need to be increased. The negative consequences of increases in these taxes outweigh the adoption of new revenue sources.

7) If an income tax is adopted, it must be kept simple. The Federal taxable or adjusted gross income can be used as a tax base. Some members on the Committee feel the tax should be a flat tax rate for all incomes and other members believe it should be progressive with higher incomes paying a greater percentage than lower incomes. All members agree that the current Constitutional provision that requires the credit for sales, use and property taxes from any income tax liability be maintained.

8) The additional revenues generated from an income tax could be used to fund State and local government services and the mineral tax revenue freed could be used to increase the deposits to the Permanent Wyoming Mineral Trust Fund (PWMFT). Greater deposits to this fund would assure revenue sources for current and future generations as mineral deposits are depleted as is occurring with oil or not in demand in future global economies as has occurred with uranium. Additional deposits to this permanent fund would also mean additional investment earnings from the trust fund that could be used to limit the need for future tax increases. Some members of the Committee would like to see all mineral taxes, severance and property, eventually deposited to this Fund. Most members agree a greater share of the mineral taxes need to be deposited to the Fund.
• Permanent funds should be managed to maximize income. The rate of return in FY1998 was 7.2 percent. Each one-percent increase would generate additional revenues of $30 million from these funds. The Legislative Designated Investments (LDI's) of these funds should be reviewed by the responsible committee and recommendations made as to the advisability of achieving maximum, safe investment return versus the varied social benefits that LDI's currently provide. Unused allocations of LDI's should be released for investment at market rates. The State Treasurer's office is encouraged to pursue its current progress toward the maximum equity investment of 25 percent.

• The feasibility of new sources of revenue in the State could be examined and analyzed. An example of such a project that would generate additional tax revenues and fees for the State would be the temporary storage of spent nuclear fuel rods. Additional revenues could be placed in permanent funds with the interest used to fund State and local government. Wyoming is also scheduled to receive twenty-five annual payments from the National Tobacco Settlement. These payments should be placed in a permanent fund with the earnings used to finance the requirements of the settlement. The Legislature should also explore the feasibility of a rail-mile tax similar to that implemented in Nebraska.

• The Governor and the Legislature should form a separate committee to examine State and local government spending. The following are some concerns that have been identified and need to be addressed.

1) Eighty percent of State government spending is designated for education, corrections, health and welfare, transportation and environmental quality. These
areas are difficult to cut because of State and Federal mandates, but such a review
should include these areas as well as all other areas of government.

2) Since Wyoming’s population has not significantly increased during the past
decade, a study should also identify what increases in spending since 1990 are due
to inflation, mandates and non-essential growth in government spending.

3) During the past decade, studies show State and local spending outpaced revenue
generation. Spending increased 19.7 percent and revenues increased 13.5 percent.
Such a study should identify how this revenue shortfall was funded.

4) Studies show during the past decade that revenue from the Federal Government
increased by 25 percent when adjusted for inflation and that State and local
generated revenues declined by 28 percent. An expenditure study should identify
this growth in Federal revenues, how these funds were spent and how much of
these Federal funds were one-time source revenues to be gradually replaced by
State and local revenues.

5) An adequate study of local government expenditures cannot be conducted without
having consistency in financial reporting by local governments. The Wyoming
Association of Municipalities, the Wyoming Association of County Officials and
the Wyoming County Commissioners Association should work with their member
entities to establish accounting standards that will allow a comparison between
local government revenue sources and expenditures.

Escalating property tax rates remain a problem in some parts of the State.

Below are possible options to curb this problem. Both of these options will require
Wyoming Constitutional changes that require a vote of the electorate:
1) Institute a maximum number of mills that can be levied in each taxing district. The total mills allowed would include the mills levied for counties, cities/towns, school funding and special districts.

2) Amend the Constitution to allow county governments to institute optional property tax rebate programs for individuals on low and fixed incomes. These provisions would be used in counties that have experienced rapid increases in property market values.

- **Local governments are not funded equally in Wyoming.** It is a difficult problem to solve because the primary cause for the large discrepancies that exist throughout the State is the location of minerals and the taxation of minerals as property. Counties that are rich in minerals are able to raise more property taxes than those who do not have minerals. Some members have suggested that minerals be considered an asset of the State and revenue from them flow to the State to be redistributed equally throughout the State. Other members believe counties that have minerals also have more public services and infrastructure to provide for its residents than those who do not have minerals. They should be able to keep the taxes raised from property taxes on minerals in order to fund these services. The middle of the road position is to redistribute the property taxes from minerals more equally throughout the State but to also compensate those counties and municipalities for the impacts that are created from mineral production.

**Tax Administration Options:**

**Mineral Taxes**

- A separate committee should be formed to arrive at a solution to combine Wyoming’s current mineral taxes with one reporting and collection point. This
separate committee would include representatives from the mineral industry and State and county government. Possibilities to implement this administrative change include:

1) Combine the current severance and property tax on minerals into one severance tax rate. Mineral producers would report the production once to the Wyoming Department of Revenue. Distribution of the tax would be based on a formula that considers current distribution formulas. A Constitutional amendment would be necessary to repeal the provision in the Constitution that requires a property tax on minerals.

2) Design a reporting form that would allow reporting of all mineral taxes separately on one form. Payment of the taxes would be made to one agency at the time of reporting. That agency would then distribute the taxes according to current formulas. A problem to be solved with this method is that mineral producers would not have the same time delay for remittance of the property tax on minerals that other property taxpayers receive.

* The Legislature should amend the statutes to clarify which governmental entity has the final authority to select and apply an appraisal method for mineral production in the State. Whether this final authority is given to the counties or the Department, delays in the assessment process would be prevented and there would be fewer appeals to the Board of Equalization.
Property Taxes

• There could be more consistency in assessment values between counties for similar properties with comparable market and production values. Options suggested by committee members to achieve this include:

  1) The Wyoming Assessors Association develops uniform forms for reporting that all assessors agree to use. An example of a possible form would be the one used by the Teton County Assessor for the assessment of agricultural land.

  2) The State Legislature revise current statutes to give the Department more authority to enforce its rules and regulations of appraisal. Currently these rules and regulations are only guides for county assessors.

• Property Tax exemptions should be examined for applicability and ease of administration. The Committee identified two property tax exemptions that should be deleted. These are 39-11-104(a)(xv) Snowmobiles and 39-11-105(a)(xxv) Property owned by the Black Hills Joint Power Commission. County assessors have also indicated a need for clarification on the property tax exemptions for secret, benevolent and charitable societies or associations.

Sales/Use Taxes

• Confusion between real property and tangible personal property should be clarified.

• The Legislature should research the impacts of repealing the sales tax exemption for charitable and non-profit entities. There are many states that do not allow this
exemption. The bookkeeping requirements that need to be met by small business to grant this exemption are cumbersome and may not be justified.

- **Stricter enforcement of the current use tax statutes may be more costly than the benefits received.** The Department of Revenue and the Department of Transportation should work together to attain a concentrated effort to more efficiently collect the use tax along the Montana border. State and local officials should continue to lobby Congressional delegates and support National legislation that would give the State greater authority to collect sales tax on Internet and catalog sales.

This concludes the Tax Reform 2000 Committee’s preliminary report. The Committee will in the next six months hold public meetings throughout the State to receive input from the State’s residents. Consult your local newspapers, radio or television stations for times and locations of these meetings. The meetings will also be listed on the Internet at [http://legisweb.state.wy.us/](http://legisweb.state.wy.us/). The Committee will continue its research and deliberation activities to review and evaluate the forecast of the most likely range of State and local revenue needs, to determine the revenue potential of the options identified in the preliminary report, and to analyze each option according to the evaluation criteria adopted by the Committee. These activities must be completed before the Committee can make its recommendations in the final report.
TAX REFORM 2000 COMMITTEE

June 1999

Honorable Jim Geringer
Governor, State of Wyoming

Honorable Jim Twiford
President, Wyoming State Senate

Honorable Eli D. Bebout
Speaker of the House, Wyoming House of Representatives

Gentlemen:

We are enclosing the final report of the State of Wyoming Tax Reform 2000 Committee. Senate Enrolled Act No. 56 adopted by the 1997 State Legislature requires this document. The document is submitted in two parts: 1) the written report including the executive summary and 2) an appendix which contains supporting documentation.

Wyoming residents prepared this report for Wyoming citizens. It is the culmination of twenty-one months of bi-partisan intense study of Wyoming’s tax structure. The committee’s mission was to recommend changes to this structure that would make it more fair, viable and economically competitive, providing enough revenue to meet the needs of the future. The committee found problems with the current tax structure that only major changes can remedy. Wyoming’s future in a national and global economy depends on numerous internal changes, including the state’s tax structure. The recommendations made, though sometime controversial, will bring more equity, stability, and balance to the tax system and help position Wyoming to meet the challenges of the 21st Century.

The budget of the committee to perform this study was $200,000. Approximately, $70,000 of this amount will be returned to the Policy Development Reserve Account. Committee members would like to express their appreciation to the many individuals from state and local government agencies, business organizations, interest groups, and the public who provided research materials, public input and administrative help during the study process.

Sincerely,

John Hines, Chairman
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Executive Summary

Introduction

State officials estimate Wyoming will enter the 21st century with a $130 million state budget deficit for the 2001-2002 biennium. Possible budget deficits are not unique in the 1990s. In the past, the state was able to generate more revenue than expected; defer revenue from permanent trust funds; adopt changes in accounting procedures; or increase special consumption taxes. These solutions did not address the root of the state’s revenue problems inherent in its tax structure.

Wyoming’s tax structure lacks equity, stability, and balance. Households in the lower incomes pay a larger percentage of their income in the state’s sales, use, liquor, cigarette, fuel, and property taxes than households at higher incomes. This makes the structure inequitable. Wyoming’s bases mineral production taxes on their market values. Many mineral prices are subject to volatile international and national markets. For this reason, Wyoming’s tax structure lacks stability. Severance, property, sales, and use taxes paid by the mineral industry accounted for 42 percent of Wyoming’s tax revenue in 1998. In the mid-1980s, this figure approached 70 percent. It would still be high, if the market prices of coal, oil, and natural gas had not fallen, and Wyoming’s oil production declined. Wyoming’s tax structure lacks balance due to an over-reliance on mineral taxes to fund government’s daily operating expenditures.

Wyoming relies on four sources of revenue to provide government services: taxes, federal funds (including Federal Mineral Royalties), interest and investment earnings, and miscellaneous revenues (i.e. permits, user fees, and rents).

Property taxes, mineral severance taxes, sales, and use taxes generate the most tax revenue for the state accounting for 92 percent of all tax revenue in FY1998. Excise taxes on cigarettes,
liquor and fuel, the corporate franchise tax, estate taxes, and insurance premium taxes are minor sources of tax income. Wyoming does not have a state individual or corporate income tax.

**Tax Structure Problems and Recommendations**

The lack of equity, stability, and balance leads to other problems with Wyoming's tax structure. Households in Wyoming have the second-lowest tax burden of all fifty states. Wyoming residents do not contribute as much to the services they receive as residents of other states. Taxes on minerals and federal government funds (32 percent from Federal Mineral Royalties) help provide these services. Since Wyoming residents accept limited responsibility for the services they receive, the state may have a larger public infrastructure and less efficiency in government service provisions than it would otherwise.

Wyoming's tax structure contributes to the lack of economic growth in the state. The committee realizes the state's low tax burden on individuals and most businesses other than mineral companies creates some growth. This growth, however, means an increased demand for public services and without a change in the state's tax structure; current taxpayers pay for these services. Businesses, with large capital investments, may also hesitate to locate or expand in Wyoming if their future tax liabilities are uncertain due to Wyoming's inability to fund public services with current revenues.

The committee's recommendations include three changes to the tax structure that help solve these problems:

- Adopt a state corporate and individual income tax. A Wyoming State Constitution provision allows credit for sales, use, and property taxes paid during the same tax year from any state income tax due. An income tax that includes this provision makes the Wyoming tax structure more balanced and equitable. Higher incomes would pay a greater portion of the tax, but when all taxes households pay are considered, each level of income would pay approximately the same percentage in state taxes. The tax also brings more stability to the
tax system. State residents would assume a greater responsibility for the revenues the state receives and the resulting expenditures. Wyoming's economic development efforts could experience more cohesiveness and certainty.

• Broaden the state's sales and use tax statutes to include more services than currently taxed. The state levies these taxes primarily on goods sold at retail to individuals and businesses. The state taxes food for home consumption and does not tax many services used by higher income households.

• Implement a real estate transfer tax. This tax, paid at the time of sale, is assessed on the sale price of real property. This tax could bring more balance to the tax structure and recoup property taxes lost due to valuing agriculture land at its production value rather than its scenic and recreational value.

The committee does not recommend a decrease in mineral taxes. Instead, the state should divert additional mineral taxes to the Permanent Wyoming Mineral Trust Fund (PWMTF) by adopting new tax sources and freeing mineral taxes from being used for general expenditures. This fund, established in 1974, provides government services for future generations when mineral wealth is depleted or not economically viable in the world's economy. In order to balance the state budget, past legislatures diverted mineral taxes, designated for the PWMTF, to the State General Fund. The state constitution requires the state treasurer to deposit the interest earnings from this fund in the general fund.

The committee recommends managing the state permanent funds to maximize earnings potential. This means limiting the Legislative Designated Investments to those that earn at least a market rate of interest. The state should also continue progress toward investing 25 percent of the PWMTF funds in a stock portfolio, a limit imposed by the constitution and state statutes.

Other recommendations made by the committee include:

• Extend the fourth cent of the sales and use tax past the June 30, 2002 expiration date.

• Adopt possible increases in the cigarette, liquor, and fuel taxes to make these taxes comparable to those of surrounding states.
• Consider possible constitutional amendments to limit property tax increases in areas of the state where property taxes are a burden for individuals on low and fixed incomes. These amendments include a limit on the number of mills levied by each taxing district and optional property tax relief measures for counties.

• Explore new revenue sources including temporary nuclear fuel rod storage, a state lottery system, and an examination of the state land use fee structure for increases.

• Form a separate committee to study not only state government but also local government expenditures.

• Conduct a study of the overall revenue generating authority of local governments before making specific changes to this authority.

The Committee does not recommend additional state sales and use taxes because it increases the burden of taxation on lower income households. An increase in the state property tax and mineral severance taxes would continue the instability and imbalance of the current tax structure.

Tax Administration Issues and Recommendations

A tax system must be easy to understand and to administer. The committee recommends these revisions to Wyoming's tax administration system:

Mineral Taxes

1. The mineral industry reports and pays the severance tax, the mineral property tax, and the oil and gas conservation tax separately. The committee recommends a special committee to determine a method to streamline this process by requiring one reporting and collection point for all three taxes.

2. State statutes do not clarify which entity, the state or the county, has final authority to determine the appraisal method used for the valuation of mineral production. The appraisal methods are also confusing. Both problems cause an increased number of appeals before the State Board of Equalization. The legislature should state which entity has final authority and review appraisal methods for simplification.

Property Taxes

1. There are inconsistencies in the assessment values of similar properties with comparable market and production values. Local assessors, as elected county officials, should be allowed a certain amount of judgement leeway. The committee believes the public endorses an elected assessor form of government, and must tolerate a certain lack of uniformity. Recommendations to help curb this problem include redefining the definition of agriculture
land, and the cooperation of all of Wyoming county assessors to use common appraisal forms.

2. The committee recommends a review of all property tax exemptions for applicability and ease of administration.

3. State statutes for special taxing districts are inconsistent and confusing and should undergo legislative review.

Sales and Use Taxes

1. The exemption, allowed charitable and non-profit entities from sales and use taxes for goods purchased for their own use, is difficult to administer. Businesses must keep a certificate from every organization that receives this exemption. The legislature should study the impacts of this legislation to determine its cost-effectiveness.

2. Wyoming residents do not pay sales tax on goods purchased over the Internet or through catalog outlets, unless the vendor has a presence in Wyoming, such as a store or a sales agent. An out-of-state business can voluntarily choose to collect the Wyoming sales tax. If residents do not pay the tax to an out-of-state vendor, Wyoming residents must pay the use tax to the Wyoming Department of Revenue on any purchase made through these outlets. They must also pay the tax on purchases made in a state, like Montana, that does not have a sales tax. Wyoming residents do not understand this law or evade it. The committee encourages more intense education of the state’s residents of the law’s provisions; stricter enforcement; and cooperation with the state’s representatives in Washington to find a national solution to this problem.
Bringing Wyoming’s Tax Structure into the 21st Century

Report of the
State of Wyoming Tax Reform 2000 Committee
June 1999

Introduction

Committee

The 1997 Wyoming State Legislature formed the Tax Reform 2000 Committee. The act establishing the committee requires it to recommend standards and options for developing a fair, viable, and economically competitive state and local tax structure capable of generating sufficient revenues to meet long-term expected needs in the 21st Century.

As its first task, the Committee adopted criteria by which to judge Wyoming’s current tax system and on which to base recommended changes. This criteria is displayed in the box on this page.

Existing Revenue Structure

To understand the problems the committee found with the current tax system and the recommendations the committee is considering, the residents of Wyoming must

<table>
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<tr>
<th>Tax Reform 2000 Comparison Criteria</th>
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<tr>
<td>(i) Be accountable to taxpayers.</td>
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<td>(ii) Rely on a balanced variety of revenue sources that will provide income to the state in a reliable manner.</td>
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<td>(iii) Treat individuals and businesses equitably, imposing similar tax burdens on people and businesses in similar circumstances and minimizing regressivity.</td>
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<td>(iv) Be framed in such a way to enhance economic development efforts. The tax structure should attract and not deter businesses seeking to move into the state or desiring to stay in Wyoming.</td>
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<td>(v) Be composed of elements that support the ability of local governments to raise revenue to meet their needs.</td>
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<td>(vi) Be easy to understand and administer, and therefore easy for the taxpayer to comply with as well as for the administrator to implement the system.</td>
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<td>(vii) Be responsive to interstate and international economic competition and to changes in business.</td>
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<td>(viii) Minimize its involvement in spending and land use decisions.</td>
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have a basic knowledge of state and local government funding. Governments in Wyoming rely on four funding sources: taxes, federal funds, interest and investment earnings, and miscellaneous revenue sources.

Federal funds flow to the state and local governments from grants and aid, Federal Mineral Royalties, and sources such as Payments in Lieu of Taxes and Forest Reserve Funds.

All levels of government generate interest and investment earnings. Funded by the severance tax on minerals, the earnings from the Permanent Wyoming Mineral Trust Fund are an important source of revenue for the State General Fund. In 1998, these earnings were $101.3 million.

Miscellaneous revenue sources include licenses and permit fees, property rents, fines, forfeitures, and user fees. Table 1, Page 3 shows the breakdown of these revenue sources for all levels of government in FY1998.

Property taxes, severance taxes on mineral production, and sale and use taxes are the primary tax sources. Taxes levied on cigarettes, alcoholic beverages, motor fuels, estates, insurance premiums, and corporate assets are relatively minor sources of revenue; accounting for 7.55 percent of all tax revenues in FY1998. Other taxes fund special services. These include the oil and gas conservation tax paid by oil and gas producers; utility taxes paid to fund the Public Service Commission; and the unemployment tax paid by the state employers.

Wyoming does not have a state individual or corporate income tax.

The assessed valuation of all taxable property in the state in 1997 totaled $7.4 billion, and approximately $501 million in property tax revenue will be collected in 1998-1999. The average property tax mills assessed in Wyoming were 73.3. Property tax revenues support local public services, primarily education. State government has no access to these funds.

Mineral production is treated as property, and since it is taxed only one time, it is taxed at 100 percent of its market value. Residential and commercial property is taxed at 9.5 percent of market value and agricultural land at 9.5 percent of production value.1 Industrial property is taxed at 11.5 percent of market value. Mineral production accounted for 53.99 percent of the assessed valuation in 1997. See table 3, page 4.

Wyoming residents and businesses pay property taxes on motor vehicles and trailers owned and licensed for road use, and railcars utilized on Wyoming’s rail track. The tax rate on motor vehicles is 3 percent of their factory cost adjusted for age. The assessed values of railcars is 11.5 percent of their fair market value; the tax rate is the state average property tax mill levy. The valuation of this property in 1997 and estimated taxes collected are shown on table 2, page 4.

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1 The agricultural industry also pays property taxes on residences and other improvements on agricultural land. These properties, taxed at 9.5 percent of their fair market value, are included in either the residential or commercial property classifications.
## WYOMING GOVERNMENT’S REVENUE SOURCES

### Table 1

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<th>July 1, 1997 – June 30, 1998</th>
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<td>Interest and Investment Earnings</td>
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<td>Net Interest and Investment Earnings</td>
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<tr>
<td>Fines &amp; Forfeitures</td>
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<td>Total Other Revenue</td>
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<td>Total Revenues</td>
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<tr>
<td>Less Revenues expended on other entities</td>
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<td>Net Revenues for State Use</td>
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### Notes:
- Total Other Revenue includes miscellaneous revenue and net revenues from other sources.
- Net Revenues for State Use is calculated after subtracting revenue expended on other entities from total revenues.
The state collects mineral severance taxes based on the market value of the mineral. This means, Wyoming taxes these commodities twice as they are “severed” from the earth; once for the local property tax and again for the state severance tax. The 1997 assessed valuation of all mineral production totaled $4.02 billion. In FY1998, the state distributed $234.8 million in severance tax collections. Oil, coal and natural gas production generate 91.98 percent of all mineral assessed valuation. Trona (natural soda ash used, for example, in baking soda and glass making) and other mineral production (bentonite, limestone, sand and gravel, etc.) comprise the remaining 8.02 percent. Proceeds from the severance tax are directed to the State General Fund; the Permanent Wyoming Mineral Trust Fund; city, town, and county governments; water and highway funds; and the State Budget Reserve Account.

Wyoming also collects revenues from sales, use, and lodging taxes. The sales and use taxes are levied on the retail sale price of tangible personal property and certain designated services. State government, local governments, and higher education benefit from the sales and use taxes. The state sale and use tax rate is 4 percent. Counties can levy two optional sales and use taxes of up to one percent each for general operations and capital improvements. Initially, the electorate must approve both taxes, but in the case of the one-percent general-purpose tax, the county’s governing bodies can vote to extend it.

Local government entities can vote to adopt an optional lodging tax. Ninety percent of the funds collected go for the promotion of tourism, and at certain levels of collection to local governments to mitigate tourist impacts. In FY1998, the Department of Revenue distributed $409.4 million in sale and use taxes and $2.6 million in lodging taxes.

Table 4 on page 5 shows tax collections in FY1998 from all sources except taxes collected to provide special services. Taxes paid directly by extractive industries account for 42.38 percent of total tax collections. If indirect collections were considered, the extractive industries would account for an even larger percentage of total tax collections.
<table>
<thead>
<tr>
<th></th>
<th>FY1998 Tax Collections</th>
<th>Taxes Paid by Minerals Directly</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dollars (in millions)</td>
<td>% of Total</td>
</tr>
<tr>
<td>Property Tax-All Sources</td>
<td>536.4</td>
<td>41.91%</td>
</tr>
<tr>
<td>Severance Tax</td>
<td>234.8</td>
<td>18.35%</td>
</tr>
<tr>
<td>Sale/Use and Lodging Tax</td>
<td>412</td>
<td>32.19%</td>
</tr>
<tr>
<td>Fuel Tax</td>
<td>69.3</td>
<td>5.41%</td>
</tr>
<tr>
<td>Insurance Premium Tax</td>
<td>9.97</td>
<td>.78%</td>
</tr>
<tr>
<td>Cigarette Tax</td>
<td>6.4</td>
<td>0.50%</td>
</tr>
<tr>
<td>Estate Tax</td>
<td>6.5</td>
<td>0.51%</td>
</tr>
<tr>
<td>Corporate Franchise Tax</td>
<td>3.4</td>
<td>0.27%</td>
</tr>
<tr>
<td>Liquor Tax</td>
<td>1.1</td>
<td>0.09%</td>
</tr>
<tr>
<td>Totals</td>
<td>1282.77</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Problems with Wyoming's Current Tax Structure

During the past twenty-one months, the committee heard testimony from individuals, professional groups, industry, and governmental agencies. They analyzed each Wyoming tax statute and other revenue generating activities. They investigated the tax structures of other states by paying particular attention to those states that do not have a sale tax or an income tax; surround Wyoming; or produce minerals like Wyoming. The committee studied academic literature that describes an equitable, stable, and balanced tax system. The committee agrees the following problems exist with Wyoming’s current tax structure.

**Wyoming’s tax structure is not equitable.**

A tax is regressive when taxpayers at lower incomes pay a greater percentage of their income in a tax than do payers at higher incomes. Wyoming's excise taxes (sales and use, tobacco, liquor and fuel taxes) are regressive. Households at higher incomes pay a smaller percentage of their income in these taxes than those at lower incomes. Chart A, page 7 displays this outcome. Families with incomes between $10,000 and $20,000 pay 5.4 percent of their income in excise taxes. Families in the $30,000 to $50,000 range pay about 3.7 percent, and those at $200,000 per year and above pay .9 percent.

This outcome occurs because Wyoming taxes grocery sales. Also, as incomes rise, people save a greater portion of their incomes and spend a greater fraction on purchases currently exempt or excluded from the Wyoming sales tax, such as personal, household, and professional services.

Chart A shows even when the property tax is considered, individuals at lower incomes pay a greater percentage of their income in taxes than those at higher incomes. Individuals making under $20,000 pay 6.78 percent of their total income in taxes. Individuals with an income over $200,000 pay 4.02 percent, a 2.76 percent difference.

**Tax collections in Wyoming are less stable than other states.**

From 1970 until 1982 mineral prices increased, and tax revenues from minerals in 1982 were at a high of $752.5 million. Between 1982 and 1997 prices of minerals declined and tax collections in FY1998 were $507.54 million, a 33 percent decrease.

As previously indicated, Wyoming's mineral production taxes are levied on 100 percent of market value. The prices are nationally and internationally determined. Price changes dominate the swings in the valuation of major mineral production. In addition, prices of Wyoming energy commodities move together. For example, when the price of oil declines, the price of coal and natural gas also decrease. Charts B2, B4, B6, B8, and B10, page 9, show the lack of stability in the market value history of major minerals from 1974 through 1997.

A decrease in mineral prices has not been the sole reason for the decline in mineral taxes. A continuous decline in the production of oil since the 1970s has had a negative impact on mineral revenues. Wyoming's oil reserves are older, difficult, and expensive to extract. Producers do not process them unless they can earn an adequate return. Chart B5, page 9 shows this production decline.
Distribution of Tax Burden - Chart A
Wyoming State and Local Taxes
Current

- Property Taxes
- *Excise Taxes
Charts B1, B3, and B7, page 9, do show an increase in coal, natural gas, and trona production. These increases in production have not been able to overcome the price decreases, and there has been very little gain in revenue to the state. In 1984, Wyoming’s oil production amounted to approximately 52.2 percent of the state mineral valuation. In 1997, this percentage was 27.2 percent. In 1997, the valuation of natural gas production exceeded that of oil production by 8.4 percent. Chart C, page 10, displays the price unit fluctuations of minerals from 1974 through 1997.

Since taxes on minerals generate such a large percentage of Wyoming’s tax revenues, the reliance on this unstable tax source to fund daily operating expenses is of concern to the committee. Dependence on this tax source makes it difficult for state and local officials to initiate long-term planning and creates cash flow problems.

Sales and use tax revenues and non-mineral property tax revenues are much more stable and less cause for concern than tax revenues from minerals. Property tax collections from residential property have steadily increased since 1993. Agricultural, industrial, and commercial property tax collections have been stable with slight increases.

Besides an increase in mill levies, property tax growth on all property except agriculture land depends on the market value. Market value of residential property in the state has increased throughout the nineties, though not consistently statewide. State residents approved a constitutional amendment in the late 1980s to value all property except agricultural land at its full value as defined by the legislature. The legislature designated full value as fair market value in 1989. Market values fluctuate due to changes in economic forces such as the job market, personal income, the availability, terms of credit, price level, tax rates, and location desirability.

Since 1994, when the state added the fourth cent, sale and use tax collections have increased annually. The state Consensus Revenue Estimating Group (CREG) estimates more than half of the increase is due to stricter enforcement of the sale tax law and the rest to economic growth. Continued increase is uncertain because stricter enforcement of the tax laws may reach a plateau, and at this time, the state lags behind the national average in economic growth. The fourth cent is due to sunset June 30, 2002.

**Wyoming’s tax structure is not balanced.**

To assure greater stability in revenue flows, a state should generate tax revenues from a variety of tax sources. By avoiding a concentration of tax burdens on a few tax sources, revenue flows are less subject to swings in the economy.

Minerals generated 42.38 percent of Wyoming’s tax revenues in FY1998. This tax source substantially influences Wyoming’s tax revenue flows. Wyoming residents do pay some mineral taxes but out-of-state owners or stockholders of mineral companies operating in Wyoming pay most of these taxes. Wyoming residents pay mineral taxes only to the extent that stockholders reside in the state.

Wyoming ranks second of the fifty states in tax revenue generated per person. This figure does not mean residents actually pay the taxes. The irony is studies show the state has the second lowest tax burden for a family of four. This was determined by considering what taxes a Wyoming family of four actually pays.
Coal Production-B1

Valuation ($)

Natural Gas Production-B3

Valuation MCF

Oil Production-B5

Volume Barrels

Trona Tons-B7

Volume Tons

Uranium Production-B9

Uranium Ore-Tons — Yellowcake-Pounds

Coal Valuation-B2

Year 1974 - 1996

Natural Gas Valuation-B4

Year 1974 - 1996

Oil Valuation-B6

Year 1974 - 1996

Trona Valuation-B8

Year 1974 - 1996

Uranium Production-B10

Year 1974 - 1996
Wyoming families pay sales and use taxes, excise taxes on alcohol, cigarettes, and gasoline, and residential property taxes. Excise taxes and property taxes in some areas of the state are relatively low when compared to other states. This is further indication that although Wyoming's tax revenues per capita are high, state residents pay only a portion. The committee believes the state's residents can contribute more to the services they receive based upon their ability to pay in order to bring more balance to the state's tax structure.

**Wyoming may have both a larger public infrastructure and larger public services per capita than it would if Wyoming residents had to pay for them entirely.**

In 1996 Wyoming ranked fifth per capita for state and local general expenditures for public services and infrastructure. These expenditures are for education, public health and welfare, transportation, public safety, natural resources, administration, judicial and legal services and bonded debt. Wyoming's low-density population and vast spaces account for some of this situation, but states such as Montana, South Dakota, Nevada and Idaho that have comparable demographics rank twenty-ninth, thirty-eighth, twenty-second, and forty-second, respectively, for expenditures per capita. Past studies show the average public service costs for a family of four significantly exceed estimated tax payments at all income levels.

Table 4 on page 12 illustrates this cost-revenue gap. The figures shown in the table represent the difference between what a family of four receives in state and local government services minus what they pay in state taxes. At all income levels, individuals receive more services than they pay in taxes. The gap narrows at higher income levels because these individuals make larger taxable expenditures. The gap is also smaller in communities with little nearby mineral activity (i.e. Laramie). In mineral-rich counties (i.e. Campbell), local property tax revenue is derived largely from mineral production, and sharing these local revenues between counties is only for school funding.

Other revenue sources, primarily taxes on minerals and revenues received from the federal government, fund services in Wyoming. In 1998, the federal government provided 25.5 percent of all revenues received by state government. Federal Mineral Royalties comprised $223.3 million or 32.1 percent of these federal funds. Wyoming residents contribute to the federal funds the state receives through federal income and excise taxes.

**Wyoming's current tax structure may contribute to the lack of economic growth in the state.**

In November 1997, the Steering Committee for Business Development, when recommending the formation of the Wyoming Business Council, stated the national and global economy has largely bypassed the State of Wyoming. They said employment, income and wages are not keeping pace with regional or national prosperity, and Wyoming's young people continue to leave the state for better opportunities. They found the state lacks economic diversity and job growth was shifting from higher to lower paying jobs. They cited the following reasons for these problems:

TABLE 4: Public Service Costs Minus State Taxes Paid by Consumer Units of Four Persons:

<table>
<thead>
<tr>
<th>Annual Income</th>
<th>$ 10,000</th>
<th>$ 15,000</th>
<th>$ 20,000</th>
<th>$ 30,000</th>
<th>$ 40,000</th>
<th>$ 50,000</th>
<th>$ 70,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>to 14,999</td>
<td>to 19,999</td>
<td>to 29,999</td>
<td>to 39,999</td>
<td>to 49,999</td>
<td>to 69,999</td>
<td>and over</td>
</tr>
<tr>
<td>Cheyenne</td>
<td>6,018</td>
<td>5,658</td>
<td>5,454</td>
<td>5,107</td>
<td>4,760</td>
<td>4,298</td>
<td>2,911</td>
</tr>
<tr>
<td>Laramie</td>
<td>5,221</td>
<td>4,824</td>
<td>4,598</td>
<td>4,227</td>
<td>3,841</td>
<td>3,344</td>
<td>1,847</td>
</tr>
<tr>
<td>Gillette</td>
<td>10,410</td>
<td>10,062</td>
<td>9,860</td>
<td>9,532</td>
<td>9,194</td>
<td>8,587</td>
<td>7,450</td>
</tr>
</tbody>
</table>


- A lack of a comprehensive development plan and cohesive organization with insufficient investment by the state
- An inadequately trained workforce
- Stringent federal and state regulations and federal policies that limit development of public lands
- An unbalanced state tax structure
- A limited transportation and communication infrastructure
- A lack of capital investment in the state

The state has attracted non-mineral businesses and individuals to the state with the realization the tax burden on household and businesses in non-extractive industries is relatively low. More population growth, however, means a greater volume of public services, and without a change in the state’s tax structure, an increased volume of public services only means increased taxes on existing taxpayers.

In addition, when an existing business is considering expansion or a new business is considering relocating to the state, long-range business planning takes place. If there is skepticism as to whether Wyoming will be able to fund public services with its present tax structure, prospective business developers may hesitate to expand because of the uncertainty concerning future taxes in the equation used to determine long-range business profits. This fact would especially apply to businesses that may be considering extensive investments in the state rather than to smaller businesses without large capital requirements.

**Wyoming does not divert enough of its mineral taxes to trust funds in order to secure public services funding for future generations.**

Though Wyoming has vast mineral wealth, it will not last forever. Mineral deposits are not renewable. For example, Wyoming’s oil fields have been in production for many years, and reserves are limited. The outlook for the future is poor because of low oil prices and dwindling reserves, and the fact other states and countries produce oil more cheaply. This fact means that even if the price of oil should increase, it will not solve Wyoming’s revenue problems.

Mineral deposits can also become less economically viable on the world market. This occurred with Wyoming’s uranium deposits in the 1980s when production went from 5.5 million tons in 1978 to 185,999 tons in 1987.

Wyoming assesses a mineral severance tax of 1.5 percent on the value of coal, oil, and gas for the state’s Permanent Wyoming Mineral Trust Fund (PWMTF). The Legislature created this fund in 1974. This legislation showed tremendous foresight on
the part of state officials. The state also diverts a portion of the mineral severance taxes to permanent water development funds.

The balance in the PWMTF as of 1998 was $1.52 billion. The earnings from the PWMTF in FY1998 were $101.3 million. The state constitution requires the State General Fund to acquire these funds to finance state government.

Estimated severance tax collections in 1998 were $234.8 million; the PWMTF received 27.3 percent of this amount. Local governments collected an additional $272.74 million from property taxes on minerals; none was diverted to permanent trust funds. It is important that current decision-makers consider future generations’ needs because they may not have a mineral tax base to provide public services. Income from this fund can also be a buffer for a decrease in tax revenues in economic downturns and perhaps preclude the need for tax increases.

State officials have not increased funding of the PWMTF due to fiscal constraints, and the necessity to increase taxes in order to divert additional revenues to the trust fund. The Committee believes, though, current funding of the PWMTF is not adequate to provide for future needs.

Wyoming does not manage its permanent trust funds to maximize income.

In 1998, Wyoming had $3.6 billion in permanent trust funds including the PWMTF. The yield on these funds was 7.2 percent. Of these funds, the legislature invests $923 million in Legislative Designated Investments (LDI’s) of which $350 million earn below market interest rates.

Past investment history has been conservative, and it was not until 1996 that the electorate voted to allow the State Treasurer to invest in a stock portfolio. State legislation and State Loan and Investment Board (SLIB) policy has required slow entry into the equity program. The stock portfolio investment is limited to 25 percent of permanent funds and currently the state invests 10 percent of the permanent funds in stock. Tax Reform 2000 believes the state is missing investment opportunities that can enhance the returns on these funds.

In certain areas of the state, the market value of agriculture land far exceeds the production value of land on which property taxes are determined.

Many individuals suggest special treatment is given to agricultural interests because they pay property taxes on the production value of the land rather than its market value. If market value is used, agriculture interests argue that the high taxes would force many operators to sell. The problem lies not so much with the agricultural operation that is actually a working ranch or farm, but rather with the purchaser of agricultural land who uses it for recreational and scenic purposes. Many times, these individuals pay the taxes on the production value because the land also meets the definition of agricultural use.

Market values of real estate have risen significantly in some areas of the state causing a property tax burden for individuals on fixed and low incomes.

Current relief measures for these individuals include: 1) the property tax rebate program for low income individuals; 2) the deferred tax payment program, which does not reduce taxes but defers payment until the property sells or an individual’s income increases; and 3) the sale tax and property
tax payment program for low income individuals funded by the Department of Health. The state also allows a veteran’s exemption for the state’s veterans.

The property tax rebate program is a legislatively mandated program funded by county government. County officials feel it is unconstitutional. Many people, impacted by rising property taxes, do not meet the qualifications for the above programs. The Wyoming Attorney General’s office has informed the committee any legislation that would allow county optional property tax relief measures would be unconstitutional.

Future revenue streams may not be adequate to fund the services provided by the state and local governments.

CREG estimates by the 2001-2002 biennium, state government could face a $127 million deficit. In this biennium, expenditures are estimated to exceed revenues by $183 million; but because of a $56 million budget carryover from the 1999-2000 biennium, the actual deficit will be less. Since Wyoming’s constitution does require a balanced budget, the legislature and the governor must either cut state expenditures or adopt additional revenue enhancements for the next biennium.

Past legislators solved former deficit estimates because either revenue was greater than estimated or deferred from the PWMTF and budget reserve accounts; or the state adopted a change in accounting procedures. State financial experts do not anticipate these fixes for the future biennium.

Local government officials testified before the committee they are just “getting by” and are anticipating the need to fund additional state and federal mandates for water, wastewater, and solid waste treatment. Many county governments cut expenditures in the mid-1980’s when mineral valuation decreased significantly and have yet to recover these revenues. The types and number of special property tax districts have increased to provide services local governments have been unable to meet.

Local governments do not have equal funding.

The primary source of tax funding for cities and towns is the sale and use tax. It is also an important source of revenue for counties. The amount of sale and use tax each municipality generates depends on the sales activity within the county’s borders. In addition, sale and use tax collections vary depending on whether local governments adopt the optional taxes. Large discrepancies exist throughout the state because of the location of its mineral wealth. Since Wyoming taxes minerals as property, those counties with mineral wealth benefit from minerals more so than those counties without mineral wealth. All counties and municipalities do benefit to a certain extent from the state’s mineral wealth through the earmarking formulas for severance tax and mineral royalties.

Local government officials have limited taxing authority.

Local officials can set the property tax levies for cities and counties within the constitutionally allowed limits, and they can vote to extend the local optional general-purpose sales and use taxes. Local officials prefer though to submit the latter option to a vote of the electorate. Local officials have indicated that this lack of authority requires them to request funding aid from state government when funds are not adequate to provide local government services and infrastructure. This limited authority is also
have more authority than county officials to set fees for permits and services. State statutes limit the fees county officials can charge for many services.

**Tax Administration Issues**

The reporting and collection of mineral taxes in the state is confusing and time consuming.

Mineral producers must report the same production three times for severance, mineral property, and the oil and gas conservation taxes. These procedures are costly for both the taxpayers and the administrators. Owners of mineral interest pay property taxes on minerals as much as two years after production. County treasurers sometimes have difficulty collecting mineral property taxes, and many times must initiate collection procedures against mineral interest owners who may be scattered throughout the nation, or worse, whose company may no longer be in business.

State statutes do not clearly define tax administrative authority.

State and counties split the authority to assess and collect taxes. However, there are inconsistencies in the statutes that create an overlapping of functions and in some incidences cause conflict between the state and county governments. For example, the Department of Revenue is responsible for assessing state-defined industrial property and minerals. The counties collect the property tax on minerals and the state-assessed property based on the taxable value determined by the Department of Revenue. County assessors assess residential, agricultural, commercial and industrial property within their county’s boundaries.

In 1995, a statute change allowed counties full standing before the State Board of Equalization, which meant this board must hear county appeals. Prior to 1995, the State Board selected which county appeals on which they wished to rule. There have been increasing appeals made by counties over the appraisal methods used by the department to assess mineral production. These appeals impact the caseload of the State Board of Equalization and cause delays in the assessment process. County officials testified that confusion over the appraisal methods themselves cause many of these appeals.

Another example of an overlapping function is the collection of sale and use taxes. The Department of Revenue collects all sale taxes remitted by vendors and use taxes paid by purchasers, except the sale and use taxes paid on motor vehicles. The vendor does not collect the tax on motor vehicles. Instead, the consumer must go to the county treasurer’s office to pay the tax. The treasurer then remits the tax to the Department of Revenue. This is expensive and time-consuming for the administrators and confusing for the consumer. This extra step in the collection process is also conducive to tax avoidance.
Assessment practices of county assessors vary from county to county.

County assessors, as elected county officials, should be allowed a certain amount of leeway in their decision making. The Wyoming Department of Revenue must provide assessors with rules and regulations for the appraisal methods and systems for determining fair market value using generally accepted appraisal standards. The assessors must follow and apply the orders, procedures, and formulae of the Department of Revenue or directions of the State Board of Equalization. The department has no authority to enforce or verify equal practices by assessors, although they are required to certify to the State Board of Equalization that assessors used uniform practices in appraising non-mineral production property.

The result is inconsistencies in assessment values between counties on similar properties with comparable market and production values. Although the State Board of Equalization must equalize values, it is difficult to do so after assessors have mailed the property assessments to property owners.

Special district legislation is inconsistent and requires more structure.

The committee found there is not consistency in the legislation that allows for the formation and administration of special property districts within the state. A special district is formed to provide special services (i.e. hospital, health, fire, senior services) to property owners within a district’s boundaries. State statutes provide for the creation of twenty different districts. Formation of a district is either by a vote of property owners or the registered electorate within the proposed boundaries of the district. Districts are governed by an elected board or one appointed by the county commissioners. Districts are funded by property tax mill levies, grants, and service and use fees. Most district legislation states a maximum number of mills that can be levied on the property owners within the district. The district’s board decides the number of mills actually levied, and the boards of county commissioners or the district’s voters approve these levies.

The taxation of services on tangible personal property and not real property causes confusion in complying with the sales and use tax laws.

The distinction between tangible and real property is one issue causing confusion in the administration of the sales and use tax laws. These laws provide for the taxation of services performed for the repair, alteration, or improvement of tangible personal property. The same services performed on real property are not taxed. The distinction between these two types of property is very difficult and causes disputes between the tax remitters and the Department of Revenue.

House Enrolled Act 40 passed by the 1999 Wyoming State Legislature has taken steps to clarify the difference between tangible and real property by further defining real property. Though this new legislation will limit the disputes, a problem still exists when providers of certain services must charge and remit sales and use taxes on services they perform on tangible personal property and not on real property.

If the state required payment of sales and use taxes on services performed on the repair, alteration, or improvement of all property regardless of type, it would simplify the issue for both the administrators and the vendors. Requiring this has implications of its own. Industrial plants, mines, and owners of residential,
commercial and agricultural property would see their sales and use tax bills increase considerably.

The use tax statutes are largely unenforceable.

Like most states, the enforcement of the use tax statute is a problem for Wyoming tax administrators. Residents who make purchases from catalog, Internet, telephone, or television sale outlets do not pay the state's sales tax to the vendor unless the vendor has a presence within the state or voluntarily agrees to collect the tax. Purchasers are required to file a use tax report form with the tax due to the Department of Revenue. If residents make a merchandise purchase in a state that does not have a sales tax, they, too, must pay the use tax to the Department of Revenue.

Many purchases made out-of-state by state residents go untaxed. Some residents do not realize the law exists, and if they do, find it easy to evade. The United States Congress recently passed legislation that sets up a commission to study the remote sales tax problem and, hopefully, this commission will arrive at solutions that can be applied nationwide.

Financial reporting by local governments is not consistent.

The Tax Reform 2000 Committee studied the revenues and expenditures of local governments. It was difficult to make comparisons because there was no consistency in financial reporting. This is also a complaint of the Wyoming Department of Audit when preparing its reports. Wyoming statutes do not provide accounting standards for local governments to follow to prepare financial reports similar to those provided for school districts. When significant amounts of funds flow from the state to local governments, it is important to be able to make comparisons as to their uses.
Committee Recommendations for Tax Reform

Once the problems with Wyoming's tax system were identified, the task was to consider options and to develop recommendations that would solve these problems and provide sufficient tax revenues to meet state and local revenue needs in the 21st Century. The committee's Preliminary Report listed the options the committee studied and were considering as recommendations. This section of the final report contains the recommendations the committee believes will provide Wyoming with a more fair, viable, and economically competitive tax structure. The committee arrived at these recommendations through many hours of testimony, research, and deliberation. The committee found many fundamental problems with the current tax system that only extensive changes can correct.

As part of its research, the committee studied economists' "three-legged stool" concept of taxation. This concept states that a tax structure has the best chance of being equitable, stable and balanced if it taxes the three legs of the stool: assets, consumption, and income. An example of a tax on assets is the property tax. A tax on consumption is the sales tax, and a tax on income is the income tax. Forty-one of the fifty states adhere to the three-legged stool concept of taxation.

Wyoming's tax structure has two legs of this three-legged stool, and as previously discussed exhibits symptoms of inequity, instability, and unbalance. Wyoming taxes consumption through sales, use, and excise taxes. It taxes assets with property and severance taxes. Wyoming does not have the income leg of the stool. The committee found Wyoming's two-legged stool cannot be relied upon to provide a firm footing for the 21st Century.

The committee has listed the recommendations by tax type according to the three-legged stool concept. Where possible, the committee presents an estimate of what can be generated in tax revenues as is required by the act that formed the committee.

Consumption Tax Recommendations

The committee recommends the legislature makes the fourth cent of the Wyoming's sales and use taxes permanent.

The fourth cent of the state sales and use taxes expires on June 30, 2002. The Committee recommends the state Legislature vote to make this cent permanent.

Examine the current excise taxes on cigarettes, alcohol, and motor fuels for possible increases.

Currently, the taxes on these items are lower than surrounding states. Wyoming's tax on cigarettes is one of the lowest in the nation, and the tax on beer is the lowest. Wyoming's fuel tax is eight cents below the average rate of surrounding states.

An increase in the fuel tax could free the severance tax currently designated for the highway fund. Increasing the cigarette and alcohol taxes separately would not generate significant funds, but an increase in these taxes, combined with an increase in the motor fuel taxes, does generate significant funds for both state and local governments.
In 1999, the state legislature passed an excise tax on tobacco products other than cigarettes and repealed the sales tax provision exempting cigarette sales from the sale tax. These laws go into effect July 1, 1999.

<table>
<thead>
<tr>
<th>Increase</th>
<th>Amount Generated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each one cent increase in the fuel tax generates:</td>
<td>$5,100,000.</td>
</tr>
<tr>
<td>Each one cent increase in the beer tax generates:</td>
<td>$100,000.</td>
</tr>
<tr>
<td>Each thirty cent increase in the wine tax generates:</td>
<td>$200,000.</td>
</tr>
<tr>
<td>Each fifty cent increase in the spirits tax generates:</td>
<td>$350,000.</td>
</tr>
<tr>
<td>Each one cent increase in the cigarette tax generates:</td>
<td>$500,000.</td>
</tr>
</tbody>
</table>

The legislature should examine the exclusions and exemptions in Wyoming's sales and use tax statutes for possibilities of broadening this tax.

It is difficult to estimate the tax amounts that can be generated, but many exemptions and exclusions may have outgrown their usefulness. The state does not tax personal and professional services, sporting fees, and the repair, maintenance, and alteration of real property. Lower income individuals pay a greater percentage of their income in sales and use taxes than those at higher incomes. Broadening the tax to include services used by higher income individuals would not only generate additional funds for the state, but will also make the tax less regressive. The committee recommends the legislature implement reporting requirements for sales and services currently not taxed to determine how much revenue can be generated by applying the sale and use tax to certain exemptions and exclusions.

Rail Mile Tax

Wyoming should explore the possibility of adopting a rail mile tax similar to the one levied in Nebraska. The tax, assessed against each rail crossing and each rail mile traveled on state's rail track, would not generate substantial revenue. The Wyoming Department of Transportation, to defer the costs of railroad crossing construction and maintenance, can use the funds it generates. The state has limited taxing authority over the railroads that operate in Wyoming due to the federal Four-R Act and interstate commerce statutes. These federal laws will not allow the state to single out railroads with special taxing provisions.

Asset Tax Recommendations

The legislature should implement a real estate transfer tax.

This tax is imposed on the sale price of real property. Examples of property that would not be taxed under current proposals include: mergers, consolidations, reorganization of business entities, transfers between spouses, parents and children, sales for taxes or assessments, foreclosure on property, and transfer of property exempt from property taxes. The legislation introduced in 1997 included a tiered rate structure and would generate the following revenues:
The committee attempted to determine the total revenues that could be generated statewide from a real estate transfer tax. Wyoming does not have a centralized database that accumulates information on real estate sales based upon sales price. Without this information, it is difficult to determine the total amount the tax would raise.

Tax proceeds could be used to fund property tax rebates for individuals impacted by increases in the property tax and help support the infrastructure of local governments.

A real estate transfer tax could help solve the problem of the market value of agricultural land exceeding the production value of the same land. If local government taxed agricultural land at its market value for property taxes rather than production value, it would cause financial hardships for many operators in the state. A real estate transfer tax, assessed on the market value of the land at the time of sale, would recoup property taxes lost due to the scenic and recreational value of the agricultural land.

Larger deposits should be made to the Permanent Wyoming Mineral Trust Fund (PWMTF).

The committee is not suggesting a decrease in taxes paid by the mineral industry. If the state can generate additional revenues from sources other than minerals to fund government services, the state could deposit more mineral taxes to the PWMTF. Greater deposits to this fund would assure revenue sources for current and future generations as mineral deposits are depleted, (as is occurring with oil), or not in demand in future global economies, (as occurred with uranium). The state could limit the need for future tax increases because additional deposits to this permanent fund mean additional investment earnings for the State General Fund.

Escalating property tax rates remain a problem in some parts of Wyoming.

Listed below are possible options to curb this problem. Both of these options will require Wyoming constitutional changes that call for a vote of the electorate:

1) Establish a maximum number of mills each taxing district can levy. The total mills allowed would include the mills levied for counties, cities and towns, school funding, and special districts.

2) Amend the state constitution to allow county governments to institute optional property tax rebate programs for individuals on low and fixed incomes.

Income Tax Recommendation

The committee recommends the implementation of an individual and corporate income tax.

1) An income tax could bring more equity to the Wyoming’s tax structure and could
help negate the regressivity of the Wyoming's excise taxes. The Wyoming State Constitution requires full credit for sale, use, and property taxes paid in the taxable year against any income tax liability. This provision would apply not only to an individual income tax but also to a corporate income tax.

Studies completed by the committee have shown that because of this provision a flat individual income tax rate in Wyoming becomes progressive. Under the current tax structure of excise and property taxes, individuals at lower incomes pay a greater percentage of their income in taxes than individuals at higher incomes. If an income tax was part of Wyoming's tax structure, and the credit was allowed for sales, use and property taxes paid, individuals at higher incomes would pay a greater percentage of their income in income taxes. However, when sales, use, property, and income taxes are all considered, the tax burden could be proportionally the same across all income levels.

Revenue projections for the future from minerals indicate little to no growth. Wyoming may need to find additional sources of revenue, otherwise, the state's sales, use, and property taxes will need to be increased. If this occurs, it will further impact the lower income people who already pay a greater percentage of their income in state taxes.

2) An income tax could bring more stability to the Wyoming's tax structure allowing for better forecasting of state and local revenues. Currently, because of the state's reliance on mineral taxes, this is not possible due to fluctuating prices and declining production of some minerals. Though revenue from an income tax will fluctuate with the general economy, it is more stable over time and easier to estimate than taxes on minerals. An income tax also generates revenue that grows with the state's economy. Many states, experiencing budget surpluses during the current economic upswing, have a state income tax.

3) An income tax could bring more balance to the Wyoming's tax structure. The committee did estimate what revenues an individual income tax would generate. These estimates range from $52 million to $150 million depending on the tax rate and tax base used. The income tax is a revenue source that would generate sufficient revenues to free mineral taxes to be diverted to the PWMTF. State residents would also assume a greater responsibility for the revenues the state receives and the resulting expenditures.

4) An income tax could provide a greater certainty to Wyoming's tax structure for those businesses considering expansion in Wyoming, especially those with large capital requirements. Prospective business developers would be better able to determine their future tax liabilities in Wyoming, and may have a greater confidence that government could be funded without having additional taxes levied once they have located in the state. There may be a greater cohesiveness of economic development efforts throughout the state with all industries in support.

5) If the State of Wyoming adopted an individual state income tax, any tax paid by state residents could be allowed on the federal tax return as an itemized deduction from adjusted gross income.

6) Wyoming loses tax revenues to other states that have a corporate state income tax. Owners of corporations who have operations in Wyoming pay the corporate state income
tax of the state where the corporation is domiciled on the earnings made in Wyoming. If Wyoming had a corporate income tax, the portion of their income earned in Wyoming would be taxed by Wyoming instead of the state where the corporation is domiciled. The Committee was unable to estimate what revenues a corporate income tax would generate. The data is not available in the necessary format to make this estimate.

7) A state income tax should be simple to administer. The state can use federal taxable or adjusted gross income as a tax base, or it can develop its own formula. The committee will not recommend a design for a state income tax. The Department of Revenue, at the request of the Committee, did estimate the cost to administer an individual income tax at approximately $4 million.

Additional Committee Recommendations

**Wyoming should manage permanent funds to maximize income.**

The rate of return in FY1998 was 7.2 percent on permanent funds. Each one-percent increase would generate additional revenues of $30 million from these funds. The Legislative Designated Investments (LDI’s) of these funds should be reviewed by the responsible committee and recommendations made as to the advisability of achieving maximum, safe investment return versus the varied social benefits LDI’s currently provide. The legislature should release unused allocations of LDI’s for investment at market rates. The State Loan and Investment Board is encouraged to pursue its current progress toward the maximum equity investment of 25 percent. Tax Reform 2000 is in favor of a plan that will make the PWMTF inflation proof.

**Wyoming should examine and analyze the feasibility of new revenue sources.**

1) The temporary storage of spent nuclear fuel rods is a project that could generate additional tax revenues and fees for Wyoming. Additional revenue can be placed in permanent funds with the interest used to help defer the costs of government services. This source could generate $376 million to $936 million in revenue for state and local governments depending on the storage potential during the expected forty-year life of the facility.

2) The committee heard testimony from several individuals that the state should examine the possibility of a state lottery with participation in one of the multi-state lotteries. Wyoming’s low population could be a deterrent to a successful lottery, but the committee recommends a feasibility study for a possible lottery in Wyoming.

3) The committee recommends state officials examine and analyze Wyoming’s land use fee structure for possible increases. Use fees from the state’s lands are deposited to Wyoming’s permanent land funds. The earnings are primarily used to fund public education.

**The governor and the legislature should form a separate committee to examine state and local government spending.**

Although there is currently a study being completed on state government expenditures and earmarking of funds, it does not extend to local government expenditures, and it must comply with the time constraint of the 2001-2002 budget process. State officials do not anticipate this study will identify a
significant amount of dollars to cut from the state budget, and have stated it will principally be used to explain to Wyoming residents how state funds are spent. The committee believes a more extensive study that includes all levels of government should be conducted. The following are concerns the committee believes need to be addressed:

1) State government spends 80 percent of its funds for education, corrections, health and welfare, transportation, and environmental quality. These areas are difficult to cut because of state and federal mandates and the earmarking of funds; but a study should examine these public services for spending efficiencies.

2) Since Wyoming’s population has not significantly increased during the past decade, a study should identify what increases in spending since 1990 are due to inflation, federal mandates, and nonessential growth in government spending.

3) A study by the Wyoming Taxpayers Association shows state and local spending outpaced revenue generation during the past decade. Spending increased 19.7 percent and revenues increased 13.5 percent. An expenditure study should determine how this revenue shortfall was funded.3

4) The same study by the Wyoming Taxpayers Association shows during the past decade revenue from the federal government increased by 25 percent when adjusted for inflation, and state and local generated revenues declined by 28 percent. An expenditure study should identify this growth in federal revenues, how these funds were spent, and how much of these federal funds were one-time source revenues to be gradually replaced by state and local revenues.

5) To conduct an expenditure study of local governments, financial reporting must be consistent. The Wyoming Association of Municipalities, the Wyoming Association of County Officials and the Wyoming County Commissioners Association should work with their member entities to establish accounting standards that will allow a comparison between local revenue sources and uses.

6) A study should examine state statutes and government service provisions for duplication of services and the possibility of either consolidation or sharing of these services.

Local governments do not have equal funding in Wyoming.

This continues to be a difficult problem to solve because the primary cause for the large discrepancies that exist throughout the state is the location of minerals and the taxation of minerals as property. Counties rich in minerals are able to raise more property taxes than counties that do not have minerals.

Some committee members suggest that minerals are an asset of the state, and revenue from them should flow to the state to be redistributed equally to local government. Other members believe counties that have minerals also have more public services and infrastructure to construct and maintain for their residents. These counties should be able to keep the taxes raised from property taxes on minerals in order to fund these services.

The committee recommends the legislature study the ability of local governments to generate sufficient revenues to meet local public service requirements.

**Tax Administration Recommendations**

**Mineral Taxes**

Wyoming officials should form a separate committee to arrive at a solution to combine Wyoming's current mineral taxes with one reporting and collection point.

This separate committee should include representatives from the mineral industry, state, and county government. Possibilities to implement this administrative change include:

1) Combine the current severance and property tax on minerals into one severance tax rate. Mineral producers would report the production once to the Wyoming Department of Revenue. Distribution of the tax would be based on a formula that considers current distribution formulas. A constitutional amendment would be necessary to repeal the provision in the Wyoming State Constitution requiring a property tax on minerals.

2) Design a reporting form that would allow reporting of all mineral taxes separately on one form. The taxes would be paid to one agency at the time of reporting. That agency would then distribute the taxes according to current formulas. A problem to be solved with this method is mineral producers would not have the same time delay for remittance of the property tax on minerals that other property taxpayers receive.

The committee considered many local-taxing options, but chose not to recommend specific options. Instead, they believe state and local officials should first study the overall revenue generating authority of local governments and its implications before making specific changes to this authority.

The legislature should amend state statutes to clarify which governmental entity has the final authority to select and apply an appraisal method for mineral production.

The legislature by determining which entity has final authority could prevent delays in the assessment process and limit the appeals before the State Board of Equalization. The legislature should also review current mineral appraisal formulas for possible simplification. Simplification could reduce conflicts between the Department of Revenue and county governments.

**Property Taxes**

More consistency in assessment values between counties for similar properties with comparable market and production values is desired.

Statute does define the role of county assessors and the Department of Revenue in the assessment process. What is not given is the power of enforcement of the requirements assessors must meet. County assessors, as elected county officials, should be allowed a certain amount of judgement
leeway. A centralized assessment process at the state level of local assessed properties would generate more consistency in assessment values between counties for properties with comparable market and production values.

The committee believes state residents are not willing to give up the local control an elected county assessor system allows. State residents must tolerate differences in assessment values in order to maintain the current system. The committee recommends two suggestions that could bring more uniformity to the system. These suggestions will not completely solve the problem.

1) In order to provide consistency in the valuation of agricultural land, the legislature should pass legislation that will better clarify the criteria for land to receive the agricultural definition.

2) The Wyoming Assessors Association should develop standard forms for reporting that all assessors agree to use. An example of a possible form would be the one used by the Teton County Assessor for the assessment of agricultural land.

The committee recommends a review of property tax exemptions for applicability and ease of administration.

The committee identified two property tax exemptions for deletion. These are 39-11-104(a)(xv) Snowmobiles and 39-11-105(a)(xxv) Property owned by the Black Hills Joint Power Commission. County assessors indicate a need for a review of all property tax exemptions. Many are outdated and others difficult to justify to taxpayers not covered by an exemption. The committee endorses this suggestion.

The Committee recommends a legislative review of special district statutes.

While special districts allow citizens to tax themselves to provide services the majority of those voting request, the proliferation of special districts is a topic that calls for legislative review.

Sales and Use Taxes

The legislature should research the impacts of repealing the sale tax exemption for charitable and non-profit entities.

The exemption, allowed charitable and non-profit entities from sales and use taxes for goods purchased for their own use, is difficult to administer. Businesses must keep an exemption certificate from every organization that receives this exemption. The legislature should study the impacts of this legislation to determine its cost-effectiveness.

The committee encourages stricter compliance with and enforcement of the use tax statutes.

The Department of Revenue should make a more concentrated effort to collect the use tax statewide. The committee recommends the following: better education of the state residents regarding the reasons use taxes are collected; increased public access to the forms used to file the tax; and cooperation with other state agencies where applicable to collect the tax. State and local officials should continue to lobby congressional delegates for national legislation that would give the state greater authority to collect sale tax on Internet and catalog sales.
Other Options Considered but Not Recommended

The committee studied the possibility of revising state tax statutes and adopting other tax sources. They considered these alternatives by comparing them to their adopted criteria. The committee either rejected the alternatives listed below or recommends further study:

An increase in the state sales tax is an option not advised at this time for these reasons:

1) Wyoming’s northern tier of counties is already at a competitive disadvantage since Montana has no sales tax. 2) The sales tax is regressive for lower income individuals. 3) Wyoming’s state tax rate of four cents is comparable to those of surrounding states except Montana. 4) The adoption of an additional one-cent sales and use tax may impair the passage of optional sales and use taxes by local governments. 5) An income tax, with the constitutional provision that allows taxpayers to deduct sales, use and property taxes from any income tax due, could mean individuals at lower incomes may pay less in an income tax than they would in an increase in the sales tax. 6) A state income tax would be deductible on the federal income tax return whereas sales and use taxes are not.

The committee does not recommend authorization of the four-mill statewide property tax levy or an increase in the number of mills levied by school districts.

Property taxes already increase as market values increase, and in some areas of Wyoming, these increases are significant. An increase in the mill levies would also apply to the property tax on minerals. This would be a continuation of the problems previously identified by the committee with Wyoming’s tax structure: a lack stability and balance.

An increase in the Wyoming mineral severance tax would increase the imbalance of state’s tax structure.

The committee did not recommend a decrease in the mineral severance tax but is also not recommending an increase for the same reasons it did not consider an increase in the property tax. The committee encourages the adoption of an additional revenue source that brings more equity, stability, and balance to the state’s tax structure so additional mineral tax revenue can be diverted to the PWMTF.

The gross receipts tax concept was not a recommendation because the tax is applied to the gross receipts of businesses and not to their profits.

A gross receipts tax is a tax assessed whether the business makes a profit or not. All forms of business including wholesalers and providers of professional and personal services pay the tax. The rate structure is different depending on the type of business.

The committee does not recommend an employment head tax.

The employment head tax is one paid per employee by the employee, the employer, or both. It is usually a flat rate per employee (i.e. $100.00 per employee annually).
Larger municipalities in other states have levied this type of tax in order to provide services to employees who work within the city limits but do not reside within its boundaries. The committee believes this tax could be regressive for lower income individuals and, if paid by the employer, shifted to the employee in the form of lower wages or non-employment. The tax could also be unfriendly to business.

The committee recommends a more complete study by the legislature of the electric generation tax before considering it as a tax option.

The electric generation tax is an excise tax on each kilowatt-hour of electricity produced. Wyoming exports to other states the majority of the electricity produced in the state. Concerns the committee has with this tax are: 1) It is a hidden tax that is easily passed onto consumers and would be regressive for lower income individuals; 2) There is not enough information available on how the tax would effect the competitiveness of Wyoming’s electric generating industry.

The Committee does not recommend a statewide lodging tax.

Currently local governments can adopt local option lodging taxes with the revenues remaining in the county where the tax is levied. This tax option would assess a lodging tax statewide with the revenues used by state government as designated by the legislature.

Committee members expressed the following concerns: 1) One industry would support the total tourism industry; 2) Since lodging services are also subject to the sales tax, the addition of a state lodging tax could make lodging very expensive, especially in counties which levy the local optional lodging and sales taxes; and 3) Since local industries rely on the local option lodging tax for the promotion of the local tourist industry, adoption of a statewide tax could jeopardize the passage of the local tax.

The committee reviewed tax structures of other states that do not have a state income tax.

Texas has revised its corporate franchise tax so its provisions are very similar to a corporate income tax, and it has a 6.25 percent state sales tax. New Hampshire has a business profits tax that taxes the profits of all forms of business, one of the highest property tax rates in the country, and an interest and dividends tax. Florida has instituted an intangible tax on the ownership of financial assets, and it has a 6 percent state sales tax.

The State of Washington levies a gross receipts tax called the Business and Occupation tax and a 6.25 percent state sales tax. Nevada relies on its gaming taxes and does have an employment head tax paid by the employer. South Dakota, in 1997, generated $118.9 million in lottery and video gaming proceeds, and it has broadened its sales tax to include many services, including some professional services. Alaska, like Wyoming, relies on its mineral wealth, but it does have a corporate income tax.
Concluding Statement

The committee identified many problems with the current tax structure. The primary ones are a lack of equity, stability, and balance. These have led and will continue to lead to other problems if not solved. The overbuilding of infrastructure which must be maintained, a lack of economic growth, inadequate funding of permanent trust funds from mineral taxes, and problems with local government funding are just a few.

The committee also found that problems exist in the administration of the state tax system. The reporting and collection of mineral taxes, (property and severance) creates confusion and delays in the assessment process, duplication of reporting and controversy. The inconsistencies in the sales and use tax statutes continue to cause confusion for both the payers and the administrators. Special district legislation lacks cohesiveness and leads to administrative hassles.

The committee realizes that not all state residents will agree with the recommendations made to solve these problems. The recommendation of a state individual and corporate income tax draws the most controversy. Yet, this tax has the best chance of solving Wyoming’s structural tax problems. The governor and the legislature may be able to solve the anticipated budget deficit for the next biennium, but the question exists whether these solutions will solve the inherent problems with Wyoming’s tax structure. Without addressing these problems, each biennium Wyoming may continue to go from one budget crisis to another.

The appendix, a separate attachment to this report, contains documentation of the committee’s findings. This report includes a listing of the contents of the appendix. Both the report and appendix will appear on the Wyoming State Legislature website at http://legisweb.state.wy.us/. The report and appendix will be available at the Wyoming State Library in Cheyenne and copies of the report will be on file at all public libraries in the state. Individual copies can be ordered by contacting Tax Reform 2000, P. O. Box 472, Encampment, WY, by email at irarchib@union-tel.com and by fax at (307) 327-5148. The cost of the appendix is $30.00. There is no charge for the report. The appendix will be available July 1 and orders can be placed until August 15, 1999.
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