Wyoming’s Tax Structure & 2023 Revenue Outlook
“The art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest possible amount of hissing.”

- Jean-Baptiste Colbert, Finance Minister (1665-1683), King Louis XIV
What is the WTA?
Cornerstones of Taxation

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

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

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

TRANSPARENT
✓ Is the tax visible, accountable and auditable?
✓ Is the tax easy to understand, administer and cost effective to collect?
“Wyoming’s tax structure lacks equity, stability, and balance.” – Tax Reform 2000 Committee

- **Inequitable**: structure is regressive (lower income households pay a larger percentage of income in excise and property taxes than households with higher income).
- **Unstable**: mineral production taxes based on market values many of which are subject to national and international volatility.
- **Lacks balance**: Tax structure reliant on extractive industries to fund operating budget (income inelastic as mineral tax collections are unrelated to state income changes).
- **Primary tax sources**: Almost 75% of the State’s tax revenue is generated by property taxes, mineral severance taxes, and sales & use taxes.

Major Components of Wyoming’s Tax Structure

Property Tax - 52%
- Property tax for mineral production 45% of FY21 total
- CY18 effective tax rate on owner-occupied housing value 0.56% (#44)

General Sales Tax - 33%
- State tax rate 4%, avg. local rate 1.51% = 5.51% combined rate (#44)

Severance Tax - 9%
- 6% of value on oil & gas, 4% on stripper oil
- 7.0%* of value on surface coal, 3.75% of value on underground coal. 6.5% as of January 1, 2021

Other Taxes - 6%
- Fuel tax $0.24/gallon (#38)
- Cigarette tax $0.60/pack (#43)
- Alcohol – Beer $0.02/gallon (#50), Wine $0.28/gallon, Spirits $0.94/gallon (no ranks)
- Insurance premium tax
- Franchise tax
- Wind generation tax

Source: Wyoming Legislative Service Office Fiscal Profile 2021, Wyoming Department of Revenue, Tax Foundation
## Excise – The Power of a Penny

<table>
<thead>
<tr>
<th>Sales and Use Tax</th>
<th>($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local total (29%)</td>
<td>$312,386,701</td>
</tr>
<tr>
<td>Local Admin. Expense (1%)</td>
<td>$10,771,955</td>
</tr>
<tr>
<td>State total (69%)</td>
<td>$743,264,909</td>
</tr>
<tr>
<td>State Admin. Expense (1%)</td>
<td>$10,771,955</td>
</tr>
</tbody>
</table>

Total Sales and Use Tax Collected FY 2022: $1,077,195,521

Source: Department of Revenue, FY 2022

[Diagram showing breakdown of sales and use tax contributions:]
- State total (69%)
- Local total (29%)
- Local Admin. Expense (1%)
- State Admin. Expense (1%)
## Excise – The Power of a Penny

<table>
<thead>
<tr>
<th>SALES TAX TYPE</th>
<th>AMOUNT</th>
<th>COUNTIES &amp; DISTRICTS THAT LEVY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide</td>
<td>$0.04</td>
<td>23</td>
</tr>
<tr>
<td>General Purpose</td>
<td>$0.01</td>
<td>21</td>
</tr>
<tr>
<td>Specific Purpose</td>
<td>$0.01</td>
<td>15</td>
</tr>
<tr>
<td>Municipal Purpose</td>
<td>$0.01</td>
<td>None at this time</td>
</tr>
<tr>
<td>Resort District</td>
<td>$0.03</td>
<td>2</td>
</tr>
<tr>
<td>Econ Development</td>
<td>$0.01</td>
<td>2</td>
</tr>
</tbody>
</table>
Property tax – How it is derived

<table>
<thead>
<tr>
<th>How It’s Derived</th>
<th>($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral Production</td>
<td>$775</td>
</tr>
<tr>
<td>Residential Property</td>
<td>$533</td>
</tr>
<tr>
<td>Industrial Locally-Assessed</td>
<td>$136</td>
</tr>
<tr>
<td>Industrial State-Assessed</td>
<td>$126</td>
</tr>
<tr>
<td>Commercial Property</td>
<td>$134</td>
</tr>
<tr>
<td>Agricultural Lands</td>
<td>$24</td>
</tr>
</tbody>
</table>

**TOTAL TAX REVENUE:** $1,728

Source: Department of Revenue, FY 2022
### Property tax – How it is used

<table>
<thead>
<tr>
<th>How It’s Used</th>
<th>($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Schools</td>
<td>$1,187</td>
</tr>
<tr>
<td>County Government</td>
<td>$298</td>
</tr>
<tr>
<td>Special Districts</td>
<td>$140</td>
</tr>
<tr>
<td>Community Colleges</td>
<td>$65</td>
</tr>
<tr>
<td>Cities and Towns</td>
<td>$36</td>
</tr>
<tr>
<td><strong>TOTAL:</strong></td>
<td><strong>$1,726</strong></td>
</tr>
</tbody>
</table>

Source: Department of Revenue, FY 2022
Direct Tax Collections & Public Service Costs 2021

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

Personal Tax Collections

- Retail Sales $1,150
- Gasoline $210
- Cigarettes $120
- Alcohol $110
- Vehicle Registration $600
- Property Tax $1,780

$3,990

Public Service Costs

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

$27,550

NOTE: Excludes Federal Funds and Enterprise Revenues

Source: Department of Administration & Information, Economic Analysis Division 2022
What does this mean for economic development and diversification?

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

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

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

**Source:** REMI model presentation to Joint Revenue Committee dated June 4, 2018
“Breaking The Pace”
Can we make do with less?

General Fund & Reserve Accounts (with Savings)

Notes/Source: Revenues from Jan 2020 CREG 2020/Previous Revenues include capital gains from Budget Fiscal Data Book / Fiscal Profile, Legislative Service Office/ Additional information from State Economic Analysis Division & Wyomingsense.gov
Funding the Block Grant

IV. District Funding - Entitlement & Recapture.

- Foundation Program Guarantee
- Local Resources
  - Recapture
    - IF Local Resources Exceed Foundation Guarantee
      - THEN SFP recaptures excess from District
  - Entitlement
    - IF Foundation Guarantee Exceeds Local Resources
      - THEN SFP makes payment to the district
  - Fines and Forfeitures
  - County Motor Vehicle Fund
  - Property Sales
  - Cash Reserves, if applicable
  - School District Levy - 25 mills
  - Taylor Grazing Act Funds
  - Railroad Car Company Taxes
  - Countywide Levy - 6 mills
  - Forest Reserve Funds
  - Tuition Payments Excluding Distance Ed & W.S. 21-4-502(c)
  - Delinquent Tax Penalty & Interest

V. Revenues Deposited in the School Foundation Program Account.

- Statewide Levy - 12 mills
- Common School Land Income
- Pooled Interest
- Federal Mineral Royalties
- Recapture
- Motor Vehicle Registration Fees
- Car Company Taxes
- E-Rate
- SFP Augmentations and Cash Flows
- SFP Revenues
2022 Interim for 2023 General Session

Items of interest with fiscal impacts

Joint Appropriations Committee

• October CREG
  – In the black thanks to high oil prices & even higher natural gas prices, high sales and use receipts and cash gains from the LSRA.
  – $2B in LSRA!
  – No deficit in SFP ($978 M)
  – January CREG

• Federal $$$ (CARES, ARPA, IIJA)

• Supplemental Budget
  – Gov’s rec of $353.9 M is “Conservative and BOLD”
<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Compensation</td>
<td>$61,062,500</td>
</tr>
<tr>
<td>Enterprise Inflation</td>
<td>$13,752,344</td>
</tr>
<tr>
<td>Transfer to the PWMTF</td>
<td>$412,188,293</td>
</tr>
<tr>
<td>Wyoming Natural Resource Trust</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Wyoming’s Tomorrow</td>
<td>$35,000,000</td>
</tr>
<tr>
<td>Cultural Trust Fund</td>
<td>$8,000,000</td>
</tr>
<tr>
<td>Local Government</td>
<td>$26,250,000</td>
</tr>
<tr>
<td>Predator Management</td>
<td>$1,483,510</td>
</tr>
<tr>
<td>Mineral Royalty Grant Funding</td>
<td>$10,000,000</td>
</tr>
<tr>
<td>Invasive Species</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>State Engineer Colorado River</td>
<td>$500,000</td>
</tr>
<tr>
<td>Property Tax Refund</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Retiree Benefit Contribution</td>
<td>$68,000,000</td>
</tr>
<tr>
<td>1% Employer Contribution to Retirement</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Energy Matching Fund</td>
<td>$50,000,000</td>
</tr>
<tr>
<td>Brucellosis</td>
<td>$500,000</td>
</tr>
</tbody>
</table>
2022 Interim for 2023 General Session
Items of interest with fiscal impacts

Joint Appropriations Committee
- Gaming
  - 22LSO-0220 Pari-mutuel wagering machines-disposition of funds. TABLED.
- Streamlining funding & state investments & distributions
  - HB 0025 School capital construction-transfers and distributions. (Select Committee on School Facilities)
  - 23LSO-0262 Legislative stabilization reserve account-obligations. (Select Committee on capital financing & Investments)
  - 23LSO-0181 v0.5 State investment returns – adequate reserve funding. (Select Committee on Capital financing & Investments)
- Select Committee on Capital Financing & Investments
  - Wyoming investment management structure
  - Modernizing Wyoming investment earnings and capital-financing policies
  - Impediments to Investment Performance
Joint Revenue Committee

- Gaming
  - SF 0041 Skilled based amusement games – authorized locations.
- Medicaid Expansion
  - 2022 HB 0020 Medical treatment opportunity act.
- Property tax – LOTS of interim consideration!!
  - HJ 0001 Residential property taxation amendment.
  - 23LSO-0195 v0.3 Property tax-homestead exemption.
  - 23LSO-0268 v0.3 Property tax refund program.
  - SF 0039 Board of equalization-questions before the board.
  - 23LSO-0066 v0.3 Governmental property. TABLED.
Joint Revenue Committee cont.

- **Sin taxes**
  - SF 0042 Taxation of cigars.
  - 23LSO-0063 v0.4 Cigarette tax.

- **Suicide prevention funding**
  - 23LSO-0267 v0.7 988 suicide prevention.

- **Individual topics & themes to carry forward**
  - Property tax issues
  - Exemptions
  - Residential tax caps
  - Acquisition value study (Prop 13)
2022 Interim for 2023 General Session
Items of interest with fiscal impacts

Joint Corporations Committee

• 23LSO-0129 Retail liquor license fees.
• 23LSO-0118 Tavern and entertainment liquor license.
• HB 0003 State assessment of independent power producers.
• Individual topics & themes to carry forward
  – Export tax on electricity
  – Electricity taxation
  – Fees
Joint Education Committee

- Community College Funding
  - 23LSO-0075 v1.1 Community college funding-level of instruction.
  - HB 0028 Community college capital construction.
  - SF 0046 Community college funding – inflation adjustment.

- BOCES
  - HB 0032 Education mill levy amendments.

- Charter Schools
  - SF 0050 Charter school amendments.

- School Foundation Program
  - SF 0051 School finance-regional cost adjustment.
  - SF 0052 School finance-special education funding.
Joint Transportation, Highways & Military Affairs

- HB 0040 Airport districts.
- HB 0041 Lightweight trailers-permanent registration.
- HB 0046 Wyoming public safety communications system trust fund.
- 23LSO-0211 v0.5 Wyoming public safety communications system funding.
- Individual topics & themes to carry forward
  - IIJA
  - Fees
  - RUC
Joint Agriculture
• HB 0016 State land leasing-improvements.
• SF 0030 Apiculture-agricultural land use purpose.

Joint Travel, Recreation, Wildlife & Cultural Resources
• 23LSO-0289 v0.5 Wyoming outdoor recreation trust fund.

Select Committee on Blockchain, Financial Technology & Digital Innovation Technology
• 23LSO-0051 v0.5 Wyoming stable token act.
Resources

wyotax.org
wyotax.org/research-education/publications
wyotax.org/research-education/wyoming-tax-reform-2000/
wyoleg.gov
wyoleg.gov/budget/2021databook.pdf
drivethrive.wyo.gov
Wyomingsense.gov
Wyoming Department of Revenue 2022 Annual Report
Wyoming State Budget