

## Highlights of the Conference Budget Finance Provisions

The Finance Provisions in the Conference Budget reduce General Fund revenue by approximately \$175.0 million in FY 2023-24 and by \$661.0 million in FY 2024-25. The highlights of the Finance Provisions follow below.

### Executive Summary

The Conference Budget Finance Package reduces the personal income tax rate and includes other sales, franchise, privilege, and excise tax provisions. Specifically:

- Accelerates personal income tax rate reductions scheduled under current law by 1 year;
- Authorizes up to 3 additional personal income tax rate reductions of 0.5% each that become effective if General Fund revenue meets certain thresholds;
- Caps the franchise tax paid on the first \$1.0 million of the tax base for C-corporations and eliminates the State privilege license tax on professionals;
- Creates a sales tax exemption for purchases of breast pumps and breast pump accessories;
- Creates, expands, or extends various sales tax exemptions or refunds for several industries, including Continuing Care Retirement Communities, professional motorsports, aviation, and cargo shipping vessels;
- Modifies the excise tax rate for snuff and taxes alternative nicotine products; and
- Enacts a new excise tax on gross receipts derived from for-hire ground transport services, such as those provided by Uber, Lyft, or a taxi service.

### Tax Highlights

- Personal Income Tax Rate Reductions (Sec. 42.1)
  - Accelerates the personal income tax rate reductions scheduled under current law by 1 year, reducing the tax rate:
    - From 4.6% to 4.5% in 2024,
    - From 4.5% to 4.25% in 2025, and
    - From 4.25% to 3.99% in 2026.
  - Authorizes up to 3 additional rate reductions between 2027 and 2034, provided that total General Fund tax and nontax revenue in the preceding fiscal year reaches certain thresholds.
    - Whenever General Fund revenue in a given fiscal year meets the threshold (“trigger”) amount specified for that fiscal year, the personal income tax rate drops by one-half percentage point (0.50%) beginning January 1<sup>st</sup> of the following tax year.

- Cap the Franchise Tax on First \$1.0 million of C-Corp Tax Base (Sec. 42.6A) – Caps the franchise tax at \$500 on the first \$1.0 million of the tax base for C-corps. This change is effective for tax paid on 2024 returns.
- Repeal State Privilege Tax on Professionals (Sec. 42.7) – Repeals the State privilege license tax on professionals. This change is effective July 1, 2024.

**The following provisions make various changes to Sales and Use taxes.**

- Sales Tax Exemption for Continuing Care Retirement Communities (Sec. 42.10) – Creates a sales tax exemption for items other than alcoholic beverages sold by Continuing Care Retirement Communities. This change is effective November 1, 2023.
- Extend Sunset of Exemptions and Refunds for Professional Motorsports (Sec. 42.11) – Extends by 4 years the sales tax exemptions and refunds for the professional motorsports industry and extends by 5 years the sales tax refund for aviation fuel for motorsports events. The proceeds from sales tax collections on aviation fuel are credited to the Highway Fund. Under current law, these sales tax preferences are set to expire January 1, 2024.
- Expand Sales Tax Exemption so that Parts and Accessories Exemption Aligns with Labor Exemption for Same Types of Aircraft (Sec. 42.12) – Expands the sales tax exemption for parts and accessories used to repair aircraft to include aircraft with a maximum take-off weight of 2,000 pounds or more. This change is effective November 1, 2023.
- Extend Sunset for Aviation Gasoline and Jet Fuel for Use in Commercial Aircraft (Sec. 42.13) – Extends by 5 years the sales tax exemption for aviation fuel for use in commercial aircraft. The proceeds from these tax collections are credited to the Highway Fund. Under current law, this exemption is set to expire January 1, 2024.
- Expand Sales Tax Exemption for Fuel and Consumables Used by Boats Transporting Freight on Inland and Intracoastal Waterways (Sec. 42.14) – Expands the sales tax exemption for fuel, lubricants, and other consumables for certain ocean-going vessels to include vessels transporting freight on inland and intracoastal waterways. This change is effective November 1, 2023.
- Exempt Breast Pumps, Breast Pump Collection and Storage Supplies, and Repair and Replacement Parts (Sec. 42.16) – Exempts from sales and use tax purchases of breast pumps, including repair and replacement parts, breast pump collection and storage supplies, and breast pump kits. This change is effective November 1, 2023.

**The following provisions make changes to other types of tax.**

- Change Method of Taxing Snuff from Cost-Based to Weight-Based and Expand Base to Include Alternative Nicotine Products (Sec. 42.18) – Changes the excise tax rate on snuff from 12.8% of cost price to \$0.40 per ounce and expands the tax base to include alternative nicotine products at a tax rate of \$0.10 per container containing up to 20 units,

and \$.005 per unit for any amount in a container over 20 units. This change is effective July 1, 2025.

- Enact New Tax on For-Hire Ground Transport Services (Sec. 42.19) – Enacts a new excise tax on gross receipts derived from for-hire ground transport services (such as Uber, Lyft, or a taxi service) at a rate of 1.5% for exclusive-ride services and 1% for shared-ride services. The proceeds from these tax collections are credited to the Highway Fund. This provision is effective July 1, 2025.