



From an overall fiscal and economic standpoint, the revised BTAC proposal is very similar to original proposal . Original proposal would eliminate tax over 5 years Revised proposal would eliminate tax over 15 years . In both cases, the business tax would be completely . eliminated As a result, long-run fiscal and economic effects of new and original proposals are similar Both would reduce taxes and increase economic output But, this increase in output would not be sufficient to generate enough non-business tax revenue to offset the revenue losses 3





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	Class 9	businesses are diverse	
	Top 15 NAICS C	adas for 2011 Tayos Paid in Fund Class 9	
	RankNAICS Code	Description	
	1. 541100	Legal services	
	2. 523900	Other financial investment activities (including investment advice)	
	3. 621111	Offices of physicians (except mental health specialists)	
	4. 621900	Other ambulatory health care services	
	5. 541600	Management, scientific, & technical consulting services	
	6. 446110	Pharmacies & drug stores	
	7. 621399	Offices of all other miscellaneous health practitioners	
	8. 541219	Other accounting services	
	9. 561110	Office administrative services	
	10. 541990	All other professional, scientific, & technical services	
	11. 622000	Hospitals	
	12. 561300	Employment services	
	13. 523120	Securities brokers	
	14. 531210	Offices of real estate agents & brokers	
	15. 611000	Educational services (including schools, colleges, & universities)	6

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A More Refined Trigger Could Be Developed

- A more refined trigger mechanism would help to insure that revenue increases above the trigger threshold are in fact tied to business tax relief
- Several ways to design a more targeted trigger:
 - Difference from baseline projections
 - Changes in city revenues adjusted for factors such as population growth and inflation
 - Revenues adjusted for changes in external benchmarks of economic activity (e.g. state personal income, regional economic output or employment)

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Intra-regional or intra-suburban studies show much higher elasticities

 According to Bartik, "if a given small suburban jurisdiction within a metropolitan area raises its taxes by 10 percent, it can expect in the long run a reduction in its business activity by from 10 to 30 percent."

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 This effect is roughly ten times the result Bartik reports for inter-metropolitan effects (i.e., from competition among regions).





