

**ELIMINATION OF THE STATE SALES TAX ON  
PURCHASES OF MACHINERY & EQUIPMENT  
ECONOMIC and FISCAL ESTIMATES**

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Winter 2004

**Introduction**

The following discussion presents a multi-year, dynamic estimate of the economic impacts of eliminating the state sales tax on purchases of machinery and equipment. Immediate removal of this tax is analyzed by presenting three different scenarios of machinery and equipment tax relief that eliminates the tax on different classes of machinery and equipment purchased by firms in different sectors of the economy. The three scenarios are characterized as follows:

Narrow machinery and equipment exemption: exempt only industrial machinery and equipment in just the manufacturing sectors of the economy (\$60 million tax reduction, 19 industries)

Broad machinery and equipment exemption: exempt industrial, construction, and agricultural machinery and equipment in all sectors of the economy (\$204 million tax reduction, 44 industries)

Complete machinery and equipment exemption: exempt all machinery and equipment in all sectors of the economy; industrial, construction, agricultural, computer, communications, office, vehicular, and furniture machinery and equipment (\$453 million tax reduction, 44 industries)

No attempt was made here to study any particular exemption proposal. The three scenarios studied here were selected to give an idea of the minimum, maximum, and mid-point impact of exempting these types of items on the basis of the broadness of the application of an exemption. Fixed dollar amounts of annual tax exemption for each scenario were introduced to a model of the Louisiana economy, with the full amounts of tax exemption allowed from the first year. This allows the results of the model to only reflect the dynamic interactions of the economy rather than the effects of assumptions about the cyclical nature of investment or any particular phase-in schedule that might be associated with any specific proposal. These tax exemptions are modeled as reductions in the cost of capital incurred by businesses in the state. These capital cost reductions are allocated to the various sectors of the economy, stimulating increased investment spending across those industries. The increases in aggregate demand generate increased employment and income in the state that lead to further spending for consumption of goods and services, as well as additional business investment spending. Both, production in the state and imports from outside the state increase to satisfy the increased aggregate demand. Some of the additional production is exported outside of the state, and government spending responds to the resulting changes in population, as well. All of this increases the demand for labor in the state more than the effect of the substitution of capital for labor that is encouraged by the reductions in the cost of capital. Consequently, employment and earnings increase in the state. As the capital stock increases it approaches a new higher optimal level of capital consistent with the new lower cost of capital, and smaller additions to investment spending occur in subsequent years. Additions to aggregate demand become smaller each year and the economy approaches new higher levels of production, employment, and income. The numerical estimates of this process, as reflected in major economic aggregates, are summarized below with annual estimates for a ten-year period presented in the attached tables.

**Impact Highlights**  
(at peak employment year)  
Without State Government Balanced Budget Requirement

<u>Aggregate</u>	<u>Narrow (yr5)</u>	<u>Broad (yr3)</u>	<u>Complete (yr3)</u>
Tax Exemption (millions \$)	-\$60.3	-\$203.8	-\$453.1
Total Employment	1,575	4,923	11,140
Private Employment	1,485	4,720	10,657
Government Employment	90	204	480
Wages & Salaries (millions 96\$)	\$51.4	\$137.3	\$306.6
Fixed Investment (million s 96\$)	\$147.2	\$524.0	\$1,102.7
Gross State Product (millions 96\$)	\$1111.5	\$301.5	\$670.3
Net State Tax Loss (millions \$)	-\$52.4	-\$179.1	-\$399.7
Tax Loss Recovered	13.1%	12.1%	11.8%
Net Tax Cost Per Private Job	\$35,280	\$37,937	\$37,508

**Comments**

1. Positive economic impacts are generated by a reduction in the cost of capital. Obviously, the larger the reduction in the cost of capital the larger the positive economic impacts.
2. Maximum annual impacts for the various variables occur in different years of the analysis. Eventually, most impacts get smaller as wages, prices, and capital stocks adjust to new long-run levels consistent with the new lower cost of capital.
3. Economic impacts can be large in absolute terms but small relative to the economic aggregates being affected. This is evidenced by the values labeled “% Change from Baseline” in the attached tables of ten-year impacts. Impacts expressed as percent changes from baseline are generally well below 1% of the baseline.
4. The difference between additional real gross spending in the state and additional real production (and thus economic impact) in the state is important to understand. For example, in the first year of the Narrow exemption scenario, the sum of additional real gross spending in the state is \$198.1 million (consumption + investment + government + exports) while additional real gross state product is only \$71.6 million. The difference is \$126.5 million of spending on goods and services imported from outside the state (64% of the gross spending). The Broad and Complete exemption scenarios exhibit a comparable share of gross spending on imports. It is the production, employment, and income generated in the state and reflected in real gross state product that is the economic impact in the state of the tax reduction, not the gross spending that occurs (the import component of which enhances production, employment, and income outside of the state).
5. The increased economic activity in the state results in additional state tax receipts. However, these receipts must be balanced against the state tax revenue given up through the tax elimination. Thus, the net state government fiscal impact is negative. The negative annual net fiscal impacts are in the \$50 million range for the Narrow scenario (about 13% of direct tax loss recovered through additional economic activity), \$180 million for the Broad scenario (about 12% recovered), and \$400 million for the Complete scenario (about 12% recovered).

6. In a small economy like Louisiana's, economic dynamic, feedback or spin-off effects are relatively small. The tax reduction itself is small relative to the entire economy, and the importation of goods and services is relatively large. Thus, state economic multipliers and the consequent feedback effects are generally small, as well.

The results discussed above apply to a case where state government does not have to balance its budget in any particular year. In that case, the loss of tax revenue from the elimination of the sales tax on machinery and equipment does not reduce government spending. This case implies that both state government and the private sector can spend the same dollars simultaneously. This is obviously not possible. State government does, in fact, face a balanced budget requirement. Thus, the tax revenue loss will result in lower government expenditures than would otherwise be the case. This will reduce the stimulus to the economy of the tax reduction.

Given these realities, the analysis is extended to reduce state government expenditures by the amounts of the three tax elimination scenarios; roughly \$60 million for the Narrow scenario, \$204 million for the Broad scenario, and \$450 million for the Complete exemption scenario. Estimates of the impact on major economic aggregates, under such a balanced budget case, are summarized below with annual estimates for a ten-year period presented in the attached tables.

**Impact Highlights**  
(at peak employment year)  
With State Government Balanced Budget Requirement

<u>Aggregate</u>	<u>Narrow (yr7)</u>	<u>Broad (yr5)</u>	<u>Complete (yr5)</u>
Tax Exemption (millions \$)	-\$60.3	-\$203.8	-\$453.1
Total Employment	268	171	627
Private Employment	1,020	2,915	6,688
Government Employment	-752	-2,744	-6,061
Wages & Salaries (millions 96\$)	\$15.4	\$14.6	\$34.6
Fixed Investment (millions 96\$)	\$116.9	\$414.6	\$864.9
Gross State Product (millions 96\$)	\$64.0	\$131.9	\$295.3
Net State Tax Loss (millions \$)	-\$55.3	-\$190.5	-\$425.1
Tax Loss Recovered	8.1%	6.5%	6.2%
Net Tax Cost Per Private Job	\$54,359	\$65,345	\$63,561

**Comments**

1. The comments made above, when no balanced budget requirement is imposed, are generally applicable to the case where a balanced budget requirement is imposed. Reductions in the cost of capital stimulate positive economic impacts in the private sector. Those impacts peak in different periods for different variables, and many tend to rise initially before tapering off. Economic impacts relative to baseline levels tend to be fairly small. The distinction between additional gross spending in the state and additional real economic impact is still important; spending on imports is a large share of total spending in a small state like Louisiana. Additional private sector economic activity

generates additional tax receipts, but these must be balanced against the foregone tax revenue of the tax exemption. Economic feedback effects are fairly small, especially under a balanced budget requirement.

2. Under a balanced budget requirement, government expenditures are reduced in order to finance the tax reduction. Net economic impacts are still positive but considerably smaller than if no balanced budget requirement is imposed. The increase in private sector aggregate demand resulting from the tax reduction is offset to a large extent by a decrease in public sector aggregate demand resulting from the reduction in government expenditures. This offsetting effect is most directly exhibited in the table above by private employment gains and the government employment losses.
3. However, the tax reduction still has a net stimulative effect with positive private sector economic responses outweighing the negative economic responses resulting from a diminished public sector.
4. Increases in investment spending are nearly as large, with or without a balanced budget requirement (see attached chart of investment spending under each scenario and balanced budget case). The reduction in the tax burden and thus the cost of capital is the same in both cases. The roughly 15% smaller investment spending increases in the balanced budget cases are due to the fact that lower government spending dampens the increase in aggregate demand and thus the investment spending response in the economy as a whole.
5. The net increase in economic activity in the state does result in additional state tax receipts, even under balanced budget requirements. However, as a result of the lower overall economic response under balanced budget requirements, only 6% - 8% of the direct tax revenue losses from the tax exemptions are recovered through additional economic activity.
6. Government spending reductions are ameliorated somewhat over time because the economy is still positively stimulated by the tax reduction. A larger amount of private economic activity is accompanied by additional government expenditures, albeit from a lower base of government expenditures. Thus, government spending reductions are actually smaller than the dollar loss of tax revenue being analyzed.

### **General Discussion And Comments**

Elimination of sales tax on machinery and equipment does what is expected in the state's economy. Investment spending, primarily real fixed investment spending on producer durable equipment and non-residential structures, is higher by material dollar amounts each year after the tax reduction is implemented, regardless of whether a government balanced budget requirement is considered. Consequently, employment and income in the state are greater each year, stimulating investment spending and consumption spending even further. Additional economic activity in the state is reflected in additional spending on goods and services produced in the state as well as on additional imports into the state. Government spending increases along with additional private sector economic activity, but a balanced budget requirement shifts the base of that spending down, from which year-to-year spending growth occurs. The discussion below addresses various aspects of the analysis and results.

Best-Case, Worst-Case: Obviously, net economic impacts are largest under the assumption that the State does not have to balance its budget each year. In this case the tax reduction being studied does not have to be paid for by increasing some other tax or by reducing government expenditures. Thus, the tax reduction is fully injected into the economy with no offsetting spending changes, and maximum economic impacts are possible. If all or some portion of the tax reduction has to be made up through offsetting changes to the government (or private sector) fisc, then economic impacts are smaller because the net stimulation to the economy is smaller than the particular tax reduction in question. The impacts resulting from a case without a balanced budget requirement versus a case with a

balanced budget requirement might be viewed as the best- case and the worst-case range of possibility for the tax reduction being studied.

Impacts Are Relatively Small: In absolute terms, economic impacts, especially spending impacts, can be large; at the levels of hundreds of millions of dollars or even billions of dollars for tax reductions of the magnitude studied here. However, these impacts can be quite small relative to their baseline or existing levels. Most of the impacts estimated in this analysis tend to be well below one percent of their baseline levels. The fact is that the economy is very large (Louisiana gross state product in 2001 is estimated to be \$148.7 billion in current dollar terms, and \$125.3 billion in 1996 dollar terms). The economy is so large that even impacts of hundreds of millions of dollars are fairly small relative to the size of the aggregates that describe the economy.

Impact Estimates Are Generous: The models employed in this type of analysis generate estimates of economic impacts that most likely are overestimates of the true impacts, especially in the early periods of the analysis. Large responses are assumed to occur immediately in the economy after a stimulus has been provided. However, this is unlikely to occur in the real economy, especially with respect to business investment spending. Much of this type of spending is planned well in advance of any particular period. Additional investment spending in the early periods after the policy change is likely to be small, and only increases over time as the new lower cost of capital gets built into investment plans that come to fruition in later periods. Even responses in consumption spending occur with some time lag because, to some extent, changes in spending habits depend on the development of a perception of permanence in the changes to disposable income resulting from a stimulus. Thus, the estimates of economic impact resulting from this analysis are likely to be generous, especially in the early periods of the analysis.

Imports Are Relatively Large: State economies are very much interconnected with other economies. This means that stimulative tax policies in a particular state can have relatively small effects on the economic activity of that particular state because large portions of the stimulative effect of the policies can leak out to other states through spending on imports from those other states, as well as into savings (see attached chart of investment and import spending under the case without a balanced budget requirement). The demand (spending) for goods and services shows up in the home state but the production, employment, income, and taxes that result from satisfying that demand shows up in the home state and in other states. Gross state product is enhanced in Louisiana, as are employment, income, and tax receipts. However, a relatively large portion of the increase in demand in Louisiana is satisfied by imports from other states. In the cases without a balanced budget requirement, roughly 64% of total additional demand in the state is satisfied by imports of goods and services from outside the state. This is most obvious in the attached graph depicting additional investment spending and spending on imports in each scenario. In the cases with a balanced budget requirement, this share is roughly 87%. This is a major reason why economic multipliers at the state or local level are actually fairly small, especially for a small state like Louisiana.

Fiscal Impacts Are Generous: The model generates estimates of tax revenue associated with economic activity based on U.S. Census concepts of tax revenue and average effective tax rates. The baseline values of these tax concepts have been calibrated to levels consistent with familiar Louisiana state tax concepts. Since the economic impacts generated by the model are likely to be overestimated, the tax revenue estimates associated with those economic impact estimates are also likely to be overestimated. As a check on this, 5.1% of personal income and 9.6% of wage & salary disbursements were calculated. This type of calculation is commonly used by the economic development community

for informal estimates of the amount of income that becomes state tax revenue. These are the average ratios of those income concepts to income-related state tax receipts since 1996. The resulting tax revenue estimates were approximately 55% to 75% less than those generated by the model used in this analysis in the first year even without a balanced budget requirement. As an additional check, the model's personal income results were applied to econometric equations of sales and income tax that have been used to aid in forecasting state tax receipts. The resulting tax revenue estimates ranged from 62% - 69% less than those generated by the model in the first year without a balanced budget constraint. Thus, the fiscal impacts generated by the model and presented in this analysis appear to be generous.

Recovery Of Tax Loss Is Relatively Small: While the model's gross state revenue impacts are generous, they amount to relatively small percentages of the static revenue losses associated with the various tax reduction scenarios studied here. The maximum percentage of the static revenue loss recovered through additional economic activity is 13.3% without a balanced budget requirement, and 8.4% with a balanced budget requirement. These results are in line with findings by other states performing similar dynamic economic analysis with the same model used here and with other modeling techniques, as well as with dynamic analysis performed as part of the federal budgeting process. These results should not be surprising. The tax reductions studied here are relatively small when spread over the entire state economy (\$60 million - \$450 million per year relative to nominal gross state product of around \$149 billion per year, and potentially affecting more than 100,000 businesses in the state). Consequently, the average dollar reduction in the cost of capital to firms is small. In addition, small state economies have small multipliers because they are so interconnected with other states' economies. In the case of Louisiana, a lot of goods and services are imported into the state's economy when its economic activity is enhanced. These imported goods and services do not generate significant amounts of production related employment, income, and tax receipts in Louisiana, but rather in the surrounding states and regions that are supplying the imported goods and services.

Economy's Responsiveness Could Be Different: It is possible that the responsiveness of the economy to a tax reduction such as that studied here could be different than the responsiveness embedded in the historical relationships of the model. Since the model itself is an estimate of the economy, actual results will differ from those presented here. However, it seems unlikely that actual economic responsiveness would be so different as to materially contradict the results presented here. The maximum estimated percent of the static tax loss recovered through additional economic activity (8.4% - 13.3%) suggests that the economy might have to be at least seven to twelve times more responsive to the tax reduction, than historical norms in the model presume, in order for static revenue losses to be completely offset by additional revenue receipts resulting from stimulated economic activity. A change in the economy's responsiveness approaching these magnitudes seems unlikely.

### **Project Description**

This particular project involves a multi-year dynamic estimate of the economic impacts likely to occur as a result of eliminating the state sales tax on purchases of machinery and equipment. Three different scenarios of tax relief were examined, with each scenario distinguished by the different classes of machinery and equipment exempted for firms in different sectors of the economy. These tax exemptions are built into the analysis as dollar reductions in the cost of capital incurred by businesses in the state. The total statewide cost reductions examined were \$60 million per year allocated to 19 industries, \$204 million per year allocated to 44 industries, and \$453 million per year allocated to 44 industries.

The definition of machinery and equipment eligible for tax exemption can encompass a wide variety of items and businesses. No attempt was made here to study any particular exemption proposal. The three scenarios studied here were selected to give an idea of the minimum, maximum, and mid-point impact of exempting these types of items on the basis of the broadness of the application of an exemption. Thus, the Narrow scenario looked at exempting only industrial machinery and equipment in just the manufacturing sectors of the economy (\$60 million tax reduction, 19 industries); the Broad scenario looked at exempting industrial, construction, and agricultural machinery and equipment in all sectors of the economy (\$204 million tax reduction, 44 industries); and the Complete scenario looked at exempting industrial, construction, agricultural, computer, communications, office, vehicular, and furniture machinery and equipment in all sectors of the economy (\$450 million tax reduction, 44 industries).

The level of expenditures associated with each of these scenarios was derived from U.S. level data from the U.S. Department of Commerce, Bureau of Economic Analysis for the year 2000. This detailed data was compiled into the eight machinery and equipment classifications listed above for each industry. This U.S. level industry data was then prorated to Louisiana by the share of each industry's U.S. level gross domestic product that was produced by each industry in Louisiana. A 4% tax rate was applied to these expenditure levels to arrive at the sales tax amounts that would be exempted under the three different scenarios for each of the affected industries. These dollar cost allocations were entered into the model as reductions to the cost of capital in each industry.

Using fixed annual levels of tax exemption in each scenario was done for specific reasons. Business investment spending in general can be quite volatile; subject to periods of surging growth and periods of absolute decline. The numerous components of any particular machinery and equipment classification can exhibit widely divergent growth paths over time, as well. The likely future path of these expenditures is to vary around an upward trend, but predicting that cyclical pattern is extremely difficult and would simply add variation to the results that are not due strictly to the tax relief, which is the primary subject of interest. To isolate away from the influence of a cyclical expenditure pattern, a fixed dollar amount of tax reduction was selected for all years of the analysis for each scenario. This fixed dollar amount was the 4% tax value of these expenditures in the year 2000.

Also, the project simulates a "shock" to the economy by exempting the entire amount of tax immediately. No phase-out schedule was presumed for the analysis. This, combined with the fixed dollar cost of capital reduction means that full-implementation economic and fiscal impacts begin at once and, dynamic effects are the only things occurring in subsequent periods. However, policy simulations with a wide variety of exemption applications and phase-in schedules could be examined.

Two different policy simulation cases were carried out for each application scenario. In the first, a state government balanced budget was not required. This means that the loss of tax revenue as a result of the tax exemption is not presumed to have an impact on government spending in any year of the simulation. This provides a best-case results for the policy change, generating the maximum amount of additional aggregate demand, investment, employment, and income.

In the second simulation case, a state balanced budget is required in each year of the simulation. This means that the loss of tax revenue as a result of the tax exemption does reduce government spending by like amounts from the baseline levels that would otherwise occur. This is entered into the model as a dollar reduction to state government expenditures equivalent to each year's total dollar cost reduction due to the tax exemption. The model is allowed to allocate those spending reductions across the

various government expenditure categories it contains. These expenditure categories are those of the U.S. Census Bureau, and no attempt was made to tailor the expenditure reductions to particular areas of governmental activity (although this could be done to some extent). These spending reductions offset some of the stimulative effects of the tax reduction. However, the state budget does have to be balanced on a year-to-year basis and the same dollars cannot be spent by both the private and public sectors simultaneously. In effect, this provides worst-case results for the policy change.

### **Model Description**

The projections discussed above were generated through the use of a 53- sector economic model of the state of Louisiana constructed by Regional Economic Models, Inc. The model (commonly known as the REMI model) is considered among the best regional modeling tools available, and is widely used by government agencies, private consulting firms, nonprofit institutions, universities, and public utilities. The model is specifically designed to estimate the economic consequences of a wide range of economic and other policy changes. It is based on over thirty years of data and relationships between the relevant region and the national and rest-of-world regions, and has a very strong theoretical foundation. A large amount of region-specific data is incorporated into the model, and a number of different analytical techniques are reflected in the model's operation. The model incorporates inter-industry transactions and feedbacks, as well as substitution among factors of production in response to changes in relative factor costs, migration response to changes in expected income, change in labor force participation rates based on the real wage and employment conditions, wage response to changes in labor market conditions, changes in consumption components, and changes in the share of local and export markets in response to changes in regional profitability and production costs. It allows users to manipulate a large number of input variables and generates a large number of output variables. A policy simulation is composed of a control or baseline projection and an alternative projection based on the changes being studied. The difference between these two projections reflects the impact of the changes being studied, and those differences are what are discussed and displayed here.



**IMPACT OF ELIMINATING STATE SALES TAX  
ON MACHINERY & EQUIPMENT PURCHASES**  
(without Balanced Budget Requirement)

**NARROW M&E EXEMPTION**  
Exempt ONLY Industrial M&E in Manufacturing Sectors  
(without balanced budget requirement)

<u>DIFFERENCES FROM BASELINE</u>	Annual Periods =>									
	1	2	3	4	5	6	7	8	9	10
<b>Major Economic Aggregates</b>										
Total Employment	1,336	1,454	1,548	1,573	1,575	1,554	1,520	1,476	1,429	1,379
% Change from Baseline	0.06%	0.06%	0.06%	0.07%	0.06%	0.06%	0.06%	0.06%	0.06%	0.05%
Private Non-Farm Employment	1,315	1,413	1,488	1,498	1,485	1,451	1,406	1,353	1,298	1,242
Manufacturing	116	154	184	203	216	220	220	217	211	203
Non-Manufacturing	1,199	1,259	1,304	1,295	1,269	1,231	1,186	1,136	1,087	1,039
Government Employment	21	42	60	75	90	103	114	123	131	137
Personal Income (Current \$)	\$36,350,000	\$44,400,000	\$52,250,000	\$58,120,000	\$62,420,000	\$65,720,000	\$68,160,000	\$69,820,000	\$71,030,000	\$71,810,000
% Change from Baseline	0.03%	0.04%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%
Wage & Salary Disbursements (Current \$)	\$33,400,000	\$39,530,000	\$45,220,000	\$48,930,000	\$51,360,000	\$52,820,000	\$53,470,000	\$53,440,000	\$53,020,000	\$52,280,000
% Change from Baseline	0.06%	0.07%	0.07%	0.08%	0.08%	0.08%	0.07%	0.07%	0.07%	0.06%
Real Disposable Personal Inc. Per Capita (96\$)	\$6.62	\$6.57	\$6.45	\$6.01	\$5.34	\$4.63	\$3.87	\$3.13	\$2.42	\$1.74
% Change from Baseline	0.04%	0.03%	0.03%	0.03%	0.03%	0.02%	0.02%	0.01%	0.01%	0.01%
Real Gross State Product (96\$)	\$71,590,000	\$85,950,000	\$97,610,000	\$106,000,000	\$111,500,000	\$115,400,000	\$118,000,000	\$119,600,000	\$120,600,000	\$121,000,000
% Change from Baseline	0.06%	0.07%	0.07%	0.08%	0.08%	0.08%	0.08%	0.07%	0.07%	0.07%
Consumption (96\$)	\$35,280,000	\$40,020,000	\$44,560,000	\$47,500,000	\$49,740,000	\$51,450,000	\$52,720,000	\$53,500,000	\$53,990,000	\$54,320,000
Investment (96\$)	\$145,012,400	\$151,464,290	\$155,241,900	\$153,494,800	\$148,237,000	\$142,248,000	\$135,339,000	\$127,916,000	\$120,284,600	\$113,148,000
Government (96\$)	\$1,263,000	\$2,501,000	\$3,603,000	\$4,528,000	\$5,487,000	\$6,350,000	\$7,130,000	\$7,793,000	\$8,369,000	\$8,862,000
Exports (96\$)	\$16,580,000	\$30,980,000	\$42,180,000	\$51,770,000	\$58,810,000	\$64,260,000	\$68,570,000	\$71,840,000	\$74,290,000	\$76,130,000
Imports (96\$, a negative to gross state product)	\$126,500,000	\$139,000,000	\$147,900,000	\$151,300,000	\$150,800,000	\$148,900,000	\$145,700,000	\$141,400,000	\$136,400,000	\$131,500,000
Real Fixed Investment (96\$)	\$145,588,000	\$151,390,000	\$154,950,000	\$152,500,000	\$147,207,000	\$141,210,000	\$134,303,000	\$126,863,000	\$119,347,000	\$112,201,000
% Change from Baseline	0.58%	0.63%	0.61%	0.54%	0.48%	0.42%	0.37%	0.32%	0.28%	0.24%
Producer Durable Equipment Share	74.73%	77.22%	78.80%	79.93%	80.70%	81.44%	82.13%	82.77%	83.31%	83.86%
Non-Residential Structures Share	18.56%	16.06%	14.37%	13.37%	12.66%	12.04%	11.48%	11.00%	10.60%	10.23%
Residential Structures Share	6.71%	6.72%	6.83%	6.70%	6.63%	6.52%	6.39%	6.24%	6.09%	5.91%
<b>Fiscal Impacts</b>										
Gross State Tax Change	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)
Gross State Revenue Impact	\$7,272,000	\$7,645,000	\$7,959,000	\$7,990,000	\$7,920,000	\$7,774,000	\$7,570,000	\$7,328,000	\$7,069,000	\$6,804,000
% Change from Baseline	0.11%	0.11%	0.12%	0.11%	0.11%	0.10%	0.10%	0.09%	0.09%	0.08%
% Tax Change Recovered	12.06%	12.68%	13.20%	13.25%	13.13%	12.89%	12.55%	12.15%	11.72%	11.28%
Net State Fiscal Impact	(\$53,028,000)	(\$52,655,000)	(\$52,341,000)	(\$52,310,000)	(\$52,380,000)	(\$52,526,000)	(\$52,730,000)	(\$52,972,000)	(\$53,231,000)	(\$53,496,000)
Net State Tax Impact per Private Sector Job	(\$40,341)	(\$37,275)	(\$35,171)	(\$34,920)	(\$35,280)	(\$36,195)	(\$37,498)	(\$39,157)	(\$41,019)	(\$43,076)

**IMPACT OF ELIMINATING STATE SALES TAX  
ON MACHINERY & EQUIPMENT PURCHASES**  
(without Balanced Budget Requirement)

**BROAD M&E EXEMPTION**  
Exempt Industrial, Construction, and Agricultural M&E  
In ALL Economic Sectors  
(without balanced budget requirement)

<u>DIFFERENCES FROM BASELINE</u>	Annual Periods =>									
	1	2	3	4	5	6	7	8	9	10
<b>Major Economic Aggregates</b>										
Total Employment	4,633	4,781	4,923	4,852	4,724	4,516	4,259	3,969	3,660	3,338
% Change from Baseline	0.19%	0.20%	0.20%	0.20%	0.19%	0.18%	0.17%	0.15%	0.14%	0.13%
Private Non-Farm Employment	4,555	4,634	4,720	4,602	4,431	4,188	3,902	3,592	3,268	2,938
Manufacturing	277	315	348	360	366	361	351	337	320	302
Non-Manufacturing	4,278	4,319	4,372	4,242	4,065	3,827	3,551	3,255	2,948	2,636
Government Employment	78	146	204	249	293	328	357	378	392	400
Personal Income (Current \$)	\$122,900,000	\$141,500,000	\$160,600,000	\$173,100,000	\$180,700,000	\$184,500,000	\$185,000,000	\$182,600,000	\$177,900,000	\$171,100,000
% Change from Baseline	0.11%	0.13%	0.14%	0.14%	0.14%	0.14%	0.13%	0.13%	0.12%	0.11%
Wage & Salary Disbursements (Current \$)	\$112,300,000	\$124,900,000	\$137,300,000	\$143,200,000	\$145,400,000	\$144,100,000	\$139,900,000	\$133,400,000	\$125,000,000	\$115,100,000
% Change from Baseline	0.19%	0.21%	0.23%	0.23%	0.22%	0.21%	0.19%	0.17%	0.15%	0.13%
Real Disposable Personal Inc. Per Capita (96\$)	\$25.43	\$23.52	\$22.06	\$19.57	\$16.65	\$13.61	\$10.53	\$7.58	\$4.83	\$2.27
% Change from Baseline	0.13%	0.12%	0.11%	0.09%	0.08%	0.06%	0.05%	0.03%	0.02%	0.01%
Real Gross State Product (96\$)	\$244,200,000	\$275,200,000	\$301,500,000	\$316,500,000	\$324,300,000	\$326,600,000	\$324,700,000	\$319,400,000	\$311,700,000	\$302,100,000
% Change from Baseline	0.19%	0.21%	0.22%	0.22%	0.22%	0.22%	0.21%	0.20%	0.19%	0.18%
Consumption (96\$)	\$134,500,000	\$142,900,000	\$152,300,000	\$156,700,000	\$159,300,000	\$159,700,000	\$158,300,000	\$155,200,000	\$150,900,000	\$145,600,000
Investment (96\$)	\$505,318,000	\$516,452,900	\$524,537,200	\$510,791,000	\$487,793,000	\$457,546,000	\$421,666,000	\$382,069,000	\$339,760,000	\$296,348,000
Government (96\$)	\$4,562,000	\$8,711,000	\$12,230,000	\$15,050,000	\$17,880,000	\$20,290,000	\$22,300,000	\$23,890,000	\$25,070,000	\$25,890,000
Exports (96\$)	\$33,730,000	\$63,130,000	\$85,690,000	\$104,500,000	\$118,000,000	\$128,500,000	\$136,800,000	\$143,300,000	\$148,300,000	\$152,400,000
Imports (96\$, a negative to gross state product)	\$433,900,000	\$456,000,000	\$473,300,000	\$470,600,000	\$458,600,000	\$439,400,000	\$414,300,000	\$385,100,000	\$352,400,000	\$318,200,000
Real Fixed Investment (96\$)	\$506,900,000	\$516,300,000	\$524,010,000	\$508,690,000	\$485,730,000	\$455,500,000	\$419,650,000	\$380,220,000	\$338,020,000	\$294,670,000
% Change from Baseline	1.99%	2.13%	2.07%	1.80%	1.58%	1.37%	1.16%	0.97%	0.80%	0.64%
Producer Durable Equipment Share	74.22%	77.01%	78.82%	80.13%	81.05%	81.91%	82.69%	83.40%	84.02%	84.60%
Non-Residential Structures Share	18.45%	16.02%	14.38%	13.42%	12.75%	12.14%	11.60%	11.14%	10.76%	10.43%
Residential Structures Share	7.33%	6.97%	6.80%	6.45%	6.20%	5.95%	5.71%	5.46%	5.22%	4.97%
<b>Fiscal Impacts</b>										
Gross State Tax Change	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)
Gross State Revenue Impact	\$24,600,000	\$24,540,000	\$24,750,000	\$23,980,000	\$23,050,000	\$21,750,000	\$20,250,000	\$18,620,000	\$16,900,000	\$15,130,000
% Change from Baseline	0.36%	0.36%	0.36%	0.34%	0.31%	0.29%	0.26%	0.23%	0.20%	0.18%
% Tax Change Recovered	12.07%	12.04%	12.14%	11.77%	11.31%	10.67%	9.94%	9.14%	8.29%	7.42%
Net State Fiscal Impact	(\$179,200,000)	(\$179,260,000)	(\$179,050,000)	(\$179,820,000)	(\$180,750,000)	(\$182,050,000)	(\$183,550,000)	(\$185,180,000)	(\$186,900,000)	(\$188,670,000)
Net State Tax Impact per Private Sector Job	(\$39,338)	(\$38,681)	(\$37,937)	(\$39,079)	(\$40,789)	(\$43,467)	(\$47,044)	(\$51,558)	(\$57,193)	(\$64,219)

**IMPACT OF ELIMINATING STATE SALES TAX  
ON MACHINERY & EQUIPMENT PURCHASES**  
{without Balanced Budget Requirement}

**COMPLETE M&E EXEMPTION**  
Exempt Industrial, Construction, Agricultural, Computer,  
Communications, Office, Transportation, and Furniture M&E  
In ALL Economic Sectors  
(without balanced budget requirement)

<u>DIFFERENCES FROM BASELINE</u>	Annual Periods =>									
	1	2	3	4	5	6	7	8	9	10
<b>Major Economic Aggregates</b>										
Total Employment	10,470	10,800	11,140	11,010	10,750	10,330	9,799	9,209	8,587	7,946
% Change from Baseline	0.43%	0.45%	0.46%	0.45%	0.44%	0.41%	0.39%	0.36%	0.33%	0.30%
Private Non-Farm Employment	10,288	10,455	10,657	10,425	10,064	9,551	8,956	8,315	7,657	6,991
Manufacturing	569	627	679	692	699	685	663	635	605	573
Non-Manufacturing	9,719	9,828	9,978	9,733	9,365	8,866	8,293	7,680	7,052	6,418
Government Employment	184	345	480	588	690	775	842	894	931	955
Personal Income (Current \$)	\$275,800,000	\$317,500,000	\$360,800,000	\$389,800,000	\$407,800,000	\$418,000,000	\$421,400,000	\$419,000,000	\$412,000,000	\$401,100,000
% Change from Baseline	0.26%	0.29%	0.31%	0.32%	0.32%	0.32%	0.30%	0.29%	0.27%	0.25%
Wage & Salary Disbursements (Current \$)	\$251,500,000	\$278,900,000	\$306,600,000	\$320,400,000	\$325,600,000	\$323,600,000	\$315,600,000	\$303,000,000	\$286,800,000	\$268,000,000
% Change from Baseline	0.44%	0.48%	0.50%	0.50%	0.49%	0.46%	0.43%	0.39%	0.35%	0.31%
Real Disposable Personal Inc. Per Capita (96\$)	\$62.43	\$57.56	\$53.90	\$48.02	\$41.12	\$34.04	\$26.98	\$20.27	\$14.06	\$8.34
% Change from Baseline	0.33%	0.29%	0.27%	0.23%	0.19%	0.15%	0.12%	0.09%	0.06%	0.03%
Real Gross State Product (96\$)	\$545,300,000	\$612,300,000	\$670,300,000	\$705,000,000	\$723,500,000	\$731,000,000	\$729,600,000	\$721,900,000	\$709,200,000	\$693,500,000
% Change from Baseline	0.42%	0.46%	0.49%	0.50%	0.50%	0.48%	0.47%	0.45%	0.43%	0.40%
Consumption (96\$)	\$328,800,000	\$346,700,000	\$367,800,000	\$378,000,000	\$384,000,000	\$385,700,000	\$383,700,000	\$378,500,000	\$370,800,000	\$361,400,000
Investment (96\$)	\$1,067,633,000	\$1,087,318,000	\$1,104,102,000	\$1,077,253,000	\$1,028,228,000	\$965,314,000	\$892,845,000	\$814,650,000	\$732,740,000	\$650,329,000
Government (96\$)	\$10,820,000	\$20,580,000	\$28,840,000	\$35,480,000	\$42,130,000	\$47,860,000	\$52,670,000	\$56,570,000	\$59,540,000	\$61,770,000
Exports (96\$)	\$65,610,000	\$123,100,000	\$167,300,000	\$204,600,000	\$231,900,000	\$253,600,000	\$270,900,000	\$284,700,000	\$295,600,000	\$304,600,000
Imports (96\$, a negative to gross state product)	\$927,300,000	\$965,300,000	\$997,500,000	\$990,300,000	\$962,400,000	\$921,500,000	\$870,500,000	\$812,600,000	\$749,500,000	\$684,700,000
Real Fixed Investment (96\$)	\$1,070,680,000	\$1,086,830,000	\$1,102,720,000	\$1,072,940,000	\$1,023,620,000	\$961,140,000	\$888,800,000	\$810,940,000	\$729,170,000	\$646,970,000
% Change from Baseline	4.13%	4.42%	4.29%	3.74%	3.29%	2.85%	2.43%	2.05%	1.70%	1.40%
Producer Durable Equipment Share	73.33%	76.18%	78.03%	79.39%	80.34%	81.23%	82.02%	82.74%	83.37%	83.96%
Non-Residential Structures Share	18.19%	15.80%	14.18%	13.25%	12.58%	11.98%	11.44%	10.98%	10.59%	10.25%
Residential Structures Share	8.48%	8.03%	7.79%	7.36%	7.07%	6.80%	6.54%	6.28%	6.04%	5.79%
<b>Fiscal Impacts</b>										
Gross State Tax Change	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)
Gross State Revenue Impact	\$53,400,000	\$53,010,000	\$53,400,000	\$51,770,000	\$49,660,000	\$46,870,000	\$43,700,000	\$40,330,000	\$36,830,000	\$33,300,000
% Change from Baseline	0.79%	0.78%	0.77%	0.72%	0.67%	0.62%	0.56%	0.50%	0.45%	0.39%
% Tax Change Recovered	11.79%	11.70%	11.79%	11.43%	10.96%	10.34%	9.64%	8.90%	8.13%	7.35%
Net State Fiscal Impact	(\$399,700,000)	(\$400,090,000)	(\$399,700,000)	(\$401,330,000)	(\$403,440,000)	(\$406,230,000)	(\$409,400,000)	(\$412,770,000)	(\$416,270,000)	(\$419,800,000)
Net State Tax Impact per Private Sector Job	(\$38,853)	(\$38,269)	(\$37,508)	(\$38,495)	(\$40,089)	(\$42,534)	(\$45,715)	(\$49,640)	(\$54,368)	(\$60,052)

**IMPACT OF ELIMINATING STATE SALES TAX  
ON MACHINERY & EQUIPMENT PURCHASES**  
**(with Balanced Budget Requirement)**

**NARROW M&E EXEMPTION**  
Exempt ONLY Industrial M&E in Manufacturing Sectors  
(with balanced budget requirement)

<u>DIFFERENCES FROM BASELINE</u>	Annual Periods =>									
	1	2	3	4	5	6	7	8	9	10
<b>Major Economic Aggregates</b>										
Total Employment	-169	-14	106	170	228	256	268	267	257	242
% Change from Baseline	-0.01%	0.00%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Private Non-Farm Employment	748	873	969	1,008	1,036	1,036	1,020	993	959	919
Manufacturing	89	130	162	184	199	205	207	205	199	192
Non-Manufacturing	659	744	806	825	837	831	813	788	759	728
Government Employment	-916	-887	-862	-838	-809	-780	-752	-726	-701	-678
Personal Income (Current \$)	(\$923,200)	\$4,158,000	\$9,048,000	\$12,700,000	\$15,980,000	\$18,340,000	\$20,100,000	\$21,270,000	\$22,000,000	\$22,370,000
% Change from Baseline	0.00%	0.00%	0.01%	0.01%	0.01%	0.01%	0.01%	0.02%	0.01%	0.01%
Wage & Salary Disbursements (Current \$)	(\$1,465,000)	\$3,036,000	\$7,214,000	\$10,120,000	\$12,660,000	\$14,310,000	\$15,350,000	\$15,850,000	\$15,930,000	\$15,690,000
% Change from Baseline	0.00%	0.01%	0.01%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Real Disposable Personal Inc. Per Capita (96\$)	\$1.66	\$2.28	\$2.72	\$2.86	\$2.91	\$2.81	\$2.63	\$2.40	\$2.13	\$1.84
% Change from Baseline	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%	0.01%
Real Gross State Product (96\$)	\$11,690,000	\$26,340,000	\$38,220,000	\$47,420,000	\$54,550,000	\$59,970,000	\$64,030,000	\$66,880,000	\$68,910,000	\$70,270,000
% Change from Baseline	0.01%	0.02%	0.03%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Consumption (96\$)	\$8,095,000	\$11,920,000	\$15,260,000	\$17,400,000	\$19,510,000	\$20,980,000	\$22,040,000	\$22,740,000	\$23,130,000	\$23,270,000
Investment (96\$)	\$122,891,900	\$128,549,940	\$131,697,900	\$130,541,000	\$127,096,900	\$122,920,200	\$117,921,200	\$112,406,800	\$106,681,100	\$101,048,900
Government (96\$)	(\$53,930,000)	(\$52,940,000)	(\$51,750,000)	(\$50,570,000)	(\$49,370,000)	(\$48,180,000)	(\$47,020,000)	(\$45,900,000)	(\$44,830,000)	(\$43,800,000)
Exports (96\$)	\$17,640,000	\$32,820,000	\$44,850,000	\$55,270,000	\$63,030,000	\$69,050,000	\$73,780,000	\$77,310,000	\$79,780,000	\$81,670,000
Imports (96\$, a negative to gross state product)	\$82,980,000	\$93,990,000	\$101,800,000	\$105,200,000	\$105,700,000	\$104,800,000	\$102,700,000	\$99,620,000	\$95,810,000	\$91,900,000
Real Fixed Investment (96\$)	\$123,282,000	\$128,458,000	\$131,537,000	\$129,755,000	\$126,249,000	\$121,938,000	\$116,971,000	\$111,456,000	\$105,747,000	\$100,192,000
% Change from Baseline	0.53%	0.58%	0.56%	0.49%	0.43%	0.38%	0.34%	0.29%	0.26%	0.23%
Producer Durable Equipment Share	78.63%	80.73%	82.11%	83.00%	83.57%	84.14%	84.70%	85.23%	85.72%	86.19%
Non-Residential Structures Share	19.55%	16.88%	15.05%	13.99%	13.22%	12.56%	11.98%	11.48%	11.05%	10.69%
Residential Structures Share	1.82%	2.40%	2.84%	3.01%	3.22%	3.30%	3.33%	3.30%	3.22%	3.12%
<b>Fiscal Impacts</b>										
Gross State Tax Change	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)	(\$60,300,000)
Gross State Revenue Impact	\$4,207,000	\$4,635,000	\$4,942,000	\$5,015,000	\$5,041,000	\$4,975,000	\$4,854,000	\$4,692,000	\$4,498,000	\$4,292,000
% Change from Baseline	0.06%	0.07%	0.07%	0.07%	0.07%	0.07%	0.06%	0.06%	0.05%	0.05%
% Tax Change Recovered	6.98%	7.69%	8.20%	8.32%	8.36%	8.25%	8.05%	7.78%	7.46%	7.12%
Net State Fiscal Impact	(\$56,093,000)	(\$55,665,000)	(\$55,358,000)	(\$55,285,000)	(\$55,259,000)	(\$55,325,000)	(\$55,446,000)	(\$55,608,000)	(\$55,802,000)	(\$56,008,000)
Net State Tax Impact per Private Sector Job	(\$75,024)	(\$63,756)	(\$57,158)	(\$54,830)	(\$53,329)	(\$53,408)	(\$54,359)	(\$56,023)	(\$58,212)	(\$60,918)

**IMPACT OF ELIMINATING STATE SALES TAX  
ON MACHINERY & EQUIPMENT PURCHASES**  
**(with Balanced Budget Requirement)**

**BROAD M&E EXEMPTION**  
Exempt Industrial, Construction, and Agricultural M&E  
In ALL Economic Sectors  
(with balanced budget requirement)

<u>DIFFERENCES FROM BASELINE</u>	Annual Periods =>									
	1	2	3	4	5	6	7	8	9	10
<b>Major Economic Aggregates</b>										
Total Employment	-456	-186	51	111	171	129	29	-116	-296	-501
% Change from Baseline	-0.02%	-0.01%	0.00%	0.01%	0.01%	0.01%	0.00%	0.00%	-0.01%	-0.02%
Private Non-Farm Employment	2,636	2,809	2,964	2,946	2,915	2,783	2,598	2,375	2,122	1,850
Manufacturing	187	234	274	294	309	311	306	296	281	265
Non-Manufacturing	2,449	2,575	2,690	2,652	2,606	2,472	2,292	2,079	1,841	1,585
Government Employment	-3,092	-2,995	-2,912	-2,836	-2,744	-2,654	-2,569	-2,490	-2,419	-2,351
Personal Income (Current \$)	(\$3,235,000)	\$5,409,000	\$14,630,000	\$19,520,000	\$23,740,000	\$24,460,000	\$22,720,000	\$18,620,000	\$12,420,000	\$4,196,000
% Change from Baseline	0.00%	0.01%	0.01%	0.02%	0.02%	0.02%	0.02%	0.01%	0.01%	0.00%
Wage & Salary Disbursements (Current \$)	(\$5,596,000)	\$1,431,000	\$8,812,000	\$11,990,000	\$14,600,000	\$13,980,000	\$11,140,000	\$6,294,000	(\$297,500)	(\$8,522,000)
% Change from Baseline	-0.01%	0.00%	0.01%	0.02%	0.02%	0.02%	0.02%	0.01%	0.00%	-0.01%
Real Disposable Personal Inc. Per Capita (96\$)	\$8.64	\$9.05	\$9.41	\$8.92	\$8.42	\$7.48	\$6.33	\$5.09	\$3.81	\$2.53
% Change from Baseline	0.05%	0.05%	0.05%	0.04%	0.04%	0.03%	0.03%	0.02%	0.02%	0.01%
Real Gross State Product (96\$)	\$41,630,000	\$73,560,000	\$100,600,000	\$118,600,000	\$131,900,000	\$139,200,000	\$142,000,000	\$141,200,000	\$137,200,000	\$130,900,000
% Change from Baseline	0.03%	0.06%	0.07%	0.08%	0.09%	0.09%	0.09%	0.09%	0.08%	0.08%
Consumption (96\$)	\$42,570,000	\$47,780,000	\$53,250,000	\$54,970,000	\$57,120,000	\$56,690,000	\$54,720,000	\$51,300,000	\$46,650,000	\$40,820,000
Investment (96\$)	\$430,425,800	\$438,804,400	\$444,888,700	\$433,170,000	\$416,121,000	\$392,014,000	\$362,669,000	\$329,700,000	\$293,512,000	\$255,414,000
Government (96\$)	(\$182,000,000)	(\$178,700,000)	(\$174,800,000)	(\$171,200,000)	(\$167,500,000)	(\$164,000,000)	(\$160,600,000)	(\$157,500,000)	(\$154,700,000)	(\$152,000,000)
Exports (96\$)	\$37,220,000	\$69,290,000	\$94,710,000	\$116,400,000	\$132,300,000	\$144,700,000	\$154,300,000	\$161,700,000	\$167,100,000	\$171,100,000
Imports (96\$, a negative to gross state product)	\$286,600,000	\$303,600,000	\$317,400,000	\$314,800,000	\$306,200,000	\$290,200,000	\$269,100,000	\$243,900,000	\$215,300,000	\$184,400,000
Real Fixed Investment (96\$)	\$431,410,000	\$438,680,000	\$444,580,000	\$431,670,000	\$414,550,000	\$390,438,000	\$361,163,000	\$328,167,000	\$292,105,000	\$254,106,000
% Change from Baseline	1.83%	1.95%	1.89%	1.63%	1.44%	1.24%	1.06%	0.89%	0.73%	0.59%
Producer Durable Equipment Share	77.91%	80.45%	82.12%	83.28%	84.04%	84.83%	85.58%	86.33%	87.06%	87.84%
Non-Residential Structures Share	19.39%	16.82%	15.07%	14.06%	13.34%	12.71%	12.16%	11.71%	11.35%	11.07%
Residential Structures Share	2.71%	2.73%	2.80%	2.66%	2.62%	2.47%	2.25%	1.96%	1.59%	1.10%
<b>Fiscal Impacts</b>										
Gross State Tax Change	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)	(\$203,800,000)
Gross State Revenue Impact	\$14,220,000	\$14,350,000	\$14,540,000	\$13,920,000	\$13,320,000	\$12,310,000	\$11,090,000	\$9,717,000	\$8,222,000	\$6,648,000
% Change from Baseline	0.21%	0.21%	0.21%	0.19%	0.18%	0.16%	0.14%	0.12%	0.10%	0.08%
% Tax Change Recovered	6.98%	7.04%	7.13%	6.83%	6.54%	6.04%	5.44%	4.77%	4.03%	3.26%
Net State Fiscal Impact	(\$189,580,000)	(\$189,450,000)	(\$189,260,000)	(\$189,880,000)	(\$190,480,000)	(\$191,490,000)	(\$192,710,000)	(\$194,083,000)	(\$195,578,000)	(\$197,152,000)
Net State Tax Impact per Private Sector Job	(\$71,920)	(\$67,442)	(\$63,864)	(\$64,447)	(\$65,345)	(\$68,812)	(\$74,185)	(\$81,729)	(\$92,149)	(\$106,569)

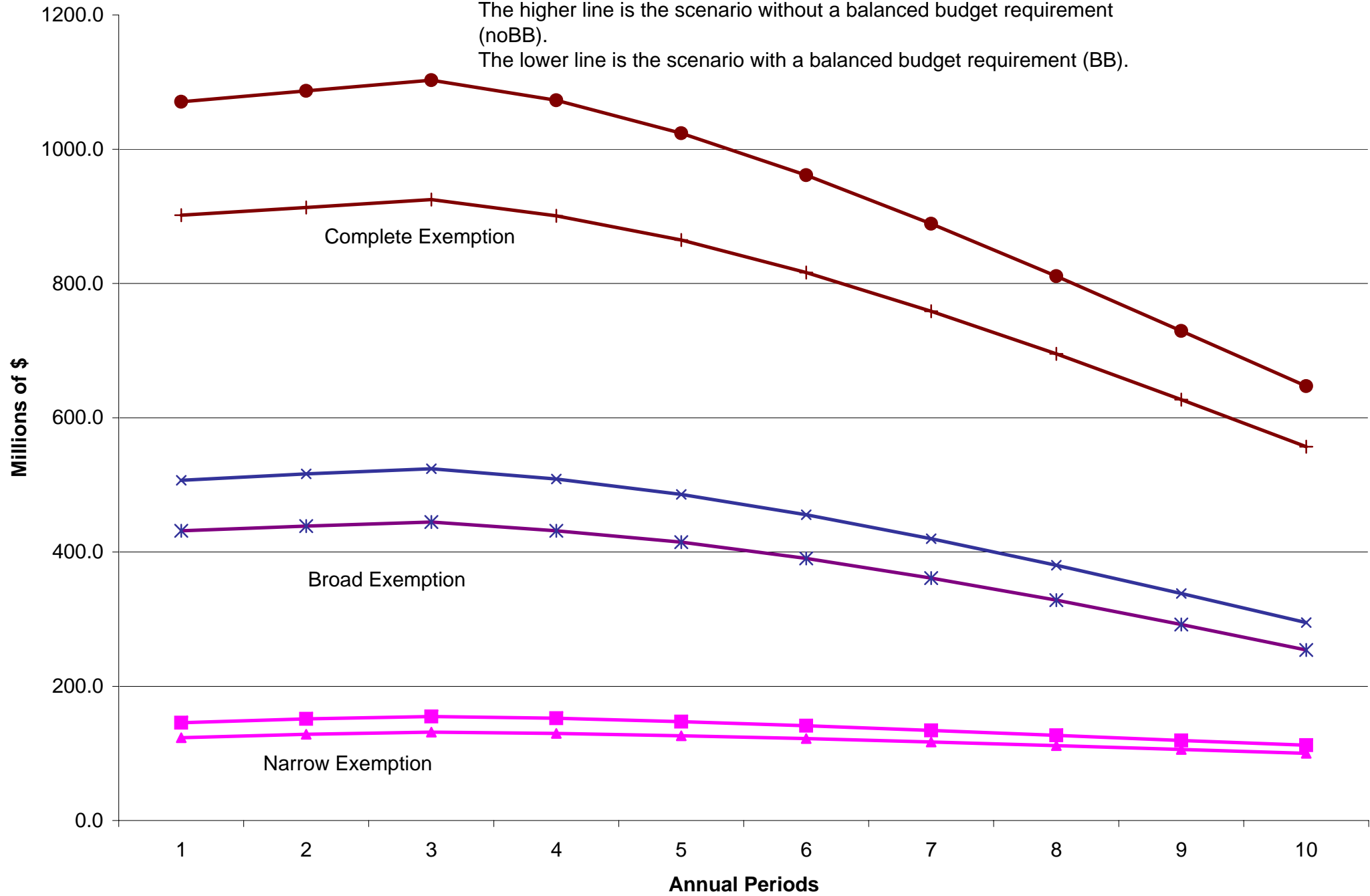
**IMPACT OF ELIMINATING STATE SALES TAX  
ON MACHINERY & EQUIPMENT PURCHASES**  
**{with Balanced Budget Requirement}**

**COMPLETE M&E EXEMPTION**  
Exempt Industrial, Construction, Agricultural, Computer,  
Communications, Office, Transportation, and Furniture M&E  
In ALL Economic Sectors  
(with balanced budget requirement)

<u>DIFFERENCES FROM BASELINE</u>	Annual Periods =>									
	1	2	3	4	5	6	7	8	9	10
<b>Major Economic Aggregates</b>										
Total Employment	-855	-254	295	468	627	569	394	127	-207	-587
% Change from Baseline	-0.04%	-0.01%	0.01%	0.02%	0.03%	0.02%	0.02%	0.01%	-0.01%	-0.02%
Private Non-Farm Employment	6,007	6,384	6,742	6,739	6,688	6,426	6,058	5,610	5,111	4,576
Manufacturing	367	446	513	547	571	573	563	544	519	491
Non-Manufacturing	5,640	5,938	6,229	6,192	6,117	5,853	5,495	5,066	4,592	4,085
Government Employment	-6,863	-6,638	-6,447	-6,271	-6,061	-5,856	-5,663	-5,482	-5,319	-5,163
Personal Income (Current \$)	(\$4,883,000)	\$14,630,000	\$35,830,000	\$48,200,000	\$58,750,000	\$62,130,000	\$60,590,000	\$54,400,000	\$44,140,000	\$30,170,000
% Change from Baseline	-0.01%	0.01%	0.03%	0.04%	0.05%	0.05%	0.04%	0.04%	0.03%	0.02%
Wage & Salary Disbursements (Current \$)	(\$11,010,000)	\$4,185,000	\$20,600,000	\$28,380,000	\$34,600,000	\$34,160,000	\$29,310,000	\$20,500,000	\$8,331,000	(\$6,805,000)
% Change from Baseline	-0.02%	0.01%	0.03%	0.05%	0.05%	0.05%	0.04%	0.03%	0.01%	-0.01%
Real Disposable Personal Inc. Per Capita (96\$)	\$25.03	\$25.31	\$25.71	\$24.29	\$22.80	\$20.37	\$17.62	\$14.72	\$11.81	\$8.92
% Change from Baseline	0.13%	0.13%	0.13%	0.12%	0.11%	0.09%	0.08%	0.06%	0.05%	0.04%
Real Gross State Product (96\$)	\$94,180,000	\$163,400,000	\$223,200,000	\$264,500,000	\$295,300,000	\$313,900,000	\$323,500,000	\$325,500,000	\$321,200,000	\$312,800,000
% Change from Baseline	0.07%	0.12%	0.16%	0.19%	0.20%	0.21%	0.21%	0.20%	0.19%	0.18%
Consumption (96\$)	\$123,900,000	\$134,800,000	\$147,000,000	\$151,400,000	\$156,500,000	\$156,400,000	\$153,200,000	\$147,100,000	\$138,700,000	\$128,300,000
Investment (96\$)	\$899,689,000	\$913,409,700	\$925,871,200	\$903,895,000	\$868,076,000	\$819,353,000	\$761,662,000	\$698,130,000	\$629,866,000	\$559,488,000
Government (96\$)	(\$404,000,000)	(\$396,000,000)	(\$387,100,000)	(\$378,500,000)	(\$370,000,000)	(\$361,800,000)	(\$354,100,000)	(\$346,800,000)	(\$340,100,000)	(\$333,800,000)
Exports (96\$)	\$73,390,000	\$136,900,000	\$187,400,000	\$231,100,000	\$263,700,000	\$289,600,000	\$310,000,000	\$325,700,000	\$337,300,000	\$346,200,000
Imports (96\$, a negative to gross state product)	\$598,800,000	\$625,600,000	\$650,000,000	\$643,300,000	\$623,000,000	\$589,700,000	\$547,400,000	\$498,700,000	\$444,600,000	\$387,500,000
Real Fixed Investment (96\$)	\$901,730,000	\$913,120,000	\$925,040,000	\$900,750,000	\$864,860,000	\$816,210,000	\$758,620,000	\$695,140,000	\$627,030,000	\$556,960,000
% Change from Baseline	3.76%	3.99%	3.86%	3.35%	2.95%	2.56%	2.19%	1.86%	1.55%	1.28%
Producer Durable Equipment Share	77.09%	79.69%	81.40%	82.61%	83.40%	84.21%	84.97%	85.71%	86.41%	87.13%
Non-Residential Structures Share	19.14%	16.61%	14.90%	13.90%	13.18%	12.56%	12.01%	11.55%	11.18%	10.87%
Residential Structures Share	3.77%	3.69%	3.70%	3.49%	3.42%	3.24%	3.02%	2.74%	2.41%	1.99%
<b>Fiscal Impacts</b>										
Gross State Tax Change	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)	(\$453,100,000)
Gross State Revenue Impact	\$30,270,000	\$30,310,000	\$30,660,000	\$29,350,000	\$28,000,000	\$25,840,000	\$23,310,000	\$20,520,000	\$17,550,000	\$14,440,000
% Change from Baseline	0.45%	0.45%	0.44%	0.41%	0.38%	0.34%	0.30%	0.26%	0.21%	0.17%
% Tax Change Recovered	6.68%	6.69%	6.77%	6.48%	6.18%	5.70%	5.14%	4.53%	3.87%	3.19%
Net State Fiscal Impact	(\$422,830,000)	(\$422,790,000)	(\$422,440,000)	(\$423,750,000)	(\$425,100,000)	(\$427,260,000)	(\$429,790,000)	(\$432,580,000)	(\$435,550,000)	(\$438,660,000)
Net State Tax Impact per Private Sector Job	(\$70,387)	(\$66,231)	(\$62,659)	(\$62,878)	(\$63,561)	(\$66,493)	(\$70,952)	(\$77,106)	(\$85,215)	(\$95,869)

### Real Fixed Investment Spending (change from baseline, 96\$)

For Each Scenario:  
 The higher line is the scenario without a balanced budget requirement (noBB).  
 The lower line is the scenario with a balanced budget requirement (BB).



■ Narrow, noBB   
 ▲ Narrow, BB   
 × Broad, noBB   
 ✱ Broad, BB   
 ● Complete, noBB   
 + Complete, BB

## Real Fixed Investment Spending and Spending on Imports (change from baseline, 96\$)

For Each Pair of Lines:  
 The higher line in the initial periods is investment spending.  
 The lower line in the initial periods is spending on imports.  
 All three scenarios depict the case without a balanced budget requirement (noBB).

