

TAX ROUNDUP

WYOMING'S' LEADING TAX POLICY AND RESEARCH RESOURCE



ESTABLISHED IN 1937

JANUARY 2012

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The Wyoming Taxpayers Association is a non-partisan, non-profit corporation founded in 1937 to advance efficient and effective government.

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WTA 2011 ANNUAL MEETING COVERS KEY TAX ISSUES

Members, legislators, staff, media, and interested parties attended WTA's 74th annual meeting at the Cheyenne Little America Resort on October 11th and 12th. Over two days, participants enjoyed a number of sessions highlighting not just current events surrounding Wyoming taxes, but also delving into the issue of bringing accountability to the state's education system and what policy makers should do to get a hold on tax exemptions.

Education Accountability

Hot on the legislative front for the last few years, bringing more accountability to Wyoming's education system should be a top priority for all taxpayers. While Wyoming is one of the top spenders in the nation on a per pupil ba-



Dr. Mark Stock

sis, all members of the panel agreed that throwing more money at the issue is not the solution. "Student growth is

the most important factor to consider, not status."

Laramie County School District No. 1 Superintendent, Dr. Mark Stock, noted that some Wyoming school districts score low with traditional status scores, but show signs of high growth, and that should be commended. The panel was moderated by Bill Schilling of the Wyoming Business Alliance and was comprised of the following speakers: Representative Mary Throne, D – Wyoming House of Representatives; Richard Wenning, Consultant from Colorado; Dr. Mark Stock, LCSD #1; and Tom Bradley, an educator from Cheyenne's East High School.

Tackling Tax Exemptions

While most of the panelists agreed tax exemptions are not necessary, most agreed they definitely help bring new business to Wyoming. Whether or not that position is held by all, everyone agreed that the state is in need of more and better data when it comes to tax exemptions. For instance, are the exemptions creating jobs, diversifying our economy and are worth the esti-



Senator Cale Case

mated millions of dollars in lost revenue to the state? Senator Cale Case said that tax exemptions are hard for legislators to deal with because they lack the resources to determine whether the benefits will offset the lost revenue. The Wyoming Department of Revenue reports that the state has about 16 exemptions that specifi-

Member Alert!

With the 2012 Legislative Session rapidly approaching, WTA will be adding a "Members Only" area to the website, www.wyotax.org, where bill tracking and other important session updates can be found. Be on the lookout for an email regarding how to set up your username and password so you won't miss any important updates!

cally deal with economic development, but no decent tracking mechanism to weigh the costs and benefits. Other states are trying to wrap their hands around the issue, as Dawn Philips reported from Oregon, but there is no one golden egg. The panel was moderated by Dan Noble, Director of Wyoming's Excise Tax Division, with the following guests: Greg Turner, Council on State Taxation; Mark Robyn, the Tax Foundation; Scott Sutherland, Cheyenne LEADS; Senator Cale Case, R – Wyoming Senate; and Dawn Phillips, Policy and PR Director for Oregon State Legislature.

vided a special treat for meeting participants this year. John Fitzgerald, the founder of the Cheyenne Capital Fund, shared his thoughts on the role of private equity, how it is impacted by the current (federal) economic outlook and how Wyoming can take advantage of private equity for economic growth. Currently, private equity yields 2% of



John Fitzgerald

Wyoming's Private Equity Opportunity

WTA's keynote speaker pro-

vided the asset allocation for Wyoming's permanent funds. Furthermore, the state has

many factors that lend itself for great opportunities for private equity: low tax environment, low energy costs, educated work force, and a desirable living environment. Mr. Fitzgerald's agenda for Wyoming? Maintain leadership in energy and energy technology; improve physical and broadband infrastructure – connection to the world; invest in human capital; Hathaway Scholarships, i.e. engineers, MBAs; create a more robust business ecosystem. The speaker presentations are available for viewing on WTA's website.

New Leadership

Finally, four new directors were voted on the board: Judy Catchpole, Catchpole Enterprises; Vickie Diamond,



Erin Taylor and Brent Kunz

Wyoming Medical Center; Rita Meyer, U235 Uranium; and Jayne Mockler; with Wendy Lowe stepping down after more than twenty years of service. New officers include: *President* – Shane Schulz, QEP Corporation; *1st VP* - Charlene Murdock, Peabody Energy; *2nd VP* - Bill Stafford, Basin Electric; *Secretary* - Nick Agopian, Devon Energy; and *Treasurer* - Tom Stuckey, Wells Fargo.

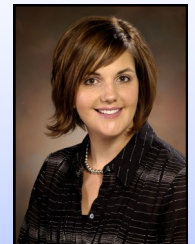
Welcome New WTA Members!

- Judy Catchpole**
- Jayne Mockler**
- U 235 Uranium**
- Albany County Assessor**
- University of Wyoming**
- Wyoming Medical Center**
- WY Dept. of Workforce Services**
- Noble Energy**
- Chesapeake**
- Johnnie Burton**
- Barbara Dilts**
- Vernon Delgado**
- Questar Corporation**
- Uranium One Inc.**
- Ur-Energy**
- Sweetwater County Fire District #1**
- Danny Decker**
- Frank Anderson**

FROM THE EXECUTIVE DIRECTOR

Dear Members,

Please join me in welcoming our new Manager of Marketing & Membership, Heidi Peterson! Heidi comes to us with proven experience in leading development efforts, expanding operational performance, and increasing revenue potential. She also has extensive experience in planning and coordinating public affairs and communication efforts. She is a former business owner and entrepreneur and a graduate of Leadership Wyoming, Class of 2009. Heidi will be responsible for increasing membership, planning WTA events, and leading our marketing plan. She will no doubt add an important level of professional experience to WTA's value and she has already hit the ground running. Please help welcome Heidi to WTA and please stop by the office to meet her if you are in town!



~ Erin

FEDERAL HEALTHCARE MANDATES—WHAT DO THEY MEAN FOR WYOMING?

The recently passed federal health care law, titled the Patient Protection and Affordable Care Act (PPACA) may have significant implications for the Wyoming economy. The PPACA extends healthcare coverage to more Americans, meaning that states will be required to devote more of their annual budgets to healthcare financing.

Medicaid programs are financed jointly by the federal government and state governments. The state of Wyoming currently pays 50% of total statewide Medicaid costs (the remaining portion is paid by federal funds). Of that 50%, nearly all of it comes from the state's General Fund. State expenditures for Medicaid come from administrative costs and payments to service providers. Of these costs, a percentage is reimbursed by the federal government. According to a 2008 study by the Congressional Research Service, most states noted that approximately 80% of state Medicaid funding came from their General Funds in 2006. For most states, Medicaid is the largest state expenditure (followed closely by elementary and secondary education).

Over the last few biennia, state spending on Medicaid has increased, mainly due to the current economic downturn. Since 2008, Wyoming has had a 19.4% increase in the number of Medicaid recipients, which has resulted in increased expenditures. Medicaid spending is a counter-cyclical variable, which means enrollment increases as the economy worsens because more individuals are eligible for coverage. In July 2008, Wyoming unemployment was 2.9% and 55,998 people were eligible for Medicaid. In July 2010, this number increased to 66,906, when the unemployment rate was 6.3%. Implementation of the PPACA in Wyoming will result in an even higher number of eligible individuals—meaning that plan-

ning for these increased costs is more important than ever.

According to a Lewin Group presentation to the Joint Labor, Health and Social Services Interim Committee last year, as of December 2010, enrollment will increase by 1,900, by the year 2016. The Group found, however, that the new health reform law may in fact save the state money. Although General Fund expenditures will increase, there are many potential offsets to other state programs, potentially saving a total of \$105.6 million dollars by 2020. By that year, they estimated that General Fund expenditures may increase by \$61.4 million dollars, but the potential offsets could save \$167 million overall—resulting in net savings.

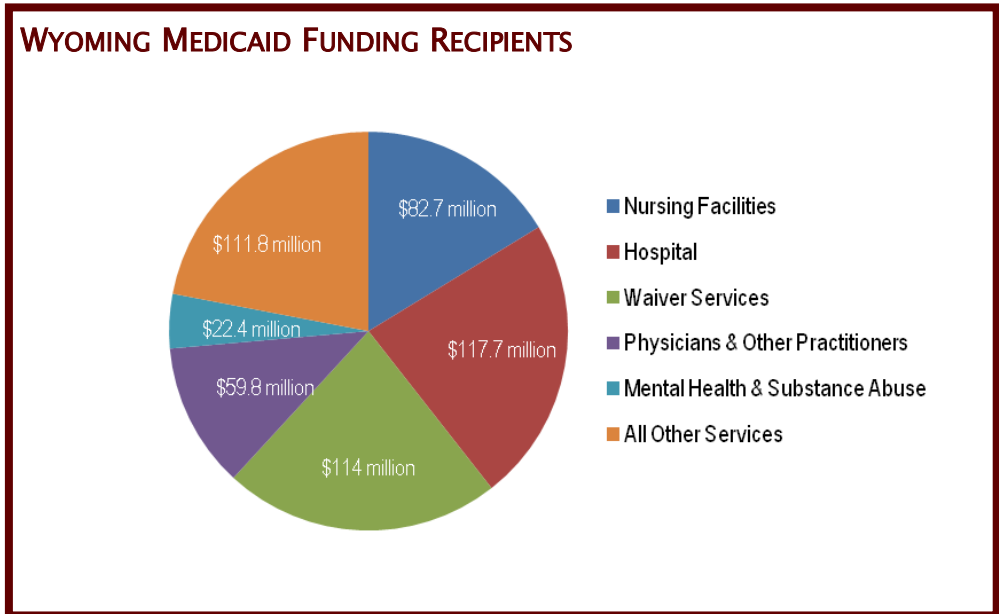
Total EqualityCare expenditures for the 2010 state fiscal year are \$526.5 million. According to Kaiser State Health Facts, Wyoming average annual growth in Medicaid spending grew 10.2% from state fiscal year 2007 to fiscal year 2009, higher than the national average of 7.2%.

Since many of the estimations and guesses as to what the new healthcare law

Total State Medicaid Expenditure
 Fiscal Year 2010
\$526.5 million

means for Wyoming are very widespread and unsure, the Wyoming Legislature has decided to address the topic. In the current interim period, the Joint Labor, Health, and Social Services Committee of the Wyoming Legislature is looking into healthcare reform federal mandates and rising Medicaid costs. The committee has drafted a bill that will appropriate \$100,000 to fund the "Medicaid Options Study," to be delivered to the committee by December 1, 2012. The final study must be completed by May 1, 2013.

Such a study would provide valuable information about rising healthcare costs so that they may be addressed by Wyoming lawmakers in order to ensure the state's ability to finance such costs in the future. WTA will continue to follow the Medicaid Options Study bill during the upcoming legislative session.



STATE RETIREMENT SYSTEM AND COST OF LIVING—ARE BENEFITS KEEPING UP?

The Wyoming Retirement System (WRS) is made up of multiple retirement programs and funds—nine in total for public employees within the state. These are the Public Employee; Warden, Patrol and DCI ; Paid Firefighter systems (two total); Volunteer Fire ;Volunteer Emergency Medical Technician; Air Guard Firefighter; Law Enforcement; and Judicial. The Public Employee system makes up the largest part of the WRS.

Overall, membership includes 37,000 active members (employees within school districts, community colleges, and the University of Wyoming and local/state level government employees), 16,000 inactive members; and 17,000 retired members. A board of eleven, in addition to thirty public employees, administers the WRS.

WRS began in 1943, when it was a retirement program for teachers within the state. There was already an existing program for state employees and the two were merged in 1953.

By law, each of the nine plans under the WRS is required to have enough funding to finance unfunded liabilities that must be paid out in the future. The funding ratios of each of the separate nine plans as January 1, 2011 (the ratio of plan assets over liabilities) are summarized in the table below.

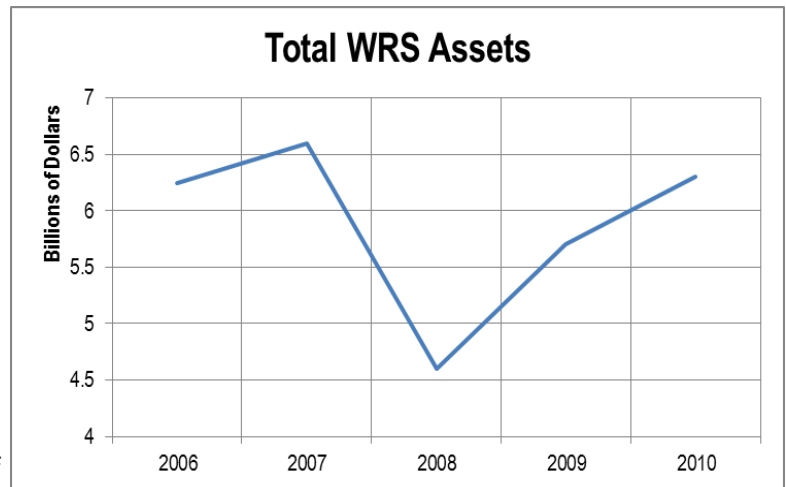
Plan	Funding Ratio
Public Employee	84.59%
Warden, Patrol & DCI	84.06%
Paid Firefighter A	85.64%
Paid Firefighter B	115.70%
Volunteer Fire	104.63%
Volunteer EMT	100.60%
Air Guard Firefighter	77.30%
Law Enforcement	99.86%
Judicial	108.54%

Funding deficits exist for the Public Employee plan; the Warden, Patrol & DCI plan, and the Paid Firefighter A plan, despite increases in funding ratios from the prior year. According to a report to the Joint Appropriations Committee in 2010, a “healthy” fund has a ratio of 80% or higher. As of 2010, funding ratios are expected to decline due to deferred investment losses.

As 2010 came to a close, the WRS had a total of \$6.3 billion in assets, an increase of \$0.6 billion from the previous year. Addi-

tions to the state system in 2010 were \$973.95 million (from contributions of \$243.14 million and net investment income of \$730.5 million). Total deductions were \$363 million.

In terms of total assets, WRS saw significant losses in 2008. Those have since been recovered. Asset trends are shown in the figure below.



When compared to other states, WRS has a favorable replacement ratio (the amount that is being paid in compared to the amount being paid out). Wyoming’s replacement ratio for 30 years is 65.63%, which is higher than Utah, South Dakota, North Dakota, Montana and Arizona. Colorado, Nevada, and New Mexico have better replacement ratios than Wyoming.

Although replacement ratio is a way to examine inflows and outflows from the system, it is also important to compare system assets and system liabilities by noting the funding ratio. The funding ratio demonstrates assets (what is owned) as a percentage of liabilities (what must be paid out in the future).

The WRS is facing issues with inflation and cost-of-living allowances (COLAs). Paid benefits to retirees do not fully cover rising costs due to inflation, but COLAs have helped those living off of retirement benefits retain some of their purchasing power. According to the same report to the Joint Appropriations Committee, “COLAS provided to retirees of the Public Employees Plan since 1990 have increased retiree benefits by 35% compared to inflation increasing by 73%.” COLAs have not been granted in 2009 and 2010, and overall COLA funding has decreased from 2004 to 2008. During the current interim session, the Joint Appropriations Committee has listed the Retirement System as their first priority and will examine future COLAs and their funding.

At present, two bills have been presented to the Wyoming Legislature regarding the state retirement system. WTA will continue to follow the issue during the upcoming session.

NEW VENDOR COMPENSATION LEGISLATION EFFECTIVE JANUARY 1, 2012

During the last legislative session, Governor Mead signed a bill into law that will compensate in-state vendors for collecting sales and use taxes from customers on behalf of Wyoming. The compensation is a tax credit for “expenses incurred by a vendor or direct payer for the accounting and reporting of taxes.” The credit is granted as follows:

- 1.95% of the amount of tax due for the first \$6,250 of taxes due;
- 1% of the amount of tax due for tax due of \$6,250 or more;
- Total credit cannot exceed \$500 per month per vendor (even if the vendor has multiple businesses).

The intent of this legislation was to bring more equity for Wyoming businesses who collect taxes for the state, build economic possibilities for future business, increase compliance and allow existing business to grow and expand.

What does this mean for the state of Wyoming? First and foremost, it does have a price tag. Annually, if one vendor takes advantage of the maximum possible deductions, this will result in \$6,000 less of sales and use tax revenue per vendor. According to the Wyoming Census Revenue Estimating Group (CREG) October 2011 report, sales and use tax revenue forecasts had to be reduced for coming years—\$3.2 million for the 2010 fiscal year and \$6.4 million per year for 2013 through 2016.

In order to implement this tax credit, the Department of Revenue has been appropriated \$160,000 from the State General Fund.

Just how much State General Fund revenue comes from

sales and use taxes? Interestingly enough, the percentage of State General Fund revenues made up by sales and use tax collections is expected to increase in the coming years, despite the decrease in total sales and use tax collected. This predicted increase may be explained by increased compliance and business expansion. CREG estimates of sales and use tax revenues for the current and coming years are summarized in the table above.

The vendor tax credit legislation is effective January 1st of the new year. WTA actively supported the passing of this legislation in the 2011 session.

The idea was first presented by Senator Enzi to the Wyoming Legislature during his tenure in state government.

What does this mean for state vendors? Now, vendors must pay their sales and use taxes by the fifteenth of each month. For example, a vendor

Fiscal Year	Projected Sales & Use Tax Collected	Percentage of General Fund Revenues
2011	\$470,905,619	40.07%
2012	\$490,200,000	47.41%
2013	\$489,200,000	47.27%
2014	\$492,400,000	46.80%
2015	\$495,700,000	46.37%
2016	\$498,800,000	45.94%

must postmark their January 2012 return and payment by the 15th of February 2012. To be eligible for the credit, the vendor must be in good standing, which means “all returns currently due must be filed and paid in full and the account may not have any outstanding balances,” according to the Wyoming Department of Revenue.

The credit will be reported on Forms 41 and 42, which can be found on the Department of Revenue website, revenue.state.wy.us. A new line, titled “Vendor Compensation Credit,” has been added to both of these forms.

The Department of Revenue’s “Taxing Issues” December Newsletter is almost entirely devoted to information on the vendor discount. Vendors with questions about new reporting and filing procedures or general questions about this new tax credit should contact the Wyoming Department of Revenue Excise Tax Division at (307) 777-5220.

WELCOME, NEW BOARD MEMBERS!***Rita Meyer, U235 Uranium***

Rita was elected in November 2006 and served as Wyoming's 19th State Auditor. She is a graduate of the University of Wyoming with degrees in education and finance. She also holds an MBA in International Business from Regis University and a Master's of Science in National Resource Strategy from National Defense University in Washington, D.C. Rita served in the Wyoming Air National Guard for more than 23 years and retired in 2007. She is a veteran with command time in both Iraq and Afghanistan. Rita serves as a board member of the UW Foundation, the UW College of Business and Rocky Mountain Power. She is currently employed with Mick McMurry in uranium exploration and other energy-related projects.

Prior to this, Rita served as Governor Jim Geringer's Chief of Staff from 1998 to 2002. She also acted as an Admissions Liaison Officer to the U.S. Air Force Academy and the Reserve Officers' Training Corps.

***Judy Catchpole, Catchpole Enterprises, Inc.***

Judy Catchpole was raised in Cody, WY, and received her degree in Elementary Education from the University of Wyoming. After working as a first grade teacher in San Diego, CA and helping to design and write curriculum for the first public kindergartens in Albuquerque, NM, Judy moved to Casper, WY and became a member of the Natrona County School Board. She has served as the Treasurer, President, and Wyoming Vice Chair of the Wyoming State School Boards Association, in addition to acting as the President of the Wyoming Early Childhood Association. In 1991, Judy became the Executive Director of the Wyoming Republican Party. Three years later she was elected Wyoming State Superintendent of Public Instruction, serving two terms. Judy is currently the President of Catchpole Enterprises, Inc. and acts as a National Assessment of Education Progress Ambassador for 14 states. She also serves on numerous boards and commissions, both nationally and locally.

Vickie Diamond, Wyoming Medical Center

Ms. Diamond was appointed Chief Executive Officer of the Wyoming Medical Center on February 2008 and is responsible for all governance, operations and finances, medical staff, sponsors and community relations.

She has a B.S. in Nursing and M.S. in Nursing from the University of Colorado, Denver and is a licensed Registered Nurse in the State of Wyoming. Vickie has served as Senior Vice President of Patient Care Services, Chief Nursing Officer, and Chief Operating Officer for the hospital. She has served as President of the WHA Board of Directors and as a member of Wyoming Organization of Nurse Executives, United Way of Natrona County Board of Directors, and Casper Rotary, just to name a few. She is also the co-founder of the Wyoming Integrated Care Network.

***Jayne Mockler***

Senator Jayne Mockler represented the 8th district of the Wyoming Senate from 1997 to 2008. Prior to this, she served in the Wyoming House of Representatives from 1993 to 1996. Senator Mockler was born in Jackson, Wyoming and has a B.A. from Wellesley College in Massachusetts. She served as a member of the Management Council; Revenue Committee; Travel, Recreation, Wildlife and Cultural Resources Committee; Rules and Procedures Committee; and the Select Committee on Capital Financing and Investments, among others. She currently serves on numerous boards and commissions both in the State and nationally.

CALENDAR OF EVENTS

- **PRE-LEGISLATIVE SESSION POLICY MEETING, BOARD MEETING AND RECEPTION**
WEDNESDAY, JANUARY 25TH, THE PLAINS HOTEL
REGISTER AT WWW.WYOTAX.ORG
- **2012 LEGISLATIVE SESSION**
CONVENES **TUESDAY, FEBRUARY 13TH**
- **WTA WEEKLY POLICY MEETINGS**
MONDAY, FEBRUARY 20TH AT 2:00 PM
MONDAY, FEBRUARY 27TH AT 2:00 PM
MONDAY, MARCH 5TH AT 2:00 PM
- **WTA LEGISLATIVE BREAKFASTS/LUNCHEONS—THE EGG & I**
TUESDAY FEBRUARY 14, 21, 28 AND MARCH 5TH 6:30AM
WEDNESDAY FEBRUARY 15TH AND 29TH 12:00 NOON
- **SAVE THE DATE—WTA'S 75TH ANNUAL MEETING, OCT. 15-16, LITTLE AMERICA**



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*If you don't pay...you
don't pay attention.*

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