From: Joe Hafner <joeforjonesboro@gmail.com>
Sent: Wednesday, June 19, 2019 6:16 PM
To: Northeast Arkansas Tea Party <neateaparty@gmail.com>; City Clerk <CityClerk@jonesboro.org>; Donna Jackson <DJackson@jonesboro.org>
Subject: Re: About that 11.76% increase in taxes collected …

Miss Stevens,

Thanks for reaching out to me regarding your statements last night. I have put together a spreadsheet which i have pasted below in response to your email today. You are exactly right that the proposed 1% increase would represent an 11.76% increase over our current sales tax. However, I have to strongly disagree that this 1% increase will equate to an 11.76% increase on all purchases made.

In your illustration, you stated that the tv was $429 and the sales tax at 8.5% would be $36.46. However you only added $16.46 to the $429 when you came up with a total of $445.46. Your total should have been $465.46. Therefore, the original value you used to calculate the increase was incorrect. Even using your incorrect numbers, the increase is only 5.45% which is not close to your stated increase of 11.76% on most purchases..

As you can see in my example B using your numbers but with correct totals, the % increase on the total purchase price is .92% which is less than 1% because the state and county sales tax amount didn't change. When the percentage increase is calculated on the base price of the TV, the $4.29 increase calculates back to a 1% increase which is the amount of the proposed increase in the sales tax.

I also did another example (C) using $100 as the base price of the item being purchased to illustrate that the total increase is $1.00 and not $11.76 as you have stated would be the increased cost of purchased goods and services. The tax at 8.5% on $100 is $8.50 and the tax at 9.5% would be $9.50 which equates to $1.00 and/or 1% on the base price of the purchase.

It is impossible for the cost of a purchase to go up 11.76% when the proposed increase is only 1%.

I hope these examples help clear up any questions you may have about this part of the proposed increase. I have attached the Excel spreadsheet for your review. I did protect the spreadsheet so the numbers can't be changed without the password but you can look at each cell and see the formulas that were utilized. You can certainly re-create your own spreadsheet if you want to check my numbers.

Impact of Proposed Sales Tax Increase if Approved by Voters
Response to Iris Stevens Email on June 19, 2019

Example	{(New Value	-Original Value)	/Original Value}	x100=	Percent Increase
a	9.50%	8.50%	8.50%	100%	11.76%

IS Ex. In Email	$ 469.75	$ 445.46	$ 445.46	100%	5.45%
b	$ 469.76	$ 465.47	$ 465.47	100%	0.92%
c	$ 109.50	$ 108.50	$ 108.50	100%	0.92%

a   represents percentage increase in current sales tax versus what sales tax would be if placed on ballot and approved by the voters. It doesn't represent how much each item would increase in cost when purchased.

b

Corrected Iris Stevens Example on TV

Base Price of TV	$	429.00	Base Price of TV	$	429.00
Sales tax @ 8.5%	$	36.47	Sales tax @ 9.5%	$	40.76
Total Price*	$	465.47	Total Price	$	469.76

Change in Total Price $ 4.29   0.92%

% Increase on Base Price of TV ($429)   1.00%

*Mrs. Stevens calculation included a math error. She added $36.46 to $429.00 and came up with a total of $445.46 which is only a $16.46 increase instead of the $36.46 increase based upon the 8.50% sales tax.

c

Example Using $100 as the Purchase Price

Base Price of Item	$	100.00	Base Price of Item	$	100.00
Sales tax @ 8.5%	$	8.50	Sales tax @ 9.5%	$	9.50
Total Price*	$	108.50	Total Price	$	109.50

Change in Total Price $ 1.00   0.92%

% Increase on Base Price of Item ($100)   1.00%

Sincerely,

Joe Hafner, CPA
Chairman of Finance & Administration Committee
Jonesboro City Council

On Wed, Jun 19, 2019 at 2:26 PM Northeast Arkansas Tea Party <neateaparty@gmail.com>
wrote:

Mayor Perrin, Jonesboro City Council members:

When I spoke to the council last night about how an increase from 8.5% to 9.5% in our sales tax would result in a real increase of 11.76% in taxes collected on each item, I could see that some of you might not have been following me. I thought I'd try to clarify my point by sending you one formula that is used to get that information.

Percent increase = [(new value – original value)/original value] x 100
9.5 – 8.5 = 1.0 divided by 8.5 multiplied by 100 =11.76%
Along with some of my math teacher friends, I verified this information with a PhD in economics who also sent this text as an added explanation:

> *There is a difference between a percentage **point** increase and*
> *a percentage increase. The change from 8.5 to 9.5 is a one*
> *percentage **point** change while it is an 11.76 percentage change [or increase].*

We are looking at the percentage that each item sold will go up if this tax is passed. A one percent **point** change doesn't sound like very much, but when it results in an almost 12% increase on everything you buy (excluding most food and some other non-taxable items but including many services), it can really add up.

Ex. On a $429.00 tv   The current tax at 8.5% tax would be $36.46.
           36.46
         $445.46

    On a $429.00 tv   The proposed 9.5% tax would be $40.75
  40.75
         $ 469.75

The increase from $445.46 to $469.75 is **11.76%** or almost 12%. This will be true for almost everything purchased as well as many services. That is a significant increase, and one that people need to be aware of before they vote.

I hope I haven't insulted or offended you by this explanation, but it did look like some of you weren't sure about what I was trying to say. Also, when Dr. Abraham(?), who spoke last, disputed my point, I thought he also might not have understood my explanation.

Iris Stevens, Coordinator
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