



## 2007 Taxes On A Typical Utah Family April 2007

A median-income Utah household consisting of two parents and three children pays 25.3% of its income in direct federal, state, and local taxes, according to an analysis by the Utah Taxpayers Association. A median-income Utah family earns \$57,700 in wages and salary. Additionally, the family earned \$4,967 in the form of employer-paid payroll taxes for a total income of \$62,667.

The following chart illustrates the tax impact. These taxes do not include the taxes that businesses pay and pass on to their customers in the form of higher prices, to employees in the form of reduced compensation, and to shareholders in the form of reduced dividends and stock prices.

### Tax Impact of Median Income Utah Family of Five

Taxes	Amount	Percent of Taxes	Percent of Income
Social Security incl. employer match	\$7,155	45.1%	11.4%
State individual income tax	\$1,831	11.5%	2.9%
State/local sales tax	\$1,805	11.4%	2.9%
Medicare including employer match	\$1,673	10.5%	2.7%
Property tax	\$1,437	9.1%	2.3%
Auto taxes including gas tax	\$913	5.7%	1.5%
Employment taxes	\$553	3.5%	0.9%
Excise taxes	\$281	1.8%	0.4%
Federal individual income tax	\$230	1.5%	0.4%
Total	\$15,877	100.0%	25.3%

Calculations by Utah Taxpayers Association based on data from Bureau of Labor Statistics, Utah State Tax Commission, Utah Department of Workforce Services, Governor's Office of Planning and Budget, Utah Department of Transportation, Utah Association of Realtors

Most families in Utah have two workers. In this example, one works full-time and earns \$43,275, and the other works part-time as a commissioned salesperson and earns \$14,425.

### Property Tax – \$1,437

The most visible, and perhaps the most disliked, tax paid by a Utah family is the real property tax. The property tax is based on a taxable value which is 55% of the assessed market value for a primary residential property. The median market value of a Utah home in 2006 was \$220,400. Various taxing entities are permitted to assess property taxes. School districts account for the greatest part, 55%, of the Utah family's property tax bill. Counties, cities, and special service districts account for the other 45%. The effective property tax rate in Utah is 0.011855.

### Property Tax

Entity	Rate	Tax
School district	0.006518	\$790
City	0.002166	\$263
County	0.002386	\$289
Special service district	0.000785	\$95
Total	0.011855	\$1,437

The percent distribution of total statewide property tax revenues is slightly different than the above numbers since special service districts have overlapping tax bases and city tax bases do not cover the entire state. Calculations by Utah Taxpayers Association based on Utah State Tax Commission and Utah Association of Realtors data for 2006.

### Auto Taxes – \$913

A typical Utah family owns two cars and drives about 32,500 miles per year. In this example, one car is driven 13,915

miles and gets 21 miles per gallon. The second car 18,582 miles and gets 27 miles per gallon. The Utah family automobiles are taxed as personal property. In 1999, vehicles changed over from being taxed as a percent of their market value to an age-based assessment.

Type	Tax
State gas tax – 24.5 cents per gallon	\$331
Federal gas tax – 18.4 cents per gallon	\$249
Automobile fee in lieu of property tax	\$260
State registration fee	\$42
County registration fee	\$20
Driver's education fee	\$5
Uninsured database fee	\$2
Tire recycling fee	\$4
<b>Total</b>	<b>\$913</b>

### Federal Individual Income Tax- \$230

Most median income Utah families with three or more children pay little or no federal income tax, mainly due to the \$1,000 per child tax credit. This credit is in addition to the \$3,400 personal exemption for each household member. After itemized deductions and personal exemptions, the median income Utah family is in the 15% federal tax bracket (the first \$15,650 in taxable income is taxed at 10%).

### Federal Individual Income Tax

Adjusted gross income	\$57,700
Deductions	
State income taxes paid	\$1,831
Property taxes	\$1,437
Other itemized deductions (mortgage interest, charitable contributions)	\$10,680
Total itemized deductions	\$13,948
Personal exemptions	\$17,000
Taxable income (AGI less itemized deductions and personal exemptions)	\$26,752
Pre-credit federal tax liability	\$3,230
Child tax credit	\$3,000
Federal tax	\$230

All income is assumed to be ordinary. Capital gains and dividend income are taxed at lower rates. Tax brackets and exemptions are based on tax year 2007. Calculations by Utah Taxpayers Association based on data from Governor's Office of Planning and Budget and the Utah State Tax Commission.

### Utah Individual Income Tax – \$1,831

Tax rates for the state income tax are significantly lower than those for the federal income tax, but the Utah family pays more state income tax than federal income tax due to federal child tax credits.

In tax year 2008, Utahns will be paying state income tax under a new system with a single rate of 5% and with credits that phase out as income increases. For a married household, credits begin phasing out at 1.3 cents per dollar of adjusted gross income above \$24,000.

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### Utah Individual Income Tax

Adjusted gross income	\$57,700
Pre-credit state income tax 5% of AGI	\$2,885

#### Credits

6% of itemized deductions excluding state income taxes	\$727
6% 75% of federal personal exemptions	\$765
Total credits	\$1,492
Phase out	\$438
Credit less phase out	\$1,054

State income tax (Pre-credit state income tax less credit after phase out) \$1,831

Personal exemption amount is based on federal tax year 2007. Calculations by Utah Taxpayers Association based on data from the Governor's Office of Planning and Budget and the Utah State Tax Commission.

### State and Local Sales Tax – \$1,805

The Utah family spent \$27,417 on purchases subject to state and local taxes. In 2008, average sales tax rate in Utah will be about 6.55%. Salt Lake County's rate will be 6.8%, which consists of 4.65% state, 1.0% city, 0.25% county, 0.55% first "two quarters" mass transit, 0.10% arts, 0.25% third quarter mass transit.

Some items are taxed at a lower rate. In 2008, unprepared food will be taxed at 3.0% (1.75% state, 1.0% city, 0.25% county). Typically, residential electricity and natural gas will be taxed at 3.90% (2.0% state, 1.0% city, 0.25% county, 0.65% in other local taxes such as arts and mass transit).

#### State and Local Sales Tax

Item	Purchase Amount	Sales Tax
Food, incl restaurant and alcohol	\$8,018	\$359
Housing, furnishings, and utilities	\$7,232	\$429
Vehicle purchase and operation	\$6,107	\$400
Apparel	\$2,150	\$141
Entertainment	\$2,221	\$145
Other	\$1,689	\$111
Total	\$27,417	\$1,585

Taxable purchase calculations are based on 2005 Consumer Expenditure Survey from Bureau of Labor Statistics. Calculations by Utah Taxpayers Association

Food purchased at restaurants is subject to an additional tax of 1.0% in most counties. Natural gas and electricity are subject to utility franchise tax of up to 6%. In 2008, telephone services will be subject to a 3.5% municipal telephone franchise tax (rate was reduced from 6% to 4% when cell phones were subject to the tax and then reduced to 3.5%). Cable municipal franchise tax is 5% per federal law.

#### State and Local Sales Tax

Tax	Amount
General sales tax	\$1,585
Restaurant tax	\$30
Utility franchise tax	\$148
Municipal telecommunications license tax	\$42
Total state and local sales taxes	\$1,805

Federal and state governments impose excise taxes on liquor, beer, and tobacco. They are easily overlooked, since they are not listed separately from the selling price.

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### Excise Taxes

Item	Tax
Liquor	\$64
Beer	\$24
Tobacco	\$193
Total Excise Taxes	\$281

### Social Security and Medicare, employee and employer match – \$8,828

Almost everyone who works must contribute to the Social Security and Medicare Funds. In 2007, ordinary income up to \$97,500 is subject to a 12.4% Social Security tax, half of which is paid by the employer and the other half is paid by the employee. Total income is also subject to a 2.9% Medicare tax, split 50-50 between employer and employee. Even though employers pay 50% of Social Security and Medicare taxes, economists across the spectrum agree that employees really pay this tax because employers reduce employee compensation by the amount of payroll taxes paid by the employer. Therefore, employer-matched payroll taxes are treated as household taxes and as household income.

### Social Security and Medicare

Tax	Amount
Social Security – employee	\$3,577
Social Security – employer match	\$3,577
Medicare – employee	\$837
Medicare – employer match	\$837
Total Social Security and Medicare Taxes	\$8,828

Employment taxes such as workers compensation and unemployment insurance are paid directly by employers, but economists maintain that these taxes – just like the employer Social Security and Medicare match – are really paid by employees. Unemployment insurance tax rate varies from company to company depending on how many former employees of the company have filed for unemployment insurance. In 2007, a typical unemployment insurance rate is about 1% on a maximum wage base of \$25,400.

Workers compensation insurance premiums are technically not a tax since these premiums are paid to private providers, but workers compensation insurance is required by law in most employment. Unemployment insurance tax is not required for commissioned salespersons, and workers compensation is not required for part-time workers. Since one of the workers in this analysis is a part-time commissioned salesperson, this employee's wages are not subject to unemployment and workers compensation insurance.

### Employment Taxes

Tax	Amount
Unemployment insurance – employer	\$254
Workers compensation – employer	\$299
Total	\$553