



# THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

## Herbert's Proposed FY 2019 Budget Echoes Sound Tenets of Tax Policy

In December, Governor Gary Herbert released his Fiscal Year (FY) 2019 \$16.7 billion budget, and there is plenty to digest. Let's dive in.

First off, the Governor's office expects Utah to receive \$382 million in new ongoing funds, and more than \$100 million in new one-time funds.

With the new ongoing revenue, the Governor has recommended that 72% of that go towards education. This equates to more than \$207 million going towards public education, with a 4% increase in the Weighted Pupil Unit (WPU). The Governor recommends these increases be put towards teacher salaries, increased technology in the classroom, as well as reducing class sizes.

A key tenet of the Governor's proposed budget is to modernize Utah's tax code. Your Taxpayers Association has met with the Governor's office throughout 2017 to help shape the discussion for state tax reform and the budget proposal. These discussion topics include relying more on user fees, when applicable, and ensuring that Utah has a broad tax base when applying a low tax rate. Many of the Taxpayers Association's philosophies are reflected in the Governor's budget.

### Sales Taxes

In his budget, Governor Herbert says that Utah ought to broaden the sales tax base through a number of methods.

These include:

- Broadening the sales tax base to tax final consumption (not investment),
- Reduce the sales tax on business inputs, which includes the three-year life penalty on manufacturers, which is a part of the Association's legislative initiative, Utah 2.0, and
- More aggressively collect taxes from already-due remote sales, which your Taxpayers Association has long argued as sound tax policy.

*(continued on page 3)*

### JANUARY 2018

VOLUME 43



Herbert's Proposed FY 2019 Budget Echoes Sound Tenets of Tax Policy Page 1



My Corner: Legislative Outlook to Preview State Tax Reform, What Utahns can Expect from Federal Package Page 2



Utah's Tax and Fee Burden Falls Below National Median Page 3



Your Association Accomplishments In December Page 4

#### ASSOCIATION STAFF

Howard Stephenson	President
Billy Hesterman	Vice President
Spencer Nitz	Research Analyst
Bren Robinson	Executive Assistant

#### EXECUTIVE COMMITTEE

Morris Jackson	Chairman
Olga Siggins	Vice Chair
Bobby Rolston	Secretary
Brice Arave	Treasurer
Keith Pitchford	Legislative Chair
Mike Edmonds	Immediate Past Chair

## My Corner: Legislative Outlook Conference to Preview State Legislature's Efforts of Tax Reform, and what Federal Reform Means for Utah



Association President  
Howard Stephenson

On Monday, January 8th, the Utah Taxpayers Association will host the annual Legislative Outlook Conference at the Grand America Hotel in downtown Salt Lake City.

The conference, beginning at 9 a.m., will feature lawmakers, policymakers, and other tax influencers from across the state and the nation. They will be discussing some of the most prominent issues that the Legislature is set to address when it convenes later this month.

Highlighting the Conference is a discussion on the updates to Utah's efforts for tax reform. Revenue and Taxation Interim Committee chairmen Sen. Howard Stephenson and Rep. Steve Eliason will unveil the latest changes to the tax reform efforts, of which discussions have been taking place since early 2017.

Included will be the positive impacts of Utah 2.0, the Taxpayers Association's legislative initiative to ensure economic viability well into the next decade. Due to the work of your Taxpayers Association, elements of Utah 2.0 have been integrated into Utah's tax reform efforts, including removing the taxation of manufacturing business inputs, and expanding the single sales factor formula to all Utah businesses. To learn more about the tenets of Utah 2.0 by watching a video produced by the Association, [click here](#).

On the subject of tax reform, Joe Henchman of the Washington, D.C.-based Tax Foundation will be presenting on the changes to the federal tax code, recently passed by Congress and signed into law.

Other issues that are to be addressed

at the conference include:

- How the Legislature is working to ensure Utah's transportation system is prepared for an increasing population - Rep. Kay Christofferson
- Equalizing Utah's property tax system to boost education funding - Sen. Lincoln Fillmore
- Increasing Accountability of Utah's local service districts - Sen. Deidre Henderson
- Reports from House and Senate leadership,

This event is the premiere conference to learn about the tax issues from the experts before the upcoming Legislative Session. Admission to the event is free. CLE and CPE credit will be given at the conference. To RSVP please contact us at: 801.972.8814 or email Bren at: [bren@utahtaxpayers.org](mailto:bren@utahtaxpayers.org). We hope to see you at the conference.

### Join the Utah Taxpayers Association for the annual Legislative Outlook Conference to be held on January 8, 2018

Join us for the Utah Taxpayers Association's annual Legislative Outlook Conference on **Monday, January 8, 2018** at 9 a.m. The event will be held at the **Grand America Hotel** in downtown Salt Lake.

Thanks to our title sponsor Merit Medical, as well as Comcast, IM Flash and Utah Kennecott Copper for their sponsorship of this event. Additional sponsorship opportunities are available.

CLE and CPE credit is available.

**Registration is free, but seats are limited at this event.**

To RVSP, please contact Bren at (801) 972-8814 or [bren@utahtaxpayers.org](mailto:bren@utahtaxpayers.org).

## Herbert's FY 2019 Budget Follows Tenets of Sound Tax Policy (continued)

### Corporate Income Tax

The budget states that Utah ought to equalize how businesses are treated with regard to the corporate income tax, through the adjustment of the allocation methodology for multi-state businesses. In other words, allowing the single sales factor for all industries.

Expansion of the single sales factor is a key part of the Association's Utah 2.0 initiative, and is a part of the state's tax reform efforts. The Taxpayers Association thanks the governor for recognizing this key issue in promoting Utah's economic development for years into the future.

### Individual Income Tax

The Governor has recommended that the individual income tax be lowered, due to tax code changes at the federal level. Federal tax reform, while not finalized at the time the budget was unveiled, will directly impact the state revenues, as a decrease in federal taxes for individuals will translate into an increase at the state level.

Herbert's budget did not recommend a finalized decreased rate, but that the Legislature should take up the task in order for Utahns to not feel an undue burden as federal tax reform passes.

### Property Tax

The FY 2019 proposed budget also recommends some changes for how public education is funded through the property tax.

With inflation, the purchasing power for school districts funded through property taxes is limited, partly due to Utah's Truth in Taxation system, which provides a set amount of revenue collected.

Herbert argues that by allowing inflationary increases

in the statewide basic rate by means of freezing the rate (for a set period of time as seen in the current iteration of tax reform), public education can regain funding, without having to search for places to cut or do without year after year.

In addition, the budget recommends the creation of a uniform rate for local school board levies. Currently, 11 school districts are allowed a maximum rate of 0.0018, while the remaining 30 are allowed a rate of 0.0025. Again, this is in the current version of the Revenue and Taxation Interim Committee's state tax reform.

### User Fees

The Governor also recommends that users of services be the ones that more directly pay for those services, when feasible, particularly for transportation and water. This is a long-standing tenet of your Taxpayers Association.

In 2017, your Taxpayers Association endorsed and actively lobbied for legislation that would move some water districts away from subsidizing the cost of water, by limiting the amount they could collect in property taxes. This would create a situation in which users would pay a more true cost of water, rather than it being hidden in the annual property tax notice. Unfortunately, the legislation did not end up passing.

However, we look forward to more acknowledgement and progress as Governor Herbert has actively endorsed this idea.

There is plenty more in Governor Herbert's 119-page budget, and you can view it for yourself by [clicking here](#).

## Utah's State and Local Government Tax and Fee Burden Falls Below the National Median

Utah's state and local government tax and fee burden ranked 26th highest in the nation and dropped below the national average during Fiscal Year (FY) 2015, according to the Utah Taxpayers Association's annual calculations. Tax burden is expressed as the percentage of total personal income consumed by taxes and fees,

and excludes higher education charges.

According to calculations in this year's How Utah Compares report, each of the major taxes examined in this report (individual income, sales, motor fuel, and property) showed a decrease in overall tax burden. Three of the taxes (property, individual

income, and general sales) ranked below the national average.

Generally, Utahns’ tax burden decreased by 0.61% from FY 2014.

Data from the U.S. Census Bureau’s Census of State and Local Government Finances and personal income data from the Bureau of Economic Analysis are used to calculate the burden of various taxes in all fifty states.

While Utahns tax burden did decrease overall which is reflected lower in rankings, this is not due to a significant decrease in taxes and fees. This is primarily due to an increase in personal income, higher than the national average. While the national personal income growth was below 5% between FY 2014 and FY 2015,

Utah’s income growth was 6.38%, which is the 11th highest percentage growth in the country.

Utah’s total tax and fee burden of 13.21% of total personal income during FY 2015 has significantly improved over previous years, but is still high among neighboring states. After state tax reform during the Huntsman administration, Utah moved from having the fifth highest tax burden in 2007 to the seventeenth highest tax burden (including tuition payments) in 2015. The only neighboring state with a greater tax and fee burden than Utah is New Mexico (13.55%), and Wyoming (14.84%), ranking fifteenth and sixth, respectively, overall in the country.

**State and Local Tax Burdens and Revenues as a Percent of Total Personal Income, FY15**

<u>Measure</u>	<u>U.S.</u>	<u>Utah</u>	<u>UT Rank</u>	<u>UT as % U.S.</u>
All state/local government revenue (incl. federal)	20.29%	20.69%	18	101.97%
State/local government revenue (excl. federal)	15.96%	16.56%	12	103.76%
Taxes and fees	13.45%	13.21%	17	98.22%
Taxes and fees less higher education charges	12.74%	11.89%	26	93.33%
Taxes	10.30%	8.99%	34	87.28%
Individual income tax	2.42%	2.52%	18	104.13%
General sales tax	2.42%	2.18%	25	90.08%
Motor fuel tax	0.29%	0.32%	19	110.34%
Property tax	3.21%	2.49%	34	77.57%

Using calculations from the Utah Taxpayers Association’s annual How Utah Compares report, this table shows several different state and local tax burden categories, showing the burden, as well as a comparison to the nation as a whole.

**Association Accomplishments During December:**

- ❖ Met with the Utah State Tax Commission and county representatives to discuss equitable treatment of centrally-assessed taxpayers
- ❖ Published the 2017 How Utah Compares report
- ❖ Planned and prepared for the 2-18 Legislative Outlook Conference

**In the News**

- ❖ Tax Reform
  - **Utah Taxpayers Association Touts Tax Bill's Pros, but Public Still Sees Cons:** KUER
  - **Deduction Targeted by GOP Used by Tax Filers in Most States:** WPXI Pittsburgh