Three dumb arguments against tax reform

1. Taxes are evil.
2. I’m so special that the tax and regulatory burden should fall more heavily on other taxpayers.
3. The current system is unfair in my favor.
Why Modernize Utah’s Tax Structure?
Utah’s Core Challenge:
Maintain High Quality of Life With Population Growth

![Bar chart showing the total population of Utah from 1940 to 2060](chart.png)
Who Are These New People?
Fiscal Sustainability

How do we ensure that the state’s taxpayers and the State of Utah and its local governments remain on a long-term road to fiscal sustainability?
Critical Elements of a Meaningful Long-Term Solution

- Fairness
- Structural Alignment
- Budget Flexibility
Effective & Efficient Government

GOVERNMENT SERVICES

- Demand
- Revenue
Fairness

ESTIMATED INDIVIDUAL INCOME TAX AND SALES TAX AS A PERCENT OF INCOME, BY HOUSEHOLD INCOME LEVEL

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Income</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Below $36K)</td>
<td>0.5%</td>
<td>4.5%</td>
</tr>
<tr>
<td>2 ($36-62K)</td>
<td>1.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td>3 ($62-92K)</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>4 ($92-141K)</td>
<td>3.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>5 ($141K+)</td>
<td>4.5%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Each quintile represents about 200,000 households.
Structural Alignment
Price Changes in US Economy

Price Changes (January 1997 to June 2018)
Selected US Consumer Goods and Services, Wages

Source: BLS
Comparisons of Inflation Measures From 2000 to 2018

- US CPI Inflation
- US Higher Education Price Index
- US Medical Inflation
- UDOT Transportation Inflation
Sales Tax Base Will Continue to Change in the Future (One Example)

Ford is working on an all-electric version of its F-150 pickup truck.

Waymo One, the first commercial robotaxi service, is now picking up passengers in Arizona.

G.M. Says Its Driverless Car Could Be in Fleets by Next Year

NHTSA shuts down "unlawful" autonomous school bus transporting kids in Florida. The shuttle has been running since the beginning of the school year.

Climate-Changed
One in Six New Cars in the World Will Be Electric By 2025
But Not in Utah….Right?

DESERET NEWS
Utah joins national effort for self-driving transportation, tests autonomous shuttle
Budget Flexibility
Balancing Among State’s Major Funds

Education Fund (Income Tax) ↔ General Fund (Sales Tax) ↔ Transportation Fund (Gas Tax)
Gas Tax Base - Poorly Aligned with Economy

Transportation-related Growth Rates
Gas Tax Base, Gas Tax Revenues, Demand (VMT), and Construction Costs

- Gas Tax Base (Taxable Gallons) Growth Rate FY 2000-2018
- Nominal Gas Tax Revenues Growth Rate FY 2000-2018
- Demand - Vehicle Miles Traveled (VMT) Growth Rate FY 2000-2018
- Road Construction Inflation FY 2000-2018

Revenues reflect impact of tax base growth and tax rate changes.
Sales Tax Base - Poorly Aligned with Economy

Sales Tax Base % of Personal Income
Sales Tax Base % of GDP
Individual Income Tax Base - Well Aligned with Economy

Utah Income Tax Base as a Percent of Economy
Adjusted for Tax Credits

Income Tax Base as % of Personal Income
Income Tax Base as % of GDP
Property Tax Base - Well Aligned with Economy