How Can Utah Remain Ahead of the Pack?

_Utah in National Comparison_

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A GROWING ECONOMY
GDP GROWTH, UTAH AND PEERS, 1997-2018

GDP Growth, 1997-2018

<table>
<thead>
<tr>
<th>State</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utah</td>
<td>+97%</td>
</tr>
<tr>
<td>U.S. Average</td>
<td>+53%</td>
</tr>
<tr>
<td>Arizona</td>
<td>+68%</td>
</tr>
<tr>
<td>Colorado</td>
<td>+73%</td>
</tr>
<tr>
<td>Idaho</td>
<td>+68%</td>
</tr>
<tr>
<td>Nevada</td>
<td>+75%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>+21%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>+71%</td>
</tr>
</tbody>
</table>
UNIQUE FEATURES
OF UTAH’S ECONOMY AND TAX CODE

Earmarking of Tax Revenues

- Utah earmarks 100% of individual and corporate income taxes, about 32% of sales tax
- Alabama earmarks 98% of PIT, but not CIT
- Massachusetts earmarks 40% of PIT and CIT
- Only five other states earmark more than 10% of their PIT

Density and Land Ownership

- Less than a third of Utah’s land is privately owned
- Three-fourths of population is concentrated in four most populous Wasatch Front counties
- Eighty-five percent of taxable value concentrated in six counties
UTAH’S ERODING SALES TAX
COMPAARED TO U.S. AVERAGES

% Change in Share of Total Tax Collections

- U.S. Sales
- U.S. Income
- Utah Sales
- Utah Income
SALES & INCOME TAX FLIP
PIT NOW GENERATES MORE REVENUE

Income & Sales Tax Collections as a Percentage of State Income

- Income
- Sales (unearmarked)
- Sales (all)
SALES TAX BASE DECLINE
BARELY HALF ITS POST-WAR BREADTH

Utah's Sales Tax Base as a Percentage of Personal Income

<table>
<thead>
<tr>
<th>State</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utah</td>
<td>41%</td>
</tr>
<tr>
<td>Arizona</td>
<td>37%</td>
</tr>
<tr>
<td>Colorado</td>
<td>34%</td>
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<tr>
<td>Idaho</td>
<td>40%</td>
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<tr>
<td>Nevada</td>
<td>54%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>58%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>45%</td>
</tr>
</tbody>
</table>
BASE BROADENING
SALES TAX EXPANSION IN OTHER STATES

Kentucky
• Personal services, including landscaping, pet care, small animal veterinary, fitness and recreational, diet and weight loss, limousine, bowling, campgrounds, extended warranties

North Carolina
• Services where providers already had a SUT obligation—installation, repair, maintenance, service charges

Iowa
• The new economy: digital goods, software as a service, ride sharing, and certain other personal services

District of Columbia
• Personal services linked to tangible goods or real property
WHY IT MATTERS
SHOULD WE CARE ABOUT BASE EROSION?

Promoting Economic Growth

- Broad bases and lower rates more equitable and economically efficient
- Shifts revenue toward less pro-growth PIT

Ensuring Stability

- Consumption taxes are economically efficient and can be stable, but current design isn’t
- If sales tax is unreliable compared to earmarked taxes, can lead to poor tax policy decisions during a recession