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## **Tax Reform - Myths, Misunderstandings and Falsehoods**

The volume of hysteria and incorrect information based on myths and falsehoods surrounding the tax reform bill is becoming almost deafening. When gubernatorial candidates jump at the chance to be photographed with smiles on their faces as they proudly sign a petition that would HIKE taxes on Utah citizens to the tune of almost \$200 million annually- we have to speak up.

Has anyone actually bothered to read the bill? So far, in our conversations with those complaining about the bill it is abundantly clear that virtually nobody has.

If the public is so misinformed that they are applauding those that try and score political points off of such blatant falsehoods, we need to do everything we can to educate and inform the public as to what the actual facts are. We realize tax reform can be confusing and boring, but we are pleading for people to slow down and pay attention to the facts for just a minute.

**There has been much misinformation and misunderstanding in the public debate and we would like to make a few things clear.**

**1- SB 2001 (2019) is a significant tax cut to Utah taxpayers.** It delivers a \$348 million income tax cut by lowering the rate from 4.95% to 4.66% that will go into effect early in 2020. This alone is critical in keeping Utah ahead of other states that are nipping at our economic heels as the best place to live and do business. Most importantly, it returns \$348 million per year back into the pockets of Utah taxpayers.

**2- SB 2001 (2019) gives back an additional \$132 million (above the \$348 million) to taxpayers with the restoration of the dependent exemption.** Many Utah taxpayers were hurt (yes - hurt) by Utah's link to federal tax reform in 2017 which caused the unintentional

elimination of personal exemptions. This bill corrects the very problem that many families experienced when they saw their state income taxes increase in 2018. The Legislature should be commended for this overdue update. A stipulation was also added to the bill to give joint filers with no dependents an additional state tax exemption. There is also an additional one time rebate of \$60 million to Utah taxpayers related to the exemption that will be distributed early in 2020.

**3- SB 2001 (2019) slashes \$18 million in taxes on social security for senior citizens.** For many low income senior citizens, it could entirely eliminate the state income tax on their social security income. This is very meaningful relief for those depending on social security income.

**4- SB 2001 (2019) restores the state portion of the sales tax on unprepared groceries.** Taxpayers that may be strongly impacted by the effects of this change are more likely to see a reduction in taxes once the tax withholding tables have been changed to reflect the income tax rate cut and the higher dependent deduction amount. The withholding tables are scheduled to be changed as early as January and employers can implement them once that is done. This is essentially a pay raise for Utahns which would far outweigh the increase in sales tax they will pay on groceries. That is before the scheduled increase in sales tax on unprepared food of April 1, 2020. That is before we even mention the newly created refundable grocery tax credit, which is an additional \$135 million tax cut handed directly back to low and middle income taxpayers. That alone will put an additional \$500 (\$125 per person) in the pocket of a family of four. Any family larger than that will receive an additional \$50 per person for this newly-created credit. Eligibility for SNAP, WIC and TANF are not affected at all with this bill. Those that receive those benefits will be far ahead financially because of this bill. Restoration of this tax rate eliminates a tax break that was overwhelmingly benefiting the wealthy.

**5- SB 2001 (2019) begins the process of correcting the major problem we have in transportation funding.** The bill removes the sales tax exemption wholesalers pay for fuel. Currently, gas tax revenue only provides less than half of what is needed to maintain and build roads. More than \$600 million per year is taken from sales tax revenue to plug that hole. Although the taxes on fuel will likely only be a reliable revenue source in the medium term, the rise of electric vehicles, and more efficient gas-powered vehicles creates a problem. The best “user fee” for transportation that we have currently is moving to a road usage charge (RUC). We would hope that this model eventually becomes the primary funding source for transportation.

**6- SB 2001 (2019) places sales tax on certain services.** In sharp contrast to the original bill last spring (HB 441), virtually all of the harmful tax pyramiding that could ruin Utah’s economy by layering taxes on inputs were stricken from the bill. The bill strikes the right balance. The list includes several more services that will now pay sales tax, including ride-sharing services, and streaming music and video. Sound tax policy seeks to have equity in the system whereby the same tax is collected whether what is being purchased is a product or service. Our economy has shifted to a greater number of services being purchased in place of products. Digital streaming is a prime example of that where instead of buying CD’s and DVD’s one can now

stream Netflix, Disney+, Apple Music and Spotify as an example. Those items are part of this bill. Without adapting to the new economy of services Utah's general fund will continue to struggle to pay for essential government services since, in Utah, income tax revenue is prohibited from being used for anything but public and higher education.

**In summary**, all of the tax cuts in the bill add up to a total cut of nearly **two-thirds of a billion dollars at \$639 million**. That not only offsets the additional \$409 million in taxes on fuel, groceries and some services that may be paid by individuals under the bill, but goes even further and delivers a **net tax cut of \$160 million dollars**. After factoring in the exporting of a portion of the sales tax on fuel and the additional sales tax on food (visitors to the state purchasing these items) the actual ongoing **tax cut to Utah individuals is upwards of \$200 million**.

Those gathering signatures to repeal this bill are asking citizens to sign a petition that would actually undo one of the largest tax cuts in Utah's history and HIKE taxes upwards of \$200 million per year

Repealing this bill will harm Utah's families. As an example, for a family of four making \$60,000 per year, repealing this bill would take a \$500 annual check (in the form of a refundable grocery tax credit) out of their hands, would almost eliminate \$5,000 in dependent exemptions for them (hiking their income taxes by over \$220) and would immediately lower their paychecks by raising their tax withholdings. It would also raise taxes on low income senior citizens by eliminating the new social security tax credit created in the bill. All of this in the name of crying foul at the very changes which modernize Utah's tax structure: the restoration of the full sales tax on food that was in place before 2007, the repeal of the sales tax exemption on fuel at the wholesale level, and some services now paying sales tax on final consumption by the consumer.

For more than a decade Governor Herbert and the Utah Legislature have carefully crafted tax and regulatory policy to ensure Utah is the best place to do business, has the best economic outlook and highest job growth. They now have given us SB2001 which modernizes Utah's tax code to ensure the prosperity of Utah families for decades to come.

We urge Utahns to educate themselves and learn the truth before being duped into believing all of the myths, misunderstandings and falsehoods about this landmark legislation.

A summary of the bill can be found at:

<https://le.utah.gov/interim/2019/pdf/2019s2SB2001sub4.pdf>