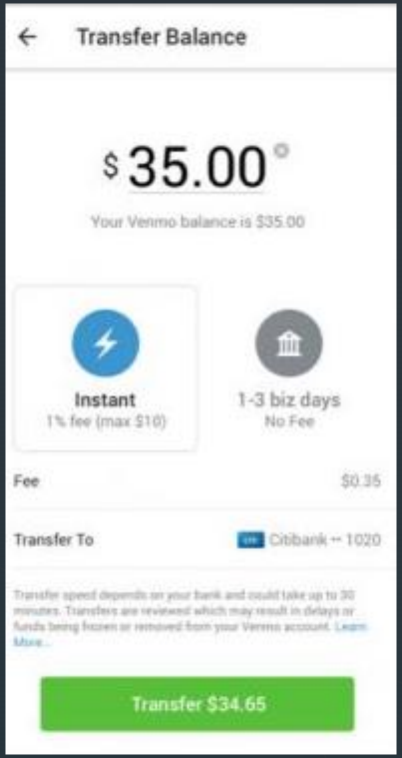
Designing a tax structure with the taxpayer in mind

Maintaining Utah’s Competitive Edge in Tax Policy

How much do you pay
to transfer funds from Venmo?

- How do each of you use Venmo?
- Why does Venmo make it free if you let them hold on to your money for a few days?
- Linkman463



Two questions I’ve started asking

- Do you want the government to collect more money from you, or less?
- Do you want the government to collect your money when you earn it, or when you spend it?

What do taxpayers want?

- Taxpayers will generally want to pay less in tax, and have more of their dollars work for them.
- Even if they support raising taxes, individual taxpayers will still take advantage of legal opportunities to pay less


Politics on NBCNEWS.com

Sen. Kerry docks yacht in R.I., saves on taxes

Lawmaker saves $500k in taxes on $7 million yacht

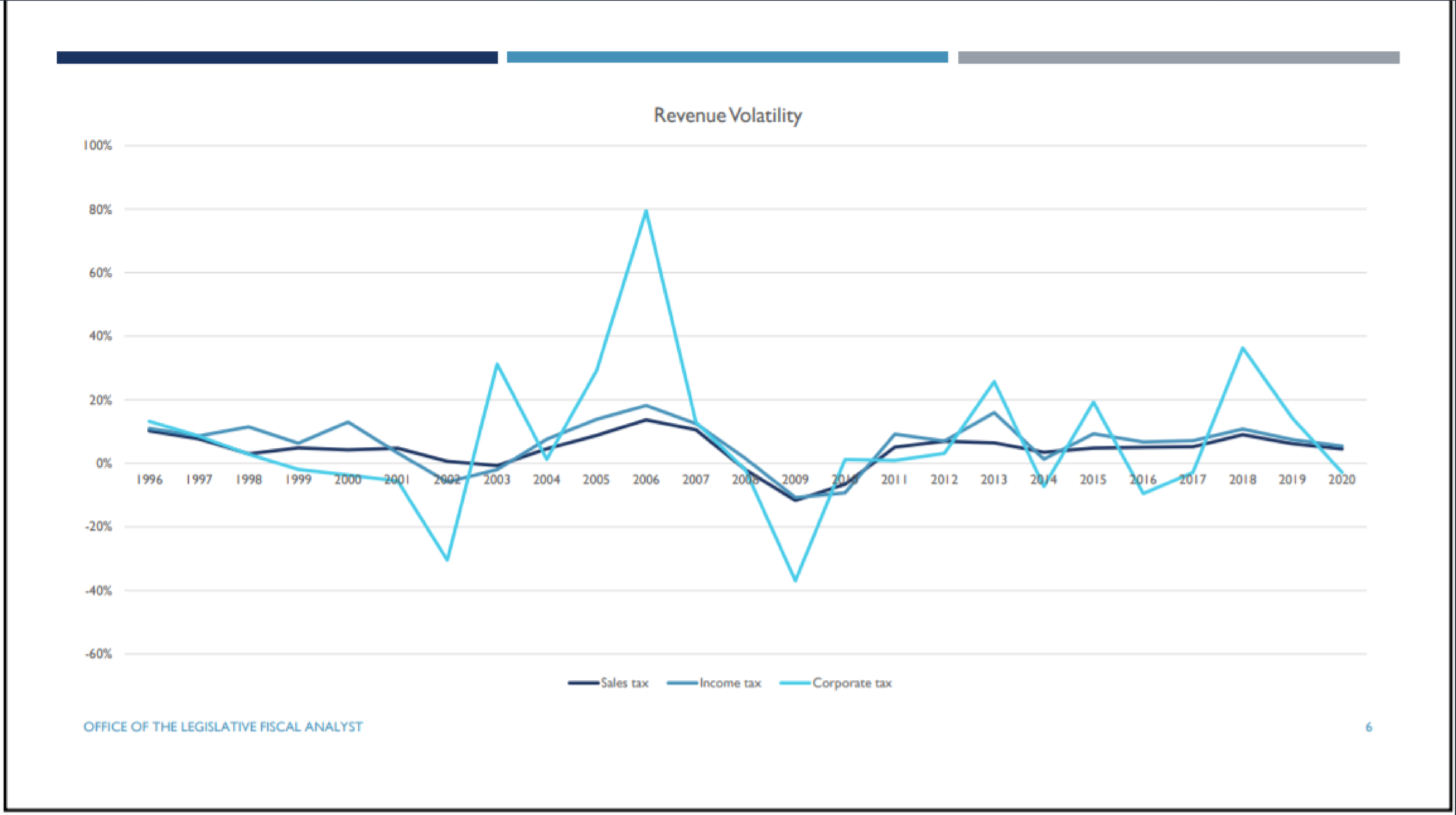
Whom do taxpayer dollars work for?

- When the government collects taxes as earned, withholding it before taxpayers ever see it, the withheld money is working for the government
- When taxes are collected as spent, more dollars are working for the taxpayer
- Income taxes create a perverse incentive against economic productivity

Productivity vs. Consumption

- A consumption tax is superior because it comes closest to attaining “temporal neutrality”
- How would you choose to reduce tax liability under a consumption tax?
- How could you choose to reduce tax liability under an income (productivity) tax?

Income tax volatility



So, what am I arguing for?

- That policy makers should keep in mind the deleterious effects of the income tax compared to sales or consumption taxes
- That Constitutionally tying our most important future investment (education) to our most volatile revenue stream (income tax) is a mistake
- That we should gradually reduce the state’s (and especially education’s) dependence on income tax
- That we need to rebalance our three-legged stool

RICH STATES, POOR STATES

North Carolina

ECONOMIC OUTLOOK RANK: 6TH

ECONOMIC PERFORMANCE RANK: 9TH

POLICY	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Overall Rank	21st	21st	21st	26th	23rd	22nd	6th	4th	2nd	3rd	7th	6th

Results from North Carolina

- In 2011, North Carolina's tax climate was in the bottom 10 across the United States ranking 46th out of the 48 states imposing corporate taxes. Once the reform passed, North Carolina's ranking soared to the 16th best tax climate in the country and has since increased.
- Passed as part of the budget approved by the Republican-controlled North Carolina General Assembly, the state of North Carolina recently announced the corporate tax rate would be just 2.5% beginning January 1, 2019.
- The North Carolina corporate tax rate was at 4% in 2017 and dropped to 3% in 2018, making the new 2.5% rate unprecedented. The reform had a built-in trigger mechanism that would automatically reduce future rates if revenue targets were met, and, so far, the goals have been reached, allowing further rate reductions in the new year.

A modest proposal

- Planned income tax rate reduction based on future revenue targets. When targets are hit within a set time frame, the rate falls automatically
- North Carolina did this in 2013 and has seen ongoing reductions in rates but large increases in revenue from a more friendly corporate tax environment—dollars work more for taxpayers, and that attracts them to the state