

Guest opinion: Utah's tax reform plan is on the right track

Details

Written by Alan K. Ormsby, State Director, AARP Utah

Category: Today At Utah Policy (/index.php/features/today-at-utah-policy)

 Created: 08 December 2019



AARP Utah has been actively following the Utah Legislature's tax reform hearings and proposed legislation, and we believe that the bill contains a number of constructive provisions to support.

What is crucial for any tax plan is that it seeks reliable sources of funding, and so we support taxing additional services, as this tracks an important shift in consumer buying patterns. This change will broaden our tax base, help keep our tax rate low, and reflect where our state economy is headed—toward greater consumption of services versus products—therefore modernizing our current tax structure. As services continue to expand as a share of Utah's economy, they cannot be ignored as an important source of needed revenue. Moreover, taxing services helps to reduce the regressive nature of the sales tax, as those with higher incomes typically purchase more services than goods. The same can be said for some of the sales tax exemptions the proposal eliminates, such as electricity used by ski resorts for chairlifts.

AARP also believes that when states are experiencing surpluses that allow them to cut taxes—as is the case in Utah—they should enact Earned Income Tax Credits (EITC) so that workers with low and moderate incomes and their families can also share in the tax benefits of prosperity. We strongly support the EITC to help lower income families rise out of poverty and stabilize their standard of living.

Similarly, the inclusion of a grocery tax credit is essential for helping Utah's low-income families offset the proposed increase in the tax on food. This will reduce regressivity and directly target the assistance to those Utahns who need it most. We also appreciate that efforts are being made to ensure that lower income households receive this credit even if they don't file a tax return.

Helping older people to retire with financial security is also a major priority for us, and so we have strongly advocated for removing the tax on Social Security benefits. Utah is one of only 13 states that still tax these benefits. Currently in Utah, lower income retirees receive a small tax credit each year for the Social Security taxes they pay, but this credit will be phased out for

future retirees.

This is of considerable concern, as Social Security is a lifeline for many Utahns; the average benefit in Utah is about \$1500 a month, and almost 20% of Utah's Social Security recipients rely on Social Security for 90% or more of their income. Therefore, we are very encouraged that the tax proposal continues to provide the Social Security tax credit to lower-income recipients. In the future, we hope to work with policymakers to expand the credit to protect the retirement security of Utah's middle-income retirees as well.

To gauge how Utahns feel about tax reform, we conducted a survey of Utah voters 18+ earlier this year, and found overwhelming support for funding of social programs, including healthcare services for children and low-income adults, homecare services for the disabled and elderly, and public education. AARP Utah, like our survey respondents, wants to ensure there is adequate revenue in the future for critical programs, particularly for those most vulnerable in the state. Therefore, we support a tax structure that would have this goal in mind.

AARP Utah recognizes that tax reform can be complicated and controversial. We appreciate the opportunity to provide comments throughout the task force hearing process. This proposal can be a first step toward changing our state's tax system to fit into the modern economy so that Utah can continue to be a great place to live. We look forward to working with the legislature toward this goal.

Cc: Howard Stephenson <howard@utahtaxpayers.org>, Spencer Nitz <spencer@utahtaxpayers.org>

**The Utah Taxpayers Association Urges
Support On the Tax Restructuring and Equalization Task Force Proposed
Legislation**

December 9, 2019 - The Utah Taxpayers Association urges lawmakers to vote YES on the tax reform legislation that was released on Friday, December 6th. This important piece of legislation will be a key part of our legislative scorecard in the coming year.

The refinement that has taken place over the last nine months has produced legislation that will deliver a significant tax cut to taxpayers and ensure that Utah maintains and improves its position as the best state in the nation in which to live and do business.

The Utah Taxpayers Association has been involved in a countless number of meetings over the last year on this subject with many of you and have witnessed thorough and careful legislative consideration of feedback and recommendations that we and others have provided.

We know you want to get this right.

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

First, this bill is a significant tax cut to Utah taxpayers. It delivers a \$344 million income tax cut through the implementation of a lower income tax rate that will go into effect almost immediately.

Second, it gives back \$132 million to taxpayers who were hurt (yes - hurt) by Utah's link to federal tax reform in 2017 which caused the unintentional elimination of personal exemptions. This bill is correcting 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 correction.

Third, it 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.

Fourth,

in regards to the sales tax on food, a key fact is being left out of the conversation. Once the tax withholding tables have been changed to reflect the income tax rate cut and the higher personal exemption amount, taxpayers will see a reduction in taxes taken out of their paychecks. 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*

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.

That family of four would need to spend more than \$1,200 per month on groceries before even coming close to equaling that credit with the additional sales tax they would pay on food.

Fifth,

this bill starts the process of correcting the major problem we have in transportation. 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. That cannot continue. It is only fair to have road users pay for their usage of the roads. 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.

Taken

as a whole, the bill deserves support, however, we have issues with two remaining parts of the bill. Specifically, sales tax will be charged on electricity to ski lifts which is clearly a business input and constitutes pyramiding. In addition, the bill raises the State Motor Vehicle Rental tax from 2.5% to 4%, bringing the total state and local tax a car rental customer will pay upwards of 19%.

All

of the tax cuts in the bill add up to a total cut of nearly two-thirds of a billion dollars at \$635 million. That not only offsets the additional \$475 million in taxes on fuel, groceries and some services that may be collected under the bill, but goes even further and delivers a *net tax cut* of \$160 million dollars. That fact needs to be restated and made clear. This bill is a significant tax cut for the people of Utah. It is no secret that we were strongly opposed to the original tax reform bill, House Bill 441. However, the refining process over the past nine months has been long, deliberate and thoughtful. Utah now has a solid tax reform solution for which we strongly urge you to vote YES.

UTAH ASSOCIATION OF COUNTIES

BRANDY GRACE
CHIEF EXECUTIVE OFFICER

December 9, 2019

Dear Speaker Wilson and President Adams,

The Utah Association of Counties would like to thank the members of the Utah State Legislature and the Governor's office for their continued commitment to finding a solution to some of the State budget issues that have been highlighted in the 18-month tax reform effort.

As a partner to the state on many programs, ranging from jail contracting and reimbursement, Medicaid, behavioral health, transportation, and many more, we too see the need for general fund stability and growth to support the many growing programs in that fund.

Recognizing in our own governments the need for budget stability and flexibility to meet the growing and changing needs of our communities, we support and appreciate the legislature taking efforts to modify our tax structure to aid in maintaining a focus on many of the general fund priorities we rely heavily upon.

Brandy Grace,
CEO

11 N. Rio Grande Street, Suite 113
Salt Lake City, UT 84101
(801) 363-4250
www.wfrc.org



WASATCH FRONT REGIONAL COUNCIL

Bob Stevenson, Chair
Commissioner, Davis County

Jeff Silvestrini, Vice Chair
Mayor, Millcreek

Mark Allen
Mayor, Washington Terrace

Len Arave
Mayor, North Salt Lake

Ron Bigelow
Mayor, West Valley

Jackie Biskupski
Mayor, Salt Lake City

Mike Caldwell
Mayor, Ogden

Tina Cannon
Councilmember, Morgan County

Robert Dahle
Mayor, Holladay

Jim Harvey
Commissioner, Weber County

Scott Jenkins
Commissioner, Weber County

Michael Jensen
Councilmember, Salt Lake County

Randy Lewis
Mayor, Bountiful

Shawn Milne
Commissioner, Tooele County

Jeff Scott
Commissioner, Box Elder County

Mark Shepherd
Mayor, Clearfield

Derk Timothy
Mayor, Bluffdale

Troy Walker
Mayor, Draper

Jenny Wilson
Mayor, Salt Lake County

Senator Gregg Suxton
Utah State Senate

Representative Mike Schultz
Utah House of Representatives

Carlton Christensen
Utah Transit Authority

Carlos Braceras
Utah Department of Transportation

Dawn Ramsey
Utah League of Cities & Towns

Lorene Kamalu
Utah Association of Counties

Robert Grow
Envision Utah

Evan Curtis
State Planning Coordinator

Andrew Gruber
Executive Director

December 6, 2019

Honorable Lyle Hillyard
Honorable Francis Gibson
Co-Chairs, Tax Restructuring and Equalization Task Force

Senator Hillyard and Representative Gibson,


We are writing as the Chair, Vice-Chair, and Executive Director of the Wasatch Front Regional Council (WFRC). WFRC is the Metropolitan Planning Organization (MPO) and Association of Governments (AOG) for the area of Salt Lake, Davis, Weber, Southern Box Elder, Tooele and Morgan Counties. WFRC's mission is to build consensus and enhance quality of life by developing and implementing visions and plans for a well-functioning multi-modal transportation system, livable communities, a strong economy, and a healthy environment.


We appreciate the work of the Task Force in tackling challenging issues of tax and fiscal policy in Utah given the changing nature of our state and national economy. We and our members were provided the opportunity to offer comments to the Task Force at numerous points during the process.

In particular, we appreciate that the draft Task Force legislation preserves the State's commitment to investment in transportation infrastructure. With Utah's population projected to grow from roughly three million today to five million by 2050, it is essential that we continue to make prudent investments to keep Utah moving. The Task Force's draft legislation relies more on user fees to generate revenue for transportation infrastructure, and accelerates the transition to a road usage charge approach, which has the potential to be a more sustainable funding source in the future. We encourage the legislature to continue to give consideration to enhancing funding for alternative modes of transportation, including public transit, while maintaining investment in our state road system. With our population growth, limited available land, and air quality challenges, it is essential to continue to invest in transportation and provide transportation choices to Utah travelers.

Sincerely,


Bob Stevenson, WFRC Chair and Davis County Commissioner


Jeff Silvestrini, WFRC Vice-Chair and Millcreek City Mayor


Andrew Gruber, WFRC Executive Director



175 SOUTH MAIN STREET, SUITE 1420 • SALT LAKE CITY, UTAH 84111 • T 801.364.4303 • F 801.364.4495 • www.uba.org

December 9, 2019

Speaker Brad Wilson
Utah State Capitol
350 North State Street
Salt Lake City, Utah 84114

Dear Speaker Wilson,

I read this week in the Wall Street Journal where Utah was recognized as the economic star of the U.S. We have become accustomed to such recognition, but it is important to understand that this has not always been the case. I am concerned that while many would like to take credit for this success, few are willing to acknowledge what it took to achieve this success and therefore, what it will take to maintain it.

Our economic success is the direct result of many decisions over a long period of time by proactive leaders who look forward, to tackle tough issues before they become a crisis. Your decision to balance the state's revenue streams and lower taxes is the perfect example of the type of proactive action that has yielded our current success.

As you consider this decision, I would share two observations from the past 25 years representing the banking industry. First, it has been my experience when addressing financial challenges that time is never on your side. Waiting eliminates options, it almost never increases them. People often hope that something will happen, and things will get better without having to make difficult decisions, but when it comes to financial challenges, waiting never makes things easier.

Second, I have come to the conclusion that our community and its various interests are all inseparably connected. For example, some people wonder why bankers are involved in every aspect of our community, participating on non-profit boards and supporting organizations that are addressing the toughest challenges in our community. It's because every good banker knows that any problem or weakness in our community will become a problem or weakness in the banks that serve that community. Banks and the communities they serve are inseparably connected.

This also applies to our state. Problems in the General Fund that prevent us from addressing critical issues in our community will eventually impact the Uniform School Fund and vice versa. The families and communities they both serve are the same. Regardless of which state programs your constituents are most concerned about, the best

Immediate Past Chairman Doug DeFries President & CEO Bank of Utah	Vice Chairman Kristin Dittmer EVP & CFO EnerBank USA	Chairman Kay Hall EVP & CFO Zions Bank	2 nd Vice Chairman Eric Schmutz President & CEO State Bank of Southern Utah	President Howard M. Headlee Utah Bankers Association
---	--	--	---	--

way to address the inevitable contagion that will impact all of them is to take action to prevent it.

I appreciate your service to our state. These moments are challenging. I have watched legislators struggle with these decisions for several decades, so it is not hard for me to see that our current success is the result of many tough decisions over a long period of time. That's the legacy that has made Utah the envy of the nation and the world. Continuing that legacy is in everyone's best interest.

Sincerely,

A handwritten signature in blue ink, appearing to read "Howard M. Headlee". The signature is fluid and cursive, with a large initial "H" and "M".

Howard M. Headlee
President & CEO



UTAH ASSOCIATION OF PUBLIC CHARTER SCHOOLS

December 6, 2019

Speaker Brad Wilson

Utah State Capitol

350 N. State St.

Salt Lake City, UT 84114

Speaker Wilson,

A strong and successful education system is one of the most important components in Utah's well known and deserved list of economic and lifestyle accolades. It offers young people the skills and knowledge necessary to identify and pursue their dreams. Education done right enlarges our souls and minds, showing us previously unknown opportunity, as well as helping us find the beauty and wisdom of the ages.

I am thrilled to have spent my career pursuing public policy to enable a strong and successful education system. My passion for education has driven every phase of my career, from advocating for a sound tax structure to advocating for more opportunities for families to engage directly in their children's education. I am committed to improving Utah's education system.

Having spent so much time in education, it is clear to me that one of the biggest threats to Utah's education system is a shrinking General Fund. For more than 20 years Utah has used higher education as a bridge between the General and Education funds. Given the changing structure of Utah's economy and Utahns' preferences, the tax revenue supporting the General Fund cannot continue to meet the demands we've placed on it.

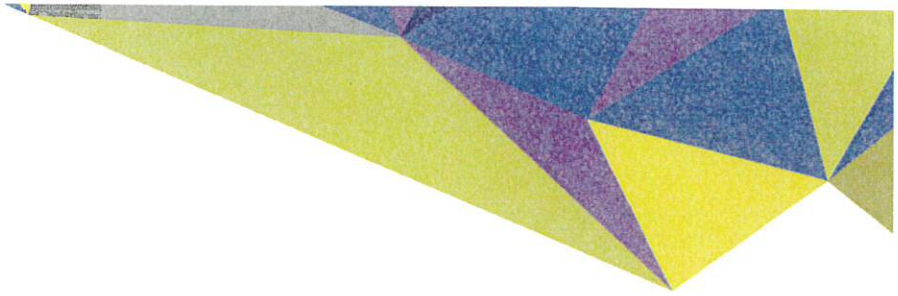
Because our sales tax is not geared to the way we buy things today, it is growing, but not nearly at a pace to keep up with the demands Utahns have placed on the General Fund. The General Fund pays for Medicaid, transportation, higher education, police and the myriad of social safety net programs across the state. For a decade or more, the Legislature has been able to address that by using ever more Education Fund revenue in higher education.

But when the business cycle turns, and income tax revenue does not flow so freely, the shortfall in the General Fund will directly harm public education. If the Legislature must pay for higher education entirely from the Education Fund at the same time income tax revenues fall, public education likely will see lower funding.

The Legislature has designed its tax reform proposal to prevent that scenario. Public education should cheer the Legislature's efforts to shore up the General Fund. No tax proposal is perfect; human endeavors never are. Nevertheless, UAPCS supports the Legislature's efforts to reform Utah's tax structure.

Sincerely,

M. Royce Van Tassell
Executive Director



501(C)3 BOARD OF GOVERNORS

- Emma Dugal, chair*
Retired, Bountiful Davis Art Center (Bountiful)
- Pamela Gee, vice-chair*
Utah Festival Opera & Musical Theatre (Logan)
- Jeffrey Kemp, treasurer*
Lefavi Financial (SLC)
- Jodi Graham, secretary*
Utah Humanities (Syracuse)
- Cameron Archibald*
Zions Bank (SLC)
- Danielle Bendinelli*
Community Volunteer (Ogden)
- Molly Cannon*
USU Museum of Anthropology (Logan)
- Sarina Ehrigott*
Utah Division of Arts & Museums (SLC)
- Susi Feltek-Malohofon*
Pik2ar (Taylorsville)
- Amir Jackson*
Nurturing the Creative Mind (Ogden)
- Ginamarie Marsala*
Adobe (South Jordan)
- Jan Miles*
Utah Symphony | Utah Opera (South Jordan)
- James Morgese*
KUED (SLC)
- Victoria Petro-Eschler*
Sally Cricket Composers Collective (SLC)
- Adam Robertson*
SCERA (Orem)
- Betty Sawyer*
WSU / Utah Juneteenth Cultural Arts Festival (Ogden)
- Joshua Stavros*
Southern Utah University (Cedar City)

501(C)4 BOARD OF GOVERNORS

- Mariah Mellus, chair*
Utah Film Center (Millcreek)
- Derek Dyer, vice-chair*
Utah Arts Alliance (Millcreek)
- Norman Emerson, treasurer*
Jordan School District (West Jordan)
- Laura Gelfand, secretary*
Utah State University (Logan)
- Derek Brown*
UT Policy Advocates (Draper)
- Ken Crossley*
BYU / EngAGE Utah (Provo)
- Emma Dugal*
Bountiful Davis Art Center (Bountiful)
- Taylor Kruth*
Weber State University (Ogden)
- Frank Mack*
Utah Shakespeare Festival (Cedar City)
- Victoria Petro-Eschler*
Sally Cricket Composers Collective (SLC)
- James Reese*
Artist and Art Education Teacher (Provo)
- Tim Riley*
USU-Eastern Prehistoric Museum (Helper)
- Joshua Stavros*
Southern Utah University (Cedar City)
- Rita Wright*
Springville Museum of Art (Spanish Fork)

Monday, December 9, 2019

To: Members of the Tax Restructuring and Equalization Task Force

Dear Chairs Hillyard and Gibson,

Utah Cultural Alliance is the statewide advocacy voice for our state's humanities, museums, and arts. Our membership is over 300 nonprofit and for-profit cultural businesses who employ 111,919 Utahns. Utahns love arts, museums, and humanities. Indeed, Utah is #1 in the country for live arts participation per capita and #3 in the country for growth of creative industries jobs. Why? Because humanities, arts, and museums bring positive economic, social, health, and educational benefits to our communities.

We applaud this committee for its hard work. You have worked to hear the voices of Utahns in the dozens of meetings held on this topic. You have heard our concerns as a cultural sector, and we thank you for listening to our needs.

Utah Cultural Alliance supports the "Tax Restructuring Revisions" bill. This bill helps UCA better support humanities, museums, and arts. The majority of appropriations that UCA advocates for each session are part of the general fund. Our highest priority is to increase grants distributed by the Utah Division of Arts and Museums. Thus, it is important to our members that the general fund be protected as our economy diversifies.

Many of our nonprofits receive public investment through the 41 county and city recreation, arts, and park taxes (usually known as RAP, ZAP, RAMP, PAL, RAP-Z, and CARE). We are grateful that this bill will not reduce the rates of the RAP taxes. We are also grateful that sales tax expansion applies to local option sales taxes such as RAP.

We encourage the legislature to work with the educational community to find a sustainable funding model for education that also protects the education fund. We are not afraid of change and know that the legislature believes in the importance of education. UCA advocates for several programs that are funded by the legislature through the education fund: Beverley Taylor Sorenson Arts Learning Program, POPS, and iSEE. Additionally, all arts and humanities programs at schools such as drama, debate, film, dance, music, visual arts, history, social studies, etc., are funded within the education fund.

Again, UCA supports this bill and thank you for listening to the needs of our membership throughout this process.

Sincerely,

Mariah Mellus, Chair of the Utah Cultural Alliance (501c) board
Emma Dugal, Chair of the Utahns for Culture (501c3) board
Crystal Young-Otterstrom, Executive Director, Utah Cultural Alliance & Utahns for Culture



December 9, 2019

Utah Tax Restructuring and Equalization Task Force
Utah State Capitol
House Room 30

Dear Task Force Members,

The Utah Tourism Industry Association (UTIA) recognizes the need for the State to reform tax structure, particularly in a 2019 special session, while the State is in surplus.

The Utah tourism industry drives \$9.75 billion in traveler spending. Which equates to \$727 million in state revenue. Local governments see \$549 million in tax revenue. This spending does not happen by accident. It takes considerable effort by the State office of Tourism and many county and private sector partners to generate annual repeat spending to this level. A majority of visitor purchases and services have been and will continue to be fully taxed on final sale. Some of the short term overnight rentals in the sharing economy have not been paying taxes on parity with traditional hotel properties. We appreciate the recent changes to improve tax collections and compliance and will be working with the legislature this coming session to improve tax compliance and the resulting revenue increases.

While there are aspects of this bill that increase taxes on some of our tourism partners or remove some business input exemptions... on the whole, UTIA supports the bill. We would continue to remind you, that the visitor economy is broad and diverse and more fragile than some think. Travelers have many choices on where to spend their discretionary funds. Utah is known for value and family oriented visitation. Please keep in mind that a trip is one of the first things to get reduced or cut when a family's budget tightens and total vacation taxes and fees do matter when attracting visitors. There are leisure / recreational visitors, many visitors are Utahns traveling within the state, and certainly the higher spending national and international visitors that every state competes for. The efforts of the last couple years to get visitors to stop and spend dollars in areas off the beaten path is working (Red Emerald Initiative) . Evidence of

this is State Parks visits are up and National Parks visits are flat to actually down at Bryce Canyon N.P. and Zion N.P.. Please keep in mind that getting visitors to go to places they have never heard of before takes more effort to market and then secure the actual spending in state.

Lastly, as we move forward, please don't overlook the underlying taxation message we send on a visitor's bill. These taxes do have impacts on convention and meeting group planners, repeat visitors and on the job creation and business location decisions makers considering economic development opportunities that GOED and EDCU pursue.

Thank you for your efforts through 2019 to modernize Utah's tax code.

Sincerely,

Kaitlin Eskelson
Executive Director

The Honorable Stuart Adams
President, Utah Senate

The Honorable Brad Wilson
Speaker, Utah House of Representatives

Speaker Wilson and President Adams,

We appreciate your diligent efforts and those of your colleagues on the Tax Restructuring and Equalization Task Force.

At the task force meeting this evening, during the period scheduled for public comment, Sutherland Institute President Rick Larsen will present the following statement in support of the proposed legislation:

December 9, 2019

Sutherland Institute is pleased to comment on the current debate surrounding current tax reform. Sutherland is aware of the issues – including the public perception that asks, “Why now? Why the rush?” With record-low unemployment and apparent growth all around – it seems counterintuitive that we should have a tax structure problem.

In our view, the facts of Utah’s economic consumption trends and actual revenue growth suggest that indeed we do. Our current tax structure is outdated and requires updating to meet a changing and growing economy. And the process – as illustrated by today’s version of the legislation – has been thorough and responsive.

For this reason, Sutherland supports the proposed tax reform legislation as an important and necessary step toward adjusting state public policy to meet the evolving economic and social circumstances – including but not limited to – changing patterns in commerce, technology and significant population growth. The bill contains a policy approach that will reduce taxes for families, which are the driver of Utah’s economy. Further, the legislation lowers taxes in a manner that should improve families’ day-to-day finances through income tax rate cuts that are larger than the proposed food and gas tax increases, and additional tax relief to low- and middle-income families through exemptions and tax credits.

We further support a special session in December – prior to year-end – which will sustain the momentum of current efforts and ensure that the 2020 general legislative session will not be a single-issue session.

With respect to the legitimate questions and concerns that have been raised and in order to ensure that passage of this tax reform legislation becomes more meaningful over time, rather than more controversial, it will be essential for policymakers to take ongoing steps beyond this bill that are grounded in sound principles and with an eye toward maintaining, and in some cases restoring, public communication and trust. Steps should include, 1) following through on this legislation with sustained and exacting scrutiny of spending of taxpayer dollars, including reallocation or repeal of spending that is deemed ineffective; 2) thoughtful reform of transportation funding with families and businesses first and foremost in mind, followed by the need for reliable revenue streams; 3) studying and crafting principled recommendations to address a sales tax system that threatens to pick winners and losers based on whether a

business sells goods or services; and 4) careful consideration of education funding reform with a priority toward ensuring that each child is empowered to pursue the educational path that is best-suited to their unique needs, as well as ensuring sustainable funding for public schools.

We support the intent and content of the current proposal. We view it as a critical step in creating sound, emerging tax policy. Thank you.

Sincerely,

Rick Larsen
President
(801) 633-5469

Stan Rasmussen
Vice President, Government Affairs
(801) 718-1841



SUTHERLAND
INSTITUTE
A NEW BIRTH OF FREEDOM

801-355-1272 (o)
sutherlandinstitute.org