



Utah Taxpayers Association's Position on Walker Proposal #8: Eliminate Boutique Sales Taxes

Walker's proposal acknowledges that Utah's current system of allowing local governments to earmark general tax revenues for specific purposes has several problems and needs to be corrected.

- Earmarking general revenues for specific purposes is poor tax policy. Earmarking reduces budget flexibility. During the recent recession, the Legislature was able to balance the budget by shifting general fund revenues from transportation to higher education and income tax dollars from higher education to public education. Increasing revenue earmarking prevents this flexibility.
- Varying local sales tax rates will complicate compliance for small retailers that deliver to multiple tax jurisdictions once SST-driven point-of-delivery collections are imposed.

Service-related fees, on the other hand, must be earmarked for covering the cost of providing the specific service. Service-related fee surpluses cannot be used to fund general government.

Related Issues: Selective Sales Taxes and Gross Receipts Taxes on Electric Utilities
Earmarked selective sales taxes such as 911/poison control taxes on phone bills and restaurant taxes need to be eliminated with revenues replaced by general fund sources. Public safety – like emergency dispatch and poison control – should be funded by general revenues.

Selective taxes on phone bills which are earmarked for public safety are mistakenly identified as “user fees”. A true user fee would be based not on general phone usage but on emergency calls at “user” places. However, since emergency calls are a public safety issue, emergency dispatch should be funded by general revenues, not user fees.

Restaurants, which are largely patronized by local customers, should not be selectively taxed to promote tourism or cultural/convention facilities.

Gross receipts taxes on electric utilities should be eliminated. Electric utilities are already subjected to the same taxes as other taxpayers.