

Lawmakers hungry for some more tax cuts

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Republican legislative leaders say the bulk of Utah tax reform is complete - but they haven't lost their taste for tax cuts.

House Speaker Greg Curtis wants to continue to shave the income tax rate, which will be 5 percent next year. "We are not ever going to get to zero. We recognize that," he said Friday during the Utah Taxpayers Association annual conference. "But we need to remain competitive with other states."

Curtis also advocates further reducing the sales tax on groceries. That tax is now at 3 percent.

Senate President John Valentine said that may be a good idea, but further cuts will have to be offset by levying a sales tax on some business services - an unpopular idea that lawmakers so far have shied away from.

A basic tax principle is that lower tax rates spread broadly over a variety of goods and services provide the most stable state revenue. Reducing the tax on unprepared food undercuts stability, Valentine said, because it "narrows the base."

To counteract that, the Senate leader expects the Legislature to start charging taxes on professional services, such as tax preparation, legal representation or lawn care.

He knows that will be politically touchy, since just about every industry will fight to keep their services tax free.

So called "broadening the base" will take more than one legislative session to accomplish, Valentine acknowledges.

Gov. Jon Huntsman Jr. told the Taxpayers Association gathering that he will call for tax breaks for research and development - particularly in the fields of alternate energy development and bio-technology - to ensure Utah's rapid economic growth continues.

These industries are rapidly developing and "That's where Utah is on the map, big time," Huntsman said.

He said economic development follows technological breakthroughs, and "a good many are going to occur right here."

Both Curtis and Valentine agree Utah's corporate income tax needs further tweaks to attract companies to Utah and retain existing local businesses.

The current system gives corporations two options. Their tax burden can be derived from a three-pronged formula that includes their sales, their employees and the property they own in Utah. Or they could pick two of those three. Whatever is cheaper.

Legislative leaders want to give companies the option of being taxed solely on their sales. This approach would create a "tax haven" for corporations that are willing to locate in the state and hire Utahns - but sell most of their products and services out of state, Valentine said.

* GLEN WARCHOL contributed to this report.