



Vote YES on SB142 First Sub. (Stephenson) Expanding Sales Tax Exemption for Business Inputs

SB142 would expand the existing sales tax exemption for business inputs to include mining equipment and machinery purchases with useful life of three or more years. The exemption will not include oil and gas. The fiscal impact for the state is \$4.8 million in year one and \$5 million in year two. The existing sales tax exemption for business inputs includes manufacturing, semiconductors, agriculture, and telecommunications.

Exempting business inputs is good tax policy

Taxing business inputs discourages investment. Long-term economic growth depends on investment in high-wage exporting industries that brings wealth into the state and businesses that improve productivity, such as manufacturing, information technology, mining, and telecommunications.

Expanding the existing sales tax exemption to include mining reduces sales tax revenue volatility. Annual taxable mining industry purchases fluctuate wildly.

2001	\$207.7 million
2002	\$157.3 million
2003	\$141.2 million
2004	\$195.5 million
2005	\$284.6 million

Source: Utah State Tax Commission. The proposed exemption will not cover 100% of the above amounts since purchases with less than three years economic life will still be subject to sales taxes.

Expanding the business inputs exemption to include mining is good economic policy because Utah's economy benefits greatly from mining.

According to the *2007 Economic Report to the Governor*,

- average wages in Utah's mining and natural resources industries are 75% higher than the average Utah non-agricultural wage, even higher than the average wage in the IT industry.

- metals and minerals accounted for 50% of Utah's exports in 2006 and consistently account for more than 30% of Utah's exports year after year.

Some have argued that mining equipment should not be exempt because companies cannot move their mines to another state or country, unlike a manufacturer which can move its facility elsewhere. However, Utah's mining operations are owned by multi-state and multi-national companies which have several options when deciding where to invest their profits. They do not have to invest in Utah, but it is in Utah's best interests that they do.

Please vote YES on SB142

Utah Taxpayers Association
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