

How Can Utah Remain Ahead of the Pack?

Utah in National Comparison

May 21, 2019

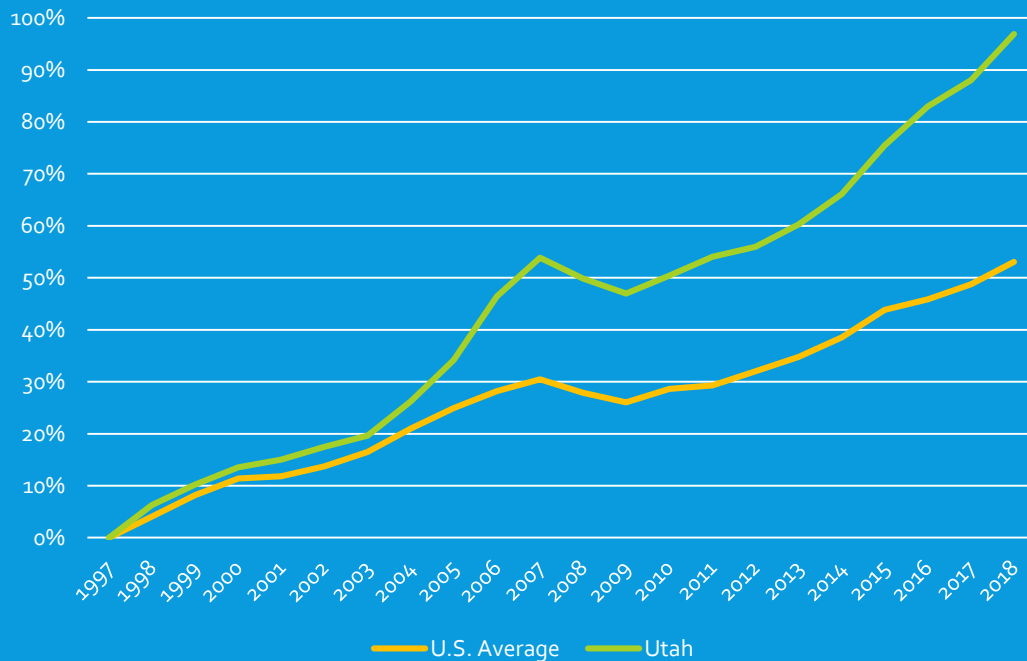
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A GROWING ECONOMY

GDP GROWTH, UTAH AND PEERS, 1997-2018

GDP Growth, 1997-2018



State	Growth
Utah	+97%
U.S. Average	+53%
Arizona	+68%
Colorado	+73%
Idaho	+68%
Nevada	+75%
New Mexico	+21%
Wyoming	+71%

UNIQUE FEATURES

OF UTAH'S ECONOMY AND TAX CODE

Earmarking of Tax Revenues

- Utah earmarks 100% of individual and corporate income taxes, about 32% of sales tax
- Alabama earmarks 98% of PIT, but not CIT
- Massachusetts earmarks 40% of PIT and CIT
- Only five other states earmark more than 10% of their PIT

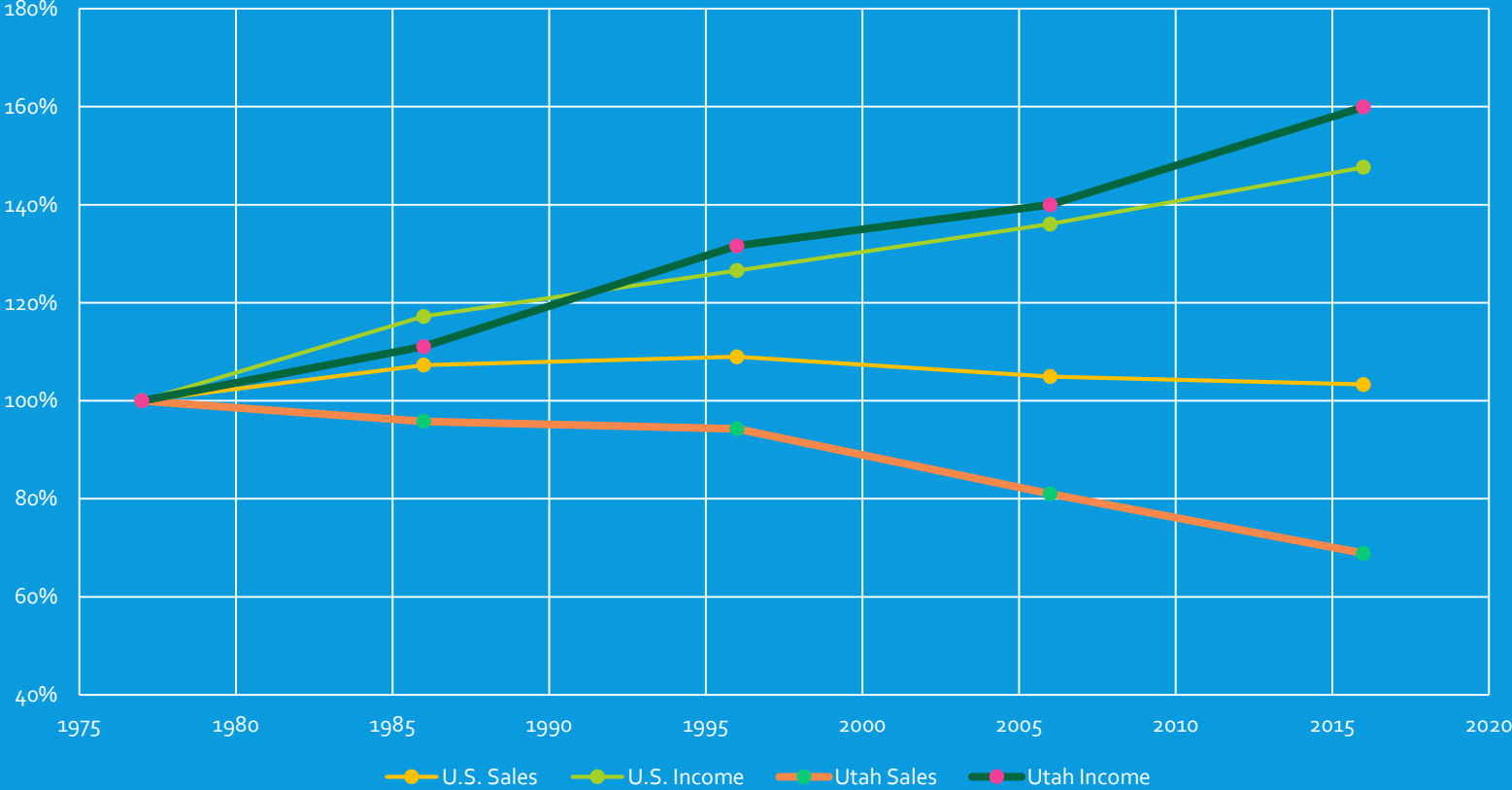
Density and Land Ownership

- Less than a third of Utah's land is privately owned
- Three-fourths of population is concentrated in four most populous Wasatch Front counties
- Eighty-five percent of taxable value concentrated in six counties

UTAH'S ERODING SALES TAX

COMPARED TO U.S. AVERAGES

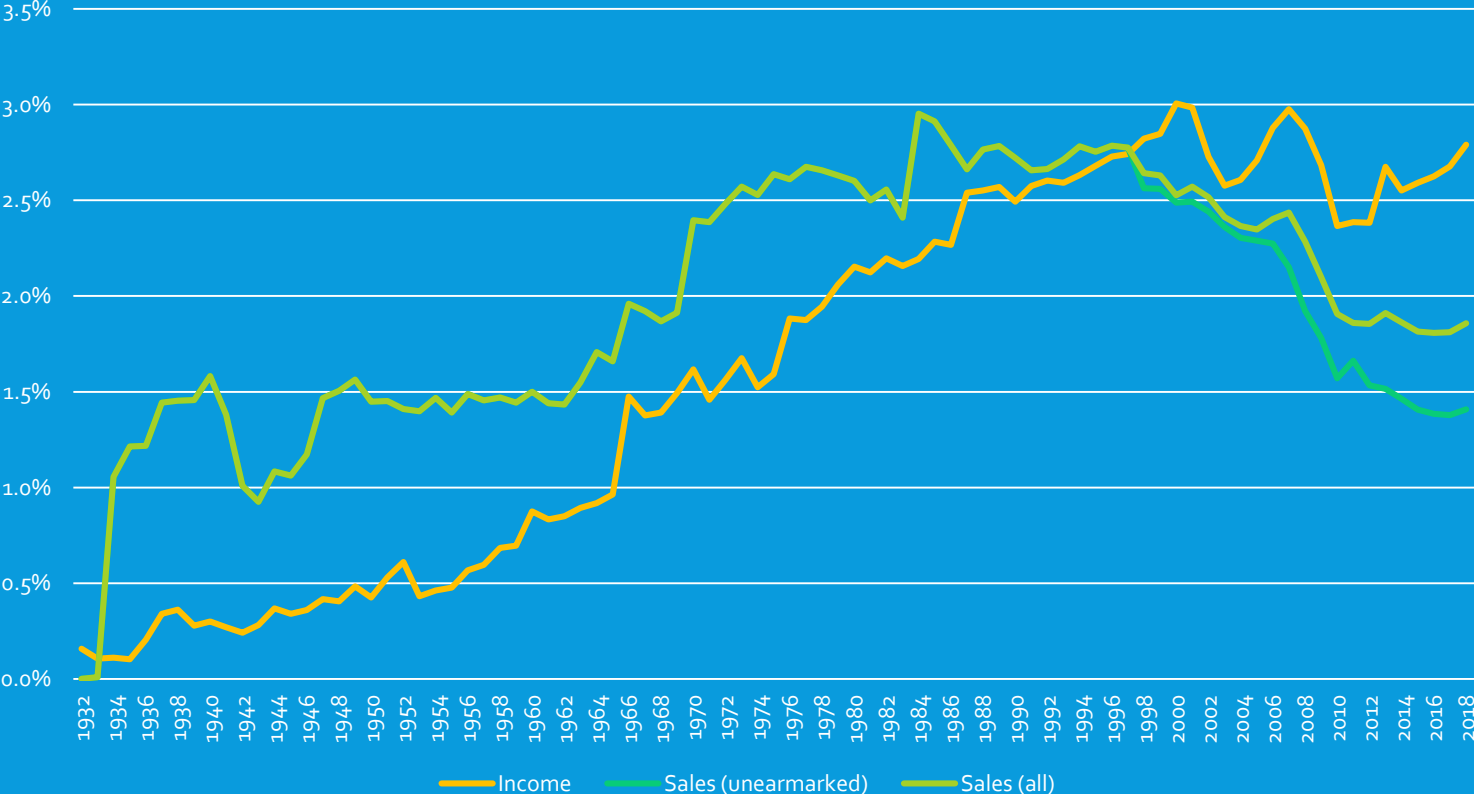
% Change in Share of Total Tax Collections



SALES & INCOME TAX FLIP

PIT NOW GENERATES MORE REVENUE

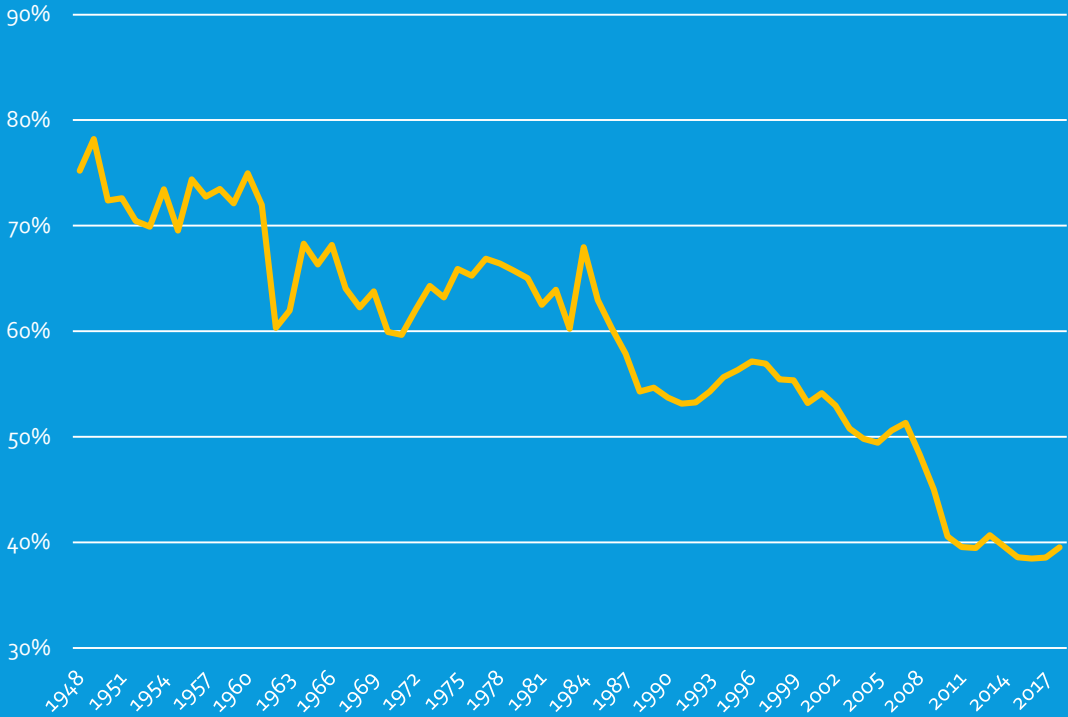
Income & Sales Tax Collections as a Percentage of State Income



SALES TAX BASE DECLINE

BARELY HALF ITS POST-WAR BREADTH

Utah's Sales Tax Base as a Percentage of Personal Income



State	Growth
Utah	41%
Arizona	37%
Colorado	34%
Idaho	40%
Nevada	54%
New Mexico	58%
Wyoming	45%

BASE BROADENING

SALES TAX EXPANSION IN OTHER STATES

Kentucky

- Personal services, including landscaping, pet care, small animal veterinary, fitness and recreational, diet and weight loss, limousine, bowling, campgrounds, extended warranties

North Carolina

- Services where providers already had a SUT obligation—installation, repair, maintenance, service charges

Iowa

- The new economy: digital goods, software as a service, ride sharing, and certain other personal services

District of Columbia

- Personal services linked to tangible goods or real property

WHY IT MATTERS

SHOULD WE CARE ABOUT BASE EROSION?

Promoting Economic Growth

- Broad bases and lower rates more equitable and economically efficient
- Shifts revenue toward less pro-growth PIT

Ensuring Stability

- Consumption taxes are economically efficient and *can* be stable, but current design isn't
- If sales tax is unreliable compared to earmarked taxes, can lead to poor tax policy decisions during a recession

Questions?

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