



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Cannon's Canon: Cutting the income tax rate is the right move for Utah

This article was originally published in the Deseret News on April 29, 2019.

While the debate over “tax modernization” and expanding the sales tax base to include services rages on, Utah has a solution staring it right in the face:

Cut the income tax rate.

We've heard policymakers argue that additional revenue needs to be captured through additional sales taxes on services, for example. There is concern among some groups and organizations that Utah needs to balance the so-called “three-legged stool,” which is government's buzzword to describe its revenue from the sales, income and property taxes.

However, we disagree with this assessment. Utah does not have a revenue problem, yet some statistics that are being used seem to imply that there is some sort of crisis coming, particularly from our sales tax revenue, which funds the majority of state government operations. Utah is not suffering from a revenue problem. In fact, both Utah's general fund (sales tax), and education fund (income tax) have been growing at rates not seen in years. This is why excess revenues, particularly in the income tax, should be returned to whom it belongs to in the first place — the taxpayer.

Before anyone sharpens the pitchfork and says that anyone who argues for an income tax cut will ruin education in Utah, take a lesson from North Carolina. Starting in 2013, its legislature passed a massive income tax cut that would change its system to a flat rate and phase down the individual income tax rate from 7.75% to 5.75% over three years. Then, if revenue came in as expected or better, the state said it would cut even further. That is exactly what happened — revenue grew. From 2013 through 2017, North Carolina's individual income tax revenues have swelled from \$10.2 billion to \$11.9 billion. That is a jump of over 16%. In 2017 it reduced the income tax rate even further to 5.25%. North Carolina hasn't stopped there. The state also reduced its corporate income tax rate a whopping 60% from 6.9% to 3.0% over the same time period and then lowered it even further to 2.5% in 2019. It is attracting businesses and the high paying jobs that come with them and seeing one of the fastest rates of net migration in the country.

North Carolina is a real example of what economists and tax experts have long preached as a golden rule of tax policy: If you want more of something, you tax it less. Cutting income tax rates creates economic growth,



Association Vice President
Rusty Cannon

which grows tax revenue over time. It rewards innovation and investment and attracts capital and the jobs that come with it, which produces more revenue for the government, not less.

So, as the debate rages on with “tax modernization,” economics and actual historical data provide the solution. It is the right call whether or not the legislature decides to expand sales taxes or formulates some other path: Cut the income tax rate.

My Corner: Bright Spots in Educational Outcomes Must Be Scaled Systemwide

A few years ago a Time Magazine editorial related a twist of the story of Rip Van Winkle who awakens in the 21st century after a hundred year snooze and is of course utterly bewildered by what he sees. ‘Every place Rip goes just baffles him. But when finally he walks into a school room, the old man knows exactly where he is. “This is a school,” he declares. “We used to have these.”’

American schools, the article says, ‘aren’t exactly frozen in time, but considering the pace of change in other areas of life, our public schools tend to feel like throwbacks. Kids spend much of their day as their great-grandparents once did. Kids living in a digital world too often have to ‘power down’ before entering the classroom. Many college professors disallow the use of computers and handheld devices even for taking notes.



Association President
Howard Stephenson

A Nation Still At Risk

In 1983 the Reagan administration unveiled A Nation At Risk, which described a rising tide of mediocrity in America’s schools, stating that if a foreign power had forced the system on us we would have considered it an act of war. Yet no one since 1983 has seriously waged war against that mediocrity. In the most recent nation’s report card, the National Assessment of Educational Progress showed that we are not making progress at all. In fact the overall scores of 4th and 8th graders showed either no change or were two or three points lower than the report two years prior. Two-thirds of American school children are below grade level in math and reading! Even worse, on the PISA international report card, the United States ranks below the median of all industrialized countries while we spend more per student than any of them.

Every Student Can Be Proficient

Two weeks ago I spoke in Washington D.C. at the Reagan Institute Summit on Education (Rise) on how to get 90% of the students in any classroom performing at reading and math grade level proficiency in a single academic year no matter where they started at the beginning of the year. This is accomplished by using machines to do the heavy lifting of teaching and learning for twenty minutes a day in math and another twenty in reading and writing while repurposing the role of a teacher to provide one-on-one and small group instruction when students get stuck. High quality, computer assisted instructional software personalizes learning for each student at his or her level and moves each forward at their pace, not the pace of a batch processing factory model classroom.

I have seen classrooms where this works and children’s lives are changed forever. It should be the norm, not the exception. The reason it’s not the norm is that too many teacher colleges and the teachers they produce have not learned to trust the machine and refuse to change roles from the ‘sage on the stage’ with a ‘spray and pray’ mentality to an effective mentor and guide with more time to inspire critical thinking, evaluation, synthesis,

creativity and collaboration which are far more fulfilling to teachers than failing to deliver content knowledge and academic skills.

Computer Instruction Requires Repurposing the Teacher's Role

Rip Van Winkle would not have recognized the jobs done by today's accountants and engineers who allow machines to do the work in minutes which once took days or even months. Accountants and engineers have not been replaced by machines: There are far more of them employed now than before electronic spreadsheets and CAD systems came on the scene. However, the roles of both professions have been entirely repurposed to much more valuable and important purposes. How is it other professions have made the switch and embraced modern tools but the teaching profession has dragged its feet? I believe it is because any accounting or engineering firms which would not make the switch would have died; they would have gone out of business. But because our children are too precious, we simply won't let schools die in spite of their reluctance to adopt powerful instructional technology tools.

I have worked with teachers who have brought at least 90% of their students to grade level proficiency in math and reading in a single academic year by using high quality educational software. Once they experience it they feel liberated. One teacher told me how much easier and more joyful it is to get nearly every student at grade level with machine support than it was to get 45% proficient using manual instructional methods.

Utah's UPSTART Leads the Way

Unprecedented increases in Pre-K student performance of four-year-olds have been accomplished by machine learning without any teacher at all. Utah's UPSTART program for in-home, computer-delivered training for four year olds was initiated through SB2 in 2008. The legislature required a third party evaluation of the program to inform policymakers about the program's effectiveness. The annual evaluations show that UPSTART kids are twice as prepared for kindergarten as the control group on the Brigance measure and three times as prepared on the Bader. UPSTART students in Utah enter Kindergarten at or near 1st grade level which is 2-3 times greater growth than non-UPSTART kids on 10 critical literacy skills regardless of their background or demographics. Unlike Headstart and some Pre-K programs whose effects typically dissipate in the first year or two of school, five years later, UPSTART students proficiency levels are twenty to thirty points higher than non-UPSTART students in their demographic cohort.

The Waterford Institute was the successful bidder for the program which is now reaching 20,000 of Utah's 45,000 four-year-olds with a focus on low-income, minority, special ed, and English learners at a fraction of the cost of brick and mortar Pre-K programs. Waterford's founder Dusty Heuston has taught that the way to eliminate the achievement gap for these students is to do it before third grade through personalized computer-assisted instruction for 15 to 20 minutes a day, four or five days a week.

Dusty's dream of ending the achievement gap is now being recognized nationally as Ted Talk International announced that UPSTART is a recipient one of the Audacious Grants to bring UPSTART pilots to every state in the nation.

Utah is also working to transform K-12 teaching and learning through computer assisted instruction intended to personalize learning for every student, and give teachers the tools they need to deliver grade-level proficiency for every child.

Utah Taxpayers Association Celebrates Utah's #1 Rank for 12th Year In A Row for Economic Outlook in 2019 Rich States Poor States Report

Utah has ranked number one in economic competitiveness and economic outlook for the 12th year in a row, according to the American Legislative Exchange Council (ALEC) 2019 "Rich States, Poor States" report.

Utah holds the #1 spot in the nation for twelve years in a row, thanks to the calculated work of state legislators and many other elected officials in promoting and enacting sound tax policy, as well as limiting government growth through policies such as Truth in Taxation.

The Utah Taxpayers Association has been advocating in favor of strong tax and economic principles for decades, and Utah is reaping the rewards. Thanks to these efforts, Utah has a strong business environment that benefits all Utahns and their families, through strong job growth and increased economic activity.

Utah's legislatures have worked diligently to keep our #1 ranking in economic outlook and competitiveness. The Utah Taxpayers Association urges legislators and other elected officials to respect the good work that has been done and to not take action, such as enacting tax pyramiding, that would reverse our course for decades.

Rankings like these illustrate exactly why the Utah Taxpayers Association is opposed to House Bill 441 in its initial form. HB 441 from the 2019 General Session, would have brought Utah into nearly unprecedented territory through the expansion of the sales tax base, including tax pyramiding. In addition, the bill would not have cut income taxes by a significant amount in order to offset the amount of new revenue that would have been collected.

If policies, such as what was seen in HB 441 in the 2019 General Session, were to have passed in its original form, we would be locking arms on tax policy with some of the worst ranked states in the nation.

Utah must protect our business competitiveness and ensure that tax modernization excludes any new taxes on business inputs. Getting it wrong would ruin the economic landscape Utah has built from which it would take decades to recover.



Each year, the Washington, D.C. based Tax Foundation records how long it takes the nation as a whole, as well as the residents of each state to pay off their total tax bill. This is called Tax Freedom Day.

This year, the national Tax Freedom Day fell on April 16, 105 days into the year. Compare that to 1900, when Americans only paid 5.9% of their income taxes, meaning Tax Freedom Day came on January 22.

On average, it took Americans 42 days to pay off the year's income taxes, 15 days for sales taxes, and 11 days for property taxes.

Utah's Tax Freedom Day fell on April 11, five days before the nationwide average. That ranks Utah #22 highest in the nation.

Tax Freedom Day is a significant date for taxpayers and lawmakers because it represents how long Americans as a whole have to work in order to pay the nation's tax burden.

Association Accomplishments During April:

- ❖ Met with legislators to continue the discussion on state tax modernization efforts
- ❖ Met with the Utah Business Coalition, ALEC, and the Tax Foundation to discuss state tax modernization efforts
- ❖ Started planning the 2019 *Taxes Now* Conference
- ❖ Started planning the 2019 *Teed Off on Taxes* golf tournament

In the News

- ❖ Downtown Development
 - [New Gateway Hotel Gets Green Light with Taxpayer Help](#): KUTV
- ❖ Legislature Approves Another 911 Fee Increase
 - [Cell Phone Taxes are Rising](#) Salt Lake Tribune