

Earmarking of the State Sales and Use Tax

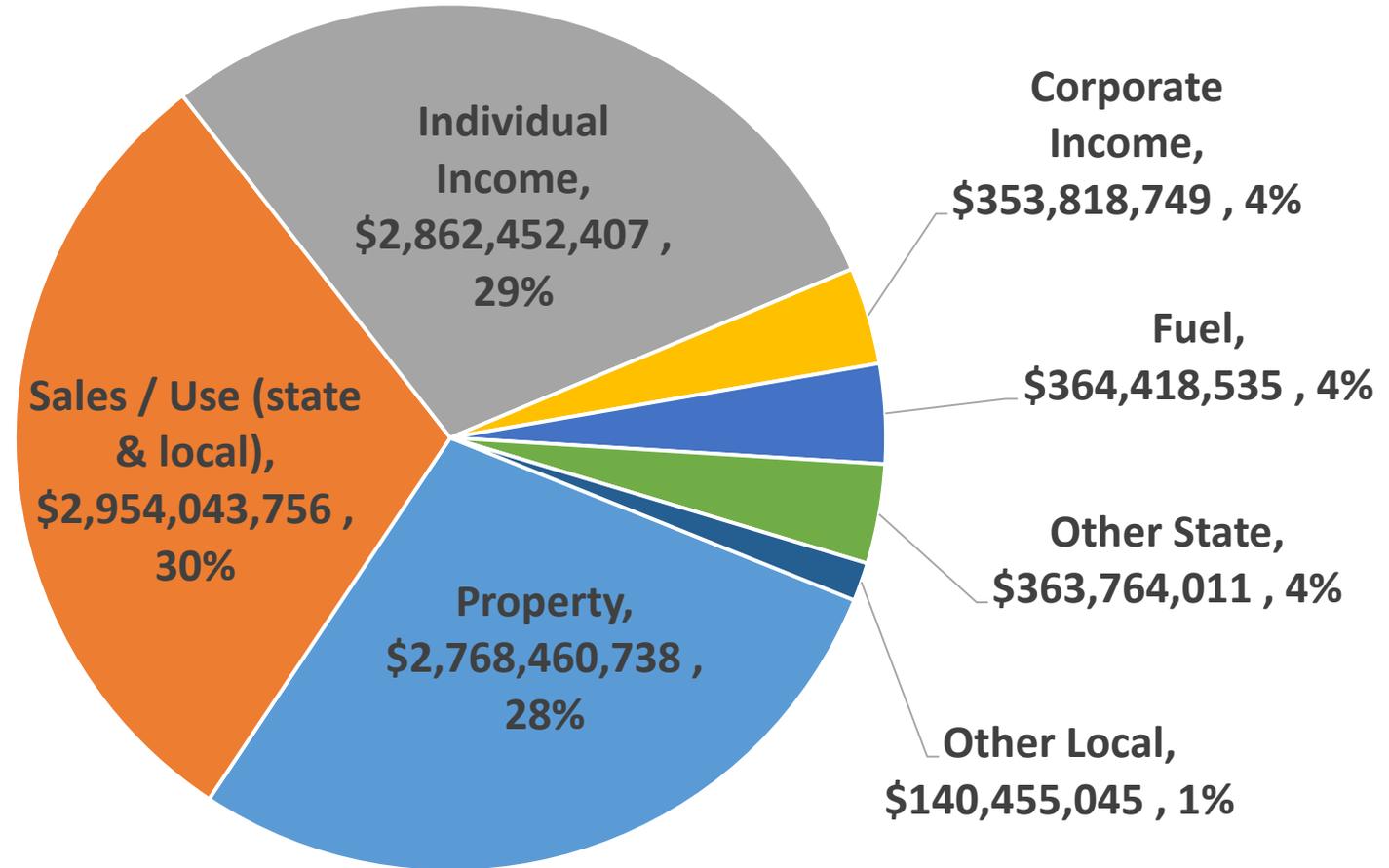
Prepared for:
Utah Tax Review Commission
April 30, 2015



Request from Revenue and Taxation Interim Committee
and Approved by Legislative Management Committee

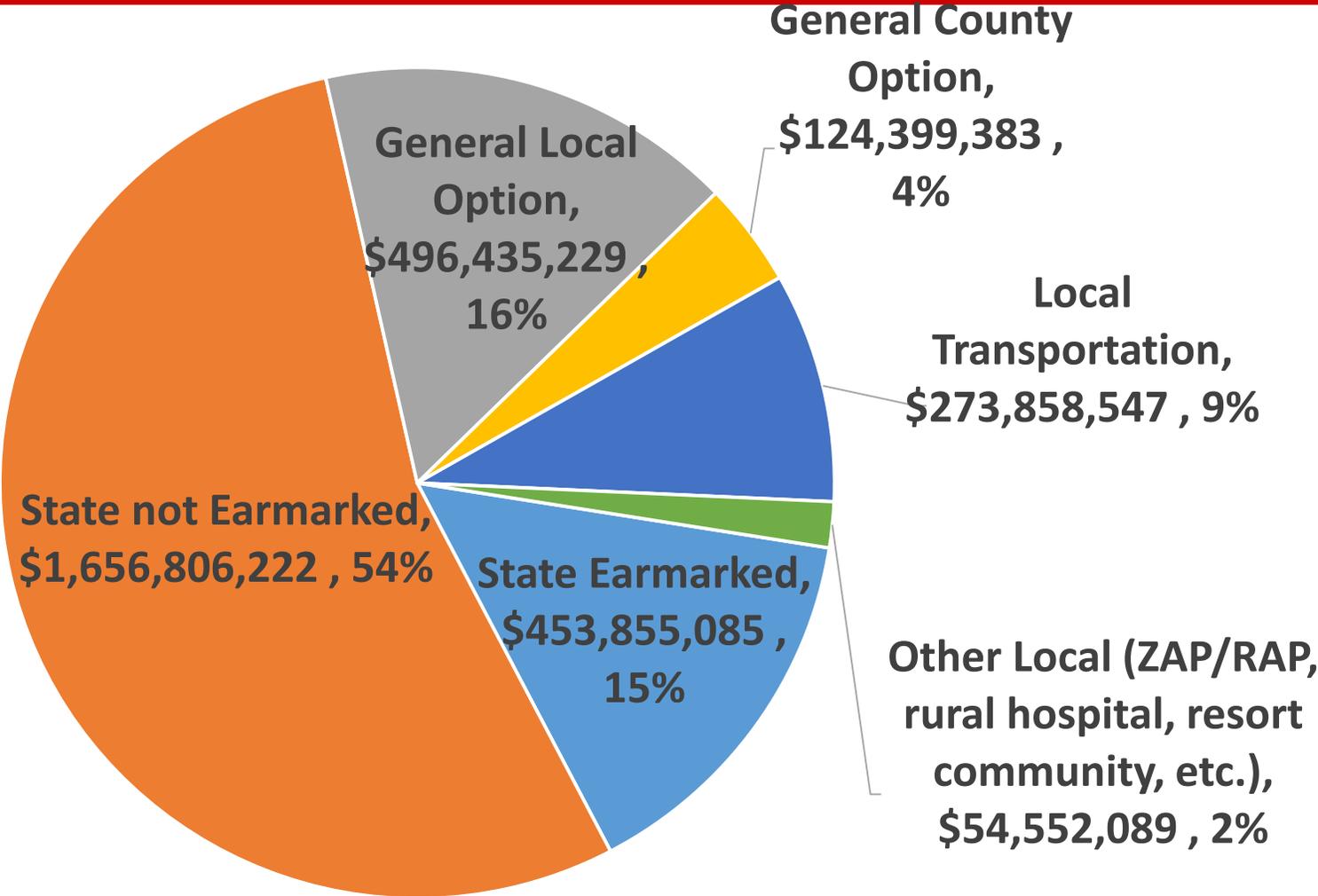
- “. . . to study and provide recommendations on sales and use tax earmarks, particularly the earmarks related to water and transportation.”

Utah's Three Major State and Local Taxes: Income, Property, and Sales & Use Tax Revenues FY 2014



Sales and Use Tax Revenue - Where Does the Money Go?

FY 2014



The Utah Sales and Use Tax Base: What **Do** We Tax?



Retail sales of tangible personal property



Sales of certain telecommunication, utility, or passenger services (reduced rate may apply)



Sales of food (reduced rate may apply)



Certain admissions, such as movie tickets

The Utah Sales and Use Tax Base: What **Do** We Tax?



Certain services, such as cleaning and repair of tangible personal property



Certain hotel or motel charges



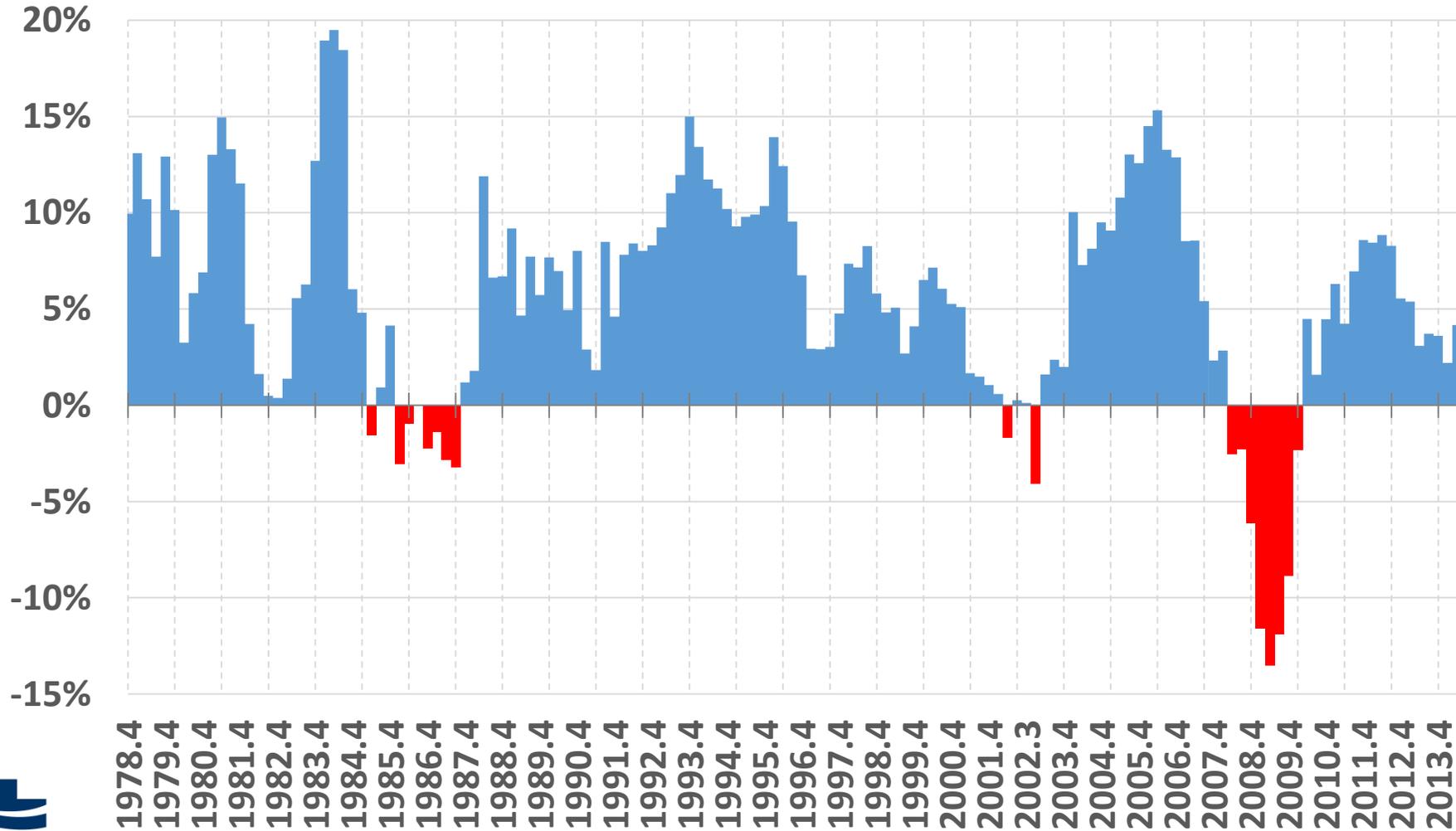
Products transferred electronically



“Use tax”

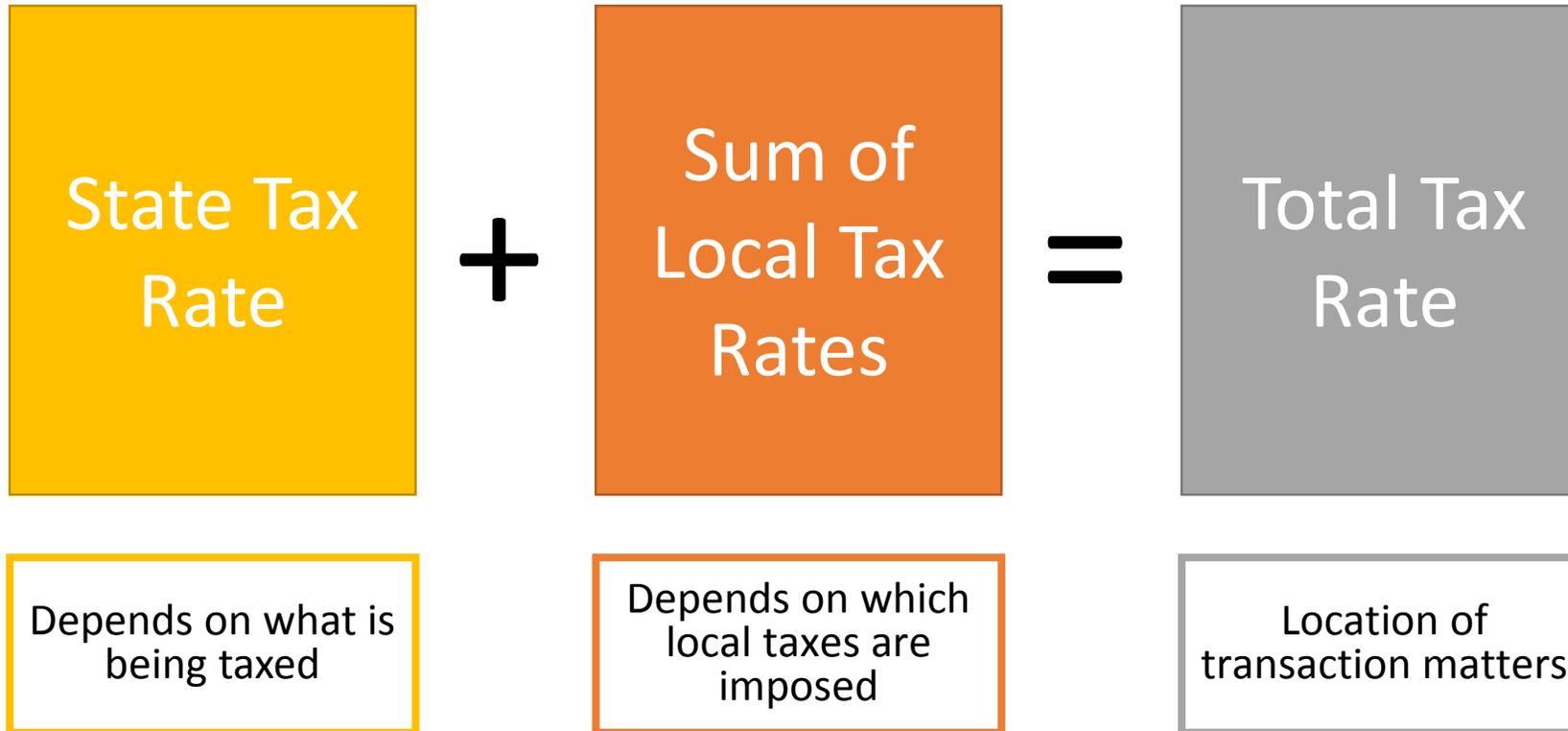
Sales & Use Tax Base Year-Over Percent Change

FY 1978Q4 to FY 2013Q3



Sales and Use Tax Rate

What's the Rate



State

Sales and Use Tax Rates

The state tax rate depends on what is being taxed

Examples



Food and food ingredients → 1.75%



Residential fuels → 2.00%



General → 4.70%

Local Option Sales and Use Tax Rates



Counties, cities, and towns are authorized to impose a variety of local option sales and use taxes



Most local option sales and use taxes tax the same transactions taxed at the state level

Local Option Sales and Use Tax Rates

Imposed for **general purposes**

- Local option 1.00%
- County option 0.25%

Revenue
collected

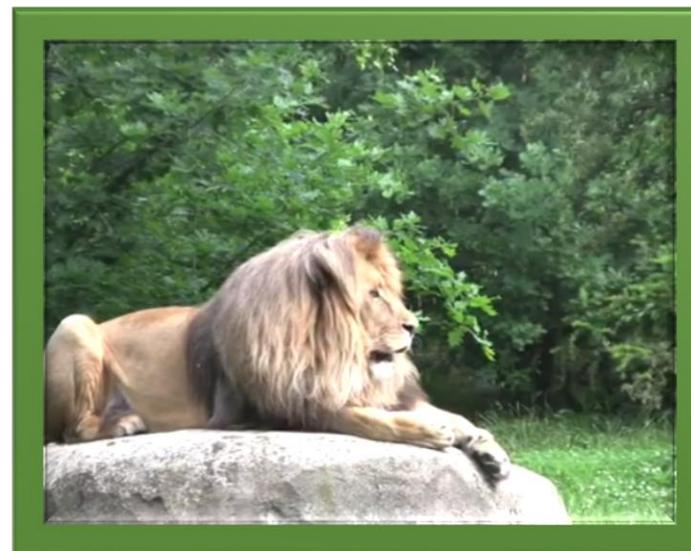
Deposited

General Fund of
county, city, or
town

Local Option Sales and Use Tax Rates

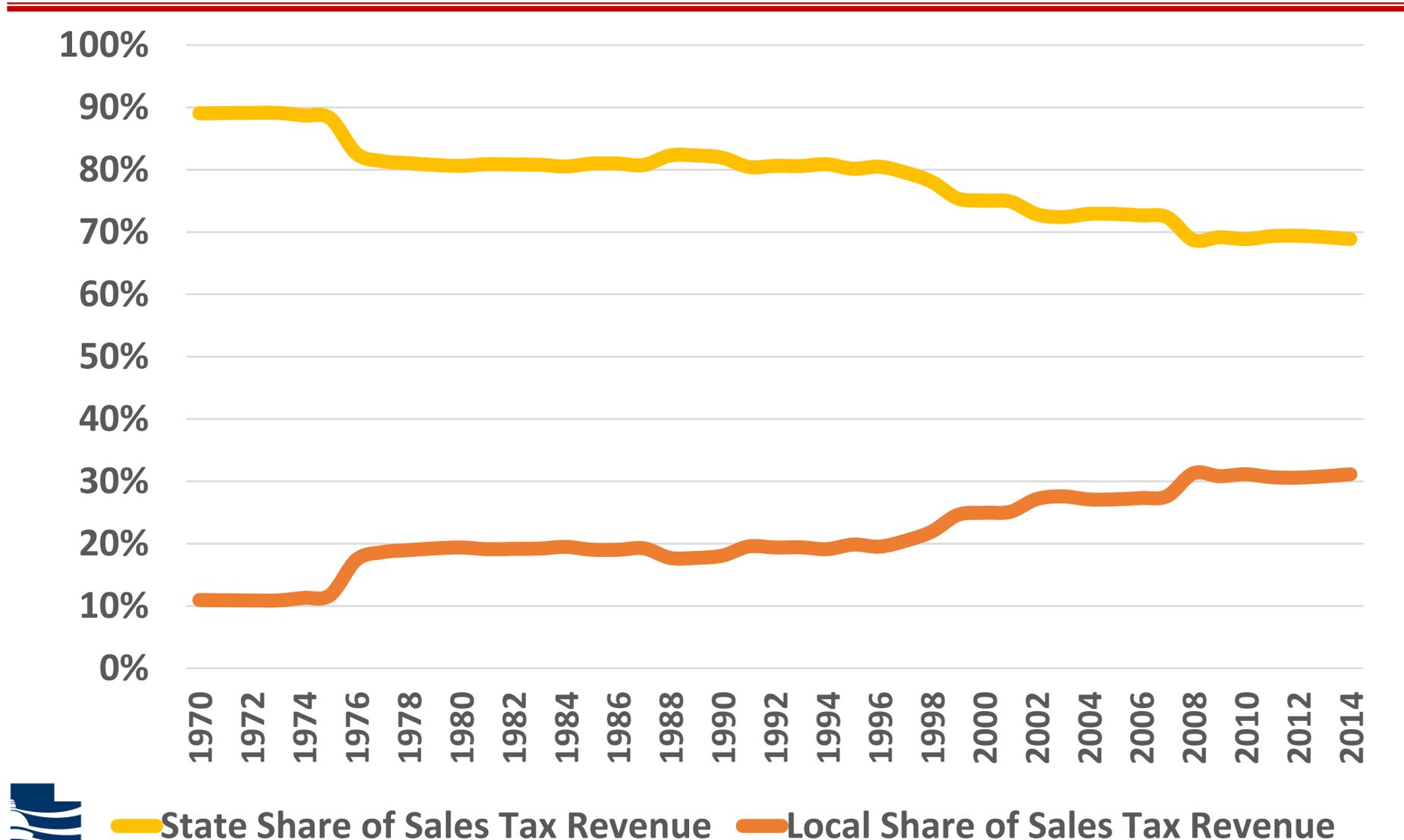
Imposed only for a specified purpose

- Public transit tax, up to 0.30%
- County “zoo, arts, and parks tax,” 0.10%



State and Local Sales and Use Tax Share of Revenues Over Time

FY 1970 to FY 2014

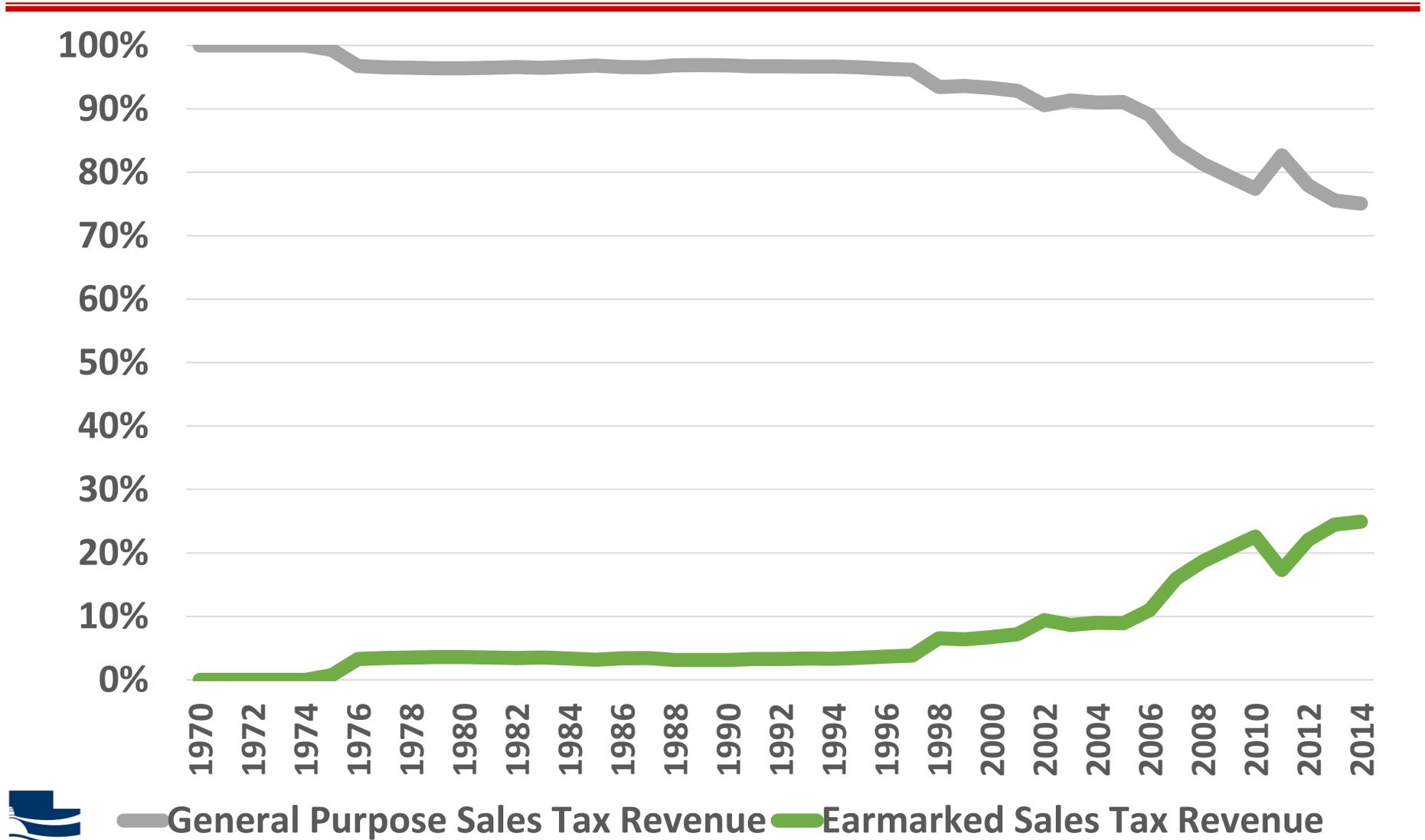


Source: Utah State Tax Commission

State and Local Sales and Use Tax

General Purpose and Earmarked Revenues Over Time

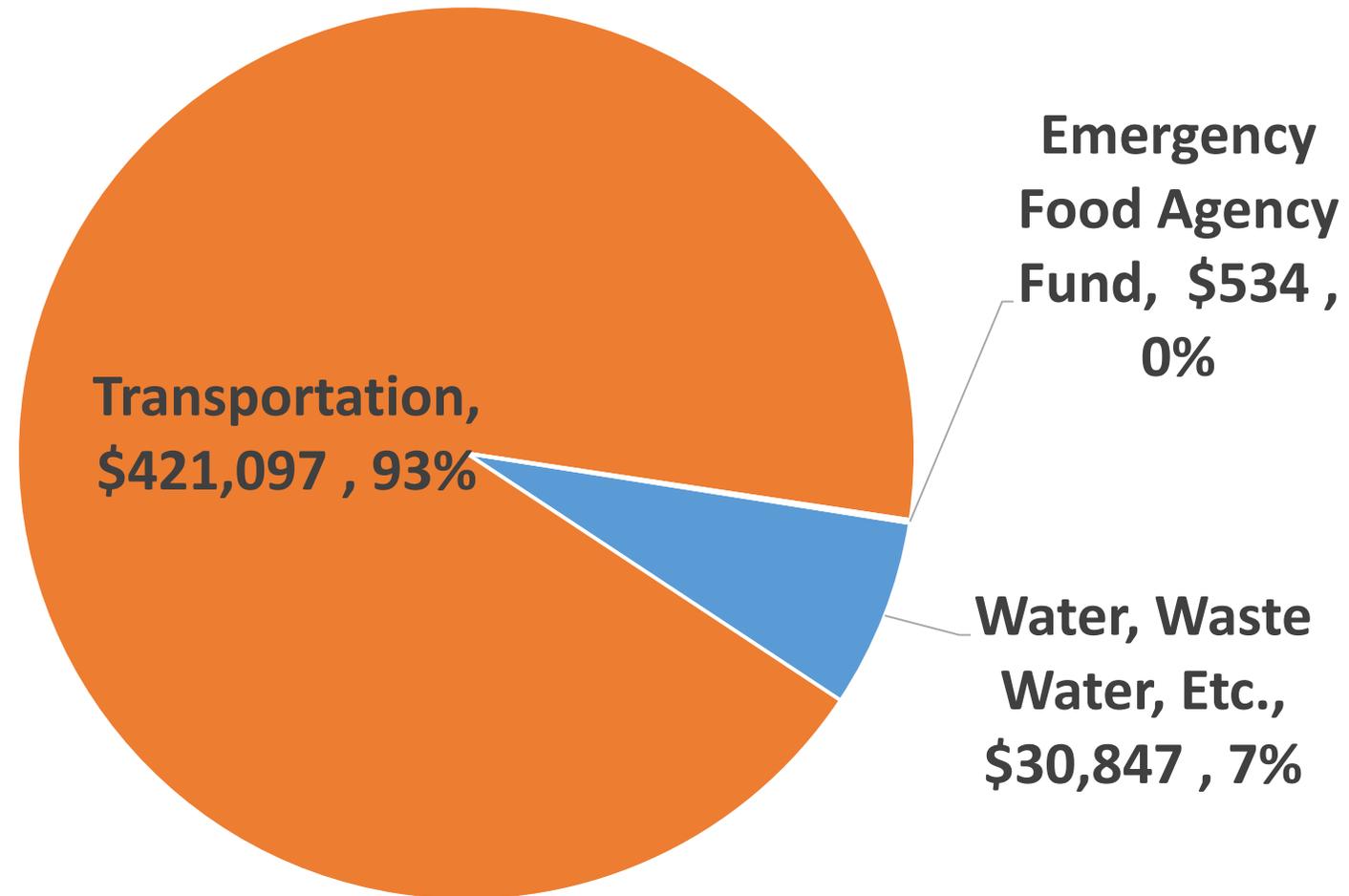
FY 1970 to FY 2014



State Sales and Use Tax Earmarks:

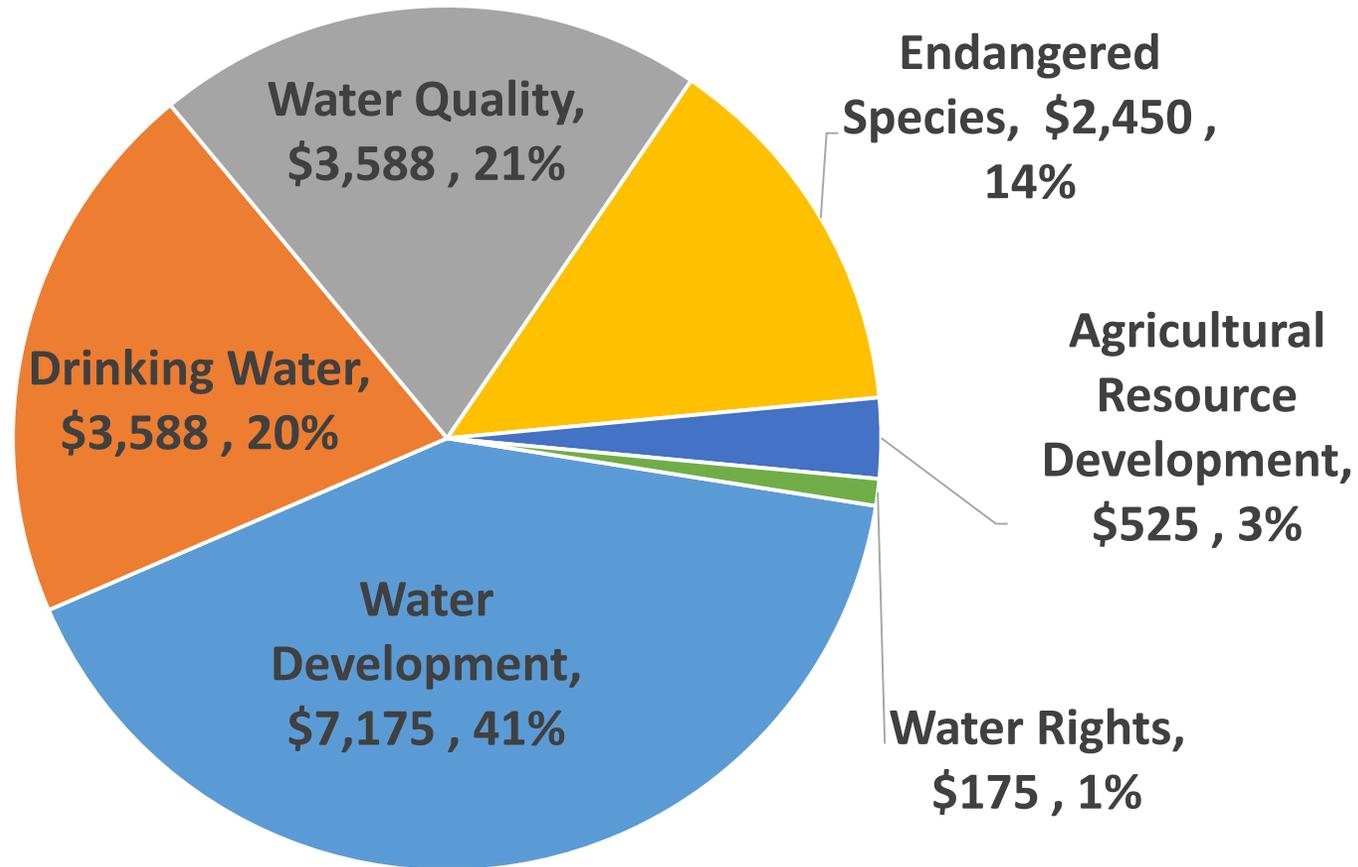
Where Does the Money Go?

FY 2014 (Thousands of Dollars) -- \$452.478M



State Sales and Use Tax Earmarks for Water - Where Does the Money Go? FY 2014 (Thousands of Dollars)

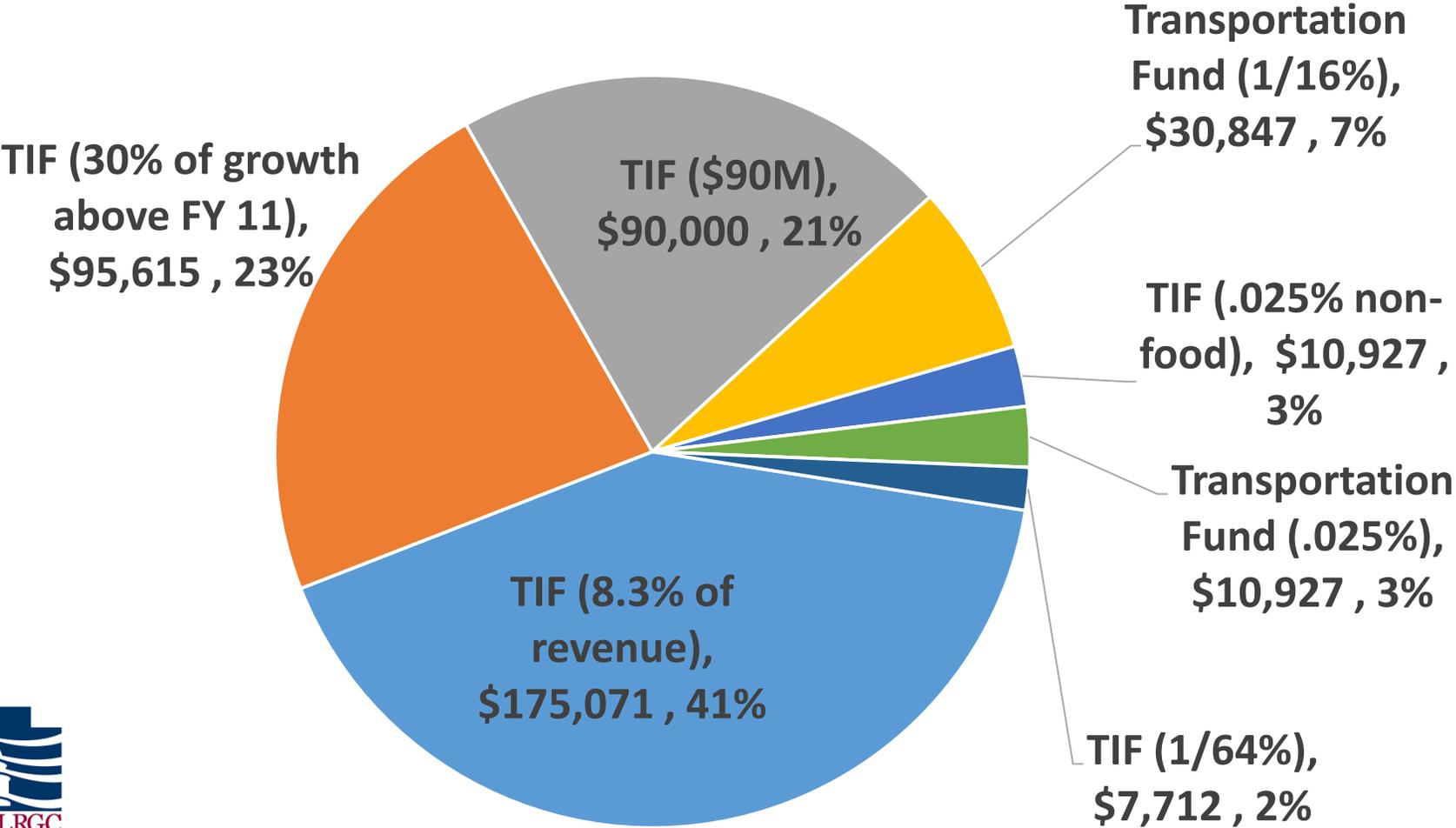
Revenue from a 1/16% Tax Rate -- \$30.487M (with \$17.5M floor)



State Sales and Use Tax Earmarks for Transportation - Where Does the Money Go?

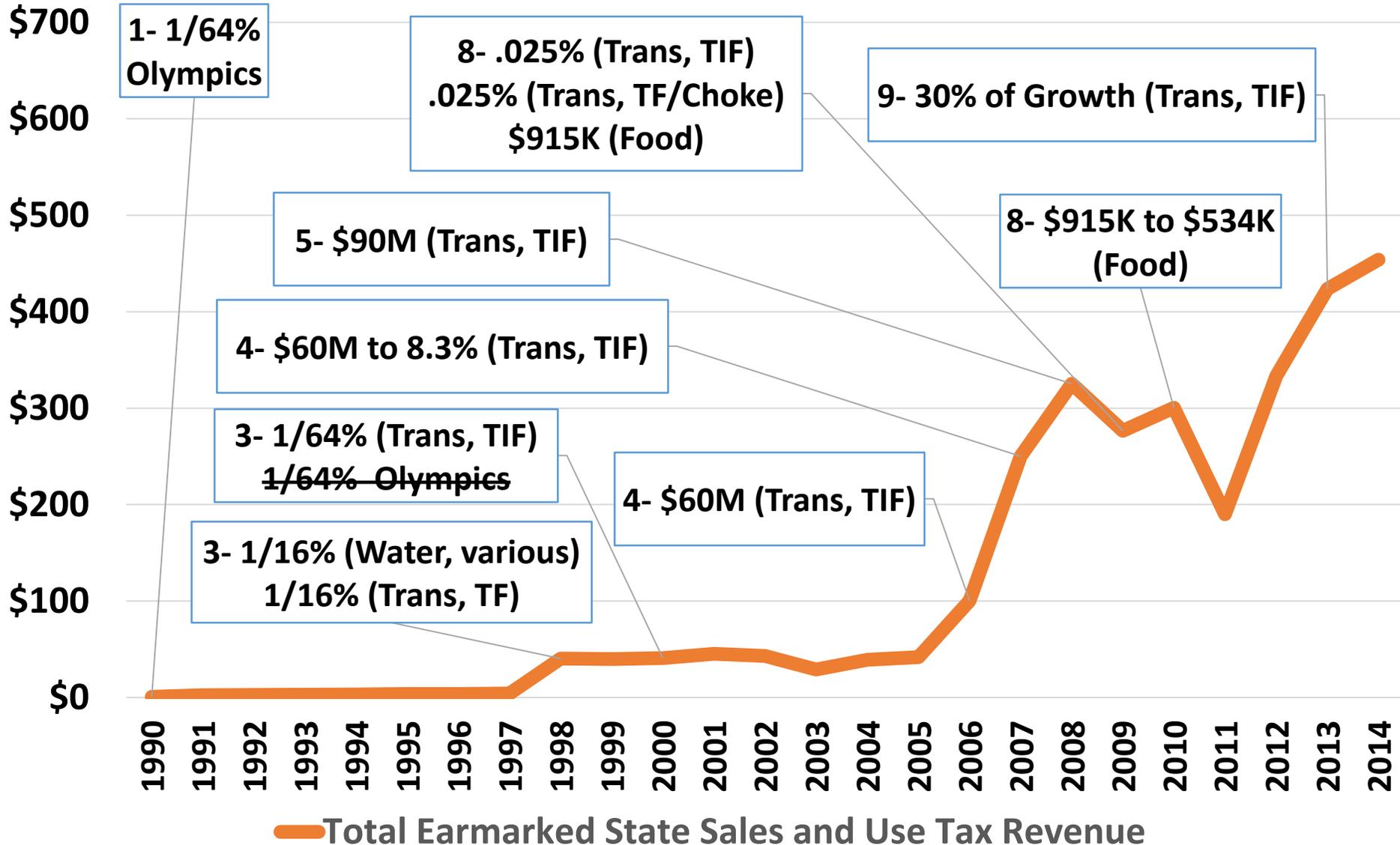
FY 2014 (Thousands of Dollars)

Total Transportation Related Revenue: \$421.097M



Total Earmarked State Sales and Use Revenue Over Time

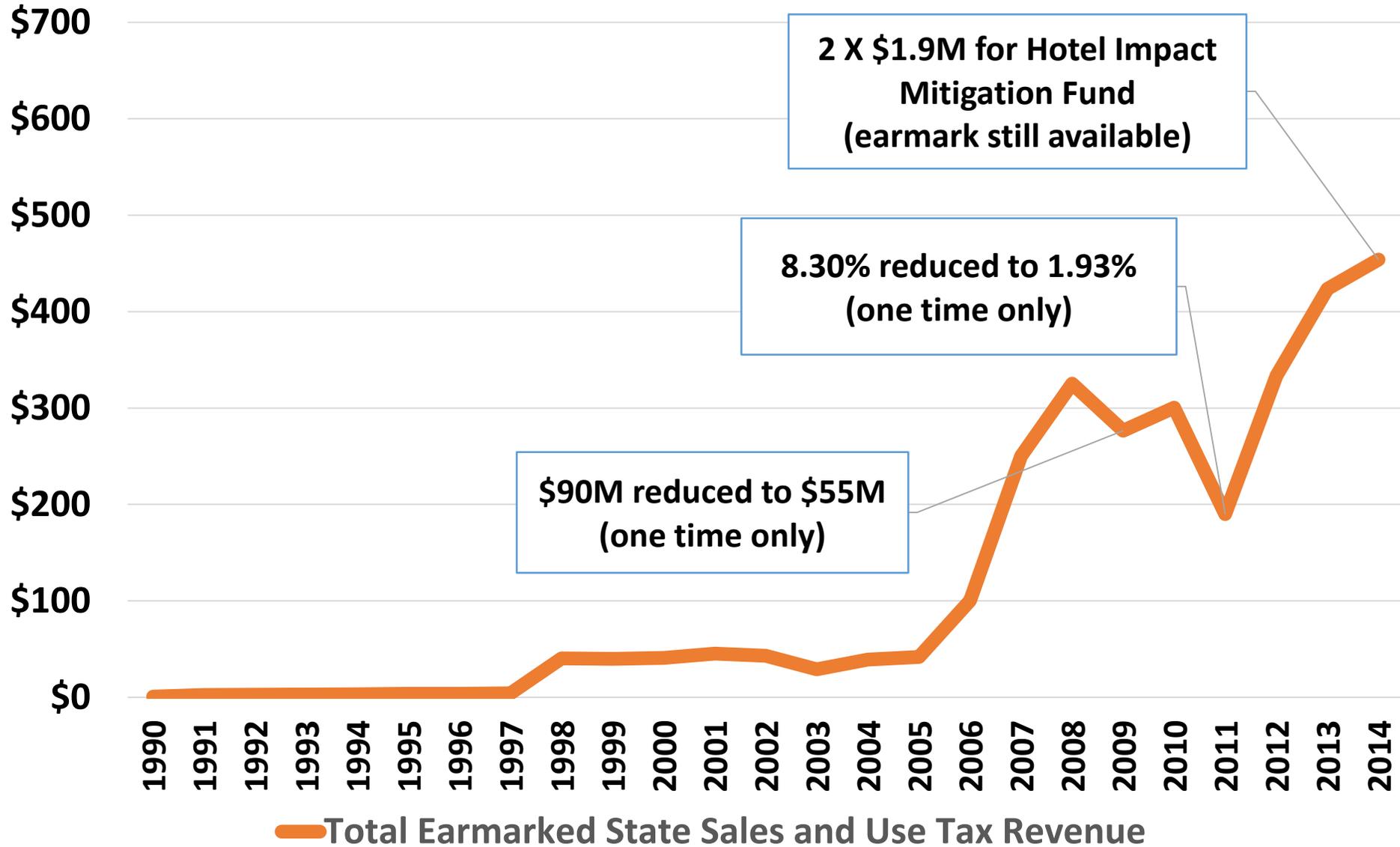
1990 to 2014



Source: Utah State Tax Commission

Total Earmarked State Sales and Use Revenue Over Time

1990 to 2014



Funding Needs and Gaps



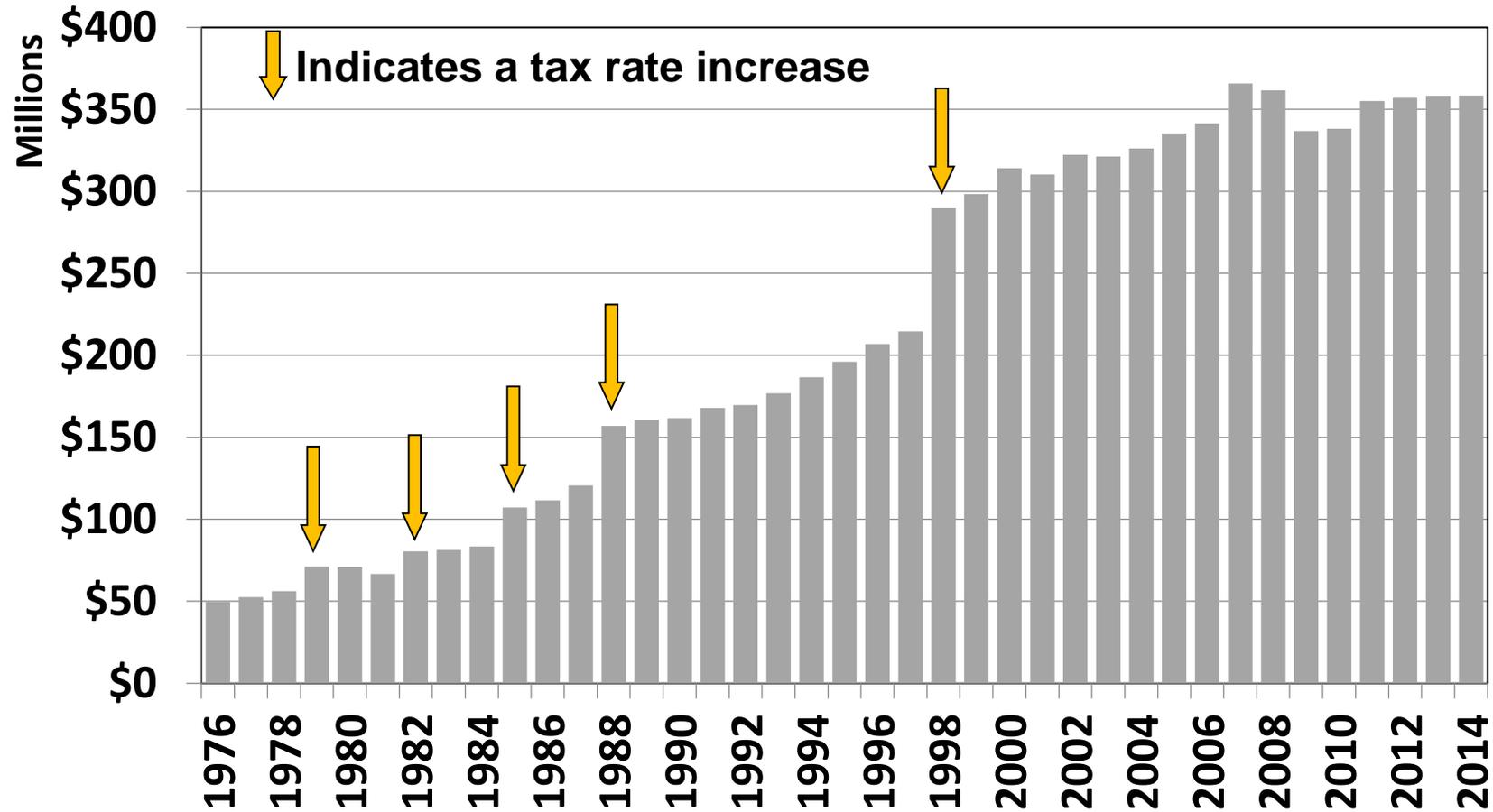
Cost estimates for water supply and infrastructure, wastewater and storm water, dam safety, the Lake Powell pipeline, and Bear River development projects over the next couple of decades exceed \$16 billion



According to the Unified Transportation Plan, Utah's priority transportation needs by 2040 will total approximately \$54.7 billion, while current funding sources will amount to \$43.4 billion.

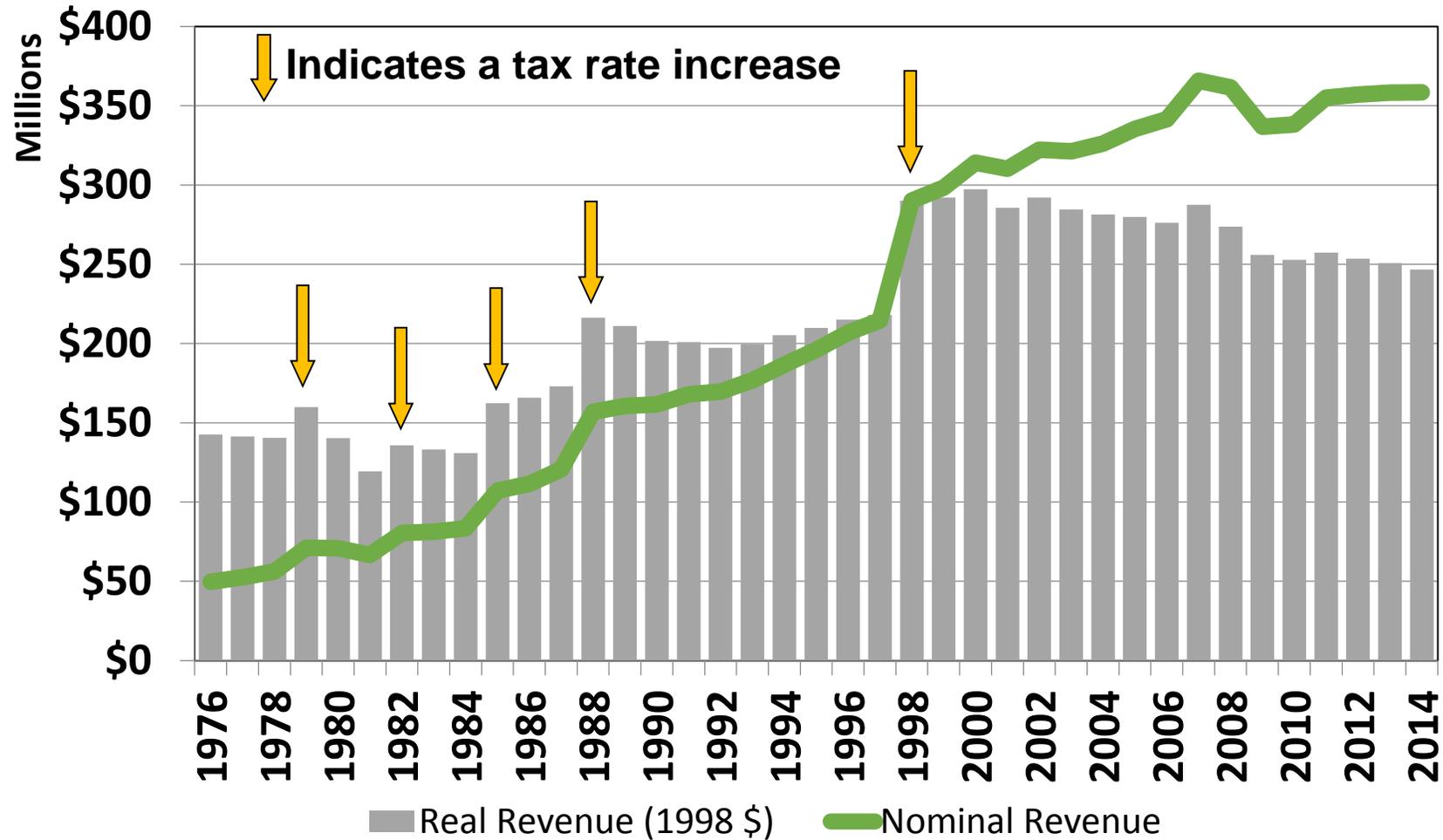
Combined Motor and Special Fuel Tax Revenue

FY 1976 to FY 2014



Combined Motor and Special Fuel Tax Revenue

FY 1976 to FY 2014



Possible Items for Further Investigation:

- Additional detail on the history and implementation of earmarks
- Invited public testimony
 - Water and transportation interest groups
 - State agencies who spend earmarked revenue
 - Advocacy organizations
- Development recommendations (if any)
- Write, review, and adopt report to Revenue and Taxation Interim Committee