



# DYNAMIC FISCAL ANALYSIS

HB61, 1st Substitute  
2016 General Session

Corporate Franchise and Income Tax Changes  
by John Knotwell



## STATIC IMPACT (See fiscal note for details)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund <sup>1</sup>	-\$2,641,000	-\$2,773,000	-\$2,910,000	-\$3,060,000	-\$3,210,000		-\$4,100,000
Education Fund							
<b>Total</b>	<b>-\$2,641,000</b>	<b>-\$2,773,000</b>	<b>-\$2,910,000</b>	<b>-\$3,060,000</b>	<b>-\$3,210,000</b>		<b>-\$4,100,000</b>

## SCENARIO 1: DO NOTHING

Do not make the tax policy change proposed by this bill, do not spend proceeds on government programs, deposit money in reserve.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund	\$47,900	\$77,000	\$88,600	\$93,200	\$97,700		\$118,900
Education Fund							
<b>Total</b>	<b>\$47,900</b>	<b>\$77,000</b>	<b>\$88,600</b>	<b>\$93,200</b>	<b>\$97,700</b>		<b>\$118,900</b>
<b>Diff From Static</b>	<b>\$2,688,900</b>	<b>\$2,850,000</b>	<b>\$2,998,600</b>	<b>\$3,153,200</b>	<b>\$3,307,700</b>		<b>\$4,218,900</b>
Jobs	0	0	0	0	0		0
Wages (millions)	\$0	\$0	\$0	\$0	\$0		\$0
Gross Domestic Product (GDP) (millions)	\$0	\$0	\$0	\$0	\$0		\$0

## SCENARIO 2: GOVERNMENT SPENDING

Do not make the tax policy change proposed by this bill but spend collections on government programs. The multiplier is 0.84. Commonly estimated government spending multipliers ( $\Delta\text{GDP}/(\Delta\text{Government Spending})$ ) range from 0.7 to 1.3. The multiplier value depends upon economic conditions, interest rates, expected tax policy, geographic region, past and expected government spending policy, and various other assumptions. The multiplier is on the lower end currently because of higher expected interest rates and strong economic conditions (unemployment rate in Utah is 3.5%). The dynamic revenue stems from the revenue connected with state government spending.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund	\$30,300	\$36,600	\$41,700	\$46,100	\$49,900		\$67,100
Education Fund	-\$2,590,300	-\$2,711,800	-\$2,842,200	-\$2,980,900	-\$3,127,600		-\$3,259,700
<b>Total</b>	<b>-\$2,560,000</b>	<b>-\$2,675,200</b>	<b>-\$2,800,500</b>	<b>-\$2,934,800</b>	<b>-\$3,077,700</b>		<b>-\$3,192,600</b>
<b>Diff From Static</b>	<b>\$81,000</b>	<b>\$97,800</b>	<b>\$109,500</b>	<b>\$125,200</b>	<b>\$132,300</b>		<b>\$907,400</b>
Jobs	30	32	34	35	35		37
Wages (millions)	\$1.6	\$2.0	\$2.3	\$2.5	\$2.7		\$3.6
Gross Domestic Product (GDP) (millions)	\$2.2	\$2.5	\$2.7	\$2.9	\$3.0		\$3.6

## SCENARIO 3: MARGINAL BUSINESS RESPONSE

Make tax policy change proposed by this bill. Do not spend on government programs. Computer and electronic manufacturers treat the tax reduction as a cost savings and reinvest the savings in production/output.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund	\$74,100	\$111,100	\$166,600	\$222,200	\$277,700		\$462,800
Education Fund	-\$2,517,100	-\$2,587,100	-\$2,633,100	-\$2,686,200	-\$2,746,200		-\$2,597,300
<b>Total</b>	<b>-\$2,443,000</b>	<b>-\$2,476,000</b>	<b>-\$2,466,500</b>	<b>-\$2,464,000</b>	<b>-\$2,468,500</b>		<b>-\$2,134,500</b>
<b>Diff From Static</b>	<b>\$198,000</b>	<b>\$297,000</b>	<b>\$443,500</b>	<b>\$596,000</b>	<b>\$741,500</b>		<b>\$1,965,500</b>
Jobs	60	98	130	156	177		218
Wages (millions)	\$4.0	\$6.0	\$9.0	\$12.0	\$15.0		\$25.0
Gross Domestic Product (GDP) (millions)	\$7.0	\$13.0	\$19.0	\$24.0	\$29.0		\$47.0

## SCENARIO 4: STRONG BUSINESS RESPONSE

Make tax policy change proposed by this bill. Do not spend on government programs. Computer and electronic product manufacturers treat the tax reduction as a cost savings, plus savings induces outside investment. The presumed outside investment is \$1.5 billion by semiconductor manufacturers in 2017 and 2018. The computer and electronic product manufacturing industry are assumed to generate ongoing employment of up to 1,200 industry jobs by 2020.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund	\$13,699,600	\$16,254,400	\$5,294,700	\$9,497,200	\$10,108,100		\$14,458,700
Education Fund	\$20,289,400	\$24,433,600	\$5,950,300	\$12,838,300	\$13,707,900		\$20,828,800
<b>Total</b>	<b>\$33,989,000</b>	<b>\$40,688,000</b>	<b>\$11,245,000</b>	<b>\$22,335,500</b>	<b>\$23,816,000</b>		<b>\$35,287,500</b>
<b>Diff From Static</b>	<b>\$36,630,000</b>	<b>\$43,461,000</b>	<b>\$14,155,000</b>	<b>\$25,395,500</b>	<b>\$27,026,000</b>		<b>\$39,387,500</b>
Jobs	11,628	12,541	2,801	5,325	5,379		6,072
Wages (millions)	\$740.0	\$878.0	\$286.0	\$513.0	\$546.0		\$781.0
Gross Domestic Product (GDP) (millions)	\$997.0	\$1,179.0	\$442.0	\$1,139.0	\$1,215.0		\$1,749.0

<sup>1</sup> Used throughout this note, General Fund includes sales tax earmarks