

Utah Tax Policy

In A National Context

Utah Tax Review Commission
June 30, 2016

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Vice President, State Projects
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www.taxfoundation.org



TOPICS OF DISCUSSION

- State-Local Tax Burden
- Location Matters
- State Business Tax Climate Index
- Trends

ABOUT THE TAX FOUNDATION

we've worked for
79 years

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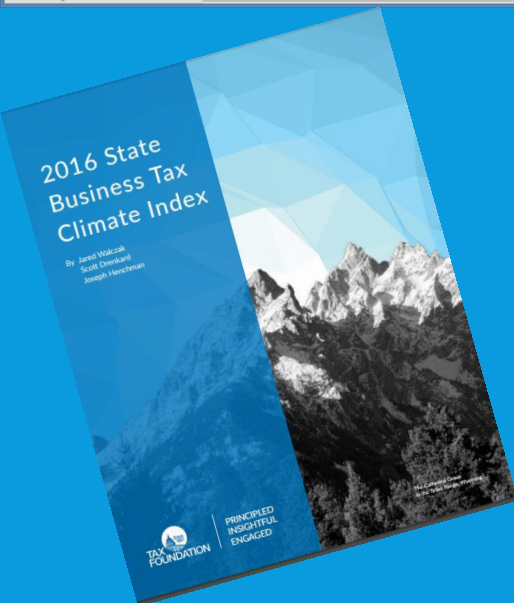
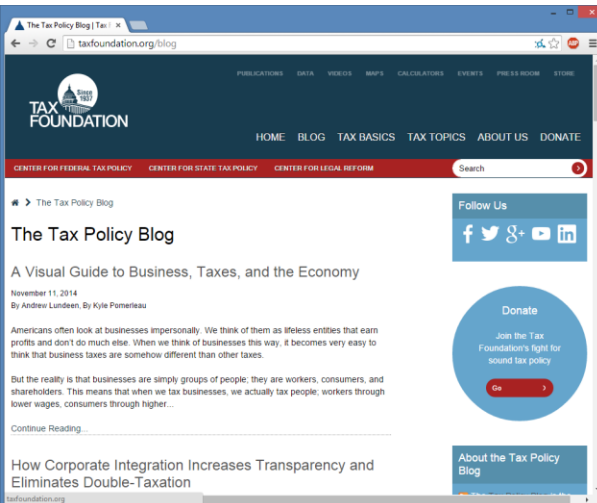
on objective
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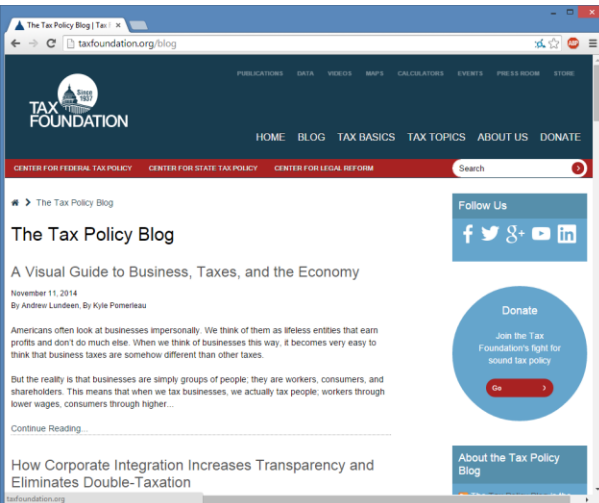
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TAX FOUNDATION

How do the 2016 Presidential Tax Plans Compare So Far?

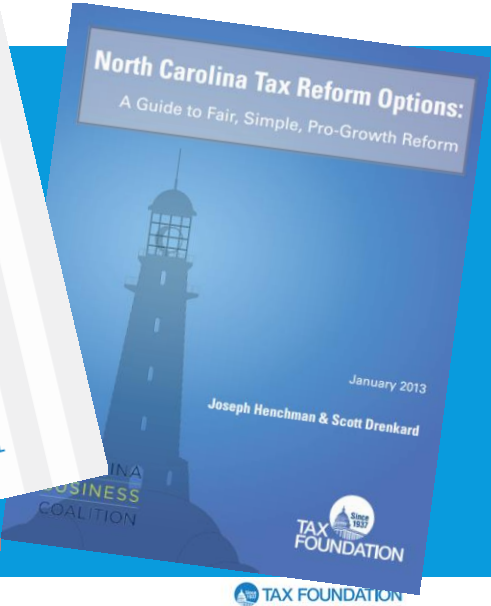
	Bush	Carson	Cruz	Paul	Rubio	Santorum	Trump
10-Year GDP Growth	10%	16.0%	13.9%	12.9%	15%	10.2%	11.5%
10-Year Capital Investment Growth	28.8%	46.6%	43.9%	40.5%	48.9%	29%	29%
10-Year Wage Rate Growth	7.4%	10.9%	12.2%	11.4%	12.5%	7.3%	6.5%
Added Jobs (millions)	2.7	5.2	4.9	4.3	2.7	3.1	5.3
10-Year Static Revenue Estimate (billions)	-\$3,665	-\$5,617	-\$3,666	-\$1,797	-\$6,055	-\$3,223	-\$11,980
10-Year Dynamic Revenue Estimate (billions)	-\$1,610	-\$2,472	-\$768	+\$737	-\$2,401	-\$1,093	-\$10,135

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INTRODUCING
FACTS & FIGURES
FOR YOUR SMARTPHONE

STATE NAME	STATE SALES TAX RATE	AVG LOCAL SALES TAX RATE	COMBINED STATE LOCAL SALES TAX RATE
Ala.	4% (8)	4.97%	8.97% (4)
Alaska	0%	1.76%	1.76% (4)
Ariz.	5.6% (2)	2.65%	8.25% (1)
Ark.	6.5% (9)	2.8%	9.3% (2)
Calif.	7.5% (1)	0.96%	8.46% (1)

ABOUT THE TAX FOUNDATION



we've worked for **79 years** on objective research, data, & analysis at the federal, state, & local levels



How do the 2016 Presidential Tax Plans Compare So Far?

By Jared Watnick, Scott Drenkard, Joseph Henchman

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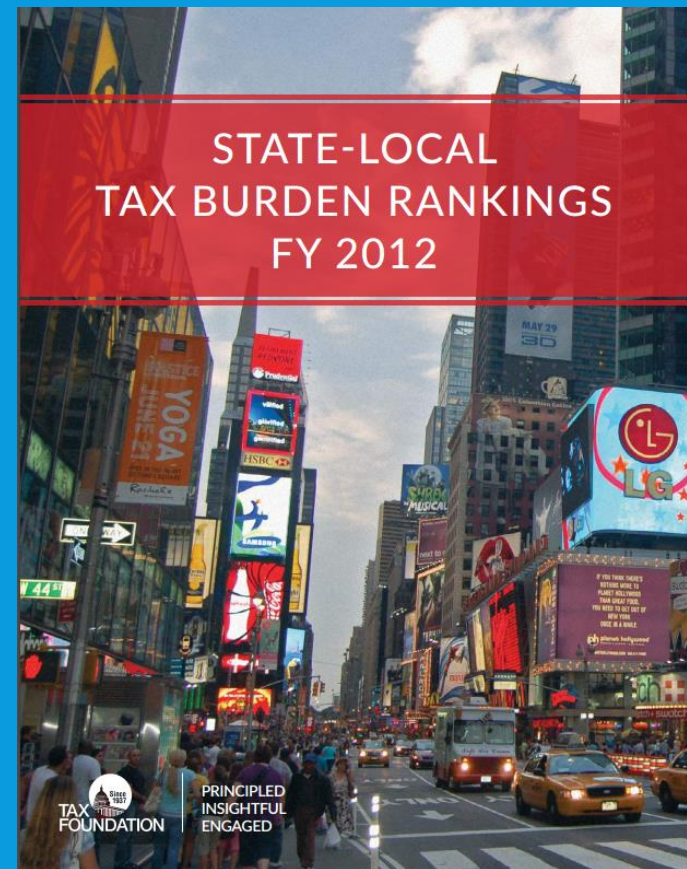


TAX FOUNDATION

MAJOR STUDIES

STATE-LOCAL TAX BURDEN

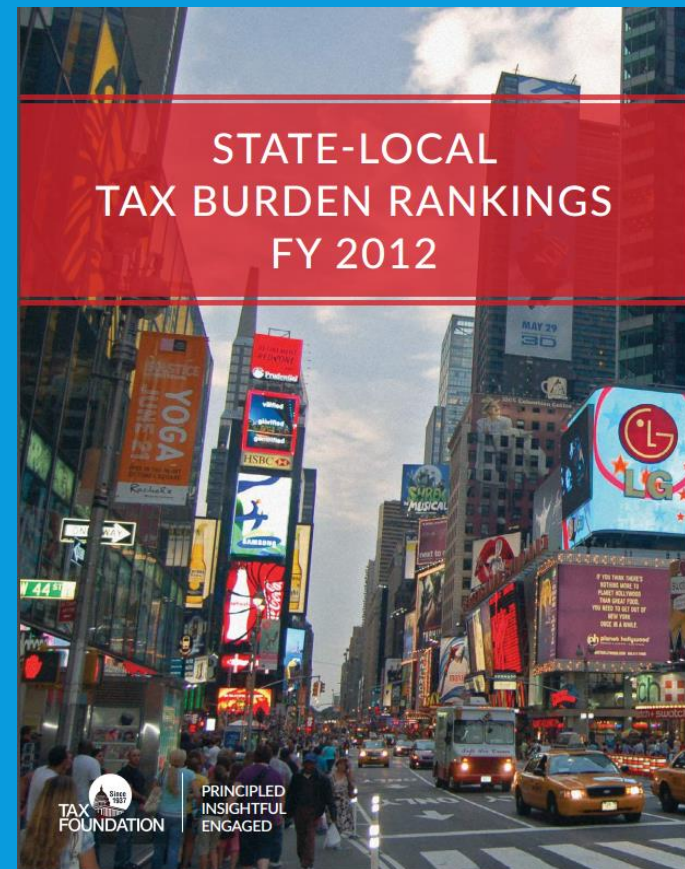
MAJOR STUDIES



STATE-LOCAL TAX BURDEN

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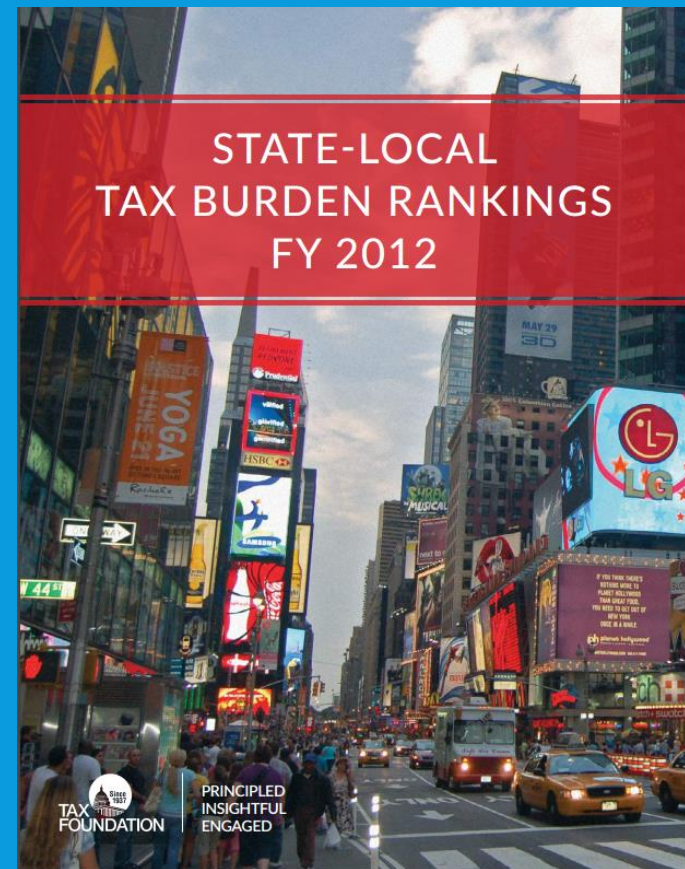
- Tax burden is the portion of income that goes to taxes



STATE-LOCAL TAX BURDEN

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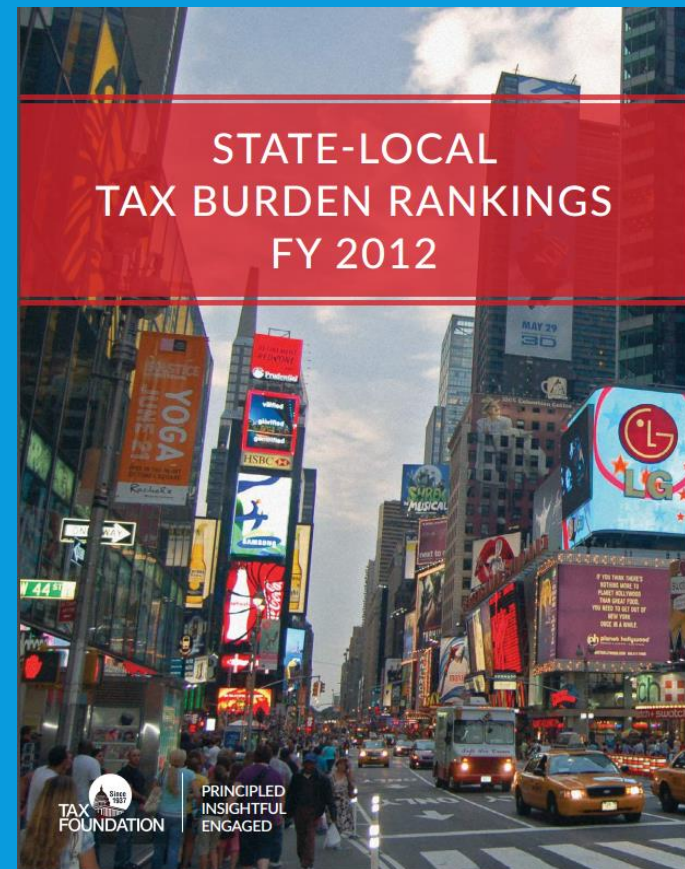
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- Tax collections is amount received by state; tax burden is amount paid by residents



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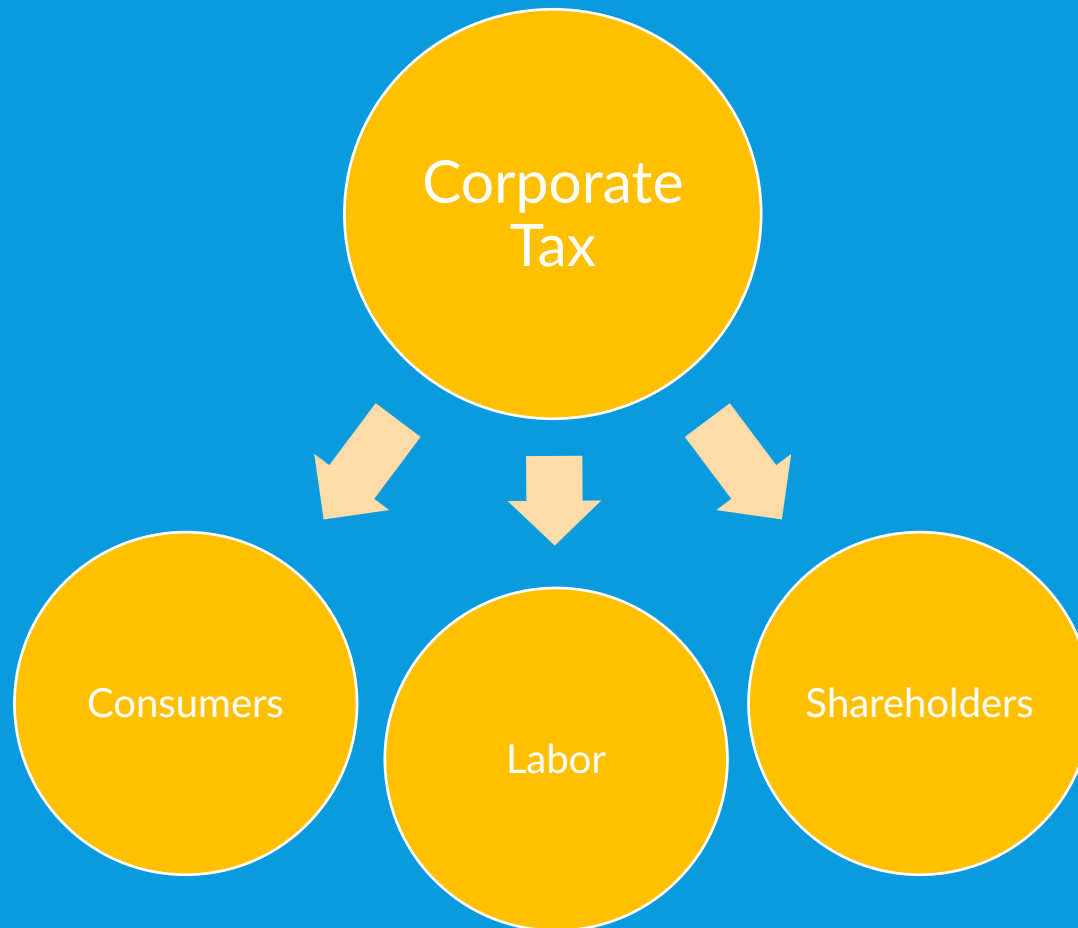
MAJOR STUDIES

- Tax burden is the portion of income that goes to taxes
- Tax collections is amount received by state; tax burden is amount paid by residents
- Incidence: Alaska oil taxes
- Incidence: Corporate income taxes



STATE-LOCAL TAX BURDEN

TAX INCIDENCE

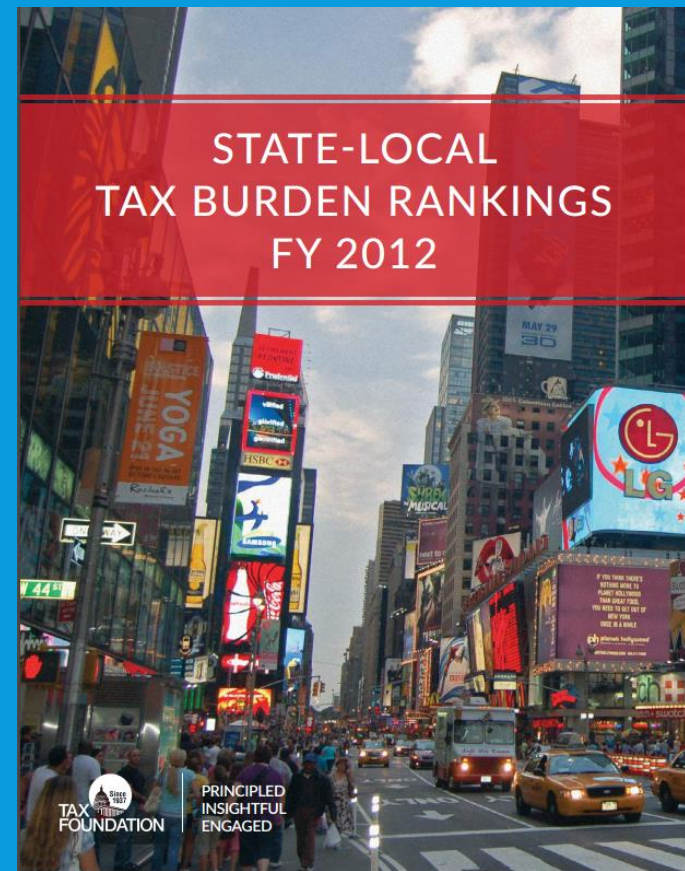


STATE-LOCAL TAX BURDEN

UTAH, FY 2012

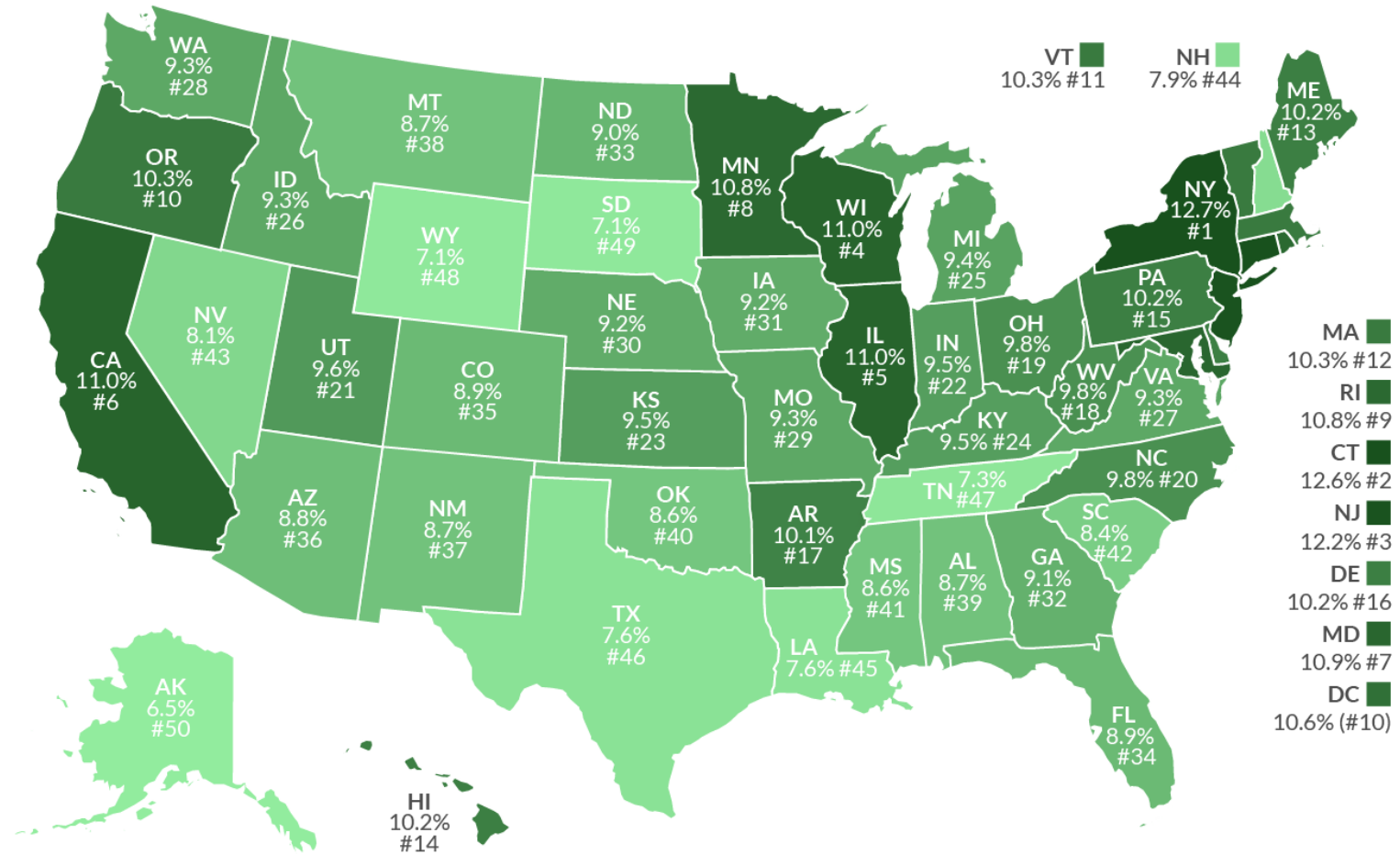
9.6 percent

21st highest



State-Local Tax Burdens by State

State-Local Tax Burdens as a Percentage of State Income, FY 2012



Note: As a unique state-local entity, Washington, DC is not included in rankings, but the figure in parentheses shows where it would rank.

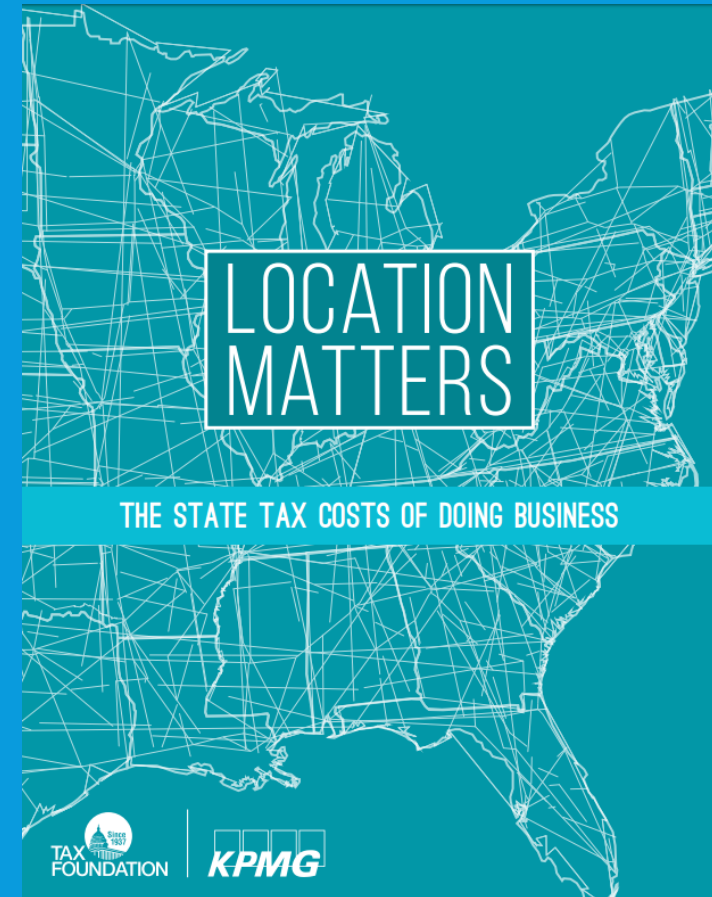
Source: Tax Foundation calculations, U.S. Census Bureau, Rockefeller Institute, Bureau of Economic Analysis, Council on State Taxation, and Travel Industry Association.

State-Local Tax Burden as a Percentage of State Income



LOCATION MATTERS

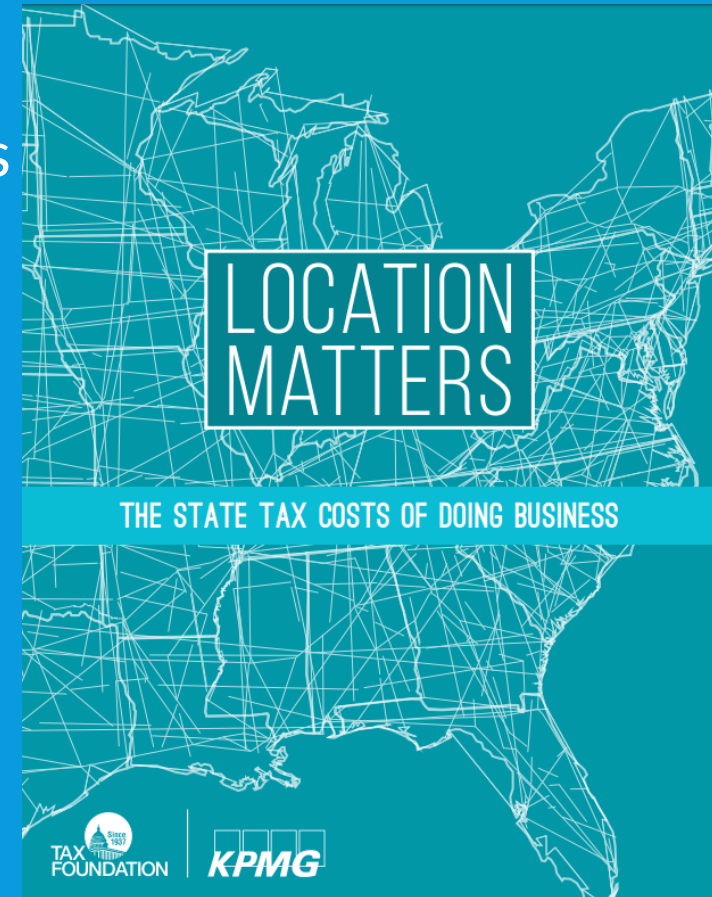
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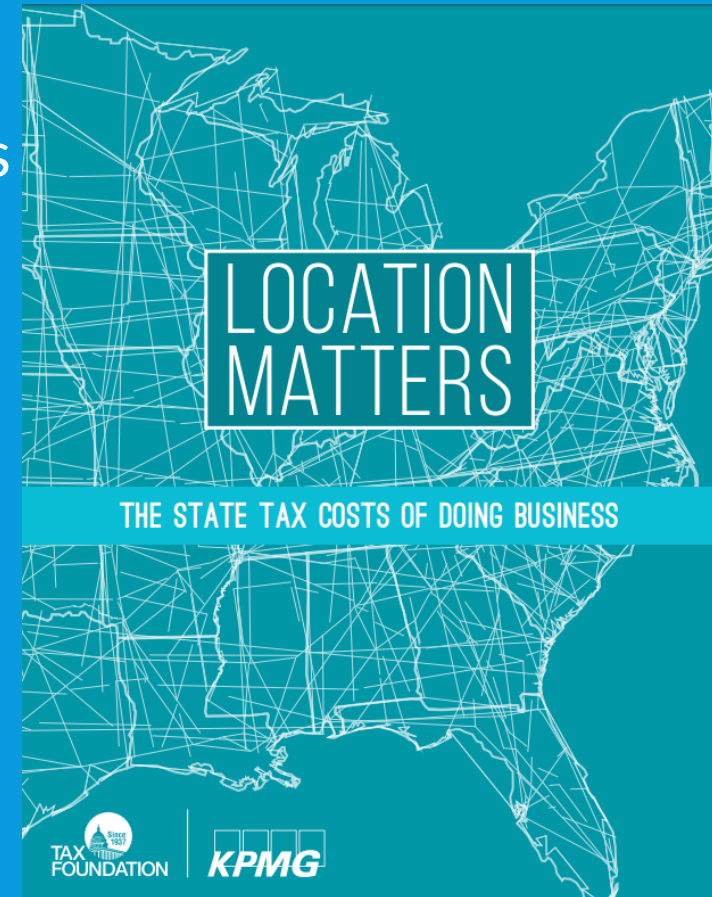
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- Seven model firm types



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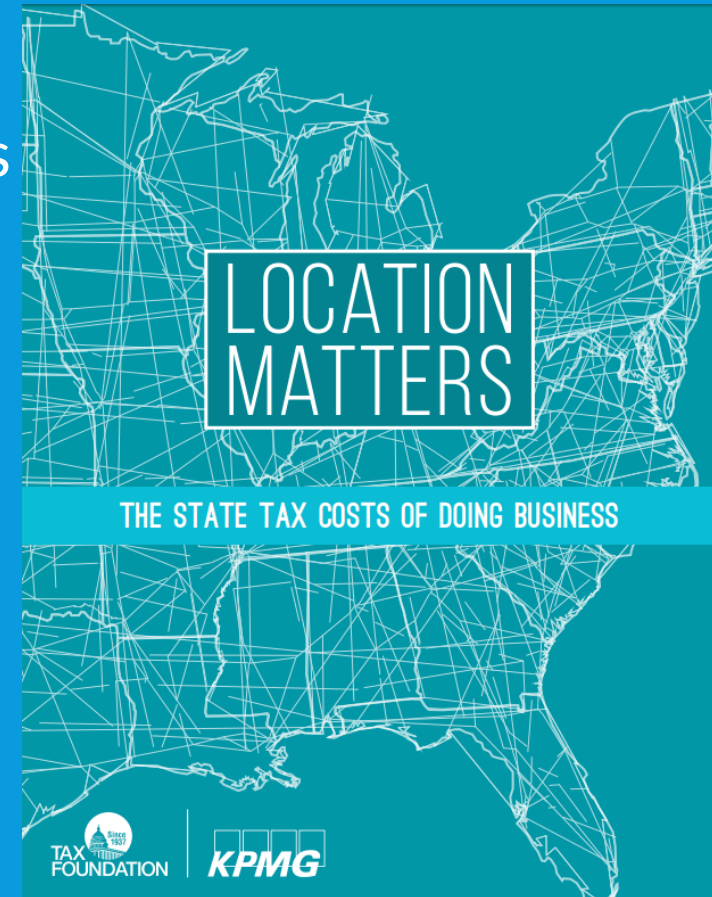
- Apples-to-apples comparison of corporate tax costs in the 50 states
- Seven model firm types
 - Corporate Headquarters
 - R&D Facility
 - Retail Store
 - Capital-Intensive Manufacturer
 - Labor-Intensive Manufacturer
 - Call Center
 - Distribution Center



LOCATION MATTERS

MAJOR STUDIES

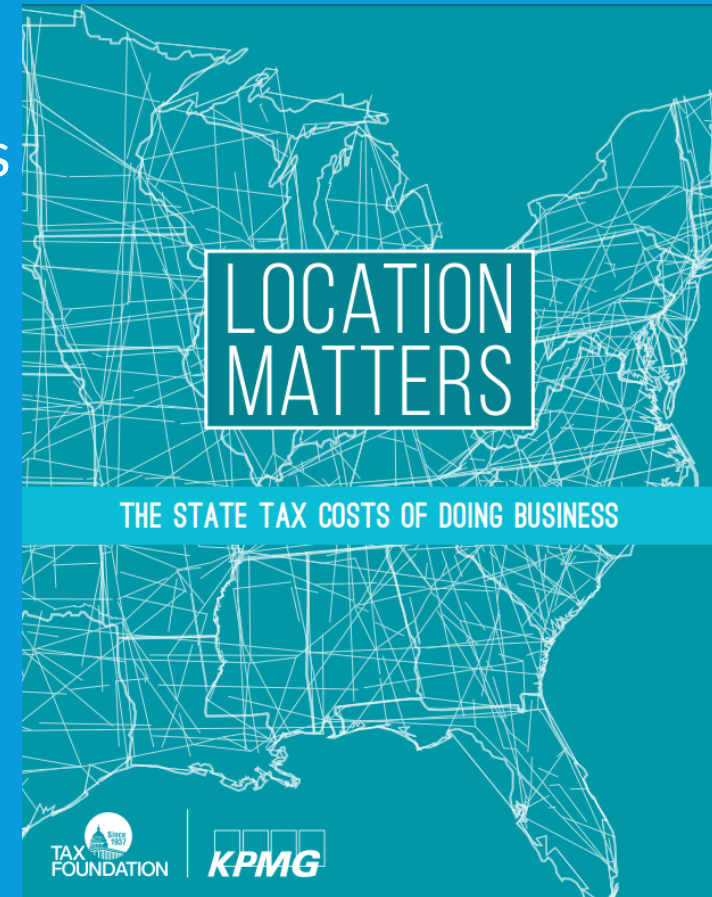
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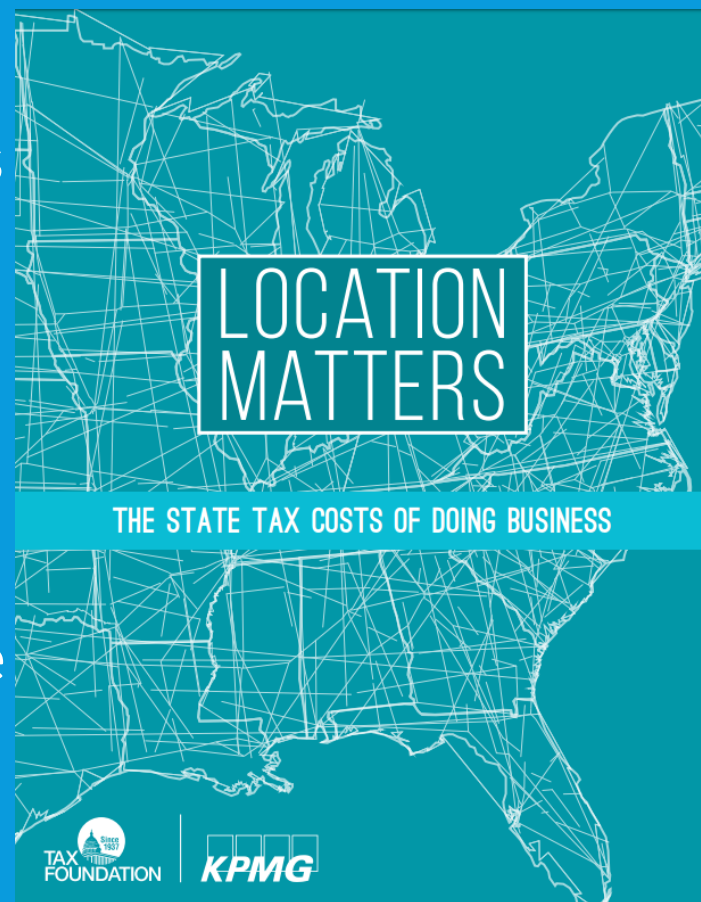
- Apples-to-apples comparison of corporate tax costs in the 50 states
- Seven model firm types
- All business taxes
 - Corporate income taxes
 - Property taxes
 - Sales taxes
 - Unemployment insurance taxes
 - Capital stock & inventory taxes
 - Gross receipts taxes



LOCATION MATTERS

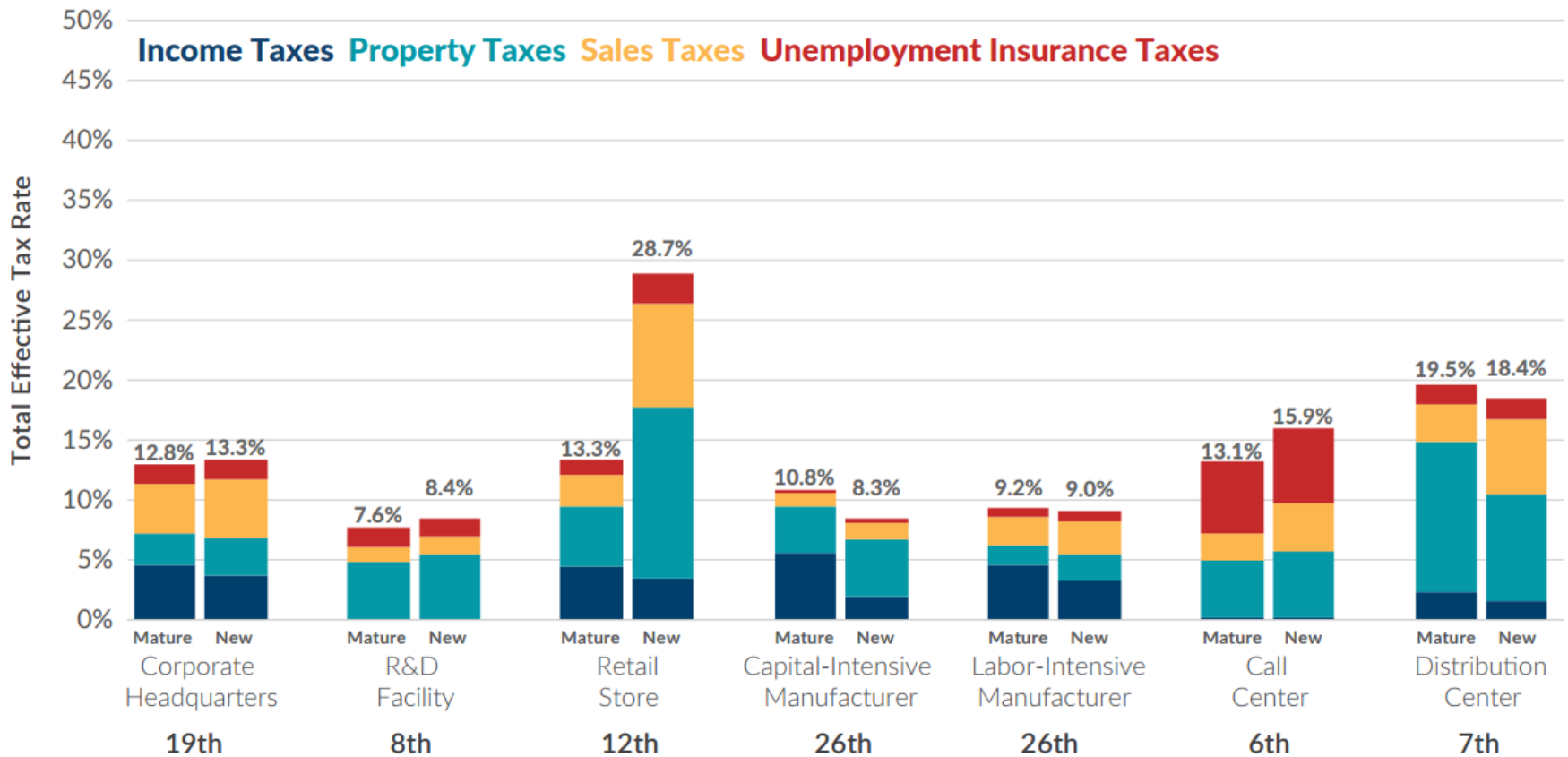
MAJOR STUDIES

- Apples-to-apples comparison of corporate tax costs in the 50 states
- Seven model firm types
- All business taxes
- Modeled twice: once as a mature firm and once as a new firm eligible for incentives



LOCATION MATTERS

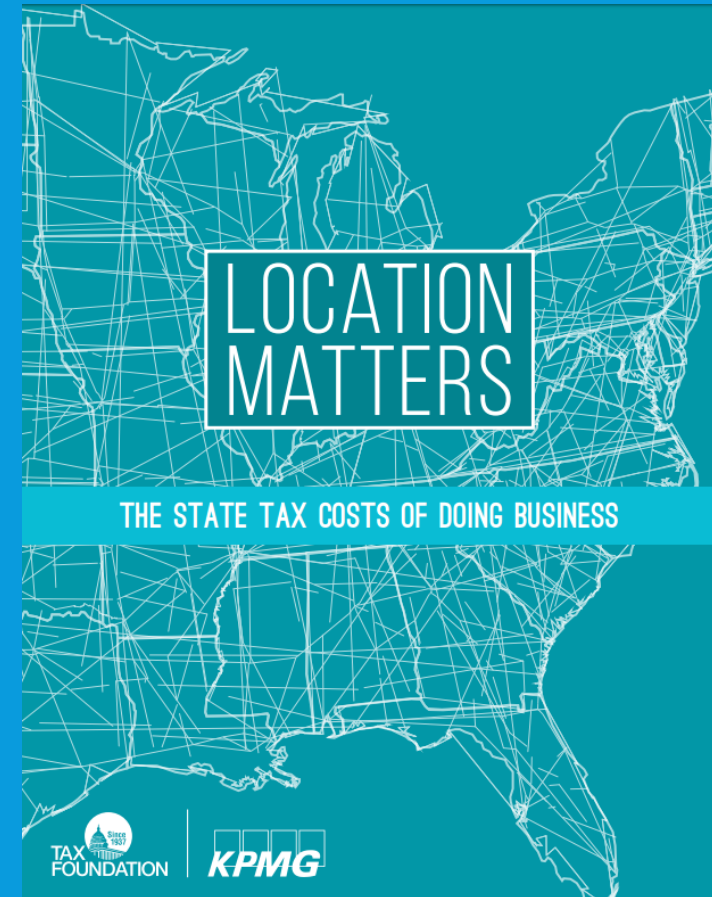
MAJOR STUDIES



LOCATION MATTERS

MAJOR STUDIES

- 12 of 14 firm types have below-average tax burdens in Utah
- 2 are about average: both types of manufacturing
- Unusual: single-sales apportionment but double-weighted sales for manufacturing and throwback
- Property tax on equipment but machinery exempt from sales tax



STATE BUSINESS TAX CLIMATE INDEX

MAJOR STUDIES

2016 State Business Tax Climate Index

By Jared Walczak
Scott Drenkard
Joseph Henchman



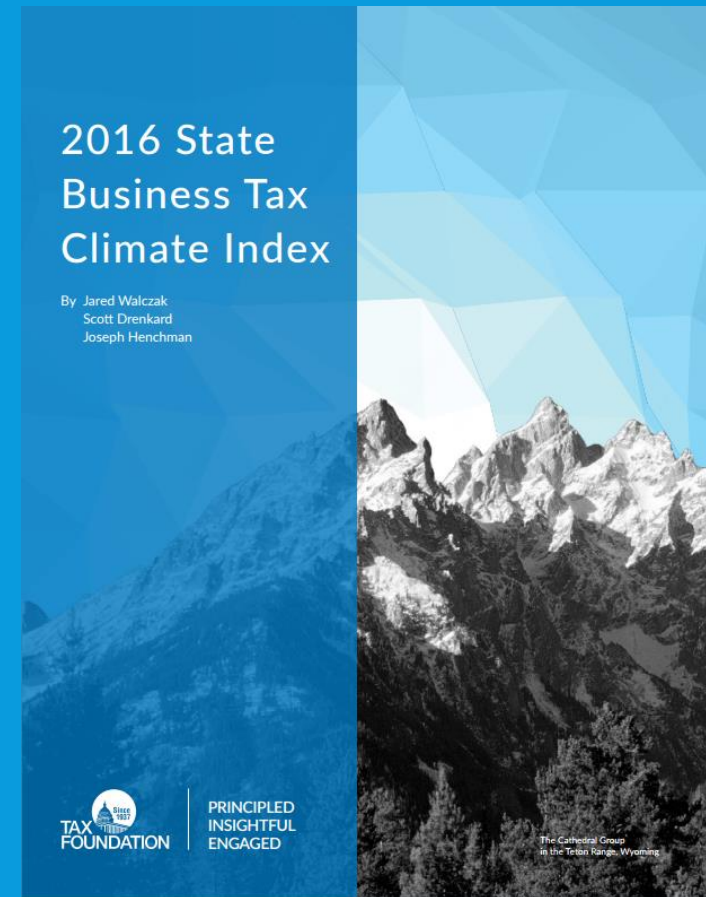
PRINCIPLED
INSIGHTFUL
ENGAGED

The Cathedral Group
in the Teton Range, Wyoming

STATE BUSINESS TAX CLIMATE INDEX

MAJOR STUDIES

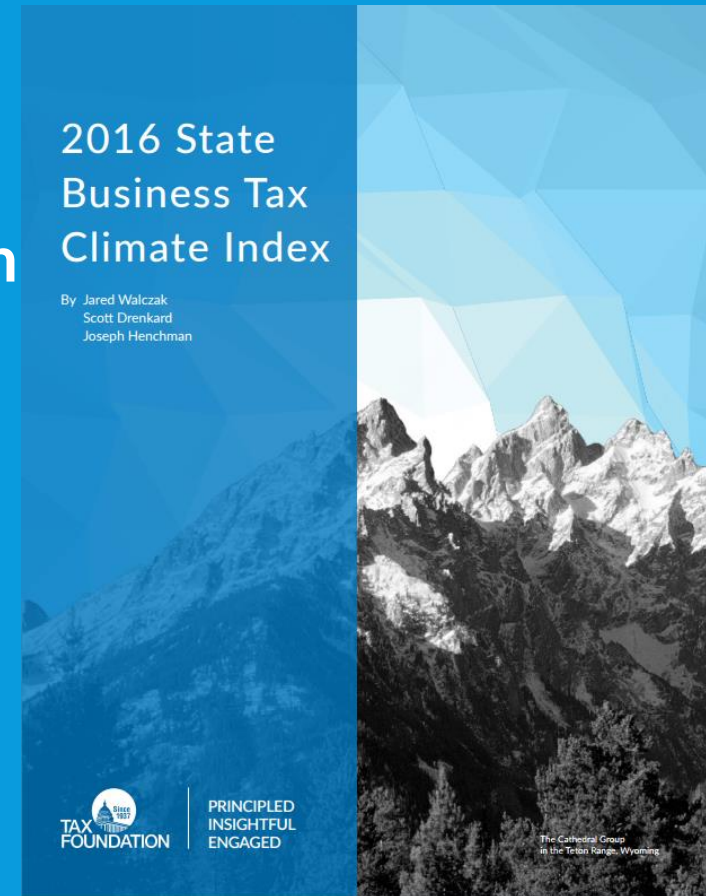
- Comprehensive look at state tax structures



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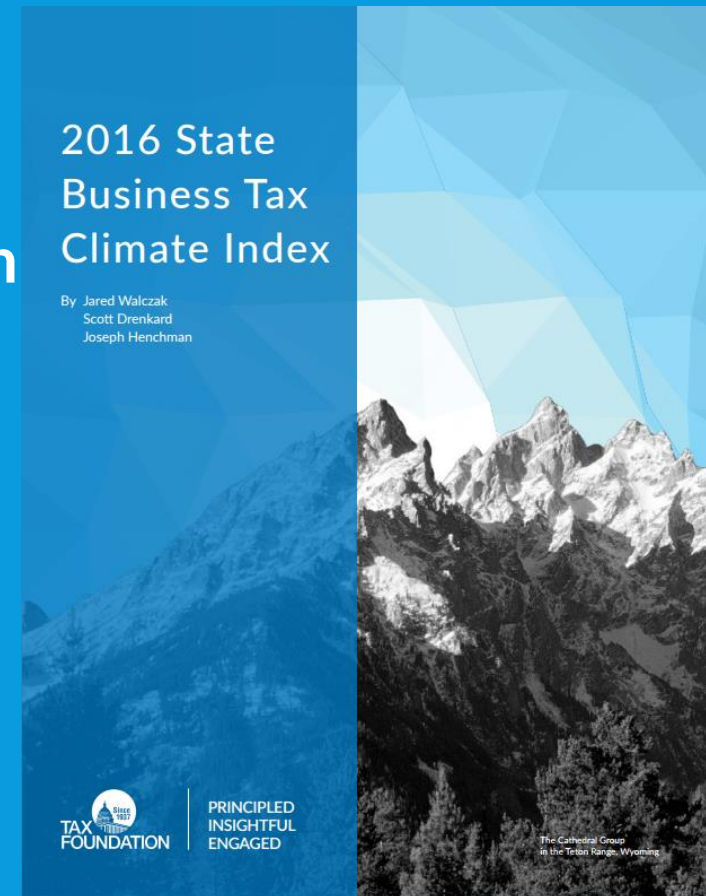
- Comprehensive look at state tax structures
- The **how** rather than the **how much**



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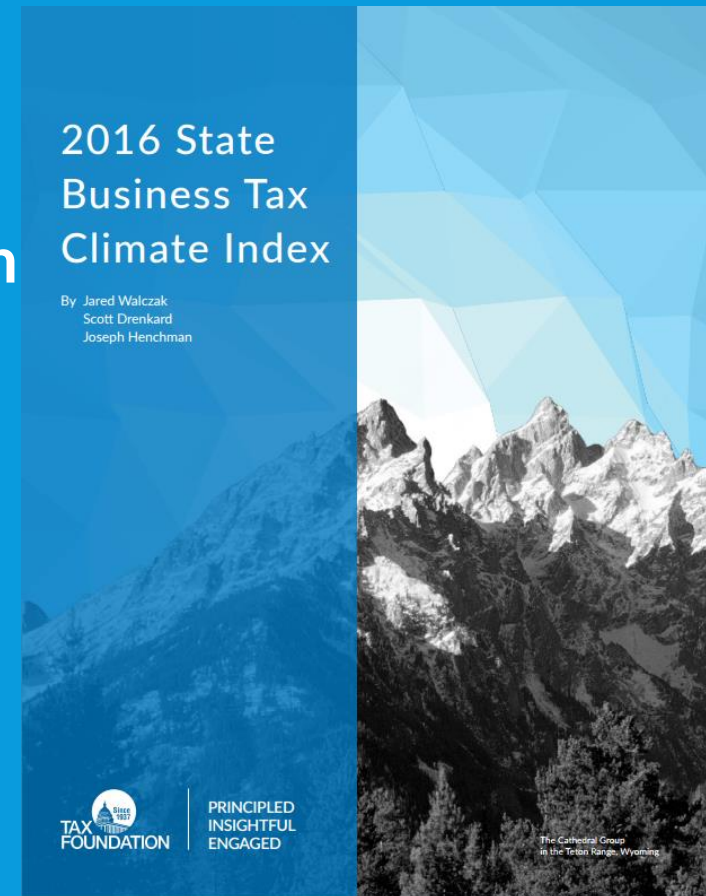
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- The **how** rather than the **how much**
- Five areas of tax:



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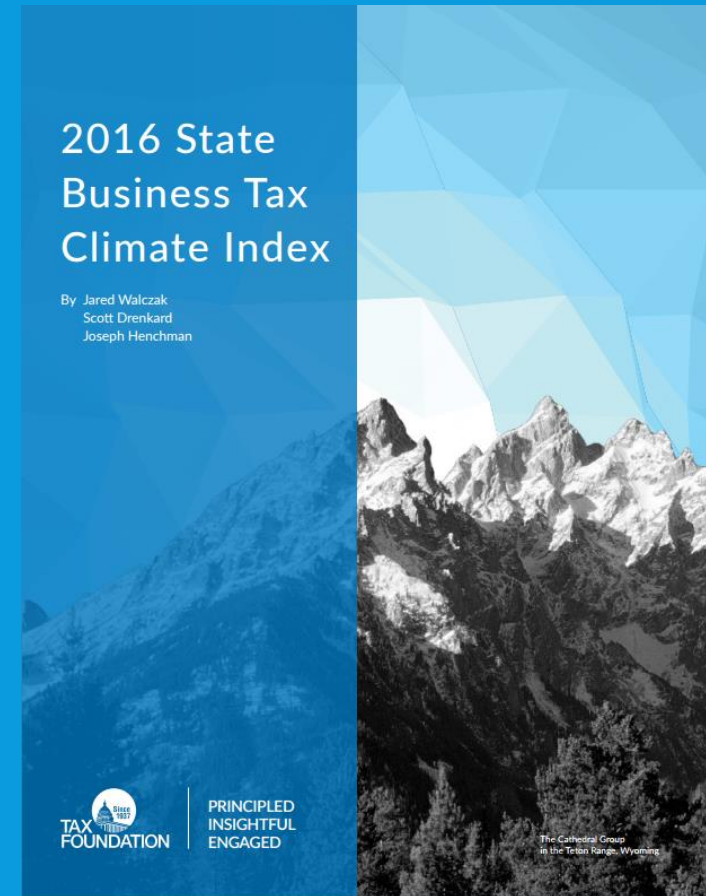
- Comprehensive look at state tax structures
- The **how** rather than the **how much**
- Five areas of tax:
 - Individual income taxes
 - Corporate income taxes
 - Sales and excise taxes
 - Property taxes
 - Unemployment insurance taxes



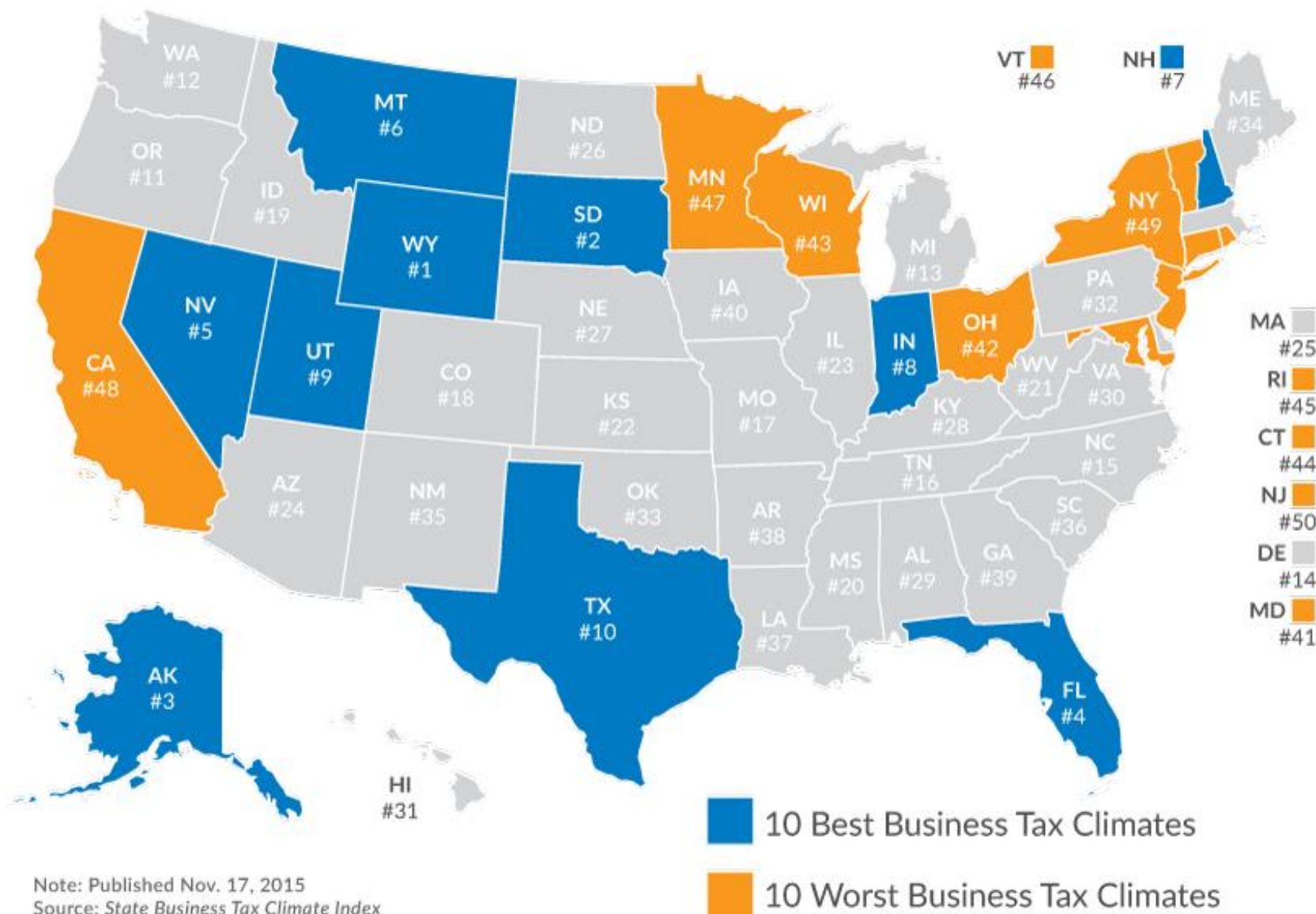
STATE BUSINESS TAX CLIMATE INDEX

MAJOR STUDIES

Overall: 9th



2016 State Business Tax Climate Index



Note: Published Nov. 17, 2015
Source: State Business Tax Climate Index

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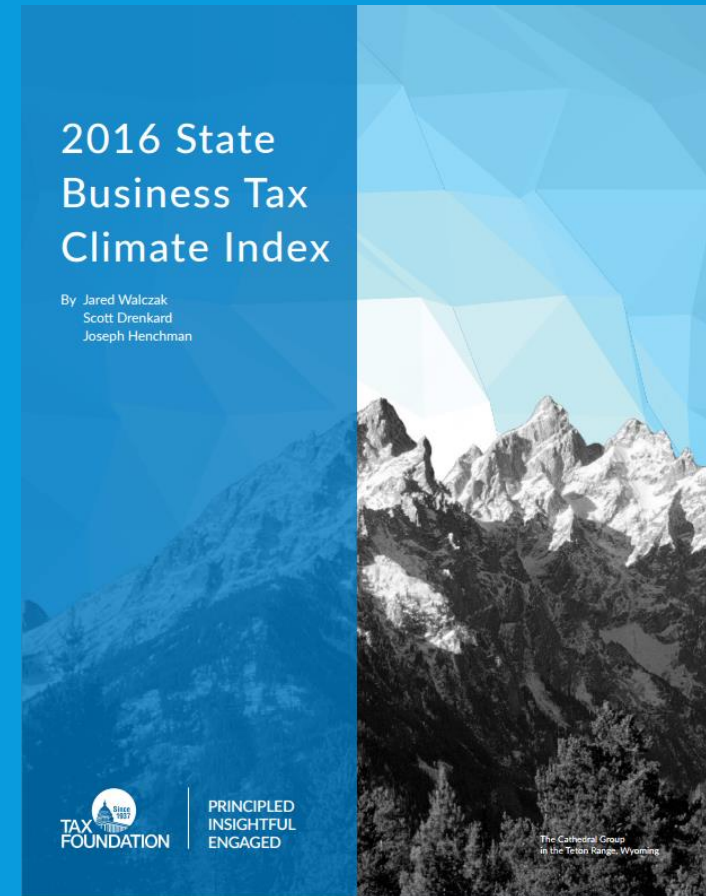
Corporate: 5th

Individual: 12th

Sales: 16th

Unempl. Ins.: 19th

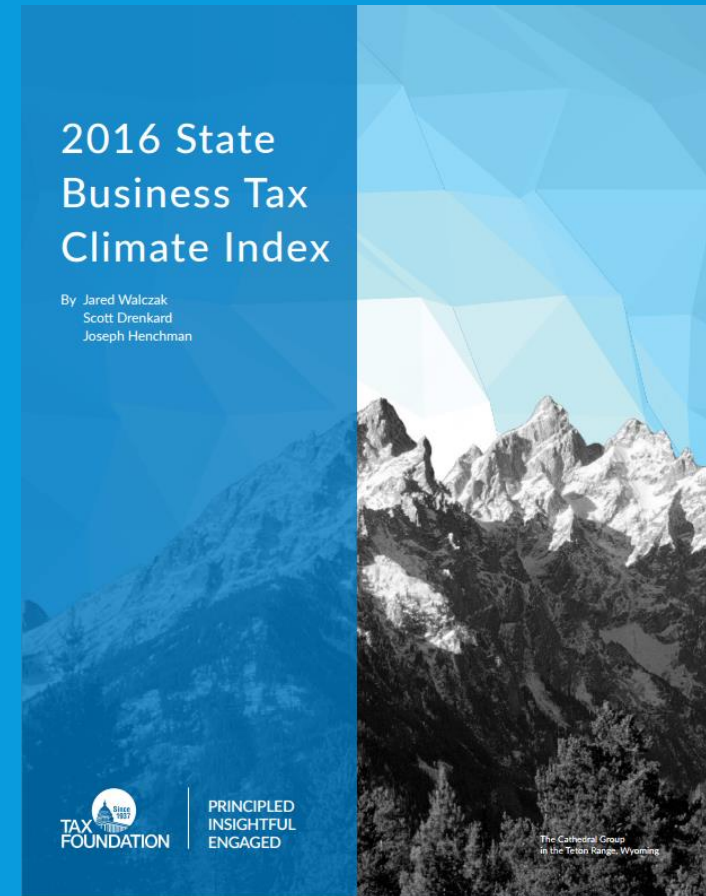
Property: 2nd



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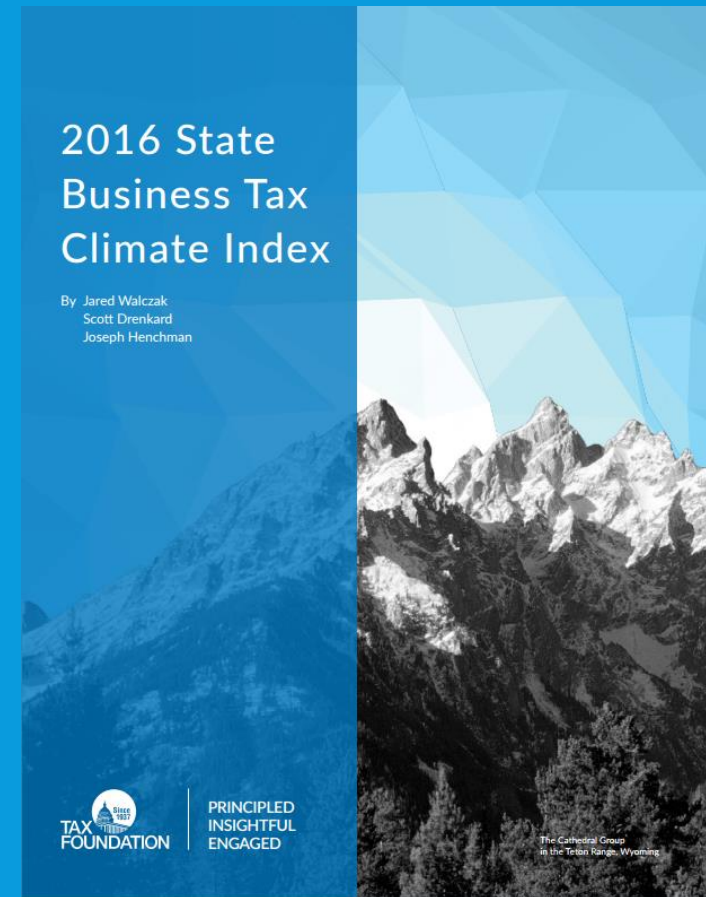
- Utah has all the major taxes but they are well-structured and low.
- NOL carryforwards are 15 years rather than standard 20 years
- Sales tax still applies to some business inputs *but* not as many as other states
- UI is middle-of-the-pack with high wage base *but* it didn't go bust in the recession either



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CONCLUDING THOUGHTS

UTAH

- **Preserve the many, many good parts of what you've built.** Utah officials deserve high praise for consistently looking for ways to improve the tax system, and acting on them.
- **Administration gets high marks.** We recently honored Utah tax administrators for uncovering nationwide identity theft in tax filing software.
- **Evaluation of incentives' effectiveness.** This is a general trend across the states.
- **Trends.** States pondering future of corporate income and sales taxes (services/Internet), and federal aid reliance.

QUESTIONS AND FEEDBACK

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