



# Fiscal Note H.B. 61

2016 General Session  
Corporate Franchise and Income Tax  
Changes  
by Knotwell, J.



## General, Education, and Uniform School Funds

JR4-5-101

|                           | Ongoing         | One-time    | Total           |
|---------------------------|-----------------|-------------|-----------------|
| Net GF/EF/USF (rev.-exp.) | \$(138,317,000) | \$6,586,000 | \$(131,731,000) |

## State Government

UCA 36-12-13(2)(b)

Enactment of this bill may reduce revenue to the Education Fund by \$131,731,000 in FY 2017 and \$138,317,000 in FY 2018. A dynamic fiscal analysis for this bill is available here: <http://le.utah.gov/lfa/fnotes/2016/HB0061.dfn.pdf>

| Revenues                 | FY 2016 | FY 2017         | FY 2018         |
|--------------------------|---------|-----------------|-----------------|
| Education Fund           | \$0     | \$(138,317,000) | \$(138,317,000) |
| Education Fund, One-Time | \$0     | \$6,586,000     | \$0             |
| Total Revenues           | \$0     | \$(131,731,000) | \$(138,317,000) |

Enactment of this legislation likely will not materially impact state expenditures.

| Expenditures       | FY 2016 | FY 2017 | FY 2018 |
|--------------------|---------|---------|---------|
| Total Expenditures | \$0     | \$0     | \$0     |

|                      |            |                        |                        |
|----------------------|------------|------------------------|------------------------|
| <b>Net All Funds</b> | <b>\$0</b> | <b>\$(131,731,000)</b> | <b>\$(138,317,000)</b> |
|----------------------|------------|------------------------|------------------------|

## Local Government

UCA 36-12-13(2)(c)

Enactment of this legislation likely will not result in direct, measurable costs for local governments.

## Individuals & Businesses

UCA 36-12-13(2)(d)

Enactment of this bill may reduce individual and business tax liability by \$131,731,000 in FY 2017 and \$138,317,000 in FY 2018. Of the businesses and individuals affected, the average tax change for an affected entity is \$1,033 in FY 2017.

## Performance Note

JR4-2-404

No performance note required for this bill

## Notes on Notes

Fiscal notes estimate the direct costs or revenues of enacting a bill. The Legislature uses them to balance the budget. They do not measure a bill's benefits or non-fiscal impacts like opportunity costs, wait times, or inconvenience. A fiscal note is not an appropriation. The Legislature decides appropriations separately.



# DYNAMIC FISCAL ANALYSIS

HB0061

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   |                       |                       |                       |                       |                       |     |                       |
| Education Fund | -\$131,731,000        | -\$138,317,000        | -\$145,232,900        | -\$152,494,500        | -\$160,119,200        |     | -\$204,357,200        |
| <b>Total</b>   | <b>-\$131,731,000</b> | <b>-\$138,317,000</b> | <b>-\$145,232,900</b> | <b>-\$152,494,500</b> | <b>-\$160,119,200</b> |     | <b>-\$204,357,200</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                            |                      |                      |                      |                      |                      |     |                      |
| Education Fund                          | \$2,387,900          | \$3,838,100          | \$4,422,700          | \$4,643,800          | \$4,876,000          |     | \$5,926,800          |
| <b>Total</b>                            | <b>\$2,387,900</b>   | <b>\$3,838,100</b>   | <b>\$4,422,700</b>   | <b>\$4,643,800</b>   | <b>\$4,876,000</b>   |     | <b>\$5,926,800</b>   |
| <b>Diff From Static</b>                 | <b>\$134,118,900</b> | <b>\$142,155,100</b> | <b>\$149,655,600</b> | <b>\$157,138,300</b> | <b>\$164,995,200</b> |     | <b>\$210,284,000</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 ( $\Delta GDP / (\Delta \text{Government Spending})$ ) 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                            | \$2,034,800           | \$2,293,800           | \$2,497,300           | \$2,645,200           | \$2,774,700           |     | \$3,348,200           |
| Education Fund                          | -\$128,320,800        | -\$134,472,800        | -\$141,047,700        | -\$148,061,200        | -\$155,468,900        |     | -\$198,746,000        |
| <b>Total</b>                            | <b>-\$126,286,000</b> | <b>-\$132,179,000</b> | <b>-\$138,550,400</b> | <b>-\$145,416,000</b> | <b>-\$152,694,200</b> |     | <b>-\$195,397,800</b> |
| <b>Diff From Static</b>                 | <b>\$5,445,000</b>    | <b>\$6,138,000</b>    | <b>\$6,682,500</b>    | <b>\$7,078,500</b>    | <b>\$7,425,000</b>    |     | <b>\$8,959,400</b>    |
| Jobs                                    | 1,496                 | 1,619                 | 1,696                 | 1,740                 | 1,764                 |     | 1,842                 |
| Wages (millions)                        | \$82                  | \$99                  | \$112                 | \$124                 | \$134                 |     | \$181                 |
| Gross Domestic Product (GDP) (millions) | \$110                 | \$124                 | \$135                 | \$143                 | \$150                 |     | \$181                 |

## SCENARIO 3: MARGINAL BUSINESS RESPONSE

Make tax policy change proposed by this bill. Do not spend on government programs. Private sector treats tax cut as cost reduction and reinvests savings in production/output.

| Dynamic Impact                          | FY 2017               | FY 2018               | FY 2019               | FY 2020               | FY 2021               | ... | FY 2026               |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----|-----------------------|
| General Fund                            | \$1,362,800           | \$2,133,100           | \$2,824,300           | \$3,436,600           | \$3,989,600           |     | \$6,221,400           |
| Education Fund                          | -\$129,678,300        | -\$135,104,100        | -\$140,978,700        | -\$147,318,100        | -\$154,109,800        |     | -\$194,986,200        |
| <b>Total</b>                            | <b>-\$128,315,500</b> | <b>-\$132,971,000</b> | <b>-\$138,154,400</b> | <b>-\$143,881,500</b> | <b>-\$150,120,200</b> |     | <b>-\$188,764,800</b> |
| <b>Diff From Static</b>                 | <b>\$3,415,500</b>    | <b>\$5,346,000</b>    | <b>\$7,078,500</b>    | <b>\$8,613,000</b>    | <b>\$9,999,000</b>    |     | <b>\$15,592,400</b>   |
| Jobs                                    | 1,353                 | 1,870                 | 2,260                 | 2,549                 | 2,760                 |     | 3,234                 |
| Wages (millions)                        | \$69                  | \$108                 | \$143                 | \$174                 | \$202                 |     | \$315                 |
| Gross Domestic Product (GDP) (millions) | \$116                 | \$171                 | \$219                 | \$260                 | \$296                 |     | \$438                 |

## SCENARIO 4: STRONG BUSINESS RESPONSE

Make tax policy change proposed by this bill. Do not spend on government programs. Private sector treats tax cut as cost reduction which induces businesses to invest savings plus additional \$110M (2017) | \$1.4B (2026) from other sources in production/output.

| Dynamic Impact                          | FY 2017               | FY 2018               | FY 2019              | FY 2020              | FY 2021              | ... | FY 2026              |
|---|-----------------------|-----------------------|----------------------|----------------------|----------------------|-----|----------------------|
| General Fund                            | \$8,117,500           | \$14,121,600          | \$21,607,000         | \$27,551,900         | \$33,931,400         |     | \$83,742,100         |
| Education Fund                          | -\$119,504,000        | -\$117,046,100        | -\$112,686,900       | -\$110,993,900       | -\$109,009,600       |     | -\$78,219,300        |
| <b>Total</b>                            | <b>-\$111,386,500</b> | <b>-\$102,924,500</b> | <b>-\$91,079,900</b> | <b>-\$83,442,000</b> | <b>-\$75,078,200</b> |     | <b>\$5,522,800</b>   |
| <b>Diff From Static</b>                 | <b>\$20,344,500</b>   | <b>\$35,392,500</b>   | <b>\$54,153,000</b>  | <b>\$69,052,500</b>  | <b>\$85,041,000</b>  |     | <b>\$209,880,000</b> |
| Jobs                                    | 7,320                 | 11,627                | 16,587               | 19,677               | 22,741               |     | 43,500               |
| Wages (millions)                        | \$411                 | \$715                 | \$1,094              | \$1,395              | \$1,718              |     | \$4,240              |
| Gross Domestic Product (GDP) (millions) | \$798                 | \$1,311               | \$1,954              | \$2,406              | \$2,903              |     | \$6,981              |