BRIEFING PAPER

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UTAH LEGISLATURE

Utah's General Sales & Use Tax

Where Are We? How Did We Get Here? Where Are We Going?

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HIGHLIGHTS

- State and local sales and use taxes ("sales tax") generated $3.601 billion in FY 2017, $2.454 billion in state revenue and $1.149 billion in local revenue. Approximately $585 million of the state revenue is earmarked, 94% of which is earmarked for transportation purposes.
- Total state sales tax revenue declined by nearly 20% between FY 2007 and FY 2010, due to both economic factors and legislative policy changes, but returned to moderate growth in the last seven years as the economy stabilized.
- Over the long term, the sales tax base is declining gradually relative to the economy. Various explanations account for this decline, including a shift in consumption patterns from taxable goods to nontaxable services; technological change, including e-commerce and digitization of goods; and tax exemptions. A declining sales tax base has important long-term implications for state and local policymakers.
- As the sales tax base has been declining, the Legislature and local governments have generally raised sales tax rates. The Legislature increased the state rate numerous times from the 1960s through the 1980s. From the 1990s to the present, the Legislature has generally reduced state rates. Since enactment of the first local option sales tax rate in 1959, local governments have generally increased local sales tax rates, taking advantage of a proliferation of local sales taxes authorized by the Legislature.
- After initially earmarking all general sales tax revenue to mitigate impacts of the Great Depression, the revenue was deposited into the General Fund beginning in 1955. In the mid-2000s, the Legislature again started earmarking significant amounts of sales tax revenue for transportation.

Sales Tax in Utah

The sales and use tax ("sales tax") is an important revenue source for both the state and its local governments, generating a total of about $3.601 billion in FY 2017. Sixty-nine percent of the total, or $2.454 billion, is generated by the state sales tax. Of the state portion, about $1.857 billion was unrestricted funds deposited into the General Fund. The remaining $585 million in state sales tax revenue was earmarked for transportation, water, and the Qualified Emergency Food Agency Fund, with 94% of the earmarks being used for transportation.[1]

In FY 2017, counties, cities, and towns raised approximately $1.149 billion sales tax revenue. Of this amount, about $745 million was general-purpose revenue and $404 million was earmarked for specific purposes such as mass transit, roads, arts and recreation, and rural hospitals.

This briefing paper provides an overview of the sales tax in Utah, including (a) an historical overview; (b) an explanation of the current system, including a review of the sales tax base, rate, and revenue; and (c) future sales tax issues.

HISTORICAL OVERVIEW

HOW DID WE GET HERE?

Sales Tax Enactment

Prior to the Great Depression, the state relied almost exclusively on the property tax to provide state and local revenue. In fact, in 1930 the property tax accounted for more than 90% of total state revenue. During the Great Depression, the state experienced significant property tax delinquencies. Responding to this decline in revenue, the Legislature enacted an income tax in 1931 and a sales tax in 1933.

The Legislature set the initial sales tax rate at 0.75% and imposed the tax on retail sales of tangible personal property, utility services, restaurant and other public food sales, and admissions. Revenue from the new tax was deposited into an Emergency Relief Fund, over which the governor had substantial discretion for expenditures mitigating the devastating impacts of the Great Depression.[2] Initial exemptions were granted for items already subject to a specialized sales or excise tax and for sales to federal, state, and local governments.

Just a few months after imposing the sales tax, the Legislature met in a special session and more than doubled the sales tax rate, repealed the two-year sunset date, and limited the sales tax to the sale of tangible personal property. In addition, if revenue came in above a certain threshold, property taxes were to be reduced to compensate for the extra sales tax growth. The bill also included a sales tax exemption for religious and charitable institutions.

Early Changes

In 1937, the Legislature imposed the "use" tax, a companion tax to the sales tax that is imposed at the same rate as the sales tax, but on property purchased out of state and used, stored, or consumed within the state.[3] Also in 1937, the Legislature required that consumers pay sales tax with sales tax tokens (see Figure 1). However, by the early 1950s sales tax tokens were phased out in favor of a tax remittance process that was easier to administer.[4]

Figure 1
Utah Sales Tax Tokens

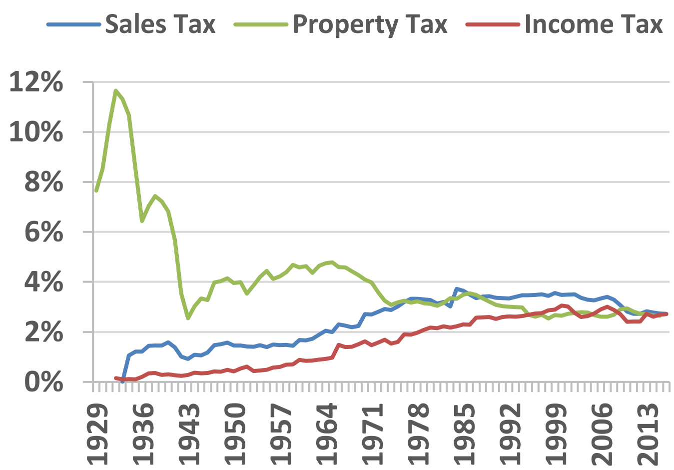
The Legislature eliminated earmarking of sales tax to the Emergency Relief Fund in 1955. Instead, all sales tax revenue was deposited into the state General Fund. Although portions of sales tax growth were occasionally earmarked for certain purposes, such as public education and state facilities, the idea that the state sales tax was primarily for the state's General Fund took root.

Expansion of the Sales Tax

In 1959, the Legislature, for the first time, authorized cities and counties to impose the general local option sales tax, at a rate of 0.50%. This was an important step in revenue diversification for local governments, which, at the time, largely relied on property taxes. That same year, the Legislature expanded the sales tax base by including certain services, such as repairs of tangible personal property, short-term accommodations, and laundry and dry cleaning services.

In response to increasing demand for public services, the sales tax grew dramatically in the 1960s as the Legislature doubled the state rate. From the 2.00% rate implemented in 1933, the Legislature increased the state rate to 2.50% (1961), 3.00% (1963), and then 4.00% (1969). As Figure 2 shows, not long after these increases, the sales tax became the largest revenue source of the three major state and local taxes and has remained the single largest tax nearly every year since.

Figure 2
Three Major Taxes as a Percent of Personal Income
1929 to 2016



Data source: Utah State Tax Commission & U.S. Bureau of Economic Analysis

The first earmarked local option sales tax was created in 1975 when the Legislature authorized a local option sales tax that, if imposed, could only be used to fund a public transit system. In addition, the general local option tax rate was increased from 0.50% to 0.75%.

The state enacted its first differential state sales tax rate in 1977, when it reduced the state rate on residential fuel to 1.00%. Although the rate has changed several times since this initial reduction, residential fuel continues to receive preferential sales tax treatment today, with a reduced state rate of 2.00%.

During the early 1980s, distribution of the general local option sales tax was a topic of major controversy. At that time, local sales taxes were distributed solely based on point-of-sale. There was a significant push to include population as a distribution component because many growing cities had increasing municipal service demands, but minimal retail sales. After several years of wrangling, a compromise was reached in 1983 to increase the general local option sales tax rate and to phase in a distribution formula based 50% on point-of-sale and 50% on population. The general local option sales tax rate initially increased from 0.75% to 0.88% (1983), then to 0.91% (1986), and finally to 1.00% (1990). The 1.00% rate remains in place today, as does the 50/50 distribution.[5]

Coinciding with these local rate increases, the Legislature increased the state sales tax rate in response to economic difficulties and major flooding issues. In 1983, the Legislature increased the rate from 4.00% to 4.13% and again, in a special session later that same year, to 4.63%. In 1986, the rate was reduced to 4.59% only to be increased substantially in 1987 to 5.09%.

Recent History

Since the increases in the mid-1980s, the Legislature has generally reduced state sales tax rates. The 5.09% general state rate put in place in 1987 was gradually reduced over time (5.00% in 1990, 4.88% in 1994, 4.75% in 1997, and 4.65% in 2008). In 2009 the general state rate slightly increased to 4.70% where it has remained since. In addition, the state enacted a differential state rate on food and food ingredients of 2.75% in 2007 and further reduced the rate to 1.75% in 2008.

The general local option sales tax imposed by all municipalities has been constant at 1.00% since 1990. However, local sales taxes have increased since that time through the significant number of different local option sales taxes that the Legislature has authorized during this period, many of which are earmarked for particular purposes. As detailed in Appendix 1, the additional local option sales taxes include public transit and other transportation (1975, 1991, 1998, 2004, 2007, 2009, 2015); resort communities (1983, 1998); zoo, arts, and parks (1993, 2003); rural hospitals (1993, 1994); county option (1998); town option (1998); and city/town option (2008).

Also, in the interest of greater rate uniformity, the Legislature has authorized sales taxes that the state imposes if a county does not impose the county option or imposes certain local options for transportation at a rate less than 0.30%.[6]

Figure 3
Sales Tax Timeline (selected changes)

1933	State sales tax first imposed at 0.75%
	Sunset date removed & rate increased to 2.00%
	All state sales tax revenue deposited into Emergency Relief Fund
1955	All state sales tax revenue deposited into General Fund
1959	General local option authorized (0.50%)
1961	State rate increased to 2.50%
1963	State rate increased to 3.00%
1969	State rate increased to 4.00%
1975	General local option rate increased (0.75%)
	New local option - Public transit
1983	State rate increased to 4.125%
	State rate increased to 4.625%
	General local option rate increased (0.875%)
	General local option distribution - 50% point-of-sale / 50% population (phased in over 10 years)
	New local option - Resort community
1986	State rate reduced to 4.59375%
	General local option tax rate increased (0.90625%)
	Some revenue earmarked for water projects
1987	State rate increased to 5.09375%
1990	State rate reduced to 5.00%
	General local option tax rate increased (1.00%)
	Some revenue earmarked for Olympics
1991	New local option - Additional public transit
1993	New local option - Rural health care facility
	New local option - County ZAP
1994	State rate reduced to 4.875%
	New local option - Rural city hospital
1996	Initial earmark of revenue for transportation
1997	State rate reduced to 4.75%
1998	New local option - General county option
	New local option - Town option
	New local option - Municipal highway
	New local option - Additional resort community
2003	New local option - City/town ZAP
2004	New local option - Fixed guideway/highways
2007	Reduced rate on food (2.75%)
	New local option - County transportation
2008	State rate reduced to 4.65%
	Reduced rate on food (1.75%)
	Removed food from most local tax bases
	New local option - City/town option
2009	State rate increased to 4.70%
	New local option - Airports/highways/transit
2015	New local option - Highways/transit
	New local option - New correctional facility

Data source: Laws of Utah (various years)

WHERE ARE WE NOW?

THE SALES TAX BASE

What Is Taxed?

Although the sales tax is sometimes referred to as a tax on consumption, this is not completely accurate for two reasons. First, many types of consumption escape taxation through exclusion or exemption. Second, the sales tax is also imposed on the sale of business inputs used in production.

The sales tax is currently imposed on the sale, lease, rental, or purchase of most goods and some services, including the following:

- sale, lease, or rental of tangible personal property;
- certain telecommunication services;
- certain cleaning services (laundry, dry cleaning, pet cleaning, etc.);
- residential and commercial use of gas, electricity, heat, coal, etc.;
- food (prepared and unprepared);
- admissions (movies, sports, trails, museums, performances, skiing, and other activities);
- repair or renovation of tangible personal property;
- hotel and motel accommodations and services; and
- sale or repair of products transferred electronically.

The general state and local sales tax bases are almost identical. The biggest difference is that food is excluded from the base for all local option taxes except the general local option and county option taxes.[7]

What Isn't Taxed?

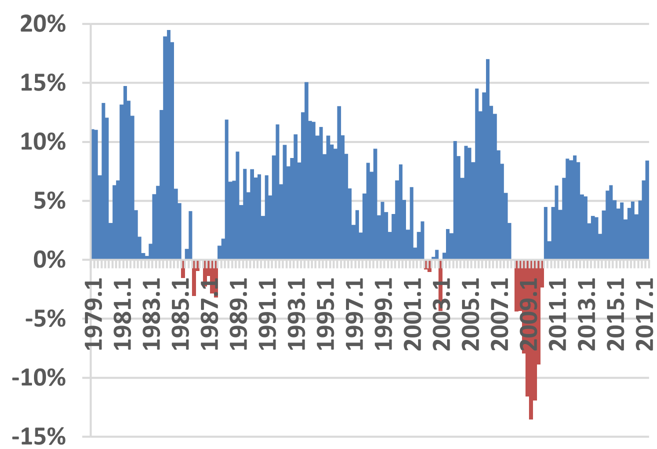
The sales tax is not collected on transactions that are either exempt or excluded. A sales tax *exemption* is a transaction on an item that is included in the general definition of the sales tax base, but not taxed because the item has been specifically removed from the base. Examples include motor and special fuels, property purchased for resale, certain types of mining equipment and machinery, prescription drugs, and purchases made with food stamps. These items fall within the sales tax base but have specifically been exempted from the sales tax by the Legislature.

A sales tax *exclusion* is a transaction on an item that is not included in the general definition of the sales tax base. Examples of items not subject to the sales tax include health care services, legal and accounting services, and many other personal services, such as salon and landscaping services.

Sales Tax Base Over Time

Figure 4 displays the history of the percent change in quarterly taxable sales since 1978. As the growth rates shown in blue suggest, the sales tax base generally grows over time. Also, notice the significant declines during the 2008 recession which are far greater than other declines since 1979. Following the 2008 recession, growth has been moderate at best.

Figure 4
Year-Over-Year Percent Change in Gross Taxable Sales 1978Q4 to 2017Q2



Data source: Utah State Tax Commission

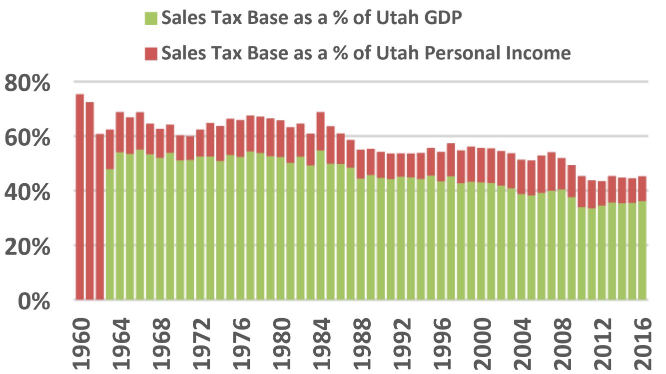
The increased sales price of taxable goods and services, which includes inflation, is the primary reason for the nominal growth observed in Figure 4.

In addition, the sales tax base tends to grow with population increases because a larger population will generally require greater sales of food, clothing, vehicles, and other taxable items. At the same time, this increased population also creates an increased demand for numerous public services funded by the sales tax.

Notwithstanding the general increase in the nominal sales tax base over time, a comparison of the sales tax base with various measures of the economy illustrates that the sales tax base is gradually declining relative to the economy as a whole. Figure 5 illustrates this phenomenon by comparing the sales tax base to two measures of the state economy – Utah personal income and Utah gross domestic product (GDP). As the chart shows, the sales tax base is declining compared to the economy.

The sales tax base is declining relative to the economy because of shifting consumption patterns, an aging population, technological changes, and sales tax exemptions.

Figure 5
Utah Sales Tax Base as Percent of Economy
1960 to 2016



Data source: Utah State Tax Commission & U.S. Bureau of Economic Analysis

One important factor in the relative decline is changing consumption patterns as the economy has shifted to a more service-based economy. In particular, much of the economic growth over the past several decades has come in health, professional, and personal services, which are currently excluded from the tax base.

Another factor in the declining base is technological change, including internet purchases and digitization of goods. Although use tax is owed on items purchased out of state and used in state (such as items purchased over the internet), many consumers simply do not pay the use tax.

The Streamlined Sales Tax Project is an effort by many states, including Utah, to address the issue of uncollected sales and use tax on internet sales. A major goal of the project, which began in 2000, is to create more simplicity and uniformity in sales tax definitions and rates, so that online retailers can more easily comply with sales tax laws throughout the country.

Another technological change impacting the sales tax is the digitization of goods. Many goods that are subject to sales tax, including software, books, magazines, videos, music, and games, are simply no longer purchased because their content is easily obtained digitally at no cost. Moreover, when digital items are purchased, they often cost less than the hardcopy equivalent.

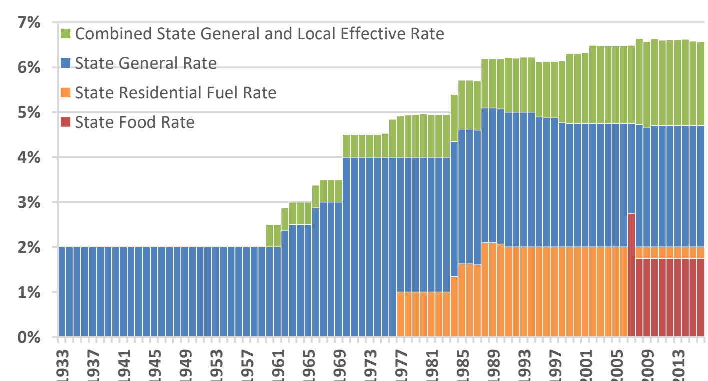
The cumulative effect of these consumption pattern changes is a declining sales tax base. Although the sales tax does not seem to be in danger of immediate collapse, a continuing decline in the tax base could limit the long-term viability of the tax.

SALES TAX RATES

The sales tax rate imposed on a taxable transaction is the sum of the state and local rates imposed at the location of the transaction (see Appendix 1). Because local governments have discretion in imposing local taxes, rates vary throughout the state. Statewide, rates range from 5.95% (imposed by several rural entities) to 8.60% (Moab). The average rate imposed across the state is 6.57%.[8]

Figure 6 shows the historical trends for state and local rates since 1933. As the chart illustrates, the general state rate remained consistent for nearly 30 years after enactment, increased significantly between the 1960s and 1980s, and has gradually declined since. Local rates have generally increased since enactment of the general local option tax in 1959 and other various local option taxes in recent decades.

Figure 6
State and Local Sales Tax Rates
1933 to 2016



Data source: Utah State Tax Commission

State Rates

The general state sales tax rate is currently 4.70%. In addition, a reduced state rate is in place for residential fuel (2.00%) and food and food ingredients (1.75%). If residential fuel and food and food ingredients were taxed at the general rate, a general state rate of about 4.30% would provide the same revenue.

Local Rates

Of the local option sales taxes, two are imposed statewide – the general local option (1.00%) and the general county option (0.25%). In addition to these two taxes, local governments are authorized to impose sales taxes for various purposes, including mass transit, roads, arts and recreation, and rural hospitals. Each of these local option taxes has a specified rate, implementation requirements, and restrictions on how revenue may be used.

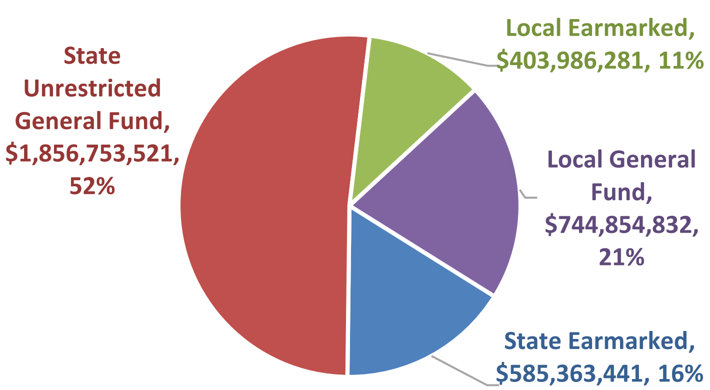
SALES TAX REVENUE

Revenue Amounts

Figure 7 shows the distribution of state and local sales tax revenue. The sales tax generated about $3.602 billion in FY 2017 revenue, making it the single largest state and local tax. Unrestricted sales tax is by far the largest state General Fund revenue source, generating about $1.856 billion (or 76%) of the total $2.240 billion in FY 2017 General Fund revenue. The remaining $585 million in state sales tax revenue was earmarked for various purposes in FY 2017 such as transportation projects, water projects, and the Emergency Food Agency Fund.

In addition to the state revenue, in FY 2017, the sales tax generated about $1.149 billion for counties, cities, and towns. Of this amount, about $744 million was general-purpose revenue, whereas the remaining $404 million was earmarked for specific purposes such as public transportation, highways, arts, recreation, and rural hospitals.

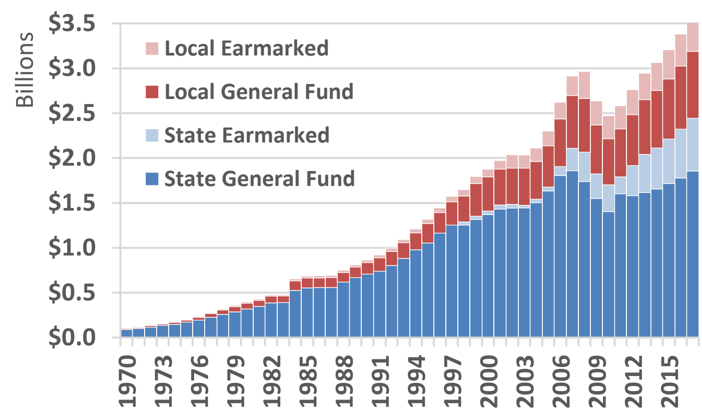
Figure 7
Disposition of Sales and Use Tax Revenue
FY 2017



Data source: Utah State Tax Commission

Figure 8 shows the nominal amount of sales tax revenue over time, for both the state and for local governments.

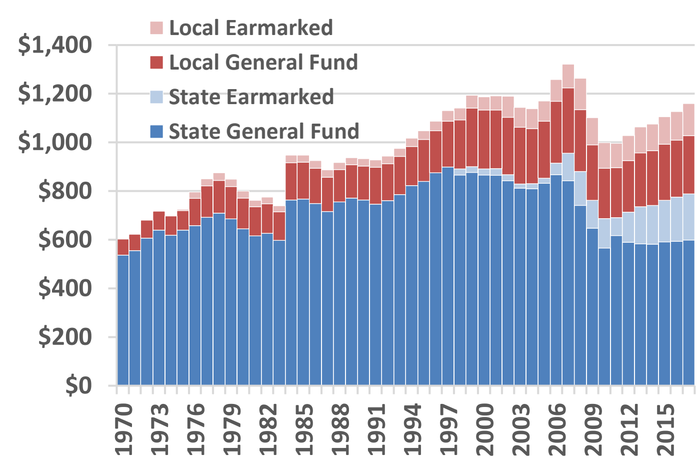
Figure 8
Sales Tax Revenue
1970 to 2017



Data source: Utah State Tax Commission

Figure 9 adjusts the nominal data used in Figure 8 for inflation and population change.

Figure 9
Real Sales Tax Revenue Per Capita (2017 dollars)
1970 to 2017



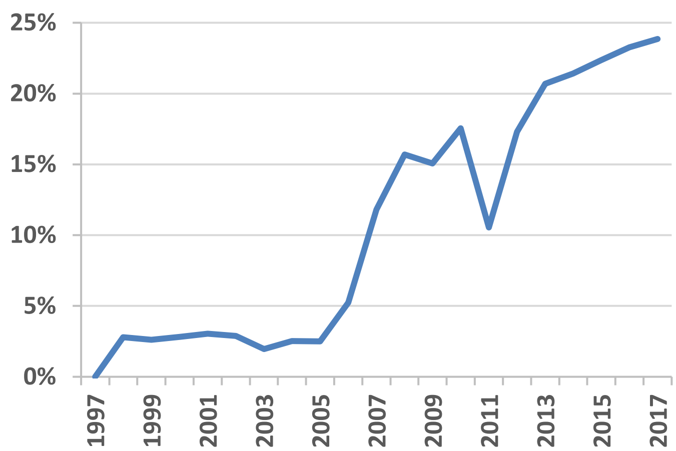
Data source: Utah State Tax Commission, U.S. Census Bureau, and U.S. Bureau of Labor Statistics

Disposition of Revenues

After initial earmarking of sales tax revenue for the Depression-era Emergency Relief Fund, the Legislature moved away from earmarking sales tax revenue in the mid-1950s. However, in the past two decades this trend has reversed itself, and the Legislature has earmarked a significant amount of both state and local sales tax revenues. Figure 10 shows that earmarked sales tax revenue as a percent of total state sales tax revenue has increased from 0% in 1997 to more than 24% in 2017.

Beginning with relatively minor sales tax earmarks for water projects, the Olympics, and local transit in the late 1990s and early 2000s, the Legislature increased sales tax earmarks for transportation projects in most years since 2005. Due to the passage and subsequent veto override of S.B. 229 (2011 General Session), sales tax earmarks will likely continue to increase through FY 2018 absent additional action by the Legislature.[9]

Figure 10
Earmarked State Sales Tax Revenue as a Percent of Total State Sales Tax Revenue
1997 to 2017



Data source: Utah State Tax Commission

Proponents of earmarks argue that they are a vital budgetary tool used to set aside funds for a specific public purpose when the annual budget process does not adequately provide for long-term needs. Opponents argue that all expenditures should compete annually through the budgetary process.

FUTURE SALES TAX ISSUES

WHERE ARE WE GOING?

Although the last of Utah's three major taxes to be adopted, the sales tax has consistently been the single largest revenue generator for nearly four decades. It has shown the capacity to generate significant revenues to fund expenditures approved by the Legislature and has also proven to be more tolerable[10] than other taxes.

The sales tax will continue to be an important revenue source for state and local governments. However, a changing economy is having a potential long-term impact on the state's ability to raise sales tax revenue.

As health care costs increase, baby boomers, a large segment in our society, will spend a disproportionate amount of their income on untaxed services. Millennials, a growing segment in society, are also having an impact on the sales tax because they tend to prefer to rent instead of own, use digital products instead of buying tangible ones, prefer to share rather than own[11], and value experiences more than possessions.[12] [13] All of these decisions reduce the state's sales tax revenue.

Additionally, since 1998, the Legislature has reduced the sales tax base by eliminating the sales tax on various business inputs, admissions to college athletic events, certain alternative energy sources, gold, silver, and platinum, certain water sources, disposable home medical supplies, fuel cells, and certain types of car washes.

These factors are all contributing to a decline in sales tax revenues relative to the economy. In time, this difficult reality will require the Legislature to either: (1) reduce services, (2) raise General Fund revenue in some other way, (3) expand the sales tax base, (4) increase the sales tax rate, or (5) some combination of these options.

Although using alternative revenue sources and reducing service levels are legitimate options, for our purposes we will only discuss expanding the sales tax base and increasing the sales tax rate.

Expanding the Base

There are two ways the Legislature can significantly expand the sales tax base: (1) tax services and (2) repeal exemptions.

Taxing Services

The Legislature could impose a sales tax on services such as banking, financial, legal, accounting, health care, and transportation services. Depending on which services are taxed, a base expansion could generate more than a billion dollars in new revenue or, under a revenue neutral proposal, allow the Legislature to lower the sales tax rate substantially.

Alaska, Hawaii, and New Mexico tax considerably more services than other states.[14] Florida was the last state to significantly expand its base by taxing a broad range of services, including professional services. Due to its unpopularity, Florida's expansion was repealed six months later.[15] Still, states are grappling with a decline in sales tax revenue, which is why, in 2017, 24 states debated draft legislation proposing that services be taxed.[16]

Repeal Exemptions

The Utah State Tax Commission estimated that if the Legislature repealed its current tax exemptions, the state could receive more than $650 million in revenue.[17] Even so, many constituencies will vigorously contend that the state's current sales tax exemptions are critical to an equitable, competitive tax system.

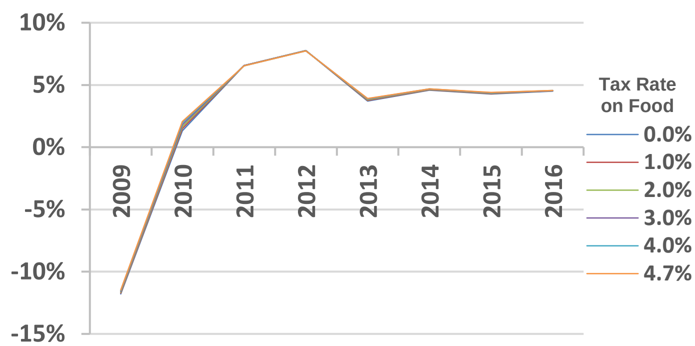
Increasing the Rate

The Legislature could also address declining sales tax revenue by raising the general sales tax rate. One caveat with raising rates is that higher rates create greater economic inefficiency, or what economists sometimes refer to as "deadweight loss." Furthermore, there is a limit on sales tax rate "headroom" (that is, economic and political capacity to increase rates). As shown in Figure 6, the state has more recently ceded sales tax headroom to local governments, cutting state rates while local rates increased. This state and local government interaction in the sales tax will likely remain an issue going forward.

The Legislature could also increase the sales tax on food and food ingredients from the current 1.75% to the general tax rate of 4.7%. In FY 2018, this change would generate an estimated $207 million in additional revenue or allow the Legislature to lower the overall sales tax rate to 4.34%.[18]

Because sales of food and food ingredients are likely less volatile[19] than nonfood sales, some have argued that food and food ingredients should be taxed at the full rate to increase the stability of state sales tax revenue. An examination of tax revenue for the years 2008 through 2017 suggests that a reduced sales tax rate for food likely affects the growth rate of revenue but that the impact may not be significant (see Figure 11). The impact is minimal because the tax rates and the food component of the base[20] are so small.

Figure 11
Growth Rate of State Sales Tax Revenue Given Various Rates on Food and Food Ingredients
2009 to 2016



Data source: Utah State Tax Commission

Going forward, consumer purchasing patterns, digitization of goods, and untaxed internet sales, combined with a narrowing of the sales tax base, are all contributing to a decline in sales tax revenue relative to the economy. If left unchecked, future sales tax revenue will not likely be sufficient to maintain current services. Therefore, in the foreseeable future, the Legislature will be required to make some difficult decisions regarding tax policy.

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[1] This briefing paper examines sales taxes that are imposed generally on taxable items within a particular jurisdiction. Specialized sales taxes or excise taxes (such as taxes imposed on motor and special fuels, cigarettes and other tobacco products, alcohol, restaurant food, hotel rentals, and car rentals) are not covered.
[2] Funds reverted to the General Fund if they were not utilized or if collections came in above certain amounts.
[3] A sale was exempt from the use tax to the extent that tax was paid in another state on the purchase.
[4] http://historytogo.utah.gov/salt_lake_tribune/in_another_time/102394.html
[5] Some comparatively minor "hold harmless" and other exceptions to the general 50/50 distribution exist. See Utah Code Section 59-12-205 for details regarding the existing hold harmless.
[6] The tax authorized in Section 59-12-1802 requires the state to impose a 0.25% rate in counties that do not impose the county option. Since 2008, all 29 counties impose the county option. The tax authorized in Section 59-12-2003 requires the state to impose a sales tax in a county of the first or second class if the county imposes a rate of less than 0.30% for the local options authorized under Sections 59-12-2213, 59-12-2215, and 59-12-2216. In other words, if one of the three local options is imposed at 0.30% (which is the cap for these three local options), the state cannot impose the tax under Section 59-12-2003. The rate the state imposes is equal to the difference between 0.30% and the highest rate imposed for the local options authorized under Sections 59-12-2213, 59-12-2215, and 59-12-2216. Currently, this tax is imposed at 0.05% in Davis and Weber counties. The revenue generated goes to the Utah Transit Authority.
[7] Various items are excluded from the base for the resort community taxes, including motor vehicles, aircraft, watercraft, and mobile homes.
[8] For a list of sales tax rates imposed by counties and cities see http://tax.utah.gov/sales/rates.
[9] S.B. 229 provided that 30% of the growth realized in state sales and use tax revenue over the FY 2011 base revenue amount is deposited into the Transportation Investment Fund (TIF). The 30% of growth will continue to be earmarked for transportation until the total of certain earmarks is equal to 17% of all sales and use tax revenues. Revenue deposited into the TIF is statutorily dedicated to the construction, reconstruction, or renovation of new highway capacity projects that are or will be on the state highway system. State code also allows the use of TIF revenue for maintenance of highways built with TIF funds.
[10] Moon, Matt. "Special Report: How Do Americans Feel About Taxes Today?" Tax Foundation, Special Report No. 199, Apr. 8, 2009 (see page 5).
[11] Price Waterhouse Cooper. "The Sharing Economy." Consumer Intelligence Series, 2015. Retreived on 10/13/2017 from: https://www.pwc.com/us/en/technology/publications/assets/pwc-consumer-intelligence-series-the-sharing-economy.pdf.
[12] "15 Economic Facts About Millenials." The Council of Economic Adviser, October 2015.
[13] Bruce, Donald and Fox, William. "E-Commerce in the Context of Declining State Sales Tax Bases." National Tax Journal. Vol. LII No. 4, Part 3.
[14] 2017 State Business Tax Climate. Tax Foundation. Retrieved on 9/14/2017 from: https://taxfoundation.org/publications/state-business-tax-climate-index/.

[15] Hellerstein, Walter. “Florida’s Sales Tax on Services.” National Tax Journal, Vol. 41, no. 1 (March 1988), pp. 1-18.
[16] Povish, Elaine S. “Why States are Struggling to Tax Services” The PEW Charitable Trusts, June 27, 2017. Retrieved on 9/15/2017 from: http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2017/06/27/why-states-are-struggling-to-tax-services.
[17] Utah State Tax Commission Annual Report (Fiscal Year 2015 - 2016). Retrieved on 9/15/2017 from: http://tax.utah.gov/commission-office/reports
[18] These estimates were provided by the Office of the Legislative Fiscal Analyst to the Revenue and Taxation Interim Committee at the committee’s August 30, 2017 meeting and were based on the circumstances and information available at that time.
[19] Because the available data that break total retail sales into food and nonfood categories only include one year of recession conditions, caution should surround any recommendations based solely on 2009-2016 data. In fact, using the data only for this time span yields unexpected and nonintuitive evidence that food sales are more volatile than the economy.
[20] Although there is a slight upward trend over the past 10 years, food and food ingredients as a percentage of the total sales tax base remains stable at just under 12%. This means that changing the tax rate on food affects a very small part of taxable sales.

Appendix 1
Authorized General Sales & Use Taxes and Rates: July 1, 2017

Description (First Year Imposition Authorized)	Rate as of 7/1/17	Statutory Reference	Imposed % of Statewide Gross Taxable Sales (Estimated)	Revenue (FY 2017)
State-Imposed Sales Taxes Imposed Statewide				
State – General (1933) *or* State – Residential Fuel (1977) *or* State – Food and Food Ingredients (2007)	4.70% 2.00%[#] 1.75%[#]	59-12-103(2)(a) 59-12-103(2)(b) 59-12-103(2)(c)	Statewide	$2.5B
Locally-Imposed Sales & Use Taxes Imposed Statewide				
Local – General Local Option (1959)	1.00%	59-12-204	Statewide	$568.6M
Local – General County Option (1998)	0.25%	59-12-1102	Statewide	$142.2M
Locally-Imposed Sales & Use Taxes Not Imposed Statewide				
Local – Public Transit (1975) *or* Local – Municipal Highway / Public Transit (1998)	0.25% *or* 0.30%* 0.30%*	59-12-2213 59-12-2215	80% of taxable sales (Imposed countywide in Davis, Salt Lake, Utah, and Weber counties and within 23 jurisdictions in other counties) 11% of taxable sales (25 cities/towns)	$112.7M $14.5M
Local – Additional Public Transit / Airport / Highways (1991) *or* Local – Public Transit / Fixed Guideway / Highways (2004)	0.25% 0.30%*	59-12-2214 59-12-2216	65% of taxable sales (Imposed countywide in Davis, Salt Lake, Summit, and Weber counties and in Brigham City, Perry, and Willard) 15% of taxable sales (Utah County)	$81.8M $21.1M
Local – County Option Transportation (2007) *or* Local – Airport, Highway, Public Transit, or Other Transportation Purposes within Counties of Second Class (2009)	0.25%* 0.10% *or* 0.25%	59-12-2217 59-12-2218	59% of taxable sales (Cache, Millard, Salt Lake, Summit, Weber) 15% of taxable sales (Utah County)	$74.2M $19.1M
County Option Highway or Public Transit (2015)	.25%	59-12-2219	21% of taxable sales (Carbon, Davis, Duchesne, Grand, Rich, San Juan, Sanpete, Sevier, Tooele, Weber)	$27.5M
Local – County Botanical, Cultural, Recreational & Zoological – (1993) *or* Local – City or Town Botanical, Cultural, Recreational & Zoological / ZAP (2003)	0.10% 0.10%	59-12-703 59-12-1402	66% of taxable sales (Cache, Salt Lake, Summit, Uintah, Washington, Weber) 15% of taxable sales (30 cities/towns)	$35.3M $8.2M
Local – Rural Health Care Facilities (1993) *or* Local – Rural City Hospital (1994)	1.00%* 1.00%*	59-12-802 59-12-804	0.6% of taxable sales (Daggett, Garfield, Kane, Grand) 0.1% of taxable sales (Beaver City)	$3.5M $.6M
Local – Resort Community/MIDA (1983)	1.10%*	59-12-401	3% of taxable sales (17 cities/towns)	$17.7M
Local – Additional Resort Community (1998)	0.50%*	59-12-402	0.8% of taxable sales (7 cities/towns)	$6.9M
Local – Town Option (1998)	1.00%*	59-12-1302	0.01% of taxable sales (Snowville)	$.04M
Local – City or Town Option (2008)	0.20%*	59-12-2103	5% of taxable sales (Murray, Naples, South Salt Lake, Riverdale, Vernal)	$9.5M
Local – State correctional facility (2015)	.5%*	59-12-402.1	Not currently imposed	n/a

Description (First Year Imposition Authorized)	Rate as of 7/1/17	Statutory Reference	Imposed % of Statewide Gross Taxable Sales (Estimated)	Revenue (FY 2017)
State-Imposed Sales Taxes Not Imposed Statewide (Related to Certain Locally-Imposed Taxes)				
State – Additional State Sales & Use (2007)**	0.25%	59-12-1802	Not currently imposed	n/a
State – Supplemental State Sales & Use (2008)	0.30%*^	59-12-2003	16% of taxable sales (Davis & Weber counties) (Revenue distributed to a public transit district within the local government.)	$4.1M

\# Taxed at general state rate prior to being taxed at differential rate.
* A tax rate with an asterisk indicates that a tax rate may be imposed up to the listed tax rate. A tax rate without an asterisk is imposed at the listed tax rate.
^ Currently imposed at a rate of 0.05% in Davis and Weber counties.
** To achieve a more uniform single statewide sales and use tax rate, this tax is automatically imposed in a county that does not impose the county option sales and use tax. Revenue is deposited into the General Fund.

Data source: Utah Code, Laws of Utah (various years), Utah State Tax Commission