Guiding Principles for Tax Reform
As Proposed by the Chairs of the Revenue and Taxation Interim Committee
and the Governor’s Office of Management and Budget

Utah’s tax system should be:
1. Simple
2. Economically neutral
3. Reliable
4. Equitable
5. Responsive to interstate and international competition
6. Designed to minimize burdens of compliance and administration
7. Accountable and transparent

A simple tax system that imposes low rates across a broad tax base enhances respect for the tax system; is easier for citizens to clearly understand; facilitates collection and administration; and minimizes tax-created economic distortions.

An economically neutral tax system minimizes adverse effects on household and business decisions by imposing low rates across a broad tax base; treats similar transactions similarly; allows free markets to drive economic decisions by focusing broadly on the general tax system rather than on narrow tax provisions; avoids incenting behavior that would occur absent the incentive; clearly articulates the reasons for preferential tax treatment and regularly scrutinizes for outcomes; and prevents tax-driven, zero-sum games among local jurisdictions or taxpayers.

A reliable tax system raises sufficient revenue to provide necessary public services; remains relatively stable and yields a relatively predictable amount of revenue over time; allows revenue estimation with reasonable accuracy; responds to inflation and population growth; provides certainty by allowing taxpayers to anticipate the tax consequences of economic decisions; minimizes frequent changes in tax bases and rates; manages the impact of tax changes including consideration of impacts on prior economic decisions, transition measures such as phase-ins and incremental changes to minimize dramatic revenue changes, and fiscal impacts that assume both no change in economic behavior as well as demonstrably likely behavioral changes.

An equitable tax system is perceived to be fair, taking into account the broad array of equity issues such as ability to pay; vertical equity (considering the impact on differently-situated taxpayers, including vulnerable populations such as low-income households); horizontal equity (considering the impact on similarly-situated taxpayers); and the benefits principle (where those who use services pay for the service - particularly goods and services other than social welfare and public goods [non-rival and non-excludable goods]); and avoids tax cliffs.

A tax system that is responsive to interstate and international competition fosters a positive climate for capital investment and high-quality job growth; avoids impeding or reducing the productive capacity of the economy; cultivates economic competitiveness with other states and nations; and discourages cross-border shopping.

A tax system designed to minimize burdens of compliance and administration makes it easy for taxpayers to be in compliance by clearly specifying how to determine the tax amount; balances the cost-benefit ratio for collection, administration, and enforcement; minimizes the costs borne by businesses and households to comply with tax laws (including both explicit out-of-pocket compliance costs, as well as implicit costs such as time); and ensures filing and reporting requirements are efficient.

A tax system that is accountable and transparent engenders confidence in the tax system; allows taxpayers to know how much tax they are paying and to which entity they are paying the tax; protects personal and proprietary information; minimizes tax pyramiding; minimizes noncompliance and is difficult to evade; continually monitors the impact and effectiveness of tax policies (including regular scrutiny for any preferential tax treatment); and clearly notifies taxpayers when tax changes occur.