



HB 441 - Tax Equalization and Reduction Act

Bill Summary – 02/28/2019

H.B. 441 includes many provisions to modernize Utah's tax codes, including:

• **Anticipate future new economic activity**

- By including all services in the new base, with limited exceptions, the bill is structured to automatically apply to future services that do not exist today

• **Broaden the sales tax base to include all services with the following exemptions:**

- Agriculture, forestry, fishing and hunting services
- Construction services if provided for construction of new buildings, roads, or bridges. Except for:
 - some heavy and civil engineering construction
 - electrical contractor services
 - plumbing and HVAC contractor services
- Land Subdivision services
- Manufacturing services
- Wholesale trade services
- Scheduled passenger air transportation and support services for air transportation
- Ground freight transportation services
- Transit and school bus services
- USPS Postal Services
- Library Services
- Financial Services except for financial investment services
- Leases of residential and commercial real estate
- Real estate brokerage services
- Professional employer organization services
- K-12, college, university, and trade school services
- Educational support services
- Health care services except for cosmetic medical procedures
- Religious organization services
- Grantmaking and giving services
- Social advocacy and civic organization services
- Public administration services
- Sales of services solely provided by individuals under age 18

• **Implement excise tax in lieu of sales tax expansion in certain cases**

- **Medical insurance premium tax of 1%**
 - Paid by the insurer
- **Real estate transfer tax of 0.075% on all real estate transactions except refinances**
 - Includes, raw land, lots, commercial and residential buildings
 - Paid by the purchaser
 - Collected by title company

• **Eliminate 15 sales tax exemptions**

- Electricity to ski resorts for lifts
- Ski resort equipment and parts
- Machinery or equipment purchased by the film industry and used to produce certain media
- Address list or database used to send direct mail
- Database access (viewing or retrieval of information)
- Aircraft manufactured in Utah
- Vending machine food sold for \$1 or less under certain circumstances
- Unassisted cleaning of property (coin operated laundry, etc.)
- Tangible personal property (including vehicles) trade-ins as part of payment for purchase
- Car wash that does not include interior cleaning
- Newspapers, including subscriptions
- Admissions to college athletic events
- Water
- Textbooks purchased by a student (not including a college book store)



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Expanded base is offset by decreased rates and credits

- **The General Fund’s tax base is broadened by an estimated \$36 Billion**
- **These increases in the base are offset by:**
 - Sales tax rate reduction to 3.10%
 - Income tax rate reduction to 4.75%
 - Expanded Utah Personal Exemption for low-to-middle income Utahns
 - Full expansion to level prior to federal tax reform for those making up to \$70,000 (Joint filing status)
 - EITC for Utahns experiencing intergenerational poverty
 - 10% of federal EITC amount
 - Social security benefits individual income tax credit
- **Implementation structure that phases-in the reduced sales tax rate to ensure assumptions are validated**
 - Jan. 1, 2020 - state sales and use tax rate reduced from 4.7% to 3.9%
 - Oct. 1, 2020 - if sales and use tax revenue collections meet or exceed revenue estimates, state rate reduced from 3.9% to 3.1%.
 - Fiscal Years 2019-2020 and 2020-2021 - any revenues collected in excess of revenue estimates put in restricted account to be used to lower sales and use tax rates
- **Hold harmless provisions for local option sales taxes**
 - Maintain statewide local rates (1.0% + 0.25%)
 - Beginning Jan. 1, 2020 any revenue in excess of previous year collection + growth factor put in restricted account for hold harmless distribution
 - Growth factor = CPI growth + statewide population growth
 - Reduce variable local option rates (0% - 2.75%) proportionate to new base
 - Reduced by 17% of original rate once on Jan 1, 2020 and once on Oct 1, 2020
 - Any revenue losses can be offset with restricted account funds

Tax change for the "Typical" Utahn

Age: 31 - Dependents: 1 - Filer status: Married Filing Joint - Income: \$65,325
Spending on taxable items pre-change: 40% - Spending on taxable items post-change: 48%

Net Tax Reduction: \$640

