

HB 231: The Case for Repeal

Why a 1% Tax on Made to Order Food is a 100% Burden on Utah Families

I. The Mislabeled Tax (Tax Incidence)

- **The Myth:** It's a "tourist tax" paid by out-of-staters.
- **The Reality:** Over 80% of this tax is paid by Utah residents.
- **The Impact:** Over time, it has shifted from being a tax on the luxury of sit-down dining to a tax collected on the "Time-Constrained Parent" picking up a Little Caesar's pizza.

II. The Complexity Monster (Deadweight Loss) This tax is widely considered the most difficult and expensive for the businesses and the State Tax Commission to administer.

- **Arbitrary Distinctions:** Does a cold sandwich in a plastic wrap get taxed less than a custom made one? Does providing a plastic fork change the tax rate?
- **The Compliance Burden:** Local businesses must act as unpaid tax collectors, wasting labor hours on categorization and compliance rather than customer service.
- **The Administrative Circle:** Taxpayers pay for the grocery store's accountant AND for the Tax Commission workers to check the accountant's work.

III. The Inverted Subsidy

- **The Economic Hazard:** We are taxing the local family's dinner table to subsidize specific industries and special pet projects for bureaucrats. (This is Milton Friedman's least efficient way to spend: "Spending someone else's money on someone else.")
- **The Lost Deal:** We proposed a 7% revenue increase via a broader, more stable tax base, but the counties walked away. Opposition isn't about revenue, it's about control.

IV. The Competitive "Keep Out" Sign

- **The Margin Matters:** To an event planner, 1% is a "price wedge" that drives multi-million-dollar conventions to other states.
- **Bastiat's "The Seen vs. The Unseen":** We see the 1% collected; we *don't* see the business that never comes to Utah because of our uncompetitive "specialty" surcharges.

V. The Friedman Principle

You don't make a community richer by taking money out of one pocket, hiring a group of people to move it around, and dropping a smaller amount into another pocket.

Repealing the 1% surcharge will return up to \$100 million annually to the pockets of the taxpayers.