



Fiscal Note
H.B. 61 1st Sub. (Buff)
 2016 General Session
 Corporate Franchise and Income Tax
 Changes
 by Knotwell, J. (Knotwell, John.)



General, Education, and Uniform School Funds

JR4-5-101

	Ongoing	One-time	Total
Net GF/EF/USF (rev.-exp.)	\$(2,773,000)	\$132,000	\$(2,641,000)

State Government

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

Enactment of this bill may reduce revenue to the Education Fund by \$2,641,000 in FY 2017 and \$2,773,000 in FY 2018. A dynamic fiscal analysis for this bill can be found at <http://le.utah.gov/lfa/fnotes/2016/HB0061S01.dfn.pdf>.

Revenues	FY 2016	FY 2017	FY 2018
Education Fund	\$0	\$(2,773,000)	\$(2,773,000)
Education Fund, One-Time	\$0	\$132,000	\$0
Total Revenues	\$0	\$(2,641,000)	\$(2,773,000)

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

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

Net All Funds	\$0	\$(2,641,000)	\$(2,773,000)
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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 \$2,641,000 in FY 2017 and \$2,773,000 in FY 2018. Of the estimated 313 businesses and individuals affected, the average tax change for an affected entity is \$8,859 in FY 2018.

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



HB61, 1st Substitute
 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 ¹	-\$2,641,000	-\$2,773,000	-\$2,910,000	-\$3,060,000	-\$3,210,000		-\$4,100,000
Education Fund							
Total	-\$2,641,000	-\$2,773,000	-\$2,910,000	-\$3,060,000	-\$3,210,000		-\$4,100,000

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	\$47,900	\$77,000	\$88,600	\$93,200	\$97,700		\$118,900
Education Fund							
Total	\$47,900	\$77,000	\$88,600	\$93,200	\$97,700		\$118,900
Diff From Static	\$2,688,900	\$2,850,000	\$2,998,600	\$3,153,200	\$3,307,700		\$4,218,900
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	\$30,300	\$36,600	\$41,700	\$46,100	\$49,900		\$67,100
Education Fund	-\$2,590,300	-\$2,711,800	-\$2,842,200	-\$2,980,900	-\$3,127,600		-\$3,259,700
Total	-\$2,560,000	-\$2,675,200	-\$2,800,500	-\$2,934,800	-\$3,077,700		-\$3,192,600
Diff From Static	\$81,000	\$97,800	\$109,500	\$125,200	\$132,300		\$907,400
Jobs	30	32	34	35	35		37
Wages (millions)	\$1.6	\$2.0	\$2.3	\$2.5	\$2.7		\$3.6
Gross Domestic Product (GDP) (millions)	\$2.2	\$2.5	\$2.7	\$2.9	\$3.0		\$3.6

SCENARIO 3: MARGINAL BUSINESS RESPONSE

Make tax policy change proposed by this bill. Do not spend on government programs. Computer and electronic manufacturers treat the tax reduction as a cost savings and reinvest the savings in production/output.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund	\$74,100	\$111,100	\$166,600	\$222,200	\$277,700		\$462,800
Education Fund	-\$2,517,100	-\$2,587,100	-\$2,633,100	-\$2,686,200	-\$2,746,200		-\$2,597,300
Total	-\$2,443,000	-\$2,476,000	-\$2,466,500	-\$2,464,000	-\$2,468,500		-\$2,134,500
Diff From Static	\$198,000	\$297,000	\$443,500	\$596,000	\$741,500		\$1,965,500
Jobs	60	98	130	156	177		218
Wages (millions)	\$4.0	\$6.0	\$9.0	\$12.0	\$15.0		\$25.0
Gross Domestic Product (GDP) (millions)	\$7.0	\$13.0	\$19.0	\$24.0	\$29.0		\$47.0

SCENARIO 4: STRONG BUSINESS RESPONSE

Make tax policy change proposed by this bill. Do not spend on government programs. Computer and electronic product manufacturers treat the tax reduction as a cost savings, plus savings induces outside investment. The presumed outside investment is \$1.5 billion by semiconductor manufacturers in 2017 and 2018. The computer and electronic product manufacturing industry are assumed to generate ongoing employment of up to 1,200 industry jobs by 2020.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund	\$13,699,600	\$16,254,400	\$5,294,700	\$9,497,200	\$10,108,100		\$14,458,700
Education Fund	\$20,289,400	\$24,433,600	\$5,950,300	\$12,838,300	\$13,707,900		\$20,828,800
Total	\$33,989,000	\$40,688,000	\$11,245,000	\$22,335,500	\$23,816,000		\$35,287,500
Diff From Static	\$36,630,000	\$43,461,000	\$14,155,000	\$25,395,500	\$27,026,000		\$39,387,500
Jobs	11,628	12,541	2,801	5,325	5,379		6,072
Wages (millions)	\$740.0	\$878.0	\$286.0	\$513.0	\$546.0		\$781.0
Gross Domestic Product (GDP) (millions)	\$997.0	\$1,179.0	\$442.0	\$1,139.0	\$1,215.0		\$1,749.0

¹ Used throughout this note, General Fund includes sales tax earmarks