



Fiscal Note
H.B. 293 4th Sub. (Green)
 2018 General Session
 Tax Rebalancing Revisions - As Amended
 by Last, B. (Last, Bradley.)



General, Education, and Uniform School Funds

JR4-5-101

	Ongoing	One-time	Total
Net GF/EF/USF (rev.-exp.)	\$(84,148,000)	\$31,068,000	\$(53,080,000)

State Government

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

Enactment of this bill may have five near-term revenue impacts and one long-term revenue impact: (1) Lowering the individual and corporate income tax rates to 4.95% reduces revenue to the Education Fund by \$52.9 million in FY 2019 and \$56.3 million in FY 2020. (2) Freezing the basic rate could increase budgeted local property tax revenue to the Minimum School Program by an estimated \$36.1 million in FY 2019 and 55.7 million in FY 2020, growing to an estimated \$125.6 million by FY 2023. (3) Maintaining proportional participation of the property tax in the basic school program could generate \$18.6 million in FY 2019 and \$31.0 million in FY 2020, growing to an estimated \$68.2 million in FY 2023. For both of these property tax changes, the actual amount of revenue in these years will vary with the taxable value of property within the school districts. Growth in local revenue supporting the Minimum School Program decreases the amount of Education Fund revenue required to equalize the Basic School Program. (4) Changes to the homeowner's credit outlined in the bill may reduce revenue to the General Fund by an estimated \$180,000 in FY 2019 and \$291,000 in FY 2020, growing to approximately \$708,000 at full implementation in FY 2023. Each county administers the homeowner's credit and files with the Tax Commission for a refund from the General Fund for credit amounts. (5) By phasing-in mandatory single sales factor apportionment for almost all companies, enactment of this bill may decrease revenue to the Education Fund by an estimated \$8.4 million in FY 2020, \$16.2 million in FY 2021, and approximately \$27.6 million beginning in FY 2022 when the sales factor is fully phased in. (6) When the income tax provisions of the federal Tax Cuts and Jobs Act expire at the end of 2027, and presuming the federal government makes no changes to current tax law, this bill may increase revenue to the Education Fund by \$657 million in FY 2029. The bill also authorizes two fund transfers: \$36,117,300 from the Education Fund to the Local Levy Growth Account beginning in FY 2019 and \$65,150,000 from the Education Fund to the Teacher and Student Success Account, also beginning in FY 2019.

Revenues	FY 2018	FY 2019	FY 2020
General Fund	\$0	\$(291,000)	\$(291,000)
General Fund, One-Time	\$0	\$111,000	\$0
Education Fund	\$0	\$(83,857,000)	\$(83,857,000)
Education Fund, One-Time	\$0	\$30,957,000	\$19,175,000
Local Revenue	\$0	\$54,700,000	\$86,700,000
New Account Created By Legislation	\$0	\$101,267,300	\$101,267,300
Total Revenues	\$0	\$102,887,300	\$122,994,300

Enactment of this bill decreases the Education Fund appropriation for the Basic School Program by \$36,117,300 ongoing beginning in FY 2019 and increases the Local Revenue appropriation to the Basic School Program by \$36,117,300 in FY 2019. The bill appropriates \$36,117,300 ongoing from the Local Levy Growth Account to the Voted Local Levy Program (\$18,050,600) and the Board Local Levy Program (\$18,066,700) beginning in FY 2019. It reduces the Education Fund appropriation to the Basic School Program by \$18,650,000 ongoing and increases the Local Revenue appropriation in the Basic School Program by \$18,650,000 in FY 2019. The bill reduces ongoing Education Fund appropriation to the Flexible Allocation - WPU Distribution by \$46,500,000 and increases appropriation from the Teacher and Student Success Account by \$65,150,000 one-time to the Flexible Allocation - WPU Distribution line item. The bill transfers \$36,117,300 from the Education Fund ongoing to the Local Levy Growth Account and \$65,150,000 from the Education Fund ongoing to the Teacher and Student Success Account beginning in FY 2019.

Expenditures	<i>FY 2018</i>	<i>FY 2019</i>	<i>FY 2020</i>
Education Fund	\$0	\$0	\$0
Local Revenue	\$0	\$54,767,300	\$54,767,300
New Account Created By Legislation	\$0	\$101,267,300	\$36,117,300
Total Expenditures	\$0	\$156,034,600	\$90,884,600
Net All Funds	\$0	\$(53,147,300)	\$32,109,700

Local Government

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

Enactment of this bill could increase local property tax revenue collected by Utah's 41 school districts beginning in FY 2019 by holding the minimum basic tax rate at 0.0016 and implementing a "WPU Value" tax rate. The basic tax rate will be held at 0.0016 for 5 years. Preliminary estimates indicate that this may raise approximately \$36.1 million in FY 2019, growing to an estimated \$125.6 million in FY 2023. However, the actual amount collected will vary depending on the taxable value of property within each school district. The increased property tax revenue will support the Basic School Program (WPU) of each school district. The newly created "WPU Value" tax rate increases revenue by \$18.6 million in FY 2019 and \$31.0 million in FY 2020 (assuming 3% WPU Value growth). As opposed to the freezing of the basic tax rate, the WPU Value tax rate increase continues to grow each year, increasing to \$80.6 million in FY 2024 when the basic rate begins to float back down when property values increase.

Individuals & Businesses

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

This bill has 5 direct impacts on individuals and businesses. They are: (1) This bill lowers the individual and corporate income tax rates to 4.95%, lowering the overall tax liability by \$52.9 million in FY 2019 and \$56.3 million in FY 2020. For an income tax filer making \$60,000 per year, the median tax decrease is \$29 in FY 2019 and \$35 in FY 2023. (2) Beginning in FY 2019, enactment of this bill could increase the property tax liability for owners of a \$250,000 primary residential property by approximately \$23 and business owners with a \$1 million property by \$170. These amounts may increase over the course of the 5 years the tax rate is held at 0.0016 and continue beyond the 5 years for the new "WPU Value" tax rate. In FY 2024 (when the basic rate begins floating back down), for an owner of a \$250,000 primary residential home, the increase is \$76 in FY 2024 and for business owners with a \$1 million business property, the increase is \$555. (3) Individuals that receive the homeowner's credit may benefit from the increased credit amounts outlined in the bill. These credits phase in over the 5-year period the Basic Rate is held, with the maximum amount of benefit per claimant increasing by \$14 in FY 2019 to \$49 in FY 2023. The Tax Commission estimates the cost of these changes at \$180,000 in FY 2019 to \$708,000 in FY 2023. (4) Enactment of this bill phases in a single sales factor apportionment for most taxpayers, unless a taxpayer is an optional apportionment taxpayer. Some businesses will benefit as a result of the changes in business income apportionment, while others will see an increase in tax liability. Beginning in FY 2022 when single sales apportionment is fully phased in, approximately 0.9% of businesses will see tax savings of \$71,700 on average, while 2.1% of businesses will see a tax increase of \$22,600 on average. (5) By permanently eliminating the personal exemption and adjusting itemized deductions, when federal tax reform is repealed at the end of 2027, this bill may increase individuals' tax liability by \$657 million in FY 2029.

Regulatory Impact

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

Enactment of this legislation likely will not change the regulatory burden for Utah residents or businesses.

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.