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Tax Reform: Task Force Announced to Examine Taxing Professional Services

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Steve Young Tapped for Tax Expertise

The Utah Legislature has announced the members for its tax reform task force. This task force comprises 10 legislators and four non-voting tax experts, including Holland & Hart Tax Partner Steve Young, and is expected to examine various options to ensure that Utah's tax and budget structure are aligned with the State's economy. It was formed as a result of failed legislation, House Bill 441, which was proposed during the 2019 legislative session and would have expanded the sales tax being charged to service industries such as legal, accounting, engineering, construction, janitorial, and others. The task force is responsible for developing solutions to ensure that Utah's general fund, which is funded mostly through sales taxes, is able to keep up with the needs of our growing state. Taxing service industries will be examined again, as will many other options such as aligning the sales tax rate on food purchased at grocery stores, removing the requirement for all income taxes collected in Utah to go toward education, and a statewide property tax.

Why is the legislature trying to change Utah's tax structure?

Utah's state government is largely funded by sales and income taxes. All income tax in Utah is constitutionally required to fund education, both K-12 and higher education. In recent years, the income tax has seen significant gains. The sales tax has also increased, but at a lesser rate. This imbalance has created a structural issue in the budget: the legislature finds itself with large amounts of tax revenue that can only be spent on education, but too little tax revenue to fund the rest of the government. As a result, other essential government services like transportation, public health, and public safety are left to compete for funding from the lower-performing sales tax. The task force is expected to consider various solutions that would allow the state government to continue running smoothly.

What happens next?

The tax reform task force is expected to have a series of meetings to review Utah's tax code and consider updates that can be made to Utah's tax structure. It is expected that the task force will then make recommendations for changes and that the legislature will meet in a special session this fall to implement those changes.

The Holland & Hart Government Affairs and Tax Team is staying up to date on the task force and the different proposals it will likely consider. Our team has been and will continue to be on the frontlines of this tax discussion. Members of our team played key roles in advising the legislature on taxes during the 2019 legislative session and will continue to do so throughout this year while the task force meets. Our team would be happy to assist you or your company with any questions you might have regarding any proposal put forward by the task force or representation on Capitol Hill as these meetings take place.

Task Force Membership:

Senate Appointees:

Sen. Lyle Hillyard (R-Logan), Co- Chair
Sen. Curt Bramble (R-Provo)
Sen. Kirk Cullimore (R-Sandy)
Sen. Lincoln Fillmore (R- South Jordan)
Sen. Karen Mayne (D-West Valley City)
Gary Cornia (non-voting member)
Keith Prescott (non-voting member)

House Appointees:

Rep. Francis Gibson (R-Mapleton), Co-Chair
Rep. Joe Briscoe (D-Salt Lake City)
Rep. Tim Quinn (R- Heber)
Rep. Mike Schultz (R- Hooper)
Rep. Robert Spendlove (R-Sandy)
Kristen Cox (non-voting member)
Steve Young (non-voting member)

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