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Utah Summer Legislative Update: The Extra Innings of Tax Reform

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The Utah Legislature's Tax Restructuring and Equalization Task Force has now held seven of its eight scheduled meetings to take public comments on how Utah should reform its tax code.

The meetings have occurred throughout the state being held in Brigham City, Layton, Richfield, Kerns, St. George, Roosevelt, and Moab. The final meeting is in Orem. The tour around the state by the task force will be completed by the end of July.

The meetings have been relatively similar each time. Each meeting has included a presentation from legislative staff making an argument that Utah needs to modify its tax laws to keep up with current demand of government services. They also explain that while Utah's income tax is enjoying great growth in revenue each year, sales tax revenue is not growing at a similar pace. Since the sales tax feeds Utah's general fund, and income tax funds education, the staff presentation ends with asking what can Utah do to ensure that the general fund is sustainable long term? The general fund helps pay for public safety, public health, natural resource related projects, states parks and transportation among others.

Following the presentation, the public is allowed to give comments to the task force. In each meeting, every individual wishing to speak has been given 90 seconds to give their feedback about Utah's tax structure. The comments have covered a wide range of items. Some commented on the need to cut taxes, while others made arguments that increases to government revenue could be beneficial to the state. Others commented on the need to increase education funding and many city officials made the case for cities to be protected in any sales tax change that is made since sales taxes are a major funding source for Utah cities.

Ideas for tax reform were also given in the public comments. In nearly every meeting it was mentioned that Utah should remove its earmark that requires all income tax revenue in the state to go towards education funding. It was also mentioned in every meeting that the education income tax earmark should be protected. Other ideas given included creating a fee on the income tax form that is paid by everyone in the state and then offsetting that fee by giving an income tax credit; this would allow more money to go to the general fund but would potentially mean less money flowing to income taxes. Many of the public comments asked for the legislature to not expand the sales tax to services. In the 2019 session, House Bill 441 would have expanded sales taxes to services industries such as attorney, accountants, barbers or taxi drivers. Comments in each meeting have raised issues that might arise from forcing those professions

to issue a sales tax. Other ideas have included creating a state lottery or allowing online sports betting.

The next portion of the meeting is a question and answer period. Those on the task force take questions from the audience that were submitted prior to the start of the meeting. Utah's collection of sales taxes from online retailers has been raised at each meeting. Lawmakers have explained in this meeting that the state is not clear on how much it will collect from online retailers like Amazon or eBay because the state has already been collecting from many of those retailers in the past. They do acknowledge that more time is needed for the State Tax Commission and Legislative Fiscal Analysts to properly estimate how much Utah will benefit from online sales tax collection in the future.

Each meeting concludes with those on the task force thanking the audience for attending and sharing what each member learned from that meeting.

Once the eight meetings have been completed, it is expected that the task force will resume meeting at the state capitol to discuss recommendations to forward to the full legislature on how Utah can update its tax code.

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