



Currently, Utah's Tax System Is Regressive

STATE AND LOCAL TAXES IN UTAH

Share of Family Income

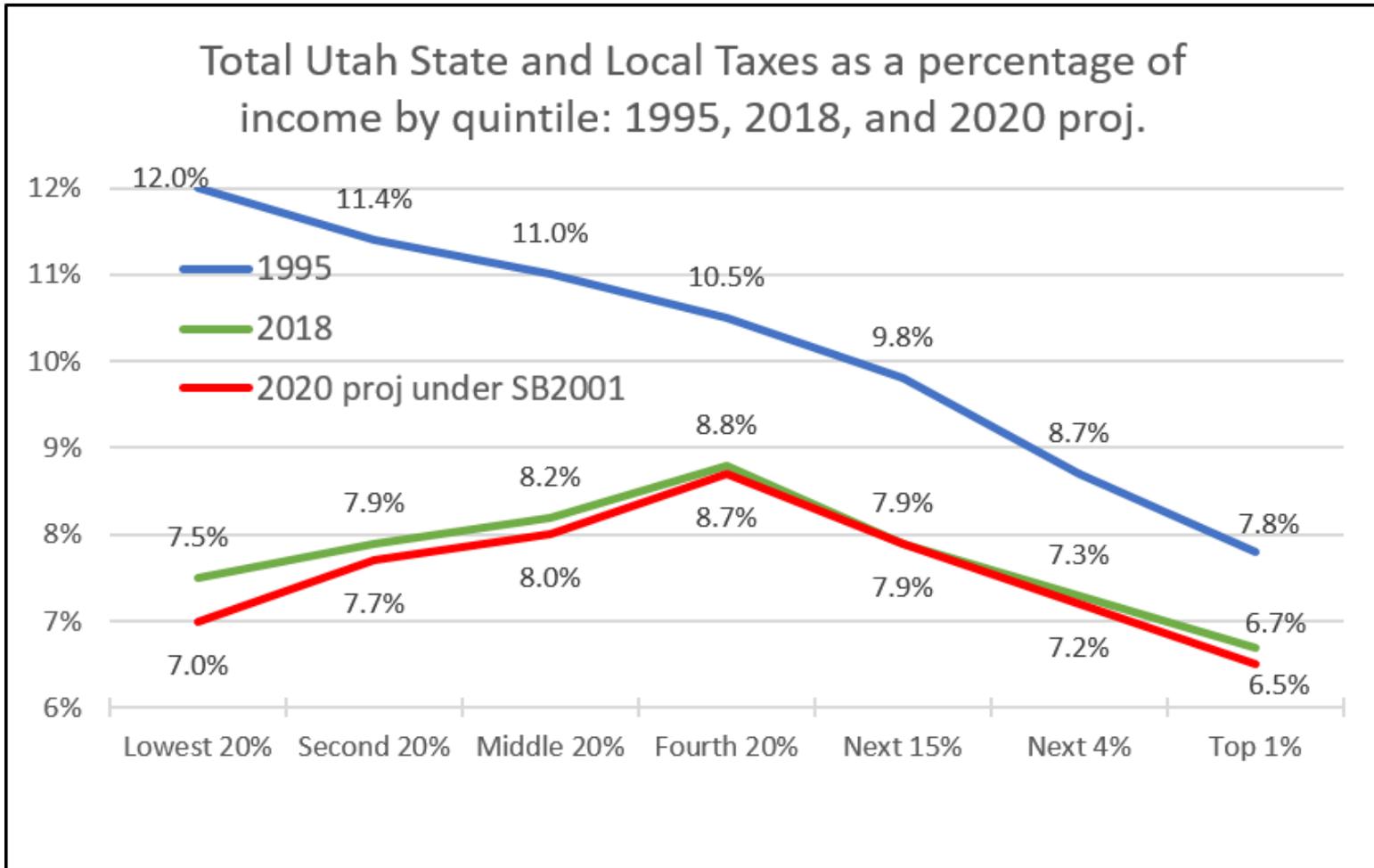
TOP 20%

INCOME GROUP	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	NEXT 15%	NEXT 4%	TOP 1%
INCOME RANGE	Less than \$22,900	\$22,900 to \$39,600	\$39,600 to \$63,900	\$63,900 to \$104,300	\$104,300 to \$202,400	\$202,400 to \$486,500	over \$486,500
AVERAGE INCOME IN GROUP	\$14,100	\$32,500	\$50,600	\$80,800	\$139,400	\$288,400	\$1,300,500
 SALES & EXCISE TAXES	5.1%	4.5%	3.6%	3.0%	2.2%	1.4%	0.7%
General Sales—Individuals	2.6%	2.5%	2.0%	1.7%	1.3%	0.9%	0.4%
Other Sales & Excise—Ind.	1.0%	0.8%	0.5%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	1.5%	1.3%	1.1%	0.9%	0.6%	0.4%	0.2%
 PROPERTY TAXES	2.1%	1.4%	1.7%	2.0%	1.6%	1.7%	1.5%
Home, Rent, Car—Individuals	2.1%	1.4%	1.7%	1.9%	1.5%	1.3%	0.4%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.4%	1.1%
 INCOME TAXES	0.3%	2.0%	2.9%	3.8%	4.1%	4.2%	4.5%
Personal Income Tax	0.3%	2.0%	2.8%	3.8%	4.0%	4.2%	4.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
 TOTAL TAXES	7.5%	7.9%	8.2%	8.8%	7.9%	7.3%	6.7%

Individual figures may not sum to totals due to rounding.

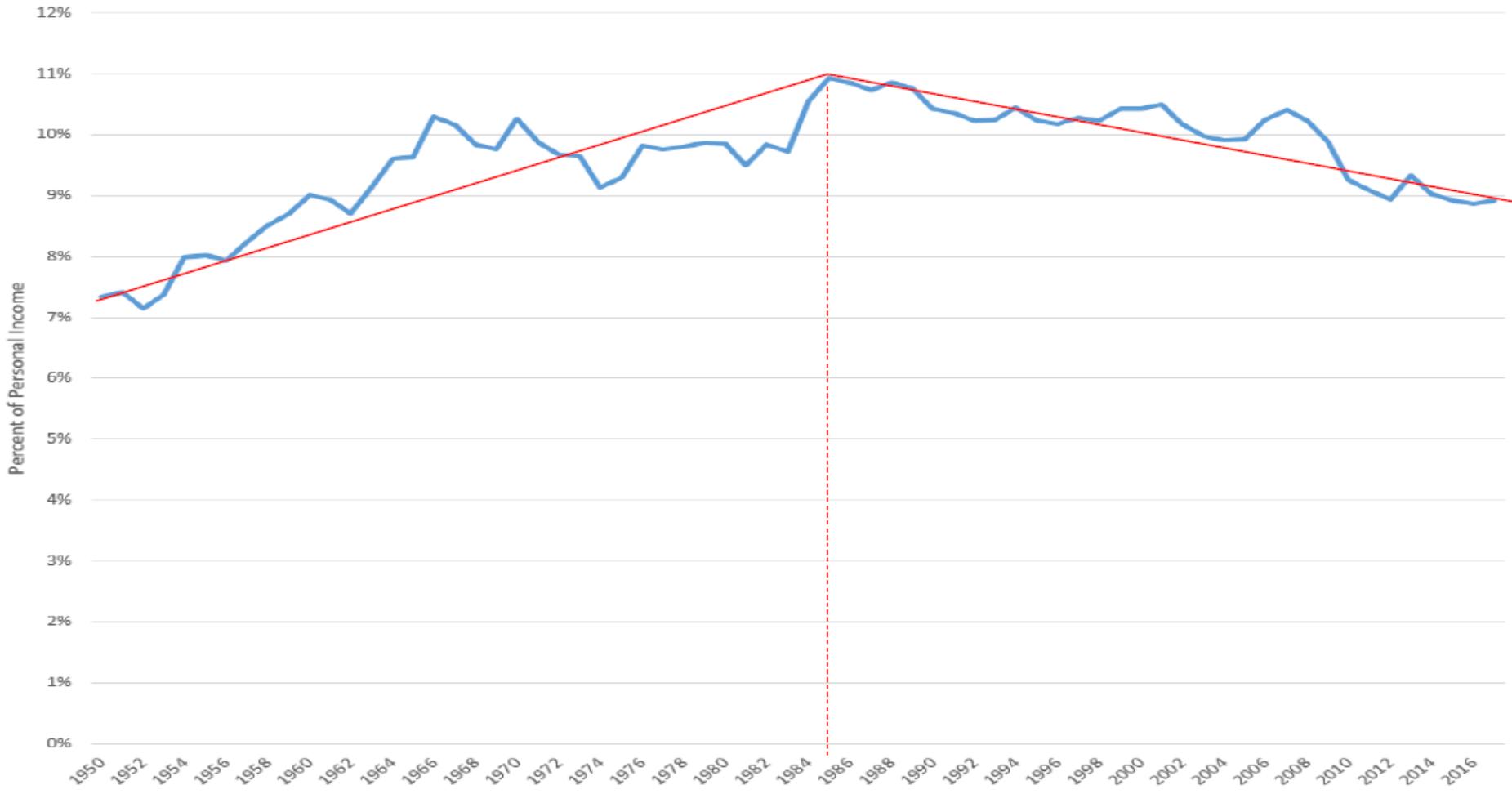
v

The History of Utah Tax Incidence by Income Level, 1995-2018



Overall Utah Tax Burden

Utah: State & Local Taxes as Percent of Personal Income 1950 - 2017

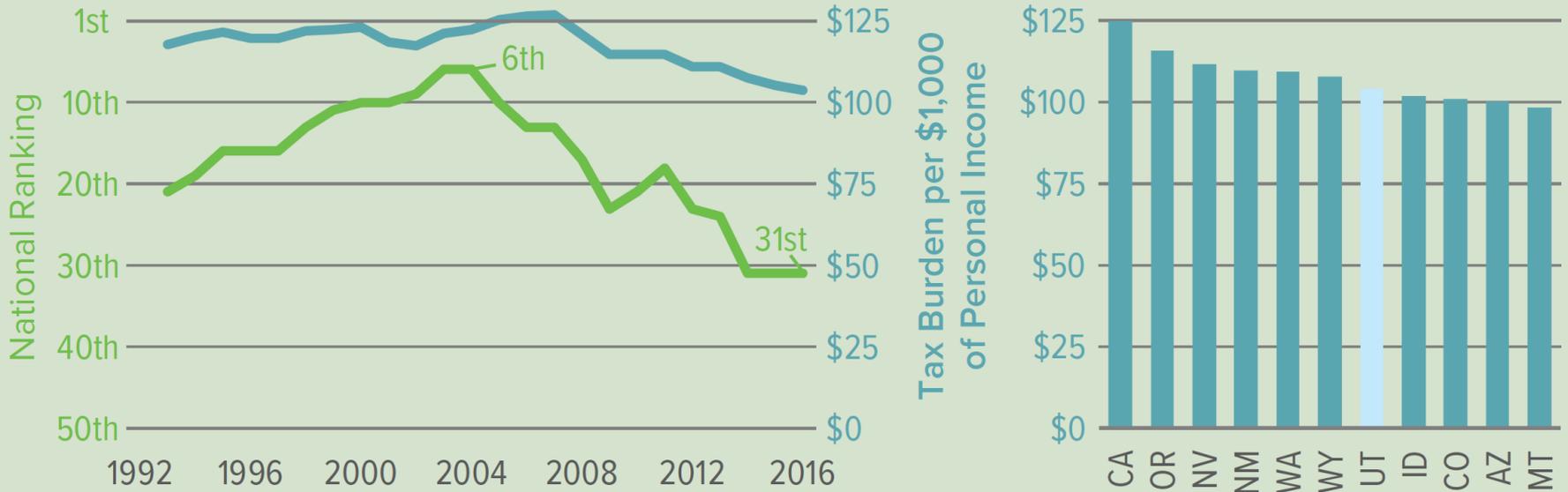


Source: Utah State Tax Commissioner Larry Walters

The History of Utah's Overall Level of Taxation

Utahns' tax burden has steadily decreased in recent years.

Figure 1: Utahns' Total Tax Burden 1993-2016 and Compared to Western States in 2016



Source: Utah Foundation report: A Lighter Load: Utah's Changing Tax Burden, October 2019

<http://www.utahfoundation.org/reports/a-lighter-load-utahs-changing-tax-burden/>

Voices for Utah Children • 747 E. South Temple, Suite 100 • 801-364-1182 • www.utahchildren.org



Utah's record low tax levels: Cause for celebration or cause for concern?

What have been the detrimental impacts in:

- Education?
- Infrastructure?
- Healthcare?
- Housing affordability?
- Mental health and drug treatment?
- Disability services?
- Seniors?
- Domestic violence?

Utah Education: Inputs

Utah ranks last nationally for our per-pupil investment in K-12 education.

Particular areas of weakness include:

- Teacher turnover rates are higher than the national average. One study found the majority of new teachers leave within seven years.
- Pre-K: Utah ranks 36th for our percent of lower-income 3- and 4-year-olds attending pre-school, private or public. We are also 1 of only 7 states not to have statewide public preschool programs. (The state offers only small-scale programs in a limited number of local school districts.) Yet we know from multiple research sources that every dollar invested in high-quality day care and preschools produces at least a \$7 return on that investment in future years.
- Kindergarten: Only a third of Utah kids participate in full-day kindergarten, less than half the national average, because local school districts can't afford to offer it. Voices for Utah Children estimates that it would cost at least \$75 million to offer full-day K to all Utah kids (not including potential capital costs).
- According to the [January 2019 report](#) of the Utah Afterschool Network, the need for after-school programs exceeds the supply many times over, leaving tens of thousands of children completely unsupervised, meaning they are less likely to do their homework and more likely to engage in unsafe activities.

Utah Education: Outcomes

Utah lags behind in several educational outcome measures:

- High school graduation rates are lower than national averages for nearly every racial/ethnic category, including our two largest, Whites and Latinos.
- College graduate percentage (BA/BS or higher) among Millennials (ages 25-34) lags behind national trends overall and among women.

Moreover, Utah is in the midst of a demographic transformation that is enriching our state immeasurably but also resulting in majority-minority gaps at a scale that is unprecedented in our history. For example, in our education system:

- Our gap between White and Latino high school graduation rates is larger than the national gap.
- Education Week recently reported that Utah ranks in the worst 10 states for our growing educational achievement gap between haves and have-nots.
- We are beginning to see concentrations of minority poverty that threaten to give rise to the type of segregation and socio-economic isolation that are common in other parts of the country but that Utah has largely avoided until now.

Infrastructure

Utah's investment has fallen behind by billions of dollars. This is another area where the Volcker Alliance ranked Utah in the worst nine states for failing to track and disclose to the public the dollar value of deferred infrastructure replacement costs. In addition, Internet infrastructure is lacking in some rural counties, limiting their integration into Utah's fast-growing economy.

Capital Spending Has Fallen in the Vast Majority of States

Percentage-point change in state and local infrastructure spending as a share of gross domestic product, 2002 to 2016

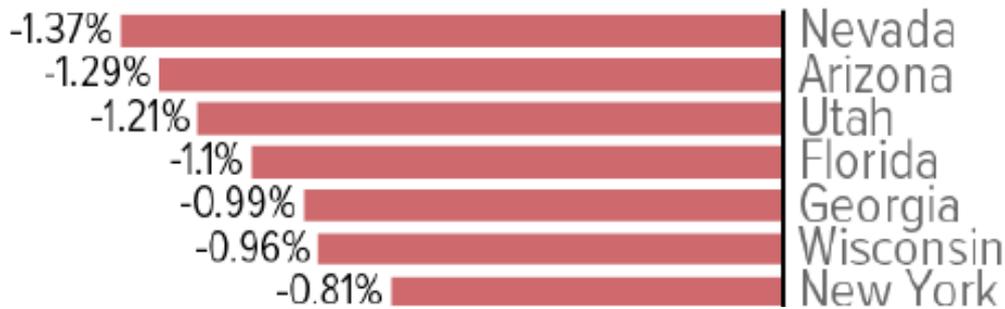


TABLE 3

State and Local Capital Spending by State Since 2002 as Percent of Gross Domestic Product

State	2002	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Utah	3.07%	2.74%	2.42%	2.43%	2.72%	3.23%	3.88%	3.84%	3.42%	3.26%	2.45%	1.81%	1.83%	1.86%

Mental Health and Drug Treatment

Utah was recently ranked last in the nation for our inability to meet the mental health needs of our communities, according to a recent [report from the Kem C. Gardner Policy Institute](#). Underfunding of drug treatment and mental health services costs taxpayers more in the long run as prison recidivism rates rise because the needed services are not available. Estimates are that Utah meets only 15% of the need for these vital, life-saving services.

Utah's Mental Health System

A collaborative endeavor of the Kem C. Gardner Policy Institute
and the Utah Hospital Association

Laura Summers, Senior Health Care Analyst
Dianne Meppen, Director of Survey Research
Samantha Ball, Research Associate

Final Report
August 2019

Affordable Housing

Affordable housing units fall 41,266 units short of meeting the need for the 64,797 households earning less than \$24,600, yet the annual \$2.2 million state allocation to the Olene Walker Housing Loan Fund has not changed in over two decades, despite inflation of over 60%. Among extremely low-income renter households, 71% pay more than 50% of their income for housing, which is considered a severe housing burden. This year, the Olene Walker Housing Loan Fund used up most of its annual \$14 million budget at its very first meeting of the fiscal year (made up of both state and federal funds).

Health Care

Our rates of uninsured children are higher than national averages – and rising – especially among the one-in-six of our children who are Latino. In Utah 35,000 or 5% of White children are uninsured (national rank = 36th place), compared to 31,000 or 18% of Latino children (rank = 46th = last place in 2017).

Disability Services

The 2018 annual report from the Utah Department of Human Services' Division of Services for People with Disabilities reports that the wait list for disability services grew to a record level of 3,000 individuals last year and that the average time on the wait list is 5.7 years.

Seniors

The official poverty measure undercounts senior poverty because it does not consider the impact of out-of-pocket medical expenses. A 2018 study found that seniors spent \$5,503 per person on out-of-pocket medical expenses in 2013, making up 41% of their Social Security income. (For most seniors, Social Security is the majority of their income, and it makes up 90% or more of income for 21% of married couples and about 45% of unmarried seniors.)

Domestic Violence

Although Utah's overall homicide rate is significantly lower than the national average, domestic-violence-related homicides constitute over 40% of Utah's adult homicides compared to 30% nationally. Several thousand women continue to be turned away annually from crisis shelters because of lack of capacity. Additional state funding would make it possible to substantially increase the capacity of overburdened crisis shelters. We are one of the few states without domestic violence services in every county.

Therefore....

Given the large number of urgent needs that are not being met because of our chronic shortage of public revenues, we are concerned that Utah is missing the opportunity to make critically important upfront investments now that would allow us to reap substantial rewards in the future, and that our most vulnerable neighbors will pay the greatest price as a result.

What's Happening to Tax Reform at the 2020 Legislature?

Our record low level of overall taxation begs the question:

Is the current generation of Utahns doing our part, as earlier generations did, to set aside sufficient resources each year to invest in our children, invest in our future, invest in the foundations of tomorrow's prosperity and quality of life?

WHAT'S HAPPENING TO TAX REFORM?

What's Happening at the 2020 Legislature?

- **Bill introduced to greatly increase dependent exemptions on state income taxes**
- **Bill introduced to set cap on growth of education fund**
- **Bill introduced for a constitutional amendment to remove the income tax earmark for education**

WHAT REVENUE OPTIONS HAVE NOT BEEN SERIOUSLY CONSIDERED?

- **State property tax of .035%**
- **Revenue-neutral carbon tax**
- **More progressive income tax**
- **Gross receipts tax**
- **Bonding for infrastructure**

WHAT OTHER OPTIONS DESERVE MORE CONSIDERATION?

- **More transparent information on lost revenue from economic development subsidies and tax credits/exemptions**
- **More transparency up front re legislative budget priorities**
- **Public Survey re trade-offs of various taxes and credits**
- **Better reporting requirements for sales tax exemptions**

LET YOUR LEGISLATORS HEAR FROM YOU: SHARE YOUR VIEWS

KEEP YOUR EYES ON THEM



WEBSITES WITH MORE INFORMATION

-
- **1. VOICES FOR UTAH CHILDREN**
- WWW.UTAHCHILDREN.ORG
-
- **2. UTAH CITIZENS' COUNSEL**
- WWW.UTAHCITIZENS COUNSEL.ORG
-
- **3. UTAH TAX RESTRUCTURING AND EQUALIZATION TASK FORCE (TRETf)**
- - LE.UTAH.GOV
- **(LOOK UNDER “COMMITTEES” AND GO TO MATERIALS LISTED UNDER EACH TRETf MTG.)**
-
- **4. UTAH FOUNDATION**
- WWW.UTAHFOUNDATION.ORG
-
- **5. UTAH STATE TAX COMMISSION**
- <https://tax.utah.gov/econstats/income/credits-checkoffs>