



## **Governor's Tax Modernization, Part One: Sales and Use Taxes – A Primer**

### **GOAL**

A modern state and local revenue system that is sustainable, long term, fair to tax payers and minimizes the impacts of taxes on the economy.

### **HOW**

The goal is to broaden the sales tax base, reduce tax rates and reduce/limit government expenditures. Broadening the tax base will take pressure off low and middle income working families who pay a higher proportion of their income in sales and local taxes.

### **WHY**

Most government services (except K-12 education) are funded by sales and local taxes: roads, public safety, courts, health services, air quality.

**The economy is changing from goods to services based. Utah's current sales tax system is not keeping pace to generate revenue for increasing infrastructure needs and demand for government services.**

Gas taxes to fund building and maintaining roads are a declining source of revenue.

More gas efficient cars mean less gallons of gas purchased. Electric cars don't use gas, don't generate revenue.

Driving services such as Lyft, Uber, and the sharing economy – scooters, bikes have an impact. Less car sales mean fewer repairs, maintenance and parts which are taxable.

Increase in services and decline in goods.

Lawn mowers generate sales tax when purchased. Purchasing gas for the lawnmower generates revenue. Landscaping services are tax exempt. Having a lawn tended to by a landscaping services doesn't generate enough tax revenue. (While the landscaping service company will pay taxes on equipment and gas, they will receive a tax exemption/credit due to business expense.)

### **Voices for Utah Children's Response to Tax Modernization**

An historic voter initiative to expand Medicaid passed on November 2018. The initiative put policymakers on notice that Utahns are willing to support a small sales tax increase to fund affordable health coverage. The Governor heard the message voters sent. His budget recommendations include funds for Medicaid expansion implementation by April 1, 2019.

While it's up to the legislature to implement tax policy, the Governor's call to modernize taxes is an opportunity to work together to scrutinize revenue sources, to reset priorities, and build a more equitable tax system. Broadening the tax base can't and won't happen overnight. It is a long term project which will take creative thinking and hard work – and should be done with the same forward thinking recently demonstrated by Utah voters.