

Tax Credit Bill Clears Committee Thanks to "Creative" Funding

by [Eric S. Peterson](#) Posted // 2014-02-20

Rep. Eric Hutchings, R-Kearns, passed a bill out of committee today that could potentially offer almost \$25 million in tax credits to low-income working Utahns and their families to help keep them from sliding into poverty. The high price tag would normally make poverty-relief bills dead on arrival at the Legislature except for some fiscal-note finessing done by the sponsor that would tie funding to money that could be collected several years down the road if the U.S. Congress passes legislation dealing with Internet sales tax.

Hutchings' [House Bill 218](#), was a version of a bill that's been brought unsuccessfully on the hill for years, to create a state earned income tax credit. Currently low-income working families can obtain a federal earned income tax credit and Hutchings' state tax credit that would be up to 5 percent of the federal tax credit and would be available to more than 200,000 Utahns who qualify for the federal credit.

Tracy Gruber with the advocacy organization [Voices for Utah's Children](#) told members of the House Revenue and Taxation Committee that currently 64 percent of families using the federal credit earn \$25,000 a year or less and that the credit also impacts 310,000 children in the state, who would also benefit from the passage of Hutchings' bill.

The state tax bump from HB218 may be small, roughly \$100 per person that could be collected for four taxable years, but Hutchings told the committee that "every little bit helps" when people are struggling to make ends meet.

For legislators well acquainted with struggling to make state ends meet it clearly came as a pleasant surprise that Hutchings' bill would not immediately draw from 2014 funds. In fact, its not even clear when Hutchings bill might go into effect as the bill language states that it's funding would be dependent on an act of Congress.

The Marketplace Fairness Act is a piece of federal legislation that's been making slow progress in Washington D.C that would require sales tax to be collected on online purchases. Current law says that Internet retailers only have to collect sales tax in states where they have a physical presence. If congress passed the Marketplace Fairness Act, it could bring billions to state coffers, with Utah likely collecting hundreds of millions annually in online sales taxes.

Drawing on expected funds made Hutchings' bill palatable to many members on the committee, but not Rep. Jake Anderegg, R-Lehi.

"This is a feel good bill but I can't get behind it," Anderegg said, explaining that he couldn't support the "double whammy" that would come from the impact of consumers suddenly paying sales tax on online purchases and then having \$24.7 million of that revenue taken away from the Legislature's general fund in the form of the tax credit.



“It's a great thing for us to come here with smiles on our faces and say this is going to help the poor, but the reality is what's going to happen down the road and it's something I have an issue with,” Anderegg said.

Anderegg's objections, however, did not carry the day as the bill enjoyed bipartisan support.

Rep. Brian King, D-Salt Lake City applauded the bill for giving Utahns a boost up the economic ladder and combating inequality.

“I think one of the most serious threats to our economic and social fabric is this gap that has grown in the last 30 years between the haves and the have-nots,” King said.

For the sponsor, the key selling point was giving a little help—enough to buy groceries for a month, fix a car or save money for college—to people who earned it by working.

“I like the idea of telling people 'you do everything you can and we will back you up,’” Hutchings said.

The committee agreed and passed the bill out with a favorable recommendation. It now goes to the House floor for further debate.

To read HB218 click [here](#). To contact Rep. Hutchings about this bill click [here](#). To find your legislator to contact them about this bill click [here](#). For more updates from the hill visit [Cityweekly.net](#) and follow @EricSPeterson and @ColbyFrazierLP on Twitter.