

Comparing the Tax Cuts

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Written by: Matthew Weinstein

A \$200 million tax cut: How much would you get?							
	Bottom 20% up to \$31,000	Lower-mid 20% \$31,000 - \$59,000	Middle 20% \$59,000 - \$93,000	Upper-mid 20% \$93,000 - \$138,000	Top 6 th -20 th % \$138,000 - \$281,000	Top 2 nd -5 th % \$281,00 - \$743,000	Top 1% \$730,000 & up
	Fast Food or Childcare Worker	Kindergarten Teacher or Construction Worker	Police Officer or Elementary Teacher	Lawyer or Software Developer	Family Physician or Company CEO	Commercial Real Estate Executive	Bank President or Professional Athlete
Income tax cut	\$8	\$33	\$57	\$95	\$167	\$341	\$2,084
State grocery Tax elimination	\$46	\$74	\$102	\$128	\$158	\$216	\$420
Refundable Earned Income	\$516	\$124	\$76	\$7	\$0	\$0	\$0

** SEE COMPLETE ANALYSIS OF THE LEGISLATURE'S \$400 MILLION TAX CUT PROPOSAL AT THE BOTTOM OF THIS PAGE **

The 2023 Legislature's annual seven-week General Session has begun! At the top of the agenda for the Governor and Legislative leadership: tax cuts.

While Voices for Utah Children and many other advocates for Utah's most vulnerable populations are deeply concerned about the long-term detrimental effect of tax cuts on state and local governments' abilities to meet their obligations to Utahns (see www.InvestInUtahsFuture.org for more about that), we are also cognizant of the political reality that tax cuts are popular with Utah's political leadership (in contrast to [public opinion](#)).

If there's one thing Voices for Utah Children has learned following tax policy in recent years, it's that not all tax cuts are created equal. Hence this guide to the tax cuts being proposed this year. Note, the legislature has since changed the proposed income tax cut from \$200m to \$400m further resulting in even greater tax cuts mostly for Utah's top income earners.

Ranking the Tax Cut Proposals

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Which tax cut:	Fiscal impact	Details:	Makes UT taxes more regressive or less?	Lowest-income 20% (household income up to \$31,000) gets __% of the tax cut	2nd fifth (\$31,000-\$59,000) gets __% of the tax cut	Middle fifth (\$59,000-\$92,000) gets __% of the tax cut	4th fifth (\$92k-\$138k) gets __% of the tax cut	Highest-income 20% (\$138k+) gets __% of the tax cut	TOTAL
Income tax rate cut	\$192 million	Cuts the Utah state income tax rate by 0.1 from 4.85% to 4.75% (proposed by Gov. Cox)	More regressive	2% \$8/yr	7% \$33/yr	12% \$57	19% \$95	61% \$298	100% Avg annl tax cut
Social Security tax credit (HB 88)	\$16 million	Raises eligibility for Utah's Social Security tax credit so that more seniors w six-figure incomes qualify. (Most seniors are already shielded from the Utah income tax by the Taxpayer Tax Credit and Social Security Tax Credit laws passed in 2021 and 2022.)	More regressive	0%	1%	13%	58%	27%	100%
Non-refundable \$1,000 child care tax credit (HB 170 orig)	\$42 million	Creates a \$1,000 per child non-refundable tax credit for child care expenses targeted to middle- and upper-middle income families.	Uncertain	0%	4%	62%	23%	11%	100%
Non-refundable \$1,000 child tax credit (HB 170 sub 3)	\$10 million	Creates a \$1,000 per child non-refundable tax credit targeted to low- and moderate-income families.	Less regressive	46% \$119 /yr	39% \$113 /yr	11% \$77	3% \$8	0% \$3	100% Avg annl tax cut
Remove state sales tax on food (HB 101)	\$200 million	Popular proposal to remove the reduced state sales tax of 1.75% from unprepared foods. (The additional 1.25% local sales tax would remain, as would the full 4.85% state sales tax that applies to prepared foods.)	Less regressive, esp. because you don't have to file a tax return.	9% \$46/yr	14% \$74	19% \$102	24% \$128	33% \$182	100% Avg annl tax cut
Refundable child tax credit (HB 480)	\$96 million	Based on Colorado's refundable child tax credit based on a percentage of the federal refundable Child Tax Credit.	Less regressive – mostly benefits low-, moderate-, & middle-income	37% \$119 /yr	35% \$113 /yr	24% \$77	3% \$8	1% \$3	100% Avg annl tax cut
Make Utah's new EITC refundable	\$55 million	Last year Utah became the 31st state with our own Earned Income Tax Credit, but we're one of the few who make it non-refundable, even though over 85% of the value of the federal EITC -- and the key to its poverty-reducing and workforce-enhancing power -- is its refundability.	Much less regressive, best for low-income families	71% \$142 /yr	17% \$34	11% \$21	1% \$2	0% \$0	100% Average annual tax cut
Gov. Cox's proposal to make the Utah T.T.C. refundable	\$55 million	Utah's Taxpayer Tax Credit shields most low-income workers from the income tax, which is a good thing because it makes our overall tax system less regressive. Now Gov. Cox is proposing to make it even better by making up to \$250 of this credit refundable.	Much less regressive, best for low-income families	77% \$131 /yr	14% \$24	7% \$13	1% \$2	0% \$0	100% Average annual tax cut



We rank the tax cuts by regressivity -- do they make our overall tax system more or less regressive than it currently is? Regressivity is about fairness. **Utah's current overall state + local tax system is regressive/unfair in the sense that the highest income households pay a lower overall share of their incomes in state and local taxes than low- and middle-income households.**

The chart above illustrates whether each individual proposed tax cut would make

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Utah's taxes even more unfair, or would it reduce the inequities in the current tax structure. We illustrate the impact of the proposals in the chart below two different ways:

1) By share of the tax cut: How does it slice the pie? Who gets the big pieces and who's stuck with the crumbs (or nothing at all)?

2) By dollar amounts: How much does an average family benefit each year at each income level? (we provided this information for each tax cut that is available to all taxpayers but not for the more targeted ones that only go to a smaller subset like the Social Security and child tax credits)

Important Background Information

What are the major taxes in Utah and who pays them?

- **The sales tax:** Our most regressive tax -- meaning it takes a bigger bite percentage-wise out of the incomes of low- and middle-income families than their high-income neighbors. (And same goes for the gas tax.)
- **The property tax:** Not as regressive as the sales or gas taxes but still costs lower-income families a greater share of their incomes than higher-income families, including non-homeowners who pay it indirectly through their rent.
- **The income tax:** Utah's only non-regressive tax. The only one that lines up with Utah's income distribution, following the 3/5--1/5 Rule: Three-fifths of all Utah income is earned by the top one-fifth of taxpayers, and three-fifths of the income tax is paid by that same high-income group. **KEEP IN MIND:** When the Legislature cuts the income tax rate, not only do they make our tax system more regressive overall, they also put more pressure on local property taxes, which tend to rise to make up for the lost education funding when the income tax rate is cut. As a result, cutting the income tax means a tax shift from state to local and from the highest-income Utahns to middle-class and low-income households.

See more details about who pays which taxes in Utah and how our overall tax structure is regressive at www.Itep.org/WhoPays/Utah.

How Do These Proposed Tax Cuts Compare to Last Year?

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Last year, the 2022 Utah Legislature passed SB 59 -- about \$200 million of permanent tax cuts.

- The majority of the breaks went to the highest income fifth of Utahns, those earning above about \$130,000.
- Just 6% of last year's tax cuts went to the bottom two-fifths of Utahns, those earning under about \$60,000 a year.

2022 SB 59 Tax Cuts Summary



ANALYSIS OF THE 2023 LEGISLATURE'S \$400 MILLION TAX CUT PROPOSAL

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Utah Legislature's \$400 Million Income Tax Cut: *How much would you get?*

Bottom 20%	Lower-Mid 20%	Middle 20%	Upper-Mid 20%	Top 6-20%	Top 2-5%	Top 1%
Up to \$31K	\$31K-\$59K	\$59K-\$92K	\$92K-\$138K	\$138K-\$281K	\$281K-\$743K	\$743K+
Restaurant or Childcare Worker	Kindergarten Teacher or Construction Worker	Police Officer or 1st-12th Teacher	Lawyer or Software Developer	Family Physician or CEO	Commercial Real Estate Executive	Bank President or Professional Athlete
						
\$19 Tax Cut	\$77 Tax Cut	\$129 Tax Cut	\$242 Tax Cut	\$354 Tax Cut	\$726 Tax Cut	\$5,103 Tax Cut



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