Tax Reform and Utah's Most Vulnerable Populations

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Written by: Matthew Weinstein



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COMPARING THE LEADING 2017 REVENUE PROPOSALS

Proposal	Total New Revenue	How hard does it hit the lowest... 20% (income < $25k)	40% (income <$43k)	60% (income <$70k)	Share from Top 20%	Best Offset for Low-Income
Raise Income Tax Rate for Incomes >$250/500k to 7% (SB 141)	**$321m**	**0%** of total $0/hh (avg) Total impact: $0	0% of total $0/hh (avg) Total impact: $0	0% of total $0/hh (avg) Total impact: $0	**100%** (94% from top 1%)	n/a
Increase Income Tax to 5.875%	**$750m**	**2%** of total $58/hh (avg) $135/hh for the 43% with a tax increase Total impact: $14 million	9% of total $140/hh (avg) $205/hh for the 62% with a tax increase Total impact: $67m	20% of total $211/hh (avg) $282/hh for the 68% with a tax increase Total impact: $153m	**58%** (about the same as share of all Utah income, accd to Tax Comm)	**EITC: A 6% refundable EITC** protects the bottom quintile completely and 1/5 of 2nd quintile, IF they file (only 74-78% file for federal EITC in Utah).
Eliminate Personal Income Tax Exemption	**$373m**	**6%** of total $98/hh (avg) $195/hh for the 50% with a tax increase Total impact: $24m	24% of total $189/hh (avg) $261/hh for the 68% with a tax increase Total impact: $91m	50% of total $259/hh (avg) $339/hh for the 72% with a tax increase Total impact: $188m	**20%**	**Maintain the personal exemption**
Restore Full Sales Tax on Food	**$200m**	**9%** of total $68/hh (avg) Total impact: $17 million	24% of total $92/hh (avg) Total impact: $47m	44% of total $114/hh (avg) Total impact: $86m	**33%**	• **Idaho Refundable Grocery Tax Credit** ($100 per person) but only if they file (only 74-78% file for federal EITC in Utah)* • (EITC not effective to protect low-income Utahns from a food sales tax increase because only 37% of bottom quintile qualify for EITC and only 27% of 2nd quintile.)
Raise Gas Tax by 5 cents/ gallon	**$75m**	**9%** of total $22/hh (avg) Total impact: $7m	23% of total $28/hh (avg) Total impact: $17m	42% of total $35/hh (avg) Total impact: $32m	**30%**	**Gas Tax Credit** (refundable) on income tax return

* See more about the Idaho Food Sales Tax Credit at http://idahocfp.org/grocery-tax-credit-faqs/

Which proposals most impact the poor:
- **Food Sales Tax**
- **Gas Tax**

Which proposals most impact the middle class and lower-middle?
- **Food Sales Tax**
- **Gas Tax**
- **Elimination of Personal Exemptions**

Which proposal most fairly matches Utah's income distribution?
- **5.875%**

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Open Letter to the Utah Legislature

February 23, 2017

Dear Senators and Representatives:

We, the undersigned organizations, urge you to consider the impact of any tax reform proposal on Utah’s most vulnerable populations.

We wish to make two important points in this regard:

1. We support the additional public revenues that could result from tax reform because Utah would benefit from increasing our investment in our most vulnerable populations.
2. Tax reform that increases the burden on low-income sectors of our population will do more harm than good for people struggling to pay for the basic necessities of life.

New Revenues Are Needed

The Utah Foundation has found that Utah’s overall tax burden is at a multi-decade low. As a result, funding for critically needed public services has suffered in many areas, including:

- K-12 education – where we remain last in the nation in per-pupil funding
- Pre-K – where Utah remains behind the nation in the percentage of at-risk children who have access to high-quality Pre-K.
- Higher education – where tuition continues to climb much faster than wages.
- Drug treatment and mental health – where underinvestment threatens to undermine criminal justice reform.
- Affordable housing – where state funding has not kept up with the effects of inflation, while rents rise faster than wages.
- Homelessness – though we are encouraged to see the emerging consensus on the urgency of action.
- Disability services – where starting wages for disabilities service workers

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remain below levels needed to reduce high turnover.
- Health care – where Utah children are uninsured at a higher rate than nationally and Hispanic children at a higher rate than any other state.

Low-Income Populations Should Be Held Harmless by Tax Reform

No one should be taxed into or deeper into poverty. So many of the individuals and families that we work with already struggle to keep a roof over their heads and food on the table. They already pay sales, payroll, and property taxes (either directly or indirectly through their rent), and many pay income taxes as well. To ask them to pay more, especially at a time of growing inequality and a minimum wage that loses value every year, is unfair and unjustifiable.

We urge the Legislature to consider the financial barriers faced by Utah's most vulnerable populations as you grapple with the difficult challenge of reforming Utah's tax structure.

AARP Utah

American Academy of Pediatrics - Utah

Catholic Diocese of Salt Lake City Peace and Justice Commission

Community Action Partnership of Utah

Comunidades Unidas

Disability Law Center

League of Women Voters of Utah

Legislative Coalition for People with Disabilities

Utah Community Action

NAMI - Utah

Utah Housing Coalition

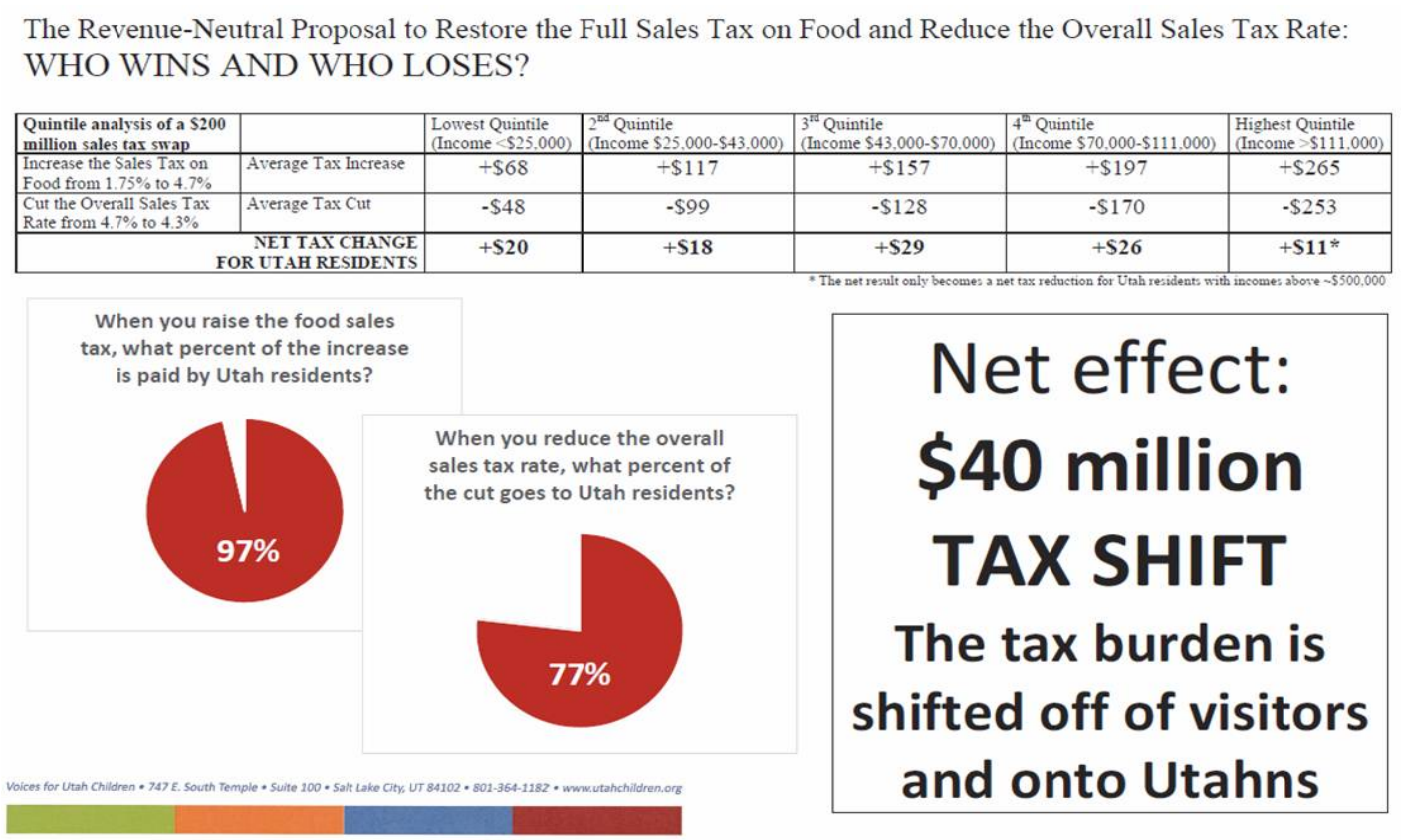
Utahns Against Hunger

Voices for Utah Children

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The Revenue-Neutral Proposal to Restore the Full Sales Tax on Food and Reduce the Overall Sales Tax Rate:
WHO WINS AND WHO LOSES?

Quintile analysis of a $200 million sales tax swap		Lowest Quintile (Income <$25,000)	2nd Quintile (Income $25,000-$43,000)	3rd Quintile (Income $43,000-$70,000)	4th Quintile (Income $70,000-$111,000)	Highest Quintile (Income >$111,000)
Increase the Sales Tax on Food from 1.75% to 4.7%	Average Tax Increase	+$68	+$117	+$157	+$197	+$265
Cut the Overall Sales Tax Rate from 4.7% to 4.3%	Average Tax Cut	-$48	-$99	-$128	-$170	-$253
	NET TAX CHANGE FOR UTAH RESIDENTS	+$20	+$18	+$29	+$26	+$11*

* The net result only becomes a net tax reduction for Utah residents with incomes above ~$500,000

When you raise the food sales tax, what percent of the increase is paid by Utah residents?

97%

When you reduce the overall sales tax rate, what percent of the cut goes to Utah residents?

77%

Net effect:
$40 million
TAX SHIFT
The tax burden is shifted off of visitors and onto Utahns

Voices for Utah Children • 747 E. South Temple • Suite 100 • Salt Lake City, UT 84102 • 801-364-1182 • www.utahchildren.org

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Open Letter to the Utah Legislature: Tax Reform and Utah's Most Vulnerable Populations

Image Credit: Amanda Mills, Centers for Disease Control and Prevention

For 30 years now, Voices for Utah Children has called on our state, federal and local leaders to put children's needs first. But the work is not done. The children of 30 years ago now have children of their own. Too many of these children are growing up in poverty, without access to healthcare or quality educational opportunities.

How can you be involved?

Make a tax-deductible donation to Voices for Utah Children—or join our Network with a monthly donation of $20 or more. Network membership includes complimentary admission to Network events with food, socializing, and opportunity to meet child advocacy experts. And don't forget to join our listserv to stay informed!

We look forward to the future of Voices for Utah Children and we hope you will be a part of our next 30 years.

Special thanks to American Express, our "Making a Difference All Year Long" sponsor. ®

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