Should 2021 Be "The Year of the Tax Cut"?

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Snow on the mountains, inversions in the valleys, and talk of tax cuts at the Capitol: It must be January in Utah.

Reports are accumulating that the state's political leaders are looking to make 2021 "the year of the tax cut." But, as always with taxes, the devil is in the details. What taxes would be cut, and for whom? And how would the revenue losses affect Utah's children in the long term?

The Utah Taxpayers Association is proposing a cut in the income tax rate, which means the benefit goes overwhelmingly to the top of the income scale. Utah's income tax is our only tax that is not a regressive tax. It's the only one that actually reflects Utah's income distribution. Three-fifths of all Utah income is earned by the top one-fifth of taxpayers (perhaps these are the taxpayers that the Association speaks for), and three-fifths of the income tax is paid by that same top one-fifth of taxpayers. Four-fifths of it is paid by the top two-fifths.

Cutting the income tax rate is a tax cut for those who don't need one. It's a tax cut for those among us who thrived over the last year despite the pandemic and recession -- and are, by all accounts, ready, willing, and able to do their part to help

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their fellow Utahns who were not so fortunate.

Because the truth is that not all Utahns are in a great spot right now. Poverty and unemployment remain elevated. Hunger has increased. Homeless shelters are full and encampments large and small have appeared all along the Wasatch Front. Nearly half of Utah parents lost income last year, and a third feared eviction or foreclosure as a result, according to the U.S. Census Bureau's Household Pulse Survey.

And for all these indicators of distress, the disparities between different ethnic and racial groups are stark. For example, the Census surveys found that Latino Utah parents were 10-23 percentage points more likely to have lost income than White Utah parents, and 2-3 times as likely to not have enough food to eat.

The Census surveys also found a digital divide, with about a tenth of Utah children lacking consistent access at home to internet or to a digital device for educational purposes.

Health indicators tell a similar story. Between 2016 and 2019, even before the arrival of the coronavirus pandemic, our rate of uninsured children increased from 6% to 8.3%, from 59,000 to 82,000. We now rank among the worst in the nation, 46th place, when it comes to insuring our kids – and last in the nation for insuring Hispanic children for the third year in a row.

Certainly refundable tax credits like a Utah Earned Income Tax Credit (EITC) targeted to those in greatest need should be part of our response to the economic distress brought about by the pandemic. But tax cuts for middle- and upper-income Utahns would reduce our ability to make the investments in Utah's future that are the key to our children's prosperity and success.

The Taxpayers Association's argument that "tax relief for Utah taxpayers is long overdue" ignores the reality that "Utah taxes are relatively low — lower now than in many years," as Zions Bank CEO Scott Anderson wrote a year ago in the Deseret News. Data from the Utah State Tax Commission finds that our overall level of taxation is at a 50-year low, following repeated rounds of tax cutting. Voices for Utah Children has found that these tax cuts have reduced annual revenue by 18% over the last 25 years, adding up to an annual total of $2.4 billion.

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Last year at this time, a broad and diverse coalition of Utah advocates for the poor, for persons with disabilities, for education, health care, clean air, and for a variety of other popular Utah priorities came together on the steps of the Utah Capitol calling on the Utah Legislature to avoid cutting taxes until it developed a comprehensive plan to address Utahns' top concerns by investing in Utah's future.

Last year at this time, Utah policymakers wisely concluded that the economic outlook was too uncertain to take a risk with tax cuts. We know the state's political leadership wants what is best for Utah. Is the outlook for 2021 truly so certain that we can now give in to the tax cut temptation? Would this be the fiscal prudence for which Utah has been so widely recognized nationally?

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