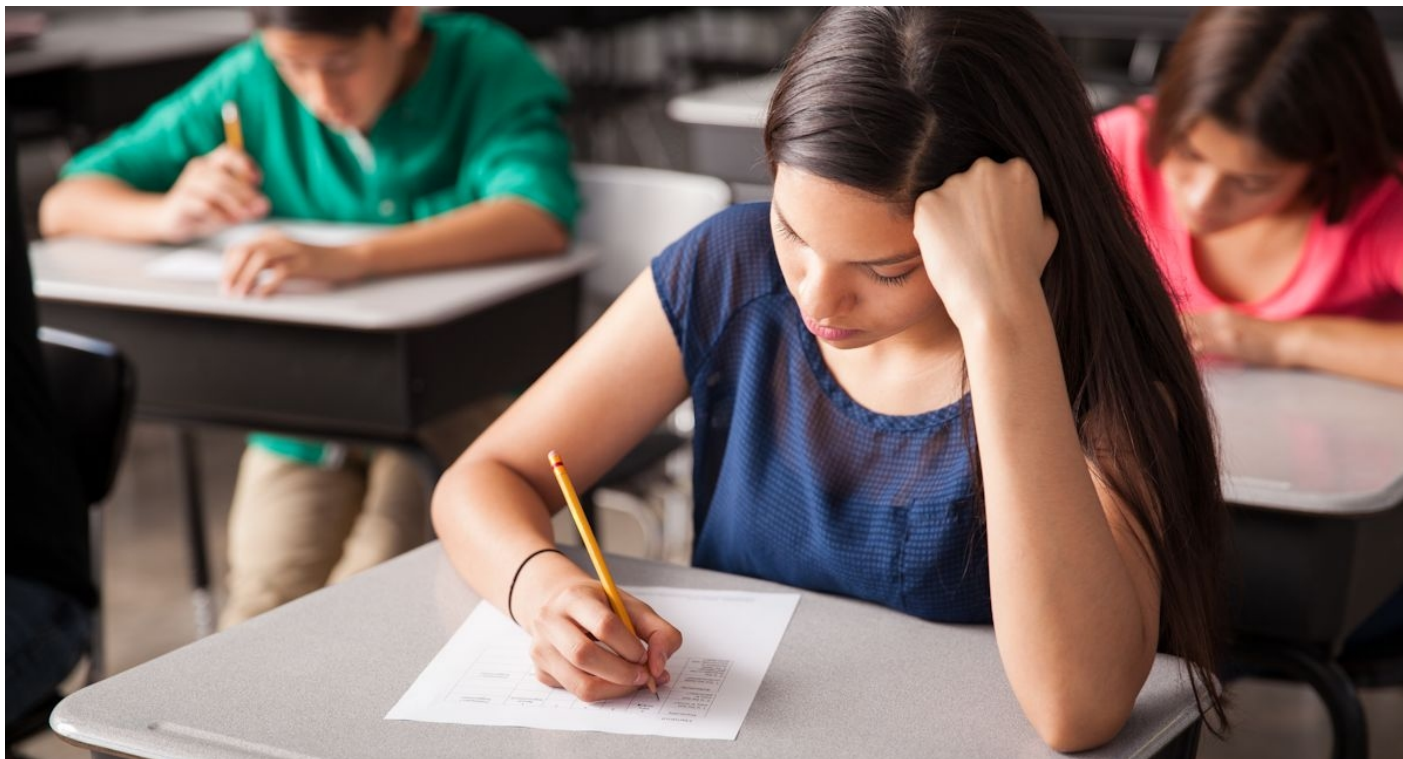


Six Lessons Learned about Fiscal Policy in the 2017 Legislature

Published: Tuesday, 14 March 2017 09:24

Written by: Matthew Weinstein



The 2017 legislative session was remarkable for focusing more on tax policy than any session since 2007. This came in response to the November 29, 2016 announcement by [Our Schools Now](#) of their intention to pursue a campaign to place on the 2018 ballot an initiative to generate \$750 million for public education through an increase in Utah's income tax rate from 5% to 5.875%. In response, the Legislature engaged in a detailed and wide-ranging examination of several tax restructuring options. In that process several important lessons were learned:

LESSON #1: RESTORING REVENUES:

The Utah Legislature is unlikely to pass a tax reform package that is more than marginally or perhaps gradually revenue positive. While it appeared that the Senate was willing to support restoring some state revenues to address the current underinvestment in children, the House of Representatives was particularly averse to generating new revenues for the public investments that our state critically needs, despite strong evidence that Utah's tax burden remains at a multi-decade low. This

Six Lessons Learned about Fiscal Policy in the 2017 Legislature

Published: Tuesday, 14 March 2017 09:24

Written by: Matthew Weinstein

strengthens the argument for taking the question directly to voters through the initiative process.

LESSON #2: SALES TAX ON FOOD:

Restoring the sales tax on food is not only the most regressive of the options that were considered, it also fails to substantially reduce revenue volatility during recessions. Moreover, we also learned that restoring the sales tax on food while offsetting that with a lower overall sales tax rate involves a \$40 million shift of sales tax burden from out-of-state to in-state taxpayers, since 97% of the food sales tax increase would have been paid by Utahns, while out-of-staters would have received 23% of the overall sales tax rate reduction.

LESSON #3: PROTECTING THE POOREST:

The legislative leadership was genuinely concerned about the impact that raising the food sales tax would have on the poor and made a sincere effort to find ways to achieve their goal of broadening the base without burdening low-income Utahns. Since we never saw a final proposal, we can't evaluate it properly, but it was clear from the evolution of their ideas that House and Senate leaders were sensitive to the concerns of advocates for the poor such as Voices for Utah Children and our partners. They incorporated into their proposals some ideas from the research that we released at our coalition press conference on February 23 at the Capitol.

LESSON #4: OUR SCHOOLS NOW:

The [Our Schools Now](#) proposal to raise the income tax rate from 5% to 5.875% is the fairest to low-income Utahns of any of the leading tax reform proposals. Only 2% of its new revenues come from the lowest quintile of tax filers, those earning under \$25,000, who could easily be shielded with an offsetting EITC. And 58% of the \$750 million of new revenues comes from the highest quintile, those earning over \$111,000. Indeed, that 58% share is approximately equal to the share of all Utah income earned by the top quintile of Utahns. But what about the cost to middle-income Utahns? Under the proposal, the median household pays about \$350 more annually. If that family has two kids in the public schools, then their \$350 upfront payment will reap a gain of over \$2,000 in new investment in their own children – good luck trying to get a return like that in the stock market!

Six Lessons Learned about Fiscal Policy in the 2017 Legislature

Published: Tuesday, 14 March 2017 09:24

Written by: Matthew Weinstein

LESSON #5: EITC:

The Earned Income Tax Credit gained in popularity this year, winning 61 votes on the House floor (vs. 38 in 2014) and gaining Senate committee approval. But legislators appear unconvinced by the evidence presented by the American Enterprise Institute on Interim Day last September that, for low-income kids, investing in their family economic stability through an EITC brings greater educational gains than investing those same dollars in the classroom. Thus, it appears that the EITC's best chance for approval is as part of a larger income tax reform package. Fortunately, legislative leaders have declared that such a package is already a goal for the 2018 legislative session.

LESSON #6: BUSINESS TAX CUTS:

Even though the Tax Review Commission declined to recommend them following months of study, the Legislature remains committed to gradually implementing two business tax reductions: Single Sales Factor corporate income tax apportionment and extending the sales tax exemption for manufacturing inputs to inputs lasting less than three years. While legislation to fully implement those two proposals was not passed, reduced versions applying those changes to more industries did pass, including a creative application of the sales tax exemption as an incentive to switch refineries over to producing cleaner Tier 3 fuels.

Photo Credit: Antoniodiaz | Dreamstime.com - [Taking a test in high school](#)

Six Lessons Learned about Fiscal Policy in the 2017 Legislature

Published: Tuesday, 14 March 2017 09:24

Written by: Matthew Weinstein



March 30, 2017 is [Love UT](#)

[Give UT!](#)

It's a day for Utahns to give to the nonprofits that make Utah special. Every donation to Voices for Utah Children through [Love UT Give UT](#) gives Voices a chance to win matching grants and prizes—and gives you a chance to win a car!

And you don't have to wait! Donate now at <http://bit.ly/loveUTchildren>.

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

Six Lessons Learned about Fiscal Policy in the 2017 Legislature

Published: Tuesday, 14 March 2017 09:24

Written by: Matthew Weinstein

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 for sponsoring our 30th Anniversary Year.

