

Taxes

Focus Group Snapshot

The Kem C. Gardner Policy Institute and the Hinckley Institute of Politics, in partnership with Deseret News and KSL, convened focus groups in April and May 2016 to identify important issues and policy options on the minds of the public and policy experts. While not representative of all voters, this qualitative research provides guidance to candidates and a deeper understanding of specific issues on people's minds. This snapshot provides the results of this research and serves as a guide to candidates on sentiments regarding tax policy.

Summary

Participants recognized that tax policy permeates all aspects of public policy and deserves careful attention. They applauded Utah policy makers for handling the fiscal challenges of the Great Recession well. They questioned whether Utah's current tax policies properly balance the competing public-finance principles of efficiency, fairness, simplicity, revenue sufficiency, and transparency. Of particular interest were policies related to taxation of online purchases, which many participants supported. Participants

noted the tradeoff between transportation and education investment, and many expressed a willingness to pay more for higher quality education. Tax breaks to out-of-state companies caused concern, particularly among participants pulled from a random draw of voters. A few participants expressed a general frustration about the public's lack of involvement on tax issues and mentioned the challenge of significant federal land ownership in Utah.

INFORMED DECISIONS | 2016

The Kem C. Gardner Policy Institute and Hinckley Institute of Politics, in partnership with the Deseret News and KSL, are pleased to present INFORMED DECISIONS 2016, a series of election products and events that will help voters make informed choices in 2016.

This year promises to be a banner election year in Utah. The state will elect a governor, four U.S. congressmen/women, a U.S. senator, and nearly 90 percent of the Utah Legislature, as well as many other state and local officials. INFORMED DECISIONS 2016 will help voters navigate this important election year with analysis of critical issues impacting our state. It will also provide candidates with an opportunity to explain their views on these and other issues.

Major components of INFORMED DECISIONS 2016

Focus Groups

The Gardner Policy Institute convened focus groups drawn from the general public and issue experts in urban and rural Utah to identify important issues and potential policy options. These snapshots provide a summary of the focus group discussions.

Election Briefs

Analysts from the Gardner Policy Institute, Hinckley Institute, and the Utah Education Policy Center will prepare policy briefs on the major issues identified in the focus groups. These briefs will include information on why the issue is important, an analysis of key topics, and potential policy options for consideration. Election Briefs will be released in August and September 2016.

Candidate Conversations

The Hinckley Institute, in collaboration with our media partners at the Deseret News and KSL, will lead a series of Candidate Conversations on targeted races. These forums will be hosted "town-hall style," similar to the CNN Town Hall format hosted by Anderson Cooper in the presidential elections. The majority of these Candidate Conversations will be hosted at the historic Wall Mansion on South Temple Street. The first of these conversations will be in June 2016 prior to the primary election. Later conversations will follow in October 2016.

Taxes

THEMES AND SENTIMENTS

The comments made by participants can be grouped into several themes. The following summary and notes, taken during the focus group proceedings, provide additional detail and color for each theme and provide instructive guidance for candidates.

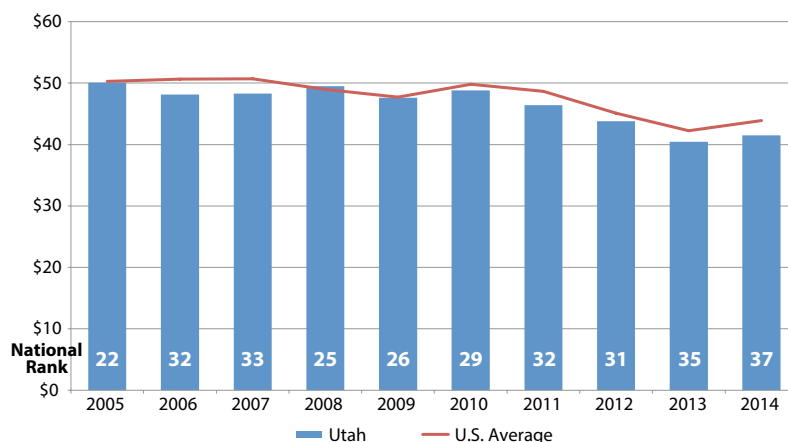
Theme #1: Utah's current tax policies require careful balance of efficiency, fairness, simplicity, and transparency.

Tax policy requires tradeoffs that impact people differently. In recent years, Utah's tax burden has fallen, but there remain many adjustments that could optimize and modernize Utah's tax system. Here are several comments made by participants:

- The tax system isn't living in the reality of the world we live in. It needs to be revamped.
- Earmarks provide a stream of revenue year after year, but some are concerned about the lack of transparency and feel earmarks should be reviewed regularly.
- We should be looking at ways to decrease expenditures and become more efficient.
- Utahns want great public services, but don't want to pay for them.
- Removing sales tax on food has made sales tax in general unstable. It will be difficult to reinstitute, and hardest on low income families.

Utah's Education Funding Effort

Elementary and Secondary Education Revenue in Utah per \$1,000 Personal Income



Notes: Federal, state, and local revenue sources reported by the U.S. Census Bureau are included. Rank is from highest to lowest and includes the District of Columbia.

Source: U.S. Census Bureau

Utah's State and Local Tax Burden

State and Local Taxes per \$1,000 Personal Income, 2013

	Utah	United States	Utah Rank
Taxes	\$96.05	\$103.49	19
Individual Income Tax	\$26.89	\$24.07	33
General Sales Tax	\$23.90	\$23.25	28
Property Tax	\$26.05	\$32.38	17
Corporate Income Tax	\$3.12	\$3.77	23
Motor Fuel Tax	\$3.52	\$2.94	35
Other Taxes	\$12.58	\$17.07	11

Notes: United States data reflect a weighted average of all states. Rank is from lowest to highest and includes the District of Columbia. Other taxes include selective sales taxes, motor vehicle licenses, and all other taxes as defined by the U.S. Census Bureau.

Source: U.S. Census Bureau and Bureau of Economic Analysis

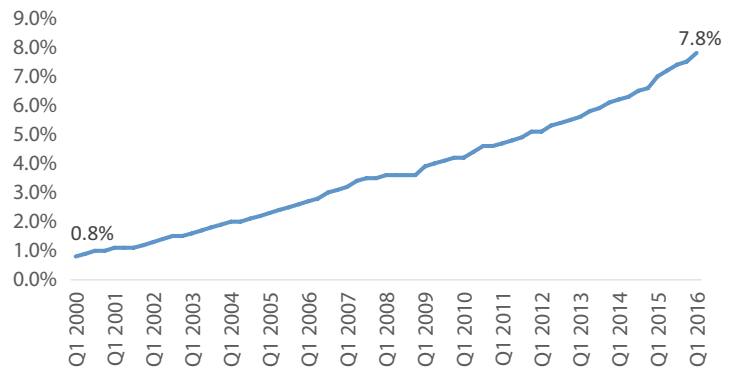
- Government is pitting education and infrastructure against each other.
- We want educational outcomes that do not match the dollars we are spending.
- There was a general willingness to pay more for education.

Theme #2: The taxation of online purchases is on people's minds. Many participants support it.

Utah has always been at the forefront in seeking ways to simplify online sales and use tax collection and administration. Utah is one of 24 states that has passed conforming legislation through the Streamlined Sales Tax Agreement. Policymakers face the challenge of creating a fair and efficient tax environment as more taxable sales occur remotely. Here are several comments made by participants:

- It's increasingly difficult for brick and mortar stores to do well because of online sales.
- If a store has a local presence, it is taxed. That's not fair.
- Some are concerned of what will be taxed instead – if money is needed, government will find something to tax.
- There will *eventually* be a federal online tax so that all states benefit.

Percent of Total Retail Sales in the United States that are E-Commerce



Source: Federal Reserve Bank of St. Louis

Theme #3: Utah managed the Great Recession well.

The Great Recession hit Utah harder than the U.S. average, but Utah responded quickly. The Utah economy is now in its seventh year of expansion and the state continues to be one of the top performing economies in the nation. Here are several comments made by participants:

- Decision makers get high marks for their handling of the Great Recession.
- Policy makers were wise to put revenue aside, pay off debt, and refrain from going into further debt.

Theme #4: Tax breaks for out-of-state companies cause concern.

While not the most important factor in expansion or relocation decisions, tax incentives remain an important difference maker in economic development decisions. Utah's tax incentives are modest compared to many states, but tax breaks given to companies receive a lot of attention and mixed feelings from Utahns. Here are several comments made by participants:

- Regular people are paying for the tax breaks of out-of-state companies.
- If technology companies paid more in taxes all of the cost would be passed along to consumers (flows downhill). In a global economy, those higher costs will be passed along to consumers throughout the world.
- Tax equality should be looked at more closely.

SUMMARY OF PROCESS

The Informed Decisions 2016 focus groups included a random draw of the general public, as well as leaders in business, government, and non-profit organizations. Six focus groups were held in April and May 2016. Each group discussed three separate topics: taxes, infrastructure, and education. These topics and their specific questions were chosen and honed as a team effort between the Kem C. Gardner Policy Institute, the Hinckley Institute of Politics, and the Utah Education Policy Center. The Gardner Policy Institute agreed to keep individual comments made by participants confidential. All participants were responsive, engaged and enjoyed the opportunity to discuss the issues presented.

LIST OF PARTICIPANTS

The following people participated in Informed Decisions 2016 Focus Groups. In addition, a group of randomly selected members of the public shared their views.

Pamela Atkinson	Luis Garza	Keith McMullin
Jonathan Ball	Pam Graf	Cristina Ortega
Stefanie Bevans	Mike Green	Scott Parson
Mark Bouchard	Andrew Gruber	Tami Pyfer
Becki Bronson	Terry Haven	Christine Redgrave
Anne Burkholder	Kimberly Henrie	Allison Riddle
Carlton Christensen	Robert Hunter	Jonathan Smith
Mike Christensen	Ally Isom	John Valentine
Bill Crim	Stu Jones	Evan Vickers
Wes Curtis	Mike Leavitt, Jr.	Jarett Waite
Phil Dean	Jill Remington Love	Linda Wardell
Sophia DiCaro	Marina Lowe	Thom Williams
Sydnee Dickson	Jennifer Mayer-Glenn	Mayor Maile Wilson