



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

House GOP Unveils Federal Tax Reform Plan

House Republicans have released their first draft of federal tax reform which includes doubling the standard deduction and lowering the corporate income tax rate to 20%.

The legislation is titled “The Tax Cuts and Jobs Act” and is designed to support middle-class families, defend workers and protect jobs. The bill calls for lowering the tax burden on middle class families and low-income families, a reduction of the corporate income tax and end to incentives to ship jobs, capital and tax revenues overseas.

The bill was released in early November after weeks of negotiations by Republican leaders in the House, Senate and the White House. Rep. Peter Roskam, (R-Illinois), the chief tax writer on the House Ways and Means Committee, stated in a New York Times article that the bill is simply the starting point and that changes to the bill may occur as it goes through the legislative process.

Changes for Individual Taxpayers

The plan calls for the standard individual income tax deduction to double. Those married and filing jointly will be able to claim a \$24,000 deduction under the plan, those filing single would receive a \$12,000 standard deduction.

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Notice of Utah Taxpayers Association’s Annual Membership Business Meeting

All members of the Utah Taxpayers Association are invited to attend the Association’s Annual Business Meeting, which will be held on Friday, November 17, 2017 at 2:00 PM. The meeting will be at the offices of Holland & Hart, 222 South Main Street, Suite 2200, Salt Lake City, Utah. Due to building security, please RSVP and bring photo ID.

Nominations for the Board of Directors will be accepted from the general membership until five days prior to the Annual Meeting. To RVSP, please contact Bren at (801) 972-8814 or bren@utahtaxpayers.org.

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My Corner: The Risk of Thinking Utah is “Doing Well Enough” Undermines the Need for Tax Reform



Association President
Howard Stephenson

While meeting at national conferences with legislative colleagues from other states and taxpayers association leaders from around the nation I have been repeatedly reminded that Utah is the envy of the nation for a number of reasons.

We're recognized for our success at reining in massive unfunded liabilities of government pensions which continue to plague most other states.

We're admired for always balancing our budgets and issuing short-term bonds for essential capital projects while many states are awash in long-term debt to fund over-priced projects and sometimes to fund daily operations. Our capital projects from buildings to highways are regularly done on time and under budget while the opposite is true in many states.

Utah's unemployment rate is low while many states are suffering. Utah benefits from low power rates and significantly lower medical costs per citizen than other states. Our outdoor variety and natural beauty are second to none.

We are consistently identified as one of the best managed states, the best state for business and for ten years straight have been tagged as the state with the best economic outlook.

We continue to balance budgets and experience year-end surpluses while many states are facing budget shortfalls.

Why State Tax Reform Now?

At the direction of legislative leadership, the Revenue and Taxation Interim Committee has been developing legislation for the 2018 session to improve Utah's tax code through a comprehensive tax reform package.

As a part of this, the committee has been crafting corporate tax reform to make Utah more competitive. This will lower the overall tax burden on businesses of all sizes by expanding the single sales factor and removing the sales tax penalties we currently have in

place on mining and manufacturing enterprises.

We've also seen a need to examine business tax credits to prevent tax cheating. The Governor's Office of Economic Development (GOED) is working with drafters to bring certain business tax credits under greater scrutiny which now are claimed without certification.

Throughout these discussions, some have questioned the need, since Utah has consistently ranked high in business rankings. They say efforts to make Utah more competitive are a wasted effort during good times and that wisdom would suggest waiting for the state economy to lag before doing more.

This attitude leaves me dumbfounded. While our state is one of the most business-friendly in the nation, we can't simply hope that our success will continue while we rest on our laurels. That would be like telling the Golden State Warriors to take the summer off after winning their NBA championship. As we all know, winners cannot be satisfied with the status quo, they find ways to become better and to win again season after season.

Utah is a winner. We cannot rest while other states continue to put us in their crosshairs. This is why we need to take tax reform seriously and immediately. The state's economic future depends on us to make the tough decisions to build upon economic and high-income job growth ensuring that our children and our grandchildren can provide for their futures.

Utah's strong economic position is due in part to tax reforms made in 2007, spearheaded by Gov. Jon Huntsman, Jr. Because of those changes, which included lowering Utah's income tax to its current level of 5%, our state recovered better from the recession than any other. We were able to allow the private sector to do its job, run a lean government, and we are seeing the success. Unemployment is at low levels, job growth is strong and state government has seen significant increase in revenues while not having to raise taxes, funding education and other vital state services.

Utah needs the ability to survive the next recession, and Utah's tax reform discussions will help minimize the economic impact. We are currently out of touch as we punish companies which locate their payrolls and

capital here while we favor companies which have sales here without investing in Utah jobs and property. We must also eliminate the sales tax penalty imposed on companies which wear out tools of production within three years.

Detractors say Kansas' failure at lasting tax reform is an example why we should leave our tax code as it is. Kansas' tax cuts which have now been repealed in large part were due to strategic budgetary mistakes. Utah's tax reform proposals include phasing cuts while resulting economic growth takes hold to replace the lost revenue so that Utah and its taxpayers will enjoy the benefits of the tax reform for years to come.

Finally, I go back to my analogy about the NBA's Golden State Warriors. Currently they have a rival in

Cleveland that is openly gunning for them. A number of other teams this past offseason spent millions acquiring additional players and building their rosters such that they can compete with the Warriors. It isn't a foregone conclusion anymore that the Warriors will win their third championship in four years. The same could be said with Utah and its economic position.

A number of states including Indiana and North Carolina, have seen our success and are building their teams to claim economic victory. While success among the states is not a zero-sum game, we need to move forward with our tax reforms and do what it takes to make sure Utah remains the best state in which to live and work for generations to come.

House GOP Unveils Federal Tax Reform Plan

(continued from page 1) The plan also calls for a consolidation of the current personal income tax brackets. The brackets would be reduced from seven to four with the new brackets being 12%, 25% and 35% and 39.6%.

Families that used to fall under the former 10% bracket are expected to be better off under the new bracket system because of the increase in the standard deduction as well as the increase in the child tax credit.

The legislation also looks to simplify the tax code. It has long been a goal of members in Congress to make taxes easy enough to file that the paperwork could fit on a postcard.

To accomplish this goal the plan seeks to eliminate many of the exemptions, deductions and credits that are currently on the books (doing so will allow for the increase in the standard deduction). The home interest deduction is preserved, although the cap on the deduction is moved from \$1 million loans to \$500,000 loans.

The charitable exemption is also continued. Deductions for state and local taxes are allowed to be written off but only on property taxes up to \$10,000.

The house bill also increases the child tax credit from \$1,000 to \$1,600.

Lower Corporate Income Tax Rate

Perhaps the most significant change that is being proposed is the change to the corporate income tax.

The proposal seeks to lower the corporate tax rate to

20%, which is below the 22.5% average corporate income tax rate among industrialized nations. This is monumental as it will begin the process of incentivizing companies to stay in the U.S. instead of looking for tax shelters in other

The Tax Cuts and Jobs Act Highlights:

- Doubles the standard exemption from \$6,350 to \$12,000 for single filers, and \$24,000 for joint filers, up from \$12,700
- Reduces the corporate income tax rate to 20%, lowering it by 15%
- Consolidates the personal income tax brackets, from 7 to 4
- Shrinks the number of credits, deductions, and exemptions

areas of the world.

The legislation also limits maximum tax rates applied to business income of small and family owned businesses that are conducted as sole proprietorships, partnerships and S Corps.

These taxpayers would see a cap of 25% on the income tax related to their businesses. The bill does call for measures to be put in place for these types of taxpayers to prevent the re-characterization of personal income into business income to prevent wealthy individuals from avoiding higher personal

income tax rates.

Businesses will also be able to immediately write off (or expense) the cost of new investments in depreciable assets other than structures for at least five years under the House GOP proposal. This policy represents an unprecedented level of expensing with respect to the duration and scope of eligible assets.

Just as many deductions are proposed to be eliminated in the individual income tax code, many eliminations of business deductions are also being considered.

However, there are two incentives highlighted as ones that won't be eliminated. The first is the research

and development deduction and the second is the low-income housing credit. Other deductions may be considered as the bill is debated in the House and Senate.

The plan also transforms the existing "offshoring" model for businesses to an "American" model. The House plan calls for an end to the incentive to keep foreign profits offshore by exempting them when they are repatriated to the United States.

Costs for the Tax Cuts and Jobs Act are estimated to be more than \$1 trillion. GOP leaders hope the tax plan can be on President Trump's desk for his signature by the end of the year.

Taxpayer Funded UTOPIA Approved Additional Bonding

Board members associated with the UTOPIA/UIA project have voted to increase the debt carried by the governmental entities. In a vote taken in mid-October, members of the UIA (Utah Infrastructure Agency) board voted to approve a bond to refinance the current bonds held by the municipal-owned broadband project, while increasing the debt carried on the UIA from \$12 to \$13 million. The total amount of the new bond, including the refinancing of the current debt, puts the price of the bond total at \$72 million to be paid over 25 years.

The vote for the bond was done without any approval from city councils of member cities as UIA only bonded for what was allowed under authority given by cities in years past. One UIA board member, from Murray, did request an additional week so elected officials from the member cities could be briefed on the additional bonding. However, the majority of the board refused the request since "they had the votes" to pass the bond and did not want to wait longer for approval.

The continual theme throughout the meeting prior to the approval of the bond was the success of UTOPIA and UIA. Staff for UTOPIA claimed that while the government venture had seen dark days in the past, things have now turned a corner and are looking up. That, however, is only true if you turn a blind eye to the whole financial story of the UTOPIA/UIA project.

According to the financial statements filed with the State Auditor's office, the UIA has seen modest gains as it moved from finishing its financial year in 2015 with positive statement netting \$587,559 to \$2,167,043 in 2016. Unfortunately, UTOPIA cannot claim the same success. Financial statements from 2015 show

UTOPIA finishing the year in a negative position of \$177,867,318. In 2016, the debt grew as UTOPIA finished at a negative position of \$197,723,522. When you combine the two entities statements it shows no positive financial gain. In fact, it shows a loss of more than \$18 million. It is hard to see how things are improving when a project shows that large of a loss and has a long history of running in the red.

In the meeting to approve the bond the UTOPIA/UIA team was blind to the real financial status of the operation and chose to ridicule those who have pointed out its warts. Instead they argued that everyone needs to capture the vision of what they are trying to accomplish for the state of Utah. If that vision is creating a government entity that competes against the private sector and has a long history of losing money, we'll have to pass on that vision.

Your Taxpayers Association has been a long-standing critic of UTOPIA/UIA and will continue to do so as it violates the three fundamental questions we ask when a government proposal like this comes forward. 1) Is the government getting into the business of business? (e.g. party caterers), 2) Does the government proposal pass the "yellow pages" test? (i.e. if the service is available in the phone book, government ought to stay out of it) 3) Do fees for service relate to the usage of that service where possible (e.g. water bills).

In the case of UTOPIA, it fails on the first two questions and has flirted with failing on the third question. Until those can be resolved, we will continue to watch this organization and be critical when a voice is needed to defend taxpayers against government entity that hides in layers of government and stands unaccountable to taxpayers.

Guest Commentary: Redesigning Utah's Higher Education to Meet Workforce Needs

It is truly an exciting time to be a part of Utah's vibrant education community!

At his recently concluded Education Summit, Governor Gary Herbert organized a thoughtful program focused on technical education across three systems: public education, the technical colleges, and the system of higher education. For the first time ever, leadership from the State Board of Regents, the State Board of Education, and the System of Technical Colleges Board of Trustees participated in a State Summit dedicated to technical education. Among the main takeaways of the conference was a charge from the governor to build upon our partnerships and work more closely to address the very real needs of our growing economy.

Commitment

At the Utah System of Technical Colleges (USTC), we accept the governor's challenge and look forward to an exciting 'Year of Technical Education.'

Utah's Technical Colleges are thrilled to share their best practices and, likewise, learn from other institutions and thought leaders. Our commitment to excellence directs us to search for efficiencies, improvements, and opportunities to better serve our students and the businesses who hire them. We are student-focused, industry-driven, and taxpayer-funded; our dedication to those three constituencies is the highest priority.

In 2016-2017, more than 32,000 students attended classes and trainings at a technical college in Utah. From a high school student who received a tuition-free education as a nurse assistant on her way to attending pre-med classes at the University of Utah to a 21-year old whose certificate in web development and programming is helping make a Silicon Slopes company famous - our students are making a difference in their communities and having a direct impact on the Utah economy.

Right now, those 32,000+ technical college students are part of a statewide network of hundreds of thousands of girls, boys, young women and men, and more seasoned Utahns; lifelong learners from every corner of our state all focused on prosperity. As Commissioner of Technical Education for Utah, I am focused on those students and am committed to

strengthening the partnerships required for them to achieve their career goals.

In 2017, we have seen improvements to the Utah education system such as the recent shift in the governance of the technical colleges and the establishment of a statewide coalition dedicated to providing students a market-driven curriculum and employers a skilled workforce.

Under Governor Herbert's 'Talent Ready Utah,' initiative, leaders from the Governor's Office, State Board of Education, System of Higher Education, and System of Technical Colleges have joined with economic development and workforce principals to explore meaningful pathways and curriculum development. This unprecedented partnership has expanded the dialogue among those who play a direct role in supporting Utah's economic engine.

And in response to the important work that was being done at the eight applied technology colleges (ATCs) across the state, the 2017 Utah Legislature renamed the Utah College of Applied Technology (UCAT) as the Utah System of Technical Colleges (USTC). Where UCAT was one institution with eight ATC campuses under the leadership of a President, USTC is a system of eight distinct colleges governed by a Board of Trustees. Our system has three specific and measured goals: 1. Provide every student the opportunity to obtain quality career and technical education resulting in a postsecondary credential; 2. Meet critical economic and employer needs; and 3. Improve internal efficiencies.

Pathways and Partnerships

Today's workforce requires more detailed and focused education and training platforms than ever



Commissioner of Technical Education of the Utah System of Technical Colleges David Woolstenhulme

before. As terrific as the tech college system is, we cannot achieve our goals in isolation from our education delivery partners and we must more robustly engage with our employer community. Across our system, we have over 1,400 members of employer advisory committees who help us build and track curriculum to ensure its relevance to industry. Not only do these partners provide curriculum advice, many of them donate equipment, tools, computers and other critical classroom and lab materials. Without their support, we could not deliver certified students and trainees to them and our economy and quality of life would suffer. This is an area we plan to expand and mobilize over the coming year to broaden our impact beyond traditional programming.

“The IT Pathways Program will fill critical workforce needs in our state and ensure the continued success of Utah’s tech industry. This program will be an important investment — for education, for our growing workforce, for the IT industry and for economic opportunity — in other words, for Utah’s future.”

— Governor Gary R. Herbert

For example, building on the strength of the innovative Aerospace Pathways Program which linked state government to education institutions and the aerospace industry, Governor Herbert launched Talent Ready Utah’s ‘Information Technology Education Pathway Program.’ In his announcement, the Governor said, *“The IT Pathways Program will fill critical workforce needs in our state and ensure the continued success of Utah’s tech industry. This program will be an important investment — for education, for our growing workforce, for the IT industry and for economic opportunity — in other words, for Utah’s future.”*

These partnerships and programs are formed, in theory, to better align education directly with workforce needs. And when our three education delivery systems work together with business leaders and policy makers, we put theory into practice and, ultimately, deliver for our State.

One of the exciting strategies the System of Technical Colleges is working on with our partners to address pathway alignment involves ‘stackable credentials.’ The idea here is not complicated, but involves quite a bit of work to align certificate programs within technical education to degree programs at a higher education institution. Educational pathways or stackable credentials are designed to deliver certificates and/or degrees to individuals at multiple points along their

workforce and educational trajectories.

This past July, for example, the State Board of Regents approved a new degree, the Bachelor of Science in Technology Systems, for Utah State University (USU). USU’s College of Agriculture and Applied Sciences partnered with our Bridgerland Technical College to develop this unique “stackable” degree designed for nontraditional students.

The degree allows students who have received an approved 900+ hour certificate from a technical college to transfer those hours and receive 30 credits at USU toward their Associate of Applied Sciences in General Technology. The students can use this degree to form the foundation for the new Bachelor of Science in Technology Systems. Students in the program can choose to emphasize in information and computer technology; product development; robotics, automation and control; or technical management.

Working together, the Systems of Higher Education, Technical Colleges, and the State Board of Education are focused on the common goal of providing a world-class, relevant education for all of Utah’s students. Yet, there is much work still to be done.

As we embark upon the ‘Year of Technical Education,’ we have created a jointly operated website at <http://YearOfTechEd.org> which will serve as a comprehensive resource for everyone interested in the wide-ranging opportunities the State of Utah provides within technical education. Through this site and in other ways, we will highlight and update program offerings, provide information about technical education pathways across the state at every institution, showcase success stories, and promote community events related to technical education.

Our system is committed to excellence in technical education free of the territorial constraints of the past. Working closely with our partners allows us to celebrate our achievements for a moment, and quickly pivot to addressing the next opportunity, unified in our shared responsibility.

Utah Remains in Top Ten For Tax-Friendly Business Climate

Utah continues to rank high for its business tax structure, according to a new study. In the 2018 State Business Tax Climate Index put out by the Washington, D.C.-based national Tax Foundation, Utah is ranked 8th in the nation.

The Index is released each year, which ranks each state in the nation by taxes levied to provide a comparison of the tax structure.

The Index deals with such questions by comparing the states on more than one hundred variables in the five major areas of taxation (corporate taxes, individual income taxes, sales taxes, unemployment insurance taxes, and property taxes) and then adding the results to yield a final, overall ranking.

Here's how Utah ranked in these key five areas:

- Corporate Tax - 4th
- Individual Income Tax - 11th

- Sales Tax - 17th
- Property Tax - 5th
- Unemployment Insurance Tax - 21st
- Overall - 8th

In the Index, the Tax Foundation argues that in order to increase competitiveness states should put in place a systematic review and improvement of the business tax climate. Utah policymakers have been doing such a thing over the past year, and are expected to pass encompassing tax reform in the upcoming legislative session.

In addition, the study reports that states that dole out corporate tax breaks, as opposed to having a stable, broad-based and low rate tax structure, are often making up for their lack of competitiveness.

To read the entire study, [click here](#).

Association Accomplishments During October:

- ❖ Worked with members of the Tax Commission to discuss upcoming legislation
- ❖ Met with officials from the Ogden School District to discuss a proposed bond
- ❖ Attended Tax Review Commission working groups to discuss future tax policy
- ❖ Met with officials from the Governor's Office of Management and Budget to discuss sound tax policy structure
- ❖ Attended legislative interim meetings

In the News

- ❖ Our Schools Now/St. George Meeting Awards
 - [Goal of Our Schools Now Has Merits \(Counter Opinion\) Letter to the Editor](#): St. George News
- ❖ Cost of City Government Report
 - [Istook: All Politics Is Local, Especially In Utah](#): Daily Herald
- ❖ Bond Elections
 - [South Summit Bond Given Thumbs Up by Taxpayers Association](#): Park Record
 - [From Morgan to Draper, School Boards Asking Voters for more than \\$800 Million in Bonds](#): Deseret News