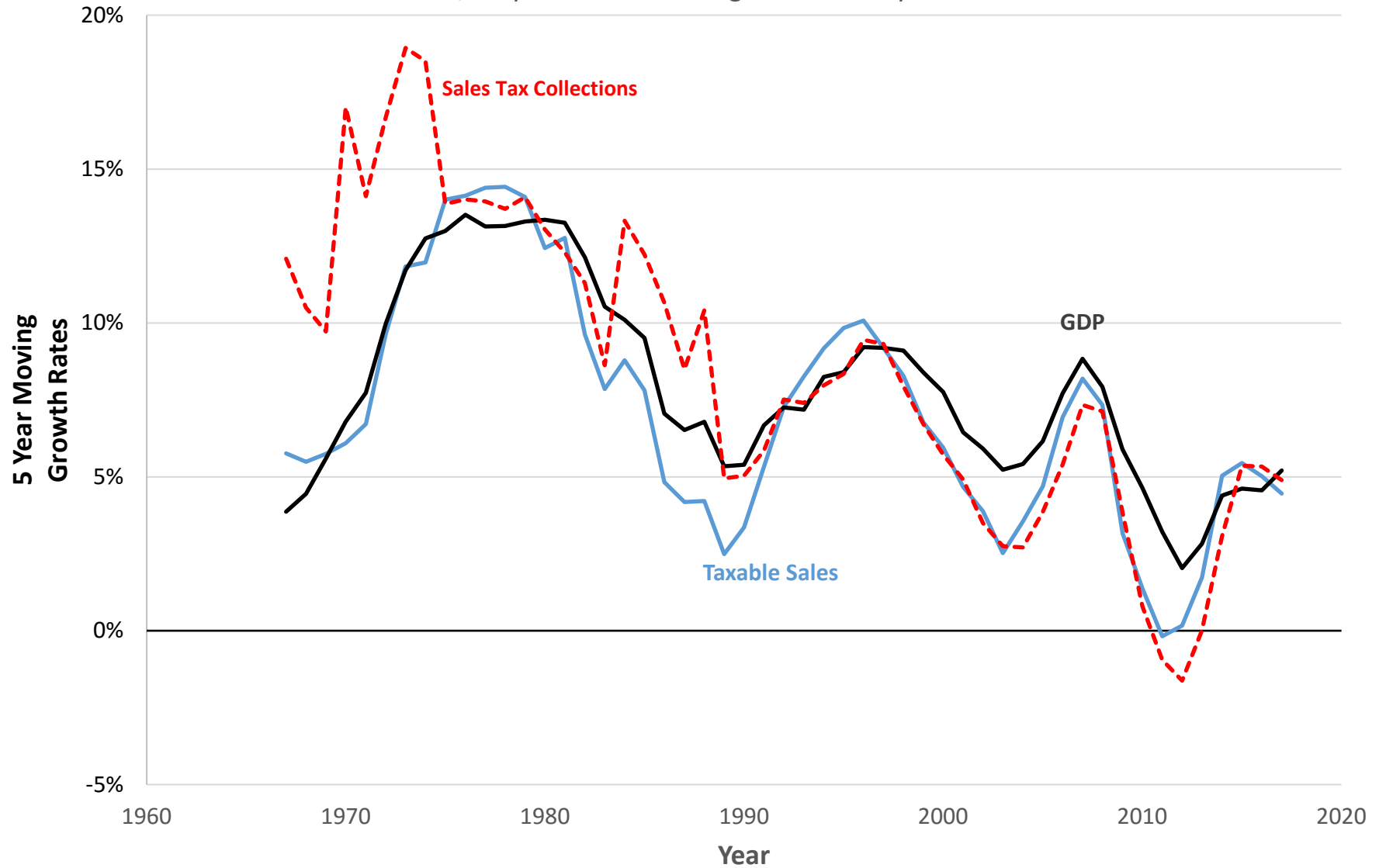




## Has Growth Diverged Among The Economy, Taxable Sales And Sales Tax Collections?

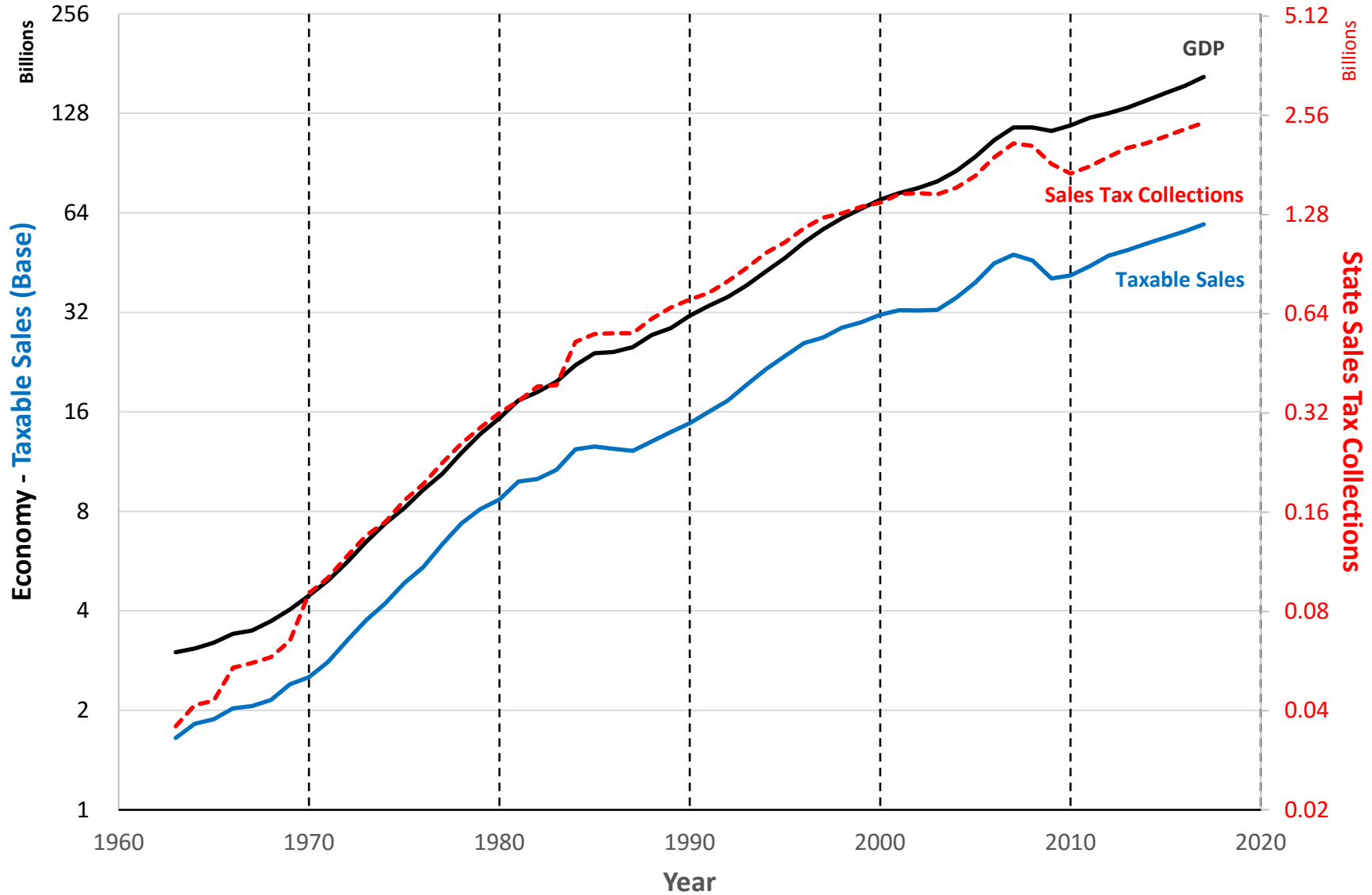
No, they have had similar growth for 50 years.





## Has Growth Slowed Down?

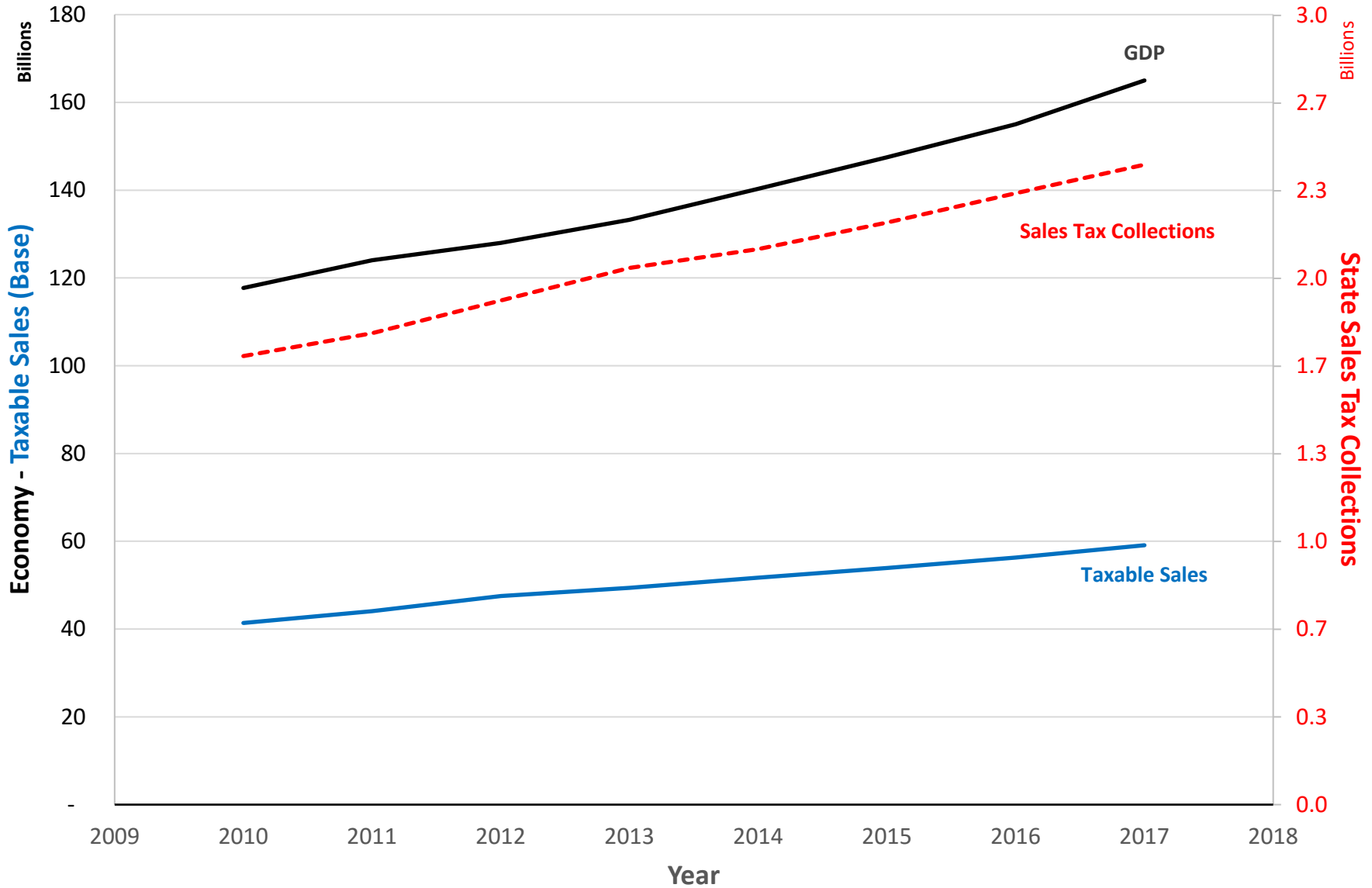
Yes. Utah's economy, tax base, and sales tax doubled in size every 5 years in the 70s. They doubled every 10 years in the 80s and 90s. Since the 2000s doubling in size takes 15 years.





## How Have Sales Tax Collections Responded Since The Great Recession?

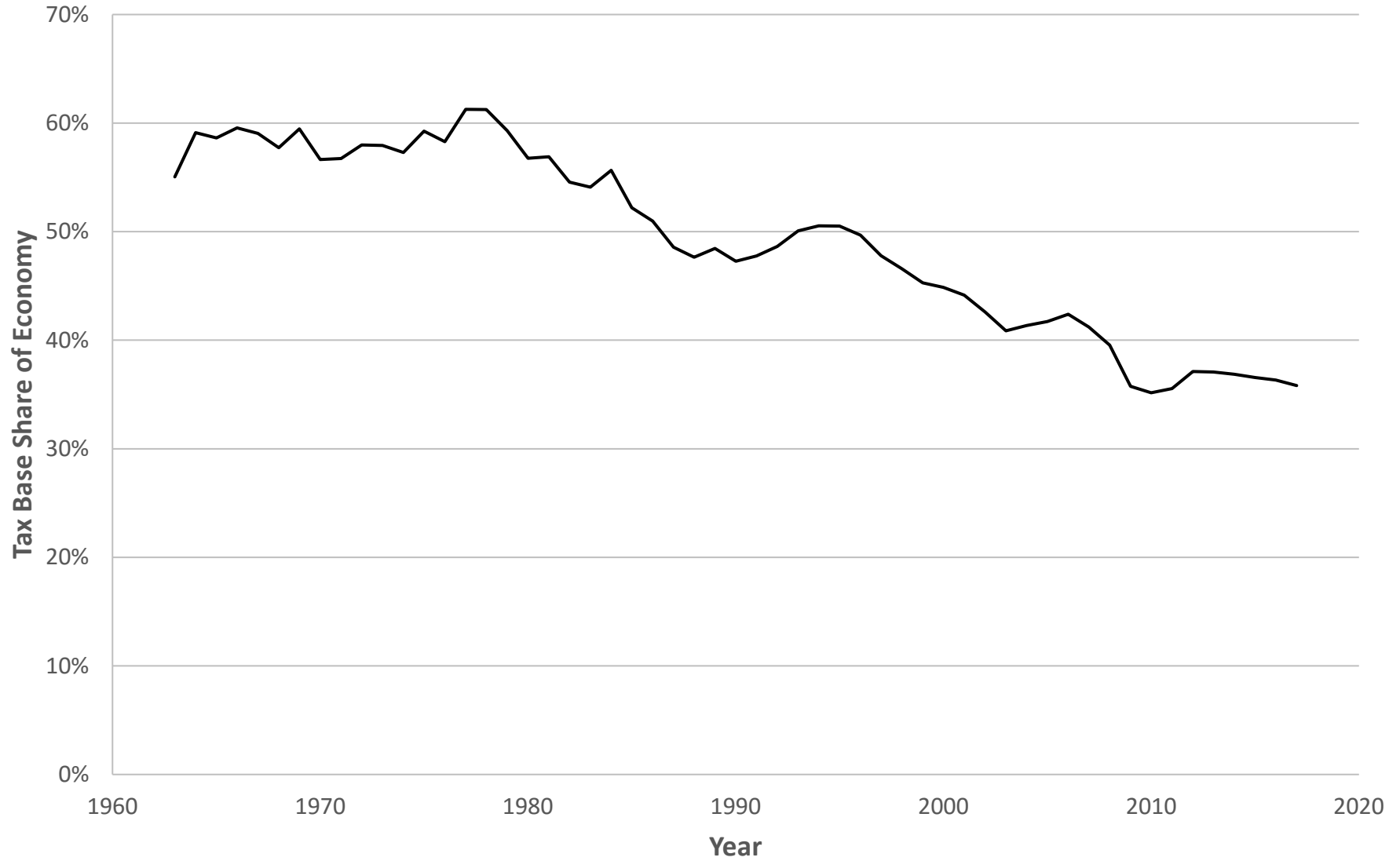
They have grown at the same rate as the economy (GDP).





## Is The Sales Tax Base Shrinking?

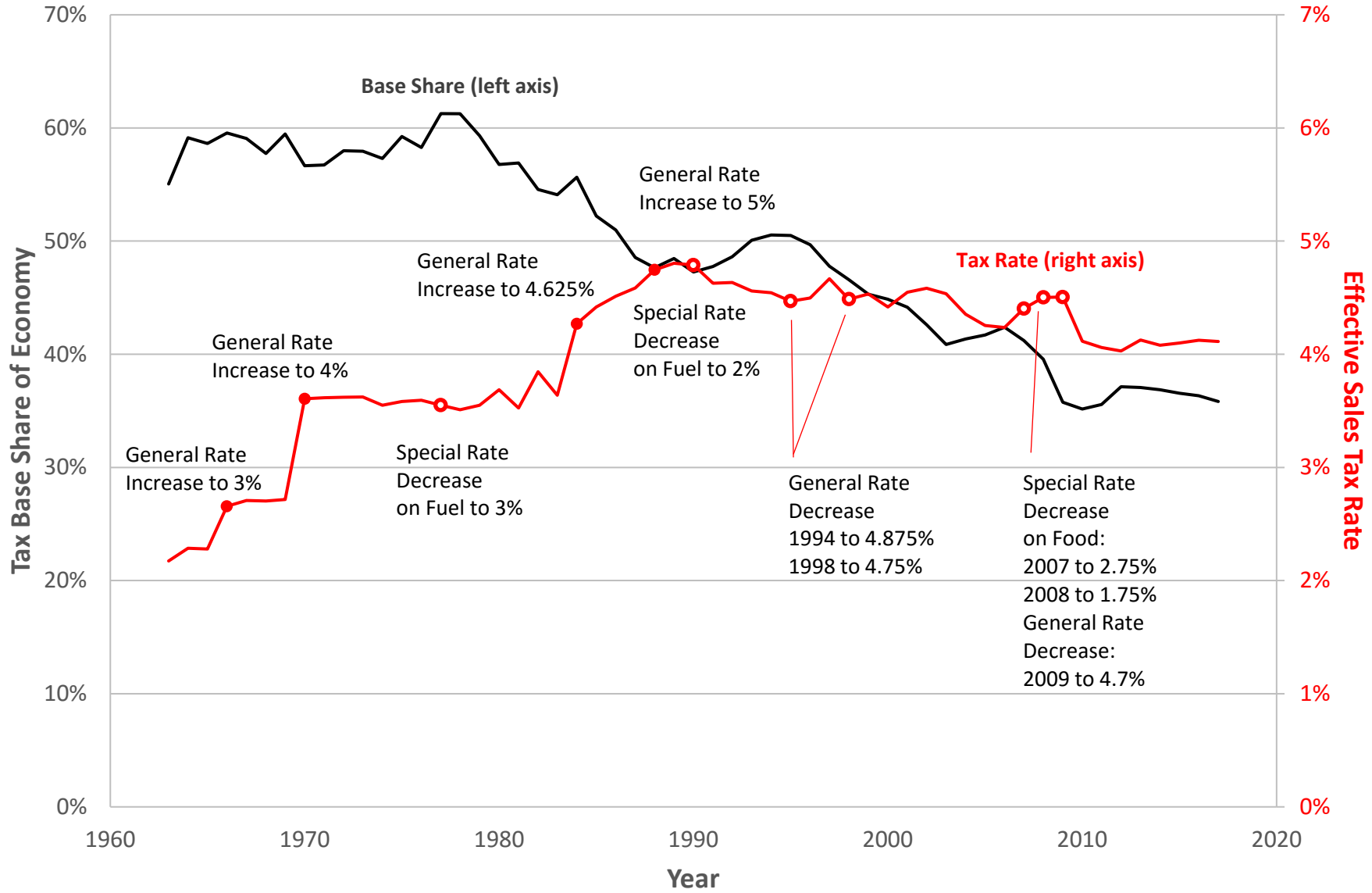
Yes, as a percentage of the economy. Nontaxable transactions comprise a growing share of economic activity, but the difference is diminishing.





## Have Tax Rates Changed With Slower Growth In The Sales Tax Base?

Yes, rates are about 20% higher than when taxable sales made up 60% of GDP.

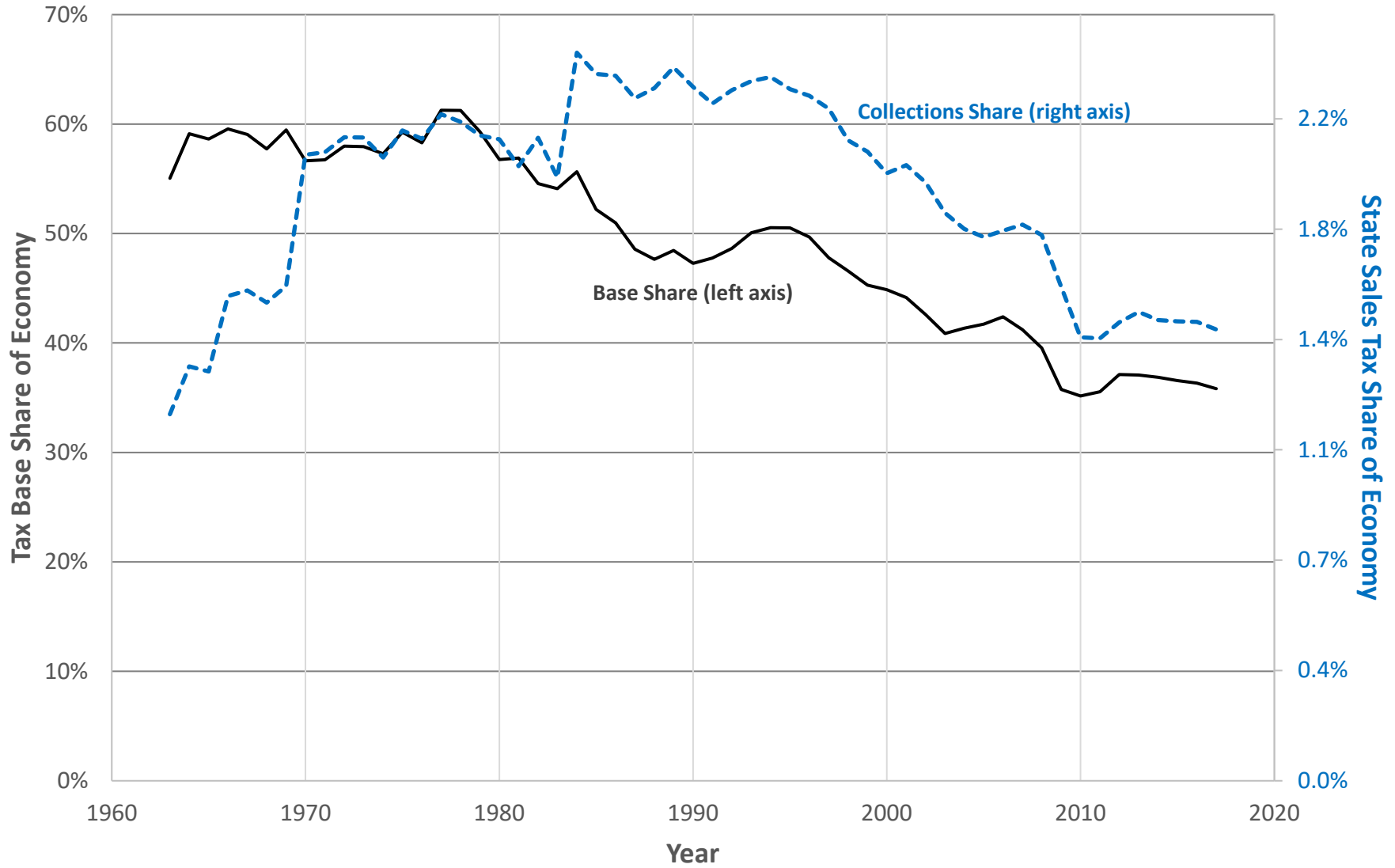




## Will the Sales Tax Continue To Be Viable In The Long Term?

Yes, it will continue to raise large amounts of revenue.

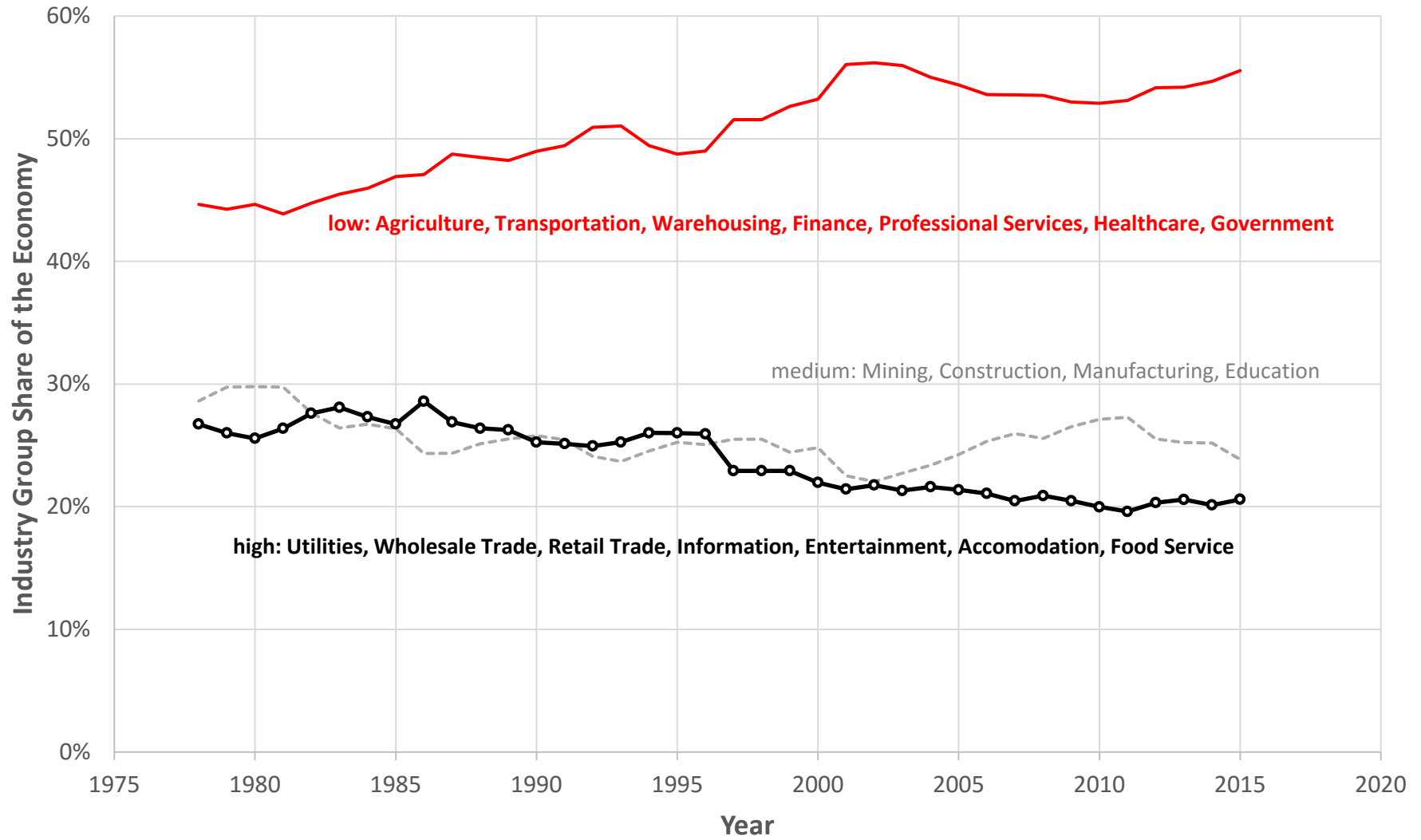
The sales tax base is not growing as fast as the economy, but the base is still growing.





## Why Has The Sales Tax Base Not Grown Faster?

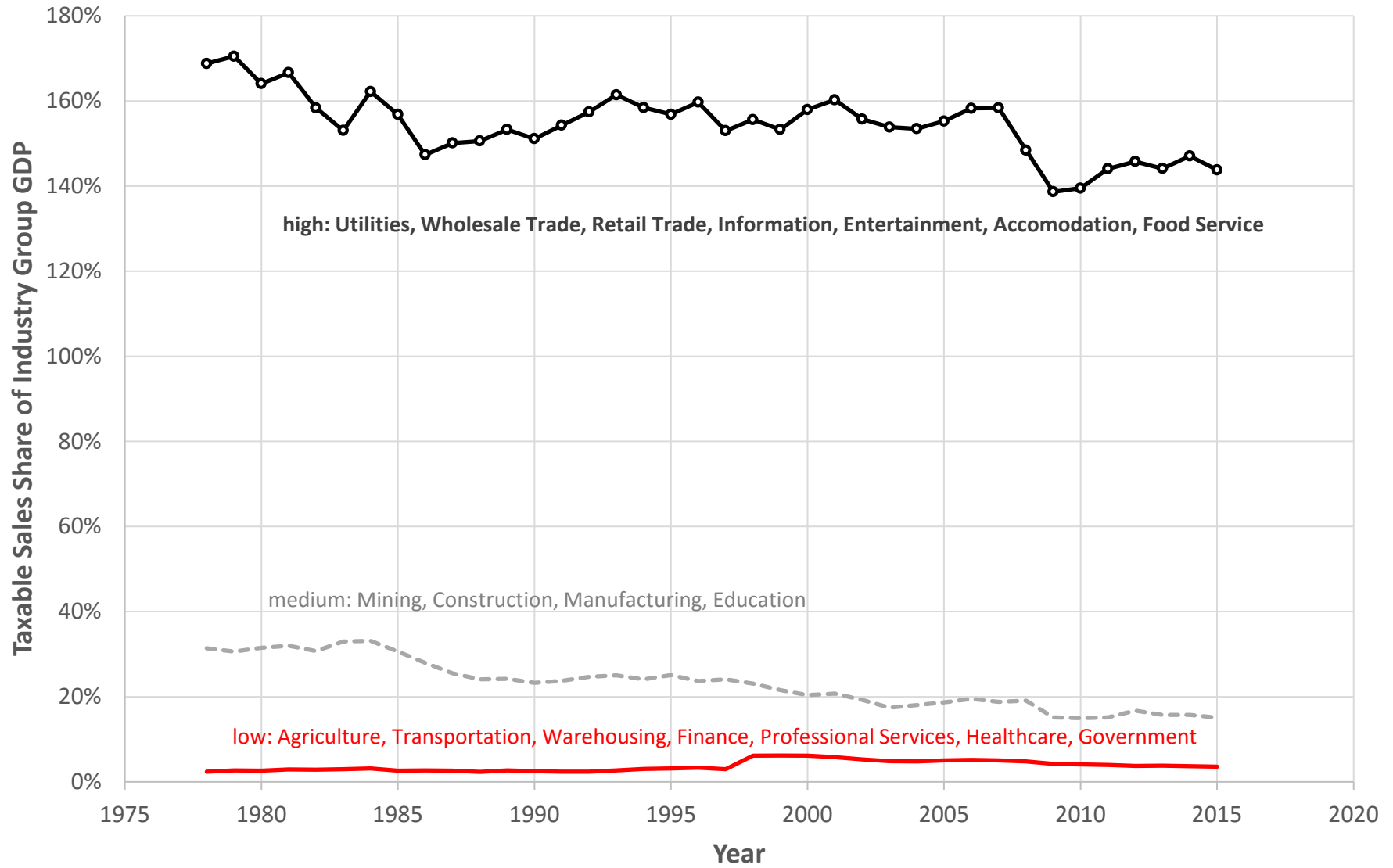
Trading physical goods is a smaller part of today's economy.  
By design, the sales tax largely applies to these kinds of transactions.  
The fast growing industries engage in little of this kind of trade.





## What Is The Relationship Between The Economy And The Sales Tax Base?

The sales tax applies to more than what is added in production by an industry (GDP). Retailers charge high prices for some goods while adding a fraction of that value to the overall economy.







## What Transactions Are Exempt Or Excluded From The Sales Tax?

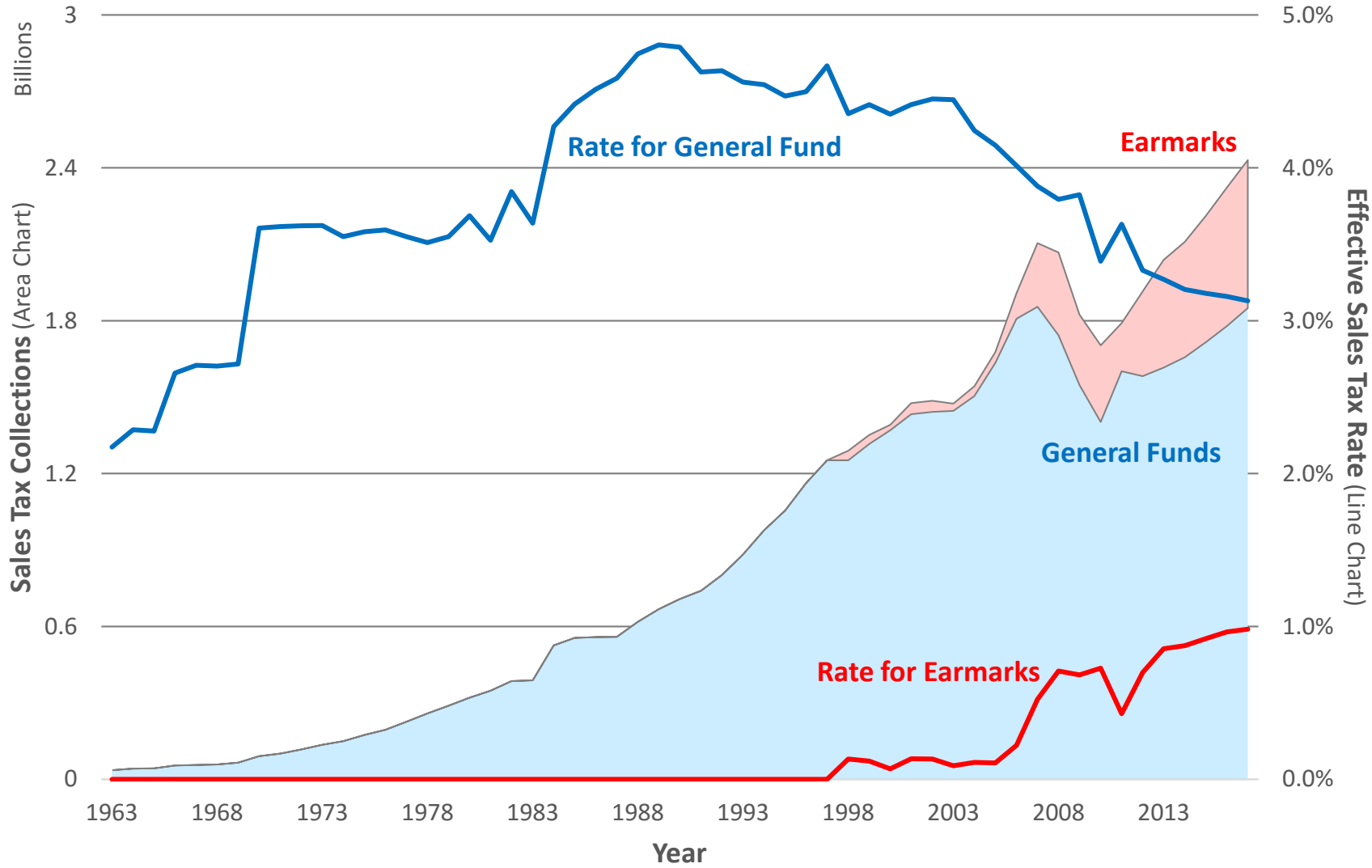
Some transactions are not taxed on grounds of economic or tax efficiency, administrative difficulty, or other policy considerations like equity or simplicity.

- Admissions to College Athletic Events
- Electricity Sales to Ski Resorts
- Sales by Heber Creeper Railroad
- Farm Machinery
- Commercial Sprays and Insecticides
- Accounting & Legal Services
- Healthcare Services
- Home Medical Equipment
- Prescription Drugs
- Nonresident Vehicles and Boats
- Property Purchased for Resale
- Telecommunications Equipment
- Steel Mill Nondurable Equipment
- Newspaper Sales and Subscriptions
- Water from a Ditch or Reservoir
- Meals from Schools, Churches, Hospitals
- Pollution Control Devices
- Religious or Charitable Sales
- State and Local Government Purchases
- Construction Materials for SLC Airport
- Airline Food
- Motor and Special Fuels



## Why Is General Fund Growth So Low?

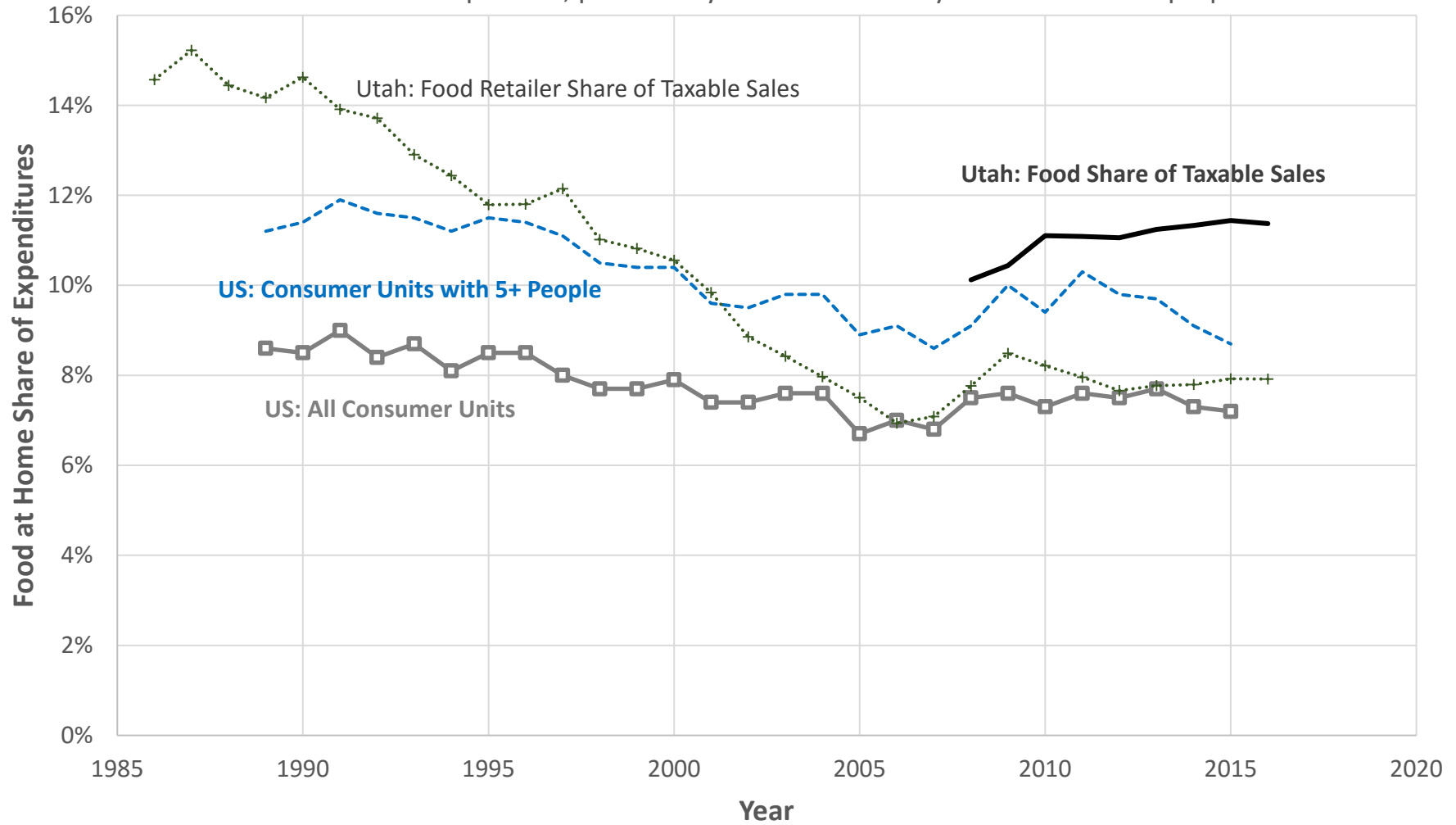
Earmarks. Most of the growth has shifted to transportation.  
Otherwise, revenue would have grown in line with historic norms.  
A full 1% of the state rate or 25% of the revenue is being diverted.





## How Does Taxing Food At Different Rates Affect The Volatility Of Sales Tax Revenues?

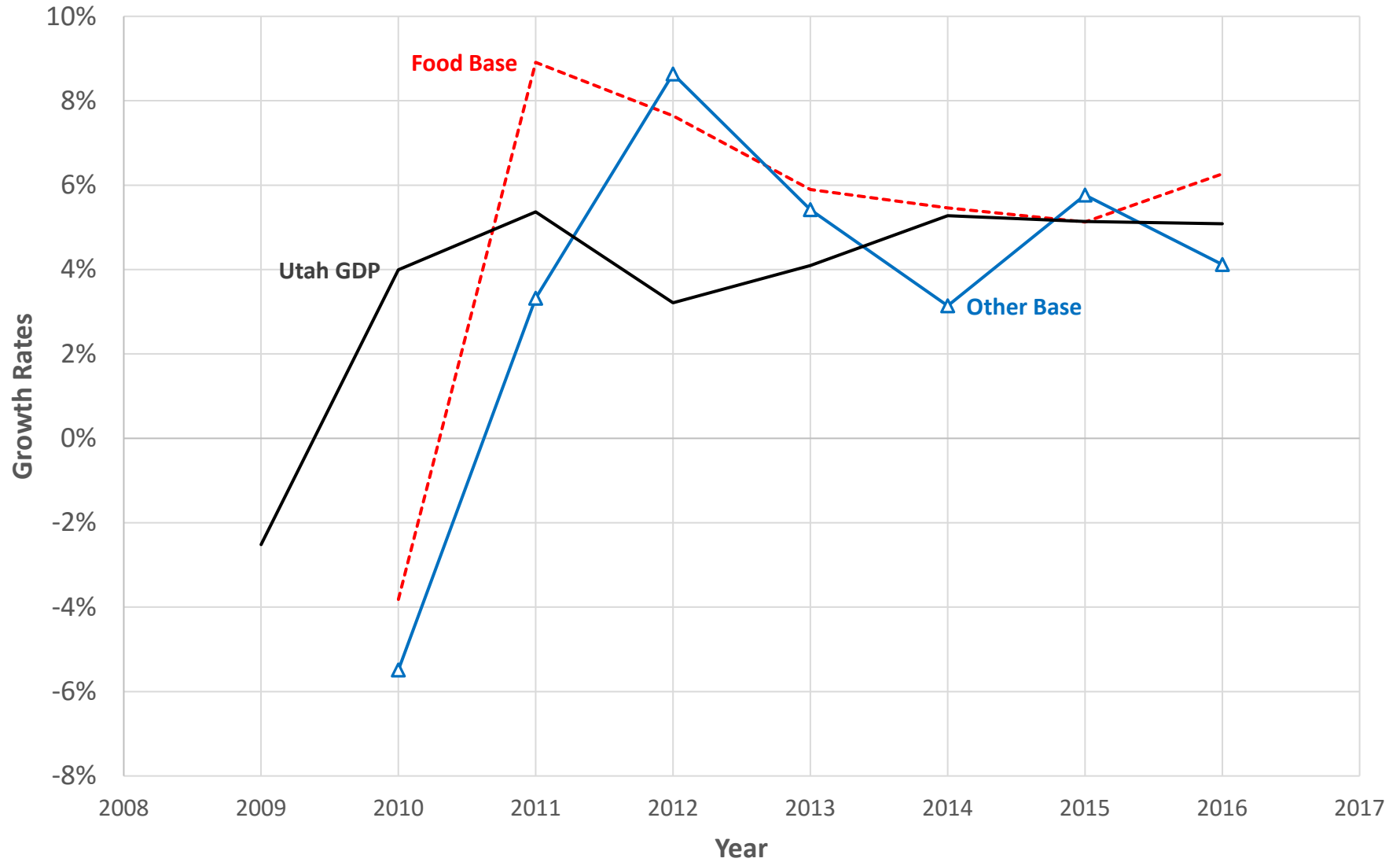
Inconsequentially. The share of food purchased for home consumption has been in slight decline for decades. This share has been relatively stable for the past ten years, but should decline in coming years with continued economic expansion, particularly as consumers buy more restaurant-prepared food.





## How Volatile Is The Sales Tax Base?

The sales tax base is one of the most stable bases of taxation relative to the economy. The growth in the food base and base of all other taxable goods and services are similar.





## How Would Tax Revenue Change Long Term If There Were Large Swings In Food Purchases?

Not much. The amounts would still be relatively small - after 15 years the effect is less than plus or minus \$40 million dollars (swings smaller than 1% of future sales tax). Even if food consumption patterns shift more than expected, it would still have little impact on total sales tax collections. Equalizing the tax rate on food does not change the long-term growth of the General Fund. However, given the likelihood that food will make up a smaller percentage of spending in the future, this policy would produce a little less revenue for the General Fund over time.

