

Tax Collections

Overview

After adjusting for inflation, Fiscal Year 2006 tax collections, windfalls and tax rate, and tax base changes grew an unprecedented 15.5% over FY 2005. This rate of growth, in General Fund and School Fund revenues, was the highest in over 25 years. By comparison, the annual growth rate in state revenues from 1980 to 2006 has averaged only 3.7% (after adjusting for inflation, and tax rate and tax base changes).

The sharp turn around in tax collections in FY 2004, FY 2005 and FY 2006 stands in stark contrast to FY 2002 and FY 2003. In just four years (between FY 2000 and FY 2004) the inflation-adjusted fluctuation in the revenue growth rate went from a positive 6.6% (FY 2000) down to a negative 5.4% (FY 2002) and then back up to a positive 3.6% (FY 2004). The inflation-adjusted General Fund and School Fund growth rate in FY 2005 increased to 8.3% and then jumped to 15.5% in FY 2006. It will decline to a negative 0.1% in FY 2007 due to approximately \$175 million in tax cuts and the earmarking of 8.3% of sales taxes for transportation.

General and School Fund year-end revenue collections for FY 2006 exceeded budget estimates by \$390.7 million. The state ended the 2006 budget year with a surplus of \$308.4 million after distributions to various funds, including allocations to General Fund and School Fund rainy day accounts and the Industrial Assistance Fund. This compares to excess revenue collections of \$170.6 million, and a surplus of \$105.7 million, in the previous year (FY 2005).

Tax collection was also affected by significant legislation. The Legislature enacted income tax reforms which will allow taxpayers the option of calculating income tax under a flat rate or under the current system with expanded brackets and reduced top tax rate. The Legislature also lowered the state portion of the sales tax on food, modified the formula used to calculate corporate taxes, and expanded sales tax exemptions on business inputs.

Fiscal Years 2002 and 2003: Downturn

Inflation, tax-rate and tax-base adjusted FY 2002 General Fund and School Fund revenue collections fell 5.4% compared to the prior year. This decline may be attributed to a global recession, the September 11, 2001 terrorist attacks, the end of the 2002 Olympic Winter Games, and the dot-com stock market implosion. State leaders dealt with the 2002 revenue deficit through budget cutbacks, bonding, lapsing monies, rainy day funds, and revenue transfers from restricted funds, and the budget year closed with a \$736,000 surplus.

The General Fund and School Fund revenue-adjusted growth rate decreased another 2.5% in FY 2003. Even though tax collections were \$12 million short of estimates, a \$1.8 million sur-

plus was made possible by the return of unspent money from state departments and a federal relief grant of \$38 million the state received in June 2003. Funding was also available due to FY 2003 ongoing budget cuts of \$353.6 million.

Fiscal Year 2004: Beginning of the Recovery

In the 2003 General Session, the Legislature reduced ongoing agency FY 2004 budgets by \$45.7 million. After the 2003 General Session, the Utah economy emerged from its prolonged recession. Job growth in Utah has remained consistently positive since July 2003. Inflation adjusted, tax rate and tax base General Fund and School Fund year-end revenue collections grew 3.6% in FY 2004 and exceeded budget estimates by \$94.4 million. The state ended the 2004 budget year with a General and School Fund surplus of \$54.4 million.

Fiscal Year 2005: Strong Growth Year

FY 2005 General Fund and School Fund tax collections, adjusted for inflation, rate and base changes, showed exceptionally strong growth of 8.3%. Collections for FY 2005 exceeded budget estimates by \$170.6 million, and the state ended the 2005 budget year with a remaining surplus of \$105.7 million. The surplus was primarily due to strong growth in income and sales tax collections.

Fiscal Year 2006: Unprecedented Growth

For FY 2006, General Fund and School Fund year-end revenue collections far exceeded budget estimates by \$390.7 million. The state ended the 2006 budget year with a surplus of \$308.4 million after distributions to various funds. Revenue collections grew an unprecedented 15.5% compared to FY 2005. This rate of growth in combined General Fund and School Fund revenues was the highest in over 25 years. By comparison, the annual growth rate in state revenues from 1980 to 2006 has averaged only 3.7% (after adjusting for inflation, tax rate, and tax base changes).

Income tax collections grew 18.3% in FY 2006. The most recent IRS data by source of taxable income for CY 2005 showed 56.3% growth in capital gains, 36.0% growth in partnership income, 29.7% growth in dividends, 21.4% growth in interest earnings, and 15.8% growth in sole proprietor income compared to just 7.1% growth in taxable income from wages. The 10.5% surge in sales tax collections was due to strong net in-migration, housing construction, taxable business purchases, and higher consumer spending from home equity loans. The biggest surprise in FY 2006, however, was the explosive growth in corporate franchise taxes, up 81.7% over FY 2005. It will be a year or more before the source of the growth in corporate taxes is known, but it may have come largely from repatriated overseas profits (due to H.R. 4520, the federal American Jobs Creation Act of 2004).

Fiscal Year 2007: Year of Tax Cuts

The Governor's recommended budget (in December 2006) showed a decrease in inflation, tax rate, and base adjusted General and School Fund revenues for FY 2007 of 0.1% compared to FY 2006 collections. This slight one-tenth of one percent decline in real growth is the result of earmarking and numerous tax cuts scheduled to begin taking effect. These FY 2007 budget and revenue estimates will be revised in February 2007 during the General Session of the Legislature, at which time updated tax collection information will also be available.

Tax-Reform and Tax-Cut Legislation

In the 2006 Fourth Special Session, the Legislature passed Senate Bill 4001, Income Tax Amendments, which provides for an optional flat tax rate of 5.35%; or, alternatively, expanded brackets and a lower top tax rate for taxpayers who elect to stay with the current system. Under SB 4001, the top rate for the current system will drop from 7.00% to 6.98% and the current top bracket goes from \$8,626 to \$11,000, retroactive to January 1, 2006. The 5.35% flat tax rate takes effect January 1, 2007. Indexing brackets for inflation starts on January 1, 2009.

In the 2006 General Session, the Legislature passed HB 109, Sales and Use Tax - Food and Food Ingredients. Effective January 1, 2007, HB 109 removed 2% of the 4.75% state sales tax from unprepared food. Bundled non-food/food items will still be taxed at the 4.75% rate, while applicable local sales tax rates and the Utah Transit Authority sales tax rate did not change and were not affected.

Other tax legislation passed in the 2006 General Session including: SB 29, Sales and Use Tax Exemption - Telecommunications, which provides a sales and use tax exemption relating to certain telecommunications equipment, machinery, or software having at least a one-year life; SB 31, Sales and Use Tax - Manufacturing and Industry Exemptions Amendments, which exempts replacement or repair parts with a life of three years or more and exempts electricity or other fuels used to produce energy; and SB 34, Gross Receipts Tax Amendments, Repeal of Public Utility Tariffs, which repeals and modifies gross receipts taxes and is applied to certain utilities in lieu of the corporate franchise tax.

Finally, House Bill 78, passed by the Legislature in the 2005 General Session, came into effect on January 1, 2006. This measure provides businesses with the option of double weighting the sales factor in the apportionment formula used to compute corporate tax payments. This tax change primarily benefits corporations with significant out-of-state sales. The fiscal notes for these tax cuts are shown in this chapter on the table listing tax and fee changes over the past ten years.

Earmarking Legislation

Substantial investments in infrastructure were also made by

the Legislature in 2006. During the General Session, the Legislature passed HB 112, Transportation Investment Act. Effective July 1, 2006, this bill requires 8.3% of state sales tax collections be deposited into the Centennial Highway Fund Restricted (earmarked) Account. Ongoing, unrestricted sales taxes (General Fund revenues) will consequently be reduced by the same percent. This will be a sizable annual earmarking well in excess of \$160 million.

In addition, an extra \$8.6 million in sales tax was earmarked for water development by the Legislature. Effective July 1, 2006, HB 47, Sales Tax Diversion for Water Projects and Water Financing, removes the \$17.5 million cap on the one-sixteenth cent sales tax that can go to water development. Cloud seeding and watershed rehabilitation were added as allowable uses of the earmarked funds.

Income Tax Continues Its Preeminence

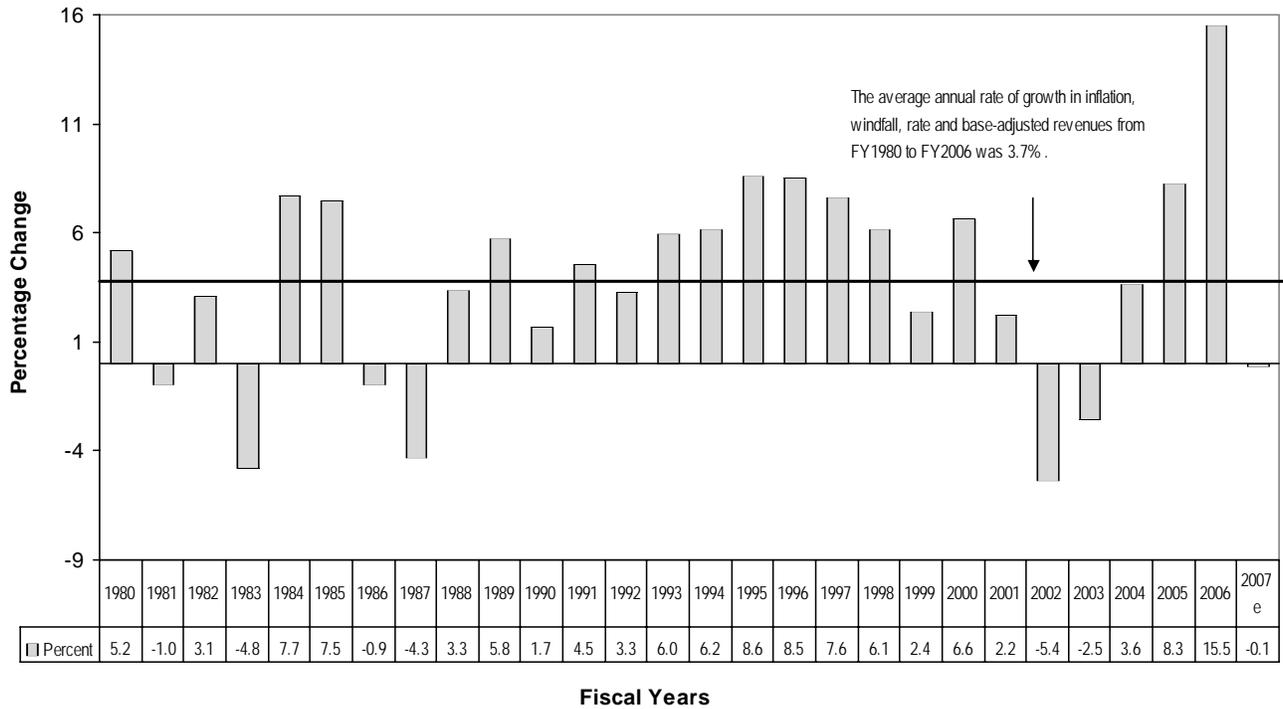
Income taxes were larger than sales taxes in FY 2006 for the ninth year in a row. Prior to FY 1998, sales tax made up the largest portion of state government's unrestricted revenues. In fiscal year 2006 income tax collections were 41.8% of total unrestricted revenue collections, whereas sales tax collections were only 33.1% of the total. Income taxes were only 34.0% of the total as recently as 1989, when sales taxes were 37.1% of the total. This reversal in tax preeminence is largely due to several factors: First, the sales tax rate has been reduced. Second, the state has historically realized stronger growth in sales tax exempt services industries than in taxable goods industries. Third, there has been an increase in sales tax exemptions. Fourth, sales over the Internet have increased. Fifth, failure to index tax brackets has led to "income tax bracket creep." Sixth, there has been an increase in non-wage income gains. Finally, unrestricted general fund monies have been transferred to restricted accounts through the practice of earmarking.

Cumulative Historic Tax Reductions

Tax collections in Utah experienced a net reduction of \$179.6 million (on an annualized basis) due to statutory changes that occurred during the past ten legislative sessions. The bulk of these tax cuts, \$173.7 million, will occur in FY 2007 and FY 2008. The cumulative reduction in taxes authorized in these sessions for FY 1999 through FY 2008 is \$540.4 million. An individual taxpayer may actually pay more in taxes now than in previous years, because non-state government taxes may have increased, and/or an individual's income, spending, or property values may have increased. More income or spending, or greater property values, can result in higher taxes even at lower tax rates. Finally, there are hundreds of taxing entities--from school districts to mosquito-abatement districts--with revenues excluded from state tax collections.

Figure 34

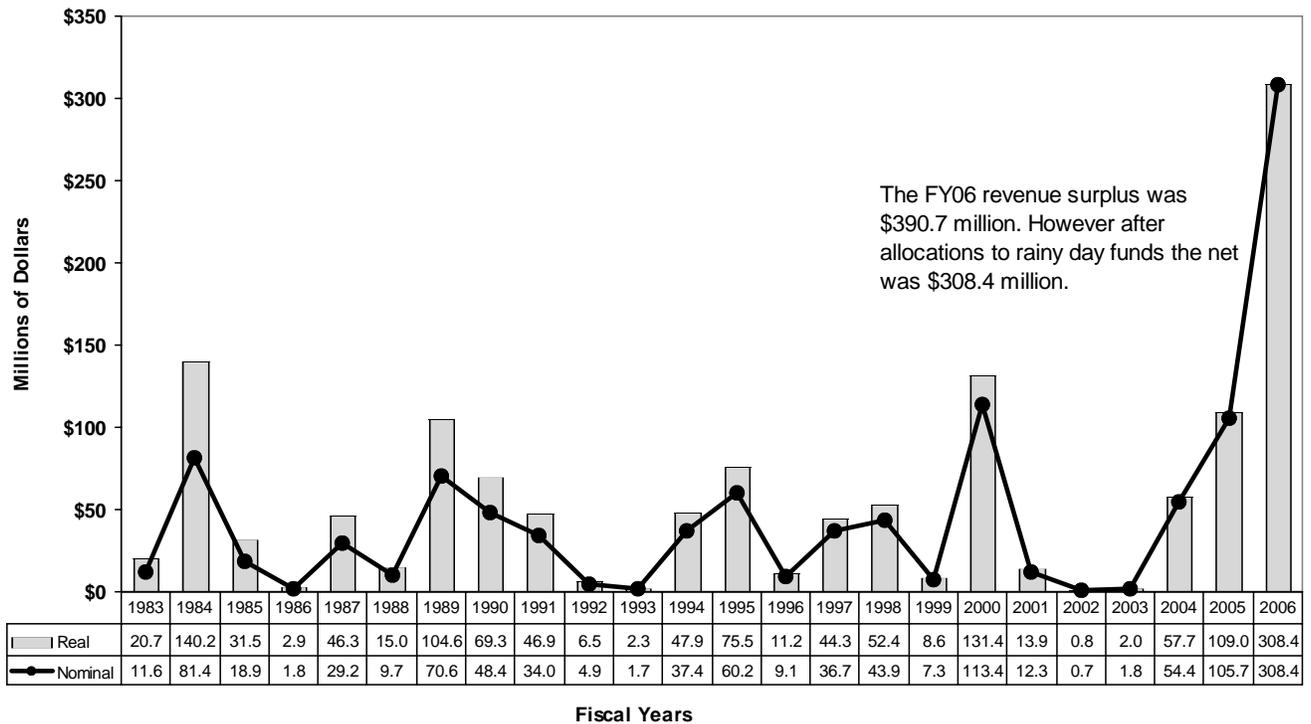
Inflation, Windfall, Rate and Base-Adjusted Percentage Change in Combined General and School Fund Revenues



Source: Governor's Office of Planning and Budget

Figure 35

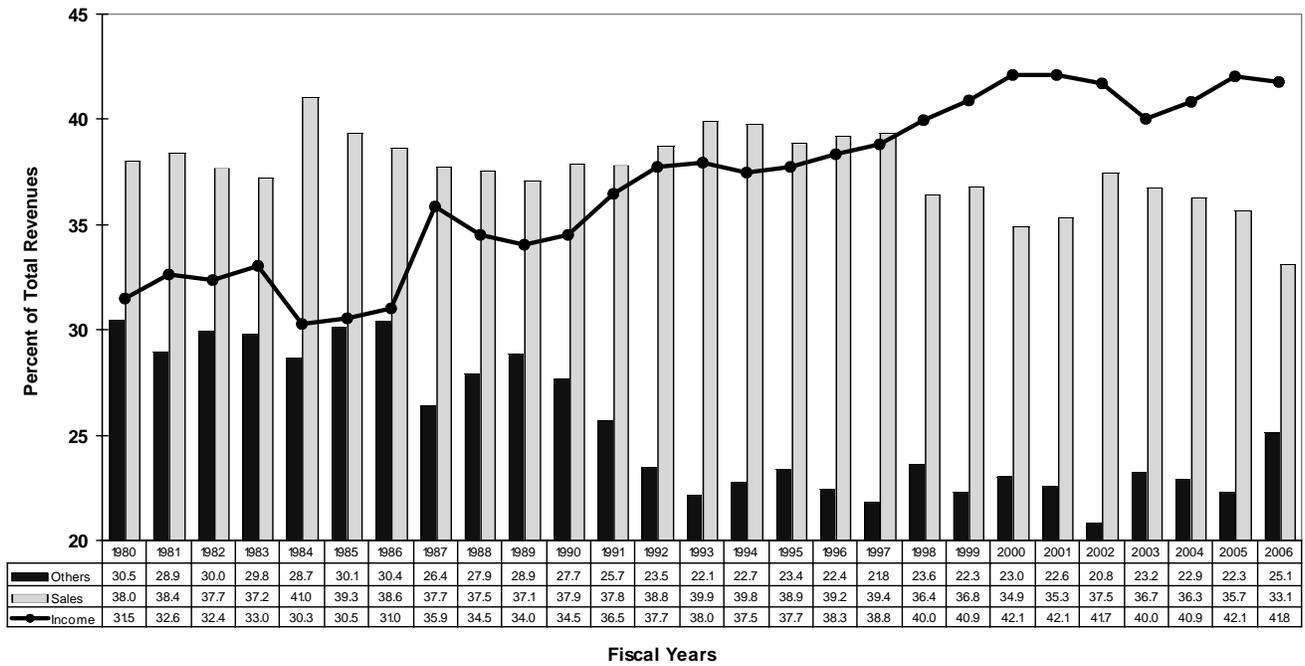
Actual and Inflation-Adjusted Budget Surpluses for Combined General and School Funds



Source: Governor's Office of Planning and Budget

Figure 36

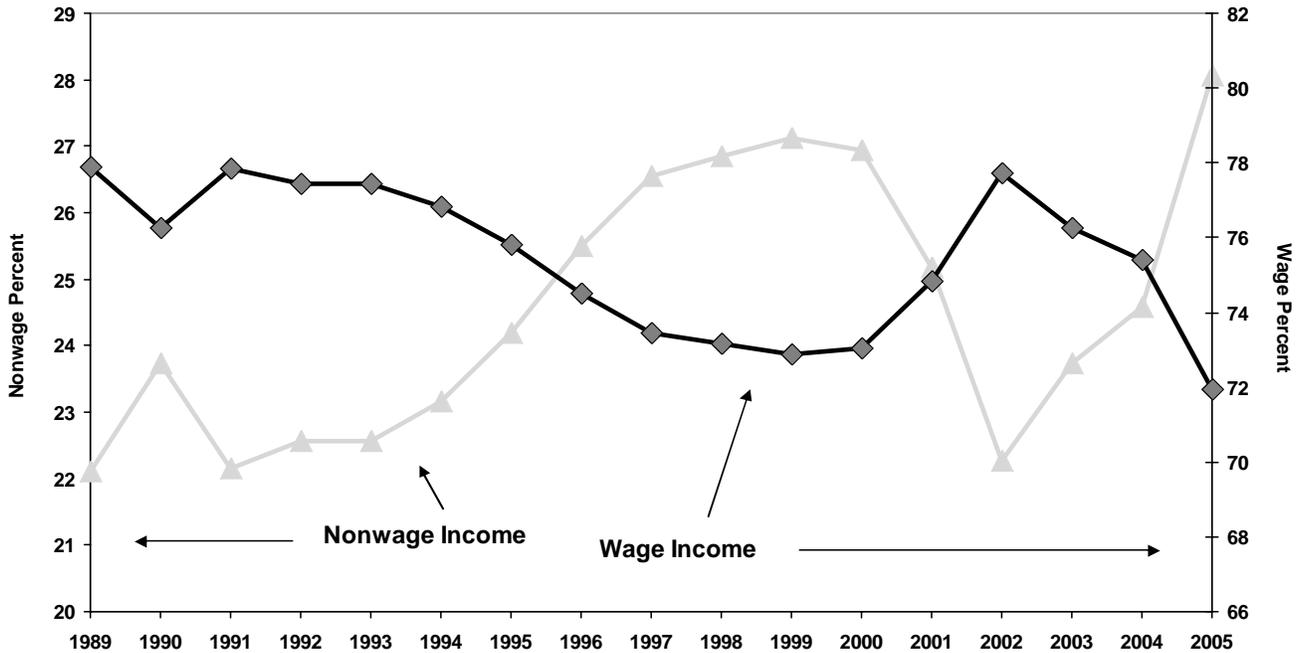
Sales Tax, Income Tax, and All Other Unrestricted Revenues as a Percent of Total State Unrestricted Revenues



Note: The "Others" category includes unrestricted fines and fees, investment income, liquor profits, mineral lease, school land income (ended in fiscal 1988), federal revenue sharing (ended in fiscal 1982), corporate, gross receipts, severance, beer, cigarette, insurance, inheritance and motor fuels taxes.
 Source: Governor's Office of Planning and Budget

Figure 37

IRS Wage and Nonwage Income as a Percent of Total Taxable Income



Source: Utah State Tax Commission

Table 43

Cash Collection Unrestricted Revenues (Millions of Current Dollars): FY 1994 to FY 2007

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007e
General Fund (GF)														
Sales and Use Tax	978.2	1,055.1	1,162.5	1,252.1	1,251.8	1,316.4	1,369.6	1,431.4	1,441.3	1,444.0	1,501.9	1,634.5	1,806.3	1,806.4
Cable/Satellite Excise Tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	11.7	20.5	18.5
Liquor Profits	17.9	20.1	22.2	24.3	26.3	26.9	28.7	30.3	32.5	33.2	37.1	38.1	47.3	48.4
Insurance Premiums	38.2	40.9	40.1	43.1	44.6	47.7	52.2	46.0	56.6	59.0	62.4	67.4	71.4	69.4
Beer, Cigarette, and Tobacco	36.4	37.7	37.8	41.2	53.2	60.1	58.0	57.9	60.0	54.2	62.8	61.9	60.8	60.7
Severance Taxes	18.9	21.4	20.4	23.8	23.0	13.1	23.0	45.6	23.8	32.6	42.7	64.9	88.6	96.3
Inheritance Tax	8.2	25.0	8.3	10.3	25.4	8.2	64.6	30.0	9.4	33.0	9.7	3.0	7.4	0.6
Investment Income	6.4	12.3	16.8	16.3	15.7	15.0	19.5	27.5	9.7	6.5	5.5	13.6	40.0	44.9
Other	30.0	32.9	37.2	34.9	40.8	38.3	41.0	46.5	50.6	88.2	87.9	46.4	50.8	51.2
Circuit Breaker Credits	-4.5	-4.7	-4.6	-4.4	-4.5	-5.3	-4.4	-5.4	-5.3	-5.5	-5.6	-5.9	-5.6	-5.6
Subtotal GF	1,129.7	1,240.6	1,340.6	1,441.6	1,476.2	1,520.4	1,652.2	1,709.8	1,678.7	1,745.0	1,804.4	1,935.4	2,187.5	2,190.6
School Fund (SF)														
Individual Income Tax	925.3	1,026.9	1,139.1	1,237.3	1,377.5	1,463.9	1,654.9	1,712.7	1,610.2	1,575.5	1,699.6	1,934.0	2,288.5	2,415.0
Corporate Tax & Gross Receipts	125.2	157.9	176.8	192.0	196.3	192.2	186.9	183.1	127.3	160.5	162.9	206.7	368.9	360.0
School Fund Other	6.9	8.4	8.5	4.8	7.1	7.6	8.5	9.7	5.6	5.0	9.7	6.8	19.4	13.4
Subtotal SF	1,057.4	1,193.1	1,324.3	1,434.2	1,580.8	1,663.7	1,850.4	1,905.5	1,743.0	1,741.0	1,872.2	2,147.6	2,676.8	2,788.4
Transportation Fund (TF)														
Motor Fuel Tax	150.4	155.5	163.2	168.4	217.7	225.2	237.6	229.4	237.9	236.6	239.9	241.5	240.4	241.8
Special Fuel Tax	36.2	40.7	43.7	46.2	72.4	73.2	76.6	80.6	84.4	84.5	86.2	93.8	101.1	107.1
Other	49.6	52.6	54.3	52.6	54.8	58.5	65.0	64.5	62.8	65.4	64.9	70.0	76.6	78.5
Subtotal TF	236.2	248.7	261.2	267.3	344.9	356.9	379.1	374.5	385.2	386.6	391.0	405.3	418.1	427.4
Mineral Lease Payments	33.3	29.1	34.7	34.1	33.5	31.5	39.6	57.9	36.6	53.1	74.8	92.0	170.0	142.5
TOTAL	2,456.6	2,711.5	2,960.8	3,177.1	3,435.5	3,572.4	3,921.3	4,047.6	3,843.6	3,925.7	4,142.4	4,580.3	5,452.4	5,548.8

e = estimate

Sources:

1. Comprehensive Annual Reports, Division of Finance
2. Utah State Tax Commission Annual Reports
3. Governor's Office of Planning and Budget

Table 44
Cash Collection Unrestricted Revenues (Current Dollar Percent Changes): FY 1994 to FY 2007

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006e	2007e
General Fund (GF)														
Sales and Use Tax	10.9	7.9	10.2	7.7	0.0	5.2	4.0	4.5	0.7	0.2	4.0	8.8	10.5	0.0
Liquor Profits	-1.3	12.2	10.3	9.7	8.2	2.3	6.6	5.6	7.6	1.9	11.9	2.5	75.8	-9.7
Insurance Premiums	12.3	7.3	-2.0	7.4	3.4	7.1	9.3	-11.8	23.1	4.2	5.8	7.9	24.2	2.2
Beer, Cigarette, and Tobacco	6.3	3.4	0.3	9.0	29.2	12.8	-3.4	-0.2	3.5	-9.6	15.9	-1.4	6.0	-2.9
Severance Taxes	-2.0	13.4	-4.9	16.8	-3.2	-43.3	76.3	98.0	-47.7	36.6	31.0	52.1	-1.8	-0.3
Inheritance Tax	7.4	204.8	-66.6	23.5	147.2	-67.6	683.7	-53.5	-68.6	249.9	-70.7	-69.5	36.4	8.7
Investment Income	46.2	93.4	36.5	-2.8	-3.6	-4.5	29.9	40.9	-64.6	-33.5	-14.9	147.1	152.3	-92.6
Other	15.3	9.6	12.9	-6.1	16.8	-6.1	7.1	13.5	8.8	74.1	-0.3	-47.3	194.1	12.2
Circuit Breaker Credits	7.0	5.7	-1.7	-4.4	1.8	17.0	-17.4	23.8	-1.3	3.2	2.2	5.6	9.5	0.7
Subtotal GF	10.6	9.8	8.1	7.5	2.4	3.0	8.7	3.5	-1.8	3.9	3.4	7.3	13.0	0.1
School Fund (SF)														
Individual Income Tax	9.9	11.0	10.9	8.6	11.3	6.3	13.1	3.5	-6.0	-2.2	7.9	13.8	18.3	5.5
Corporate Tax & Gross Receipts	49.1	26.1	12.0	8.6	2.2	-2.1	-2.7	-2.0	-30.5	26.1	1.5	26.9	78.4	-2.4
School Fund Other	25.9	20.7	1.3	-42.7	45.9	7.1	11.9	13.8	-42.4	-10.7	95.8	-30.0	185.4	-31.0
Subtotal SF	13.5	12.8	11.0	8.3	10.2	5.2	11.2	3.0	-8.5	-0.1	7.5	14.7	24.6	4.2
Transportation Fund (TF)														
Motor Fuel Tax	6.4	3.4	5.0	3.2	29.3	3.5	5.5	-3.4	3.7	-0.5	1.4	0.6	-0.4	0.6
Special Fuel Tax	1.8	12.3	7.6	5.7	56.7	1.1	4.6	5.2	4.7	0.1	1.9	8.9	7.7	5.9
Other	4.8	6.1	3.1	-3.0	4.1	6.7	11.1	-0.8	-2.6	4.1	-0.8	7.9	9.5	2.4
Subtotal TF	5.4	5.3	5.0	2.3	29.0	3.5	6.2	-1.2	2.9	0.4	1.1	3.7	3.2	2.2
Mineral Lease Payments	10.1	-12.8	19.5	-1.8	-1.8	-6.1	26.0	46.0	-36.7	45.0	40.9	23.0	84.8	-16.2
TOTAL	11.3	10.4	9.2	7.3	8.1	4.0	9.8	3.2	-5.0	2.1	5.5	10.6	19.0	1.8
Average Annual Growth Rates	7.1	7.8	8.0	7.9	7.9	7.5	7.7	7.3	6.2	5.9	5.9	6.2	6.9	6.6

e = estimate

Sources:

1. Comprehensive Annual Reports, Division of Finance
2. Utah State Tax Commission Annual Reports
3. Governor's Office of Planning and Budget

Table 45

Rolling Ten Year State Tax and Fee Changes (Over \$500,000) Regular and Special Legislative Sessions (A)(B)(C)

Bill Number and Effective Year	Bill Subject	Tax & Fee Changes	10 Year Cumulative
FY 1999			
H.B. 3001 (1996 November Session)	Additional Sales Tax - Manufacturing Exemption Modifications (1996 November Session) (1)	(\$11,200,000)	
	Subtotals FY 1999	(\$11,200,000)	(\$112,000,000)
FY 2000			
H.B. 58 (1998 Session)	Oil and Gas Severance Tax Amendments (2)	(\$900,000)	
S.B. 47 (1998 Session)	Research Tax Credit (3)	(3,200,000)	
S.B. 185 (1998 Session)	Sales and Use Tax Exemption Amendments and Study (4)	5,600,000	
S.B. 220 (1998 Session)	Research and Development Credit for Machinery and Equipment (5)	(2,000,000)	
H.B. 396 (1999 Session)	Sales and Use Tax Exemption for Steel Mills	(617,500)	
S.B. 69 (1999 Session)	Manufacturing Sales and Use Tax Exemption (6)	(5,600,000)	
S.B. 150 (1999 Session)	Utilities in Highway Rights-of-Way (7)	1,600,000	
	Subtotals FY 2000	(\$5,117,500)	(\$46,057,500)
FY 2001			
H.B. 25 (1999 Session)	Income Tax Deduction for Health Care Insurance (8)	(\$1,770,000)	
S.B. 62 (1999 Session)	Individual Income Tax Credits for At-Home Parents	(500,000)	
H.B. 345 (2000 Session)	Unemployment Insurance Amendments (9)	(26,500,000)	
S.B. 15 (2000 Session)	Use of Tobacco Settlement Revenues (10)	(5,500,000)	
	Subtotals FY 2001	(\$34,270,000)	(\$274,160,000)
FY 2002			
HB 78 (2001 Session)	Sales and Use Tax - Sales Relating to Schools (School Related Activities)	(\$281,000)	
SB 34 (2001 Session)	Individual Income Tax - Relief for Low Income Individuals (11)	(800,000)	
SB 36 (2001 Session)	Individual Income Tax Bracket Adjustments (12)	(18,000,000)	
SB 58 (2001 Session)	Repeal of Nursing Facilities Assessment (13)	(4,422,400)	
HB 205 (2001 Session)	Employers' Reinsurance Fund Special Assessment	6,135,000	
HB370 (2001 Session)	Hazardous Waste Amendment (14)	1,694,000	
	Subtotals FY 2002	(\$15,674,400)	(\$109,720,800)
FY 2003			
HB238 (2002 Session)	Cigarette and Tobacco Tax Amendments (15)	\$13,800,000	
	Subtotals FY 2003	\$13,800,000	\$82,800,000
FY 2004			
SB66 (2003 Session)	Alcoholic Beverage Enforcement & Treatment (16)	\$1,567,000	
SB85 (2003 Session)	Underground Storage Tank Amendments (17)	4,048,900	
SB153 (2003 Session)	Alcoholic Beverage Amendments (18)	3,818,000	
SB213 (2003 Session)	Cable and Satellite TV Service Tax (19)	14,000,000	
HB286 (2003 Session)	Hazardous Waste Collection/Storage Fee (20)	2,769,500	
HB371 (2003 Session)	Court Security Fee (21)	2,200,000	
	Subtotals FY 2004	\$28,403,400	\$142,017,000
FY 2005			
SB1 (2004 Session)	Appropriations Act (22)	4,555,157	
SB128 (2004 Session)	Long-Term Care Facilities Amendments (23)	10,100,000	
SB195 (2004 Session)	Taxation of Multi-Channel Video or Audio Service (24)	4,421,100	
HB13 (2004 Session)	Hazardous Waste and Nonhazardous Solid Waste Fee (25)	(712,900)	
HB239 (2004 Session)	Sexually Explicit Business and Escort Service Tax (26)	510,000	
HB312 (2004 Session)	Nonparticipating Tobacco Manufacturer's Fee (27)	680,000	
	Subtotals FY 2005	\$19,553,357	\$78,213,428
FY 2006			
SB127 (2005 Session)	Tax, Fee, or Charge Amendments (28)	(\$1,350,000)	
	Subtotals FY 2006	(\$1,350,000)	(\$4,050,000)
FY 2007			
SB29 (2006 Session)	Sales and Use Tax Exemption - Telecommunications (29)	(\$7,200,000)	
SB31 (2006 Session)	Sales and Use Tax - Manufacturing and Industry Exemptions Amendments (31)	(\$5,995,000)	
SB34 (2006 Session)	Gross Receipts Tax Amendments, Repeal and Public Utility Tariffs (30)	(\$2,600,000)	
HB78 (2005 Session)	Corporate Franchise and Income Tax Amendments (32)	(\$7,000,000)	
HB109 (2006 Session)	Sales and Use Tax - Food and Food Ingredients (33)	(\$35,000,000)	
SB4001 (2006 September Session)	Income Tax Amendments (34)	(\$66,000,000)	
	Subtotals FY 2007	(\$123,795,000)	(\$247,590,000)
FY 2008			
SB34 (2006 Session)	Additional - Gross Receipts Tax Amendments, Repeal and Public Utility Tariffs	(\$2,900,000)	
HB109 (2006 Session)	Additional - Sales and Use Tax - Food and Food Ingredients	(\$35,000,000)	
SB4001 (2006 September Session)	Additional - Income Tax Amendments (2006 September Session)	(\$12,000,000)	
	Subtotals FY 2008	(\$49,900,000)	(\$49,900,000)
Grand Total for Rolling 10 Year Taxes and Fees (A)(B)(C)		(\$179,550,143)	(\$540,447,872)

Table 45 (continued)

Rolling Ten Year State Tax and Fee Changes (Over \$500,000) Regular and Special Legislative Sessions (A)(B)(C)

Notes:

(A) This table is not adjusted for tax increases due to income tax "bracket creep".

(B) This table is not adjusted for inflation. Only fiscal notes for state tax and fee increases or decreases greater than or equal to \$500,000 are listed. Changes in local taxes are excluded. Extensions of existing laws are excluded.

(C) This table does NOT include shifts within the total state budget due to earmarking or other diversions.

(1) As of July 1996 (FY97) 30% of the exemption is allowed, as of July 1997 60% is allowed, and as of July 1998 100% is allowed. The original fiscal note for FY99 was \$28.6 million. The Tax Commission subsequently ruled that parts (in addition to equipment) were eligible for the exemption (which raised the fiscal note to \$71.3 million). In November 1996 a special session of the legislature meet to modify the law in order to restore the fiscal note to \$28.6 million in FY99.

(2) Extends the repeal date for a tax credit for workover credits and recompletions of oil wells.

(3) Gives a 6% tax credit for qualified research activities conducted in the state.

(4) Reduces the sales tax exemption for machinery and equipment from 100% in FY1999 to 80% in FY2000. After July 1, 1999, vendors shall collect sales tax on 20% of the sales price of normal operating replacements.

(5) Gives a 6% individual or corporate income tax credit on the purchase price of machinery, equipment or both.

(6) Reinstates the manufacturing sales tax exemption on replacement parts at 100%. SB185 (1998 Session) had previously reduced this exemption to 80%.

(7) Permit fees and compensation paid into the Transportation Fund for access to rights-of-way on Interstate Highways by telecommunication companies.

(8) Increases income tax deduction for amounts paid for health care insurance from 60% to 100% of amounts not deducted from federal taxes.

(9) Changes in the reserve rate and calculation method will produce a tax reduction for all employers paying this insurance at the contributory rate. Taxes (income to the Employment Compensation Fund) will be reduced by \$26,500,000 per year beginning in fiscal year 2001. The reserve fund was reduced from 22 to 18 months.

(10) The hospital assessment tax was repealed in fiscal year 2001. This was a tax rate on hospital gross revenues, as well as \$0.90 for each surgery performed. The tax rate was adjusted quarterly so that no more than \$5.5 million annually was collected.

(11) Exempts an individual from paying income taxes if federal AGI is less than the sum of the individual's personal exemptions plus his/her standard deduction (removes about 30,000 low income individuals from state income tax rolls).

(12) The top bracket was increased from \$7,500 to \$8,626 and the bottom bracket was increased from \$1,500 to \$1,726 (15,000 taxpayers were dropped out of the highest bracket).

(13) Repeals the \$1.83 per patient day nursing home "bed" tax (the hospital bed tax was repealed in the 2000 General Session).

(14) Established fees and taxes that apply to the reprocessing, treatment, or disposal of certain types of radioactive waste.

(15) Increased tax on cigarettes 18 cents per 20 pack, from 51.5 cents to 69.5 cents.

(16) Increased tax on 31-gallon barrel of beer from \$11 to \$12.80 and created the Alcoholic Beverage Enforcement and Treatment Restricted Account.

(17) Increased the environmental assurance fee of 1/4 cent per gallon on the first sale or use of petroleum products to 1/2 cent per gallon. The fee will be reduced when the cash balance in the restricted Petroleum Storage Tank Trust Fund exceeds \$20,000,000 in any year.

(18) Increased some fees and the mark-up on liquor from 61% to 64.5%.

(19) Imposed sales and use tax on cable and satellite TV service.

(20) Increased regulatory fees and taxes on radioactive and hazardous waste received at waste facility for treatment or disposal.

(21) Increased court filing fees to fund creation of Court Security Account which will be used to contract for security at courts across the state. Money is deposited into a restricted account.

(22) Restricted revenues for commerce (professional licensing), courts, natural resources, agriculture and other general user fees.

(23) This bill establishes an assessment on nursing care facilities in order to gain federal matching funds to enhance the total funding for these facilities. The bill authorizes the assessment to be up to 6% of each nursing care facility's total gross revenue.

(24) Imposes a state excise tax of 6.25% on amounts paid or charged for cable and satellite TV service.

(25) Reduces the tipping fee from \$28 to \$14 per ton and eliminates the 3% gross receipts tax (created in 2003 General Session by HB 286s1) for nonhazardous and low radioactive waste.

(26) Imposes a 10% tax on nude dancing and escort services.

(27) Levies an equity assessment of 1.75 cents per cigarette on nonparticipating tobacco product manufacturers.

(28) Eliminates unintended sales tax increases by exempting delivery, installation and 'direct mailing' charges as well as rebates on new motor vehicles.

(29) This bill amends the Sales and Use Tax Act to provide a sales and use tax exemption relating to certain telecommunications equipment, machinery, or software having at least a 1 year life.

(30) This bill repeals and modifies gross receipts taxes and requires Rocky Mountain Power (RMP) to file new tariffs with the PSC. Reverses a tax imposed to raise revenue last year. This tax is applied in lieu of a corporate profits tax. RMP will lower rates for consumers in exchange for the tax cut.

(31) Exempts replacement or repair parts with a life of 3 years or more. Adds scrap recyclers to the exemption. Electricity or other fuels used by these plants to produce energy is exempt from taxation.

(32) Allows the option of choosing double weighting of the sales factor for tax years beginning January 1, 2006. This will start to have an impact on FY07 collections. The double weighted sales factor will help companies with sales outside of Utah.

(33) Removes 2% of the 4.75% sales tax on unprepared food effective January 1, 2007. Allows for a 1.31% vendor discount. Nonfood/food items that are bundled are taxed at 4.75%. UTA and local taxes are unaffected.

(34) Provides for an optional flat rate of 5.35%; or the taxpayer can stay with the current system with expanded brackets and a lower tax rate of 6.98%. Top rate drops from 7.00% to 6.98% and the top bracket goes from \$8,626 to \$11,000 as of January 1, 2006. The 5.35% flat rate takes effect January 1, 2007. Indexing for inflation starts January 1, 2009 at around \$4 million to \$6 million per year.