H.B. 441 includes many provisions to modernize Utah’s tax codes, including:

• Broaden the sales tax base to include services

• Anticipate future new economic activity
  • By including all services in the new base, with limited exceptions, the bill is structured to automatically apply to future services that do not exist today

• Implement excise tax where sales tax expansion is not practical
  • Medical insurance premium tax of 1%
  • Real estate transfer tax of 0.075% on all real estate transactions except refinances
    • Includes, raw land, lots, commercial and residential buildings
    • Paid by the purchaser
    • Collected by title company

• Eliminate many sales tax exemptions
  • Electricity to ski resorts for lifts
  • Ski resort equipment and parts
  • Machinery or equipment purchased by the film industry and used to produce certain media
  • Address list or database used to send direct mail
  • Database access (viewing or retrieval of information)
  • Aircraft manufactured in Utah
  • Vending machine food sold for $1 or less under certain circumstances
  • Primarily unassisted cleaning of property (coin operated laundry, etc.)
  • Tangible personal property (including vehicles) trade-ins as part of payment for purchase
  • Car wash that does not include interior cleaning
  • Newspapers, including subscriptions
  • Admissions to college athletic events
  • Water
  • Textbooks purchased by a student (not including a college book store)

An expanded base is offset by decreased rates

• The General Fund’s tax base is broadened by an estimated $36 Billion

• These increases in the base are offset by:
  • Sales tax rate reduction to 3.10%
  • Income tax rate reduction to 4.75%
  • Expanded Utah Personal Exemption for low-to-middle income Utahns
    • Full expansion to level prior to federal tax reform for those making up to $70,000 (Joint filing status)
  • EITC for Utahns experiencing intergenerational poverty
    • 1.0% of federal EITC amount
  • Creates a social security benefits individual income tax credit
HB 441 - Tax Equalization and Reduction Act

Bill Summary – 02/28/2019

- **Implementation structure that phases-in the reduced sales tax rate to ensure assumptions are validated**
  - Jan. 1, 2020 - state sales and use tax rate reduced from 4.7% to 3.9%
  - Oct. 1, 2020 - if sales and use tax revenue collections meet or exceed revenue estimates, state rate reduced from 3.9% to 3.1%
  - Fiscal Year 2020-2021 - any revenues collected in excess of revenue estimates put in restricted account to be used to lower sales and use tax rates

- **Hold harmless provisions for local option sales taxes**
  - Maintain statewide local rates (1.0% + 0.25%)
  - Beginning Jan. 1, 2020 any revenue in excess of previous year collection + growth factor put in restricted account for hold harmless distribution
    - Growth factor = CPI growth + statewide population growth
  - Reduce variable local option rates (0% - 2.75%) proportionate to new base
    - Reduced by 17% of original rate once on Jan 1, 2020 and once on Oct 1, 2020
    - Any revenue losses can be offset with restricted account funds

- **Sales and Use Tax Base Expansion Restricted Account**
  - State Revenue Use
    - Lower state sales and use tax rates as the legislature may provide by statute
  - Local Option Revenue Use
    - Lower local sales and use tax rates as the legislature may provide by statute
    - Distribute revenues to political subdivisions to offset losses from rate reduction
    - Implement future hold harmless formulas

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**Tax change for the "Typical" Non-Business Utahn**
Spending on taxable items pre-change: 40%
Spending on taxable items post-change: 48%

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<th>Impose new tax on an additional $12 billion in consumer spending/$24 billion in business and other business items</th>
<th>Lower overall tax rate to 3.1%</th>
<th>Expand personal exemptions for &lt;$70k in income</th>
<th>Expand retirement/social security credit</th>
<th>Earned income tax credit</th>
<th>Income tax rate to 4.75%</th>
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