CENTER ON BUDGET AND POLICY PRIORITIES

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UTAH

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Utah is rated as having a significant risk of a structural deficit based on its score of six on the risk scale for structural deficits.

- In Utah, the percent of sales subject to sales tax declined by 9.3 percentage points from 1990-2003, exceeding the US median decline of 8.0 percentage points.

- Utah could lose an estimated $182 to $284 million in revenue a year due to the growth of e-commerce. This loss is greater than the national average as a share of total revenue.

- The top bracket of Utah's income tax starts at a relatively low level making it a less progressive tax. An individual earning $30,000 in Utah pays income tax at the same rate as someone earning $300,000.

- Between 1994 and 2000, Utah reduced personal income tax rates. Between 2001 and 2004, Utah increased sales and cigarette taxes. This is problematic since income taxes provide stronger growth over the long term than sales and excise taxes.

- Utah has a statutory spending limit that restricts expenditure growth to population plus inflation.

- Utah remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated $16 million per year. Utah's income taxes are also linked to the federal standard deduction, so that any increase in the federal standard deduction results in an increase in the Utah standard deduction, which reduces Utah tax revenue.

- Lastly, although this paper did not categorize Utah as having unusually high spending needs, it does face some spending pressure from a growing elderly population.