



Income Tax Rate Cuts: Risky and Unfair

While tax cuts are always popular politically, policymakers should approach with caution proposals to permanently slash income tax rates rather than making targeted tax cuts that bring specific, measurable benefit to Utah.

Income Tax Rate Cuts Mostly Benefit Upper Incomes

Because of how the Utah income tax is structured, nearly 60% of any rate cut goes to the top quintile of Utahns, households earning over \$121,000 in 2019. Only 14% reaches the bottom half of Utah households, those earning below about \$60,000 a year.

Do upper-income Utahns need a tax cut? High-income Utahns already pay a lower overall tax rate than the poor or the middle class:

STATE AND LOCAL TAXES IN UTAH

Share of Family Income

INCOME GROUP	LOWEST 20%	SECOND 20%	MIDDLE 20%	FOURTH 20%	TOP 20%		
					NEXT 15%	NEXT 4%	TOP 1%
INCOME RANGE	Less than \$22,900	\$22,900 to \$39,600	\$39,600 to \$63,900	\$63,900 to \$104,300	\$104,300 to \$202,400	\$202,400 to \$486,500	over \$486,500
AVERAGE INCOME IN GROUP	\$14,100	\$32,500	\$50,600	\$80,800	\$139,400	\$288,400	\$1,300,500
SALES & EXCISE TAXES	5.1%	4.5%	3.6%	3.0%	2.2%	1.4%	0.7%
General Sales—Individuals	2.6%	2.5%	2.0%	1.7%	1.3%	0.9%	0.4%
Other Sales & Excise—Ind.	1.0%	0.8%	0.5%	0.4%	0.3%	0.1%	0.0%
Sales & Excise on Business	1.5%	1.3%	1.1%	0.9%	0.6%	0.4%	0.2%
PROPERTY TAXES	2.1%	1.4%	1.7%	2.0%	1.6%	1.7%	1.5%
Home, Rent, Car—Individuals	2.1%	1.4%	1.7%	1.9%	1.5%	1.3%	0.4%
Other Property Taxes	0.0%	0.0%	0.1%	0.1%	0.1%	0.4%	1.1%
INCOME TAXES	0.3%	2.0%	2.9%	3.8%	4.1%	4.2%	4.5%
Personal Income Tax	0.3%	2.0%	2.8%	3.8%	4.0%	4.2%	4.4%
Corporate Income Tax	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%
TOTAL TAXES	7.5%	7.9%	8.2%	8.8%	7.9%	7.3%	6.7%

Individual figures may not sum to totals due to rounding.

Source: <https://itep.org/whopays/utah>

Risking Red Ink in the Next Recession

While times are good now and state revenues are rising, economists believe the next recession could begin during the coming fiscal year. Is it wise to box Utah into permanent income tax rate cuts that could harm the state when the economy turns?

Urgent Needs Remain Unmet

While the Utah economy as a whole is performing well, the state remains in the national basement for PreK-12 education investment. Teacher attrition and class sizes are among the worst in the nation. Utah's high school graduation rates remain below national averages for every racial and ethnic category. Moreover, there is evidence of growth of unprecedented majority-minority gaps as the state becomes more racially and ethnically diverse. Permanent income tax rate cuts could cripple our ability to invest in our children and lay the foundations for Utah's future growth and prosperity.