

# UTAH'S TAX BURDEN: EXCLUDING NON-COMPULSORY FEES PROVIDES A MORE ACCURATE RANKING

## HIGHLIGHTS

- Utah's tax and fee burden ranking is greatly affected by whether non-compulsory or optional fees, such as college tuition, are included as a government-imposed burden on taxpayers.
- The most accurate measure of overall tax and fee burden places Utah 14th highest in the nation. This measure includes taxes and those government fees that are mandatory impositions on Utahns. It excludes college tuition and other voluntary or optional government fees.
- Utah's tax and fee burden has remained steady since the mid 1990s.
- Utah's tax and fee burden ranks fourth highest among western states, behind Wyoming, California, and Nevada.
- Utah ranks low in property taxes and corporate income taxes.
- Utah ranks fairly high in motor fuel taxes and in mandatory fees.
- Utah's sales tax burden, which was ranked in the top 10 in past reports, has fallen to 13th.
- Utah individual income taxes rank 17th.

The mission of Utah Foundation is to promote a thriving economy, a well-prepared workforce, and a high quality of life for Utahns by performing thorough, well-supported research that helps policymakers, business and community leaders, and citizens better understand complex issues and providing practical, well-reasoned recommendations for policy change.

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How high is Utah's tax burden? It depends on which revenues one includes in the measure of tax burden. Since the tax revolts of 30 years ago, many state and local governments have increasingly relied on fees, rather than general taxes, to support new or expanded services.

Because of that growth in fees, counting only taxes would provide an incomplete view of a state's overall tax burden. Utah Foundation has reported tax burden figures in recent years including both tax and fee revenues. The most recent of these reports showed Utah's tax and fee burden ranking 11th highest in the nation.<sup>1</sup> Using the same methodology today would rank Utah's tax and fee burden at fifth highest in the nation,<sup>2</sup> and such a change in the rankings has prompted a deeper evaluation of this methodology and whether it is an accurate portrayal of the burden placed on Utah residents by state and local government.

Figure 1: Utah's Tax and Fee Burden Trends

Revenue	Per \$1,000 Personal Income				12-Yr Change	National Rank			
	1991-92	1996-97	2001-02	2003-04		1991-92	1996-97	2001-02	2003-04
Taxes & Mandatory Fees	\$118.4	\$123.7	\$119.1	\$123.9	\$5.4	22	16	14	14
All Taxes	108.3	111.3	104.8	106.7	-1.5	21	18	17	20
Individual Income Tax	27.4	29.4	27.9	27.3	-0.1	16	14	16	17
General Sales Tax	34.3	36.8	34.3	32.1	-2.2	7	10	10	13
Property Tax	29.3	26.1	24.7	26.9	-2.4	34	37	39	39
Corporate Income Tax	2.7	4.7	1.9	2.3	-0.3	38	25	36	35
Fuel Taxes	4.8	5.2	5.9	5.5	0.7	32	24	11	11
Mandatory Fees	10.2	12.4	14.3	17.2	7.0	16	14	10	8
Tuition & College Fees	13.6	13.0	15.3	18.1	4.5	4	4	2	1
Other Optional Fees	11.3	11.0	14.0	11.2	-0.1	21	24	11	23

Sources: U.S. Census Bureau and Bureau of Economic Analysis. Calculations by Utah Foundation.

A closer look at fee revenues shows many fees that are not necessarily "burdens" on citizens but are fees for services a taxpayer can choose to purchase from the private sector or from government, and including those non-compulsory or optional fees in the calculation of tax burden overstates that burden. The primary example is college tuition. Because of Utah's young population, a larger percentage of the state's population is enrolled in college than in any other state.<sup>3</sup> With most of Utah's students attending public colleges, this exaggerates the amount of government fees collected in Utah compared to other states.

In some states, especially in the East, a high proportion of students attend private colleges and their tuition dollars are not counted as part of government fees, further inflating Utah's fee burden ranking compared to other states.

In addition to tuition, many of the fees reported to the Census Bureau are for optional services that taxpayers can choose whether to consume. These include fees for school lunches, parking in public garages, recreation programs, golfing, rents in public housing, sales of agricultural products, and medical services at public hospitals. Hospital fees are the second largest category (tuition is the largest), but whether a taxpayer receives medical services at a public or private hospital is a function of local markets, and including these fees in an overall fee burden causes the same problems as including tuition.

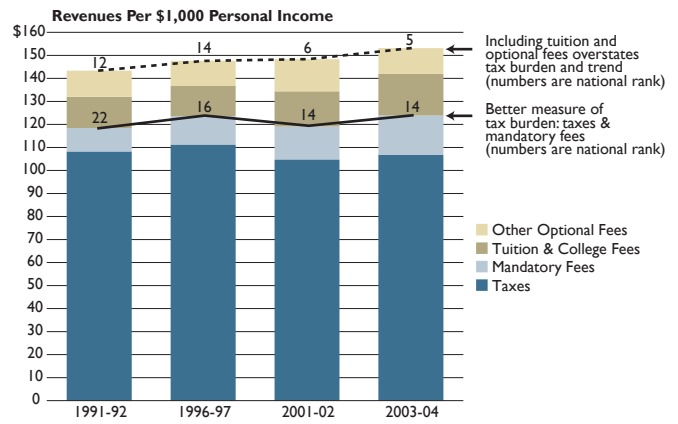
On the other hand, many of the fees reported in the Census data are mandatory fees for services for which government holds a virtual monopoly. These include fees for airport services, sewers, solid waste disposal, courts, police, libraries, recording fees, and exactions on property owners for road improvements.

**Figure 2: Alternative Measures of Tax Burden, 2003-04**

State	Taxes		Taxes & All Fees		Taxes & Mandatory Fees	
	Revenues	Rank	Revenues	Rank	Revenues	Rank
U.S. Total	\$107.5		\$138.2		\$119.6	
Alabama	86.7	51	138.6	29	95.0	51
Alaska	108.9	19	144.1	17	131.0	8
Arizona	104.8	26	127.8	40	114.9	31
Arkansas	101.6	38	137.7	30	112.8	34
California	109.8	15	144.6	15	126.5	9
Colorado	90.5	47	123.3	47	102.8	47
Connecticut	112.6	12	127.4	41	118.1	27
Delaware	104.8	25	140.4	24	124.7	12
District of Columbia	144.8	1	159.0	3	156.3	1
Florida	101.9	36	135.5	33	119.7	22
Georgia	99.8	40	129.3	39	109.4	41
Hawaii	122.2	5	152.3	7	138.2	5
Idaho	105.9	23	146.7	12	119.1	24
Illinois	104.1	29	124.9	45	111.9	38
Indiana	101.8	37	136.5	31	109.3	42
Iowa	102.5	35	144.7	14	111.3	40
Kansas	112.0	14	141.6	21	121.2	20
Kentucky	104.5	27	133.0	38	112.9	33
Louisiana	109.4	17	148.4	11	119.1	25
Maine	130.1	4	154.2	4	141.3	4
Maryland	104.9	24	126.3	42	114.3	32
Massachusetts	103.0	32	121.5	48	112.0	36
Michigan	104.2	28	139.1	26	117.0	29
Minnesota	109.0	18	140.5	23	120.5	21
Mississippi	102.8	33	150.8	8	112.0	37
Missouri	95.3	46	123.8	46	103.1	46
Montana	98.2	43	133.9	37	112.7	35
Nebraska	114.8	9	144.6	16	123.7	15
Nevada	106.5	21	138.8	28	124.0	13
New Hampshire	88.9	48	112.1	50	100.5	48
New Jersey	112.9	10	134.6	35	123.2	16
New Mexico	112.8	11	141.8	20	122.0	19
New York	142.6	2	170.5	2	155.9	2
North Carolina	103.5	31	140.2	25	114.9	30
North Dakota	102.7	34	142.9	19	122.1	18
Ohio	112.4	13	143.4	18	123.2	17
Oklahoma	98.9	41	135.0	34	109.1	43
Oregon	98.3	42	138.8	27	117.0	28
Pennsylvania	106.5	22	133.9	36	118.8	26
Rhode Island	117.3	8	136.0	32	125.5	11
South Carolina	101.2	39	149.1	10	111.8	39
South Dakota	88.3	49	111.1	51	97.4	50
Tennessee	87.7	50	119.9	49	97.8	49
Texas	96.8	44	125.0	44	106.8	45
<b>Utah</b>	<b>106.7</b>	<b>20</b>	<b>153.2</b>	<b>5</b>	<b>123.9</b>	<b>14</b>
Vermont	119.3	6	144.9	13	125.9	10
Virginia	96.3	45	125.4	43	108.1	44
Washington	103.9	30	140.9	22	119.1	23
West Virginia	109.4	16	152.5	6	131.0	7
Wisconsin	119.1	7	149.8	9	132.0	6
Wyoming	134.0	3	184.6	1	143.0	3

Sources: U.S. Census Bureau and Bureau of Economic Analysis. Calculations by Utah Foundation.

**Figure 3: Utah's Tax Burden Trend**



Sources: U.S. Census Bureau and Bureau of Economic Analysis. Calculations by Utah Foundation.

To most accurately estimate Utah's tax and fee burden, these fees should be separated, and only the mandatory fees should be included in the overall tax and fee burden. Measuring this way prevents exaggerating the growth in tax burden when, for example, more students enroll in public colleges and cause a resulting increase in fee collections. Indeed, such a trend has been inflating ostensible tax burden figures in recent years, as Utah's total tax and burden rose from 11th highest in the nation in 2002 to fifth highest in 2004.

Figure 2 shows three alternative measures of tax burden: taxes only, taxes and all fees, or taxes and mandatory fees. For fiscal year 2003-04 (the latest data available nationally), Utah's tax burden would be 20th in the nation if only taxes were counted. The burden would be fifth highest if taxes and all fees were counted. The best measure, including taxes and mandatory fees, places Utah at 14th highest in the nation.

Figure 3 shows the difference in trends from counting taxes and mandatory fees compared to including tuition and other optional fees. Including tuition and optional fees leads to an alarming conclusion that Utah's tax and fee burden has risen from 12th to fifth highest over the 12-year period. The more accurate measure of burden also shows a significant rise in rank in 1997 but the trend levels out in the most recent years.

Note from Figure 1 that both tuition and mandatory fees have increased significantly over the 12-year period, while taxes were declining in proportion to personal income. The rise in mandatory fees is significant in contrast to level or falling taxes relative to personal income—it shows that Utah's state and local agencies increased their revenues by relying on fees while taxes were not quite growing equal with the economy.

Adding tuition on top of that growth in mandatory fees would overstate government impositions on taxpayers for one primary reason: tuition revenues increased markedly from 1996-97 through 2003-04, but the increase in ranking relative to other states was the result of more students enrolling in college. According to the

**Figure 4: Individual Income Tax, 2003-04**

Western States	Per \$1,000 Personal Income	National Rank
1. Oregon	41.0	2
2. California	29.8	12
<b>3. Utah</b>	<b>27.3</b>	<b>17</b>
4. Idaho	25.3	20
5. Montana	24.5	23
6. Colorado	21.2	33
7. New Mexico	20.9	35
8. Arizona	14.7	41
9. Nevada	0.0	46
10. Washington	0.0	46
11. Wyoming	0.0	46

Sources: U.S. Census Bureau and Bureau of Economic Analysis. Calculations by Utah Foundation.

National Center for Education Statistics, Utah's college enrollment grew by 23% over this period—the sixth highest rate of growth in the nation.<sup>4</sup> Over that seven-year period, average tuition in Utah increased by a cumulative 44%, which was well below the national average, ranking 35th among the states.<sup>5</sup>

Looking at specific taxes, Figures 4 through 11 show how Utah compares to all western states. Utah's personal income tax ranks 17th highest in the nation in tax burden per \$1,000 of personal income. This is higher than all of the mountain states and only behind California and Oregon in the western region.

**Figure 5: General Sales Tax, 2003-04**

Western States	Per \$1,000 Personal Income	National Rank
1. Washington	47.5	2
2. Arizona	40.5	6
3. New Mexico	40.5	7
4. Wyoming	36.2	8
5. Nevada	33.0	12
<b>6. Utah</b>	<b>32.1</b>	<b>13</b>
7. Idaho	28.8	17
8. California	28.1	19
9. Colorado	25.9	27
10. Montana	0.0	48
11. Oregon	0.0	48

Utah's sales tax ranks 13th nationally, which is a decline from ranking ninth in 2002.<sup>6</sup> This places Utah below most mountain states and in the middle of all western states.

Utah's corporate income tax and property tax both rank low nationally. The property tax has been falling in the rankings for some years, probably due to Utah's truth in taxation law, which creates political pressure for reduced tax rates when property values rise. Utah homeowners also receive a 45% tax exemption on the value of their own home.

**Figure 6: Corporate Income Tax, 2003-04**

Western States	Per \$1,000 Personal Income	National Rank
1. California	5.7	7
2. Arizona	3.3	19
3. Oregon	3.0	23
4. Idaho	2.9	26
5. New Mexico	2.9	27
6. Montana	2.7	28
<b>7. Utah</b>	<b>2.3</b>	<b>35</b>
8. Colorado	1.5	43
9. Nevada	0.0	48
10. Washington	0.0	48
11. Wyoming	0.0	48

**Figure 9: All Taxes, 2003-04**

Western States	Per \$1,000 Personal Income	National Rank
1. Wyoming	134.0	3
2. New Mexico	112.8	11
3. California	109.8	15
<b>4. Utah</b>	<b>106.7</b>	<b>20</b>
5. Nevada	106.5	21
6. Idaho	105.9	23
7. Arizona	104.8	26
8. Washington	103.9	30
9. Oregon	98.3	42
10. Montana	98.2	43
11. Colorado	90.5	47

**Figure 7: Property Tax, 2003-04**

Western States	Per \$1,000 Personal Income	National Rank
1. Wyoming	40.8	11
2. Montana	38.7	14
3. Oregon	32.5	23
4. Washington	31.0	27
5. Arizona	30.9	28
6. Idaho	30.2	31
7. Colorado	29.3	33
8. Nevada	28.7	34
9. California	28.3	36
<b>10. Utah</b>	<b>26.9</b>	<b>39</b>
11. New Mexico	17.4	47

**Figure 10: Mandatory Fees, 2003-04**

Western States	Per \$1,000 Personal Income	National Rank
1. Oregon	18.7	5
2. Nevada	17.5	7
<b>3. Utah</b>	<b>17.2</b>	<b>8</b>
4. California	16.7	9
5. Washington	15.2	11
6. Montana	14.5	12
7. Idaho	13.3	14
8. Colorado	12.3	18
9. Arizona	10.1	31
10. New Mexico	9.2	36
11. Wyoming	9.0	40

**Figure 8: Motor Fuel Taxes, 2003-04**

Western States	Per \$1,000 Personal Income	National Rank
1. Montana	8.0	1
2. Idaho	6.1	6
3. Nevada	5.9	7
<b>4. Utah</b>	<b>5.5</b>	<b>11</b>
5. Washington	4.5	20
6. New Mexico	4.4	26
7. Arizona	4.3	30
8. Wyoming	4.2	32
9. Oregon	3.9	35
10. Colorado	3.7	37
11. California	2.7	46

**Figure 11: Taxes and Mandatory Fees, 2003-04**

Western States	Per \$1,000 Personal Income	National Rank
1. Wyoming	143.0	3
2. California	126.5	9
3. Nevada	124.0	13
<b>4. Utah</b>	<b>123.9</b>	<b>14</b>
5. New Mexico	122.0	19
6. Washington	119.1	23
7. Idaho	119.1	24
8. Oregon	117.0	28
9. Arizona	114.9	31
10. Montana	112.7	35
11. Colorado	102.8	47

Utah's motor fuel taxes rank 11th highest nationally. Some of this ranking is influenced by longer driving distances in western states compared to the East.

In total tax burden (not including fees) Utah ranks 20th nationally—a little above the national average. However, most western states rank lower, placing Utah fourth in the West.

In total taxes and mandatory fees, Utah ranks 14th nationally and again fourth among western states. Utah has held roughly the same position in the rankings since the mid 1990s.

**ENDNOTES**

<sup>1</sup> See Utah Foundation Research Report #666, "Utah's Tax Situation," May 2004. Available online at [www.utahfoundation.org](http://www.utahfoundation.org).

<sup>2</sup> This year's report includes the District of Columbia in the rankings. If it were excluded, Utah would rank fourth highest.

<sup>3</sup> See Census Bureau, 2005 American Community Survey.

<sup>4</sup> U.S. Department of Education, National Center for Education Statistics, Digest of Education Statistics, multiple years, with calculations by Utah Foundation. Data available online at: [www.nces.ed.gov/programs/digest](http://www.nces.ed.gov/programs/digest).

<sup>5</sup> See NCES data cited above.

<sup>6</sup> See Utah Foundation Research Report #666, cited above.

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