

## Utah's State and Local Tax and Fee Burdens

May 24, 2007

The U.S. Census Bureau this week released the latest comprehensive figures on state and local tax burdens. These data are from the 2004-05 fiscal year and therefore do not account for recent tax law changes that may reduce Utah's tax burden, especially for income taxes. Nevertheless, these figures are useful to understand recent tax trends and how Utah ranks against other states.

In September 2006, Utah Foundation analyzed alternative measures of tax burden and concluded that, although it is important to measure government fees as part of the tax burden, some fees are not mandatory impositions on taxpayers and should not be included in the overall tax burden. These optional fees include those for services a taxpayer can choose to purchase from the private sector, from government, or to not purchase at all. The largest of such fees is college tuition.

In addition to tuition, other optional fees include those for school lunches, parking in public garages, parks and recreation programs, golfing, rents in public housing, sales of agricultural products, and medical services at public hospitals. In this analysis, mandatory fees are for those services in 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 things such as road improvements. This brief shows Utah's burden for taxes and mandatory fees, with information on optional fees also provided for reference.

Overall, the burden of taxes and mandatory fees increased by \$5.60 per \$1,000 of personal income from fiscal year 2003-04 to fiscal year 2004-05. Utah's ranking in taxes and mandatory fees rose from 14th highest nationally in 2003-04 to 11th highest in 2004-05. If only taxes are counted, Utah's tax burden ranks 20th highest in the nation. Most tax and fee burdens have increased since the 2003-2004 fiscal year except for motor fuel and tuition and college fees. The decline in tuition is likely from fewer students attending college; in fact, the Utah System of Higher Education Data Book shows enrollment beginning to decline after 2003-04.

Compared to all other states, Utah has a very high burden of mandatory fees, a fairly high burden for fuel taxes and sales taxes, a moderately high income tax burden, and low burdens for property taxes and corporate income taxes.

**Figure 1: Utah's Tax and Fee Burden Trends**

| Revenue                | Per \$1,000 Personal Income |         |         |         |         | 13-yr<br>Change |
|------------------------|-----------------------------|---------|---------|---------|---------|-----------------|
|                        | 1991-92                     | 1996-97 | 2001-02 | 2003-04 | 2004-05 |                 |
| Taxes & Fees           | \$143.4                     | \$147.7 | \$148.4 | \$153.2 | \$160.1 | \$16.7          |
| Taxes & Mandatory Fees | 118.4                       | 123.7   | 119.1   | 123.9   | 129.5   | 11.1            |
| All Taxes              | 108.3                       | 111.3   | 104.8   | 106.7   | 111.3   | 3.1             |
| Individual Income Tax  | 27.4                        | 29.4    | 27.9    | 27.3    | 29.4    | 2.0             |
| General Sales Tax      | 34.3                        | 36.8    | 34.3    | 32.1    | 33.3    | -1.0            |
| Property Tax           | 29.3                        | 26.1    | 24.7    | 26.9    | 27.3    | -2.0            |
| Corporate Income Tax   | 2.7                         | 4.7     | 1.9     | 2.3     | 2.9     | 0.2             |
| Fuel Taxes             | 4.8                         | 5.2     | 5.9     | 5.5     | 5.4     | 0.6             |
| All Fees               | 35.1                        | 36.4    | 43.6    | 46.4    | 48.7    | 13.6            |
| Mandatory Fees         | 10.2                        | 12.4    | 14.3    | 17.2    | 18.2    | 8.0             |
| Tuition & College Fees | 13.6                        | 13.0    | 15.3    | 18.1    | 15.8    | 2.2             |
| Other Optional Fees    | 11.3                        | 11.0    | 14.0    | 11.2    | 14.8    | 3.4             |

| Revenue                | National Rank |         |         |         |         |
|------------------------|---------------|---------|---------|---------|---------|
|                        | 1991-92       | 1996-97 | 2001-02 | 2003-04 | 2004-05 |
| Taxes & Fees           | 12            | 14      | 6       | 5       | 5       |
| Taxes & Mandatory Fees | 22            | 16      | 14      | 14      | 11      |
| All Taxes              | 21            | 18      | 17      | 20      | 20      |
| Individual Income Tax  | 16            | 14      | 16      | 17      | 17      |
| General Sales Tax      | 7             | 10      | 10      | 13      | 13      |
| Property Tax           | 34            | 37      | 39      | 39      | 37      |
| Corporate Income Tax   | 38            | 25      | 36      | 35      | 37      |
| Fuel Taxes             | 32            | 24      | 11      | 11      | 10      |
| All Fees               | 9             | 10      | 5       | 5       | 4       |
| Mandatory Fees         | 16            | 14      | 10      | 8       | 3       |
| Tuition & College Fees | 4             | 4       | 2       | 1       | 2       |
| Other Optional Fees    | 21            | 24      | 11      | 23      | 10      |

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

The states with similar tax and fee burdens to Utah are generally small states. Those within five places in the rankings below or above Utah are: Maine, Vermont, West Virginia, Wisconsin, California, Rhode Island, Ohio, Delaware, Louisiana, and New Mexico (in order from highest burdens to lowest among the group). Six of those ten have populations smaller than Utah, while two are medium-sized states (Wisconsin and Louisiana) and two are large (California and Ohio). Small states can often face challenges providing public services with limited economies, which can drive their tax and fee burdens higher. With Utah's large population of children and rapid population growth, two main public finance challenges are providing sufficient funding for K-12 schools and financing transportation and other infrastructure needed for growth.

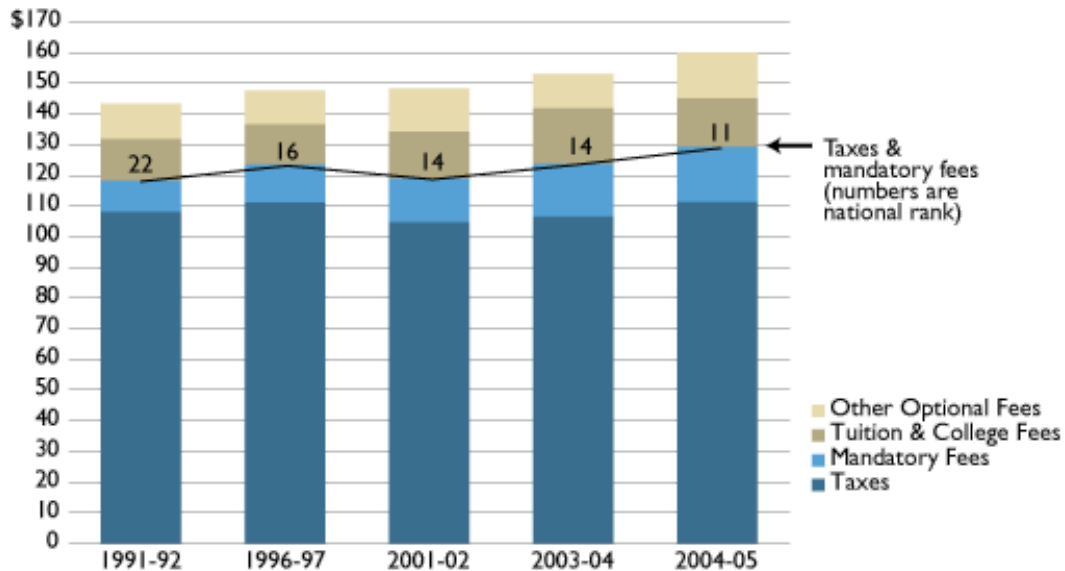
**Figure 2: Alternative Measures of Tax Burden, 2004-05**

| State                | Revenues per \$1,000 Personal Income |           |                        |           |
|----------------------|--------------------------------------|-----------|------------------------|-----------|
|                      | Taxes                                | Rank      | Taxes & Mandatory Fees | Rank      |
| U.S. Total           | \$109.8                              |           | \$122.0                |           |
| Alabama              | 89.3                                 | 48        | 97.5                   | 50        |
| Alaska               | 128.5                                | 7         | 153.1                  | 4         |
| Arizona              | 107.1                                | 28        | 118.1                  | 29        |
| Arkansas             | 110.8                                | 21        | 120.7                  | 24        |
| California           | 112.7                                | 17        | 130.0                  | 10        |
| Colorado             | 92.3                                 | 47        | 105.1                  | 47        |
| Connecticut          | 116.2                                | 11        | 121.4                  | 22        |
| Delaware             | 108.5                                | 25        | 127.3                  | 14        |
| District of Columbia | 143.3                                | 3         | 153.8                  | 3         |
| Florida              | 102.5                                | 39        | 119.9                  | 26        |
| Georgia              | 100.6                                | 41        | 110.6                  | 43        |
| Hawaii               | 129.5                                | 5         | 144.6                  | 5         |
| Idaho                | 105.9                                | 31        | 119.2                  | 28        |
| Illinois             | 108.7                                | 23        | 117.0                  | 31        |
| Indiana              | 111.5                                | 18        | 119.8                  | 27        |
| Iowa                 | 104.7                                | 35        | 113.2                  | 40        |
| Kansas               | 106.5                                | 30        | 115.9                  | 34        |
| Kentucky             | 106.7                                | 29        | 114.2                  | 38        |
| Louisiana            | 115.2                                | 15        | 125.4                  | 15        |
| Maine                | 130.4                                | 4         | 143.3                  | 6         |
| Maryland             | 105.0                                | 34        | 114.4                  | 36        |
| Massachusetts        | 105.1                                | 33        | 114.3                  | 37        |
| Michigan             | 108.3                                | 27        | 120.3                  | 25        |
| Minnesota            | 111.3                                | 19        | 122.8                  | 21        |
| Mississippi          | 105.1                                | 32        | 113.9                  | 39        |
| Missouri             | 98.1                                 | 43        | 105.9                  | 46        |
| Montana              | 102.9                                | 38        | 116.5                  | 32        |
| Nebraska             | 115.6                                | 14        | 123.3                  | 20        |
| Nevada               | 108.6                                | 24        | 124.1                  | 19        |
| New Hampshire        | 89.2                                 | 49        | 98.2                   | 49        |
| New Jersey           | 114.2                                | 16        | 124.7                  | 17        |
| New Mexico           | 116.1                                | 12        | 125.1                  | 16        |
| New York             | 146.6                                | 1         | 159.4                  | 1         |
| North Carolina       | 104.4                                | 36        | 116.2                  | 33        |
| North Dakota         | 110.6                                | 22        | 124.6                  | 18        |
| Ohio                 | 116.0                                | 13        | 127.3                  | 13        |
| Oklahoma             | 97.6                                 | 44        | 107.7                  | 44        |
| Oregon               | 97.2                                 | 45        | 114.9                  | 35        |
| Pennsylvania         | 108.5                                | 26        | 121.1                  | 23        |
| Rhode Island         | 120.5                                | 8         | 129.4                  | 12        |
| South Carolina       | 100.9                                | 40        | 112.2                  | 42        |
| South Dakota         | 85.2                                 | 51        | 93.5                   | 51        |
| Tennessee            | 89.2                                 | 50        | 99.7                   | 48        |
| Texas                | 96.5                                 | 46        | 106.7                  | 45        |
| <b>Utah</b>          | <b>111.3</b>                         | <b>20</b> | <b>129.5</b>           | <b>11</b> |
| Vermont              | 128.9                                | 6         | 136.5                  | 7         |
| Virginia             | 100.3                                | 42        | 112.5                  | 41        |
| Washington           | 103.3                                | 37        | 117.9                  | 30        |
| West Virginia        | 118.3                                | 10        | 131.4                  | 8         |
| Wisconsin            | 118.4                                | 9         | 130.4                  | 9         |
| Wyoming              | 145.7                                | 2         | 154.2                  | 2         |

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

Utah's tax and fee burden has trended upward since 2002. However, significant tax reforms and reductions were enacted during legislative sessions in 2006 and 2007. These changes should reduce the tax burden on Utahns in future years, although it is too early to guess how Utah's rankings against other states will change, since tax reductions have been enacted in other states as well.

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



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

Looking at the western states, Utah ranked fairly high in overall burden of taxes and mandatory fees – third highest in the West. Mandatory fees in Utah are the highest in the West. In fact, over the past thirteen years the mandatory fee burden in Utah has gone from 16th to third highest nationally. Utah's individual income taxes are third highest among western states, where three of the states do not even impose this tax. Utah's sales taxes are in the middle of the western states but towards the low end if the two states that have no sales tax are excluded. Utah's property taxes are the third lowest in the West, and fuel taxes are fourth highest among this group.

Figure 4: Individual Income Tax, 2004-05

| Western States | Per \$1,000 Personal Income | National Rank |
|----------------|-----------------------------|---------------|
| 1. Oregon      | 42.3                        | 2             |
| 2. California  | 33.0                        | 8             |
| <b>3. Utah</b> | <b>29.4</b>                 | <b>17</b>     |
| 4. Montana     | 27.0                        | 19            |
| 5. Idaho       | 26.4                        | 22            |
| 6. Colorado    | 22.2                        | 33            |
| 7. New Mexico  | 20.8                        | 35            |
| 8. Arizona     | 16.6                        | 40            |
| 9. Nevada      | 0.0                         | 45            |
| 10. Washington | 0.0                         | 45            |
| 11. Wyoming    | 0.0                         | 45            |

Figure 5: General Sales Tax, 2004-05

| Western States | Per \$1,000 Personal Income | National Rank |
|----------------|-----------------------------|---------------|
| 1. Washington  | 47.9                        | 2             |
| 2. New Mexico  | 41.2                        | 6             |
| 3. Arizona     | 41.1                        | 7             |
| 4. Wyoming     | 37.2                        | 8             |
| 5. Nevada      | 36.8                        | 9             |
| <b>6. Utah</b> | <b>33.3</b>                 | <b>13</b>     |
| 7. California  | 28.9                        | 15            |
| 8. Idaho       | 28.6                        | 17            |
| 9. Colorado    | 25.8                        | 28            |
| 10. Montana    | 0.0                         | 48            |
| 11. Oregon     | 0.0                         | 48            |

Figure 6: Corporate Income Tax, 2004-05

| Western States | Per \$1,000 Personal Income | National Rank |
|----------------|-----------------------------|---------------|
| 1. California  | 6.7                         | 6             |
| 2. New Mexico  | 4.6                         | 14            |
| 3. Arizona     | 4.1                         | 19            |
| 4. Montana     | 3.7                         | 25            |
| 5. Idaho       | 3.6                         | 26            |
| 6. Oregon      | 3.2                         | 32            |
| <b>7. Utah</b> | <b>2.9</b>                  | <b>37</b>     |
| 8. Colorado    | 1.9                         | 45            |
| 9. Washington  | 0.0                         | 48            |
| 10. Nevada     | 0.0                         | 50            |
| 11. Wyoming    | 0.0                         | 50            |

Figure 7: Property Tax, 2004-05

| Western States | Per \$1,000 Personal Income | National Rank |
|----------------|-----------------------------|---------------|
| 1. Wyoming     | 48.6                        | 6             |
| 2. Montana     | 37.7                        | 17            |
| 3. Oregon      | 31.2                        | 26            |
| 4. Arizona     | 30.0                        | 29            |
| 5. Washington  | 29.8                        | 30            |
| 6. Idaho       | 29.2                        | 32            |
| 7. Colorado    | 29.1                        | 33            |
| 8. Nevada      | 27.9                        | 35            |
| <b>9. Utah</b> | <b>27.3</b>                 | <b>37</b>     |
| 10. California | 26.2                        | 39            |
| 11. New Mexico | 16.5                        | 48            |

Figure 8: Motor Fuel Tax, 2004-05

| Western States | Per \$1,000 Personal Income | National Rank |
|----------------|-----------------------------|---------------|
| 1. Montana     | 7.3                         | 1             |
| 2. Idaho       | 5.6                         | 7             |
| 3. Nevada      | 5.4                         | 8             |
| <b>4. Utah</b> | <b>5.4</b>                  | <b>10</b>     |
| 5. New Mexico  | 4.3                         | 24            |
| 6. Washington  | 4.2                         | 27            |
| 7. Arizona     | 4.1                         | 29            |
| 8. Wyoming     | 3.7                         | 34            |
| 9. Colorado    | 3.5                         | 37            |
| 10. Oregon     | 3.4                         | 39            |
| 11. California | 2.6                         | 46            |

Figure 9: All Taxes, 2004-05

| Western States | Per \$1,000 Personal Income | National Rank |
|----------------|-----------------------------|---------------|
| 1. Wyoming     | 145.7                       | 2             |
| 2. New Mexico  | 116.1                       | 12            |
| 3. California  | 112.7                       | 17            |
| <b>4. Utah</b> | <b>111.3</b>                | <b>20</b>     |
| 5. Nevada      | 108.6                       | 24            |
| 6. Arizona     | 107.1                       | 28            |
| 7. Idaho       | 105.9                       | 31            |
| 8. Washington  | 103.3                       | 37            |
| 9. Montana     | 102.9                       | 38            |
| 10. Oregon     | 97.2                        | 45            |
| 11. Colorado   | 92.3                        | 47            |

Figure 10: Mandatory Fees, 2004-05

| Western States | Per \$1,000 Personal Income | National Rank |
|----------------|-----------------------------|---------------|
| <b>1. Utah</b> | <b>18.2</b>                 | <b>3</b>      |
| 2. Oregon      | 17.7                        | 4             |
| 3. California  | 17.4                        | 6             |
| 4. Nevada      | 15.5                        | 7             |
| 5. Washington  | 14.6                        | 9             |
| 6. Montana     | 13.6                        | 11            |
| 7. Idaho       | 13.2                        | 12            |
| 8. Colorado    | 12.8                        | 16            |
| 9. Arizona     | 11.0                        | 25            |
| 10. New Mexico | 9.0                         | 37            |
| 11. Wyoming    | 8.5                         | 42            |

Figure 11: Taxes & Mandatory Fees, 2004-05

| Western States | Per \$1,000 Personal Income | National Rank |
|----------------|-----------------------------|---------------|
| 1. Wyoming     | 154.2                       | 2             |
| 2. California  | 130.0                       | 10            |
| <b>3. Utah</b> | <b>129.5</b>                | <b>11</b>     |
| 4. New Mexico  | 125.1                       | 16            |
| 5. Nevada      | 124.1                       | 19            |
| 6. Idaho       | 119.2                       | 28            |
| 7. Arizona     | 118.1                       | 29            |
| 8. Washington  | 117.9                       | 30            |
| 9. Montana     | 116.5                       | 32            |
| 10. Oregon     | 114.9                       | 35            |
| 11. Colorado   | 105.1                       | 47            |

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

*This research brief was written by Utah Foundation President Stephen Kroes and Research Intern Brent Fuller. Mr. Kroes may be reached for comment at (801) 355-1400 or by email at: [steve@utahfoundation.org](mailto:steve@utahfoundation.org). For more information about Utah Foundation, please visit our website: [www.utahfoundation.org](http://www.utahfoundation.org).*

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