

Revenue & Economic Update May 2018

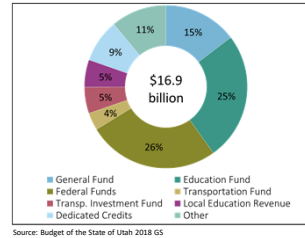
Presentation to the Association of Governmental Accountants



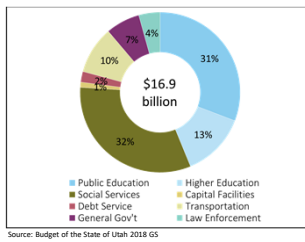
Andrea Wilko Ph.D., Chief Economist

May 2018

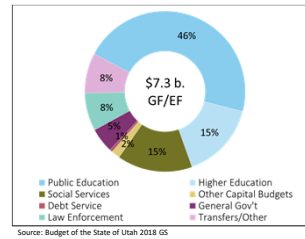
Total State Revenue



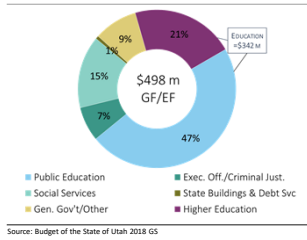
Total State Budget



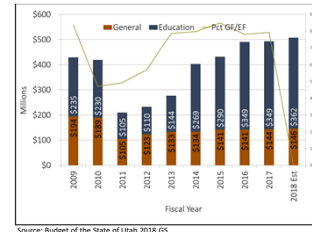
State Fund Budget



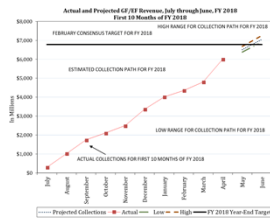
State Fund Budget



State Rainy Day Funds



Revenue Trend



Federal Tax Reform

Who pays the tax?

	2017	2018
Name: Average Joe	\$70,000 income	\$70,000 income
Filing Status: Married Filing Joint	\$15,190 personal exemptions	\$0 personal exemptions
Dependents : 3 Children	\$12,700 Standard Deduction	\$24,000 Standard Deduction
FAGI: \$70,000	\$1,126 Utah Taxpayer Tax Credit	\$893 Utah Taxpayer Tax Credit
	\$2,374 Utah Income Tax	\$2,607 Utah Income Tax
	DIFFERENCE \$233 (about 10%)	

Source: Utah State Tax Commission

Why the tax increase?

Elimination of Personal Exemptions will decrease the Utah Taxpayer Tax Credit

*The increased standard deduction is insufficient to compensate.

Federal Tax Reform

Federal Business Taxation with Utah Impacts

1. Limited deductions for net interest expenses
2. 100% up-front expensing of certain capital expenditures
3. Eliminated NOL carry-back
4. Limiting carry-forward to 80% of taxable income
5. Repatriation of Sub-part (F) foreign dividends

State Tax Reform

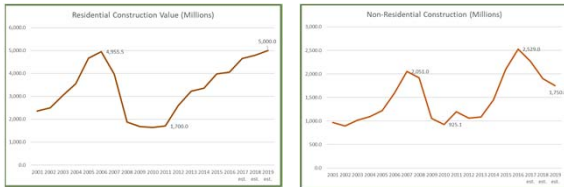
HB 293: Tax Rebalancing Provisions

- Lowered the individual and corporate tax rates to 4.95% from 5% (\$70.3 m)
- Implemented mandatory single sales factor corporate apportionment for most remaining industries (\$28.0 m)
- Increased property taxes by the growth in new property values and the amount of any WPU value changes \$223.6 m
- Overall, these changes increase revenue by \$125 million in FY 2024.

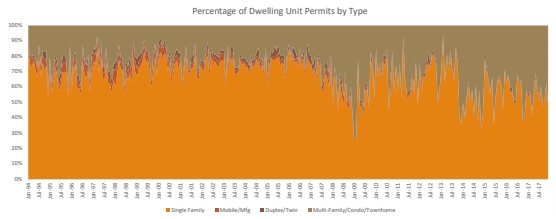
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Economic Indicators

Construction Values



Dwelling Permits by Type



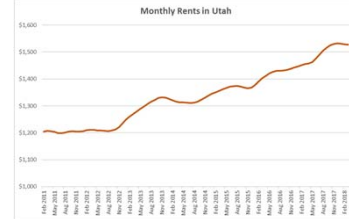
Mortgage Rates



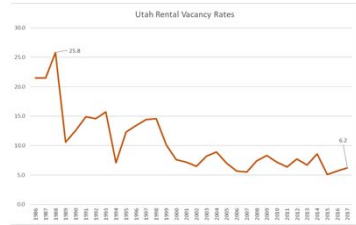
Source: FRED



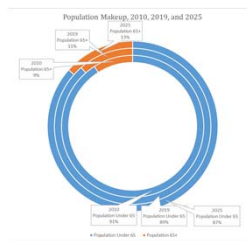
Monthly Rent



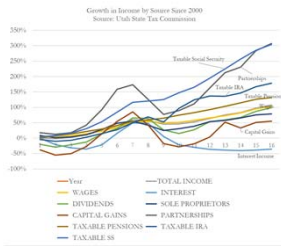
Vacancy Rates



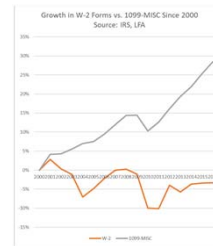
Demographic Trends



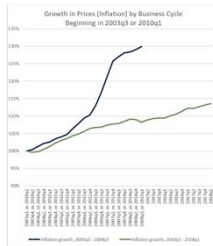
Growth in Income by Source



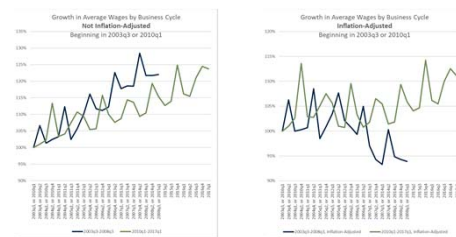
W-2 Wage Growth Compared to Form 1099 Wage Growth



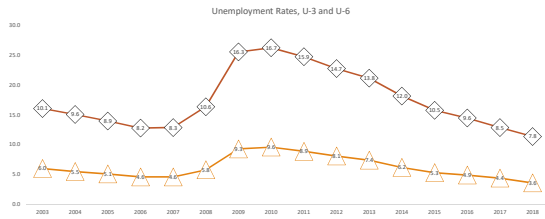
Inflation



Wages



Unemployment Rates U-3 vs. U-6



Source: Bureau of Labor Statistics



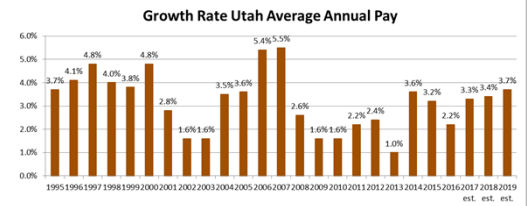
Earnings Growth By State 2017



Source: Commerce Department



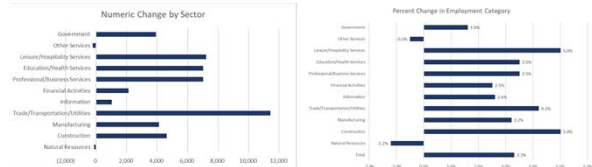
Wages



Source: Bureau of Labor Statistics



Employment By Sector (April 2018)



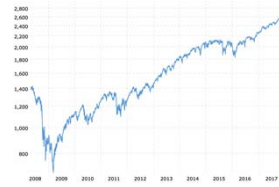
Source: Utah Department of Workforce Services



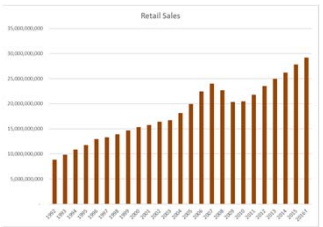
Personal Income



U.S. Stock Market



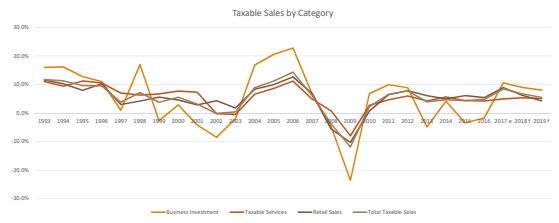
Taxable Retail Sales



Source: Utah State Tax Commission



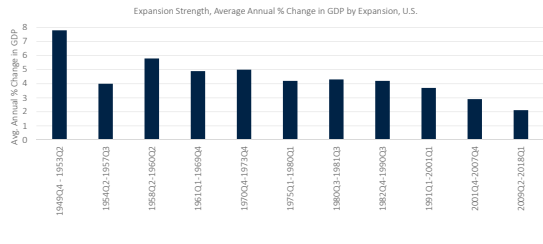
Taxable Sales



Source: Utah State Tax Commission



National Expansion Strength

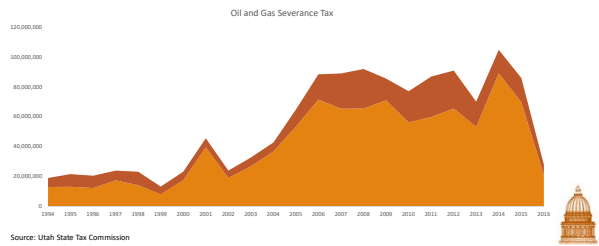


Revenue Indicators

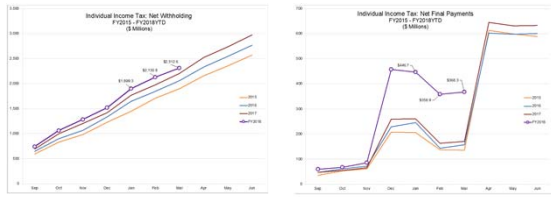
General Fund Earmarks

Revenue Set Aside/Earmark Item	FY 2018 Referred	FY 2019 Estimated	
Alcohol Law Enforcement (From Beer Tax) [ACA19-10-0000]	5,406	5,397	
Economic Development Zone Tax Increment Financing [ACA19-2-010]	3,100	3,125	
Emergency Food Assistance [ACA19-10-0000]	534	534	Cloud Seeding - See Water Revenue [ACA19-10-0000]
Health Related From Cigarette Tax [ACA19-10-0000]	7,900	7,900	Drinking Water Loan Fund - See Drinking Water Revenue [ACA19-12-100000]
Environment State Enforcement (From Severance Tax) [ACA19-10-0000]	8,493	7,990	Endangered Species - See Aquatic Resources [ACA19-12-100000]
Tourism Marketing Performance Account [ACA19-1-000]	21,000	21,000	Wastewater Loan Fund - See Water Revenue [ACA19-12-100000]
Transportation Related:			Water Resource Cons and Dev't - See Water Revenue [ACA19-12-100000]
TIF of 2005 (8.3%) (previously the CHFT) [ACA19-12-100000]	201,011	215,219	Water Quality Loan Fund - See Aquatic Resources [ACA19-12-100000]
TIF of 2005 (8.3%) (previously the CHFT) [ACA19-12-100000]	94,000	63,000	Water Rights - See Water Revenue [ACA19-12-100000]
TIF of 2005 (0.05% non-food) (previously the CHFT) [ACA19-12-100000]	25,139	22,118	Waterflood Reimbursement - See Water Revenue [ACA19-12-100000]
TIF of 2005 (30% new growth) [ACA19-12-100000]	192,745	225,494	Subtotal, Water, Agriculture, and Natural Resource Related (FY2018)
TIF of 2005 (12.88%) [ACA19-12-100000]	35,589	30,554	Subtotal, Water, Agriculture, and Natural Resource Related (FY2019)
Throughput Infrastructure Fund [ACA19-10-0000]	36,000	22,000	Water Infrastructure Restricted Account - See Water Revenue [ACA19-12-100000]
Subtotal, Transportation & Infrastructure Related	\$546,385	\$578,885	Total General Fund Revenue Earmarks
			House of Representatives
			Office of General Fund Revenue

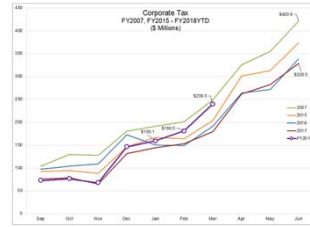
Severance Tax Revenue



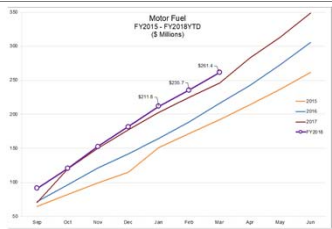
Education Fund



Corporate Tax Growth

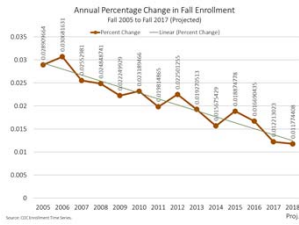


Transportation Fund

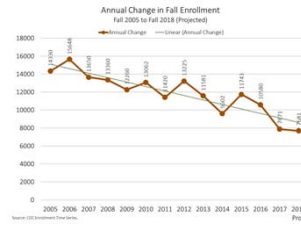


Education Trends

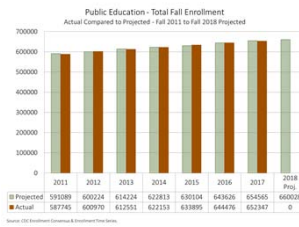
Fall Enrollment Growth



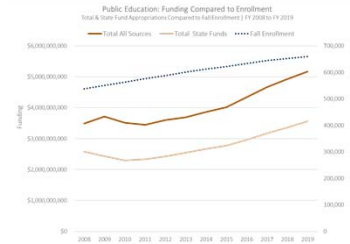
Annual Percent Change in Fall Enrollment



Projections vs. Actual Enrollments



Education Funding and Enrollment





Questions?

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