



February 16, 2010

An Open Letter to the Utah House of Representatives: Tax Hikes Should Be a Non-Starter in 2010

Dear Legislator:

Utah, like most states, is facing a budget deficit in 2010. Unfortunately, the Legislature is considering many of the same “solutions” being floated in other states: tax increases. On behalf of the National Taxpayers Union’s (NTU’s) nearly 3,300 members in Utah, I urge you to stand up for the people who pay government’s bills and declare any tax increase proposal during this session dead on arrival.

Some advocacy groups argue that only “general” tax increases on income, sales, and property should be off the table in Utah. It is also imperative, however, that attempts to boost excise taxes on gasoline and cigarettes fail as well. Such schemes will likewise result in job losses, economic stagnation, and a bloated public sector.

A proposed 10 cent-per-gallon increase in the gasoline tax would hit poor Utahns the hardest and have an adverse impact on retailers on each of Utah’s borders. **The average combined local, state, and federal gas tax rates would be higher than in any neighboring state and among the top 15 nationally.** This proposal would drain \$100 million out of the private economy, and while government envisions all of that money filling state coffers, it is likely that a significant portion will actually enrich Utah’s neighbors and their small business communities.

Equally problematic for the state’s small business community is HB 196, which would increase the cigarette tax by over \$1 per pack with an accompanying tax increase on moist snuff of 66 cents per ounce. This regressive 144 percent tax hike would put Utah’s convenience stores at a competitive disadvantage to all border states other than Arizona, as consumers go elsewhere to purchase tobacco at lower prices. **Perhaps most telling is that while the higher levy on tobacco is said to raise \$45.5 million for the state over the next two years (a figure that is likely inflated to begin with), it will bring \$58 million in new costs on the state’s business community.** At a time when Utah’s unemployment rate is at alarming levels, a job-killing tax increase on small businesses makes zero economic sense.

Another ill-advised proposal, HB 90, would create two new income tax brackets and reverse the commendable progress the state has made toward systemic reform over the past several years. Raising taxes on high earners often hits the small business owners who comprise the backbone of Utah’s economy. Progressive income taxation is also an unstable revenue source, as demonstrated by California’s disastrous overreliance on the wealthy to fund state government.

Gov. Herbert deserves praise for recommending a budget without tax increases, but he should also commit to a veto of any that cross his desk. You can help avoid that necessity by voting down any tax hike before it gets to the Governor. Make no mistake – a tax increase is a further drag on Utah’s already sluggish economy, whether it falls upon drivers, smokers, or job creators. For the sake of all hard-working Utahns, I urge you to oppose any tax increases in 2010.

Sincerely,

Joshua Culling
State Government Affairs Manager