



DYNAMIC FISCAL ANALYSIS

HB0061

2016 General Session

Corporate Franchise and Income Tax Changes

by John Knotwell



STATIC IMPACT (See fiscal note for details)

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund							
Education Fund	-\$131,731,000	-\$138,317,000	-\$145,232,900	-\$152,494,500	-\$160,119,200		-\$204,357,200
Total	-\$131,731,000	-\$138,317,000	-\$145,232,900	-\$152,494,500	-\$160,119,200		-\$204,357,200

SCENARIO 1: DO NOTHING

Do not make the tax policy change proposed by this bill, do not spend proceeds on government programs, deposit money in reserve.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund							
Education Fund	\$2,387,900	\$3,838,100	\$4,422,700	\$4,643,800	\$4,876,000		\$5,926,800
Total	\$2,387,900	\$3,838,100	\$4,422,700	\$4,643,800	\$4,876,000		\$5,926,800
Diff From Static	\$134,118,900	\$142,155,100	\$149,655,600	\$157,138,300	\$164,995,200		\$210,284,000
Jobs	0	0	0	0	0		0
Wages (millions)	\$0	\$0	\$0	\$0	\$0		\$0
Gross Domestic Product (GDP) (millions)	\$0	\$0	\$0	\$0	\$0		\$0

SCENARIO 2: GOVERNMENT SPENDING

Do not make the tax policy change proposed by this bill but spend collections on government programs. The multiplier is 0.84. Commonly estimated government spending multipliers ($\Delta GDP / (\Delta \text{Government Spending})$) range from 0.7 to 1.3. The multiplier value depends upon economic conditions, interest rates, expected tax policy, geographic region, past and expected government spending policy, and various other assumptions. The multiplier is on the lower end currently because of higher expected interest rates and strong economic conditions (unemployment rate in Utah is 3.5%). The dynamic revenue stems from the revenue connected with state government spending.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund	\$2,034,800	\$2,293,800	\$2,497,300	\$2,645,200	\$2,774,700		\$3,348,200
Education Fund	-\$128,320,800	-\$134,472,800	-\$141,047,700	-\$148,061,200	-\$155,468,900		-\$198,746,000
Total	-\$126,286,000	-\$132,179,000	-\$138,550,400	-\$145,416,000	-\$152,694,200		-\$195,397,800
Diff From Static	\$5,445,000	\$6,138,000	\$6,682,500	\$7,078,500	\$7,425,000		\$8,959,400
Jobs	1,496	1,619	1,696	1,740	1,764		1,842
Wages (millions)	\$82	\$99	\$112	\$124	\$134		\$181
Gross Domestic Product (GDP) (millions)	\$110	\$124	\$135	\$143	\$150		\$181

SCENARIO 3: MARGINAL BUSINESS RESPONSE

Make tax policy change proposed by this bill. Do not spend on government programs. Private sector treats tax cut as cost reduction and reinvests savings in production/output.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund	\$1,362,800	\$2,133,100	\$2,824,300	\$3,436,600	\$3,989,600		\$6,221,400
Education Fund	-\$129,678,300	-\$135,104,100	-\$140,978,700	-\$147,318,100	-\$154,109,800		-\$194,986,200
Total	-\$128,315,500	-\$132,971,000	-\$138,154,400	-\$143,881,500	-\$150,120,200		-\$188,764,800
Diff From Static	\$3,415,500	\$5,346,000	\$7,078,500	\$8,613,000	\$9,999,000		\$15,592,400
Jobs	1,353	1,870	2,260	2,549	2,760		3,234
Wages (millions)	\$69	\$108	\$143	\$174	\$202		\$315
Gross Domestic Product (GDP) (millions)	\$116	\$171	\$219	\$260	\$296		\$438

SCENARIO 4: STRONG BUSINESS RESPONSE

Make tax policy change proposed by this bill. Do not spend on government programs. Private sector treats tax cut as cost reduction which induces businesses to invest savings plus additional \$110M (2017) | \$1.4B (2026) from other sources in production/output.

Dynamic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	...	FY 2026
General Fund	\$8,117,500	\$14,121,600	\$21,607,000	\$27,551,900	\$33,931,400		\$83,742,100
Education Fund	-\$119,504,000	-\$117,046,100	-\$112,686,900	-\$110,993,900	-\$109,009,600		-\$78,219,300
Total	-\$111,386,500	-\$102,924,500	-\$91,079,900	-\$83,442,000	-\$75,078,200		\$5,522,800
Diff From Static	\$20,344,500	\$35,392,500	\$54,153,000	\$69,052,500	\$85,041,000		\$209,880,000
Jobs	7,320	11,627	16,587	19,677	22,741		43,500
Wages (millions)	\$411	\$715	\$1,094	\$1,395	\$1,718		\$4,240
Gross Domestic Product (GDP) (millions)	\$798	\$1,311	\$1,954	\$2,406	\$2,903		\$6,981