

# 2020 Tax Reform and Impacts

## *Executive Summary*

While taxes serve an important constitutional function in the state of Utah, the implications for the increase of food taxes negatively impacts a significant portion of Utahns who earn low incomes or are living on meager, unearned income sources. Some 18 percent of Utahns are a person living with a disability.<sup>1</sup> A significant majority of these individuals receive some form of public benefits, such as Social Security income or disability insurance. On top of that section of the population, a solid 9% of Utahns are estimated to live in poverty.<sup>2</sup> And because Utahns enjoy larger families, children are negatively impacted by this poverty rate. In fact, research shows that 37% of Utah's children live in low-income families.<sup>3</sup> The state is spending millions of dollars every year to ensure that children living in intergenerational poverty are able to meet their basic needs, an effort that runs counter to directly increasing the cost of living for these families.<sup>4</sup>

Individuals with disabilities are highly likely to live in these low-income categories. An individual receiving social security benefits, such as SSI or SSDI, receives less than \$1,000 a month if they are not working. To that end, less than 20% of Americans with disabilities enjoy full, gainful employment. In order to reduce their cash payment social security benefits to \$0, an individual would need to bring in \$1600 or more per month. In other words, they have to be just beyond the federal poverty line in order to receive no additional support from the federal government. Substantial Gainful Activity, which is the maximum work income for Social Security recipients, is between \$14,640 for

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<sup>1</sup> Disability in Utah report. 2017. Utah Department of Health. Retrieved from <https://health.utah.gov/disabilities>

<sup>2</sup> US Census Bureau.

<sup>3</sup> "Utah Demographics of Low-Income Children." n.d. National Center for Children in Poverty. Retrieved from [http://www.nccp.org/profiles/UT\\_profile\\_6.html](http://www.nccp.org/profiles/UT_profile_6.html)

<sup>4</sup> Utah's Eighth Annual Report On Intergenerational Poverty, Welfare Dependency And The Use Of Public Assistance. 2019. Utah Intergenerational Welfare Reform Commission Annual Report. Retrieved from <https://jobs.utah.gov/edo/intergenerational/igp19.pdf>

individuals with a non-blind disability. That is to say, their income must be below this total to qualify for non-SSI social security benefits.<sup>5</sup> This does not include the many individuals who receive state benefits in Utah, such as Medicaid, cash assistance, or Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) benefits. However, while SNAP recipients do not pay taxes on food when they use their EBT card, many individuals with disabilities receive very limited SNAP funds; in fact, the average SNAP beneficiary in Utah receives only \$114 per month.<sup>6</sup>

Negative externalities are inextricably connected to an increase in the cost of food, and they impact both the individual consumer and the state. The state seeks to be business-friendly and incentivize businesses and workers to move to our area, but as one of only three states which tax foods, an increase in food tax could reasonably disincentivize residents and companies from neighboring states to move to the Wasatch Front. This means fewer jobs for Utahns overall, and especially for individuals with disabilities, who already face chronic unemployment.

Because tobacco cessation programs are working and thereby creating a reduction of taxes by nearly 10% from previous years, it is reasonable that the state is moving to increase revenues.<sup>7</sup> However, this is ironic because taxing food will exacerbate other health problems experienced by many Utahns that cessation efforts were seeking to minimize. Increasing taxes on foods means that taxes will be raised at the expense of healthy lifestyles; All Utahns, especially those with low-incomes, will likely buy less food overall, and the food they do purchase will likely be processed because it is less expensive. This is absolutely counter to the spending the state commits toward public health. In addition to spending money on reducing smoking in all populations, millions of

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<sup>5</sup> Determinations of Substantial Gainful Activity (SGA). n.d. Social Security Administration. Retrieved from <https://www.ssa.gov/oact/cola/sgadet.html>

<sup>6</sup> "Average Supplemental Nutrition Assistance Program (SNAP) Benefits Per Person." 2018. KFF. Retrieved from <https://www.kff.org/other/state-indicator/avg-monthly-snap-benefits>

<sup>7</sup> Utah State Tax Commission Revenue Summary Final Fiscal Year 2018-2019 Report. October 2019. Retrieved from <https://tax.utah.gov/esu/revenuereports/summary2019.pdf>

dollars are spent on programs that improve the lives of Utahns, especially those living with diabetes, chronic conditions, arthritis, or who live sedentary lives through lifestyle improvements, nutritional education, and self-managed education programs.<sup>8</sup> A majority of individuals with disabilities benefit from these programs, which means that a majority of Utahns with disabilities will also be negatively impacted by the undoing of the work from these programs by the continued consumption of unhealthy foods, based not on choice but on economic needs.

### ***Impact and Position Statement***

The Utah Developmental Disabilities Council does not support an increase in the food tax for Utahns. Across the board, this will have a detrimental impact on Utahns of all incomes, but in particular the community experiencing high disparities in income, such as those with disabilities, the aging population, and low income families. Ultimately, an increase in food costs means these members of vulnerable populations will simply buy less food overall, and less nutritious food specifically.

We foresee two issues in the implementation of this change. Primarily, the ability and prerogative for counties and municipalities to adjust the tax to meet their own needs, as occurs with general sales taxes currently, could increase the tax to nearly 5%, depending on the region<sup>9</sup> Utahns of all abilities should be free to live wherever they choose within the state, but the tendency by some regions to increase their tax base discourages low-income individuals, including those with disabilities, from living there. Should this tax be incorporated into tax reform, considerations for increase must be made at local levels and mitigation efforts to reduce this impact should be incorporated.

Additionally, should the state choose to move forward with this regressive tax with offsets for eligible Utahns in the form of credits given at the time of filing, the credits

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<sup>8</sup> Utah Community Health Program Guide: Linking Utahns to Quality Self-Management Education. April 2019. Utah Department of Health. Retrieved from [www.livingwell.utah.gov/docs/bhpguide/BHP\\_Guide.pdf](http://www.livingwell.utah.gov/docs/bhpguide/BHP_Guide.pdf)

<sup>9</sup> Sales and Use Tax Act 2019 Rates by Region. Utah Code Title 59, Chapter 12. Retrieved from <https://tax.utah.gov/salestax/rate/19q2simple.pdf>

should be implemented with a presumption of qualifications for a refundable tax credit. However, it is imperative that leaders understand that because of the lack of income, many Utahns who receive Social Security benefits do not actually file taxes. Generally speaking, because of the income requirements for these benefits, they often are not required to file federal or state tax returns until they have earned \$12,000. This increases the risk that the Utahns most affected by the increase in food costs will have limited access to relief that may return some of the spending done during the year. This translates to necessary outreach to close the disparities in tax filings, encouraging those who do not need to file to do so in order to receive a refundable credit.

Compounding the issue is the limited return: should the credit total \$100 as has been proposed, those not required to file may not see the value in the burden of filing when it is legally unnecessary. This places an additional burden on the taxpayer to find economical filing options, the service providers who will need to receive additional training and develop new supporting operations, and also the state tax commission who will be tasked with handling new filers, policies, and ensuring all taxpayers receive due process for refunds.

The Utah Developmental Disabilities Council focuses on systemic change and removal of barriers that prevent individuals with disabilities from living full, meaningful lives. Additions of taxes and fees, increased costs for food, and the undermining of public health campaigns that have proved fruitful for our community are events that run counter to the mission and goals of our Council. We believe everyone should have access to healthy food and enjoy lifelong good health, and we believe the State of Utah does not want to add injury to an already marginalized group through burdensome taxes. It is imperative that all groups are considered, including low-income families, individuals experiencing disabilities, and Utah residents who benefit from public health efforts. Taxing food in general, and this proposed tax specifically, is detrimental to the health of Utahns no matter their income, but especially to those hoping to enjoy all the beautiful things that living in Utah has to offer.