

Budgetable Dynamic Fiscal Notes



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1. Dynamic Fiscal Note
2. Examples
 - a. Corporate Income Tax
 - b. Manufacturing Sales Tax Exemption

Dynamic Tax Fiscal Notes

Static Fiscal Notes	Dynamic Fiscal Notes	Cost/Benefit Analyses
Taxable base x rate = static fiscal note	Taxable base x rate = static fiscal impact	Taxable base x rate = static fiscal impact
	Measure spending and competitive secondary impact on businesses/individuals	
	Convert behavioral responses to revenue = dynamic fiscal impact	
	More accurate	May or may not be more accurate
	More relevant	May or may not be more relevant
	Takes more time, resources	An expression of benefits
	Perhaps more risk	A measure of impact on society
		Intended to influence the passage of a bill

MANUFACTURING SALES TAX EXEMPTION

9/25/15

Office of the Legislative Fiscal Analyst



UTAH STATE
LEGISLATURE

Scenarios

Scenario 1: Do Nothing with the Money

Scenario 2: Spend the Money

Scenario 3: Baseline Production Cost Effect
(Nominal private sector response)

Scenario 4: Behavioral Responses
(Reaction beyond production cost effect)



Scenario 2: Spend the money

Simulation Tools | Gov muli and manufacturing - REMI Tax-PI v1.4

Home | Insert

Revenue Changes | Expenditure Changes | BizDev | Custom Industry | Translator Variables | Economic | Demographic | More Scenarios | Topics | Model Blocks | Full List | Model Linkages | Budget Calculator | Calculator | Spreader | Import | Export

Forecast Name: Gov muli and manufacturing | Run to year: 2060 | Run Now

Baseline: Regional Control 11

Budget Name: <No Budget>

Policy Variable Inputs

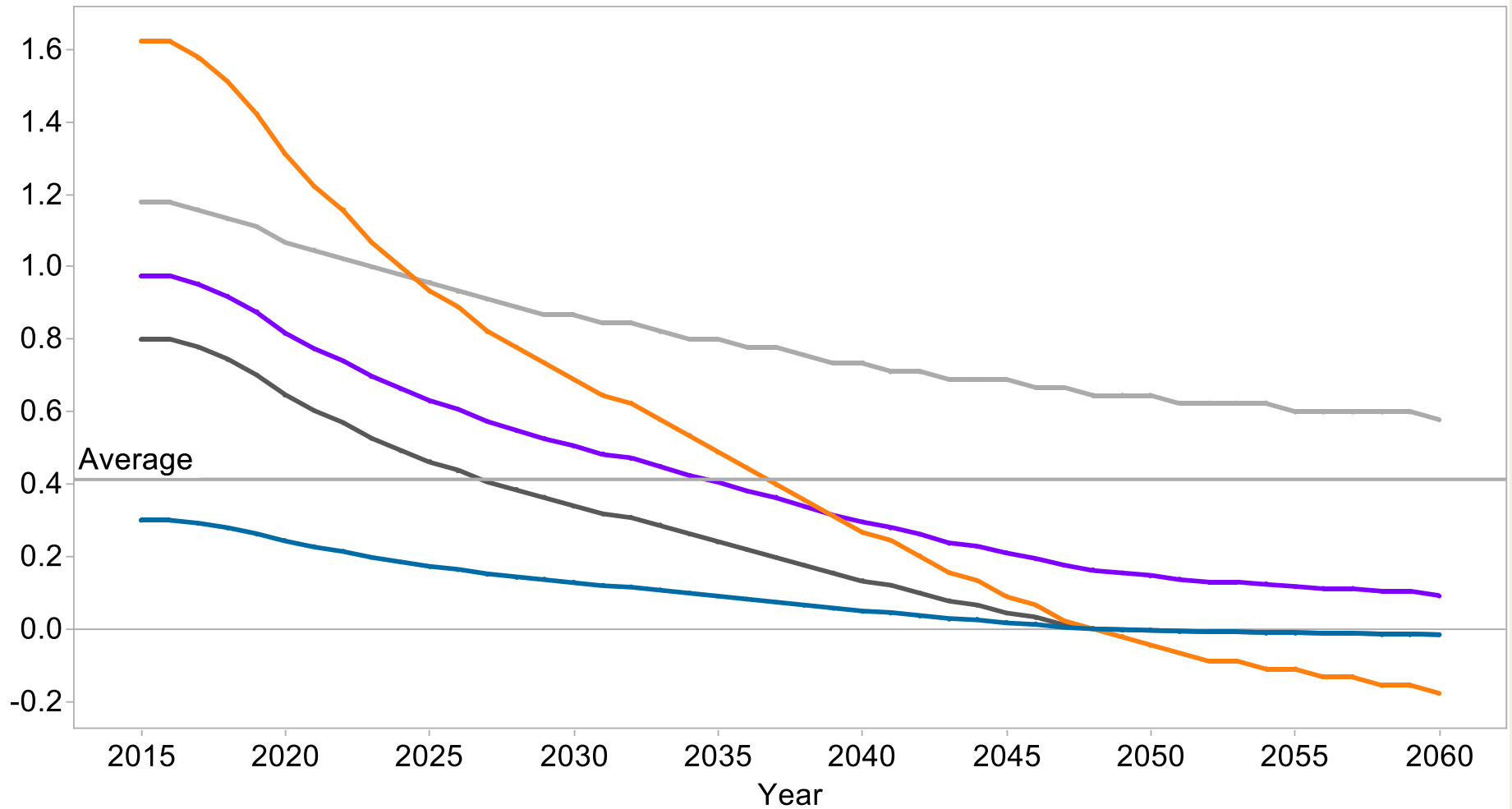
Active	Edit	Category	Notes
<input type="checkbox"/>	<input type="checkbox"/>	Composite (1 PV-s)	New Custom Industry
<input type="checkbox"/>	<input type="checkbox"/>	Composite (1 PV-s)	New Economic List
<input type="checkbox"/>	<input type="checkbox"/>	Composite (20 PV-s)	New Business Taxes Topic
<input type="checkbox"/>	<input type="checkbox"/>	Composite (1 PV-s)	New Investment Spending Topic
<input type="checkbox"/>	<input type="checkbox"/>	Composite (75 PV-s)	New Consumer Spending Topic
<input type="checkbox"/>	<input type="checkbox"/>	Composite (20 PV-s)	Production Cost !
<input type="checkbox"/>	<input type="checkbox"/>	Composite (20 PV-s)	New Business Taxes Topic
<input type="checkbox"/>	<input type="checkbox"/>	Composite (8 PV-s)	!Government Spending!
<input type="checkbox"/>	<input type="checkbox"/>	Composite (1 PV-s)	New Custom Industry
<input type="checkbox"/>	<input type="checkbox"/>	Composite (1 PV-s)	New Custom Industry
<input type="checkbox"/>	<input type="checkbox"/>	Composite (1 PV-s)	New Custom Industry
<input type="checkbox"/>	<input type="checkbox"/>	Composite (1 PV-s)	New Custom Industry
<input type="checkbox"/>	<input type="checkbox"/>	Composite (20 PV-s)	! Manufacturing +615 employees!
<input type="checkbox"/>	<input type="checkbox"/>	Composite (20 PV-s)	Manufacturing +1,000 employees
<input type="checkbox"/>	<input type="checkbox"/>	Composite (66 PV-s)	General Industry Spending!
<input type="checkbox"/>	<input type="checkbox"/>	Composite (1 PV-s)	New Government Industry Scenario
<input type="checkbox"/>	<input type="checkbox"/>	Composite (1 PV-s)	New Government Spending Topic
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Composite (21 PV-s)	!State and Local Government Spending!

Utah (UT) - Single Region 70 sector model

Audio | Video: 0.00 fps | 00:00:00 | Press End to stop

Government Spending Multiplier

State & Local Government Spending Multiplier



Measure Names

- Full Employment
- High Initial/Lower Long-Term
- High Initial/Moderate Long-Term
- Weak Employment
- Average, All Four

Government Spending Multiplier

					Baseline 1year	Baseline over 1 year
State multiplier (Δ GDP/ Δ Government Spending)					1.98	0.93
Adjustments	Measurement	Current Value	Expected Value	Change	1 Year Coefficient	>1 Year Coefficient
Expected lower or higher interest rates	10 Year T-Note	3.02	3.31	0.29	-0.232	-0.0145
Employment conditions	Unemp. Rate	4.2	3.9	-0.3	-0.9	-0.15
Open/Closed economy (leakage effect)	REMI			0	0	0
Expected higher or lower taxes	RAWG	N/A	Yes	1	0	-0.1
				0	0	0
Bottom line					0.85	0.66

3 yr. Manufacturing Equip. Exemption

DYNAMIC FISCAL NOTE

No Bill Number

2013 Interim

SHORT TITLE: Sales Tax Exemption for Manufacturing Equipment Purchases, LT 3 Year Life

SPONSOR: No Sponsor

Note: Subject to change during the normal fiscal noting process

DO NOTHING (INTEREST INCOME)

SCENARIO 1

Impact on Unrestricted State Funds	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund/Education Fund, Static	(\$30,000,000)	(\$31,500,000)	(\$33,075,000)	(\$34,729,000)	(\$36,465,000)
General Fund/Education Fund, Dynamic	(\$29,430,000)	(\$30,901,500)	(\$32,463,000)	(\$34,104,000)	(\$35,826,000)
Jobs	0	0	0	0	0
Wages	\$0	\$0	\$0	\$0	\$0
Gross Domestic Product (GDP)	\$0	\$0	\$0	\$0	\$0

STATUS QUO (SPEND THE MONEY)

SCENARIO 2

Impact on Unrestricted State Funds	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund/Education Fund, Static	\$ (30,000,000)	\$ (31,500,000)	\$ (33,075,000)	\$ (34,729,000)	\$ (36,465,000)
General Fund/Education Fund, Dynamic	\$ (28,527,000)	\$ (29,988,000)	\$ (31,483,000)	\$ (33,057,000)	\$ (34,754,000)
Jobs	176	198	196	196	205
Wages	\$12,000,000	\$14,000,000	\$16,000,000	\$17,000,000	\$18,000,000
Gross Domestic Product (GDP) (millions)	\$37,000,000	\$38,000,000	\$40,000,000	\$41,000,000	\$42,000,000



Scenario 3: Manufacturing Production Cost Effect

Simulation Tools Production Cost I - REMI Tax-PI v1.4

Home Insert

Revenue Changes Expenditure Changes BizDev Custom Industry Translator Variables Economic Demographic More Scenarios Topics Model Blocks Full List Model Linkages Budget Calculator Spreader Import Export

Business Costs Topic

Name: Production Cost !

Production Cost (amount)
The Production Cost (amount) policy variables change the Relative Production Costs of the specified industry by the amount entered. They should be used when a specific policy will affect the cost of doing business in a region without directly changing the relative costs of factor inputs (labor, capital,

Selector

Category	Detail	Units
Employer Contributions for Government Social Ins	Food manufacturing	2012 Fixed Local \$ (Units)
Employer Contributions for Employee Pension and	Beverage and tobacco product manufacturing	2012 Fixed Local \$ (000s)
Production Cost (amount)	Textile mills; Textile product mills	2012 Fixed Local \$ (M)
Electricity (Industrial Sectors) Fuel Cost (amount)	Apparel manufacturing; Leather and allied product manufacturing	2012 Fixed Local \$ (B)
Electricity (Commercial Sectors) Fuel Cost (amount)	Paper manufacturing	Nominal \$ (Units)
Electricity Fuel Cost for Individual Industry (amount)	Printing and related support activities	Nominal \$ (000s)
Natural Gas (Industrial Sectors) Fuel Cost (amount)	Petroleum and coal products manufacturing	Nominal \$ (M)
Natural Gas (Commercial Sectors) Fuel Cost (amount)	Chemical manufacturing	Nominal \$ (B)
Natural Gas Fuel Cost for Individual Industry (amount)	Plastics and rubber product manufacturing	
Residual (Industrial Sectors) Fuel Cost (amount)	Wholesale trade	
Residual (Commercial Sectors) Fuel Cost (amount)	Retail trade	
Residual Fuel Cost for Individual Industry (amount)	Air transportation	

Editor

Category	Detail	Units	ID	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060
Production Cost (amount)	Textile mills; Textile pr...	Nominal \$ (M)	7821	0	0	0	0	0	0	0	0	0	0	0	0
Production Cost (amount)	Apparel manufacturing...	Nominal \$ (M)	7822	0	0	0	0	0	0	0	0	0	0	0	0
Production Cost (amount)	Paper manufacturing	Nominal \$ (M)	7823	0	0	0	0	0	0	0	0	0	0	0	0
Production Cost (amount)	Printing and related su...	Nominal \$ (M)	7824	0	0	0	0	0	0	0	0	0	0	0	0
Production Cost (amount)	Petroleum and coal pro...	Nominal \$ (M)	7825	0	0	0	0	0	0	0	0	0	0	0	0
Production Cost (amount)	Chemical manufacturing	Nominal \$ (M)	7826	0	0	0	0	0	0	0	0	0	0	0	0
Production Cost (amount)	Plastics and rubber pro...	Nominal \$ (M)	7827	0	0	0	0	0	0	0	0	0	0	0	0

Utah (UT) - Single Region 70 sector model

Audio Video: 0.00 fps 00:00:00

Press End to stop

Scenario 2 & Scenario 3

The screenshot displays the Microsoft PowerPoint 2010 interface. The title bar reads "Dynamic Fiscal Notes.pptx - Microsoft PowerPoint". The ribbon is set to the "Home" tab, showing options for Clipboard, Slides, Font, Paragraph, Drawing, and Editing. The main slide area shows a slide titled "Scenario 2 & Scenario 3". The slide thumbnail pane on the left shows three slides: Slide 8 "Scenario 3: Manufacturing Production Cost Effect" (with a screenshot of a spreadsheet), Slide 9 "Scenario 2 & Scenario 3" (the current slide), and Slide 10 "Scenario 4: Behavioral Response" (with a bulleted list). The taskbar at the bottom shows the system tray with icons for Internet Explorer, Windows Explorer, Taskbar, and several application icons (Word, Outlook, PowerPoint). The status bar at the bottom right shows "Slide 9 of 16", "Office Theme", and a media control panel with "Audio", "Video: 0.00 fps", and a timer at "00:00:00".

Scenario 4: Behavioral Response



3 yr. Manufacturing Equip. Exemption

DYNAMIC FISCAL NOTE

No Bill Number

2013 Interim

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PRODUCTION COST EFFECT

SCENARIO 3

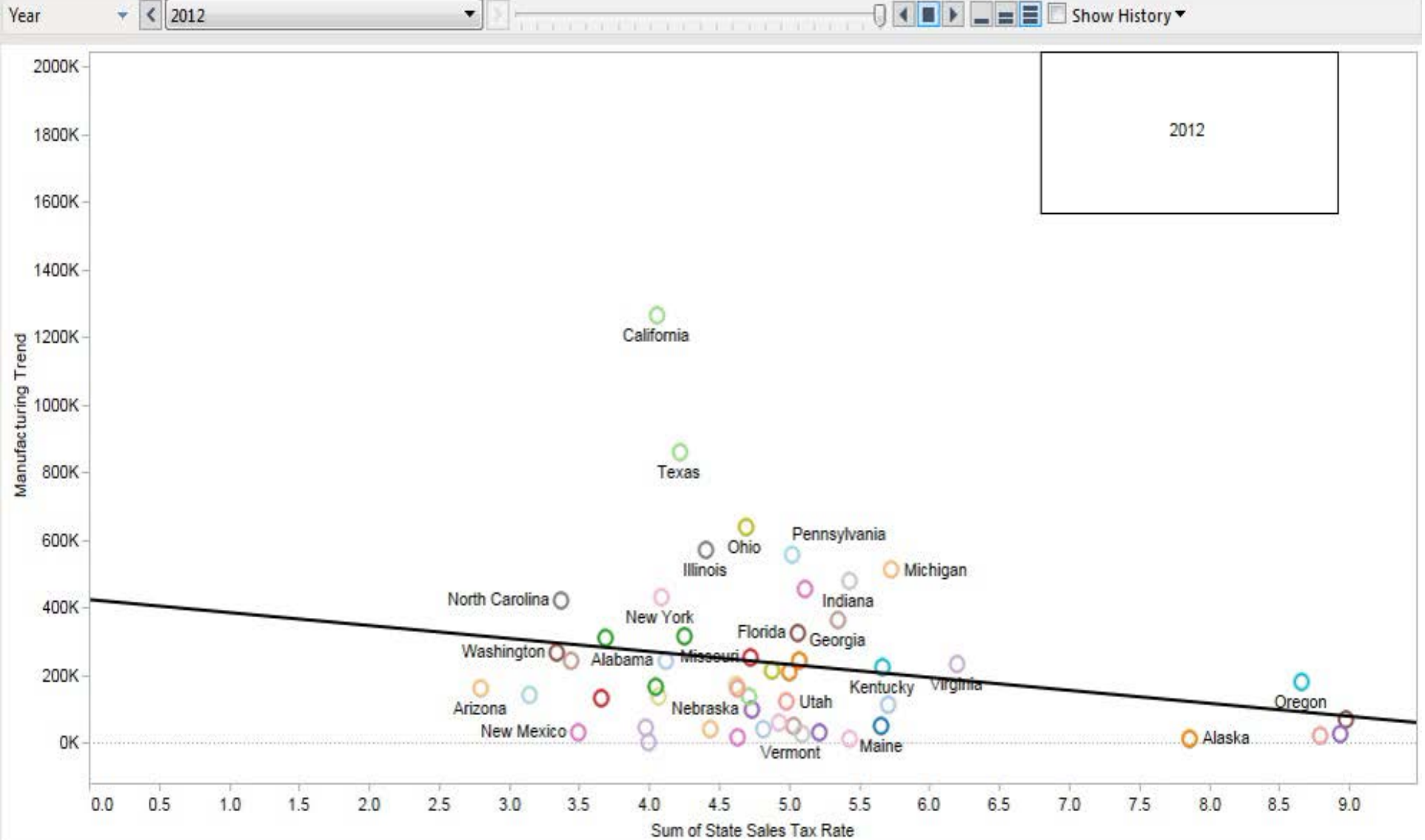
Impact on Unrestricted State Funds	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund/Education Fund, Static	\$ (30,000,000)	\$ (31,500,000)	\$ (33,075,000)	\$ (34,729,000)	\$ (36,465,000)
General Fund/Education Fund, Dynamic	\$ (28,627,000)	\$ (29,490,000)	\$ (30,468,000)	\$ (31,544,800)	\$ (32,724,200)
Jobs	295	448	572	675	760
Wages	\$27,500,000	\$36,500,000	\$45,000,000	\$53,000,000	\$61,000,000
Gross Domestic Product (GDP)	\$34,500,000	\$50,500,000	\$65,500,000	\$80,000,000	\$94,000,000

COMPETITIVE EFFECTS WITH BEHAVIORAL RESPONSE

SCENARIO 4

Impact on Unrestricted State Funds	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund/Education Fund, Static	\$ (30,000,000)	\$ (31,500,000)	\$ (33,075,000)	\$ (34,729,000)	\$ (36,465,000)
General Fund/Education Fund, Dynamic	\$ (22,935,000)	\$ (20,834,000)	\$ (18,508,000)	\$ (15,685,000)	\$ (14,018,000)
Jobs	1,437	2,059	2,664	3,287	3,681
Wages	\$78,500,000	\$121,000,000	\$166,500,000	\$217,500,000	\$258,500,000
Gross Domestic Product (GDP) (millions)	\$177,500,000	\$268,000,000	\$366,000,000	\$478,500,000	\$564,000,000

Manufacturing Trend and Sales Tax Rate



CORPORATE INCOME TAX RATE REDUCTION

9/25/15

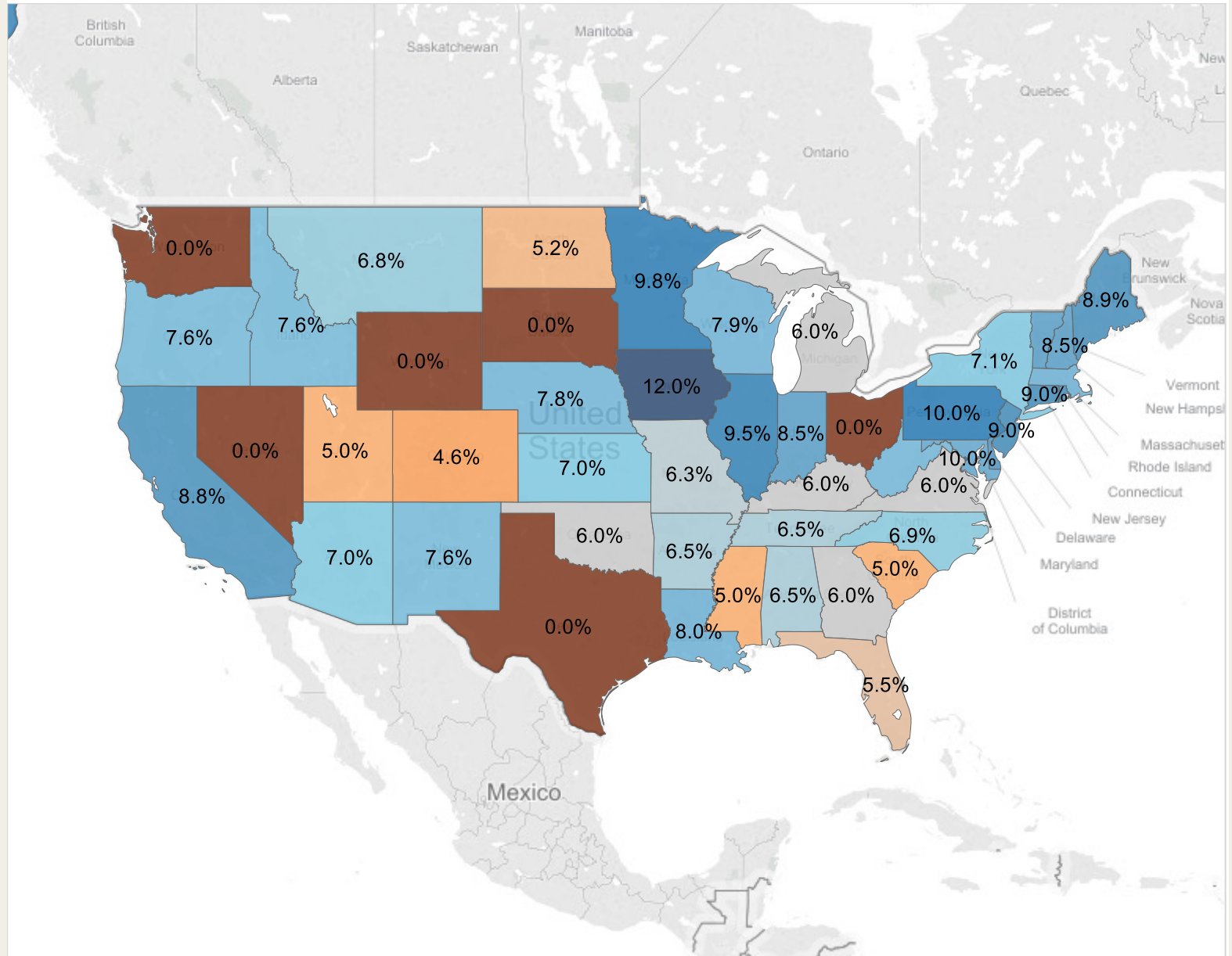
Office of the Legislative Fiscal Analyst



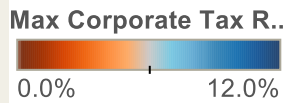
UTAH STATE
LEGISLATURE

Max State Corporate Tax Rate

Max State Corporate Tax Rate



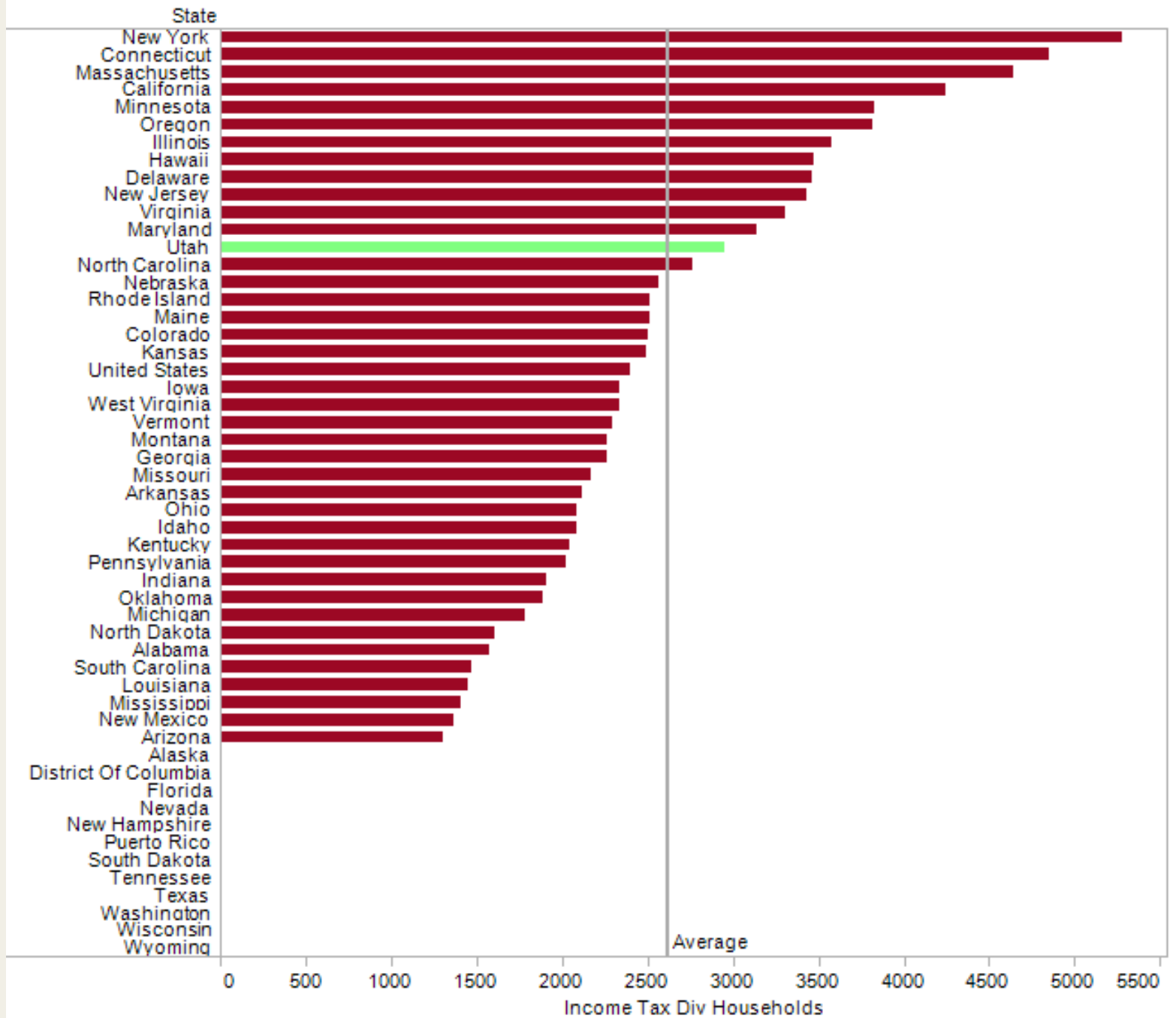
Source: Tax Foundation



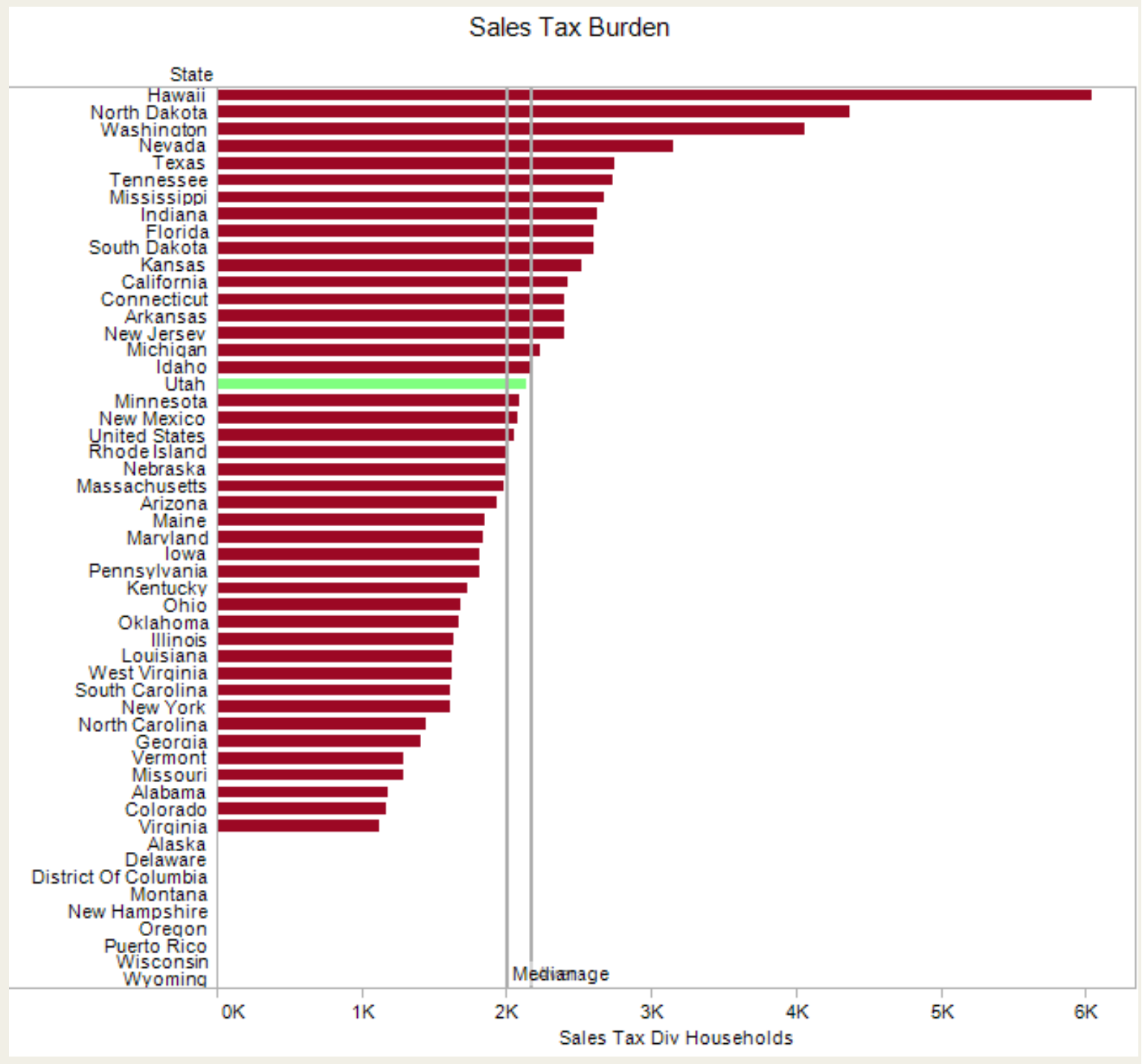
TAX POLICY: INCOME TAX

(2012)

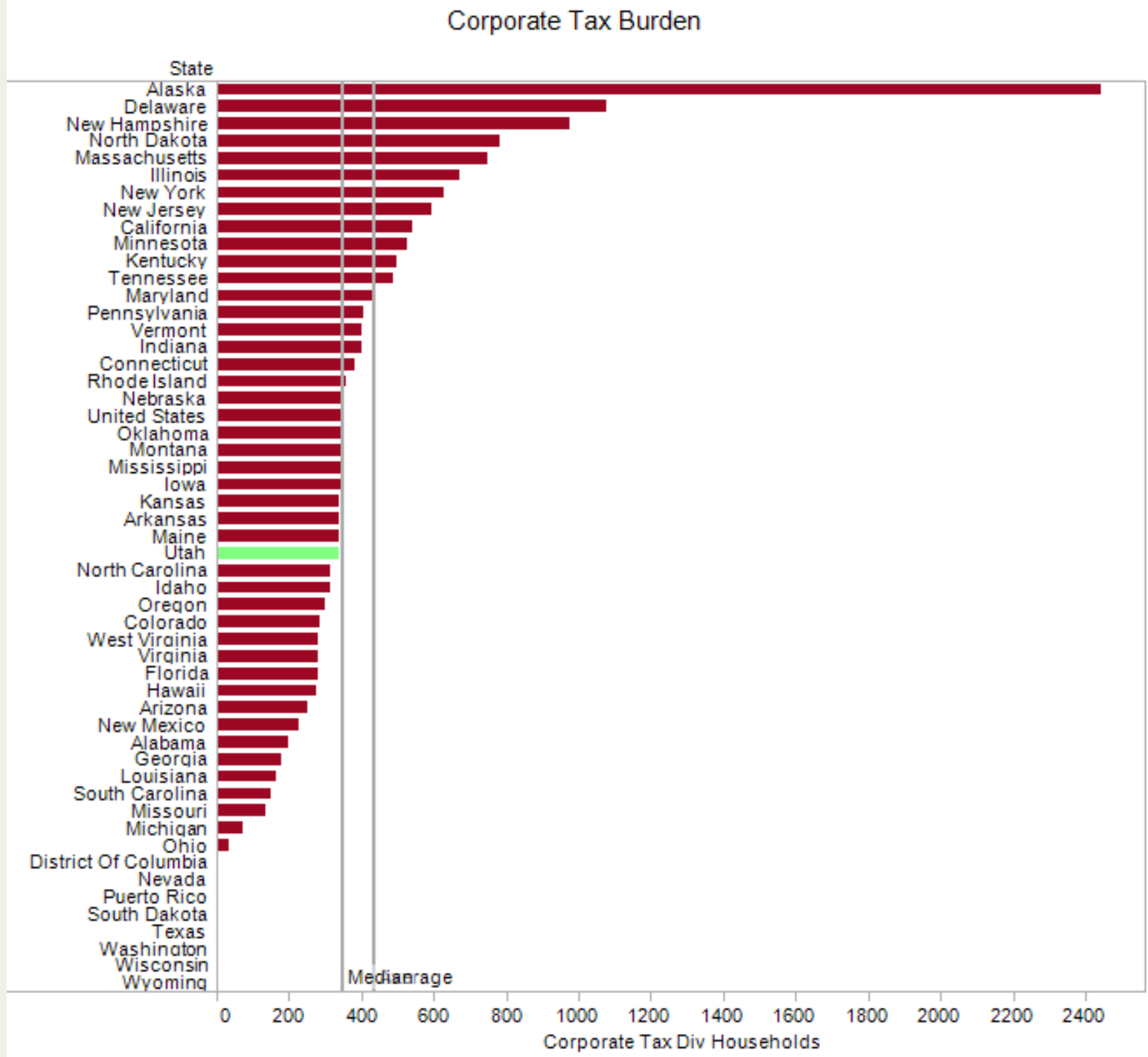
Income Tax Burden



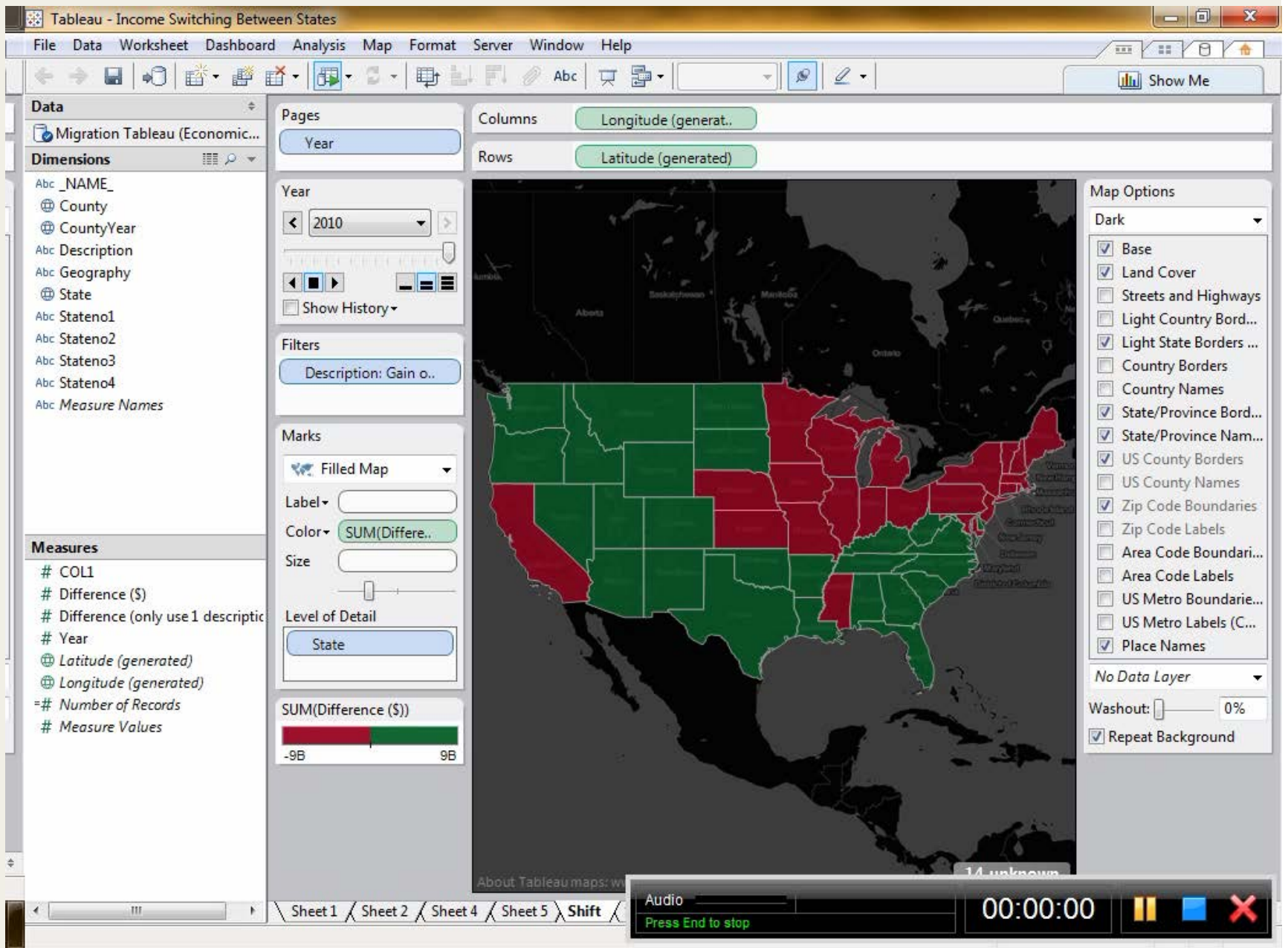
TAX POLICY: SALES TAX (2012)



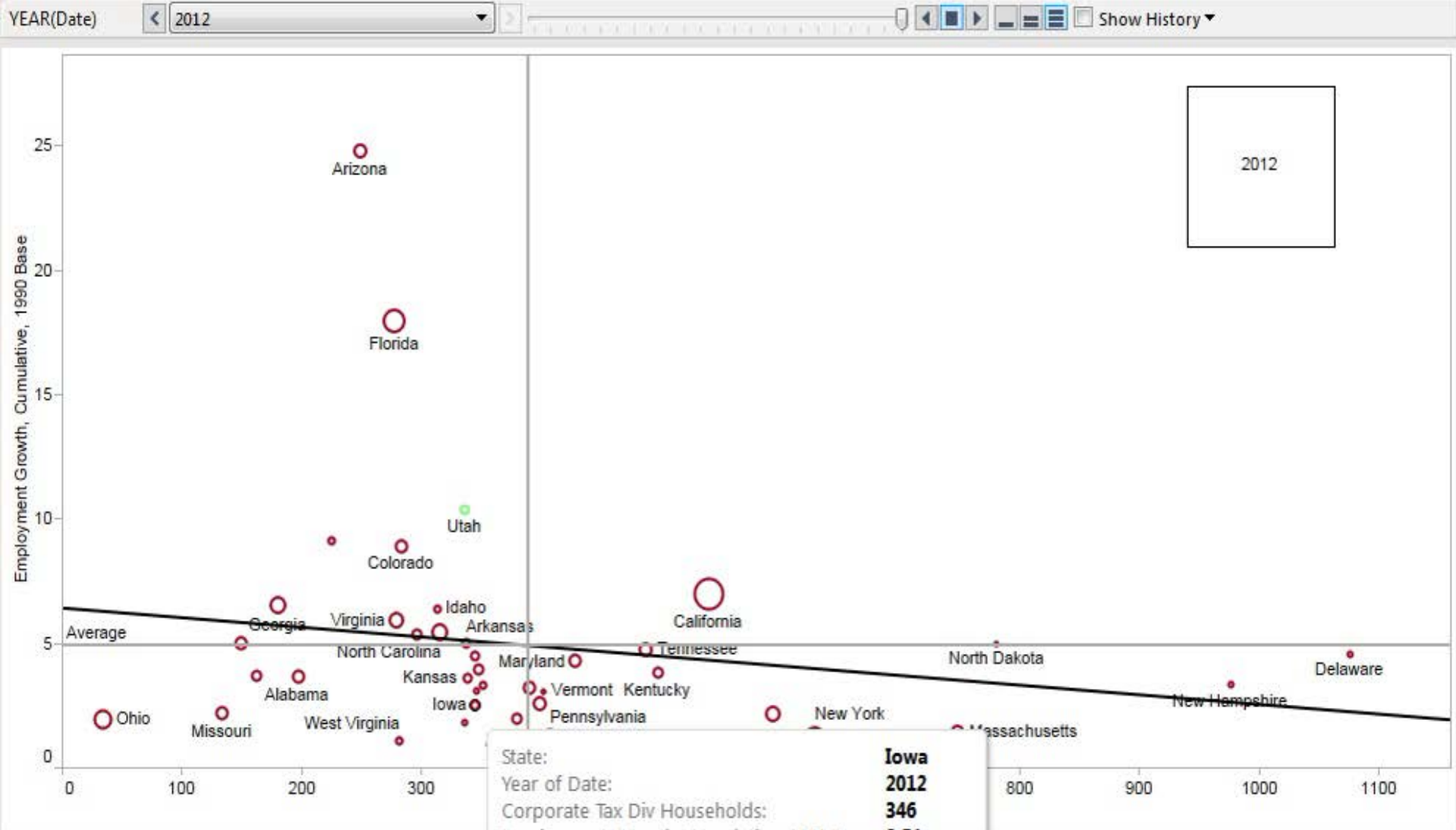
TAX POLICY: CORPORATE TAX (2012)



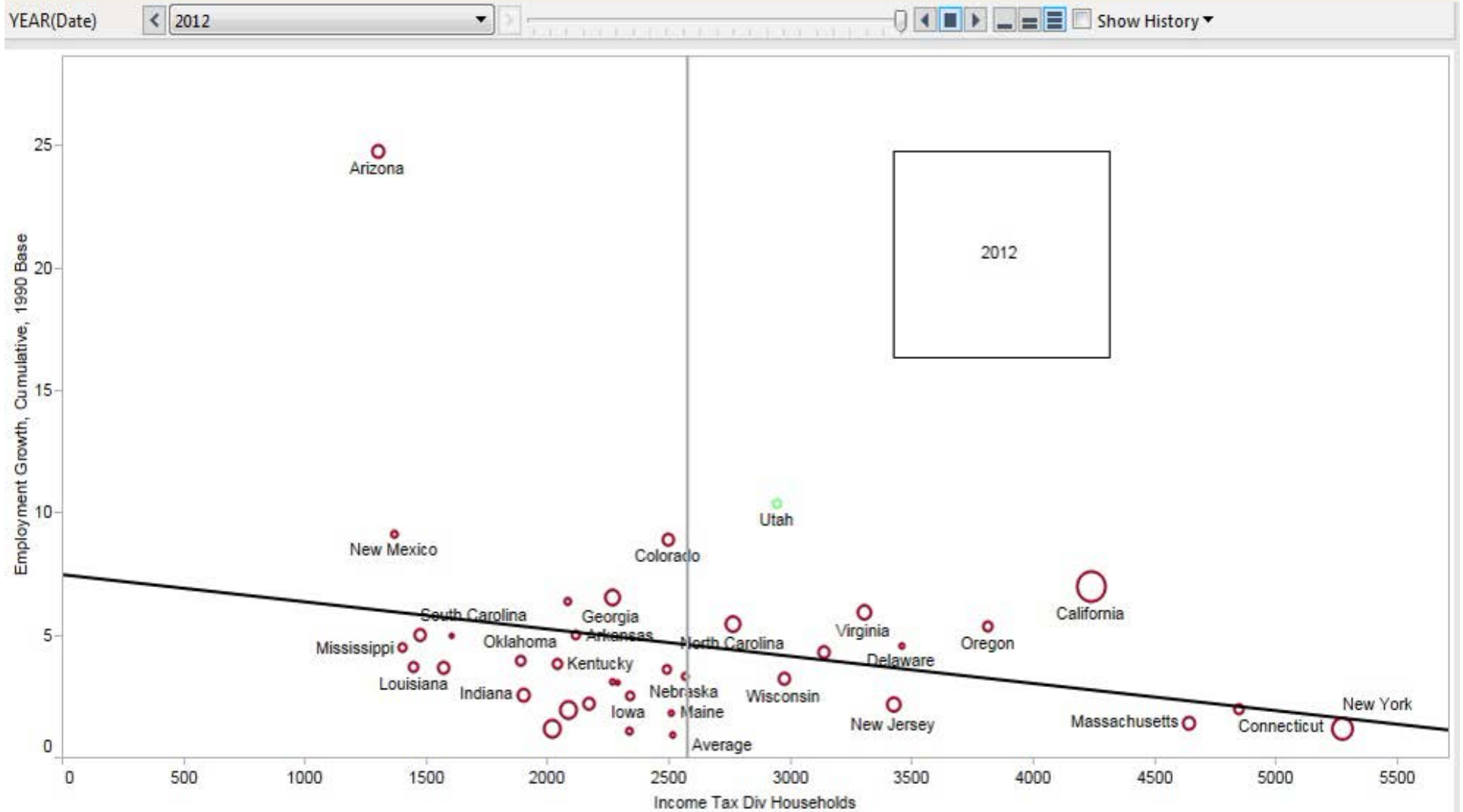
Scenario 4: Income Shift Between States



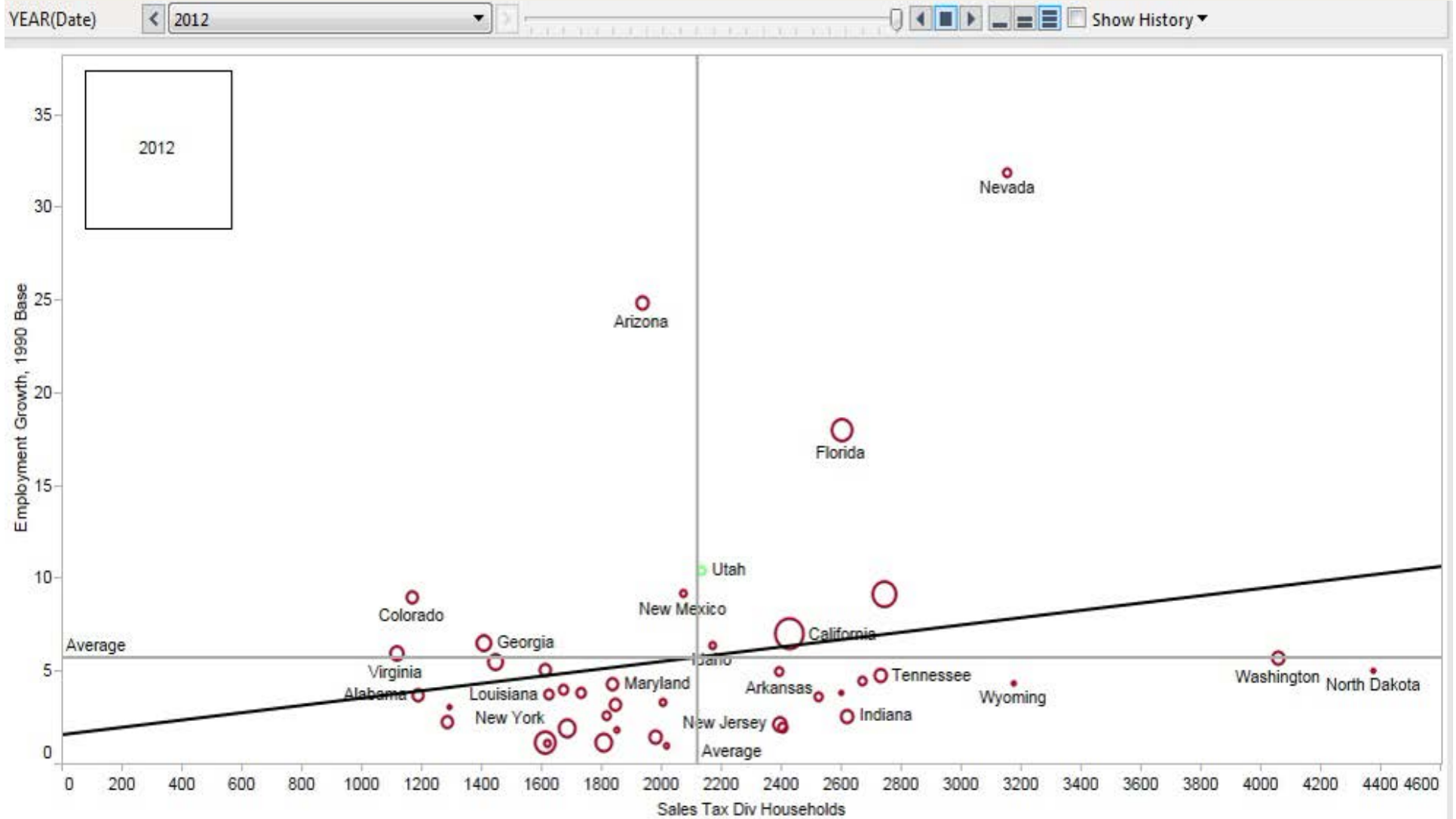
Corporate and Employment Growth



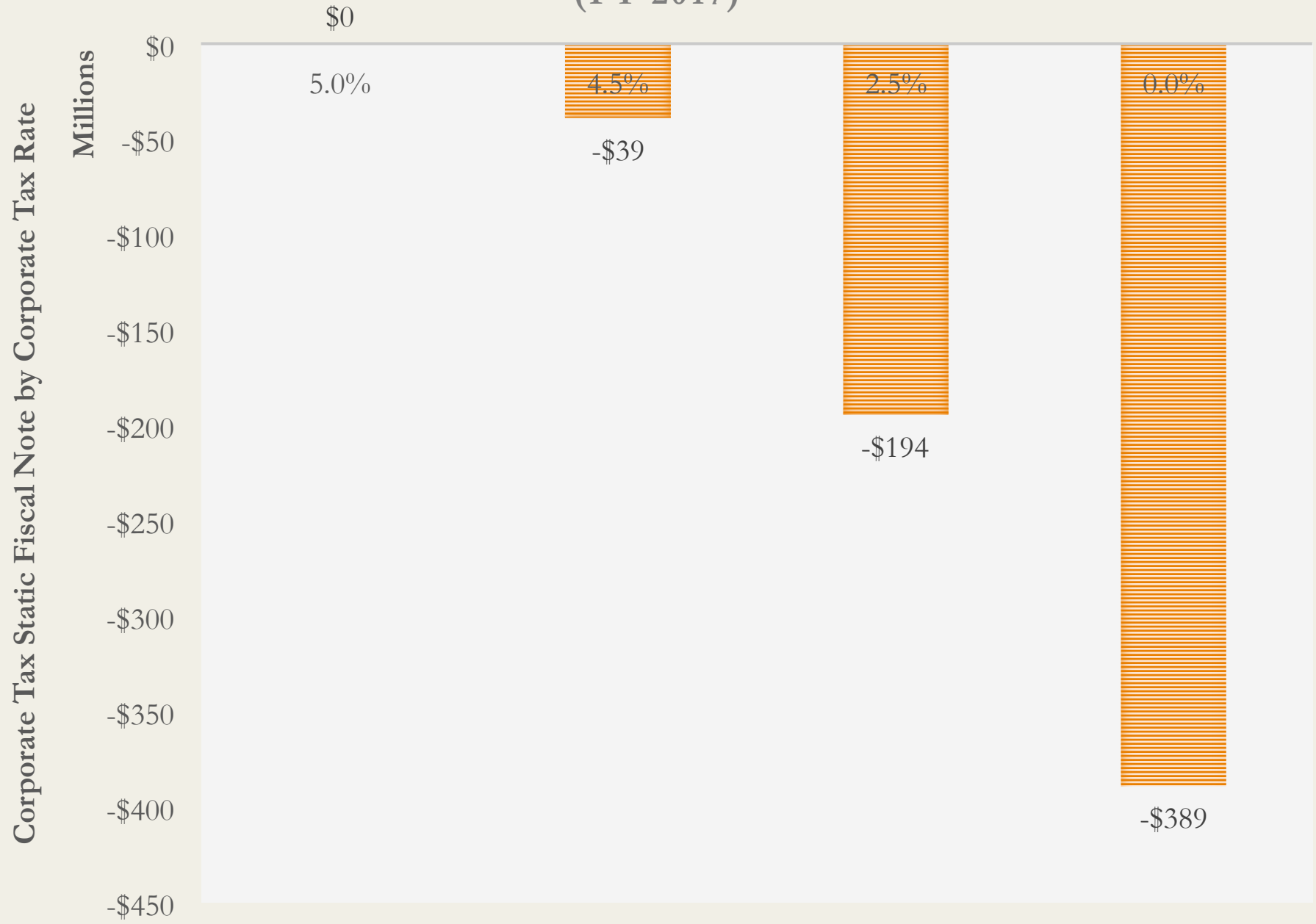
Income Tax and Employment Growth



Sales Tax and Employment Growth



CORPORATE INCOME TAX STATIC FISCAL NOTE (FY 2017)



Corporate Tax

Static Revenue Impact (millions of dollars):

	2017	2018
Education Fund	-\$74	-\$155

Dynamic Revenue Impact (millions of dollars):

	2017	2018	2021	2030	2050
Education Fund	-\$42	-\$114	-\$347	-\$182	\$169

Corporate Tax

Corporate Income Tax Baseline and Static Revenue Picture



Corporate Tax

