

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

SALES TAX & COMPLIANCE

Utah to See Big Changes to Sales Taxes in 2020

Gail Cole • Feb. 20, 2020



It's done. Utah is transforming the state's sales tax system as part of a broader tax reform package.

Upcoming changes [include](#):

- Adding an additional excise tax on diesel fuel

- Adding sales tax to charges to access digital products and services
- Adding sales tax to motor fuel and special fuel other than diesel
- Broadening sales tax to many services (e.g., dating referral services, personal transportation services, and pet boarding and grooming services)
- Eliminating several existing sales tax exemptions (e.g., sales of electricity to a ski resort to operate a passenger ropeway)
- Establishing an exemption for menstrual products
- Increasing the sales tax on groceries
- Increasing the state motor vehicle rental tax

Individuals and families that qualify as low income will be able to offset the higher tax on groceries with a grocery tax credit.

Utah and most other states have traditionally provided an exception for most services. Yet nationwide, Americans now spend more dollars on services than on products (hard as that may be to believe at this time of year). Thus, as in many states, the sales tax revenue base in Utah is shrinking; there's less funding for essential services such as education, infrastructure, and health care.

Extending sales tax to untaxed services is something numerous states have either considered or done in recent years. [Connecticut](#), [North Carolina](#), and [Washington, D.C.](#) have all broadened sales tax to some extent. [California](#) and [Wyoming](#) are among the states that have considered it. That doesn't make the changes in Utah more palatable.

The decision to tax services has been lambasted by Utahns, as has increasing the state sales tax on groceries from 1.75% to 4.85% (plus local tax). Opponents say both changes will penalize low-income people, and the tax on services could adversely affect businesses.

Yet Utah Governor Gary Herbert has promised to sign the bill. He [commended the legislature](#) "for their courage and forward thinking in working to address the difficult issue of tax reform," and said the bill would improve "the stability and equity of our tax system." He understands Utahns feel anxiety about the upcoming changes but firmly believes the tax reform is necessary: "While Utah's income tax fund is healthy, [our sales tax growth rate is not keeping pace with our modern times](#) or our projected growth."

Gov. Herbert also noted that the process has been "extraordinarily transparent ... And honestly, discussions around ways to shore up the sales tax base have been going on

for at least 15 years.”

The changes are set to take effect 60 days after the [bill](#) is signed by the governor unless opponents can gather enough signatures to [put a referendum on the ballot next year](#). It won't be easy — they have only until January 21, 2020, to get more than 115,500 signatures.

New sales tax policy could impact remote sellers

Utah has required certain [remote sellers](#) to collect and remit tax on their sales into Utah since January 1, 2019. [Marketplace facilitators](#) have had to collect and remit Utah sales tax on behalf of marketplace sellers since October 1, 2019. Consequently, the broader tax could impact remote sellers.

=====

Gail Cole began researching and writing about sales tax for [Avalara](#) in 2012 and has been fascinated with it ever since. She has a penchant for uncovering unusual tax facts, and endeavors to make complex sales tax laws more digestible for both experts and laypeople.

Sales Tax & Compliance • News

CPAPA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2022 Firmworks, LLC. All rights reserved