

UTAH'S Economy

A monthly report produced for COMMERCE REAL ESTATE SOLUTIONS by Jim Wood, Bureau of Economic and Business Research University of Utah

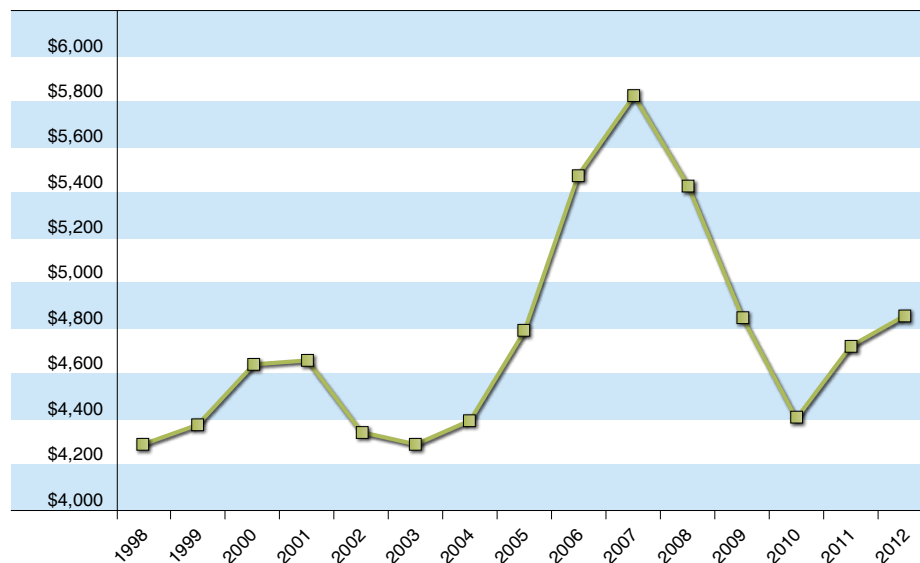
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RETAIL SALES GROWTH DRIVES HIGHER TAX REVENUES

One of the most important economic indicators of the Utah economy is state tax revenues. And these revenues continue to show an impressive rebound from the recession, providing evidence of Utah's relatively strong recovery. After a 24 percent drop from 2007 to 2010, revenues have increased nicely in the past two years, *Figure 1*. To be fair, not the entire \$1.4 billion drop in revenues was due to the recession. There were several hundred million in tax cuts due to reduction in both sales and income tax rates in the 2007 omnibus tax bill.

Figure 1 General and Education Fund Revenues
(Constant 2012 Dollars - Million)



(second quarter 2012) shows that 14 of the top 15 cities all recorded increases in taxable sales, *Table 2*. Only South Jordan experienced a drop in sales, a rather significant decline of 9 percent or \$25 million. Taxable sales growth has been particularly strong in Sandy, Draper and American Fork. Salt Lake City has by far the highest level of taxable sales activity of any city in the state. The city's taxable sales were more than three times higher than the second ranked city of Sandy, which had \$561 million in taxable sales. In the second quarter of 2012,

In fiscal year 2012 revenues were up 3.7 percent and first quarter receipts for the current fiscal year show double-digit growth in both sales tax and individual income tax revenue, *Table 1*. Sales tax revenues are up a stunning 18 percent in the first quarter of 2012. The most recent data for taxable sales at the city level

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Table 1 General and Education Fund Revenues - First Quarter Comparisons (Million)

	FY 2011-12 First Quarter	FY 2012-13 First Quarter	Percent Change
General Fund			
Sales and Use Tax	\$276.73	\$326.83	18.1%
Beer, Cigarettes Tax	\$31.36	\$23.73	-24.3%
Oil and Gas Severance Tax	\$15.12	\$13.00	-14.0%
Other Taxes	\$36.87	\$42.20	14.5%
Total	\$360.08	\$405.76	12.7%
Education Fund			
Individual Income Tax	\$528.02	\$590.52	11.8%
Other Taxes	\$68.87	\$77.72	12.9%
Total	\$596.89	\$668.24	12.0%
Grand Total for General and Education Fund	\$965.97	\$1,074.00	11.2%

Source: Utah State Tax Commission

Table 2 Taxable Sales by City (Million)

	April - June 2011	April - June 2012	Percent Change	Absolute Change
Salt Lake City	\$1,592.10	\$1,753.40	10.1%	\$161.30
Sandy	\$486.50	\$561.20	15.3%	\$74.60
West Valley City	\$461.70	\$510.60	10.6%	\$48.90
Orem	\$474.80	\$488.80	2.9%	\$14.00
Murray	\$404.00	\$437.00	8.2%	\$33.00
St George	\$371.70	\$401.70	8.1%	\$30.00
Ogden	\$339.70	\$355.10	4.5%	\$15.40
West Jordan	\$318.10	\$329.70	3.6%	\$11.60
Layton	\$293.50	\$318.80	8.6%	\$25.30
South Salt Lake	\$302.80	\$318.00	5.0%	\$15.30
Provo	\$294.50	\$310.80	5.5%	\$16.30
South Jordan	\$287.50	\$261.90	-8.9%	-\$25.50
Draper	\$199.80	\$224.30	12.3%	\$24.60
Logan	\$212.00	\$220.50	4.0%	\$8.50
American Fork	\$168.30	\$191.50	13.8%	\$23.20

Source: Utah State Tax Commission

\$1.7 billion of sales were reported in Salt Lake City, an increase of 10 percent, an additional \$160 million in sales.

A closer look at retail sales for Utah's two largest counties shows some interesting differences and similarities in retail sales activity in the second quarter of 2012. In Salt Lake County clothing and accessories had the highest percentage gain in sales while in Utah County clothing and accessories ranked near the bottom in percentage gain, *Tables 3-4*. In Salt Lake County clothing sales were up nearly 50 percent while in Utah County they were up only 7 percent. Without question motor vehicles is the most important retail sector in terms of absolute value. In Salt Lake County motor vehicle sales increased by \$136 million, a 32 percent gain. In Utah County motor vehicle sales increased by 35 percent and the sector was also the leader in percentage increase. Furniture was the worst performing sector in Salt Lake County with a 5 percent increase in sales while in Utah County this sector ranked in the middle of the pack with a 12 percent increase. Hotels, motels and restaurants (accommodations and food) showed strong advances in both counties while building and garden stores, in both counties, continued to lag most other sectors.

Even lagging sectors, however, are reporting growth in retail sales, reflecting improving consumer confidence and incomes. The

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resulting rebound in tax revenues ensures that legislators will not have to consider trimming education funding in 2013. Instead tax revenue

should be sufficient to fund growth in enrollment as well as provide funding for programs that received cuts during the recession.

Table 3 Salt Lake County: Retail Sales by Sector (Million)

	April - June 2011	April - June 2012	Percent Change	Absolute Change
Clothing and Accessories	\$152.00	\$226.40	48.9%	\$74.40
Motor Vehicle and Parts	\$425.90	\$562.10	32.0%	\$136.20
Gasoline Stations	\$66.90	\$84.30	26.0%	\$17.40
Electronics and Appliance Stores	\$109.90	\$129.30	17.6%	\$19.40
Accommodations, Food and Drink	\$453.70	\$517.90	14.1%	\$64.20
General Merchandise	\$492.80	\$543.40	10.3%	\$50.60
Health and Personal Care	\$45.00	\$49.50	10.1%	\$4.60
Food and Beverage Stores	\$361.30	\$393.00	8.8%	\$31.70
Building and Garden Stores	\$239.40	\$258.20	7.9%	\$18.80
Sports Goods, Hobby, Book and Music	\$94.00	\$100.90	7.3%	\$6.80
Furniture and Home Furnishings	\$90.80	\$95.90	5.5%	\$5.00
Total	\$2,531.80	\$2,960.80	16.9%	\$429.00

Source: Utah State Tax Commission

Table 4 Utah County: Retail Sales by Sector (Million)

	April - June 2011	April - June 2012	Percent Change	Absolute Change
Motor Vehicle and Parts	\$140.70	\$190.10	35.1%	\$49.40
Health and Personal Care	\$10.20	\$13.10	28.6%	\$2.90
Nonstore Retailers	\$14.20	\$17.50	23.3%	\$3.30
Miscellaneous Retail Trade	\$39.60	\$48.50	22.6%	\$8.90
Gasoline Stations	\$24.80	\$30.20	21.5%	\$5.30
Accommodation and Food Services	\$114.60	\$138.50	20.8%	\$23.90
Furniture and Home Furnishing	\$24.50	\$27.50	12.1%	\$3.00
Food and Beverage Stores	\$116.10	\$127.90	10.2%	\$11.80
Electronics and Appliance Stores	\$25.70	\$28.00	9.1%	\$2.30
General Merchandise Stores	\$243.80	\$264.90	8.7%	\$21.10
Clothing and Clothing Accessories	\$46.70	\$50.10	7.2%	\$3.40
Building and Garden Stores	\$77.60	\$82.50	6.3%	\$4.90
Sport Goods, Hobby, Book, Music	\$39.20	\$39.80	1.5%	\$0.60
Total	\$917.80	\$1,058.60	15.3%	\$140.90

Source: Utah State Tax Commission