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Huntsman ready to revisit sales tax on services

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Gov. Jon Huntsman Jr. said he won't push for a sales tax on services this session, but he isn't giving up on the idea of tacking a tax onto legal, accounting and other professional services.

Huntsman had recently revived the idea of taxing services the same way as goods as a way of raising money to cover the cost of taking the rest of the state's share of sales tax off food.

But now he's supporting raising the tax on a pack of cigarettes from 70 cents to \$3. The governor said that would raise more than enough money to eliminate the remaining 1.75 percent food tax.

Some lawmakers said the governor changed his mind about calling for a sales tax on services after realizing there was little interest in the controversial proposal — which has been rejected before by lawmakers after being raised in 2004 by former Gov. Olene Walker.

"I know he got a lot of pushback on that," said Sen. Wayne Niederhauser, R-Sandy, especially from the professionals who would be taxed. Niederhauser, an accountant, is part of a Tax Review Commission studying taxing services.

"It may be good long-term policy, but it's politically challenging," Niederhauser said. Most difficult might be taxing medical services, he said, considering the pressure to deal with health-care costs.

The governor said he decided to wait to propose a sales tax on services because he wants to see the final commission report. "It's probably something that will be cued up for next session," Huntsman said.

He said the sales tax on services would be packaged with a tax decrease, possibly an overall reduction in the sales tax rate. But will that be enough to win over lawmakers?

"It depends on what the offsetting tax decreases are. I don't know," the governor said. "We just have to recognize the reality of our economy longer-term."

He said taxing services, which is viewed as a way to stabilize state revenues, is just the next step in tax reform. The state has already, for example, lowered income tax rates and moved to a flatter system.

What's important to Huntsman now is getting the rest of the state's share of sales tax off food. He said the \$2.30-per-pack increase in

cigarette taxes will also raise money for health care and cancer education, something his family has long supported through the Huntsman Cancer Institute.

"I see that as an appropriate trade-off from a tax policy standpoint," the governor said. "The food tax hits every single citizen, particularly the most vulnerable. I can think of no better way, when the economy is flat, to help those most in need than to give them some assistance in the checkout line."

While the House has long supported taking the sales tax off food, the Senate has been reluctant. Senate President Michael Waddoups, R-Taylorsville, said they'll take some convincing.

Niederhauser said the cigarette tax may be a better choice for raising the funds needed to pay for taking the sales tax off food. "I think it probably has legs," Niederhauser said, "being a 'sin tax.' Of course, in Utah."

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