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Tourism, Recreation, and Restaurant Taxes in Utah

Tourism in Utah generates significant tourism-specific and other taxes, but regional differences in local revenues and tourism impacts can pose challenges.

November 2024

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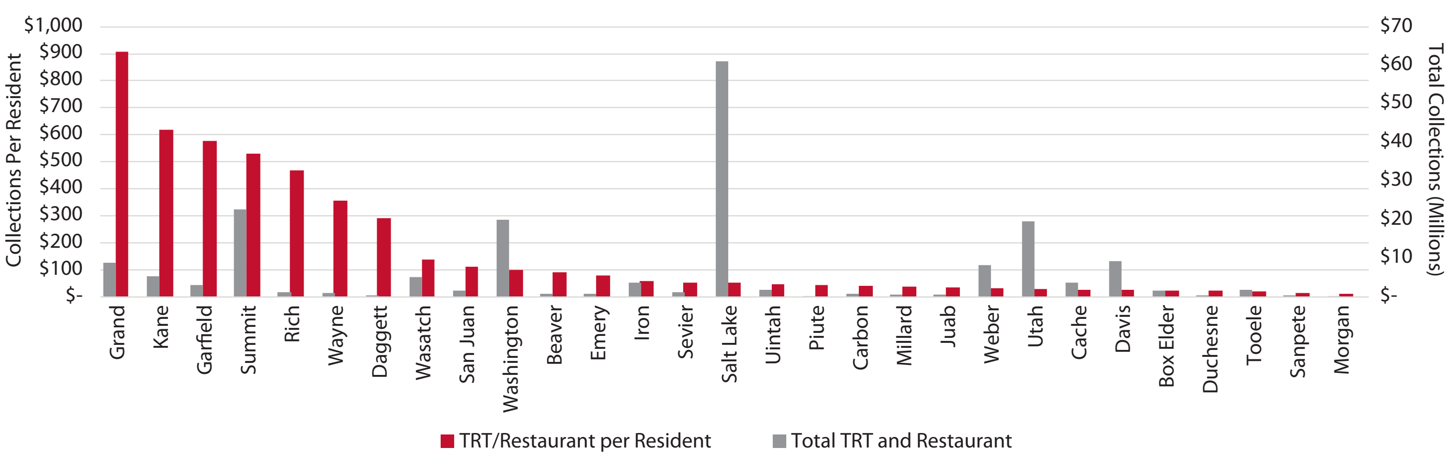
Analysis in Brief

Utah's tourism, recreation, and restaurant taxes, including transient room taxes (TRT) on accommodations, and tourism, recreation, cultural, convention, and airport facilities (TRCCA) taxes, generated over $250 million in FY 2023. These funds go to local governments and the state to promote tourism and recreation, manage visitors, mitigate the effects of tourism and recreation, and develop and operate capital projects for tourism and recreation purposes. Revenue generation and funding uses vary regionally, with the majority of tourism taxes generated in Salt Lake, Summit, Utah, and Washington counties.

Key Findings

- **Nonresident travelers generate the majority of transient room taxes, while Utahns generate the majority of restaurant taxes –** Nonresident travelers account for roughly 75% of accommodations spending in Utah, translating to over $106 million of total TRT collections in FY 2023. However, Utahns eating at restaurants near their homes or when they travel within the state account for roughly 80% of restaurant spending in Utah, generating over $65 million in restaurant taxes in FY 2023. The restaurant tax is the largest share of the TRCCA taxes.
- **Tourism-related taxes generated over $250 million in FY 2023 –** Salt Lake County generated over 24% of total county TRT revenue in FY 2023 ($26.6 million), followed by roughly 18% in Summit County ($18.1 million), and 14% in Washington County ($14.7 million). Salt Lake County also generated the largest percentage of restaurant tax revenue, with over 42% ($34.4 million), followed by Utah County with 17% ($13.5 million).
- **Tourism tax collections tend to follow economic cycles –** Long-term inflation-adjusted accommodations taxable sales in Utah have an average income elasticity over the business cycle of 0.96, meaning they align with income changes on average. However, accommodations taxable sales often outgrow real personal income during economic expansions, and contract more dramatically than personal income during downturns.
- **Travelers generate additional state and local tax revenue –** Traveler spending in 2023 generated approximately $807 million in additional state and local sales and other excise taxes besides TRT and TRCCA, including approximately $370 million in state sales tax, approximately $99 million in local general fund sales tax, and $338 million in gas tax and local earmarked sales taxes.

County TRT (Accommodations) and Restaurant Tax Total Collections and Collections per Resident, FY 2023



Note: Graph only includes county accommodations tax and restaurant tax, not the other taxes in the TRCCA grouping.
Source: Utah State Tax Commission, Kem C. Gardner Policy Institute

Tourism, Recreation, and Restaurant Taxes in Utah

Differing Traveler Impacts

Utah attracts a variety of travelers who visit areas throughout the state, utilize different public services to varying degrees, and generate many types of tax revenue. For example, a Utah resident from the Wasatch Front might visit Emery County for a weekend of camping. That resident might stop at a Wasatch Front store to stock up on food and fill up the gas tank on the way, generating sales tax and gas tax. However, that resident would not generate any local tourism, recreation, or restaurant tax revenue in Emery County.

Another traveler from another state or country might come to visit Utah's national parks, generating transient room tax by staying in hotels and restaurant tax by dining out, as well as other state and local taxes. Other types of visitors include business travelers, convention attendees, and drive-through travelers, all of whose demands on public services and tax revenue generation vary.

Taxes on Tourism-Related Activities

The tourism-related taxes considered in this report fall into two categories: transient room taxes (TRT) and tourism, recreation, cultural, convention, and airport facilities (TRCCA) taxes. Taxing entities levy TRT taxes on short-term accommodations, like hotel or AirBnB stays. The state, counties, and municipalities levy TRTs, and state statute largely prescribes local governments' allowable fund uses.

Local governments may also levy TRCCA taxes on short-term motor vehicle rentals, short-term rentals of off-highway vehicles and recreational vehicles, and restaurant sales. While state law prescribes allowable uses of TRCCA funds less than TRT spending, local governments must still expend these funds in specified categories. These largely align with TRT allowable uses, but provide for broader use with cultural and recreational spending.

Salt Lake, Summit, Utah, and Washington counties generate the majority of TRT and TRCCA revenue, although tourism taxes make up a larger share of overall county revenue in some other counties. However, visitors also generate other state and local taxes, which benefit communities not receiving significant tourism-specific tax revenue. Tourism revenue collections largely move with the economic cycle, such that collections increase in good economic times and decrease during economic contractions.

Definitions

This report uses the following terminology to differentiate between different visitors:

Traveler: Travel 50+ miles (one-way) away from home or overnight stay; excludes commuters or commercial travel (i.e., flight attendants, commercial vehicle operators); includes out-of-state visitors that reside within 50 miles of Utah's border.

Resident traveler: Utah resident.

Nonresident traveler: Traveler not from Utah.

Transient Room Taxes

Utah law authorizes three transient room taxes on short-term accommodations: a county option tax, a municipality option tax, and the state-imposed tax.

County Option Tax

The Legislature established the county transient room tax in 1966, allowing counties to impose a tax on amounts paid for tourist home, hotel, motel, or trailer court accommodations and services regularly rented for less than 30 consecutive days. Counties may impose a rate up to 4.25%. The Utah State Tax Commission collects and distributes this tax to counties levying the tax. Statute prescribes allowable uses of TRT revenue.

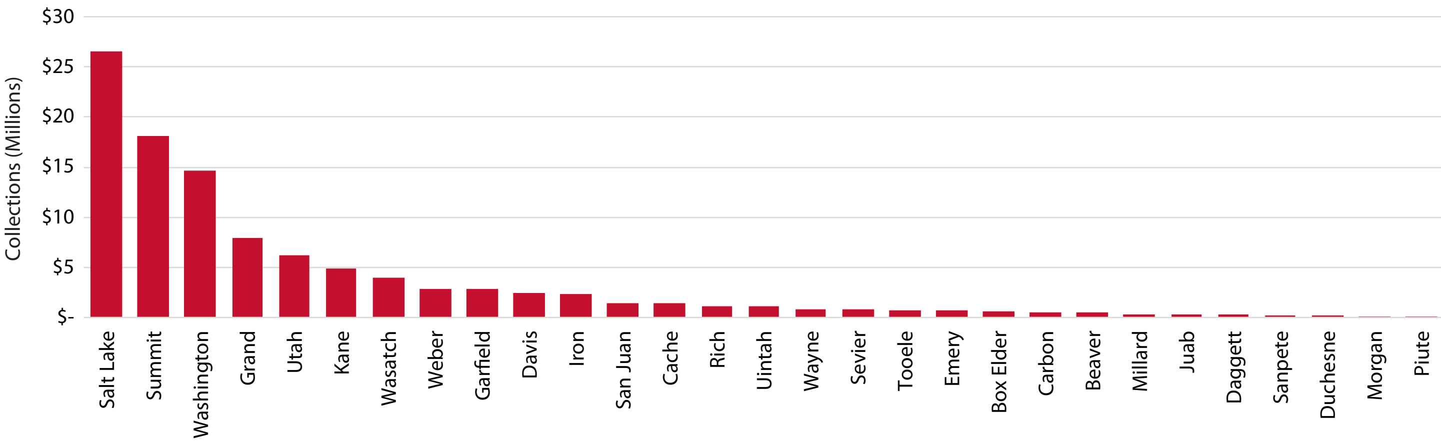
H.B. 371, passed in the 2006 General Session, added "sports and recreation facilities including practice fields, stadiums, and arenas" to the allowable uses for county TRT revenue. The following year, H.B. 38 required counties of the first class (currently only Salt Lake County) to deposit the first 15% of county TRT revenue into the newly created Transient Room Tax Fund, from July 1, 2007 through June 30, 2027. This portion of funding, which averages $2.8 million annually since FY 2008, goes to the Sandy City Redevelopment Agency to pay debt service on the Real Salt Lake soccer stadium.

Table 1: Transient Room Taxes in Utah

	Rate	Year Authorized	FY 2023 Revenue
County Transient Room Tax	Up to 4.25%	1966	$110 million
Municipality Transient Room Tax	Up to 1% (plus additional 0.5% for certain municipalities to repay bonded or other indebtedness)	1997	$24 million
Statewide	0.32%	2018	$8 million

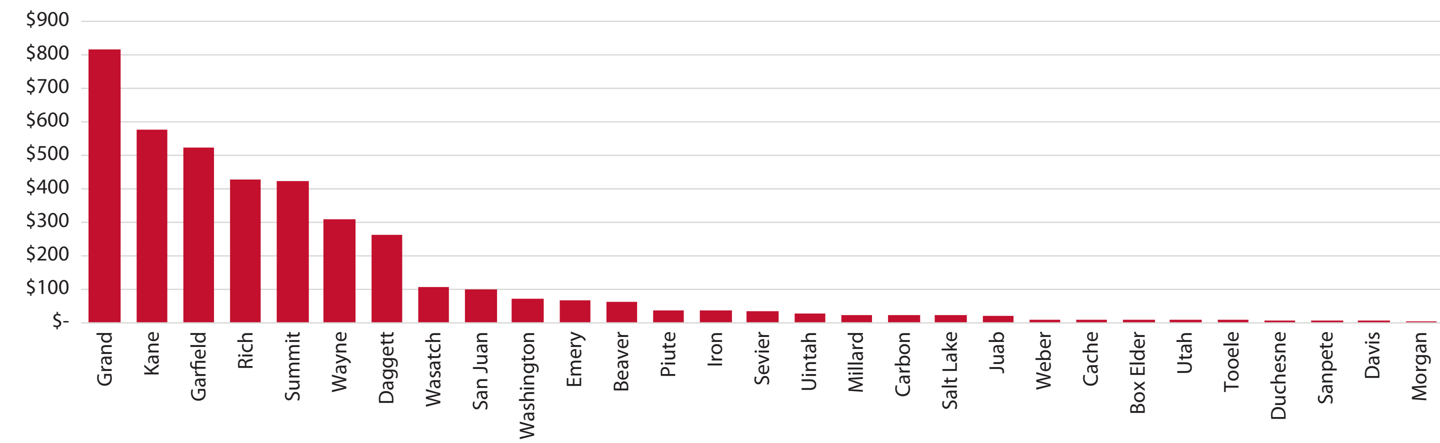
Source: Utah State Statute, Utah State Tax Commission

Figure 1: County Transient Room Tax Collections, FY 2023



Source: Utah State Tax Commission

Figure 2: County Transient Room Tax Collections per Resident, FY 2023



Source: Utah State Tax Commission, Kem C. Gardner Policy Institute

These county-imposed taxes generated $110 million in FY 2023. Total county transient room tax revenues grew by a real per capita compound annual rate of 4.6% between FY 2014 and FY 2023. Morgan County grew the fastest, at 25.9%, whereas Uintah County contracted by nearly 0.8%.

As of November 2024, all counties except Duchesne County and Summit County impose the maximum 4.25% county transient room tax. Duchesne and Summit impose a county transient room tax of 3.0%.[1]

Municipality Option Tax

In addition to the county TRT, the Legislature enacted the municipality transient room tax in 1997 through H.B. 98, "Local Taxing Authority." The bill required municipalities levying business license fees to ensure the fees reasonably aligned with the actual costs of providing municipal service to those businesses. Business license fees served as a notable General Fund source for some municipalities prior to the bill's passage, so the bill also allowed municipalities to levy a 1% transient room tax on amounts paid for tourist home, hotel, motel, or trailer court accommodations and services regularly rented for less than 30 consecutive days, plus an additional 0.5% transient room tax if the municipality levied a business license fee prior to January 1, 1996 and took formal action prior to January 1, 1997 to "obligate the municipality in reliance on the license fees or taxes…to the payment of debt service on bonds or other indebtedness…" The original law authorized the additional 0.5% to remain until the sooner of the repayment of the debt or bonds, or 25 years. However, legislation enacted in 2020 removed this expiration date, so the 0.5% authorization remains. As of October 2024, nine municipalities still charge the 1.5% and 144 charge the 1.0% TRT. Municipalities may use the revenue ($24 million in FY 2023) for general purposes.

State-Imposed Tax

In 2018, the Legislature imposed a statewide transient room tax at a 0.32% rate on the same transactions subject to the county and municipal transient room taxes (accommodations less than 30 days). This rate generates about $8 million. The state deposits 6% of the revenue collected (up to $300,000) into the Hospitality and Tourism Management Education Account to fund the Hospitality and Tourism Management Career and

Table 2: Tourism, Recreation, Cultural, Convention, and Airport Facilities Tax

	Rate	Year Authorized	FY 2023 Revenue
Restaurant Tax	1.0%	1991	$83 million
Motor Vehicle Leasing Tax	Up to 7.0%	1991	$25 million
First-Class County Transient Room Tax	Up to 0.5%	1991	$4 million
OHV and RV Leasing Tax	Up to 7.0%	2021	$200,000

Source: Utah State Statute, Utah State Tax Commission

Technical Education Pilot Program. The state deposits the remaining revenue into the Outdoor Recreation Infrastructure Account to fund the Outdoor Recreational Infrastructure Grant Program and the Recreation Infrastructure Grant Program.

Tourism, Recreation, Cultural, Convention, and Airport Facilities Tax (TRCCA)

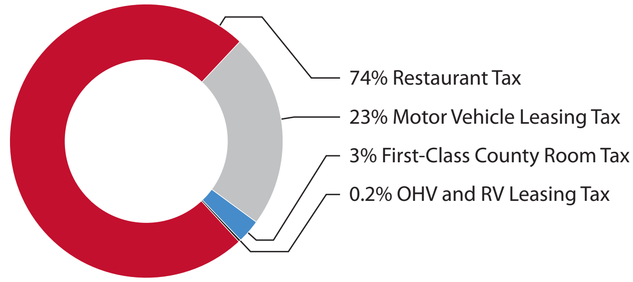
The Legislature originally created the Tourism, Recreation, Cultural and Convention Facilities Tax in 1990 and amended it a number of times since. State code currently allows counties to impose any or all of the following taxes:

- A tax not to exceed 7% on all short-term motor vehicle rentals, except for short-term motor vehicle rentals made for the purpose of temporarily replacing a person's motor vehicle that is being repaired.
- A tax not to exceed 7% on short-term rentals of off-highway vehicles and recreational vehicles.
- A tax not to exceed 1% on all restaurant sales of alcoholic beverages, food and food ingredients, or prepared food.
- A county of the first class may also impose a tax not to exceed 0.5% for certain tourism accommodations and services (amounts paid or charged for tourist home, hotel, motel or trailer court accommodations and services regularly rented for less than 30 consecutive days[2]); this is also called the tourism transient room tax (TTRT).

The Tax Commission collects and allocates these taxes to participating counties. Revenue generally goes to the county imposing that tax, except for certain portions of revenues from the tax on short-term vehicle rentals. Any revenue from a short-term vehicle rental tax of over 3% returns to participating counties using a formula that splits 70% of revenue between counties levying the tax based on the total amount of tax collected statewide, and 30% based on the total population of all counties imposing the tax.

A county may use revenue from these taxes to finance tourism promotion, and to develop, operate, and maintain airport, convention, cultural, recreation, or tourist facilities. Additionally, counties of the fourth through sixth class or a county with population density of fewer than 15 residents per square mile may use revenue from TRCCA taxes for tourism mitigation

Figure 3: Tourism, Recreation, Cultural, Convention, and Airport Facilities Taxes, FY 2023



Source: Utah State Tax Commission

activities, including solid waste disposal, search and rescue, law enforcement, emergency medical services, and fire protection. Finally, counties of the first class must expend at least $450,000 in TRCCA revenue annually to fund a marketing and ticketing system designed to promote tourism in that county's ski area by nonresident travelers.

TRCCA taxes generated over $112 million in FY 2023. The following components comprised the total:

- $83 million from restaurant tax;
- $25 million from motor vehicle leasing tax;
- $4 million from first-class county transient room tax; and
- $0.2 million from OHV and RV leasing tax.

Other Related Taxes, Fees, and Funding

This report focuses primarily on TRT and TRCCA taxes. However, these taxes do not represent the total taxes and fees for travelers in Utah. The section "General State and Local Tax Revenue Generated by Travelers" below discusses non-tourism-related taxes that travelers pay in Utah. Additionally, policy discussions around tourism often include the following taxes, which this report does not discuss in detail.

Salt Lake City Convention Hotel

In 2014, H.B. 356 created a new Salt Lake City Convention Hotel tax area that comprises a qualified hotel and property included in the same development as the hotel. Within the Salt Lake City Convention Hotel tax area, all of the state and local sales tax rates are the same as in Salt Lake City. However, from the beginning of construction on the qualified hotel until 20 years after the date of initial occupancy (for state sales tax revenue) or 25 years after the date of initial occupancy (for local sales tax revenue), state law earmarks new sales tax revenue within the tax area as an incentive for the qualified hotel owner and/or host local governments. In addition, state law allocated a small portion for the first two years of the eligibility period for the Hotel Impact Mitigation Fund to assist other local hoteliers in case their profits decline due to the construction and occupancy of the new hotel.

Convention and Tourism Assessment Area

In 2023, Salt Lake County established the Convention and Tourism Assessment Area (CTAA) following a petition by local hoteliers. Participating hotels in specific areas in the county, including downtown Salt Lake City, Sandy, Draper, West Valley City, and Magna, levy a 2% rate on gross short-term rental revenue to generate additional funds for conventions, destination sports, and other tourism-related events. The goal of the additional levy is to increase demand for overnight visitation related to conventions and other tourism-related activities and events in participating areas. Visit Salt Lake, a private non-profit organization overseen by a committee that includes hoteliers and a representative of Salt Lake County, and that contracts with Salt Lake County to promote Salt Lake as a travel and convention destination, manages the Convention and Tourism Assessment Area (CTAA).

Recently-expanded Rural County Health Care Tax

The rural county health care tax, established in the early 1990s only for third- through sixth-class counties, now allows counties of the third through sixth class, as well as second-class counties with either a national park or two or more state parks within or partially within the county's boundaries, to levy a sales and use tax of up to 1% to fund certain health care facilities within the county. In the 2024 General Session, H.B. 236 allowed counties imposing or increasing this tax on or after July 1, 2024 to use its revenue to mitigate the impact of visitors within the county, including for emergency medical services, solid waste disposal, search and rescue, law enforcement, or fire protection.

All but four counties (Cache, Weber, Davis, Salt Lake) now qualify to levy this rate. As of June 2024, three counties (Daggett, Garfield, and Kane) as well as some areas in Beaver County levied the full rate, and two additional counties (Grand, Wasatch) levied the rate at 0.5%. As of October 2024, no counties added or raised the levy pursuant to H.B. 236. If all eligible counties levied the full 1% rate, they could generate an additional approximately $400 million in aggregate annually, including $245 million in Utah and Washington counties.

Tourism Marketing Performance Account

The Tourism Marketing Performance Account (TMPA) provides the primary funding source for the Utah Office of Tourism marketing program. From FY 2006-2019, the TMPA funding mechanism linked funding with increases in certain sales tax revenues for a variety of tourism-related industries. A dedicated $21.8 million appropriation now funds the program. 10% of the funding goes to the Utah Sports Commission. The Utah Office of Tourism does not receive funds from TRT or TRCCA taxes.

MIDA Accommodations Tax

State statute authorizes the Military Installation Development Authority (MIDA) to impose an accommodations tax of up to 15% on accommodations within MIDA project areas. MIDA has broad discretion in how it expends these revenues, and may allocate revenue from this tax to the county in which the hotel or other accommodation is located if the county had an existing TRT.

Recent Legislation

2018

- S.B. 240 - Authorizes the Military Installation Development Authority (MIDA) to levy a transient room tax on the same classes of accommodations as municipalities independently from the municipality in which it may be located. MIDA may tax accommodations at a rate of 15 percent of the amounts charged by the accommodations and services provider. MIDA is permitted to retain this revenue; it is not required to remit it to the city or county in which the area is located.
- H.B. 367 – Adds road repair and upgrade to the list of purposes for which counties of the fourth through sixth class may spend revenue from the transient room tax.

2019

- H.B. 266 – Allows a county legislative body to use a portion of the county's transient room tax revenue to pay for emergency medical services in a town that is a resort community.

2020

- H.B. 280 – Removes stipulation regarding municipal transient room tax, with the effect that six municipalities would be able to continue charging a 0.5% municipal transient room tax for up to 25 years.

2021

- H.B. 247 – Allows counties of the fourth through sixth class that have a national park to spend transient room tax revenue on economic diversification; a repealer on this provision creates a sunset date of July 1, 2026.

2022

- H.B. 323 – Allows counties with a national park to expend up to 10% of transient room tax revenue on visitor management and destination development.
- H.B. 373 – Allows counties of the first or second class to levy an assessment on certain hotels to fund convention- and tourism-related activities in order to increase hotel room revenues or occupancy levels at participating hotels.

2023

- H.B. 416 – Allows counties of the fourth through sixth class with certain population density to expend short-term motor vehicle rental tax revenue on tourism mitigation activities, including solid waste disposal, search and rescue, law enforcement, emergency medical services, or fire protection.
- H.B. 417 – Expedites the repeal of 2021's H.B. 247 to July 1, 2023.

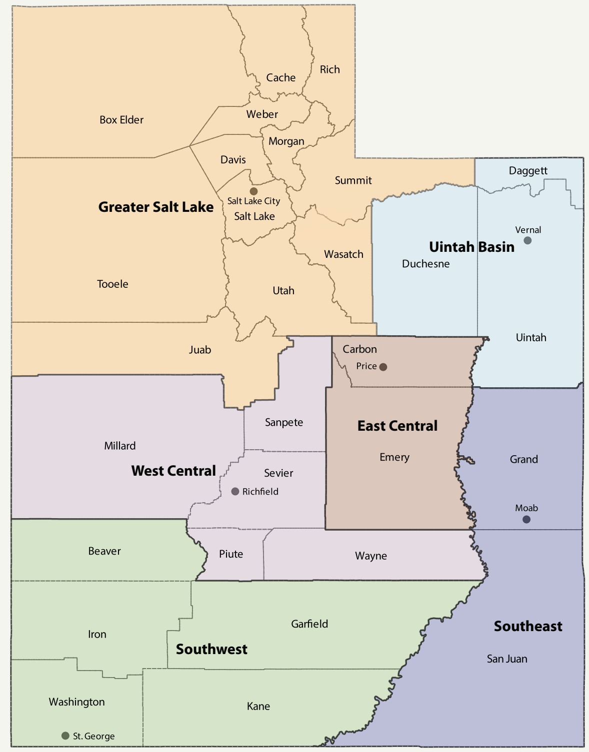
2024

- H.B. 236 – Authorizes a rural county to use revenue generated from the imposition of the rural county health care tax to mitigate the impacts of visitors within the county and to forecast avalanches.

Utah's Economic Regions

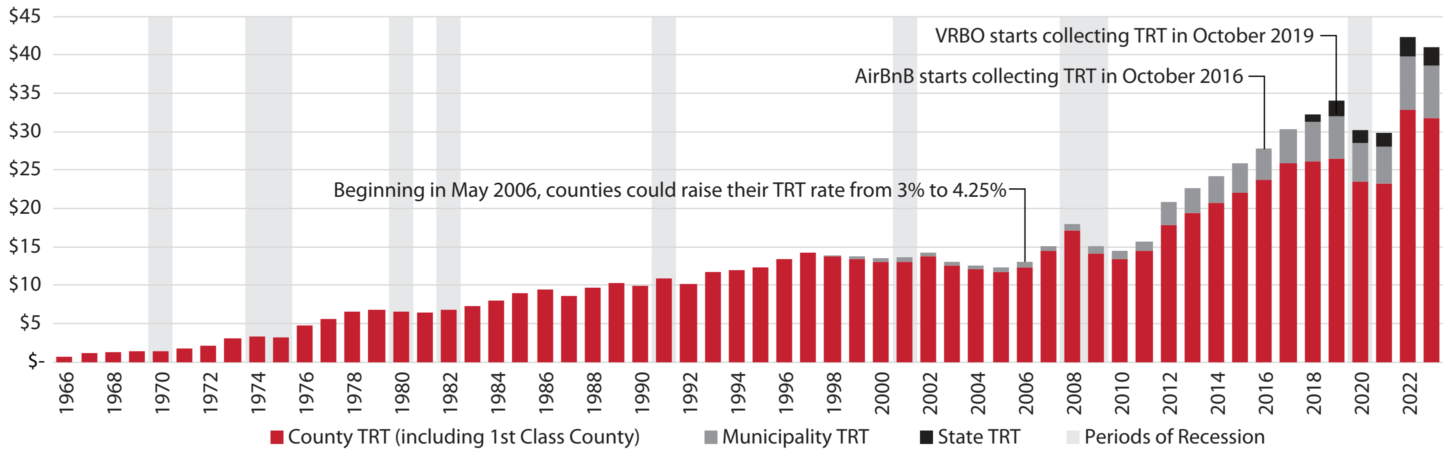
The report refers to economic regions, which capture various measures of economic connection, including commuting patterns, industry similarity, consumption of health care, co-movement of wages, and unemployment rates. The Kem C. Gardner Policy Institute developed these regions in 2020 (Figure 4). Economic regions are not specific to tourism but provide a way to think about general economic activity in the state. They differ from other regional delineations, such as associations of government. Utah's economic regions are as follows:

- **East Central**—Carbon and Emery counties
- **Greater Salt Lake**—Box Elder, Cache, Davis, Juab, Morgan, Rich, Salt Lake, Summit, Tooele, Utah, Wasatch, and Weber counties
- **Southeast**—Grand and San Juan counties
- **Southwest**—Beaver, Garfield, Iron, Kane, and Washington counties
- **Uintah Basin**—Daggett, Duchesne, and Uintah counties
- **West Central**—Millard, Piute, Sanpete, Sevier, and Wayne counties



Source: Kem C. Gardner Policy Institute and State of Utah, SGID

Figure 5: Statewide Real per Capita Transient Room Tax (TRT) Collections in Utah



Source: Utah State Tax Commission, Kem C. Gardner Policy Institute, U.S. Bureau of Labor Statistics

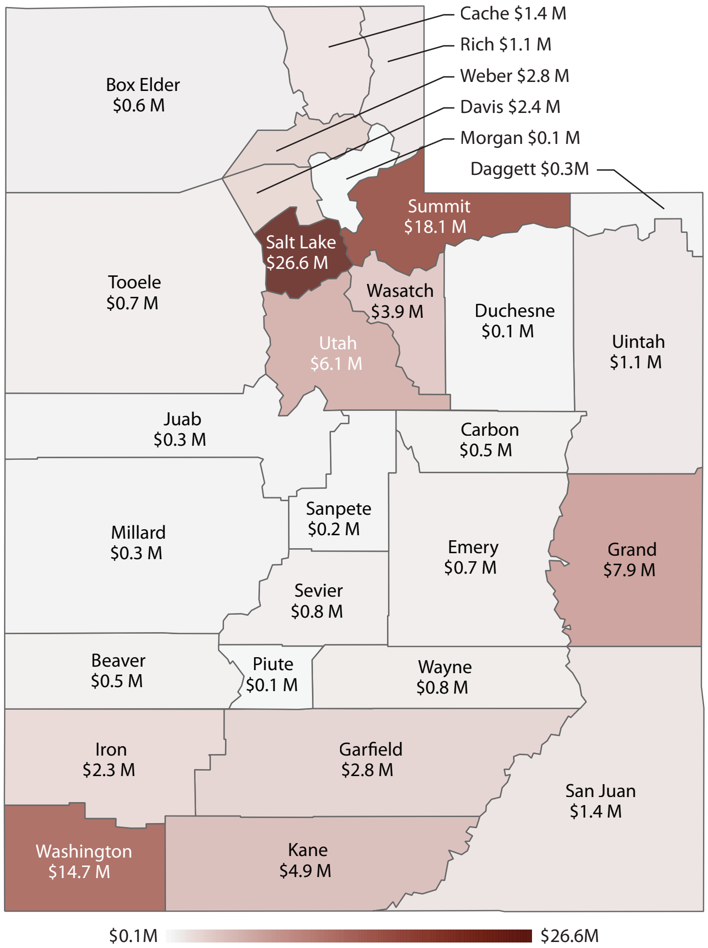
Revenue Collections

Of the tourism-related taxes, the county transient room tax generates the largest revenue amount, at $110 million in FY 2023. Salt Lake County generated over 24% of total county TRT revenue in FY 2023 ($26.6 million), followed by roughly 18% in Summit County ($18.1 million), and 14% in Washington County ($14.7 million) (Figure 5). According to data from Omnitrak/ Tourism Economics, roughly 25% ($26.2 million) of this revenue statewide comes from Utah resident travelers, whereas 75% ($78.8 million) comes from nonresident travelers.

TRCCA collections totaled $112 million in FY 2023. The restaurant tax generates the majority of this revenue, at nearly 74%, followed by 22% from the motor vehicle leasing tax, and the remainder from the first-class county transient room tax and the OHV and RV leasing tax. Within the restaurant tax, Salt Lake County generates the largest percentage, at over 42% ($34.4 million) in FY 2023 (Figure 8).

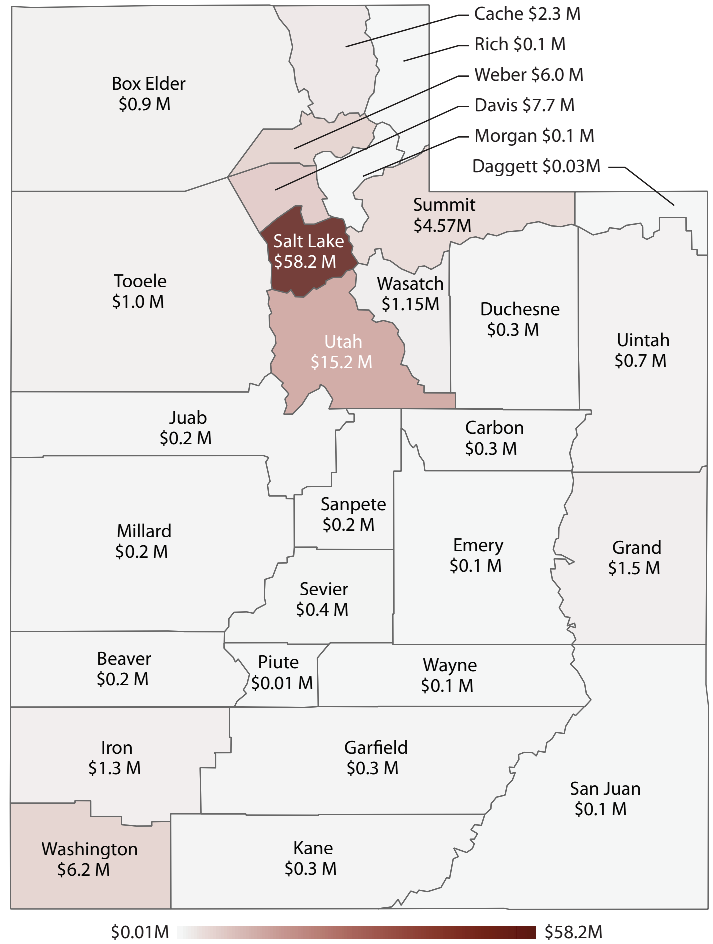
Total TRT collections, adjusted for population and inflation, show mostly positive growth since inception, except during national recessions. In recent years, real per capita TRT collections also show stronger growth than do total TRCCA collections (Figure 9). Figure 12 shows growth rates for each tax within the TRCCA group. The large spike in 2006 for the first-

Figure 6: County Transient Room Tax (TRT) Collections, FY 2023



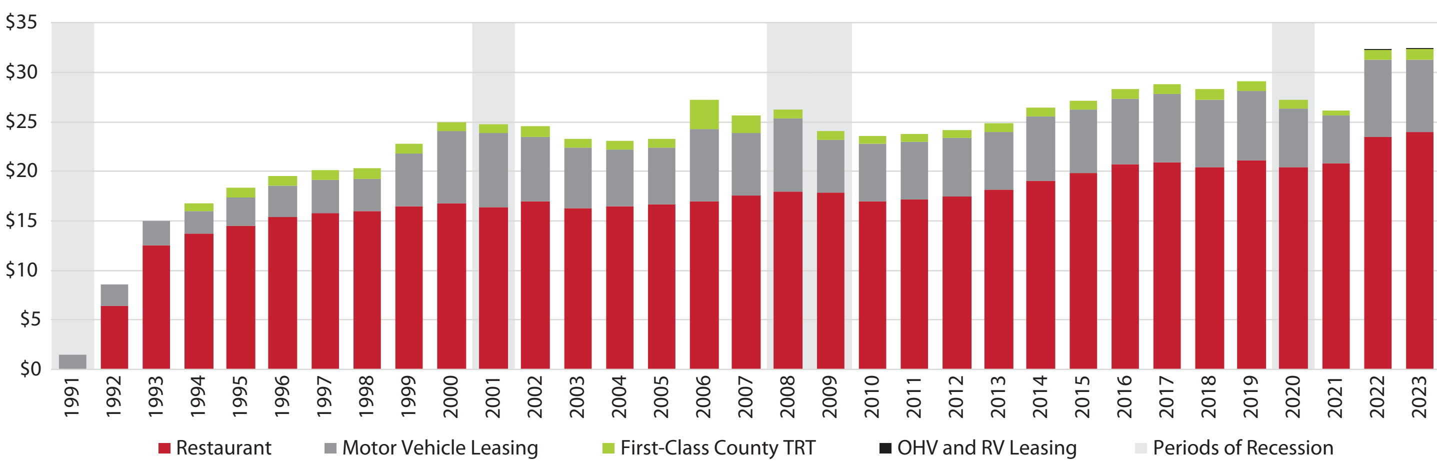
Source: Utah State Tax Commission

Figure 8: Tourism, Recreation, Cultural, Convention Facilities, and Airports (TRCCA) Collections by County, FY 2023



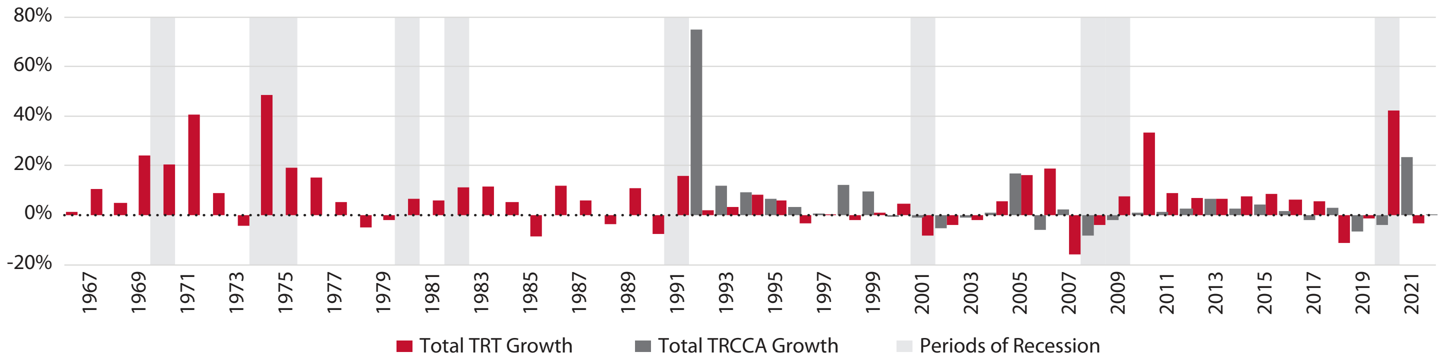
Source: Utah State Tax Commission

Figure 7: Statewide Real per Capita Tourism, Recreation, Cultural, Convention Facilities, and Airports (TRCCA) Tax Collections in Utah



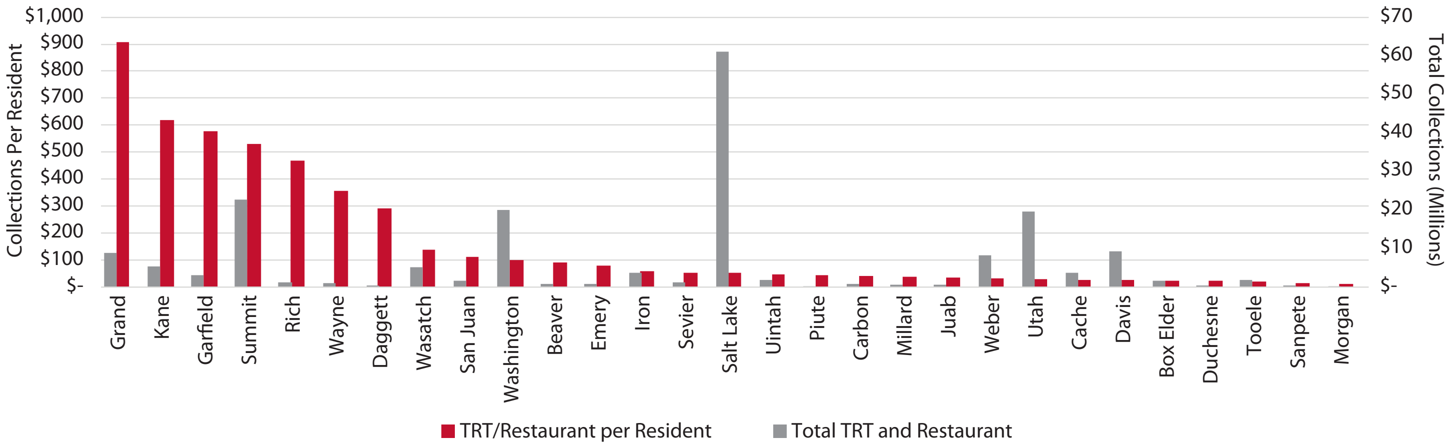
Source: Utah State Tax Commission, Kem C. Gardner Policy Institute, U.S. Bureau of Labor Statistics

Figure 9: Comparison of Real per Capita Growth Rates for TRT and TRCCA Collections



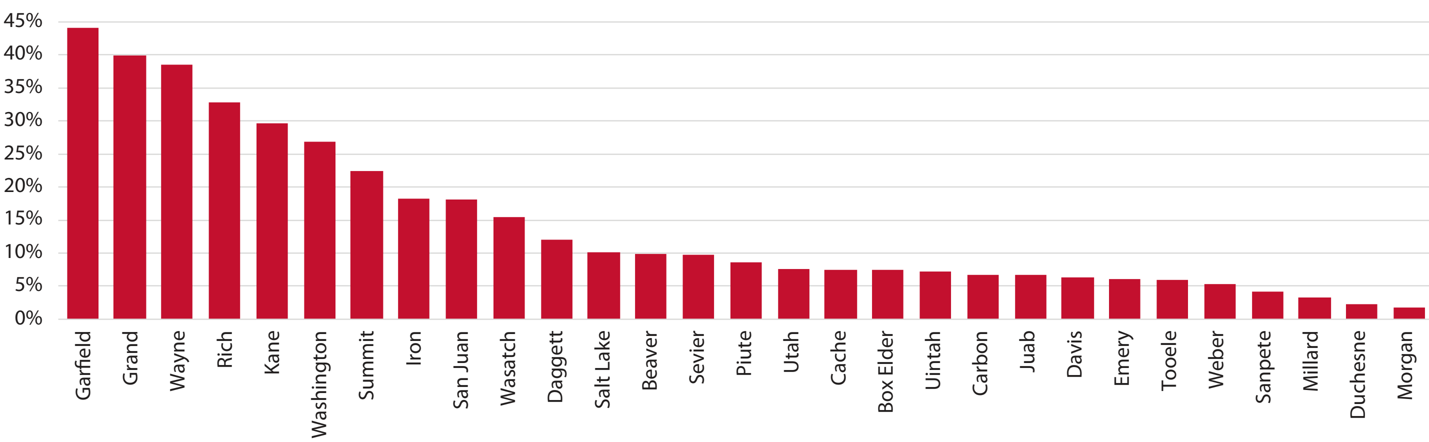
Source: Utah State Tax Commission, Kem C. Gardner Policy Institute, U.S. Bureau of Labor Statistics

Figure 10: County TRT (Accommodations) and Restaurant Tax Total Collections and Collections per Resident, FY 2023



Source: Utah State Tax Commission, Kem C. Gardner Policy Institute

Figure 11: Percent of County Tax Revenue from Tourism-Related Taxes



Note: Includes property tax, general sales tax, excise taxes, and other locally-imposed taxes.
Source: Utah State Tax Commission

class county transient room tax resulted from 2005's S.B. 211, which authorized first-class counties to impose an additional 1.25% transient room tax to fund convention facilities. Salt Lake County levied the additional tax for one year, but in 2006, H.B. 371 repealed the convention transient room tax.

Figure 10 demonstrates the difference between total county collections of county TRT and the restaurant portion of TRCCA revenue compared to collections per resident, indicating that many counties that generate disproportionately high per resident tourism tax revenue often do not generate proportionate total tourism tax revenue. Figure 11 shows the percentage of total county funds (sales taxes, excise taxes, and county property taxes) that are derived from tourism-related taxes, indicating that many of the same counties with high tourism tax revenue per resident also rely more heavily on tourism tax dollars as a primary source of county revenue.

Salt Lake County

Salt Lake County serves as Utah's primary destination for business and convention travel, and hosts major sports, entertainment, arts, and culture venues for the state. In FY 2023, Salt Lake County generated over 24% of total county TRT revenue ($26.6 million), as well as over 42% ($34.4 million) of the state's restaurant tax, the largest component of TRCCA taxes.

Tourism, Recreation, and Cultural Assets

Salt Lake County relies on TRT and TRCCA revenue to fund the operational, maintenance, and capital expenses for convention, cultural, and recreational venues. Salt Lake County houses 20 recreation and community centers, funded nearly 50% by tourism-related revenues. It is also home to the Salt Palace and Mountain America Convention Centers, and core cultural venues including Abravanel Hall, the Eccles Theater, Capitol Theatre, Hogle Zoo, Mid-Valley Performing Arts Center, Rose Wagner Performing Arts Center, and Utah Museum of Contemporary Art. Salt Lake County also uses TRT and TRCCA revenue to pay debt service on bonds issued to maintain and upgrade these facilities.

Visit Salt Lake and the CTAA

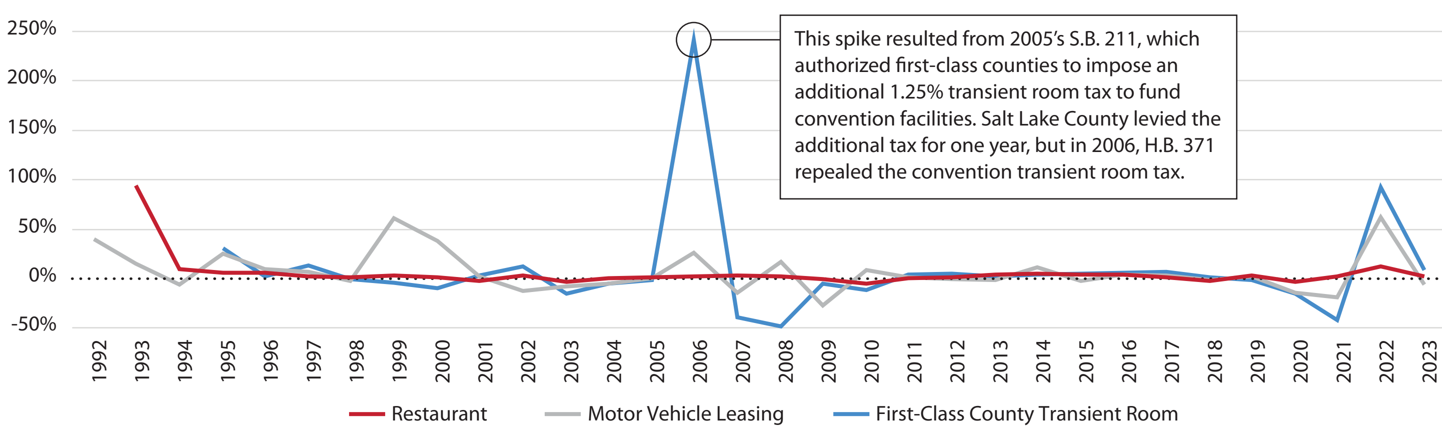
Salt Lake County contracts with Visit Salt Lake (VSL), a private, nonprofit organization, to manage its tourism-related funding, spending, and programming. VSL spends 70% of its budget on business recruitment and retention. VSL also manages the Convention and Tourism Assessment Area (CTAA) established in June 2023. Projections indicate that this assessment will contribute to a 30% boost in VSL's annual budget, specifically earmarked to bolster endeavors to attract large conferences, conventions, and meetings, which represent 77% of the highest-volume business days in downtown, and sporting events. Visit Salt Lake allocates funds at the discretion of the contributing hoteliers. The Salt Lake County CTAA will be operational for five years.

Convention Hotel

In 2014, the state created the Salt Lake City Convention Hotel tax area to help pay for construction of a new convention hotel adjacent to the Salt Palace. State law requires Salt Lake County to make payments into two related funds. First, it must pay into the Stay Another Day and Bounce Back Fund an amount equal to 5% of the state's portion for any year in which a convention hotel incentive is issued. Second, it must pay into the Hotel Impact Mitigation Fund a total of $4.6 million between 2025 and 2027. Salt Lake County uses TRT and TRCCA revenue for these payments.

Sources: Visit Salt Lake, Salt Lake County, Utah State Statute

Figure 12: Real per Capita Growth Rates for TRCCA Collections

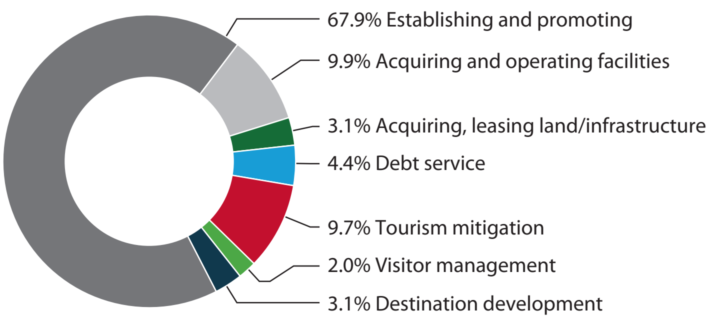


Source: Utah State Tax Commission, Kem C. Gardner Policy Institute, U.S. Bureau of Labor Statistics

County TRT and TRCCA Expenditures

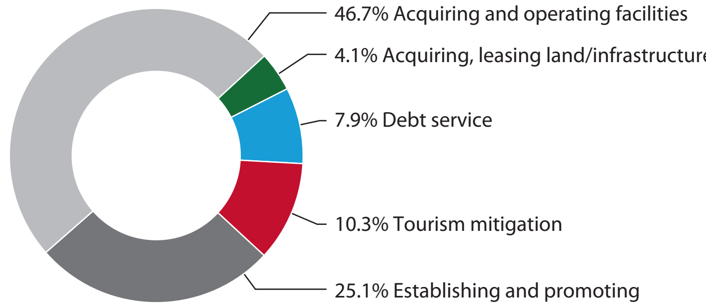
Counties reported expenditures of TRT and TRCCA revenue between CY 2019 and CY 2023. On average, for a five-year study period, counties spent nearly 68% of TRT revenue on establishing and promoting tourism, recreation, film production, and conventions (hereafter "establishing and promoting"), higher than the statutory requirement for most counties. State law requires counties that levy a TRT rate of 4.25% (all but Summit and Duchesne) to spend a minimum of 47% of TRT revenue on establishing and promoting tourism. Counties that levy a 3.0% TRT (Summit and Duchesne) must spend 67% of TRT revenue on establishing and promoting. The next-largest spending categories included acquiring, leasing, constructing, furnishing, maintaining, or operating various tourism- or recreation-related facilities (hereafter "acquiring and operating facilities") and tourism mitigation, both at approximately 10% (Figure 13).

Figure 13: Average County TRT Expenditures by Category, 2019-2023



Source: Kem C. Gardner Policy Institute analysis of data from county auditors

Figure 15: Average County TRCCA Expenditures by Category, 2019-2023



Note: Percentages do not sum to 100% due to some counties not reporting for some or all years of the study period.
Source: Kem C. Gardner Policy Institute analysis of data from county auditors

Over the five-year study period, on average, counties decreased their spending on establishing and promoting (-0.7% compound annual growth [CAGR]), acquiring and operating facilities (-1.6%), debt service (-9.2%), and visitor management (-5.0%), and increased their spending on acquiring and leasing land and infrastructure (8.6%), tourism mitigation (5.5%), and destination development (9.1%).

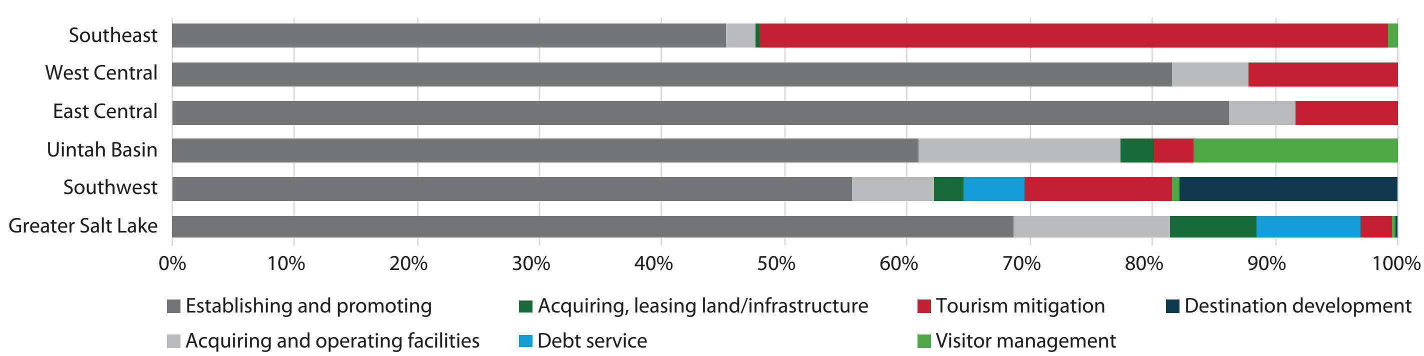
On average, counties within the East Central and West Central economic regions of Utah (Figure 4) spent the largest portion of their TRT revenue on establishing and promoting (86.2% and 81.6%, respectively), whereas the Southeast and Southwest regions spent the smallest portion (45.5% and 55.5%, respectively). The Southeast region spent the largest percentage by far on tourism mitigation, at 51.4%, compared to the next highest share, 12.2%, spent by the West Central region (Figure 14). The Southwest region was the only region to expend TRT revenue on destination development, which comprised 17.8% of its TRT spending.

While statute prescribes the allowable uses of TRCCA revenue, which largely overlap with TRT allowable uses, statute does not require a specific percentage of TRCCA revenue be used for any specific allowable use. County-reported spending of TRCCA revenue reflects this relative flexibility compared to TRT spending, most notably in the smaller share of spending going toward establishing and promoting. However, TRCCA allowable uses do not include specific callouts for destination development or visitor management, which TRT allows. Counties spent an average of 25.1% of TRCCA revenue on establishing and promoting tourism, compared to an average of 67.9% of TRT revenue for the same purpose. The largest category of TRCCA spending was acquiring and operating facilities, at 46.7% (Figure 15).

Similarly to TRT spending trends, counties increased their TRCCA spending on acquiring and leasing land and infrastructure over the five-year period (16.2% CAGR) and decreased their spending on acquiring and operating facilities (-4.2%) and debt service (-14.3%). However, counties increased their TRCCA spending on establishing and promoting (2.8%) and decreased their spending on tourism mitigation (-1.0%), contrary to TRT spending trends.

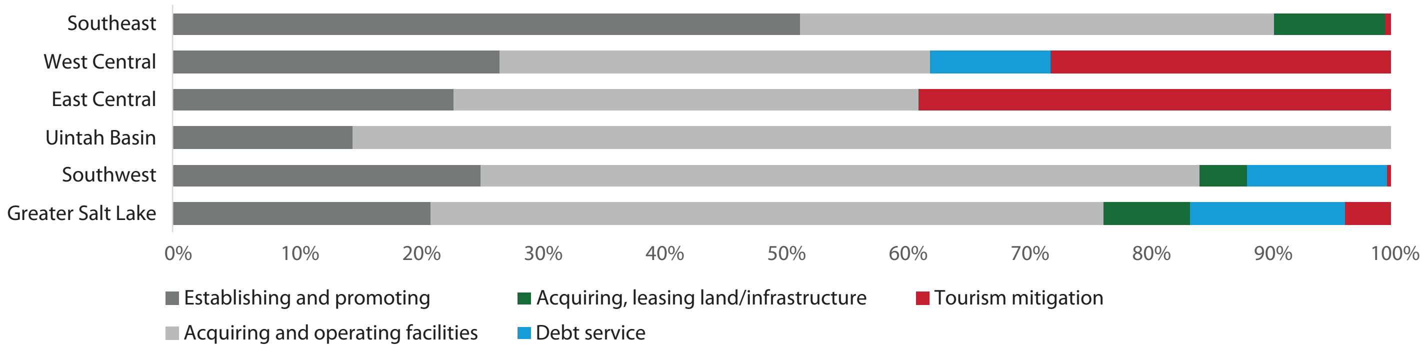
Spending shares of TRCCA revenue by category at the economic region level differ from the TRT spending shares, in part because of differences in allowable and required uses. Acquiring and operating facilities represented the largest share of spending in every economic region except East Central. For the East Central region, tourism mitigation led the way, followed closely by acquiring and operating facilities. Tourism mitigation also represented a significant share of TRCCA spending for the West Central region, but interestingly, not for the Southeast

Figure 14: Share of TRT Spending by Category and Economic Region, 2019-2023



Source: Kem C. Gardner Policy Institute analysis of data from county auditors

Figure 16: Share of TRCCA Spending by Category and Economic Region, 2019-2023



Source: Kem C. Gardner Policy Institute analysis of data from county auditors

region, which reported significant TRT spending on tourism mitigation. West Central also spent a portion of its TRCCA revenue on debt service, although it did not spend TRT revenue for this purpose.

Some counties also reported supplementing tourism-related expenditures with General Fund dollars or other local revenue sources. Of the counties that reported this supplemental spending (19 of 29 counties), General Fund or other local revenue spending equated on average to about 70% of the amount of total TRT and TRCCA spending; however, other local spending ranged dramatically between 1% and 463% of total TRT and TRCCA spending.

Responsiveness of Taxable Sales to Income and Tax Changes

"Elasticity" measures responsiveness to an economic change, such as a change in income or prices. This report looks at both income and price elasticity of demand for accommodation taxable sales. In Utah, accommodation taxable sales are close to unit-elastic over time, meaning that accommodations consumption as measured by taxable sales largely tracks with income changes. As income increases, so does total accommodations spending; as income decreases (i.e., due to economic cycles), so does accommodations spending.

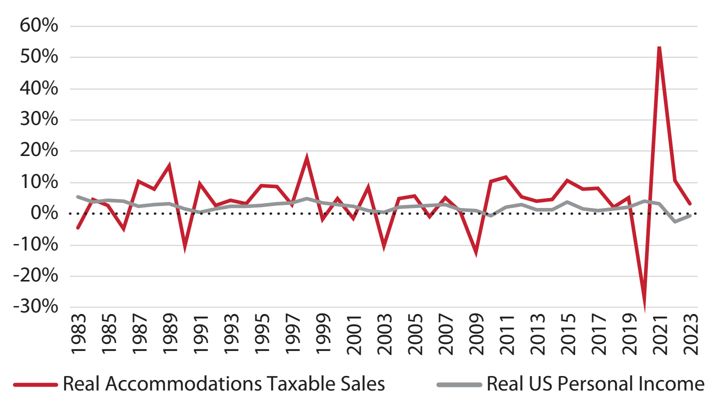
Overall accommodation taxable sales in Utah are relatively price-inelastic over time within the range of price changes represented by relatively small tax increases. The report uses both county and state transient room taxes to understand whether increases in tax rates (which change market prices for a good or service) result in lower taxable sales for hotels and find no significant effect of TRT rate increases in the range of 3.0% to 4.25% at the county level and 0.0% to 0.32% at the state level on accommodation spending in aggregate. This analysis does not contemplate total tax impacts (a traveler's hotel bill will include not only TRT but also state and local sales taxes), nor potential differences in elasticity between different types of travelers, such as business, convention, and leisure travelers. For example, some research indicates business travel tends to be more price-inelastic than leisure travel [Mumbower et al, 2014]).

Income Elasticity Estimates

Income elasticity represents the extent to which consumption of a good or service changes relative to changes in the consumer's income, measured by dividing the annual change in consumption by the annual change in income. For example, if income rises by 7.1% and consumption rises by 3.3% in a given year, the income elasticity is 0.42 (3.3%/7.1%). This means that, for every 1% increase in income, consumption rises by 0.42%, or nearly half as much.

In Utah, the average income elasticity of accommodations consumption[3] as measured by taxable sales between 1982 and 2023 equals 0.96. This indicates that accommodations consumption largely tracks with income changes on average. As income increases, so does accommodations consumption; as income decreases (i.e., due to economic cycles), so does accommodations consumption. As shown in Figure 17, real accommodations taxable sales often outgrow real personal income in economic expansions, but often contract more dramatically than personal income during downturns. This analysis only compares these two variables and so does not account for other factors influencing taxable sales, such as changes in the number of rooms available or service shutdowns due to COVID-19.

Figure 17: Inflation-Adjusted Year-Over Growth Rates for Accommodations Sales and Personal Income, $2023

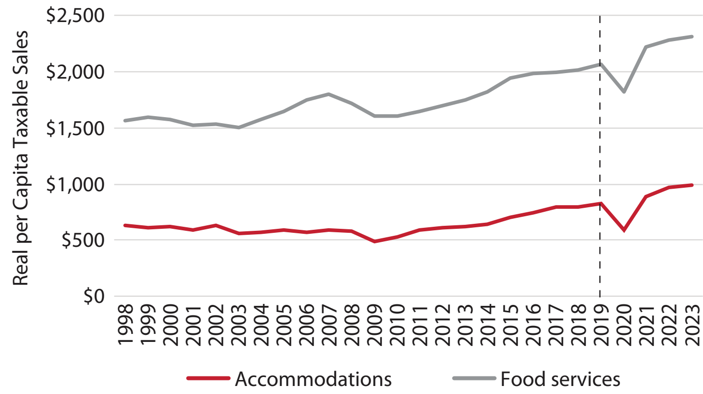


Source: Utah State Tax Commission, Kem C. Gardner Policy Institute, U.S. Bureau of Labor Statistics

The academic literature on income elasticity of hotel demand finds that hotel demand tends to be relatively positively income-elastic over time, such that, as incomes rise, consumption tends to rise by an even higher degree, and vice versa. A study by Coopers and Lybrand (1995) documents the procyclical behavior of the hotel industry nationwide, noting that hotel demand has an income elasticity of 1.3 as measured by U.S. GDP; Wheaton and Rossoff (1998) find an even higher income elasticity of 1.8 using the same measure. Corgel et al (2012) find higher income elasticity for higher-end hotels compared to more economical hotels, and also find that elasticity varies by geographical area.

This Utah income elasticity analysis does not contemplate changes in tourism tax rates; conducting a statewide rate-adjusted analysis proves challenging, due to the non-uniform adoption and increase of transient room tax rates by counties and municipalities in the state.

Figure 18: Parallel Trends Assessment of Accommodations and Food Service Sales



Source: Kem C. Gardner Policy Institute analysis of Utah State Tax Commission data

Price Elasticity Estimates

Price elasticity represents the extent to which consumption of a good or service changes relative to changes in the price of the good or service. Conducting a price elasticity analysis can help determine how sensitive accommodations sales are to transient room tax rate changes.

At the statewide level, the analysis employs a difference-in-differences model to determine whether the imposition of the statewide transient room tax in 2018 affected accommodations taxable sales. This analysis compares accommodations taxable sales to taxable sales of a related industry, in this case food services, to determine the effect of the tax imposition. The parallel trends assessment shows no discernable difference in the trajectories of taxable sales in each industry following the imposition of the tax (Figure 17). The econometric analysis confirms no statistically significant effect of the tax imposition on accommodations taxable sales.

To determine the effect of county transient room tax rate increases, the analysis employs an event study model that accounts for the different dates that counties increased the originally-authorized 3.0% transient room tax to 4.25% once the Legislature authorized the increase. The analysis shows no statistically significant effects in accommodations taxable sales following the rate increase.

Price Elasticity of Demand for Accommodations – Literature Review

Some early studies on the price elasticity of demand for lodging, including specific studies of the effects of room taxes on demand for hotels, found significant and negative price elasticity of demand, meaning that increases in prices (or room taxes) decreased demand for lodging (Fujii et al, 1985; Hiemstra & Ismail, 1990). However, other studies, including several more recent studies, are inconsistent. Some find a statistically significant negative effect of prices on demand (Canina and Carvell [2005]). Lee (2014) finds a significant negative effect from the imposition of a bed tax in Midland, Texas hotels compared to hotels in Odessa, which did not impose a bed tax.

Other studies find statistically insignificant effects of lodging price on demand (Tsai et al [2006]; Bonham et al [1992]), and still others find that price elasticity of demand for hotel rooms is statistically significantly inelastic, meaning that price changes do not have a significant effect on demand for hotels (Singh & Corsun, 2023). Mills et al (2019) analyze county-level changes to tourist tax rates in Florida and find that county-level tourism is relatively insensitive to small tax changes and that, given Florida's appeal as a tourist destination, the salience of hotel taxes is often low. Swenson (2022) finds California's varying hotel occupancy taxes by city do not have a measurable impact on hotel revenues. Corgel et al (2012) find inelastic demand in both the long-term and short-term across multiple levels of aggregation, including type of hotel (i.e., luxury, economy), top 50 markets, and select cities. Elasticity tends to increase over the longer term than the shorter term, as well as for higher-end hotels compared to lower-priced hotels. They note the existence of aggregation bias, stating, "the elasticity for individual hotels will be higher than their market level elasticity suggests" (Corgel et al, 2012, p. 90). While this may be more relevant to individual hotels' price-setting, it is less relevant in the context of this study, in that TRT rates apply to all hotels within a municipality, county, or the state, so there is no differentiation in pricing on that particular level.

The analysis also attempts to account for a "dose effect." The change of the transient room tax from 3% to 4.25% is relatively small – the difference between a $100 hotel room costing $103 per night and $104.25 per night, excluding other taxes. So, it is possible that this small "dose" of an increase is not enough to prompt behavioral change, but a larger increase in the tax rate would.[4] This test also did not result in a statistically significant effect. Thus, the analysis suggests that accommodations sales are relatively price inelastic, in that increases in price resulting from tax increases do not significantly affect demand as measured by taxable sales, and thus, tax collections.

However, geographic variations may exist in tax increase effects. For example, in Salt Lake County, the increase in the TRT rate from 3% to 4.25% corresponds with a statistically significant decline of $26 in real per capita taxable accommodations sales compared to arts, entertainment, and recreation taxable sales, and a statistically significant decline of $127 in real per capita taxable accommodations sales compared to food service (restaurants and bars) taxable sales. Conversely, in Washington County, the increase in the TRT rate from 3% to 4.25% is associated with a statistically significant increase of $45 in real per capita taxable accommodations sales compared to arts, entertainment, and recreation taxable sales, and no statistically significant effect on real per capita taxable accommodations sales compared to food service taxable sales. Regional variations appear in the academic literature as well.

General State and Local Tax Revenue Generated by Travelers

Traveler activity also generates other taxes besides the tourism-related taxes like TRT and TRCCA taxes. The state and local governments also impose sales and use taxes on accommodations. Additionally, traveler spending in grocery and retail stores, gas stations, and arts and recreation facilities generates sales taxes, gas taxes, and motor vehicle rental taxes.

In 2023, total traveler spending in Utah totaled an estimated $11.4 billion. Approximately 75% of that spending occurred in the Greater Salt Lake economic region, followed by 14% in the Southwest region.

This spending generated approximately $807 million in additional state and local sales and excise tax revenue, on top of approximately $106.7 million in county TRT revenues, $8.6 million in state TRT revenues, and $22.2 million in restaurant tax revenues. Figure 20 breaks out these state and local sales tax revenues.

Figure 21 shows an example receipt for a hotel stay in downtown Salt Lake City and the associated sales taxes and assessments. The state and local sales tax (7.75% total) includes 4.85% state sales tax and 2.90% in local sales taxes. The transient room taxes (6.07% total) include 4.25% county TRT, 0.32% state TRT, 1.00% municipal TRT, and 0.50% tourism TRT. In addition, the total rate includes the 2.00% Convention and Tourism Assessment Area (CTAA) assessment mentioned earlier.

Figure 22 shows an example receipt for a restaurant transaction in Springdale and the associated sales taxes. The state and local sales tax (6.45% total) includes 4.85% state sales tax and 1.60% in local sales taxes. The resort community sales tax (1.60%) is a local option general sales tax, but shown separately given that it is specific to tourism and relatively few local governments across the state levy it.

Tax Comparison with Competitor Cities

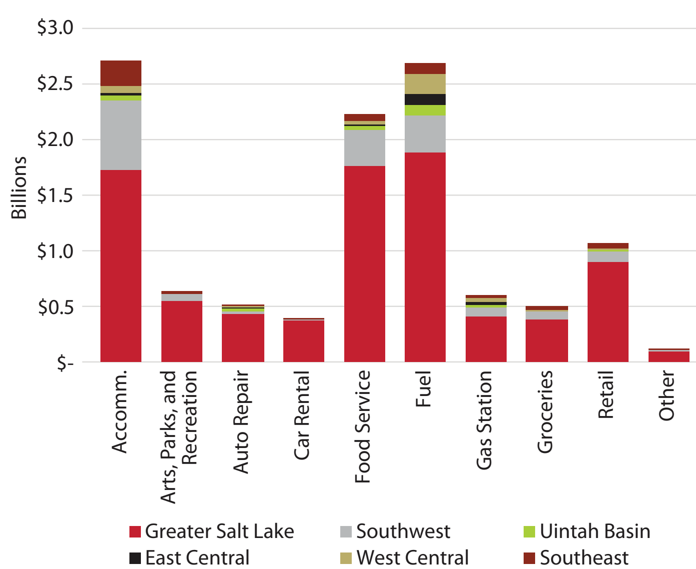
The Utah Tourism Industry Association commissioned Civitas to assess accommodations and sales tax rates across Utah and compare the total tax rates to a competitive set of tourism destinations in the region. Civitas also conducted a national study in 2024 on the same topic and found that the average total sales and accommodations tax rate among national destinations is 15.22%. The Utah Civitas analysis includes state and local sales taxes, as well as the statewide, city, and county TRT rates.[5] Civitas includes four categorizations (Table 3).

Utah destinations' tax rates in all categories are generally competitive with similar destinations in other states. Among Utah rural communities, sales and accommodations tax totals

Table 3: Civitas Categorization of Destination Types

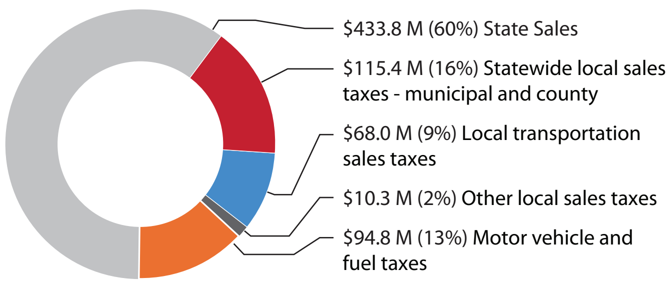
Type	Description
Rural communities	Destinations outside of cities with lower population density
Gateway communities	Largely rural destinations located in proximity to popular natural attractions, such as national parks and ski areas
Mid-sized cities	Destinations with growing population, but smaller than major urban centers
Urban centers	Destinations with primary population centers and major cities

Figure 19: Total Traveler Spending in Utah, 2023



Source: Kem C. Gardner Policy Institute analysis of Tourism Economics and Utah State Tax Commission data

Figure 20: Additional State and Local Sales and Excise Tax Revenue Generated by Traveler Spending, 2023



Source: Kem C. Gardner Policy Institute analysis of Tourism Economics and Utah State Tax Commission data

Figure 21: Transaction Taxes and Assessments for Example Hotel Stay in Downtown Salt Lake

Downtown Salt Lake City Hotel

1 Night Stay	$165.00
State and local sales tax (7.75%)	$12.78
Transient room taxes (6.07%)	$10.02
CTAA levy (2.00%)	$3.30
Total Taxes and Levies (15.82%)	$26.10
TOTAL	$191.10

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Source: Kem C. Gardner Policy Institute, Utah State Tax Commission

Figure 22: Transaction Taxes for Example Restaurant Transaction in Springdale

Springdale Restaurant

Meal	$30.00
State and local sales tax (6.45%)	$1.94
Resort community sales tax (1.60%)	$0.48
Restaurant tax (1.00%)	$0.30
Total Tax (9.05%)	$2.72
TOTAL	$32.72

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Source: Kem C. Gardner Policy Institute, Utah State Tax Commission

fall between Tabiona (9.67%) and Dutch John (14.32%). Competitive rural communities in other states include Pinedale, WY (11.00%), Truckee, CA (13.70%), Driggs, ID (14.00%), and Bisbee, AZ (15.05%).

Among Utah gateway communities, rate totals range from 10.47% in unincorporated Summit County to 14.92% in Moab. Gateway community comps include West Yellowstone, MT (12.66%) and Grand Junction, CO (14.66%).

Utah's mid-sized city destinations range from 11.92% in unincorporated Utah County to 13.02% in Lehi. Competitive mid-sized cities range from 11.90% in Bend, OR to 15.00% in Lubbock, TX. Among urban center destinations in Utah, St. George has the lowest total sales and accommodations tax rate, at 12.32%, compared to a high of 15.82% in both Sandy and Salt Lake City.[6] Competitive cities include Phoenix, AZ (12.57%), Denver, CO (15.75%), and San Antonio, TX (18.00%).

Foregone Local Tax Revenue

As some local governments face heightened demand for services due in varying levels to tourist and traveler activity, some counties could impose unlevied local option sales taxes to generate additional revenue. However, this revenue would be earmarked for specific uses that might not necessarily address tourism-related spending needs that counties have. If all counties and municipalities[7] levied the maximum available local option general sales tax rates as of the end of 2023, they could generate approximately $946 million in additional local revenue. Approximately $538 million, or 57% in total, would go to transportation projects, whereas $400 million, or 42%, would fund rural health care facilities and services, and $8 million, or 1%, would pay for botanical, cultural, recreational, and zoological organizations or facilities.

Some local governments also have headroom to increase local property taxes to fund unmet needs related to tourism mitigation and other expenses. State law authorizes counties, cities, and towns to levy up to specified maximum rates of property taxes for general needs. Counties can also levy up to a specified maximum rate for health purposes, as well as a "sufficient" rate for municipal-type services. Cities and towns may also levy a "sufficient" rate for city or town recreational facilities. Revenue from these rates could fund various tourism and tourism mitigation needs. A complicating factor with property tax is the requirement for Truth in Taxation, a process of public disclosure that local taxing entities must follow prior to adopting a property tax rate that is above that entity's certified tax rate (which generates the current level of property tax revenue).

Certain local governments may rely on high levels of revenue generated by tourism-related sales taxes, including the resort community sales tax, to offset the need for levying or raising property taxes. In fact, a statistically significant negative correlation exists (-0.38) between per capita county TRT collections and average county property tax rates in 2022, indicating that, on average, counties that collect more per capita in county TRT revenue have lower average county property tax rates. Similarly, a statistically significant negative correlation exists (-0.46) between per capita restaurant tax collections and average county property tax rates in 2022.

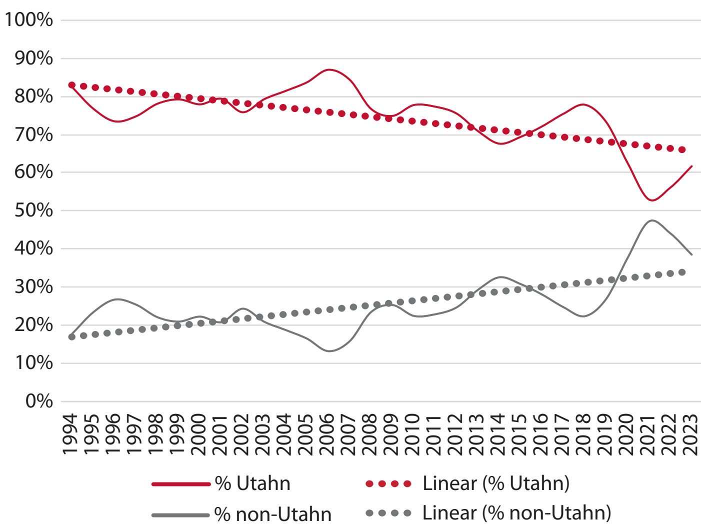
A negative, though statistically insignificant, correlation exists between average county property tax rates and weighted county sales tax rates in 2022, indicating that, on average, counties with higher total sales tax rates have lower average property tax rates, and vice versa. For example, Moab has a high total sales tax rate because it levies various local option transportation taxes, the rural hospital tax, the botanical, arts, and zoological tax, and the resort community tax (8.85% total). However, in 1992, the city set its property tax rate to 0%. In August 2024, the Moab City Council voted to impose a property tax of 0.002, which will generate approximately $3 million annually, "to be used to maintain city roads, buildings, and other infrastructure;" according to Moab Mayor Joette Langianese, "We need to fix everything. We can't continue to put Band-Aids on it" (Vandenack, 2024). Prior to this action, Moab was the only city in Utah that did not levy a general property tax for municipal services, relying instead on sales and use taxes for municipal general fund revenue.

Restaurant Tax

Utahns predominantly pay the restaurant tax, which falls under TRCCA taxes. Comparing Omnitrak/Tourism Economics data on traveler spending to Utah State Tax Commission restaurant tax collection data, approximately 25% of restaurant tax collections come from travelers (resident and non-resident), whereas 75% come from locals.

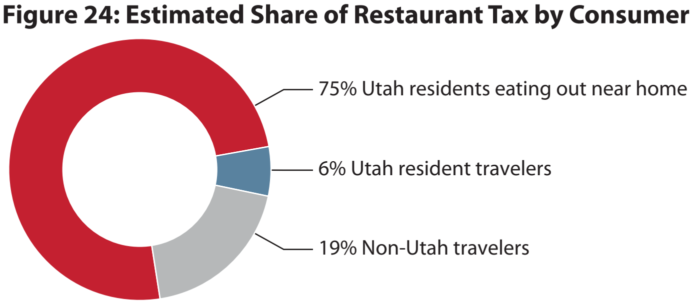
Since inception of the TRCCA restaurant tax in the early 1990s through 2019, the estimated Utahn share of the restaurant tax under a methodology using federal Consumer Expenditure Survey data averaged 75%, compared to 25% for non-Utahns (Figure 23)[8]. Although pandemic-era data anomalies may influence this estimate, the resident share dropped markedly during the pandemic, but as of 2023 (most recent data available) seems to be returning to the trend of historical Utahn shares.

Figure 23: Estimated Share of Restaurant Tax Paid by Utahns vs. non-Utahns



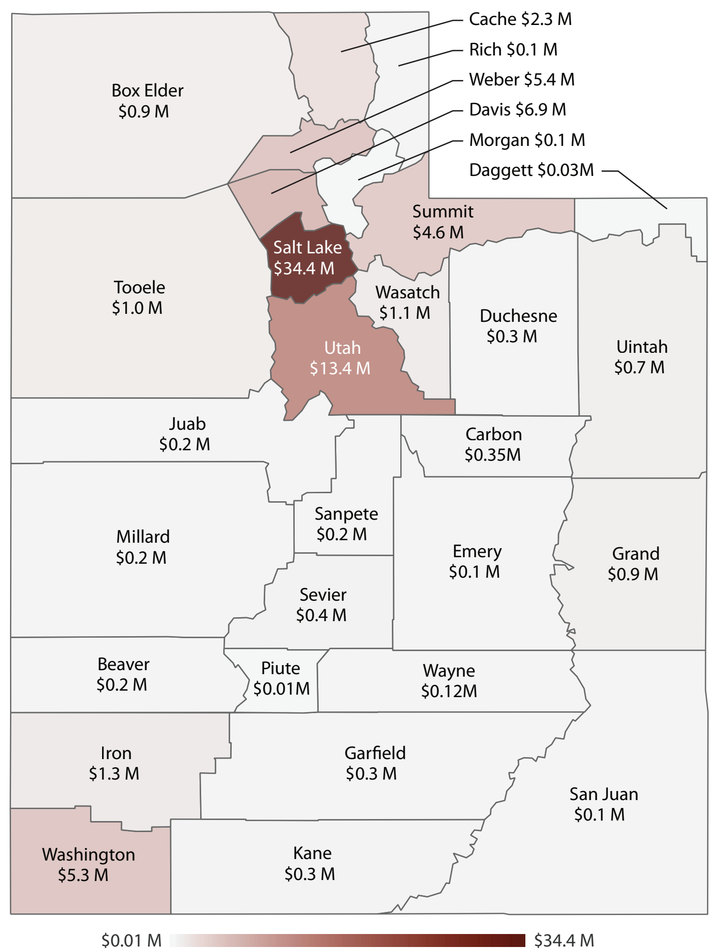
Note: Estimated shares should be considered as within a possible range, using consumption data from the Consumer Expenditure Survey.
Source: Utah State Tax Commission, U.S. Census, Moody's Analytics, U.S. Bureau of Labor Statistics

Figure 24: Estimated Share of Restaurant Tax by Consumer



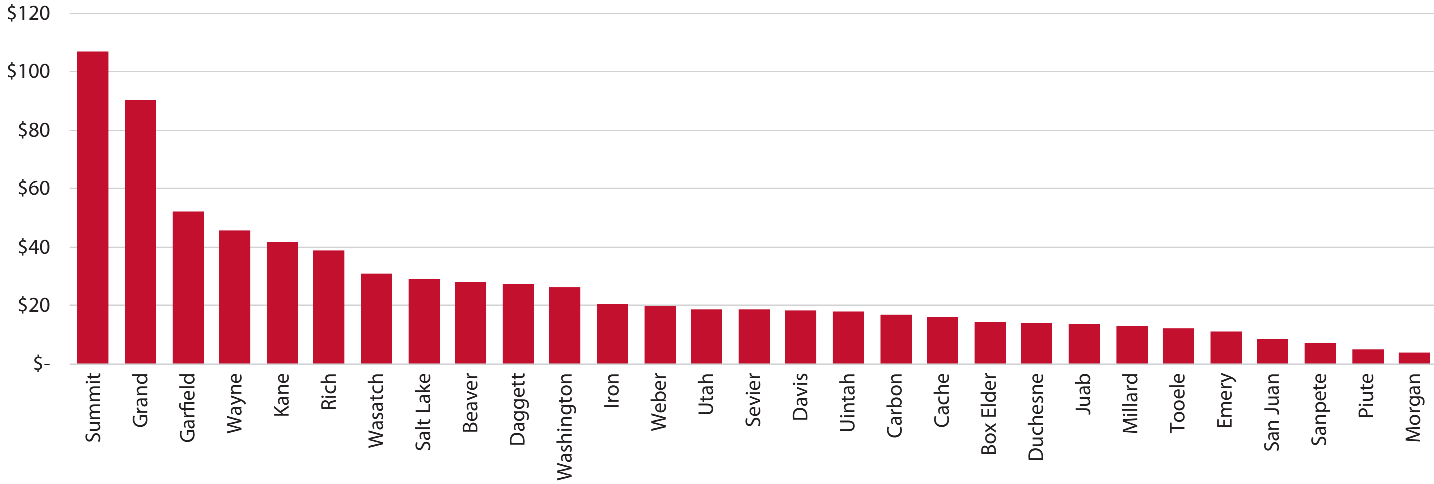
Note: Estimated shares should be considered as within a possible range, using consumption data from Omnitrak/Tourism Economics.
Source: Kem C. Gardner Policy Institute analysis of data from the Utah State Tax Commission, U.S. Bureau of Labor Statistics, Moody's Analytics, and Omnitrak/Tourism Economics

Figure 25: Restaurant Tax Collections by County, FY 2023



Source: Utah State Tax Commission

Figure 26: Restaurant Tax Collections per Resident, FY 2023



Source: Utah State Tax Commission, Kem C. Gardner Policy Institute

According to Omnitrak/Tourism Economics data looking at just traveler spending, Utah resident travelers accounted for approximately 24% of traveler spending on food and beverage services (excluding groceries), compared to 76% for non-Utah-resident travelers, in 2022 and 2023.

These data points show that Utahns dining in restaurants near where they live remit the majority of restaurant taxes collected in Utah (approximately 75%), but with regard to traveler spending in restaurants, non-resident travelers contribute more to Utah's restaurant tax than do resident travelers. Non-resident travelers contribute approximately 19% of total restaurant tax, and Utah travelers contribute approximately 6% of total restaurant tax.

Currently, the statutory definition of prepared food excludes prepared food sold by convenience stores and grocery stores. Were that definition amended to include those purchases, the restaurant tax could generate an additional approximately $9.3 million in revenue statewide.

Conclusion

Tourism, recreation, and restaurant taxes provide an important revenue source for local governments, to both draw new visitors and economic activity to their communities, as well as to mitigate the effects of increasing tourism and recreation and to undertake projects and infrastructure investments related to tourism and recreation. However, regional variations in revenue collections, disparate needs in rural and urban areas with different types of tourism, and statutory requirements related to allowable uses of funds may present some challenges to local governments as Utah continues to grow on the national and international stage as a preeminent tourism destination.

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Endnotes

1. According to Summit County officials, the county generates sufficient revenue with the 3.0% rate to cover expenses for the currently allowed uses (tourism promotion and tourism facilities). Summit County indicates it faces challenges keeping up with the impacts of tourism and day visitors with current funding. Officials said they would consider raising the TRT rate to the full 4.25% if the uses changed to allow for mitigation of tourism impacts. According to Duchesne County officials, the county's TRT tax base is small, so the additional 1.25% would not generate significant revenue. County officials believe enforcement of compliance issues would be more significant in raising additional TRT revenue and would also consider raising the rate if a large hotel located within county borders.
2. This is the same definition as used in the transient room tax.
3. For the purposes of this analysis, consumption means taxable sales from the Accommodations SIC and NAICS codes in Utah, and income means U.S. personal income, under the assumption accommodation providers make a majority their Utah sales to consumers from outside the state. The methodology adjusts both taxable sales and incomes for inflation.
4. This also does not contemplate increases in other sales taxes that would also impact the total on a traveler's bill.
5. The Civitas study can be found at https://drive.google.com/file/d/12ro_YBMIF7bVr67sXdQkA2biZbkdjmr8/view?usp=drive_link
6. Salt Lake City's rate will increase by 0.50% in January 2025 to fund the new downtown sports, entertainment, culture, and convention district; the total will then be 16.32%.
7. This analysis does not contemplate the town option sales tax or impacted community sales taxes.
8. Since 2020, the averages are 58% for Utahns and 42% for non-Utahns.

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