

Impact of the Gross Receipts Tax and the Distributional Impact of Utah Cares

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December 2024

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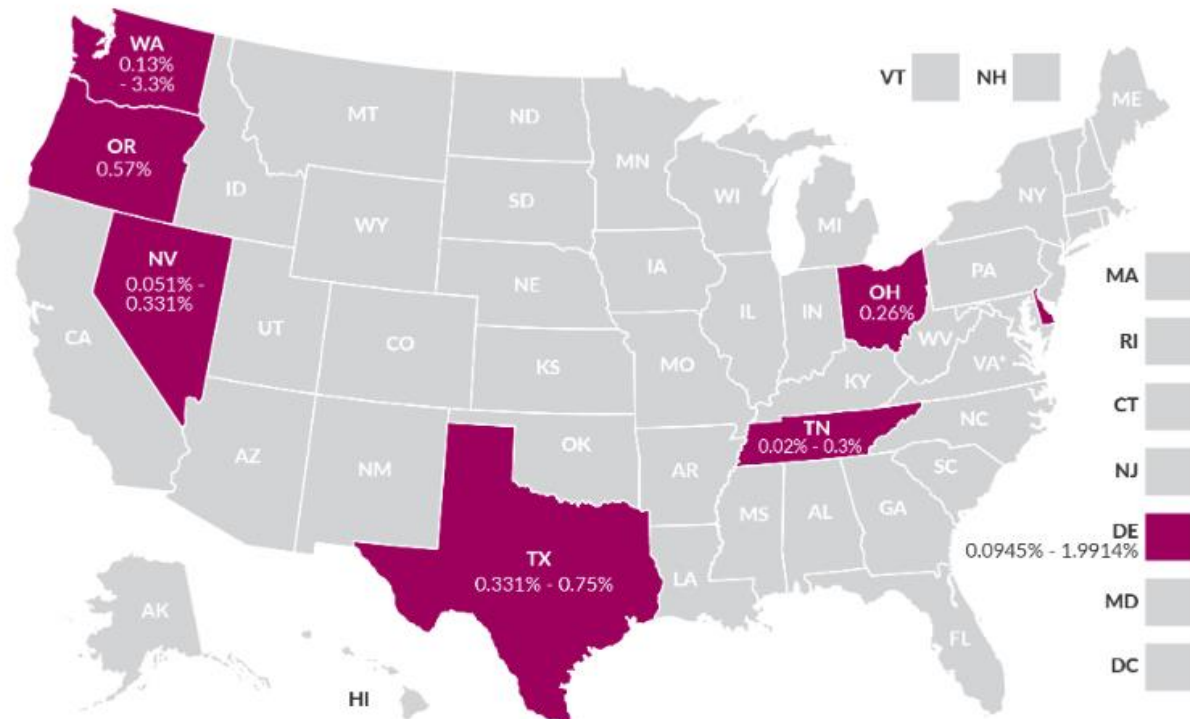
Background

In some form, the gross receipts tax is imposed in at least seven states in the United States¹. The states include Delaware, Nevada, Ohio, Oregon, Tennessee, Texas, and Washington². Additionally, three states allow cities to impose a local level gross receipts tax³ and at least two states have a component of its tax structure that may be classified as either a broad based sales tax or a gross receipts tax⁴.

The following map, based upon research from Bloomberg Tax, offers a visual view of the prevalence of gross receipts taxes in the U.S.⁵

Does Your State Have a Gross Receipts Tax?

State Gross Receipts Taxes, January 2023



*Virginia's tax is locally levied and rates vary by business and jurisdiction. Approximately half of counties do not levy the tax. Some counties instead levy a capital stock tax.

Note: Gross receipts taxes are complex business taxes imposed at a low rate but on a wide base of transactions, resulting in high effective tax rates that can vary by industry. These taxes also often have minimum taxes that can result in much higher effective rates for some small businesses.

Sources: Bloomberg Tax; state revenue departments.



¹ <https://taxfoundation.org/taxedu/glossary/gross-receipts-tax/>.

² *Ibid*

³ *Ibid*

⁴ *Ibid*

⁵ Bloomberg Tax, state revenue departments.

Definitions

- Gross receipts⁶ are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses⁷.
- For purposes of sourcing, for multistate taxpayers, the apportionment of gross receipts is performed using a market-based approach instead of a cost-of-performance approach, similar to Utah's current corporate income tax system^{8,9}.
- Gross margin uses the accounting definition, which is gross receipts minus cost of goods sold¹⁰.
- Governments and non-profits are generally exempt from the gross receipts tax. Using the State of Washington as an example, nonprofits are offered an exemption for nonprofit fundraising activities and donations¹¹. Nonprofits are required to file the state's B&O tax (gross receipts tax) for regular business activities¹².

Statutory References

For purposes of the proposal, the analysis assumes that the definition of Utah's earmarked gross receipts tax would be similar to the statutory language in §59-24-103.5 regarding the radioactive waste disposal gross receipts tax¹³.

Apportionment of companies' gross receipts would be similar to the apportionment of income for corporate income tax purposes, which is detailed¹⁴ in §59-7-303 - §59-7-321. For most companies, the state requires single sales factor apportionment^{15,16}, and this proposal assumes all multistate companies would allocate gross receipts tax liability to Utah based on statute similar to single sales factor apportionment.

Statute may need to be explicit on the definition of the accounting term *gross margin* so as not to leave open for interpretation what is included in the cost of goods sold for gross margin purposes. For this proposal, gross margin is defined as all inputs into the direct production of the goods or

⁶ <https://www.irs.gov/charities-non-profits/gross-receipts-defined>.

⁷ <https://taxfoundation.org/data/all/state/state-gross-receipts-taxes-2024/>.

⁸ <https://www.thetaxadviser.com/issues/2012/nov/schadewald-nov2012.html> for a discussion.

⁹ <https://tax.utah.gov/forms/current/tc-20inst.pdf>.

¹⁰ <https://quickbooks.intuit.com/r/midsize-business/why-gross-margin-is-key-to-measuring-business-performance/#example>.

¹¹ <https://dor.wa.gov/education/industry-guides/nonprofit-organizations>.

¹² *Ibid*

¹³ https://le.utah.gov/xcode/Title59/Chapter24/59-24-S103.5.html?v=C59-24-S103.5_2024070120240501

¹⁴ <https://le.utah.gov/xcode/Title59/Chapter7/59-7-S311.html>

¹⁵ <https://le.utah.gov/interim/2016/pdf/00002402.pdf>

¹⁶ <https://tax.utah.gov/forms/current/tc-20inst.pdf>

service in which the company produces¹⁷. It does not include any indirect costs used for calculating net margin¹⁸.

Implementation of the Gross Receipts Tax

Utah Cares proposes a tiered gross receipts tax rate with the first \$10,000 in gross receipts exempt from the gross receipts tax. The rate begins at 2.0% for the first \$90,000 in gross receipts above \$10,000. For gross receipts above \$100,000, the gross receipts rate becomes 2.5% up to \$1,000,000 in gross receipts. The gross receipts tax rate reaches a peak at 2.85% for gross receipts above \$1,000,000. In addition to a tiered rate, the gross receipts tax cannot be greater than a company’s gross margin.

- Tier 1: 0% on the first \$10,000 in gross receipts
- Tier 2: 2% on the next \$90,000 in gross receipts
- Tier 3: 2.5% on the next \$900,000 in gross receipts
- Tier 4: 2.85% anything above \$1,000,000
- The gross receipts tax cannot be greater than a company’s gross margin

$$\begin{aligned}
 \text{Gross Receipts Tax} = \min \{ & \\
 & 0 \cdot \$10,000 + 0.02 \cdot \max\{\text{gross receipts up to } \$100,000 - \$10,000, 0\} + \\
 & 0.025 \cdot \min\{\$900,000, \text{gross receipts greater than } \$100,000\} \\
 & + 0.0285 \cdot \{\text{all gross receipts above } \$100,000\}, \text{gross margin} \}
 \end{aligned}$$

Revenue Impact of the Gross Receipts Tax

The taxable base for the gross receipts is estimated at \$370 billion. This includes all gross receipts for non-exempt entities with sales in Utah. Our range estimate for the taxable base is between \$370 billion and \$500 billion. We chose the most conservative estimate to ensure the revenue generated is sufficient to cover the estimated costs of Utah Cares. The conservative estimate allows for non-compliance¹⁹, which is generally lower in the first year of implementation for reasons including lack of awareness²⁰, administrative challenges²¹, adjustment periods²², deliberate non-compliance²³,

¹⁷ <https://www.accountingtools.com/articles/gross-margin>

¹⁸ *Ibid*

¹⁹ Slemrod, Joel. 2019. “Tax Compliance and Enforcement”. *Journal of Economic Literature*, 57 (4): 904-54. DOI: 10.1257/jel.201814337.

²⁰ *Ibid*

²¹ *Ibid*

²² *Ibid*

²³ *Ibid*

technical issues²⁴, and complexity of a given tax²⁵. We think the simplicity of the proposed gross receipts tax will lead to higher tax compliance.

By way of comparison, the 2023 calendar year taxable sales base in Utah was approximately \$103 billion²⁶, most of which is paid by end consumers and collected by the seller of the product or (in some instances) the service²⁷. By the end of calendar year 2028, the taxable sales base will likely have reached \$122 billion²⁸, or approximately 33% of the gross receipts tax base²⁹.

Distributional Impact of the Gross Receipts Tax Minus Healthcare Costs

Table 1 shows the distributional impact of the proposed gross receipts tax minus the healthcare payments companies make on behalf of their employees. Table 1 was derived by simulating estimated returns from aggregate impacts of the gross receipts tax and healthcare costs. The simulation indicates that approximately 82.6% of companies would see a decrease in what they pay for gross receipts tax minus their payment for private healthcare, 16.7% of companies seeing an increase in gross tax liability minus their healthcare payments, and 0.6% seeing no change in liability.

Change in Payment (Gross Receipts Tax Minus Health Insurance Payments)					
<i>Revenue Group</i>	<i>% with a Decrease</i>	<i>% with an Increase</i>	<i>No change</i>	<i>Total</i>	
Under 200,000	83.8%	15.4%	0.8%	100%	
200,001 - 499,999	78.9%	21.1%	0.0%	100%	
500,000 - 999,999	82.3%	17.7%	0.0%	100%	
1,000,000 - 2,499,999	94.2%	5.8%	0.0%	100%	
2,500,000 - 4,999,999	77.8%	22.2%	0.0%	100%	
5,000,000 - 9,999,999	60.4%	39.6%	0.0%	100%	
10,000,000 - 99,999,999	26.5%	73.5%	0.0%	100%	
100,000,000 - 499,999,999	36.5%	63.5%	0.0%	100%	
500,000,000 - 999,999,999	43.2%	56.8%	0.0%	100%	
1,000,000,000+	0.0%	100.0%	0.0%	100%	
Overall	82.6%	16.7%	0.6%	100%	

Table 1: Modeled Distributional Impact of a Gross Receipts Tax Minus Company Provided Health Insurance

²⁴ *Ibid*

²⁵ *Ibid*

²⁶ <https://tax.utah.gov/econstats/sales>

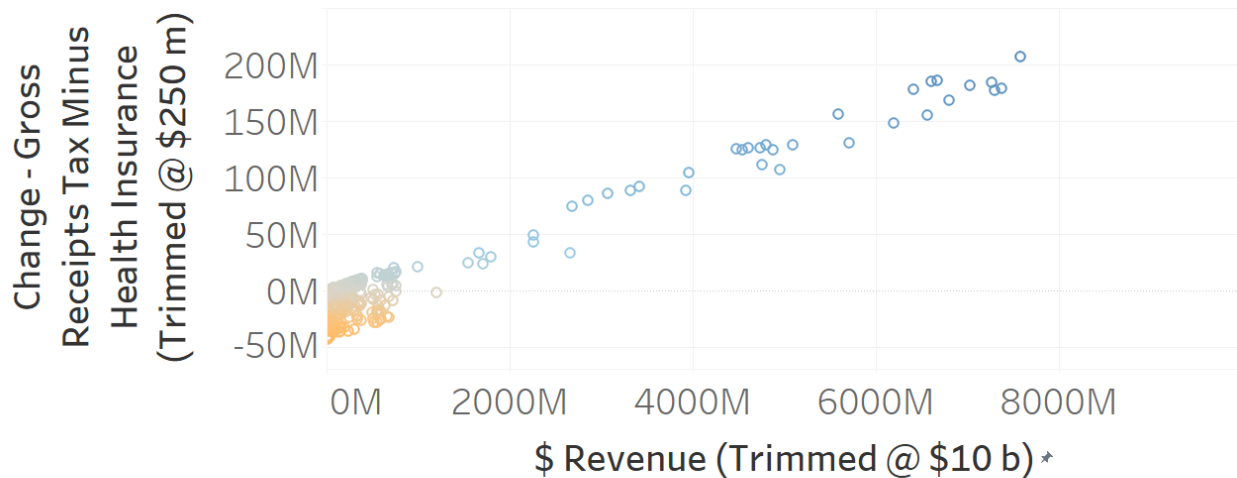
²⁷ <https://www.salestaxhandbook.com/utah/sales-tax-exemptions>

²⁸ Estimated using a 3.5% per annum growth rate, which would be an historically slow taxable sales growth rate.

²⁹ $\frac{\$122 \text{ billion}}{\$370 \text{ billion}} \approx 33\%$

The distributional impact depends on each company’s gross revenue and healthcare situation. Figure 1 shows the net change, defined as gross receipts tax minus health insurance payments, by company size, which in Figure 1 is defined by total revenue³⁰. Figure 1 graphically confirms the numeric results in Table 1, which is that companies with smaller revenue and higher healthcare payments generally see their bottom line improve (meaning their private health insurance payments are higher than what their gross receipts tax payments would be), whereas large companies experience the opposite impact.

Change in Payments for Private Insurance for Employees to a Gross Receipts Tax



Note: a positive means that the estimated Gross Receipts Tax for the company is greater than the health insurance payments made for employees. A negative is the opposite - the company saves money by shifting from paying for private insurance to paying the gross receipts tax.

Sources: Econowest, NAICS.com, BLS, Financial Modeling Prep, U.S. Census Bureau, Utah State Tax Commission

Figure 1: Change in Payments for Private Insurance for Employees Versus a Gross Receipts Tax

Figure 1 provides a broad visual view of the impact. Table 2 provides the median estimated impact by revenue group, employee group, and gross profit margin group. The median impact in the far right column is gross receipts tax minus health insurance. If the number is negative, it means a company’s health insurance payments are greater than its estimated gross receipts tax. Essentially,

³⁰ Note that Figure 1 is trimmed at the upper ends. The y-axis is trimmed at a net change of +\$250 million and the x-axis is trimmed at total revenue of \$10 billion. There may be companies with gross sales in Utah above \$10 billion and that may experience a net change from paying the gross receipts tax versus paying private insurance of more than \$250 million.

a positive figure means a company is worse off and a negative number means a company is better off, at least when measured by the costs of doing business.

Revenue Group	Employee Group	Gross Profit Margin Group	Median Change: Gross Receipts Tax - Health Insurance	
1 - Under \$200,000	1-Employees: 0	1-Gross Profit: <5%	2,058	
		2-Gross Profit: <10%	3,620	
		4-Gross Profit: <20%	2,188	
		5-Gross Profit: <25%	1,404	
		6-Gross Profit: <30%	2,444	
		7-Gross Profit: <35%	2,890	
		8-Gross Profit: >35%	1,563	
		2-Employees: 1-4	1-Gross Profit: <5%	-12,501
	2-Gross Profit: <10%		-16,250	
	3-Gross Profit: <15%		-9,471	
	4-Gross Profit: <20%		-12,161	
	5-Gross Profit: <25%		-15,110	
	6-Gross Profit: <30%		-16,301	
	7-Gross Profit: <35%		-15,151	
	8-Gross Profit: >35%		-12,501	
	3-Employees: 5-9	1-Gross Profit: <5%	-39,690	
		4-Gross Profit: <20%	-46,390	
		5-Gross Profit: <25%	-37,081	
		6-Gross Profit: <30%	-45,862	
		7-Gross Profit: <35%	-40,149	
		8-Gross Profit: >35%	-37,502	
	4-Employees: 10-19	1-Gross Profit: <5%	-85,462	
		4-Gross Profit: <20%	-110,241	
		5-Gross Profit: <25%	-106,796	
		6-Gross Profit: <30%	-109,307	
		8-Gross Profit: >35%	-84,876	
	5-Employees: 20-49	1-Gross Profit: <5%	-205,370	
		8-Gross Profit: >35%	-218,529	
	6-Employees: 50-99	1-Gross Profit: <5%	-471,676	
		8-Gross Profit: >35%	-424,346	
	7-Employees: 100-249	1-Gross Profit: <5%	-1,168,642	
		8-Gross Profit: >35%	-1,062,305	
	8-Employees: 250-499	1-Gross Profit: <5%	-2,174,926	
		8-Gross Profit: >35%	-2,308,871	
	9-Employees: 500-999	1-Gross Profit: <5%	-4,267,934	
		8-Gross Profit: >35%	-4,965,633	
	10-Employees: 1000+	8-Gross Profit: >35%	-27,438,343	
		2 - \$200,001 - \$499,999	1-Employees: 0	1-Gross Profit: <5%
	2-Gross Profit: <10%			8,266
	3-Gross Profit: <15%			5,776
4-Gross Profit: <20%	5,773			

Revenue Group	Employee Group	Gross Profit Margin Group	Median Change: Gross Receipts Tax - Health Insurance
		5-Gross Profit: <25%	6,228
		6-Gross Profit: <30%	5,720
		7-Gross Profit: <35%	5,952
		8-Gross Profit: >35%	6,614
	2-Employees: 1-4	1-Gross Profit: <5%	-9,899
		2-Gross Profit: <10%	-4,571
		3-Gross Profit: <15%	-19,165
		4-Gross Profit: <20%	-11,191
		5-Gross Profit: <25%	-6,766
		6-Gross Profit: <30%	-7,476
		7-Gross Profit: <35%	-6,792
		8-Gross Profit: >35%	-8,379
	3-Employees: 5-9	1-Gross Profit: <5%	-35,206
		2-Gross Profit: <10%	-38,460
		3-Gross Profit: <15%	-34,925
		4-Gross Profit: <20%	-39,292
		5-Gross Profit: <25%	-31,542
		6-Gross Profit: <30%	-41,248
		7-Gross Profit: <35%	-32,231
		8-Gross Profit: >35%	-35,059
	4-Employees: 10-19	1-Gross Profit: <5%	-80,080
		2-Gross Profit: <10%	-93,729
		4-Gross Profit: <20%	-72,970
		5-Gross Profit: <25%	-84,523
		6-Gross Profit: <30%	-64,297
		7-Gross Profit: <35%	-83,871
		8-Gross Profit: >35%	-81,774
		5-Employees: 20-49	1-Gross Profit: <5%
	4-Gross Profit: <20%		-190,080
	6-Gross Profit: <30%		-147,862
7-Gross Profit: <35%	-244,647		
8-Gross Profit: >35%	-210,877		
6-Employees: 50-99	1-Gross Profit: <5%	-458,208	
	8-Gross Profit: >35%	-477,064	
7-Employees: 100-249	1-Gross Profit: <5%	-832,642	
	8-Gross Profit: >35%	-1,257,348	
9-Employees: 500-999	8-Gross Profit: >35%	-4,086,424	
10-Employees: 1000+	1-Gross Profit: <5%	-21,731,410	
	8-Gross Profit: >35%	-28,220,192	
3 - \$500,000 - \$999,999	1-Employees: 0	1-Gross Profit: <5%	15,752
		4-Gross Profit: <20%	18,905
		6-Gross Profit: <30%	18,000
		7-Gross Profit: <35%	14,503

Revenue Group	Employee Group	Gross Profit Margin Group	Median Change: Gross Receipts Tax - Health Insurance
	2-Employees: 1-4	8-Gross Profit: >35%	16,611
		1-Gross Profit: <5%	-1
		2-Gross Profit: <10%	2,649
		4-Gross Profit: <20%	3,059
		5-Gross Profit: <25%	4,383
		6-Gross Profit: <30%	5,295
		7-Gross Profit: <35%	6,956
		8-Gross Profit: >35%	1,191
	3-Employees: 5-9	1-Gross Profit: <5%	-25,678
		2-Gross Profit: <10%	-30,421
		3-Gross Profit: <15%	-25,760
		4-Gross Profit: <20%	-17,983
		5-Gross Profit: <25%	-30,180
		6-Gross Profit: <30%	-16,962
		7-Gross Profit: <35%	-19,014
		8-Gross Profit: >35%	-24,799
	4-Employees: 10-19	1-Gross Profit: <5%	-72,239
		2-Gross Profit: <10%	-82,583
		4-Gross Profit: <20%	-91,017
		5-Gross Profit: <25%	-53,937
		6-Gross Profit: <30%	-56,905
		7-Gross Profit: <35%	-82,269
		8-Gross Profit: >35%	-72,838
		5-Employees: 20-49	1-Gross Profit: <5%
	2-Gross Profit: <10%		-166,968
	4-Gross Profit: <20%		-196,161
	7-Gross Profit: <35%		-190,807
	8-Gross Profit: >35%		-198,931
	6-Employees: 50-99	1-Gross Profit: <5%	-469,767
		8-Gross Profit: >35%	-473,333
7-Employees: 100-249	1-Gross Profit: <5%	-1,257,989	
	8-Gross Profit: >35%	-941,202	
8-Employees: 250-499	8-Gross Profit: >35%	-2,145,517	
	10-Employees: 1000+	8-Gross Profit: >35%	-36,277,376
4 - \$1,000,000 - \$2,499,999	2-Employees: 1-4	1-Gross Profit: <5%	2,125
		2-Gross Profit: <10%	2,768
		3-Gross Profit: <15%	-3,633
		4-Gross Profit: <20%	-17,162
		5-Gross Profit: <25%	-39
		6-Gross Profit: <30%	2,597
		8-Gross Profit: >35%	2,650
		3-Employees: 5-9	1-Gross Profit: <5%
	2-Gross Profit: <10%		-21,119

Revenue Group	Employee Group	Gross Profit Margin Group	Median Change: Gross Receipts Tax - Health Insurance	
		3-Gross Profit: <15%	-20,554	
		4-Gross Profit: <20%	-24,485	
		5-Gross Profit: <25%	-28,335	
		6-Gross Profit: <30%	-23,497	
		7-Gross Profit: <35%	-14,955	
		8-Gross Profit: >35%	-23,540	
		4-Employees: 10-19	1-Gross Profit: <5%	-72,936
			2-Gross Profit: <10%	-63,140
	3-Gross Profit: <15%		-85,647	
	4-Gross Profit: <20%		-84,565	
	5-Gross Profit: <25%		-65,676	
	6-Gross Profit: <30%		-70,332	
	7-Gross Profit: <35%		-74,044	
	8-Gross Profit: >35%		-69,177	
	5-Employees: 20-49	1-Gross Profit: <5%	-201,810	
		2-Gross Profit: <10%	-160,514	
		3-Gross Profit: <15%	-127,204	
		4-Gross Profit: <20%	-168,309	
		5-Gross Profit: <25%	-173,821	
		6-Gross Profit: <30%	-170,440	
		7-Gross Profit: <35%	-199,407	
		8-Gross Profit: >35%	-195,740	
	6-Employees: 50-99	1-Gross Profit: <5%	-414,778	
		2-Gross Profit: <10%	-511,816	
		5-Gross Profit: <25%	-478,295	
		6-Gross Profit: <30%	-466,484	
		7-Gross Profit: <35%	-445,696	
		8-Gross Profit: >35%	-450,988	
	7-Employees: 100-249	1-Gross Profit: <5%	-1,128,091	
		4-Gross Profit: <20%	-1,171,663	
7-Gross Profit: <35%		-719,683		
8-Gross Profit: >35%		-1,082,806		
8-Employees: 250-499	1-Gross Profit: <5%	-2,694,004		
	8-Gross Profit: >35%	-2,055,525		
9-Employees: 500-999	8-Gross Profit: >35%	-3,322,903		
10-Employees: 1000+	8-Gross Profit: >35%	-30,561,164		
5 - \$2,500,000 - \$4,999,999	2-Employees: 1-4	1-Gross Profit: <5%	50,111	
		3-Gross Profit: <15%	50,908	
		4-Gross Profit: <20%	57,155	
		5-Gross Profit: <25%	39,699	
		7-Gross Profit: <35%	78,041	
		8-Gross Profit: >35%	57,763	
	3-Employees: 5-9	1-Gross Profit: <5%	25,991	

Revenue Group	Employee Group	Gross Profit Margin Group	Median Change: Gross Receipts Tax - Health Insurance
		5-Gross Profit: <25%	8,565
		8-Gross Profit: >35%	28,899
	4-Employees: 10-19	1-Gross Profit: <5%	-18,863
		2-Gross Profit: <10%	20,708
		3-Gross Profit: <15%	-29,098
		4-Gross Profit: <20%	-36,959
		5-Gross Profit: <25%	-12,542
		6-Gross Profit: <30%	-16,329
		7-Gross Profit: <35%	-39,378
		8-Gross Profit: >35%	-19,516
	5-Employees: 20-49	1-Gross Profit: <5%	-131,375
		2-Gross Profit: <10%	-77,195
		3-Gross Profit: <15%	-116,583
		4-Gross Profit: <20%	-133,044
		5-Gross Profit: <25%	-128,659
		6-Gross Profit: <30%	-156,925
		7-Gross Profit: <35%	-133,136
		8-Gross Profit: >35%	-143,172
	6-Employees: 50-99	1-Gross Profit: <5%	-387,542
		4-Gross Profit: <20%	-323,696
5-Gross Profit: <25%		-474,552	
8-Gross Profit: >35%		-409,984	
7-Employees: 100-249	1-Gross Profit: <5%	-987,162	
	8-Gross Profit: >35%	-1,048,378	
8-Employees: 250-499	1-Gross Profit: <5%	-1,908,491	
	5-Gross Profit: <25%	-1,868,357	
	8-Gross Profit: >35%	-1,989,198	
9-Employees: 500-999	1-Gross Profit: <5%	-4,280,774	
10-Employees: 1000+	8-Gross Profit: >35%	-32,400,893	
6 - \$5,000,000 - \$9,999,999	2-Employees: 1-4	1-Gross Profit: <5%	179,206
		8-Gross Profit: >35%	165,552
	3-Employees: 5-9	1-Gross Profit: <5%	120,859
		3-Gross Profit: <15%	189,148
		4-Gross Profit: <20%	85,406
		5-Gross Profit: <25%	143,478
		6-Gross Profit: <30%	201,583
		7-Gross Profit: <35%	156,651
		8-Gross Profit: >35%	139,996
	4-Employees: 10-19	1-Gross Profit: <5%	112,758
		3-Gross Profit: <15%	98,568
		4-Gross Profit: <20%	130,280
		7-Gross Profit: <35%	7,387
		8-Gross Profit: >35%	87,617

Revenue Group	Employee Group	Gross Profit Margin Group	Median Change: Gross Receipts Tax - Health Insurance
	5-Employees: 20-49	1-Gross Profit: <5%	-39,730
		2-Gross Profit: <10%	46,703
		3-Gross Profit: <15%	-26,951
		4-Gross Profit: <20%	-96,859
		5-Gross Profit: <25%	50,187
		6-Gross Profit: <30%	-41,899
		7-Gross Profit: <35%	14,083
		8-Gross Profit: >35%	-38,682
	6-Employees: 50-99	1-Gross Profit: <5%	-275,048
		2-Gross Profit: <10%	-465,663
		4-Gross Profit: <20%	-225,659
		5-Gross Profit: <25%	-273,941
		6-Gross Profit: <30%	-362,949
		7-Gross Profit: <35%	-283,207
		8-Gross Profit: >35%	-285,164
		7-Employees: 100-249	1-Gross Profit: <5%
	5-Gross Profit: <25%		-948,143
	6-Gross Profit: <30%		-929,645
	8-Gross Profit: >35%		-893,455
	8-Employees: 250-499	1-Gross Profit: <5%	-2,501,698
8-Gross Profit: >35%		-2,024,820	
9-Employees: 500-999	8-Gross Profit: >35%	-4,843,377	
10-Employees: 1000+	8-Gross Profit: >35%	-16,233,162	
7 - \$10,000,000 - \$99,999,999	2-Employees: 1-4	1-Gross Profit: <5%	1,166,724
		4-Gross Profit: <20%	565,673
		5-Gross Profit: <25%	1,313,442
		8-Gross Profit: >35%	1,193,654
	3-Employees: 5-9	1-Gross Profit: <5%	671,256
		2-Gross Profit: <10%	1,883,307
		3-Gross Profit: <15%	2,596,194
		8-Gross Profit: >35%	959,221
	4-Employees: 10-19	8-Gross Profit: >35%	1,462,335
	5-Employees: 20-49	1-Gross Profit: <5%	995,652
		4-Gross Profit: <20%	629,535
		5-Gross Profit: <25%	1,063,357
		6-Gross Profit: <30%	805,128
		7-Gross Profit: <35%	876,648
		8-Gross Profit: >35%	1,282,226
		6-Employees: 50-99	1-Gross Profit: <5%
	3-Gross Profit: <15%		1,267,028
	4-Gross Profit: <20%		455,966
	5-Gross Profit: <25%		1,699,900
	7-Gross Profit: <35%		921,971

Revenue Group	Employee Group	Gross Profit Margin Group	Median Change: Gross Receipts Tax - Health Insurance
8 - \$100,000,000 - \$499,999,999	7-Employees: 100-249	8-Gross Profit: >35%	995,157
		1-Gross Profit: <5%	903,759
		2-Gross Profit: <10%	417,285
		3-Gross Profit: <15%	-584,024
		4-Gross Profit: <20%	-645,548
		5-Gross Profit: <25%	938,668
		7-Gross Profit: <35%	693,441
		8-Gross Profit: >35%	398,524
	8-Employees: 250-499	1-Gross Profit: <5%	-957,028
		3-Gross Profit: <15%	-2,027,809
		7-Gross Profit: <35%	-809,208
		8-Gross Profit: >35%	-888,136
	9-Employees: 500-999	1-Gross Profit: <5%	-3,341,917
		4-Gross Profit: <20%	-2,901,617
		8-Gross Profit: >35%	-2,672,300
10-Employees: 1000+	5-Gross Profit: <25%	-10,013,191	
	8-Gross Profit: >35%	-25,235,692	
9 - \$500,000,000 - \$999,999,999	2-Employees: 1-4	8-Gross Profit: >35%	6,429,321
		3-Employees: 5-9	8-Gross Profit: >35%
	4-Employees: 10-19	8-Gross Profit: >35%	7,860,553
		5-Employees: 20-49	8-Gross Profit: >35%
	6-Employees: 50-99	3-Gross Profit: <15%	8,513,717
		8-Gross Profit: >35%	8,102,798
	7-Employees: 100-249	8-Gross Profit: >35%	6,103,752
	8-Employees: 250-499	7-Gross Profit: <35%	6,413,523
		8-Gross Profit: >35%	4,803,738
	9-Employees: 500-999	1-Gross Profit: <5%	-580,372
		4-Gross Profit: <20%	2,385,998
		5-Gross Profit: <25%	903,659
		6-Gross Profit: <30%	779,780
		8-Gross Profit: >35%	2,938,299
	10-Employees: 1000+	6-Gross Profit: <30%	-9,797,115
7-Gross Profit: <35%		-36,249,780	
8-Gross Profit: >35%		-15,564,416	
10 - \$1,000,000,000+	3-Employees: 5-9	8-Gross Profit: >35%	20,377,978
		4-Employees: 10-19	8-Gross Profit: >35%
	8-Employees: 250-499	8-Gross Profit: >35%	14,669,956
		9-Employees: 500-999	3-Gross Profit: <15%
	10-Employees: 1000+	8-Gross Profit: >35%	14,129,450
6-Gross Profit: <30%		5,600,714	
7-Gross Profit: <35%		-28,150,924	
		8-Gross Profit: >35%	-9,093,774
10 - \$1,000,000,000+	4-Employees: 10-19	8-Gross Profit: >35%	85,796,240

Revenue Group	Employee Group	Gross Profit Margin Group	Median Change: Gross Receipts Tax - Health Insurance
	5-Employees: 20-49	8-Gross Profit: >35%	140,665,124
	6-Employees: 50-99	8-Gross Profit: >35%	186,292,912
	7-Employees: 100-249	8-Gross Profit: >35%	126,271,300
	8-Employees: 250-499	1-Gross Profit: <5%	126,474,664
		4-Gross Profit: <20%	124,886,016
	9-Employees: 500-999	5-Gross Profit: <25%	206,684,832
		8-Gross Profit: >35%	92,054,688
	10-Employees: 1000+	6-Gross Profit: <30%	126,370,992
		7-Gross Profit: <35%	352,315,008
		8-Gross Profit: >35%	107,156,576
Total, Median			-12,344

Table 2: Median Change, Gross Receipts Tax Minus Health Insurance Payments, by Revenue Group, Employee Group, and Gross Profit Margin Group

Economic Notes

The two most common criticisms of a gross receipts tax is that it is inflationary^{31,32} and can be harmful due to its cumulative nature, which can distort market prices and lead to inefficiencies^{33,34,35}. What these and other similar studies leave out of their analysis is the government expenditure side of the analysis. We are not aware of another potential statutory change in the U.S. that would directly link the imposition of a broad based gross receipts tax with earmarked expenditures for state sponsored healthcare³⁶. As mentioned, gross receipts taxes are generally considered in a silo from what they are paying for, which has led many studies to arrive at the aforementioned inflationary and distortionary conclusions³⁷. In Utah Cares' proposal, the gross receipts tax, which shows up as a cost of doing business is replacing another cost of doing business – company-provide private healthcare. Whether the gross receipts tax would directly increase or decrease the cost of doing business in Utah depends on each company's business structure and the competitive position of each company, as well as how the *indirect* flow-through of the gross receipts tax occurs.

³¹ Cnosen, S. (1998). "Taxing Value Added in the European Union: A Critique of the EU Sixth Directive." *Public Finance Review*, 26(6), 546-576.

³² <https://taxfoundation.org/data/all/state/state-gross-receipts-taxes-2024/>

³³ Cline, R., Neubig, T., Phillips, A., & Sanford, M. (2005). "Sales Taxation of Business Inputs: Existing Tax Distortions and the Consequences of Extending the Sales Tax to Business Services." *National Tax Journal*, 58(4), 731-747.

³⁴ https://taxfoundation.org/research/all/state/tax-pyramiding-economic-consequences-gross-receipts-taxes/?utm_source=chatgpt.com

³⁵ Auerbach, A.J. & Feldstein, M. (Eds.). (2002). *Handbook of Public Economics*. Volume 3. Amsterdam: Elsevier.

³⁶ We conducting a limited search for states that may have an earmark of gross receipts tax revenue with healthcare payments, but found none.

³⁷ *Ibid*

Methodology Notes

The modeling was based upon the construction of a microsimulation model. The data for the microsimulation model was based upon simulating potential revenue, employee size, and gross margin from an assumed distribution and normalized to the estimated overall aggregate impact. Further information could change these estimates.