

**MINUTES OF THE
PROPERTY TAX WORKING GROUP
TAX REFORM TASK FORCE**

Wednesday, July 13, 2005 – 10:00 a.m. – Room W110 House Building

Working Group Members Present:

Sen. Mike Dmitrich, Chair
Rep. Gordon E. Snow, Chair
Rep. John Dougall
Comm. Pam H. Hendrickson

Staff Present:

Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel

Note: A list of others present, copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Working Group Business

Chair Dmitrich called the meeting to order at 10:00 a.m.

MOTION: Sen. Dmitrich moved to approve the minutes of the May 26, June 8, and June 16, 2005 meetings. The motion passed unanimously.

2. Truth in Taxation

Mr. Lamar Sayer, Property Tax Division, Utah State Tax Commission, presented "Truth in Taxation." He explained the various requirements that taxing entities must comply with.

Mr. Roger Tew, Utah League of Cities and Towns, presented "Property Tax." He told the Working Group that many aspects of the truth in taxation system work well. For example, the notice to taxpayers mailed in July on the valuation notice is a good way to communicate specific information. He suggested that the newspaper advertisement should be changed to reflect information given to specific taxpayers. The ad should direct the taxpayer to the notice that the taxpayer can then read to determine the specific impact of a proposed tax increase.

Mr. Tew said that the Working Group should consider several tax policy questions with regards to the property tax. The Working Group should consider whether taxing entities should realize additional revenue due to the effects of inflation, whether residential property pays for itself when compared to services provided, and the newspaper ad. Is the newspaper ad intended to "inform" or "inflammate." He also questioned why a property tax revenue increase would be characterized as a "tax increase." However, this same logic is not applied to sales taxes or income taxes.

Rep. Snow asked what the effects of no inflationary adjustment for truth in taxation has had on fees imposed by municipalities. Mr. Tew replied that most municipalities begin their budgeting process with the premise that they will not adopt a property tax levy in excess of the certified rate. The municipality then considers other sources of revenue, including impact fees and other fees. Most municipalities rely on a mix of revenue sources.

Mr. Carl Hendrickson, Legal Counsel, Utah Association of Counties, told the Working Group that in 1981 counties were concerned with prior laws that restricted growth in property tax revenue. Working with Rep. Nolton and other members of the Legislature, the Legislature adopted the current truth in taxation law. He said that at that time counties were uncomfortable with the prior law which severely limited revenues. The flexibility that is allowed under the current truth in taxation system is better. He said that his organization does have two issues of concern. The first concerns the lack of an inflationary adjustment under the truth and taxation system. The second issue concerns the requirement that calendar year entities must publish two newspaper notices: once in December when the budget is considered and again the following July or August when the property tax rate is set. He recommended that the truth in taxation laws be amended to allow for an inflationary increase and to eliminate one of the newspaper notices.

Mr. Mark Anderson, General Counsel, Utah Association of Special Service Districts, and Mr. Roy Watts, Chair of Utah Association of Special Service Districts, told the Working Group that there are 400 special service districts in Utah ranging in size from very large to very small. Mr. Anderson said that his organization has no specific recommendations with regards to the truth in taxation system but that it does agree with many of the recommendations suggested by the Utah League of Cities and Towns. Mr. Anderson said that as an alternative to a newspaper ad that notices or flyers could be included in utility bills. He also said that certified tax rate information from the county auditors is not always available in a timely manner for entities to set budgets.

Mr. Mike Jerman, Vice President, Utah Taxpayers Association, distributed "Maintain Current Certified Tax Rate Calculation." Mr. Jerman told the Working Group that the truth in taxation system does not negatively affect the ability of local governments to raise necessary revenue. As long as a local government is willing to comply with the requirements of the truth in taxation process, property tax revenues can be increased. He said that the notification requirements are an example of "good government" principles in action. It is an important way to communicate from elected officials to the public to explain the purposes for the tax increase and to justify the tax increase.

Rep. Snow asked why voted leeway levies that are approved by the public must also be subject to the truth in taxation process. He said that if the voters have approved a specific rate, why shouldn't that rate be imposed without additional requirements? Mr. Jerman said that the truth in taxation is a "revenue driven" and not "rate driven" system. He also said that property taxes are not related to ability to pay and that any increases must be closely scrutinized.

Rep. Snow asked whether the current system discourages small property tax increases due to the requirements of truth in taxation. Mr. Jerman said that he did not think so given evidence recently seen with school districts.

Sen. Dmitrich summarized the recommendations presented by taxing entities to the Working Group. He said that issues surrounding the double notice, inflationary adjustment, applying or application to voted leeway, alternatives to a second notice, and timing on notification of the certified rate.

3. Other Items / Adjourn

Minutes of the Property Tax Working Group
July 13, 2005
Page 3

MOTION: Rep. Snow moved to adjourn the meeting. The motion passed unanimously.

Chair Dmitirch adjourned the meeting at 12:50 p.m.