

**MINUTES OF THE
TAX REFORM TASK FORCE**

Wednesday, August 10, 2005 – 12:00 noon – Room W135 House Building

Members Present:

Rep. Wayne A. Harper, House Chair
Sen. Curtis S. Bramble, Senate Chair
Sen. Mike Dmitrich
Sen. Howard A. Stephenson
Pres. John L. Valentine
Rep. Ralph Becker
Rep. John Dougall
Rep. Gregory H. Hughes
Rep. Todd E. Kiser
Rep. Rosalind J. McGee
Rep. Merlynn T. Newbold

Rep. Gordon E. Snow
Rep. Stephen H. Urquhart
Mr. Neil H. Ashdown
Comm. Pam R. Hendrickson

Staff Present:

Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Mr. Leif G. Elder, Research Assistant
Ms. Phalin L. Flowers, Legislative Secretary

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

1. Task Force Business

Chair Harper called the meeting to order at 12:08 p.m.

MOTION: Comm. Hendrickson moved to approve the minutes of the July 13 and July 21, 2005 meetings. The motion passed unanimously with Rep. Dougall and Rep. Urquhart absent for the vote.

Rep. Harper distributed and discussed "Working Group Final Recommendations." He explained that this document contains the recommendations adopted by Working Groups as of July 21, 2005.

2. Working Group Reports and Initial Review of Final Working Group Recommendations as of July 21, 2005

Income Tax Working Group

Sen. Stephenson reported that persons representing the UESP (Utah Education Savings Plan) presented to the Working Group. He said that they explained that many plan investors from Utah benefit from the current individual income tax deduction and said that the number of Utah investors would drop if the deduction was eliminated. Sen. Stephenson noted that although the Working Group took no action after this presentation, his sense was that the Working Group did not believe that this is a sufficient reason to retain this deduction.

Sen. Stephenson reported that the Working Group also heard an explanation of two fiscal note memoranda from the Office of the Legislative Fiscal Analyst for 2006 draft legislation "Gross Receipts Tax Amendments, Repeal and Public Utility Tariffs" and "Apportionment of Business Income to Utah." The Working Group also received testimony on these fiscal note memoranda from the Utah State Tax Commission.

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Property Tax Working Group

Sen. Dmitrich reported that this Working Group is studying the wording of the newspaper advertisement required to be printed by taxing entities that intend to impose a property tax rate that exceeds the certified tax rate. He said that the Working Group has asked several interest groups to work together to draft a simplified newspaper advertisement. Sen. Dmitrich also explained that the Working Group would provide a list of recommendations to the Task Force at a later meeting.

Rep. Becker asked that this Working Group also review the circuit breaker property tax relief program.

Sales and Use Tax Working Group

Pres. Valentine reported that this Working Group reviewed a grocery tax credit, inconsistent and confusing sales and use tax practices and policies, and exempting the purchase of business inputs from the sales and use tax. Pres. Valentine also gave an explanation of a proposal by Rep. Harper for a single statewide sales and use tax rate that includes an elimination of some local option sales and use tax rates to be replaced with property taxes. Sen. Bramble asked how this proposal to implement a single statewide sales and use tax rate would impact entities that rely on sales and use tax revenue growth. Rep. Harper explained that these entities would exchange the benefits of revenue growth under the sales and use tax for the benefits of revenue stability under the property tax.

RDA and Other Taxes Working Group

Rep. Newbold reported that this Working Group is studying redevelopment agencies. She explained that the Utah League of Cities and Towns presented proposals for redevelopment agencies. She asked that each member of the Task Force receive a copy of this presentation.

Rep. Newbold said the Working Group reviewed alternative distribution formulas for the one percent local option sales and use tax and also received a presentation by Rep. Wyatt to allow counties to develop optional distribution formulas.

Sen. Bramble commented on the recommendations concerning redevelopment agencies. He said that redevelopment agencies should be reorganized to focus on economic development and community development. He also noted that municipalities also need new tools to cure problems associated with blight.

Rep. Becker said that municipalities may still require the use of eminent domain powers to cure blight and to assemble property for redevelopment projects.

3. Other Items / Adjourn

MOTION: Rep. Hughes moved that draft legislation be prepared to amend the individual income tax to impose a single rate of four percent on federal adjusted gross income.

SUBSTITUTE MOTION: Sen. Bramble moved that the Income Tax Working Group develop specific recommendations regarding this proposal.

Rep. Urquhart noted that the Income Tax Working Group has already reviewed this proposal in detail and that it is now ready for consideration by the full Task Force.

Sen. Bramble withdrew his substitute motion.

Sen. Dmitrich, Pres. Valentine, Rep. Becker, and Rep. Newbold said that while they support a motion to draft legislation, they do not necessarily support implementing a state individual income tax with a single rate and no deductions.

The motion passed unanimously.

Rep. McGee requested that the document "Working Group Final Recommendations" be modified to include the estimated revenue effect for each recommendation.

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

Chair Harper adjourned the meeting at 12:46 p.m.