

**MINUTES OF THE  
REVENUE AND TAXATION INTERIM COMMITTEE**

Wednesday, July 20, 2005 – 2:00 p.m. – Room W135 House Building

**Members Present:**

Sen. Curtis S. Bramble, Senate Chair  
Rep. Wayne A. Harper, House Chair  
Sen. Brent H. Goodfellow  
Sen. Howard A. Stephenson  
Rep. Sheryl L. Allen  
Rep. Tim M. Cosgrove  
Rep. Glenn A. Donnelson  
Rep. Craig A. Frank  
Rep. Gregory H. Hughes  
Rep. Fred R. Hunsaker  
Rep. Bradley G. Last  
Rep. Rebecca Lockhart  
Rep. Roz J. McGee  
Rep. Carol Spackman Moss  
Rep. Patrick L. Painter  
Rep. Gordon E. Snow

**Members Absent:**

Sen. Mike Dmitrich  
Sen. Lyle W. Hillyard  
Pres. John L. Valentine  
Rep. Ralph Becker  
Rep. Merlynn T. Newbold

**Staff Present:**

Mr. Phillip V. Dean, Policy Analyst  
Mr. Bryant R. Howe, Assistant Director  
Ms. Angela D. Oakes, Associate General Counsel  
Ms. Rebecca L. Rockwell, Associate General Counsel  
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.le.utah.gov](http://www.le.utah.gov).

**1. Committee Business**

Sen. Bramble called the meeting to order at 2:55 p.m.

**MOTION:** Rep. Donnelson moved to approve the minutes of the June 15, 2005 meeting. The motion passed unanimously with Rep. Allen, Rep. Hughes, Rep. Last, Rep. Lockhart, and Rep. McGee absent for the vote.

**2. Recommendations for Tax Reform -- Public Education Community**

Ms. Pat Rusk, President, Utah Education Association, introduced Mr. Richard Sims, President, Sierra Institute on Applied Economics.

Mr. Sims presented "State Taxes, Educational Effort and Economic Growth." He reviewed one study of Utah's tax system that concludes that persons with lower incomes pay a higher percentage of their incomes in state and local taxes than do persons with higher incomes. He explained that this makes it difficult to fund services over time. He also displayed a chart that showed what might happen to employment in Utah if the state corporate franchise and income taxes were to be eliminated compared to possible employment effects if an additional \$135 million for public education were to be appropriated.

Sen. Bramble asked Ms. Rusk to explain her organization's recommendations for a long-term plan for funding public education. Ms. Rusk replied that the Legislature should prioritize its spending decisions and that investments in public education will expand the economy.

Rep. Harper asked Mr. Sims to discuss his recommendations on how to increase the elasticity of the sales and use tax. Mr. Sims replied that the tax base should be broadened to include some services and that Utah should continue its participation in the Streamlined Sales Tax Project.

**MOTION:** Sen. Stephenson moved to continue discussing this agenda item and allow additional speakers three minutes each to speak. The motion passed with Rep. Harper and Rep. Donnelson absent for the vote.

Mr. Bill Moore, President, USBA (Utah School Boards Association), introduced Mr. Chad Harris, Associate Executive Director, USBA. Mr. Harris explained that the two priorities for his organization include: (1) maintaining the constitutional safeguards that have served the state so well for many years regarding spending taxes on income for education; and (2) minimizing the impact of RDAs (redevelopment agencies) on public education entities. He also recommended that school districts be allowed to collect additional property tax revenue to compensate for the effects of inflation. He concluded by encouraging the Legislature to maintain fiscal neutrality as part of its tax reform efforts.

Mr. Kim Burningham, President, State Board of Education, distributed and discussed "Some thoughts to consider when 'reforming' taxation." He recommended that the Committee: (1) create a tax structure that can adequately fund student growth; (2) maintain equity between various sectors of the State; (3) place reasonable limitations on the scope of RDAs; (4) authorize tax breaks conservatively; and (5) provide funding for improvement of educational quality.

### **3. Recommendations for Tax Reform -- Parents for Choice in Education**

Ms. Elisa Peterson, Parents for Choice in Education, presented "Sound Education and Tax Policy." She explained a tuition tax credit for private school education. She commented that to be eligible for the credit, students must be enrolled in a public school on January 1, 2006, be born after September 1, 2000, or be eligible to receive reduced-price lunch. She also showed a chart that explained the amount of the credit based on family size and income. Ms. Peterson explained that while a tuition tax credit is not the only solution, it could help divert some of the new growth away from the public education system. The increasing number of new school-aged children poses unique challenges and new alternatives must be examined.

### **4. Progress Report from the Tax Reform Task Force**

Rep. Snow gave an update on the Property Tax Working Group. He explained that it is studying truth in taxation issues and that at its next meeting it would discuss the primary residential property tax exemption and extending this exemption to secondary residences. He also indicated that the Working Group has not adopted recommendations.

Mr. Dean gave an update on the Income Tax Working Group. He explained its recommendations for a flat tax. He also explained that it has asked the CRC (Constitutional Revision Commission) to review eliminating earmarking taxes on income for education. He also explained that the Working Group is studying gross receipts taxes imposed on electrical corporations.

Mr. Dean gave an update on the Sales and Use Tax Working Group. He explained that the Working Group is discussing the sales and use taxation of food and expanding the sales and use tax base to include certain services. Mr. Dean said that the Working Group is also reviewing current sales and use tax exemptions.

Sen. Bramble gave an update on the RDA/Other Taxes Working Group. He explained that it is studying the allocation formula for the one percent local option sales and use tax, including the "hold harmless" requirements of the current formula.

Rep. Cosgrove said that he appreciated the Committee's discussion and presentations on a long-term funding plan for public education. He asked whether other groups would be invited to future meetings to provide testimony on this issue. Sen. Bramble said that the Committee was responding to concerns from the public education community that the state lacks a long-term plan for funding public education and that is why these three organizations were invited to appear.

**5. Update on 2004 Taxable Year Contributions on the Individual Income Tax Return and Options for Redesign of the Return -- Utah State Tax Commission**

Due to lack of time, this item was not discussed.

**6. Other Items / Adjourn**

**MOTION:** Rep. McGee moved to adjourn the meeting. The motion passed unanimously with Rep. Harper and Rep. Lockhart absent for the vote.

Sen. Bramble adjourned the meeting at 4:34 p.m.