

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

Wednesday, January 11, 2006 – 9:00 a.m. – Room W135 House Building

**Members Present:**

Sen. Curtis S. Bramble, Senate Chair  
Rep. Wayne A. Harper, House Chair  
Sen. Mike Dmitrich  
Sen. Lyle W. Hillyard  
Sen. Howard A. Stephenson  
Pres. John L. Valentine  
Rep. Sheryl L. Allen  
Rep. Ralph Becker  
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. Rosalind J. McGee  
Rep. Carol Spackman Moss  
Rep. Merlynn T. Newbold  
Rep. Patrick L. Painter  
Rep. Gordon E. Snow

**Members Absent:**

Sen. Brent H. Goodfellow

**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**

Chair Bramble called the meeting to order at 9:19 a.m.

**MOTION:** Sen. Dmitrich moved to approve the minutes of the November 9, 2005 meeting. The motion passed unanimously with Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. Hughes, and Rep. Hunsaker absent for the vote.

**2. Final Report of the Tax Reform Task Force**

Sen. Bramble explained that S.B. 29 "Sales and Use Tax Exemption - Telecommunications" 2006 General Session will be sent directly to the Senate floor.

Rep. John Dougall and Mr. Neil Ashdown, Chief of Staff, Governor's Office, distributed and discussed 2006 General Session draft legislation "Tax Amendments" and presented "Individual Income Tax Reform" and "Tax Reform: Plan H3480-2004 Tax Data." They explained that this plan would include an individual income tax rate of five percent or less, a charitable contribution credit, a home ownership credit, and a reform adjustment tax credit.

Mr. James Valarian, Utah Rally for Peace, spoke in opposition to a regressive individual income tax and voiced concerns about removing the sales and use tax on food.

Mr. Steve Peterson, Utah School Boards Association, asked if public education would be negatively impacted by Rep. Dougall's proposal. Sen. Bramble responded that public education would not be negatively impacted.

Mr. Wayne Trembeth, citizen, expressed his opinion that the proposal does not help low-income individuals.

Ms. Sarah Wilhelm, Voices for Utah Children, requested indexing the reform adjustment tax credit so that it will remain viable in the long term.

**MOTION:** Rep. Harper moved to send 2006 General Session draft legislation "Tax Amendments" to the House Revenue and Taxation Standing Committee. The motion passed unanimously with Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. Hunsaker, and Rep. Lockhart absent for the vote.

Rep. Harper distributed and discussed 2006 General Session draft legislation "Sales and Use Tax Amendments." He explained that the bill creates a uniform statewide sales and use tax rate. It also provides for temporary state funding to replace certain local option sales and use taxes that are eliminated under the bill.

Mr. Dennis Nordfelt, Mayor, West Valley City, spoke in support of streamlining the administration of the sales and use taxes, but voiced concerns about funding for the Utah Transit Authority.

**MOTION:** Rep. Harper moved to send 2006 General Session draft legislation "Sales and Use Tax Amendments" to the House Revenue and Taxation Standing Committee. The motion passed unanimously with Sen. Dmitrich, Pres. Valentine, and Rep. Becker absent for the vote.

**MOTION:** Sen. Hillyard moved to proceed to the next agenda item. The motion passed unanimously with Sen. Dmitrich, Pres. Valentine, and Rep. Becker absent for the vote.

### **3. Annual Report of the Utah Tax Review Commission**

Mr. David Crapo, Vice Chair, Utah Tax Review Commission, distributed and discussed S.B. 37 "Income Tax - Taxation of Individuals, Estates, and Trusts" 2006 General Session. He explained that this bill clarifies the taxation of trusts and estates.

Ms. Rockwell distributed and discussed "Major Highlights of Draft Legislation 'Income Tax -- Taxation of Individuals, Estates, and Trusts.'" She briefly explained the changes the bill makes to the taxation of estates and trusts under the individual income tax.

Mr. Narrvel Hall, Ray Quinney & Nebeker, commented on the legislation.

Mr. Crapo distributed and discussed S.B. 38 "Individual Income Taxation of Certain Trust Distributions" 2006 General Session.

**MOTION:** Sen. Hillyard moved to send S.B. 37 "Income Tax - Taxation of Individuals, Estates, and Trusts" 2006 General Session and S.B. 38 "Individual Income Taxation of Certain Trust Distributions" 2006 General Session to the Senate Revenue and Taxation Standing Committee. The motion passed unanimously with Pres. Valentine, Rep. Becker, Rep. McGee, Rep. Moss, and Rep. Newbold absent for the vote.

Sen. Hillyard distributed and discussed S.J.R. 2 "Resolution Enlarging Revenues and Assets in State Trust Fund" 2006 General Session. He explained that this resolution would enable the Legislature to allocate some of the revenue from oil and gas severance taxes to be added to a permanent state trust fund. Committee discussion followed.

**MOTION:** Sen. Hillyard moved to send S.J.R. 2 "Resolution Enlarging Revenues and Assets in State Trust Fund" 2006 General Session to the Senate Revenue and Taxation Standing Committee. The motion passed unanimously with Pres. Valentine, Rep. Becker, Rep. Moss, Rep. Newbold, and Rep. Painter absent for the vote.

Chair Bramble indicated that the next item of business is draft legislation "Tax on Insurance Premiums."

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Tax on Insurance Premiums." She explained that this legislation is being returned to the Committee for further review and action.

Sen. Bramble said that this legislation would have no impact on current General Fund revenue.

**MOTION:** Sen. Bramble moved to send 2006 General Session draft legislation "Tax on Insurance Premiums" to the Senate floor. The motion passed unanimously with Sen. Hillyard, Pres. Valentine, Rep. Allen, Rep. Becker, Rep. Last, Rep. Moss, and Rep. Newbold absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Requirement of Property Tax Increase Advertisement," "Current Notice Format," and "Requirement of Property Tax Increase Advertisement Bill File 290."

**MOTION:** Sen. Stephenson moved to delete "certified tax rate" on line 169 and insert "property tax revenue for the prior year." The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. Donnelson, Rep. Hughes, Rep. Lockhart, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

**MOTION:** Sen. Stephenson moved to send 2006 General Session draft legislation "Requirement of Property Tax Increase Advertisement," as amended, to the full Legislature. The motion passed with Rep. Cosgrove and Rep. McGee voting in opposition and Sen. Dmitrich, Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. Hughes, Rep. Lockhart, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Sen. Stephenson distributed and discussed 2006 General Session draft legislation "Corporate Franchise and Income Taxes - Sales of Tangible Personal Property." He explained that this bill repeals certain language that provides that sales of tangible personal property shipped from within the state is considered to be a sale within the state.

Ms. Lynn Solarczyk, Utah State Tax Commission, said the bill repeals policy that is currently in place and would result in a revenue loss.

**MOTION:** Sen. Stephenson moved to send 2006 General Session draft legislation "Corporate Franchise and Income Taxes - Sales of Tangible Personal Property" to a Revenue and Taxation Standing Committee. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Pres. Valentine, Rep. Becker, Rep. Hughes, Rep. Lockhart, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Ms. Rockwell distributed and discussed 2006 General Session draft legislation "State Tax Commission Bonding and Licensing Amendments." Ms. Solarczyk explained that the bill repeals a requirement that third party providers be licensed and bonded with the Utah State Tax Commission. She said the bill also lowers the minimum bond rate from \$50,000 to \$25,000.

Staff distributed "59-1-401. Offenses and penalties -- Rulemaking authority -- Statute of limitations -- Commission authority to waive, reduce, or compromise penalty or interest."

Mr. Gary Thorup, Holme Robert & Owen, asked that 2006 General Session draft legislation "State Tax Commission Bonding and Licensing Amendment" be sent to a standing committee for further discussion. Sen. Bramble said that the Committee was unaware that there were concerns with the draft legislation and said that the bill would be sent to a standing committee.

**MOTION:** Rep. Cosgrove moved to send 2006 General Session draft legislation "State Tax Commission Bonding and Licensing Amendments" to a Revenue and Taxation Standing Committee. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Lockhart, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Ms. Oakes distributed and discussed 2006 General Session draft legislation "Property Tax Revisions." Ms. Solarczyk explained that this bill makes technical changes and moves language regarding calculation of the certified tax rate to a different code section.

**MOTION:** Rep. Cosgrove moved to adopt 2006 General Session draft legislation "Property Tax Revisions" as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Lockhart, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Ms. Rockwell distributed and discussed 2006 General Session draft legislation "Reportable Transactions Act." Ms. Solarczyk explained that the Utah State Tax Commission needs additional tools to prevent abusive tax shelters. She said that this bill requires individuals who are participating in certain tax planning practices to disclose certain information to the Tax Commission.

**MOTION:** Rep. Harper moved to adopt 2006 General Session draft legislation "Reportable Transactions Act" as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Lockhart, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Ms. Solarczyk distributed and discussed 2006 General Session draft legislation "Due Date for Filing Electronically Filed Withholding Returns." She explained that current law does not allow an extension for electronically filed returns and that this legislation would conform state and federal filing deadlines.

**MOTION:** Rep. Newbold moved to send 2006 General Session draft legislation "Due Date for Filing Electronically Filed Withholding Returns" to the House Revenue and Taxation Standing Committee. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Sen. Stephenson distributed and discussed S.B. 31 "Sales and Use Tax - Manufacturing Exemptions Amendments" 2006 General Session. He explained that this bill clarifies the sales and use tax treatment of certain repair parts and replacements.

Ms. Solarczyk explained that the sales and use tax exemption is currently in place for repairs and not replacements. She said that the bill deletes a requirement that parts used to replace or adapt an existing machine must extend the normal estimated useful life of the machine to be eligible for the sales and use tax exemption.

**MOTION:** Sen. Stephenson moved to adopt S.B. 31 "Sales and Use Tax - Manufacturing Exemptions Amendments" 2006 General Session as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Sen. Stephenson distributed and discussed S.B. 33 "Sales and Use Tax Exemption for Certain Business Inputs" 2006 General Session. He explained that this bill would expand the current sales and use tax exemption to apply to additional NAICS codes.

**MOTION:** Sen. Stephenson moved to adopt S.B. 33 "Sales and Use Tax Exemptions for Certain Business Inputs" 2006 General Session as a committee bill. The motion passed with Rep. McGee voting in opposition and Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Rep. Harper distributed and discussed 1st Sub. S.B. 35 "Local Option Sales and Use Tax Distribution Amendments" 2006 General Session.

**MOTION:** Rep. Newbold moved to substitute S.B. 35 "Local Option Sales and Use Tax Distribution Amendments" 2006 General Session. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Hunsaker, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

**MOTION:** Rep. McGee moved to adopt 1st Sub. S.B. 35 "Local Option Sales and Use Tax Distribution Amendments" 2006 General Session as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Hunsaker, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Rep. Harper distributed and discussed H.B. 51 "Sales and Use Taxation of Amusement Devices and Cleaning or Washing of Tangible Personal Property" 2006 General Session.

**MOTION:** Rep. Harper moved to adopt H.B. 51 "Sales and Use Taxation of Amusement Devices and Cleaning or Washing of Tangible Personal Property" 2006 General Session as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Hunsaker, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Sen. Bramble distributed and discussed S.B. 32 "Multi-Channel Video or Audio Service Tax - County or Municipality Franchise Fee Tax Credit" 2006 General Session.

**MOTION:** Rep. Harper moved to adopt S.B. 32 "Multi-Channel Video or Audio Service Tax - County or Municipality Franchise Fee Tax Credit" 2006 General Session as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Hunsaker, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Rep. Harper distributed and discussed "Tax Package Proposal for Bills With Greater than \$10,000 Ongoing Fiscal Impact."

**MOTION:** Rep. Hughes moved to recommend Package B from the document entitled "Tax Package Proposal for Bills With Greater than \$10,000 Ongoing Fiscal Impact."

Committee discussion followed.

**SUBSTITUTE MOTION:** Sen. Stephenson moved to adjourn. The substitute motion failed with Sen. Stephenson, Rep. Allen, Rep. Donnelson, and Rep. McGee voting in favor and Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Hunsaker, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

The original motion failed with Sen. Stephenson, Rep. Cosgrove, Rep. Frank, Rep. Harper, Rep. Hughes, Rep. Last, Rep. Lockhart, and Rep. Newbold voting in favor and Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Hunsaker, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

#### **4. Other Items / Adjourn**

**MOTION:** Pres. Valentine moved to adjourn. The motion passed unanimously with Sen. Dmitrich, Sen. Hillyard, Rep. Becker, Rep. Hunsaker, Rep. Moss, Rep. Painter, and Rep. Snow absent for the vote.

Chair Bramble adjourned the meeting at 2:56 p.m.