

MINUTES OF THE
UTAH TAX REVIEW COMMISSION
Friday, April 21, 2006 – 2:00 p.m. – Room W125 House Building

Members Present:

Mr. David Crapo, Vice Chair
Sen. Lyle W. Hillyard
Sen. Brent Goodfellow
Rep. Wayne Harper
Rep. Rosalind J. McGee
Mr. Larry Barusch
Mr. Mark K. Buchi
Ms. Kathleen Howell
Comm. Bruce Johnson
Mr. Bruce Jones
Mr. Dixie Leavitt

Members Absent:

Mr. M. Keith Prescott, Chair
Dr. Gary Cornia
Ms. Janis A. Dubno

Staff Present:

Mr. Bryant Howe, Assistant Director
Mr. Leif Elder, Research Analyst
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, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. TRC Business

Chair Crapo called the meeting to order at 2:03 p.m.

MOTION: Mr. Jones moved to approve the minutes of the November 29, 2005 meeting. The motion passed unanimously with Sen. Hillyard and Rep. Harper absent for the vote.

2. Review of Tax Related Legislation from the 2006 General Session

Ms. Rockwell distributed and discussed "Statistical Summary of General Sessions 2002-2006," "Statistical Summary of Legislation - 2006 General Session," and "Tax Bills Passed During 2006 General Session." She presented a brief overview of selected bills introduced during the 2006 General Session that had tax implications. She noted that several bills that received a favorable recommendation from the TRC in 2005 passed during the 2006 General Session.

Ms. Oakes discussed some additional tax bills that passed during the 2006 General Session.

Mr. Leavitt requested a written copy of these presentations.

3. Review of TRC Study Items for 2006

Mr. Howe distributed and discussed "TC -23 Monthly Revenue Summary." He introduced Ms. Andrea Wilko and Ms. Juliette Tennert from the Office of the Legislative Fiscal Analyst, Mr. David Stringfellow and Mr. Robert Spendlove from the Governor's Office of Planning and Budget, and Mr. Leif Elder from the Office of Legislative Research and General Counsel. He explained that the Office of the Legislative Fiscal Analyst develops revenue forecasts for the Legislature and the Governor's Office of Planning and Budget develop revenues forecasts for the Governor. Ms. Wilko and Ms. Tennert also write all fiscal notes for tax and revenue related bills.

Minutes of the Utah Tax Review Commission

April 21, 2006

Page 2

Mr. Robert Spendlove, Governor's Office of Planning and Budget, explained that his role is to give policy makers the information and tools to make policy and not to create or advocate policy himself.

Mr. Howe distributed and discussed "Additions to and Deductions from Federal Taxable Income (FTI) Allowed Under the Utah Individual Income Tax" and "Utah Individual Income Tax: Credits." He also distributed and discussed "2006 Possible Study Issues" and briefly explained several study topics that have been suggested to the TRC. He reviewed an email from Mr. Barusch as a possible study item for the 2006 interim. Mr. Howe distributed and discussed "Exemptions to the Sales and Use Tax: Summary of Reviews Conducted by the Tax Review Commission from 1993 through 2005, Legislative Action, and Revenue Effects." He explained that the document lists the sales and use tax exemptions to be reviewed by the TRC.

MOTION: Rep. Harper moved to authorize the TRC chairs to send a letter to the Governor stating that the TRC supports including 2006 General Session S.J.R. 2 "Resolution Enlarging Revenues and Assets in State Trust Fund" and 2006 General Session S.B. 202 "Use of Oil and Gas Tax Revenues" on the call of any special session to be held this year. The motion passed unanimously.

Sen. Hillyard suggested that the TRC study the process of how to obtain the best revenue estimates.

Rep. McGee said that the review of sales and use tax exemptions should receive a high priority.

Ms. Howell said that the TRC should review the implementation of changes to the personal property tax system that were enacted during the 2006 General Session.

Mr. Lee Peacock, Utah Petroleum Association, said that an executive branch working group has been created to study oil and gas severance taxes.

Mr. Buchi suggested that the TRC study trust funds for oil and gas severance tax revenues, including when these trust funds were established and what has been done to make them successful. He recommended that in particular staff examine Wyoming and New Mexico. Mr. Buchi said that the public needs to be educated about the importance of establishing a similar trust fund in Utah.

Comm. Johnson said that he would ask Utah State Tax Commission staff to review the 32 most recently enacted sales and use tax exemptions. He said that he would bring to the TRC any administrative issues identified in this review. He said that these exemptions have never been reviewed by the TRC.

MOTION: Mr. Crapo moved to have the TRC study sales and use tax exemptions every meeting, continue the study of the severance tax trust fund, study personal property taxes, continue the study of the land value tax, review the expected ruling from the United States Supreme Court in the *Cuno* case and its effects on state tax incentives, continue the study of trusts and estates, and study dynamic revenue estimates for tax related legislation. The motion passed unanimously.

Ms. Rockwell distributed and discussed a letter to the Governor concerning an income tax deduction for the Ute Indian Tribe that was added for estates and trust during the 2006 General Session. She explained

Minutes of the Utah Tax Review Commission

April 21, 2006

Page 3

that the letter recommends that the Governor review an agreement with the Ute Indian Tribe to determine whether the agreement needs to be modified to allow for this deduction.

MOTION: Sen. Goodfellow moved to send the letter to the Governor, subject to any feedback from members of the TRC. The motion passed unanimously.

4. Trust Fund -- Severance Taxes on Oil and Gas

Sen. Hillyard distributed and discussed a flowchart titled "SB 202 - Use of Oil and Gas Tax Revenues." This chart shows how revenues from the severance tax on oil and gas would be allocated to both the General Fund and to the State Trust Fund. He explained that 2006 General Session S.B. 202 "Use of Oil and Gas Tax Revenues" would implement 2006 General Session S.J.R. 2.

5. Other Business / Adjourn

MOTION: Sen. Hillyard moved to adjourn the meeting. The motion passed unanimously.

Chair Crapo adjourned the meeting at 3:57 p.m.