

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

Wednesday, June 21, 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. Brent H. Goodfellow
Sen. Howard A. Stephenson
Pres. John L. Valentine
Rep. Sheryl L. Allen
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. Gordon E. Snow

Members Absent:

Sen. Lyle W. Hillyard
Rep. Ralph Becker
Rep. Tim M. Cosgrove
Rep. Patrick L. Painter

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, a copy of related materials, and an audio recording of the meeting can be found at www.le.utah.gov.

1. Committee Business

Chair Bramble called the meeting to order at 9:13 a.m.

MOTION: Sen. Goodfellow moved to approve the minutes of the May 17, 2006 meeting. The motion passed unanimously with Rep. Allen, Rep. Harper, Rep. Hughes, and Rep. Newbold absent for the vote.

2. Update on State Tax Revenue Collections and the Utah Economy

Mr. Howe presented "Utah Economic Update -- June 2006." He discussed Utah's employment situation, changes in gross state product, state and local taxes and total own source revenue, and recent trends in residential and nonresidential construction.

Mr. Dean distributed and discussed "House Price Increases Continue; Some Deceleration Evident" and "TC-23 Monthly Revenue Summary - Eleven Months FY2005-06." He gave an update of Utah's current revenues.

3. Uniform Fees on Property Required to be Registered with the State

Ms. Oakes distributed a letter sent to county legislative bodies from the Tax Commission (Utah State Tax Commission) dated June 13, 2006. She explained that this letter was sent by the Tax Commission at the request of the Committee and reminds the county legislative bodies of their authority to adjust or defer property taxes under certain circumstances. Ms. Oakes also distributed and discussed 2007 General

Session draft legislation "Uniform Fees on Property Amendments." She reviewed changes that had been made to the draft legislation since the previous meeting.

Mr. Lee Gardner, Salt Lake County Assessor, expressed support for the bill and the changes that were made.

Mr. Kris Poulson, Utah County Assessor, explained that he believes most county assessors will be proactive in giving a taxpayer an adjustment if the taxpayer was negatively affected by the recent change in uniform fees.

Mr. Rodney Marrelli, Executive Director, Tax Commission, expressed the Tax Commission's support of the bill but noted some concerns. He said most residents register their boats through motor vehicle offices that are operated by the Tax Commission. He explained that the motor vehicle offices will need to refer taxpayers who seek an adjustment to their respective counties. He said that while the effective date of the bill is upon the governor's signature, the Tax Commission will need time to modify its information systems to comply with the legislation. He also said that unless a boat's classification is provided by the boat's owner, the Tax Commission will not have the proper information with which to correctly classify a boat.

4. Review of Exemption from the State Sales and Use Tax for Sales of Lodging, Motel, and Hotel Services on Navajo Nation Lands

Sen. Dmitrich introduced this item.

Ms. Rockwell discussed Utah Code Ann. § 59-12-104.2, "Exemption for accommodations and services taxed by the Navajo Nation," which was distributed prior to the meeting. She also distributed and discussed "State Sales and Use Tax Exemption for Accommodations and Services Taxed by the Navajo Nation -- Utah Code Ann. § 59-12-104.2" and "State Sales and Use Tax Exemption for Accommodations and Services Taxed by the Navajo Nation -- Highlighting the Issues." She explained that this exemption prevents amounts paid by or charged to a purchaser for certain tourist home, hotel, motel, or trailer court accommodations and services from being subject to a sales and use tax by both the Navajo Nation and the state. Ms. Rockwell addressed the committee study requirements and other issues relating to the exemption.

MOTION: Sen. Dmitrich moved to recommend that the exemption from the state sales and use tax provided for in Utah Code Ann. § 59-12-104.2 be retained. The motion passed unanimously with Pres. Valentine, Rep. Allen, and Rep. McGee absent for the vote.

Sen. Bramble informed the Committee that the chairs plan to schedule a discussion of issues related to the state individual income tax for the next meeting. He said that the options that could be discussed include a rate cut, adjusting brackets, a flatter tax, or allowing a taxpayer to elect between the current system and a flatter tax.

MOTION: Rep. Frank moved to discuss the state individual income tax during the July interim meeting. The motion passed unanimously with Pres. Valentine, Rep. Allen, and Rep. McGee absent for the vote.

5. Amendments to 2006 General Session S.B. 198, "Property Tax - Intangible Property"

Sen. Bramble said that issues remain to be resolved on draft legislation relating to the property tax exemption for intangible property. He said this item will be discussed at a future meeting.

6. Income Tax Credits Voluntary Service by a Health Care Professional

Rep. Lockhart distributed and discussed an amendment to 2006 General Session 1st Substitute H.B. 178, "Tax Credit for Volunteer Service by a Health Care Professional."

MOTION: Rep. Lockhart moved to adopt the amendment to 2006 General Session 1st Substitute H.B. 178, "Tax Credit for Volunteer Service by a Health Care Professional." The motion passed unanimously with Pres. Valentine, Rep. Allen, and Rep. McGee absent for the vote.

Rep. Stephen Clark discussed 2006 General Session H.B. 178, "Tax Credit for Volunteer Service by a Health Care Professional" and 2006 General Session 1st Substitute H.B. 178, "Tax Credit for Volunteer Service by a Health Care Professional," which were distributed prior to the meeting. He explained the background of the bills and why he supports this legislation.

Sen. Bramble said that this legislation would extend preferential tax treatment for the donation of time. He said that this is an area that is not currently addressed in either the state or federal tax codes.

Sen. Stephenson commented that if this preferential tax treatment is granted to health care providers that other professions may also seek similar preferential tax treatment for donations of time to charity.

7. Income Tax Credits for Donated Art

Rep. Allen discussed 2006 General Session draft legislation, "The Alice Art Collection and Donated Art Tax Credits," which was distributed prior to the meeting. She explained that the current budgeted amount with which to acquire works of art for the state's art collection is \$8,000 per year. She said that more artwork is needed for the state's collection and that additional incentives are needed to encourage artists to donate quality work to the collection.

Ms. Margaret Hunt, Director, Utah Arts Council, explained the history of the Utah Arts Council and the need for quality artwork from Utah's artists.

Pres. Valentine commented that under current federal law, a taxpayer may receive a tax benefit for donating a work of art to the state under certain circumstances. He noted, however, that the benefit is limited if the artist is the donor. This legislation would expand the benefit on a state income tax level. Rep. Hughes said that a work of art will often sell at auction for less than its appraised value.

Rep. Allen said that she does not seek committee action on this draft legislation today and welcomes comments and suggestions from committee members.

8. Communications with Legislative Management Committee

MOTION: Sen. Stephenson moved to request that the Legislative Management Committee: (a) authorize the establishment of a subcommittee consisting of members of the Revenue and Taxation Interim Committee and members of the Business and Labor Interim Committee; (b) direct the subcommittee to study the issue of government competition with the private sector; (c) authorize the subcommittee to hold up to six meetings; (d) direct the subcommittee to report its recommendations to both interim committees on or before the November 2006 interim meeting; and (e) appoint as members of this subcommittee

Sen. Brent Goodfellow and Rep. Fred Hunsaker, who serve as members of the Revenue and Taxation Interim Committee and the Privatization Policy Board. The motion passed unanimously with Sen. Dmitrich and Rep. McGee absent for the vote.

9. Other Items / Adjourn

MOTION: Rep. Donnelson moved to adjourn the meeting. The motion passed unanimously with Sen. Dmitrich and Rep. McGee absent for the vote.

Chair Bramble adjourned the meeting at 11:27 a.m.