

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

Wednesday, September 20, 2006 – 10:00 a.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
Pres. John L. Valentine
Rep. Sheryl L. Allen
Rep. Tim M. Cosgrove
Rep. Glenn A. Donnelson
Rep. Craig A. Frank
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. Mike Dmitrich
Sen. Lyle W. Hillyard
Rep. Ralph Becker
Rep. Gregory H. Hughes

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Leif Elder, Research 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 10:10 a.m.

Mr. Dean distributed and discussed "TC-23 Monthly Revenue Summary - Twelve Months FY2005-06."

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

Ms. Oakes distributed and discussed 2007 General Session draft legislation, "Uniform Fees on Property Amendments - Audit Requirement," 2007 General Session draft legislation, "Uniform Fees on Property Amendments - Filing Requirement," and 2007 General Session draft legislation "Uniform Fees on Property Amendments - Mailing Requirement." She explained the differences between the three bills.

Ms. Kathleen Howell, Cache County Assessor, said that 526 boat owners statewide have filed complaints and that of this number, 450 live in Salt Lake and Utah counties. She said that 17 counties have already issued refunds and 12 counties are waiting for the Legislature to enact authorizing legislation. She said that only Salt Lake County and Utah County are capable of determining which boat owners are entitled to a refund. She suggested informing boat owners of the availability of a refund by including a statement on the registration renewal notice they will receive next year.

Mr. Lee Gardner, Salt Lake County Assessor, said that the Salt Lake County Council's legal counsel opined that the county may not issue a refund absent specific statutory authority.

Mr. Arie van de Graaff, Utah Association of Counties, said the counties that are waiting for specific legislation from the Legislature are not prohibiting taxpayers from applying for a refund, but these counties will not grant a refund until they have authority to do so.

MOTION: Rep. Snow moved to amend 2007 General Session draft legislation, "Uniform Fees on Property Amendments - Mailing Requirement" to include an immediate effective date. The motion passed unanimously with Pres. Valentine absent for the vote.

Mr. Rod Marrelli, Executive Director, Tax Commission (Utah State Tax Commission), said the Tax Commission needs 90 days to change its software after the legislation is adopted.

MOTION: Rep. Snow moved to adopt 2007 General Session draft legislation, "Uniform Fees on Property Amendments - Mailing Requirement," as amended, as a committee bill. The motion passed unanimously with Pres. Valentine absent for the vote.

MOTION: Rep. Snow moved to recommend that the appropriate Rules Committee place 2007 General Session draft legislation, "Uniform Fees on Property Amendments - Mailing Requirement" on the consent calendar. The motion passed unanimously with Pres. Valentine absent for the vote.

3. Other Items

Mr. Neil Ashdown, Chief of Staff, Governor's Office, thanked the Committee for its involvement and work on income tax reform during the special session. He said the Governor's Office looks forward to working with the Legislature on additional reform of the individual income tax.

Rep. John Dougall said that the governor favors reducing the single rate individual income tax to five percent and designing a tax system where all or nearly all taxpayers elect to use the single rate system.

Rep. Allen spoke about the benefits of the Utah Education Savings Plan and requested that the Committee consider legislation regarding this program at a future meeting.

Rep. McGee spoke in support of implementing an earned income tax credit and of broadening the sales and use tax base.

Sen. Bramble said that Utah is setting the standard for other states in tax reform efforts.

Mr. Keith Prescott, Chair, Utah Tax Review Commission, spoke to the Committee on what he recommends for the next step in income tax reform. He said that while he does not strongly support S.B. 4001 adopted by the Legislature during the Fourth Special Session, it does present an opportunity to carefully consider the next steps in tax reform. He said he hopes that future tax reform efforts can be done in a single step and that the current system should not be left in place for an extended period of time. He said that the Legislature should seek to move all taxpayers to the single rate system based on federal adjusted gross income.

Sen. Bramble asked Mr. Prescott to present his recommendations at the next committee meeting.

4. Deferral of Property Tax Payments for the Elderly

Mr. Dennis Stowell, Iron County Commissioner, explained that property taxes in Iron County have increased dramatically in the past few years and that elderly taxpayers on fixed incomes have difficulty paying high taxes. He suggested that a deferral program could help these taxpayers.

Sen. Bramble suggested that elderly taxpayers be allowed to defer a portion of their property tax liability. Each year's amount of deferred property taxes would constitute a lien that could be settled when the taxpayer's home is sold.

Rep. Last asked how often county assessors assess the fair market value of a home. He said some of the problem might be that values are not kept current each year.

Mr. Lee Gardner, Salt Lake County Assessor, explained how increases in a property's fair market value may or may not increase a taxpayer's property tax liability. He said that most homes are located within the jurisdiction of several different taxing entities such as a county, a city, a school district, and one or more service districts. Various shifts in fair market value and, therefore, property tax liability, can occur each year in each taxing entity. Voter approved property tax levies for bond repayments may also increase a taxpayer's property tax.

Mr. Larry Richardson, Salt Lake County Treasurer, said there are 35 homes on property tax deferral out of 240,000 residential properties in Salt Lake County. He said Salt Lake County relies on the circuit breaker income eligibility requirements to determine eligibility for property tax deferral. He explained that a taxpayer may qualify for the circuit breaker as well as property tax deferral.

Ms. Betty Pettit, senior citizen, explained how her property taxes have increased and how it makes it difficult to keep her home. She said that the property taxes on her recreational property have also increased.

Rep. Newbold said that many of her constituents have expressed concern over increasing property taxes. She said any new deferral program should be carefully developed so that tax shifts don't harm other taxpayers. Rep. Harper said the Legislature has recently expanded the circuit breaker program's eligibility and benefits.

Pres. Valentine said that a deferral or abatement program for the elderly might require an amendment to the Utah Constitution. He said the Utah Constitution only allows the taxes of the poor to be remitted or abated.

MOTION: Sen. Stephenson moved to direct staff to prepare for a future meeting: (1) an overview of property tax relief programs for the elderly in other states, (2) design options for a property tax deferral program for the elderly, (3) a review of the circuit breaker program and other issues related to the aging population of Utah, and (4) to coordinate with the Utah Commission on Aging on the development of these options.

Sen. Stephenson said he wants to ensure that Utah is an attractive state in which to retire.

The motion passed unanimously with Rep. Allen and Rep. Cosgrove absent for the vote.

4. Language Requirements for Ballots Authorizing General Obligation Bonds

Sen. Bramble told the Committee that recent legislation requires that any voter initiative petition seeking to increase a tax clearly disclose that fact. He said a similar requirement is needed with respect to ballot proposition language authorizing the issuance of a general obligation bond. He said that current state law

does not require the ballot proposition to disclose what the property tax increase might be if the bond issuance is approved.

5. Overview of the Calculation of the Certified Property Tax Rate

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

6. Other Items / Adjourn

MOTION: Rep. Cosgrove moved to adjourn the meeting. The motion passed unanimously with Pres. Valentine and Rep. Allen absent for the vote.

Chair Bramble adjourned the meeting at 11:55 a.m.