

**MINUTES OF THE
UTAH TAX REVIEW COMMISSION**

Friday, September 22, 2006 – 1:00 p.m. – Room 125 House Building

Members Present:

Mr. M. Keith Prescott, Chair
Mr. David Crapo, Vice Chair
Sen. Brent Goodfellow
Rep. Wayne Harper
Rep. Rosalind J. McGee
Mr. Larry Barusch
Mr. Mark K. Buchi
Ms. Janis A. Dubno
Ms. Kathleen Howell
Commissioner Bruce Johnson
Mr. Bruce Jones
Mr. Dixie Leavitt

Members Absent:

Sen. Lyle W. Hillyard
Dr. Gary Cornia

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Leif G. Elder, Research Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Mr. Mitch Park, Law Clerk
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

Vice Chair Crapo called the meeting to order at 1:03 p.m.

Ms. Oakes distributed and discussed "Funding, Structures, and Uses of Trust Funds in Other States." She explained that this document was presented at a previous TRC meeting and has been updated to include additional items of information requested by the TRC. She reviewed trust fund structures, balances, and use of trust fund earnings in selected oil and gas producing states. She reviewed how a portion of Colorado's oil and gas severance tax revenue is allocated to local governments in that state.

Mr. Buchi noted that the Natural Resources Extraction Impact Working Group has recommended that a portion of state oil and gas severance tax revenue be distributed to local governments. Comm. Johnson said that the TRC should confer with other interested groups to reach a consensus on this issue. Mr. Buchi emphasized that the TRC proposal did not include sharing oil and gas tax revenue with local governments.

MOTION: Mr. Buchi moved that the TRC continue to promote the establishment of an oil and gas severance tax trust fund and that the TRC contact the Governor's office to ensure that the TRC recommendation is explained to the Governor and remains a viable option. The motion passed unanimously with Rep. Harper absent for the vote.

Vice Chair Crapo asked Mr. Buchi to chair this effort and that Mr. Prescott, Sen. Hillyard, and Ms. Dubno also be involved.

MOTION: Sen. Goodfellow moved to approve the minutes of the August 11 and August 31, 2006 meetings. The motion passed unanimously with Rep. Harper absent for the vote.

Ms. Rockwell distributed and discussed 2006 Fourth Special Session S.B. 4001, "Income Tax Amendments" and "Summary of S.B. 4001, 4th Special Session - Individual Income Tax." She summarized the bill's major provisions.

Ms. Oakes distributed and discussed 2006 Fourth Special Session H.B. 4001, "County Option Funding For Regionally Significant Transportation Infrastructure" and "County Option Funding for Regionally Significant Transportation Infrastructure." She summarized the bill's major provisions.

Comm. Johnson asked what were the policy reasons for not allowing trusts or estates to calculate state individual income tax liability on the basis of federal adjusted gross income and a single tax rate. He asked if the implications of this disallowance had been evaluated. Rep. Harper suggested that the TRC reconvene the Estate and Trust Working Group to review this issue.

MOTION: Chair Prescott moved to reconvene the Estate and Trust Working Group and direct it to review whether trusts or estates should be allowed to pay a single rate individual income tax on the basis of federal adjusted gross income. The motion passed unanimously.

2. Sales and Use Tax Exemptions

Mr. Park distributed and discussed "Exemption for Sales of Aircraft Manufactured in Utah if Sold for Use Outside Utah Where a Sales Tax Is Not Imposed."

Comm. Johnson suggested removing the word "delivery" from the exemption.

Mr. Barusch suggested extending the exemption to all tangible personal property.

MOTION: Comm. Johnson moved to direct staff to compile a summary of all sales and use tax exemptions pertaining to the sale and use of tangible personal property that is delivered or used outside the state and to determine the feasibility of combining these exemptions into a single exemption. The motion passed unanimously.

Mr. Park distributed and discussed "Exemption for Sales or Leases of Vehicles to or Use of Vehicles by an Authorized Carrier" and "Sales/Use Tax Treatment of Common and Contract Carriers."

Mr. Buchi said that he was involved with the enactment of this exemption and with a subsequent Utah Supreme Court case regarding its application. He said that most states have a similar exemption to promote the aftermarket installation of parts and accessories in the state where a truck is delivered. He said that because of a recent Utah Supreme Court ruling, some trucking companies no longer install in Utah satellite equipment in trucks. He suggested that this issue be reviewed by the TRC.

Mr. Crapo suggested that this issue could be reviewed under the previous motion.

Mr. Park distributed and discussed "Exemption for the Lease or Use of a Vehicle Issued a Temporary Sports Event Registration Certificate."

Comm. Johnson said that motor vehicle dealers typically have a limited number of dealer license plates on hand at any one time. He said that this exemption allows a dealer to loan vehicles from inventory for use in connection with a major sporting event, such as a golf tournament. He said that one reason this exemption was enacted was to facilitate the use of vehicles from motor vehicle dealer inventory during the 2002 Olympic Winter Games.

MOTION: Chair Prescott moved to consider action on this exemption after the Utah Sports Commission and motor vehicle dealers have presented their views regarding the exemption. The motion passed unanimously with Rep. McGee absent for the vote.

Mr. Park distributed and discussed "Exemption for Sales to and by the Heber Valley Historic Railroad Authority."

Ms. Rockwell suggested that the TRC consider enacting this sales and use tax exemption in Utah Code Ann. Title 59, Chapter 12, Sales and Use Tax Act.

MOTION: Mr. Leavitt moved to direct staff to compile additional research on the tax status of the Heber Valley Historic Railroad Authority and to inform the Authority that its sales and use tax exemption is being studied by the TRC. The motion passed unanimously.

Mr. Howe discussed the foregone revenue estimate for the sales and use tax exemption for property brought into the state by a nonresident for personal use or enjoyment. He said that Dr. Cornia had asked how the revenue loss estimate was derived. Mr. Howe explained that the method involved using census data regarding movement of people between states, estimates of personal property a typical household might bring into the state, and then growing that number each year.

3. Policy Statement on Land Value Tax

Mr. Howe distributed and discussed "Policy Statement on Recapturing Land Value for Transportation Financing" and 2006 General Session draft legislation, "Resolution on Assessment and Taxation of Land."

Mr. Barusch and Comm. Johnson commented on the draft policy statement and draft constitutional amendment.

Mr. Leavitt questioned the purpose of the TRC's study of this issue and the extent to which a land value tax is supported by the Legislature.

MOTION: Vice Chair Crapo moved to draft a final position statement of the TRC on land value taxation, to ask Dr. Cornia and Dr. Larry Walters to review this draft, to adopt the draft at a future meeting, and to convey the final position of the TRC to Sen. Howard Stephenson. The motion passed unanimously with Rep. Harper, Mr. Jones, and Chair Prescott absent for the vote.

4. Other Business / Adjourn

MOTION: Comm. Johnson moved to adjourn the meeting. The motion passed unanimously with Rep. Harper, Mr. Jones, and Chair Prescott absent for the vote.

Vice Chair Crapo adjourned the meeting at 3:26 p.m.