

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

Wednesday, September 19, 2007 – 2:00 p.m. – Room W135 House Building

Members Present:

Sen. Wayne L. Niederhauser, Senate Chair
Rep. John Dougall, House Chair
Sen. Curtis S. Bramble
Sen. Mike Dmitrich
Sen. Brent H. Goodfellow
Sen. Howard A. Stephenson
Pres. John L. Valentine
Rep. Ralph Becker
Rep. Tim M. Cosgrove
Rep. Craig A. Frank
Rep. Gage Froerer
Rep. Gregory H. Hughes
Rep. Bradley G. Last
Rep. Rosalind J. McGee
Rep. Carol Spackman Moss

Rep. Merlynn T. Newbold
Rep. Gordon E. Snow
Rep. Aaron Tilton
Rep. Stephen H. Urquhart

Members Absent:

Rep. Wayne A. Harper

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
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 Niederhauser called the meeting to order at 2:08 p.m. Rep. Harper was excused from the meeting.

MOTION: Rep. Dougall moved to approve the minutes of the June 20 and July 18, 2007 meetings. The motion passed unanimously with Sen. Bramble, Sen. Dmitrich, Pres. Valentine, Rep. Becker, Rep. Hughes, Rep. Snow, and Rep. Urquhart absent for the vote.

2. Property Tax – Repeal of Reading Levy

Rep. Dougall distributed and discussed 2008 General Session working draft legislation, "Repeal of Board Leeway for Reading Improvement." He explained that the legislation repeals authorization for school districts to impose a property tax levy to fund a reading program. He said that the forgone property tax revenue would be replaced with funds from the Uniform School Fund.

Mr. Rob Smith, representing Alpine School District and the Utah Association of School Business Officials, spoke in favor of the draft legislation. He said the legislation is a good way to reduce the property tax burden while retaining an effective public education program.

3. Research and Development Income Tax Credit

Ms. Rockwell discussed 2008 General Session draft legislation, "Research Activities Tax Credits Amendments," which was mailed prior to the meeting.

Mr. Fred Lampropoulos, Chairman and CEO, Merit Medical, spoke in support of the draft legislation. He credited the success of his company with numerous research and development projects.

Sen. Stephenson thanked Merit Medical for its support of the draft legislation.

Comm. Marc Johnson, Utah State Tax Commission, said that allowing a taxpayer to claim the tax credit in the year in which it is earned, rather than the following year, is logical and consistent with other tax credits.

MOTION: Sen. Goodfellow moved to approve 2008 General Session draft legislation, "Research Activities Tax Credits Amendments" as a committee bill. The motion passed unanimously with Sen. Bramble, Sen. Dmitrich, Pres. Valentine, Rep. Becker, Rep. Hughes, Rep. Snow, and Rep. Urquhart absent for the vote.

4. Apportionment of Business Income, Attributing Sales to the State, and Deduction of Net Losses by a Unitary Group

Sen. Stephenson distributed and discussed 2008 General Session draft legislation, "Apportionment of Business Income, Attributing Sales to the State, and Deduction of Net Losses by a Unitary Group." He explained that the bill would make Utah an attractive state for companies. He said that the legislation particularly benefits companies that have most of their sales outside of the state but the majority of their property and payroll inside the state.

Ms. Rockwell reviewed the draft legislation.

MOTION: Sen. Stephenson moved to approve 2008 General Session draft legislation, "Apportionment of Business Income, Attributing Sales to the State, and Deduction of Net Losses by a Unitary Group" as a committee bill. The motion passed with Rep. McGee and Rep. Moss voting in opposition and Sen. Bramble, Pres. Valentine, Rep. Becker, Rep. Hughes, and Rep. Urquhart absent for the vote.

5. Property Taxes Imposed by the Jordan Valley Water Conservancy District

Sen. Goodfellow introduced this item. He distributed and discussed "Financial," which is a financial statement of the JVVCD (Jordan Valley Water Conservancy District). He explained that he is concerned that JVVCD is needlessly increasing its property tax and reselling water that is given to them free of charge by Kennecott.

Mr. Richard Bay, General Manager, JVVCD, distributed and discussed "Revenue and Taxation Interim Committee Report." He explained why JVVCD is proposing to increase its property tax, the amount of money JVVCD has spent in the Kennecott groundwater cleanup effort, and JVVCD's annual budget.

6. Public Hearing on Property Tax Issues

Mr. James Ivie, Davis County Assessor, distributed and discussed a memo to the Committee. He discussed the way his office determines the fair market value of property and how often properties are appraised in Davis County.

Mr. Kris Poulsen, Utah County Assessor, gave a presentation to the Committee on appraisal methods used by his office. He also discussed the coefficient of dispersion measure and how his office uses this measure to help determine the extent to which assessed value equals fair market value.

Mr. Lee Gardner, Salt Lake County Assessor, distributed and discussed a packet of information regarding fair market values and appraising and assessing real property in Salt Lake County. He discussed how his office determines the fair market value of property.

Mr. D. W. Bell, Ogden Valley, said that he represents the group "Wingmen for Tax Reform." He spoke in opposition to implementing a "Proposition 13" type property tax limitation in Utah. However, he said that action is needed to control rising property taxes and voiced concern over senior citizens being taxed out of their homes.

Mr. Charles Engberson, Alpine, spoke in opposition to implementing a "Proposition 13" type property tax limitation as a solution to increasing property taxes.

Mr. Keith Thomas, Cottonwood Heights, voiced concern over senior citizens being taxed out of their homes.

Mr. Bob Fisher spoke to the Committee about how much his property taxes have increased.

Mr. Gordon Tyler, Centerville, voiced concern over senior citizens being taxed out of their homes and spoke in opposition to implementing a "Proposition 13" type property tax limitation in Utah.

Mr. Daniel Thomas, Sandy, explained how much the value of his property and the amount of his property taxes have increased.

Ms. Shanna Schaefermeyer, Mayor, North Salt Lake, distributed and discussed a copy of her remarks. She told the Committee about market value appraisal increases in North Salt Lake over the past year and suggested that all property and building valuations be rolled back to 2006 levels until there is a solution to the large property tax increases.

Mr. Thomas Tyler, Provo, spoke in favor of a better method to appeal the amount of property taxes owed.

Ms. Karen Travis, Alta, told the Committee about the increase in her property values and property taxes.

Mr. Rex Harris, Huntsville, suggested that property taxes be based on the sale price of a home. He spoke about the large property value increases in his area.

Mr. Don Despain, Brighton, suggested that property taxes change from an *ad valorem* system to a system based on acreage and square footage.

Mr. Bert Hulet, Bountiful, explained how the value of land and the amount of property taxes have increased in his area.

Mr. Jerald Engstrom, Huntsville Town Attorney, said that it appears that assessors have used a few isolated sales to determine the fair market value of all property in his town.

Mr. Bryan Kohler, Salt Lake Board of Realtors and Sandy resident, said that property tax systems should be fair and evenly applied. He stated that the Board of Realtors supports legislation to keep property taxes low.

Mr. Klaus Pfister, Holladay, discussed the increase in the amount of property taxes he owes.

Mr. L. Jay Sylvester, Lindon, explained increases in his property taxes.

Mr. Jim Gander, Salt Lake City, asked that the Committee study the redundancy of being taxed twice if an individual owns two homes. He also questioned the accuracy of using a few marginal sales to determine fair market value.

Mr. Bliss Parsons, Salt Lake City, explained that his property taxes are more than his mortgage payments.

Mr. David Piggitt, Bountiful, said he believes higher property taxes are unfair and unconstitutional. He also discussed unequal property values compared to the size of homes on those properties.

Mr. Jay Hurst, North Salt Lake, said he believes Utah's property tax is unfair and inequitable.

Mr. David Kearn, Orem, said his property taxes increased more than the property taxes of his neighbors.

Ms. Shanna Francis, Ogden Valley, said her children will probably not be able to continue the family tradition of living in Ogden Valley because of the increases in housing costs, property values, and property taxes.

Ms. Ellen Fowlers, Ogden Valley, discussed the large increase in her property taxes.

Mr. Richard Creemer, Ogden Valley, said he was told there has not been a complete property assessment for many years, which he believes is causing property values to be incorrect.

Ms. Jenny Harris, Ogden Valley, said she believes everyone has the right to own a home, but that second residences are causing values to go up. She spoke in support of increasing taxes on second and third homes.

Sen. Niederhauser and Rep. Dougall told the Committee that it will continue its review of this issue at its next meeting, noting that the Committee will ask representatives of the state's political subdivisions to provide recommendations on how the property tax system can be improved.

7. Other Items / Adjourn

Chair Niederhauser adjourned the meeting at 5:35 p.m.