

**MINUTES OF THE  
UTAH TAX REVIEW COMMISSION**

Friday, November 9, 2007 – 1:00 p.m. – Room 125 House Building

**Members Present:**

Mr. M. Keith Prescott, Chair  
Mr. David Crapo, Vice Chair  
Mr. Larry Barusch  
Mr. Mark K. Buchi  
Rep. John Dougall  
Ms. Janis A. Dubno  
Sen. Brent Goodfellow  
Rep. Wayne Harper  
Sen. Lyle W. Hillyard  
Ms. Kathleen Howell  
Mr. Bruce Jones  
Mr. Dixie Leavitt  
Rep. Rosalind J. McGee  
Sen. Wayne L. Niederhauser

**Members Absent:**

Dr. Gary Cornia  
Comm. Bruce Johnson

**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. Levi Pace, Research Assistant  
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](http://www.le.utah.gov).

**1. TRC Business**

Chair Prescott called the meeting to order at 1:07 p.m.

Staff distributed the minutes of the September 28, 2007 meeting.

**MOTION:** Sen. Goodfellow moved to approve the minutes of the September 28, 2007 meeting. The motion passed unanimously with Sen. Hillyard, Rep. Harper, and Mr. Leavitt absent for the vote.

**2. Income Tax Amendments**

Mr. Crapo gave the TRC an update on the recommendations of the Trusts and Estates Working Group.

Ms. Rockwell discussed 2008 General Session draft legislation, "Income Tax Amendments," which was included in the mailing packet. She also distributed and discussed an amendment to the draft legislation and "Individual Income Taxes and Income Tax on Estates/Trusts Comparison." She said that the draft legislation repeals the multirate individual income tax system, amends certain provisions regarding the imposition of the individual income tax, enacts certain tax credits, and harmonizes the taxation of trust and estates with the single rate individual income tax. She said that the draft legislation also addresses the income taxation of pass through entities.

**MOTION:** Sen. Niederhauser moved the amendments to 2008 General Session draft legislation, "Income Tax Amendments." The motion passed unanimously with Rep. McGee absent for the vote.

**MOTION:** Sen. Hillyard moved to adopt 2008 General Session draft legislation, "Income Tax Amendments," as a TRC bill with line 2260 being deleted. The motion passed unanimously with Rep. McGee absent for the vote.

Sen. Hillyard asked that an amendment be prepared to phase out the trust and estate tax credit when fiscal data is available to determine the phase out amounts. He asked that this amendment be presented to TRC members for review.

### **3. Severance Tax Trust Fund Implementing Legislation**

Ms. Oakes distributed and discussed 2008 General Session draft legislation, "Severance Tax Amendments," and "Utah Historical Oil and Gas Severance Tax Revenues (1964-2007)."

TRC discussion followed.

**MOTION:** Mr. Buchi moved to amend 2008 General Session draft legislation, "Severance Tax Amendments," as follows: on line 49, delete "\$12,000,000" and insert "\$6,000,000"; and on line 53, delete "\$50,000,000" and insert "\$35,000,000." Mr. Buchi also moved to adopt the amended draft legislation as a TRC bill.

Rep. Dougall suggested that the amount of severance tax revenue that is deposited in the permanent state trust fund be gradually increased over the next several years.

Mr. Crapo asked what level of ongoing funding for the permanent state trust fund is likely to be supported by the Legislature. Sen. Hillyard replied that while the constitutional amendment to allow the Legislature to deposit other sources of revenue into the permanent state trust fund passed with little opposition, it was more difficult for the Legislature to deposit ongoing severance tax revenues into the fund. He said that some groups want all available General Fund revenue spent each year and that some local government officials from the Uintah Basin area believe that additional severance tax revenue should be targeted to ameliorate the public service and infrastructure effects of energy development. He cautioned against adopting a bill that is too controversial and that might jeopardize the approval of the constitutional amendment next year.

Rep. Harper said that during the 2007 General Session there was considerable opposition to establishing an ongoing funding stream for the permanent state trust fund.

Mr. Leavitt said that it is important to consider local government funding needs.

Rep. Dougall suggested that all revenue from the severance tax on oil and gas be deposited into the General Fund and that all revenue from the severance tax on metalliferous minerals be deposited into the permanent state trust fund.

Ms. Dubno commented that the state needs to plan now to provide an asset to replace the state's depleting natural resources.

The motion passed unanimously.

### **4. Report of the Sales and Use Tax Working Group**

Mr. Buchi gave the TRC an update on the findings and recommendations of the Working Group (Sales and Use Tax Working Group). He said that the Working Group has continued to meet and refine its proposal for a modern sales and use tax system. He said that the Working Group has also received comments on the proposal from noted sales and use tax expert Dr. John Mikesell of Indiana University.

**MOTION:** Mr. Leavitt moved to: (1) thank the Working Group for their time and effort; (2) hold TRC meetings throughout the state to gather public comment on the findings of the Working Group; and (3) draft a final TRC report on the findings of the Working Group and present that report to the Governor and the Legislature. The motion passed unanimously with Sen. Hillyard, Rep. Dougall, Rep. Harper, and Mr. Jones absent for the vote.

## **5. Tax Burden Study**

Ms. Dubno and Mr. Pace distributed and discussed "Utah's Tax Structure." They explained the findings of the Center for Public Policy and Administration's study on Utah's tax burden. They discussed how Utah's tax system compares with Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, and Wyoming by studying the simplicity, transparency, neutrality, stability, and competitiveness of each state's tax system.

## **6. Other Items / Adjourn**

**MOTION:** Sen. Goodfellow moved to adjourn the meeting. The motion passed unanimously with Sen. Hillyard, Rep. Harper, and Mr. Leavitt absent for the vote.

Chair Prescott adjourned the meeting at 4:15 p.m.