

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

Wednesday, November 14, 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. Tim M. Cosgrove  
Rep. Craig A. Frank  
Rep. Gage Froerer  
Rep. Wayne A. Harper  
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. Ralph Becker  
Rep. Gregory H. Hughes

**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](http://www.le.utah.gov).

**1. Committee Business**

Chair Niederhauser called the meeting to order at 2:16 p.m.

Rep. Harper noted that he was excused for the September 19, 2007 meeting and asked that the minutes be revised to reflect that.

**MOTION:** Rep. Harper moved to approve the revised minutes of the September 19, 2007 meeting and the minutes of the October 17, 2007 meeting. The motion passed unanimously with Sen. Bramble, Sen. Dmitrich, Sen. Stephenson, Pres. Valentine, Rep. Moss, Rep. Snow, and Rep. Tilton absent for the vote.

Mr. Howe distributed and discussed the following documents prepared by the Tax Commission (Utah State Tax Commission): a letter to the Committee from Pam Hendrickson, Chair, Tax Commission, "Calendar Year Income Tax Non-Refundable Credits," "Calendar Year Corporate Tax Non-Refundable Credits," and "Calendar Year Contributions for Income Tax Checkoffs." He noted that the Tax Commission reports that while no income tax credit meets the statutory criteria for removal, the Wolf Depredation and Management checkoff meets the criteria for removal and, absent any direction from the Legislature to the contrary, will be removed from the individual income tax return beginning with the 2008 tax year.

**2. Motor and Special Fuel Tax Amendments**

Rep. Frank distributed and discussed 2008 General Session draft legislation, "Motor and Special Fuel Tax Amendments."

Mr. Chuck Larsen, Comptroller, Utah Department of Transportation, asked for clarification on a fiscal note for the draft legislation. Rep. Frank replied that this legislation is a refile of legislation introduced in the 2006 General Session, and that the legislation had a zero fiscal note.

**MOTION:** Sen. Goodfellow moved to adopt 2008 General Session draft legislation, "Motor and Special Fuel Tax Amendments," as a committee bill. The motion passed unanimously with Sen. Bramble, Sen. Dmitrich, Sen. Stephenson, Pres. Valentine, Rep. Moss, Rep. Snow, and Rep. Tilton absent for the vote.

### **3. Report of the Utah Tax Review Commission**

Mr. Keith Prescott, Chair, TRC (Utah Tax Review Commission), gave a summary on the TRC's study of state budget reserve accounts.

Mr. Dean distributed and discussed 2008 General Session draft legislation, "Budget Reserve Account and Disaster Recovery Account Amendments," and "Rainy Day Fund Background."

**MOTION:** Rep. Harper moved to adopt 2008 General Session draft legislation, "Budget Reserve Account and Disaster Recovery Account Amendments," as a committee bill. The motion passed unanimously with Sen. Bramble, Sen. Dmitrich, Pres. Valentine, Rep. Moss, Rep. Snow, and Rep. Tilton absent for the vote.

Mr. Prescott gave a summary of the TRC's income tax study, including the income taxation of trusts and estates. He explained that during the 2006 4th Special Session, the Legislature adopted a single rate individual income tax system and during the 2007 General Session, the Legislature made further changes to the single rate system, including a study requirement to develop legislation to repeal the traditional income tax system.

Mr. Prescott explained that in repealing the traditional income tax system, a significant issue is addressing the income tax treatment of trusts and estates. This is because the income taxation of trusts and estates is currently structured to harmonize with the traditional income tax system. The TRC reconvened its Trust and Estates Working Group to study how to harmonize the income taxation of trusts and estates with the new single rate system.

The Working Group's recommendations are incorporated into the draft legislation "Income Tax Amendments." The TRC made two amendments to this bill and then voted unanimously to give the bill a favorable recommendation.

Ms. Rockwell discussed 2008 General Session draft legislation, "Income Tax Amendments," which was included in the mailing packet, an amendment to the draft legislation, and "Individual Income Taxes and Income Tax on Estates/Trusts Comparison."

**MOTION:** Rep. Newbold moved to adopt the amendments to 2008 General Session draft legislation, "Income Tax Amendments," and to bracket line 2260 until final figures can be drafted. The motion passed unanimously with Sen. Dmitrich, Sen. Stephenson, Rep. Last, Rep. Moss, and Rep. Tilton absent for the vote.

Ms. Rebecca Schreyer, Stayner, Bates, & Jensen, asked for clarification on the changes the draft legislation would make to the individual income tax system. Sen. Bramble commented on the development of the single rate individual income tax system.

**MOTION:** Sen. Goodfellow moved to adopt 2008 General Session draft legislation, "Income Tax Amendments," as amended, as a committee bill. The motion passed unanimously with Sen. Dmitrich, Sen. Stephenson, Rep. Dougall, Rep. Last, and Rep. Tilton absent for the vote.

Mr. Prescott gave a summary of the TRC's study of a trust fund for severance tax revenues. He explained that during the 2007 General Session, the Legislature adopted S.J.R. 2, "Resolution Regarding Permanent State Trust Fund." This resolution amended the Utah Constitution to expand the sources of revenue that may be deposited into the Permanent State Trust Fund.

Mr. Prescott said that the TRC believes that the state and communities that are affected by mineral production need to prepare now for the effects of diminishing supplies of oil, natural gas, and minerals. One way to prepare is to set aside a portion of the state severance tax collections into a permanent trust fund. Other western mineral production states have established similar trust funds and some state trust funds carry sizeable balances.

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

Mr. Lee Peacock, President, Utah Petroleum Association, said the Utah Petroleum Association strongly supports the draft legislation and thanked the TRC for its work on this issue.

**MOTION:** Sen. Goodfellow moved to adopt 2008 General Session draft legislation, "Severance Tax Amendments," as a committee bill. The motion passed unanimously with Rep. Last and Rep. Tilton absent for the vote.

#### **4. Report of the Government Competition and Privatization Subcommittee**

Sen. Stephenson and Rep. Frank, Co-chairs, Subcommittee (Government Competition and Privatization Subcommittee), gave a report on the findings of the Subcommittee. They distributed and discussed 2008 General Session draft legislation, "Accounting for Competitive Activities of Local Entities," "Inventory and Review of Commercial Activities," "Government Competition and Privatization Act," "Anti-flow Control Amendments," and "Local Government Bonding Act - Public Hearings." Rep. Frank explained that each bill was adopted by the Subcommittee.

Chair Niederhauser turned the chair to Rep. Dougall.

#### **5. Transparency in Government Finance**

Sen. Niederhauser distributed and discussed 2008 General Session draft legislation, "Transparency in Government Finance."

Mr. Ron Mortensen, representing citizensfortaxfairness.org, spoke in support of the draft legislation.

Mr. Roger Tew, Utah League of Cities and Towns, said he supports transparency in all levels of government, but expressed concern regarding the implementation of the draft legislation.

**MOTION:** Sen. Stephenson moved to adopt 2008 General Session draft legislation, "Transparency in Government Finance," as a committee bill. The motion passed with Rep. McGee voting in opposition and Pres. Valentine, Rep. Last, and Rep. Tilton absent for the vote.

## **6. Property Tax Related Legislation**

Ms. Oakes distributed and discussed 2008 General Session draft legislation, "Property Tax Assessment Revisions."

**MOTION:** Rep. Harper moved to adopt 2008 General Session draft legislation, "Property Tax Assessment Revisions," as a committee bill. The motion passed unanimously with Sen. Bramble and Pres. Valentine absent for the vote.

Sen. Niederhauser distributed and discussed 2008 General Session draft legislation, "Truth in Taxation Amendments." Ms. Oakes reviewed the draft legislation. She explained that among other things, the draft legislation would require certain property tax increases to be submitted to the voters for approval.

Rep. Harper spoke in favor of the draft legislation. He said that the ballot language should be clear and simple to understand.

Mr. Mortensen asked for clarification on how inflation is defined in the draft legislation. He suggested that in order to help senior citizens, the cost of living adjustment for Social Security should be used as the basis for defining inflation. He also suggested that the law be amended to require that when a proposal to increase property taxes is placed before voters, it should require a double majority to pass. Mr. Mortensen explained that this means a majority of registered voters must vote and a majority of those voters must approve the proposed property tax increase.

Mr. Tew said that less than 10 percent of taxing entities used the truth in taxation process to raise property taxes this year. He said the real problem with property taxes this year is high increases in fair market value in some areas of the state. He also voiced concerns that control of property tax rates will be removed from taxing entities if a vote of the electorate is required.

**MOTION:** Rep. Frank moved to adopt 2008 General Session draft legislation, "Truth in Taxation Amendments," as a committee bill. The motion passed with Sen. Stephenson, Rep. Cosgrove, Rep. McGee, and Rep. Moss voting in opposition and Sen. Bramble, Pres. Valentine, and Rep. Urquhart absent for the vote.

Chair Dougall turned the chair to Sen. Niederhauser.

Rep. Dougall distributed and discussed 2008 General Session draft legislation, "Repeal of Board Leeway for Reading Improvement."

Ms. Janet Robertson, Business Administrator, Salt Lake City School District, expressed concern with the draft legislation.

**MOTION:** Rep. Last moved to adopt 2008 General Session draft legislation, "Repeal of Board Leeway for Reading Improvement," as a committee bill. The motion passed with Sen. Stephenson, Rep. Cosgrove, Rep. McGee, and Rep. Moss voting in opposition and Sen. Bramble, Pres. Valentine, and Rep. Urquhart absent for the vote.

Rep. Dougall distributed and discussed 2008 General Session draft legislation, "Personal Property Tax Amendments."

Mr. Lee Gardner, Salt Lake County Assessor, complemented Rep. Dougall for his work on this issue. Mr. Gardner said that the draft legislation will lessen the compliance burden for taxpayers.

Rep. McGee asked for additional information on the definitions of long life and short life expensed property.

Ms. Candace Daly, State Director, National Federation for Independent Business, spoke in favor of the draft legislation.

**MOTION:** Sen. Goodfellow moved to adopt 2008 General Session draft legislation, "Personal Property Tax Amendments," as a committee bill. The motion passed unanimously with Sen. Bramble, Sen. Dmitrich, Pres. Valentine, Rep. Snow, and Rep. Urquhart absent for the vote.

Rep. Dougall distributed and discussed 2008 General Session draft legislation, "School District Tax Base," and "Comparison of Rep. Dougall's and Rep. Harper's School District Revenue Sources Proposals."

Mr. D. W. Bell, citizen, spoke in support of the draft legislation.

Ms. Robertson asked that the Committee not take action on the draft legislation at this time.

Mr. Gardner asked whether the Committee has considered how the sales tax on food affects low-income individuals.

Rep. Harper distributed and discussed 2008 General Session draft legislation, "Public School Funding."

Sen. Stephenson commented on the stability of various types of taxes.

Rep. Harper distributed and discussed 2008 General Session draft legislation, "Transportation Amendments."

Mr. Leonard Wojcik, Utah General Aviation Association, spoke in support of the draft legislation, but asked that action not be taken at this time.

Mr. John Hafen, Utah Airport Operators Association, distributed and discussed "Composite Committee on HB 414 Final Recommendations."

Mr. Dave Haymond, President, Utah General Aviation Association, said that aviation is a critical part of Utah's economy and that support is needed for Utah's airports.

Mr. Gardner explained that the draft legislation solves several tax inequities.

**7. Other Items / Adjourn**

**MOTION:** Rep. Newbold moved to adjourn. The motion passed unanimously with Sen. Bramble, Sen. Dmitrich, Pres. Valentine, Rep. Last, Rep. McGee, Rep. Snow, Rep. Tilton, and Rep. Urquhart absent for the vote.

Chair Niederhauser adjourned the meeting at 5:23 p.m.