

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Thursday, June 5, 2008 – 8:00 a.m. – Room C445 State Capitol

Members Present:

Sen. Wayne L. Niederhauser, Senate Chair
Rep. John Dougall, House Chair
Sen. Brent H. Goodfellow
Sen. Howard A. Stephenson
Rep. Douglas C. Aagard
Rep. Rebecca Chavez-Houck
Rep. Tim M. Cosgrove
Rep. Julie Fisher
Rep. Craig A. Frank
Rep. Gage Froerer
Rep. Wayne A. Harper
Rep. Fred R. Hunsaker
Rep. Carol Spackman Moss
Rep. Merlynn T. Newbold
Rep. Paul Ray
Rep. Aaron Tilton

Members Absent:

Sen. Curtis S. Bramble
Sen. Mike Dmitrich
Pres. John L. Valentine
Rep. Rosalind J. McGee

Staff Present:

Mr. Phillip V. Dean, Policy 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 Dougall called the meeting to order at 8:08 a.m. He excused Sen. Bramble, Sen. Dmitrich, Pres. Valentine, and Rep. McGee from the meeting.

MOTION: Rep. Fisher moved to approve the minutes of the May 18, 2008 meeting. The motion passed unanimously with Sen. Stephenson, Rep. Aagard, Rep. Cosgrove, Rep. Frank, Rep. Harper, Rep. Moss, and Rep. Tilton absent for the vote.

2. Property Tax Study -- Property Tax Rates

Ms. Oakes distributed and discussed "Property Taxes Authorized to be Levied by the State," "2007 Property Tax Rates," and "2007 School District Property Tax Levy Rates and Estimated Revenues - Detail." She explained the purpose of each levy, the maximum rate for each levy, and what type of entity imposes each levy.

Sen. Niederhauser asked if there are property tax levies authorized in statute that are not now imposed. He also said he would like to have a discussion about consolidating several property tax levies for simplicity. Ms. Oakes responded that while she did not know about all authorized levies, there are two levies now authorized but not currently imposed by school districts. She also explained that judgment levies are imposed to raise revenue to pay a refund to a taxpayer for overpayment of property taxes.

Mr. Lamar Sayer, Property Tax Division, Utah State Tax Commission (Tax Commission), gave a presentation titled "Property Taxation: Certified Tax Rates and Truth in Taxation Process." He discussed tax rates and the formula for determining the certified tax rate. He also discussed how "new growth" is defined and how a taxing entity determines its new growth in property tax revenue. Mr. Sayer then

reviewed the requirements for truth in taxation newspaper advertisements and provided an example of such an advertisement.

Rep. Hunsaker asked why redemptions, penalties, and interest are not included in the calculation to determine a taxing entity's certified property tax rate. Mr. Sayer explained that it was a policy decision of the Legislature when the truth in taxation statutes were enacted.

Sen. Stephenson commented that growth in the centrally assessed property tax base is always considered to be new growth under truth in taxation. Taxing entities then benefit from the increased revenue attributable to the new growth in the centrally assessed property tax base. Conversely, a decline in the centrally assessed property tax base results in an increase in the certified tax rate. The taxing entity's revenue is held harmless even though the tax base has declined if the taxing entity chooses to impose the certified tax rate.

Mr. Bruce Johnson, Commissioner, Tax Commission, spoke to the Committee about the large increases in property taxes experienced by some Davis County taxpayers last year. He explained that the increases were not solely due to increases in tax rates and truth in taxation, but because assessed values for some taxpayers had not been updated for several years.

Sen. Niederhauser spoke to the Committee about 2008 General Session S.B. 29, "Truth in Taxation Amendments," and how to involve more taxpayers in the truth in taxation process.

Rep. Froerer distributed and discussed 2008 General Session H.B. 435, "Public Hearings on Property Tax Increases." He explained that the legislation proposes that county auditors publish a combined notice that includes the information regarding all of the truth in taxation hearings within the county so that taxpayers may determine what their entire property tax bill will be at the end of each year.

Rep. Fisher commented that some taxing entities delay adopting small, annual increases in the certified tax rate and must then impose a large increase in a single year.

Rep. Cosgrove asked why there was a lack of oversight in allowing Davis County to consider a 128% increase in its property tax rate. Mr. Sayer replied that taxing entities may impose a property tax rate up to the statutory maximum.

Sen. Goodfellow commented that some taxing entities impose both a property tax increase and a service rate increase at the same time.

Ms. Janet Roberts, Business Administrator for Salt Lake City School District, representing School Business Officials, introduced Mr. Zane Woolstenhulme, Business Administrator for South Summit School District, representing School Business Officials.

Mr. Woolstenhulme spoke in favor of allowing an annual increase to a taxing entity's certified tax rate equal to the CPI and making the newspaper advertisement for truth in taxation less confusing for taxpayers. He also said that local school boards closely scrutinize all tax rate increases and that he believes taxing entities do not increase tax rates in bad faith.

Ms. Roberts said that school districts only increase tax rates if it is necessary. She agreed with Mr. Woolstenhulme's comments.

Mr. Roger Tew, Utah League of Cities and Towns, said that the newspaper advertisement for truth in taxation notices was never intended to be the primary communication tool for the truth in taxation process but rather a secondary communication tool. He said that the primary communication tool for truth in taxation was intended to be the valuation notice sent to property owners in July. Mr. Tew also said that the main questions property owners have about truth in taxation are what the value of their property was last year and this year, what the taxes were last year and this year, and where they can go to express their concerns. He explained that the newspaper advertisement will always have only limited informational capacity because it always includes a hypothetical example.

Mr. Mark Anderson, General Counsel, Utah Association of Special Districts, said that he agrees with Mr. Tew's comments. He explained that special districts appreciate taxpayer comment when considering increases in property tax rates. He said special districts support improving awareness and participation of property owners but also wondered who will pay the cost.

Mr. Brent Gardner, Utah Association of Counties, said that the Association supports truth in taxation and believes that the process now works as intended. He spoke in support of implementing a real estate disclosure law to ensure the accurate assessment of property.

Mr. Larry Richardson, Salt Lake County Treasurer, said that he believes that the collection of delinquent taxes is not a windfall, but rather a recovery of earlier foregone revenue. He also said that a taxing entity never collects all of the property taxes that are imposed.

Sen. Stephenson said that he disagrees with this characterization of delinquent property tax collections. Taxing entities benefit from the calculation formula that considers collection ratios, and, all else being equal, property tax rates increase to compensate for a lower collection ratio. It is only fair that delinquent revenue be included in the certified tax rate calculation.

Mr. Royce VanTassell, Utah Taxpayers Association, distributed and discussed three charts regarding tax burden in the state. He spoke in support of an online program that would allow taxpayers to download a taxing entity's proposed budget to make an informed decision on whether the taxpayer supports tax increases proposed by the entity.

Mr. Ron Mortensen, Citizens Coalition for Tax Fairness, said he supports increased public participation in truth in taxation. He also argued for increased transparency in financial reporting by taxing entities. He said taxpayers need information on how tax revenues are being spent and that taxpayers do not have adequate information about proposed budgets at public hearings. He said some hearings are held a few days before the budget has to be adopted, and that some taxpayers feel that they can't make a change to the proposals because of that. He spoke in support of consolidating all truth in taxation hearings to a single physical location within a county so that taxpayers only have to attend one public hearing instead of several. Mr. Mortensen also spoke in support of requiring a vote of the public for any increase in property taxes that is above the Social Security cost of living increase. He also said that he personally would support a real estate full disclosure law.

Mr. Bert Hulet, private citizen, spoke in support of increasing public input in the truth in taxation process. He spoke about a public survey that Bountiful City sent out regarding recycling, and that a similar survey could be used for truth in taxation. He said that providing more information online would also be beneficial for the truth in taxation process.

3. Property Taxes and School Funding Equalization

Mr. Dean distributed and discussed "Property Tax and School Funding in Utah." He explained how public education in Utah is funded and the percentage of property taxes used by schools. He also discussed different levies imposed by school districts and explained the weighted pupil unit. He then discussed school district capital outlay funding sources and some legislation passed during the 2008 General Session that affects equalization and capital outlay.

Rep. Tilton commented that while maintenance and operation costs for school districts have been equalized, capital costs have not.

Sen. Stephenson requested that the Committee receive a report on the implementation and effects of 2008 General Session S.B. 48, "Equalization of Capital Outlay Funding."

Rep. Frank asked how a provision contained in 2008 General Session S.B. 2, "Minimum School Program Budget" regarding property tax revenue for charter schools would be implemented. Mr. Dean replied that the property tax revenue for the charter school would come from the school district in which the charter school student resides.

Ms. Robertson said that the School Business Officials have created a task force to study equalization because they believe it is an important issue that needs to be addressed. She also asked that the Committee keep in mind that students are not the same in each district and that some districts have additional needs that other districts might not have.

Mr. Thomas Rodgers, private citizen, said some of the charts distributed at the meeting give the impression that the state pays more for charter schools than for public schools. Rep. Newbold replied that charter schools are public schools and that parents of charter school children pay property taxes to their local school district.

4. Community Development and Renewal Agencies

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

5. Other Items / Adjourn

MOTION: Rep. Moss moved to adjourn the meeting. The motion passed unanimously with Sen. Goodfellow, Sen. Stephenson, Rep. Chavez-Houck, and Rep. Hunsaker absent for the vote.

Chair Dougall adjourned the meeting at 11:57 a.m.