

**MINUTES OF THE  
REVENUE AND TAXATION INTERIM COMMITTEE**  
Wednesday, August 20, 2008 – 9:00 a.m. – Room C445 State Capitol

**Members Present:**

Sen. Wayne L. Niederhauser, Senate Chair  
Rep. John Dougall, House Chair  
Sen. Curtis S. Bramble  
Sen. Brent H. Goodfellow  
Sen. Howard A. Stephenson  
Pres. John L. Valentine  
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. Rosalind J. McGee  
Rep. Carol Spackman Moss  
Rep. Merlynn T. Newbold  
Rep. Paul Ray  
Rep. Aaron Tilton

**Members Absent:**

Sen. Mike Dmitrich

**Staff Present:**

Mr. Phillip V. Dean, Policy Analyst  
Mr. Bryant R. Howe, Assistant Director  
Ms. Angela D. Oakes, 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 Dougall called the meeting to order at 9:10 a.m. He excused Sen. Dmitrich from the meeting.

**MOTION:** Rep. Hunsaker moved to approve the minutes of the July 8, 2008 meeting. The motion passed unanimously with Sen. Bramble, Sen. Goodfellow, Sen. Stephenson, Pres. Valentine, Rep. Harper, Rep. Moss, and Rep. Tilton absent for the vote.

Mr. Howe distributed and discussed 2009 General Session draft legislation, "Repeal of Certain Income Tax Credits and Contributions." He explained that the draft legislation repeals certain individual income tax contributions and individual and corporate franchise credits that no longer appear on tax returns.

**MOTION:** Rep. Newbold moved to approve 2009 General Session draft legislation, "Repeal of Certain Income Tax Credits and Contributions," as a committee bill. The motion passed unanimously with Sen. Bramble, Sen. Goodfellow, Sen. Stephenson, Pres. Valentine, Rep. Froerer, and Rep. Harper absent for the vote.

**2. Sales Tax Exemption for Sales of Aviation Related Parts and Equipment**

This item was not discussed.

**3. Highway Congestion Pricing**

Rep. Mike Krusee, Chair, House Committee on Transportation, Texas House of Representatives, discussed the benefits of congestion pricing and the use of high occupancy toll lanes to reduce congestion during peak traffic periods. He explained that one problem states have when funding transportation needs is that when a citizen pays a transportation tax, such as a gasoline excise tax, the revenue from the tax is often not adequate to pay for or maintain roads used by that citizen. He said that the Federal Highway

Trust Fund will soon be insolvent and will not have sufficient funds to meet its funding obligations to the states.

Rep. Krusee said that highways should be funded based on vehicle miles traveled, however, because this method is not yet technically feasible, alternative methods are now needed. He said that congestion pricing is not a financing tool but a way to achieve free flow of traffic. He said that an efficiently utilized highway system is good for the economy in that it ensures the free flow of people and freight.

Rep. Dougall asked Rep. Krusee to explain the concept of "through put" as it relates to highway use. Rep. Krusee said that through put is a measure of the number of cars that occupy a lane of traffic for a given period of time. He said that an uncongested highway has a greater through put than a congested highway.

Rep. McGee asked about ways to fund public transit systems. Rep. Krusee said that the nation needs a viable funding model for mass transit and that mass transit will likely always require a tax subsidy.

President Valentine noted that highway congestion is fundamentally a question of how to allocate a scarce resource. He said that we currently use time to allocate this resource. He said that he supports the use of prices to efficiently allocate scarce resources, such as congested highways.

Rep. Dougall thanked Rep. Krusee for his testimony.

#### **4. Property Tax Study – Centrally Assessed Property**

Mr. Howe distributed and discussed "Property Taxes Authorized to Be Levied," "Locally Assessed and Centrally Assessed Property," "Total Gross Domestic Product," and "Gross Receipt Taxes on Certain Corporations Not Required to Pay Corporate Franchise or Income Tax." He also distributed and discussed "Overview of the Centrally Assessed Property Tax System." He explained what centrally assessed property is and how it is assessed. Mr. Howe also discussed trends in appeals by centrally assessed taxpayers.

Mr. Glen Stevens, Manager of the Natural Resources Section, Property Tax Division, Utah State Tax Commission (Tax Commission), distributed and discussed "State Assessed Valuation." He explained how the Tax Commission assesses property, including administrative rules governing the assessments, important dates in centrally assessing, and types of centrally assessed properties. He noted that the Utah Constitution requires centrally assessed property to be valued at fair market value. He said that three approaches are used to find fair market value including the cost, income, and market approaches. He said that some centrally assessed property is assessed on what is called a "unitary" basis where the value of the entire company is determined and then the value attributable to assets located in Utah is determined.

Mr. Stevens said that with regards to natural resource property, the valuation methodology is asset specific and that the unitary approach is not used. One method, the income approach, is to compute the net present value of a future stream of income produced by the asset.

Rep. Fisher asked about the effects on taxing entities of appeals by centrally assessed taxpayers.

Mr. Stevens replied that taxing entities may impose a property tax levy called a judgment levy to pay for refunds to taxpayers.

Commissioner Marc Johnson, Tax Commission, explained to the Committee that unitary valuation and local appraisal are not the same and that the economic patterns of the two property types will differ for many reasons. He noted that unitary property is valued on a national or even international level, while local assessment is site specific. He also noted that to the extent that it can be separated and removed, intangible value is not included in an appraisal of centrally assessed property.

Mr. Denny Lytle, Director, Property Tax Division, Tax Commission, answered committee questions regarding assessments and the changes that have been made to ensure accurate and up to date assessed values in Davis County.

Mr. Norman Ross, Tax Director, PacifiCorp, explained that Utah's centrally assessed property tax system can be problematic at times because of unanticipated changes in assessment methodologies and the cost of litigation associated with the appeal process. He said that the practice of allowing the Utah Association of Counties to intervene in taxpayer appeals adds cost and complexity to the appraisal process. He suggested that the cost of litigation and appeals should be paid by the nonprevailing party.

Mr. Mark Buchi, Holme Roberts & Owen, representing taxpayers at all levels, said that Utah once had the highest valuation of centrally assessed properties of any state, but noted that is no longer the case. He said that he was asked to briefly review the property tax status of one of the state's largest property taxpayers: the Intermountain Power Agency (IPA). He said that IPA was formed by a collection of cities to build and operate the Intermountain Power Project. He said that because IPA is owned by municipalities, it does not pay a property tax. Instead, it pays a fee in lieu of a property tax. Several years ago the Legislature provided that the taxable value of the property owned by IPA would be subject to a negotiation between IPA and the counties in which IPA owns property. This method of determining value ensures tax certainty for IPA and a stable source of revenue for taxing entities.

Mr. Adam Trupp, General Counsel, Utah Association of Counties, noted that the current centrally assessed property tax system is reasonably balanced and suggested that broad public policy be discussed regarding centrally assessed property. He said that the current trend is shifting the property tax burden to locally assessed properties and away from centrally assessed properties. He asked if this is an appropriate way to balance the property tax system. He also discussed the role of the Utah Association of Counties in the appeals process.

Mr. Doug Macdonald, private tax consultant, distributed and discussed "Revenue Issue #4 – Large Centrally Assessed Companies' Declining Share of the Property Tax Results in Fewer Education Dollars or Higher Tax Burdens to All Other Taxpayers." He expressed concern over the declining share in taxable value of centrally assessed property.

Mr. Randy Herbert, citizen, distributed and discussed "Property Tax Increase Comparison." He said he believes Utah's current property tax system is broken and that an acquisition based system is more equitable.

Mr. Ron Mortensen, citizensfortaxfairness.org, said he believes the fair market value system does not work fairly in assessing property.

**5. Property Tax Study – Assessing and Collecting Levy**

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

**6. Other Items / Adjourn**

**MOTION:** Rep. Ray moved to adjourn the meeting. The motion passed unanimously with Sen. Bramble, Sen. Goodfellow, Sen. Niederhauser, Pres. Valentine, Rep. Frank, and Rep. Tilton absent for the vote.

Chair Dougall adjourned the meeting at 12:15 p.m.