

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

Wednesday, September 17, 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. Mike Dmitrich  
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

**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  
Mr. Jordan Wright, Research Assistant

**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 9:11 a.m.

**MOTION:** Rep. Fisher moved to approve the minutes of the August 20, 2008 meeting. The motion passed unanimously with Sen. Bramble, Sen. Dmitrich, Sen. Stephenson, Pres. Valentine, Rep. Cosgrove, Rep. Froerer, Rep. Harper, Rep. Moss, and Rep. Newbold absent for the vote.

**2. Property Tax Study -- Review of Property Tax Related Legislation**

Ms. Oakes discussed 2009 General Session draft legislation, "Certified Tax Rate Amendments," which was included in the mailing packet. She explained that this bill provides that revenue a taxing entity collects from redemptions be included as "ad valorem property tax revenues" for purposes of calculating the taxing entity's certified tax rate.

Mr. Larry Richardson, Treasurer, Salt Lake County, spoke in opposition to the draft legislation, and said that he believes it will have an adverse effect on cash flow for local government.

**MOTION:** Rep. Hunsaker moved to approve 2009 General Session draft legislation, "Certified Tax Rate Amendments," as a committee bill.

Sen. Stephenson spoke in support of the draft legislation.

The motion passed with Rep. Chavez-Houck, Rep. Cosgrove, Rep. McGee, and Rep. Moss voting in opposition and Sen. Bramble, Sen. Dmitrich, Pres. Valentine, and Rep. Harper absent for the vote.

Ms. Oakes discussed 2009 General Session draft legislation, "Personal Property Tax Amendments," which was included in the mailing packet. She explained that this bill allows certain county assessors to impose a penalty as of May 16 without having to send the taxpayer a second notice if a taxpayer fails to file a personal property tax statement by May 15.

Mr. Art Partridge, Washington County Assessor, spoke in support of the draft legislation.

**MOTION:** Rep. Frank moved to approve 2009 General Session draft legislation, "Personal Property Tax Amendments," as a committee bill. The motion passed unanimously with Sen. Bramble, Sen. Dmitrich, Pres. Valentine, and Rep. Harper absent for the vote.

### **3. Property Tax Study -- Incidence of the Property Tax**

Mr. Dean and Mr. Wright distributed and discussed "Property Tax Incidence in Utah." They gave an introduction to tax incidence theories and explained that the burden of a particular tax may be passed from the individual with the legal incidence to pay the tax to others who bear the final economic incidence. The final tax burden may be shifted to various parties in the form of lower wages, lower returns on investment, and higher prices. They noted that in the public finance literature issues regarding the incidence of the residential property tax are not fully resolved.

Mr. Dean presented a study that attempts to determine the residential property tax burden for various income classes using three different methods: linked property tax data with state income tax data, ZIP code median, and itemized property tax deduction for income tax itemizers. He noted that each method has its own strengths and weaknesses.

Mr. Howe noted that households in the 50th income percentile generally pay between 1 and 3.5 percent of federal adjusted gross income in residential property taxes.

### **4. Property Tax Study -- Changes in Assessed Valuations**

Mr. Dean explained how agricultural property compares to business and residential property in terms of assessed value and said that assessed valuation is roughly 10 to 15 percent of fair market value. Mr. Dean and Mr. Wright also reviewed the results of a study to determine if the economic incidence of the property tax is primarily on landlords or renters. The estimated amount of rent that is attributable to property taxes generally varies depending on the size of the apartment complex.

Ms. Allison Rowland, Voices for Utah Children, said that she was concerned about the conclusions being drawn by the rental study outlined by Mr. Dean and Mr. Wright. She said income levels and home values are not correlated and that because of the study the Committee may have the idea that the property tax is more regressive than it actually is.

### **5. Property Tax Study -- Imposition of Property Taxes by Taxing Entities with Non-Elected Boards**

Ms. Oakes distributed and discussed "Utah Local Districts with Non-elected Board Members," *Utah Code* Sections 17B-1-1002 and 17B-2a-1006, and "National Sample of Local Service and Special Service Districts -- Taxing Authority for Taxing Entities with Nonelected Boards or Officials." She gave a summary of which local Utah districts have boards of trustees with appointed members that have taxing authority and reviewed a sample of local districts nationwide and what other states are doing with the taxing authority of similar boards.

Chair Niederhauser reviewed four options the Committee could discuss to change the way nonelected boards impose property taxes: 1) the proposed property tax increase could be included on the ballot of a general election; 2) local elected municipal or county legislative bodies within a local district could determine if a property tax increase is needed; 3) local districts could be allowed to choose between options 1 or 2; and 4) local districts' revenues could consist only of user fees.

Rep. Dougall said that he is concerned that an unelected board may impose a property tax. He said that voters should be engaged through either a direct vote or approval by an elected board.

Rep. Newbold said that she has heard from constituents who say they feel they have no control over their property taxes. She spoke in favor of studying option 1.

Rep. Harper spoke in opposition to option 4 and in favor of studying option 1 further.

Rep. Cosgrove spoke in favor of studying option 2 further.

Rep. Aagard spoke in favor of having property taxes approved by an elected board. He questioned the cost of special elections.

Mr. Charles Payne, member, South Davis Sewer Board, noted that he has served on the Board for 40 years and that the Board is appointed by members of 10 different city councils. He reviewed the advancements the district has made since it was organized and noted that these advancements would not have been possible without authority to impose a property tax.

Mr. Blaine Carlton, Ballard Spahr Andrews & Ingersoll, spoke in opposition to the four options before the Committee and recommended that the authority to impose a property tax remain with local district boards. He also said that any limitation or elimination of authority to impose a property tax may result in higher borrowing costs.

Mr. Royce Van Tassell, Utah Taxpayers Association, said that his Association has been concerned about property taxes levied by taxing entities with no public accountability. He spoke in support of option 1 and expressed his desire to work with the Committee on this issue.

Mr. Mark Anderson, General Counsel, Utah Association of Special Districts, explained that local district board members are constituents, taxpayers, and residents of the districts in which they serve. He noted that many board members are elected officials, even if they are not elected to that specific board. He spoke in opposition to the four options before the Committee. He also said that special districts and local districts are audited annually and are fully accountable to taxpayers.

Ms. Christine Finlinson, representing Central Utah Water Conservancy District, spoke in opposition to the four options and said that bond holders need to know they can rely on repayment by local districts.

Mr. Thomas Rogers, private citizen, asked the Committee how to correct a property listing error.

**MOTION:** Rep Harper moved that the Committee further discuss options 1 and 4.

**SUBSTITUTE MOTION:** Sen. Goodfellow moved that the Committee further discuss options 1 and 4 and also study the election process for elected boards of special and local districts. He said that voters must often go to several different polling locations to vote in district board elections. The motion passed with Rep. Chavez-Houck, Rep. Cosgrove, Rep. McGee, and Rep. Moss voting in opposition and Sen. Bramble, Sen. Dmitrich, Sen. Stephenson, Pres. Valentine, Rep. Frank, and Rep. Ray absent for the vote.

Rep. Dougall distributed and discussed "Revenue Summary Twelve Months - FY 2007-08," "Reappraisals bring appeals across N. Utah," *The Salt Lake Tribune*, and "10,000 taxpayers appealing as S.L. County assessments soar," *The Salt Lake Tribune*.

#### **6. Higher Education Tuition Credit**

Rep. Dougall discussed 2009 General Session draft legislation, "Nonrefundable Higher Education Tuition Credit," which was included in the mailing packet. He said the bill allows a taxpayer who attends a state institution of higher education located in Utah to claim a nonrefundable credit of up to 25 percent of individual income tax liability to offset the cost of tuition and mandatory fees. He said the bill will give an incentive for individuals to attend college and continue to work in Utah after graduation. Rep. Dougall noted the bill currently includes all state institutions located in Utah and carries an estimated revenue loss of \$90 million dollars.

Rep. Newbold said that the committee should consider allowing Utah taxpayers who attended a private higher education institution in Utah to receive the credit.

Sen. Goodfellow said that, while he is not opposed to the legislation, the Legislature should also be concerned with the rising cost of tuition and fees.

Rep. Dougall emphasized that the legislation rewards those who remain in Utah after graduation from college. He asked committee members to further review the bill for consideration at a future meeting.

#### **7. Other Items / Adjourn**

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

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