

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

Wednesday, November 12, 2008 – 8:00 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

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 Niederhauser called the meeting to order at 8:15 a.m.

MOTION: Rep. Fisher moved to approve the minutes of the October 15, 2008 meeting. The motion passed unanimously with Sen. Dmitrich, Sen. Goodfellow, Sen. Stephenson, Rep. Cosgrove, Rep. Dougall, Rep. Frank, Rep. Ray, and Rep. Tilton absent for the vote.

Sen. Niederhauser noted that during the course of the interim he has determined that changes are needed to Utah's property tax system. He said that county assessors have next year to prove that a property tax system based on fair market value is feasible.

Sen. Bramble said that laws requiring disclosure of real estate transaction prices are not necessary because county assessors are not fully utilizing information that is now available and that lack of sales data is not a problem.

2. Truth in Taxation Newspaper Advertisement Requirements

Rep. Froerer introduced this topic. He reviewed 2009 General Session draft legislation, "Public Hearings on Property Tax Increases," which was distributed prior to the meeting.

Ms. Oakes discussed what information the legislation requires to be included in truth in taxation notices.

Mr. Bert Hulet, Citizens for Tax Fairness, suggested requiring taxing entities to provide a way for individuals to respond to truth in taxation notices before truth in taxation hearings are held.

Mr. Royce Van Tassell, Utah Taxpayers Association, voiced concerns about requiring taxing entities to include the purpose for a tax increase in the truth in taxation notice.

3. Payments in Lieu of Taxes for Cities and Towns

Sen. Gene Davis introduced Mr. Dave Carlson, City of South Salt Lake, and Mr. Steve Barth, representing City of South Salt Lake. He also introduced the topic.

Ms. Oakes distributed and discussed "Table 4-2: Methods Used by the States to Compensate Local Governments For Tax Base Reductions Due to State Ownership of Land."

Mr. Carlson distributed and discussed "Summary of Conclusions of 2003 Florida Study." He reviewed the proposal that South Salt Lake City made at the previous meeting regarding a payment in lieu of taxes program.

Mr. Barth answered committee questions about the details of the proposal.

Sen. Stephenson said that property taxes should be imposed on property owned by municipal power systems.

Sen. Davis said that South Salt Lake City is heavily impacted by the large government facilities that are located within its jurisdiction.

Rep. Moss asked which cities would be eligible under a payment in lieu of taxes program. Mr. Carlson said that he was not sure and that it would depend on which cities apply for funding. He emphasized that the program is not an entitlement but would operate with a fixed amount of funding.

Rep. Fisher noted that Davis County is the home to Hill Air Force Base -- a large land holder that does not pay property taxes. She said that a lot of individual income tax revenue leaves the county to help fund public schools in other counties.

Rep. McGee said that she is persuaded that something needs to be done. She noted that South Salt Lake City is home to several major transportation corridors that require an increased level of city services.

4. Perspectives on the California Property Tax System -- Peter Detwiler, Staff Director, Local Government Committee, California State Senate

Mr. Arie Van De Graaff, Utah Association of Counties, introduced Mr. Peter Detwiler, Staff Director, Local Government Committee, California State Senate.

Mr. Detwiler distributed and discussed "Perspectives on the California Property Tax System." He gave a history of California's property tax system, explained how California's current property tax system works, and discussed some of the unintended consequences of moving to an acquisition based value system. He said that improved tax certainty is a laudable goal. He discussed some of the results of the acquisition based value system in effect in California. He said that the property tax system was upheld as constitutional by the United States Supreme Court. He said that options to provide taxpayer relief include granting homestead exemptions, allowing classified tax rates, circuit breaker property tax relief programs, and property tax deferral programs.

Sen. Stephenson spoke in favor of a property tax deferral program under which any taxpayer for any reason could defer a property tax payment. He said that the private sector would capitalize such a program.

Mr. James Ivie, Davis County Assessor, explained that because of legislation passed in the 2008 General Session, which requires all counties to reappraise properties every year, all parcels in his county will now annually be assessed at fair market value. He said he believes that there will no longer be large assessed valuation increases if all counties properly assess each parcel every year. He spoke in support of expanding the circuit breaker program and said he believes expanding the circuit breaker program has more merit than changing Utah's property tax system to an acquisition based value system.

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

Mr. Robert Rees, Associate General Counsel, Office of Legislative Research and General Counsel, distributed and discussed 2009 General Session draft legislation, "Local District Taxing Authority," versions 3 and 5. He explained that version 3 provides that a local district with a non-elected board may only increase its property tax rate after voter approval. He said that option 5 does not allow a local district with a non-elected board to impose a property tax.

Rep. Newbold requested information on property tax revenue and fee revenue for local districts.

Mr. Sammie Dickson, Manager, Salt Lake City Mosquito Abatement District, explained the nature of mosquito abatement districts and how they are operated. He spoke in opposition to requiring all boards with taxing authority to be elected because he believes that will cause special districts to lose skilled individuals.

Mr. Richard Bay, Jordan Valley Water Conservancy District, and Mr. Royce Gibson, Kearns Improvement District, spoke in opposition to both versions of the draft legislation.

Mr. Lyle Summers, West Jordan City Council, said that although he is appointed to serve on a board, he is also accountable to the constituents who elected him to serve on the West Jordan City Council. He spoke in opposition to requiring all boards with property taxing authority to be elected.

Rep. Moss asked why the draft legislation is being proposed. Sen. Niederhauser replied that improved accountability is needed to ensure that taxpayers have redress at the ballot box when property taxes are increased.

6. Consolidation of Property Tax Levies Imposed by School Districts

Ms. Oakes distributed and discussed "Comparison of School District Revenue Sources Proposals" and 2009 General Session draft legislation, "Property Tax Revisions."

Rep. Dougall said the goal of this item is to find ways to consolidate certain property tax levies relating to school districts. He explained that this item would be discussed in further detail at the next meeting.

7. Public School Funding Equalization

Rep. Dougall introduced this item.

Ms. Oakes distributed and discussed 2009 General Session draft legislation, "Public School Funding," 2009 General Session draft legislation, "Property Tax Amendments," "2007 School District Property Tax Levy Rates and Estimated Revenues - Detail," and "2007 School District Property Tax Rates and Revenues - Summary."

8. Expanding Age Eligibility for Circuit Breaker Tax Relief for Homeowners

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

9. Other Items / Adjourn

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

Chair Niederhauser adjourned the meeting at 12:16 p.m.