

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, August 18, 2010 – 9:00 a.m. – Room 445 State Capitol

Members Present:

Sen. J. Stuart Adams, Senate Chair
Rep. Todd E. Kiser, House Chair
Sen. Curtis S. Bramble
Sen. Wayne L. Niederhauser
Sen. Ross I. Romero
Sen. Howard A. Stephenson
Sen. John L. Valentine
Rep. Joel K. Briscoe
Rep. Tim M. Cosgrove
Rep. John Dougall
Rep. Susan Duckworth
Rep. Gage Froerer
Rep. Francis D. Gibson
Rep. Carol Spackman Moss
Rep. Dean Sanpei
Rep. Evan J. Vickers
Rep. R. Curt Webb

Members Absent:

Rep. Wayne A. Harper
Rep. Gregory H. Hughes
Rep. Stephen E. Sandstrom

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Bryant R. Howe, Assistant Director
Mr. Robert H. Rees, Associate General Counsel
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Chelsea Barrett, 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 Adams called the meeting to order at 9:34 a.m.

Chair Adams welcomed and introduced Rep. Briscoe to the Committee.

MOTION: Sen. Bramble moved to approve the minutes of the June 23, 2010 meeting. The motion passed unanimously. Sen. Niederhauser, Rep. Froerer, and Rep. Moss were absent for the vote.

Mr. Dean reviewed "Utah State Tax Commission Revenue Summary Twelve Months FY 2009-10" and "Utah State Tax Commission - Tax Collections." Mr. Dean explained that overall revenues for the year came in below projections.

Mr. Howe distributed "State and Local Taxes as Percent of Personal Income." He explained how Utah compares to other states and the national average with regard to state and local taxes.

2. Use of Tax Revenues for Public School Funding

Mr. Dean gave an overview of school property tax funding. He distributed "Tax Year 2009 School District Actual Property Tax Levy Rates and Estimated Revenues." He noted that property tax resources and rates vary among school districts and charter schools cannot impose property taxes.

Chair Adams distributed and presented "Equalization Proposal," "School Funding Equalization Proposal," and three graphs titled "Sales Tax Equalization - \$533 million," "Property Tax Equalization - \$533 million," and "Sales Equalization - \$150 million." He said that further school funding equalization would provide more equal educational opportunities to students and a more equal education tax burden for taxpayers.

Chair Adams' proposal included two equalization options. One proposal imposes a uniform statewide capital outlay property tax and allocates funds based on total enrollment and on enrollment growth. The other proposal uses a state-imposed sales and use tax, allocates funds based on total enrollment and enrollment growth, and reduces property taxes by the amount of the sales and use tax increase.

Sen. Stephenson stated that it is the Legislature's responsibility to establish an education system for the state that is roughly comparable statewide.

The Committee considered the proposal and discussed the information that Sen. Adams and staff provided.

Chair Adams invited the public to comment on this topic.

Mr. Kory Holdaway, Utah Education Association (UEA), expressed concerns with any proposal that would redistribute existing property tax revenues and noted UEA's willingness to participate in discussions about equalization.

Mr. Peter Cannon, constituent, expressed concerns about tax rates. He encouraged the Committee to remember that all taxes, even those initially imposed on businesses, ultimately end up being paid by people.

In response to a question, Mr. Ben Leishman, Office of the Legislative Fiscal Analyst, discussed General Fund allocations for schools.

3. Tax Commission Administrative Charges

Sen. Wayne Niederhauser distributed and presented 2011 General Session draft legislation, "State Tax Commission Tax, Fee, or Charge Administration and Collection Amendments." He explained that the draft legislation attempts to create a more standard process and rate for Tax Commission administrative charges.

Ms. Rockwell explained another component of the bill regarding filing frequencies and subjecting certain taxes, fees, and charges to certain sales and use tax provisions. She explained that this was an item assigned to the Committee from the Master Study Resolution.

Ms. Lynn Solarczyk, Utah State Tax Commission, responded to some questions from the Committee.

The Committee discussed the bill.

MOTION: Sen. Niederhauser moved to adopt 2011 General Session draft legislation, "State Tax Commission Tax, Fee, or Charge Administration and Collection Amendments" as a committee bill. The motion passed unanimously.

Sen. Romero and Sen. Stephenson were absent for the vote.

4. Tax Commission Data Match Process

Commissioner Mark Johnson, Utah State Tax Commission, and Mr. Dee Talbot, Utah State Tax Commission, explained the Utah State Tax Commission's efforts to more efficiently handle issues related to delinquent taxes. They explained a proposed process that uses a data match process to collect delinquent taxes.

Sen. Bramble further explained the proposal and indicated he plans to present draft legislation at a future meeting.

5. Other Items / Adjourn

MOTION: Rep. Dougall moved to adjourn the meeting. The motion passed unanimously. Sen. Romero and Sen. Stephenson were absent for the vote.

Chair Adams adjourned the meeting at 10:51 a.m.