

(Draft - Awaiting Formal Approval)
**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, May 18, 2011 – 2:00 p.m. – Room 445 State Capitol

Members Present:

Rep. Patrick Painter, House Chair
Sen. J. Stuart Adams
Sen. Benjamin M. McAdams
Sen. Wayne L. Niederhauser
Sen. Howard A. Stephenson
Sen. John L. Valentine
Rep. David G. Butterfield
Rep. David Clark
Rep. Tim M. Cosgrove
Rep. John Dougall
Rep. Susan Duckworth
Rep. Gage Froerer
Rep. Eric K. Hutchings

Rep. Michael T. Morley
Rep. Jim Nielson
Rep. Carl Wimmer

Members Absent:

Sen. Curtis S. Bramble, Senate Chair
Rep. Wayne A. Harper
Rep. Larry B. Wiley

Staff Present:

Mr. Phillip V. Dean, Policy Analyst
Mr. Bryant R. Howe, Assistant Director
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Chelsea B. Lloyd, 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 Painter called the meeting to order at 2:22 p.m.

MOTION: Sen. Valentine moved to approve the minutes of the November 17, 2010 meeting. The motion passed unanimously. Sen. Niederhauser, Rep. Butterfield, Rep. Dougall, and Rep. Wimmer were absent for the vote.

Mr. Dean explained "2011 Master Study Resolution Items for Revenue and Taxation Interim Committee" and "Studies Required to be Conducted by the Revenue and Taxation Interim Committee."

2. Overview of State and Local Revenues and Economic Trends

Mr. Dean and Mr. Howe presented information regarding economic indicators and revenue collections in Utah. They discussed population changes, employment statistics, housing and construction markets, and various other economic indicators in Utah.

The presentation covered taxable sales in selected industries and historical trends in sales and use, individual income, and property tax revenues. Mr. Howe discussed Utah's unemployment rate, including a comparison with other states.

Mr. Dean explained "Utah State Tax Commission - Ten Month Summary" and "Utah State Tax Commission - Tax Collections," which were distributed at the meeting.

3. Manufacturing Jobs and Trade

Mr. Westberg presented information on manufacturing and foreign trade. He proposed requiring a foreign manufacturer to import foreign goods through a domestic manufacturer.

The Committee discussed the presentation.

4. Local Option Sales & Use Tax Distribution

Rep. Jim Nielson distributed information regarding the local option sales and use tax under Utah Code Annotated Title 59, Chapter 12, Local Sales and Use Tax Act, and proposed that the tax be distributed using a different methodology. He explained that 2011 General Session H.B. 135, "Local Sales and Use Tax Distribution Revisions," addressed this issue and was referred to the Committee for interim study.

Rep. Nielson encouraged the Committee to consider alternative ways of distributing local option sales and use taxes in Utah that reduce or eliminate point of sale as a distribution factor.

Sen. McAdams expressed concern that urban decay could occur under this proposal. Rep. Cosgrove explained that quality of life is an important consideration in local government finance.

Mr. Roger Tew, Utah League of Cities and Towns, explained that currently no cities are looking to change the distribution of local option sales and use taxes and that municipalities are satisfied with the current system.

5. Statutorily-Required Studies

Mr. Dean and Ms. Rockwell explained two areas of statutorily-required study for the Committee: severance taxes and a sales and use tax exemption on oil and gas derived from oil shale, tar sands, or coal-to-liquid technology and taxation of pass-through entities. They distributed "Utah Code Annotated Section 59-5-120. Exemption." and "Utah Code Annotated Section 59-7-701. Taxation of S corporations -- Revenue and Taxation Interim Committee study."

Sen. Niederhauser explained his intentions to study pass-through entities during the interim and invited individuals interested in these topics to contact him.

6. Other Items / Adjourn

MOTION: Rep. Morley moved to adjourn the meeting. The motion passed unanimously. Sen. Adams, Sen. Stephenson, Sen. Valentine, Rep. Dougall, and Rep. Wimmer were absent for the vote.

Chair Painter adjourned the meeting at 4:37 p.m.