

**MINUTES OF THE  
REVENUE AND TAXATION INTERIM COMMITTEE**  
Wednesday, August 19, 2015 – 10:30 a.m. – Room 445 State Capitol

**Members Present:**

Sen. Deidre M. Henderson, Senate Chair  
Rep. Daniel McCay, House Chair  
Sen. Curtis S. Bramble  
Sen. Jim Dabakis  
Sen. Wayne A. Harper  
Sen. Howard A. Stephenson  
Rep. Joel K. Briscoe  
Rep. Kim Coleman  
Rep. Rich Cunningham  
Rep. Steve Eliason  
Rep. Gage Froerer  
Rep. Eric K. Hutchings  
Rep. Ken Ivory

Rep. John Knotwell  
Rep. Jeremy A. Peterson  
Rep. Marie H. Poulson  
Rep. Jon E. Stanard

**Members Absent:**

Sen. Gene Davis

**Staff Present:**

Mr. Leif G. Elder, Policy Analyst  
Mr. Bryant R. Howe, Assistant Director  
Ms. Andrea Valenti Arthur, Associate General Counsel  
Ms. Bree A. Frehner, Legislative 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 Henderson called the meeting to order at 10:42 a.m.

**MOTION:** Rep. Cunningham moved to approve the minutes of the July 17, 2015, meeting. The motion passed unanimously. Rep. Briscoe, Rep. Eliason, Rep. Hutchings, and Rep. McCay were absent for the vote.

**2. Utah Tax Review Commission Update**

Mr. Curtis Trader, Chair, Utah Tax Review Commission, provided the committee with information about the Utah Tax Review Commission. He explained the membership of the commission, the past role of the commission, and the current role of the commission. He gave a history of work done by the commission and an update on work the commission has done in 2015 concerning sales and use tax earmarks. He stated that the commission would likely provide recommendations regarding sales and use tax earmarks to the committee by the end of the year.

**3. Letter to Legislative Management Committee Regarding Tax Review Commission Study**

Sen. Stephenson discussed "Revenue and Taxation Interim Committee letter to Legislative Management Committee concerning Utah Tax Review Commission," which requests that the Legislative Management Committee ask the Utah Tax Review Commission to study state and local taxes on businesses. He stated that the purpose of the study would be to provide recommendations on changes to state law that would ensure greater economic growth in the state, enhance Utah's ability to compete with other states, and remove barriers to having successful and competitive businesses.

**MOTION:** Sen. Stephenson moved that the committee approve the letter to the Legislative Management Committee. The motion passed unanimously. Rep. Hutchings and Rep. McCay were absent for the vote.

#### **4. Aeronautics Restricted Account Amendments**

Ms. Valenti Arthur explained draft legislation "Aeronautics Restricted Account Amendments" (2016FL-0225/004). She noted that the draft legislation modifies statute so it is compliant with federal regulations.

Mr. John Valentine, Chairman, Utah State Tax Commission, explained that although Utah statute is noncompliant with federal regulations, current practice in Utah is compliant with these regulations.

Chair Henderson turned the chair over to Rep. McCay.

Sen. Stephenson expressed concern that Utah statute was both ignored and also noncompliant with federal regulations. Commissioner Valentine clarified that the Aeronautics Restricted Account statute gives authority for the noncompliant use but does not require the noncompliant use.

Mr. Patrick Morley, Director, Utah Division of Aeronautics, responded to a question from Rep. Briscoe by stating that \$80,000 is set aside annually for aerial search and rescue.

Rep. Hutchings discussed the resources devoted to search and rescue from the Department of Public Safety and spoke about the need to evaluate the need for different funding sources. Commissioner Valentine explained that the funding for search and rescue comes from a variety of sources.

Sen. Stephenson shared a personal story of a positive experience with search and rescue volunteers. He expressed appreciation for all volunteers who participate in search and rescue.

**MOTION:** Rep. Briscoe moved that the committee adopt draft legislation "Aeronautics Restricted Account Amendments" as a committee bill. The motion passed unanimously.

#### **5. Tax Commission Data Match Process**

Sen. Harper discussed 2011 General Session S.B. 17, "State Tax Commission Levy Process Using Depository Institution Data Match System." He explained that if this legislation had passed it would have enacted a depository institution data match system and a Utah State Tax Commission levy process to collect certain amounts owed by a delinquent taxpayer through the depository institution data match system. He recommended that the committee open a committee bill file to try to amend the statute once again.

Ms. Rebecca Rockwell, Commissioner, Utah State Tax Commission, spoke in support of legislation that would implement a bank data match system. She explained that the current process is cumbersome for both the commission and for financial institutions. She discussed how a bank data match system would simplify the process for collecting delinquent taxes. She stated that if a bank data match system were enacted, it would match the IRS levy process. In order to allay concerns, Ms. Rockwell assured the commission that the proposed bank data match system would preserve taxpayer rights.

Chair McCay turned the chair over to Sen. Henderson.

Sen. Bramble expressed support for Sen. Harper's proposal.

Sen. Dabakis asked how the proposed bank data match procedure would compare to the process used by other creditors, mentioning concerns that this would give an unfair advantage to the state. Commissioner Valentine explained that the proposed procedure allows the state to discern what bank a taxpayer has an

account with before engaging the financial institution in a lengthy process. He spoke about other entities that also have the ability to use a similar procedure. Sen. Harper added that this would relieve burdens the government places on financial institutions.

Responding to questions generated by a discussion between Sen. Bramble and Sen. Dabakis, Commissioner Valentine stated that although the Utah State Tax Commission can check a taxpayer's credit, a credit check does not always identify a taxpayer's bank accounts. He explained that difficulty identifying bank accounts results in multiple financial institutions being burdened with completing a lengthy garnishment. He stated that the proposed process would reduce the number of garnishments a financial institution would have to complete.

**MOTION:** Sen. Bramble moved that the committee open a bill file that would create a data match system with depository institutions and a Utah State Tax Commission levy process to collect certain amounts owed by delinquent taxpayers. The motion passed unanimously. Rep. Froerer and Rep. Stanard were absent for the vote.

## **6. Sales and Use Tax Exemptions**

Chair Henderson turned the chair over to Rep. McCay.

Chair McCay distributed "Utah State Tax Commission Annual Report 2013-2014: Sales Tax Exemptions." He discussed the statutory sales and use tax exemptions. He encouraged the commission to study the current sales tax exemptions and consider changes.

Rep. Briscoe asked the Utah State Tax Commission to comment on entries in their report for which data was not available. Commissioner Rockwell responded that the commission would evaluate each entry for which data was not available and communicate a reason to Rep. Briscoe. Chair McCay requested that the commission provide its response to the entire committee. Commissioner Rockwell agreed to provide the information to all committee members.

In response to a question from Sen. Stephenson, Commissioner Rockwell stated that categorizing the sales and use tax exemptions would require significant policy guidance from legislators. She encouraged committee members to work with staff to categorize the exemptions. Chair McCay agreed that categorization of exemptions is a political decision.

Sen. Dabakis proposed including a sunset on all sales tax exemptions in order to review them periodically. Chair McCay commented that though reviews of the exemptions would be valuable, there is also value of consistency of exemptions creating a predictable business climate in Utah.

Commissioner Rockwell commented that the Utah Tax Review Commission historically conducted a cyclical review of all sales and use tax exemptions, but that this review is no longer required by statute.

Sen. Bramble discussed exemptions for inputs to production. He commented on the inconsistency of exemptions, giving examples of certain services that include a tax and others that do not. He mentioned concerns about the approach of focusing on only certain exemptions when reviewing sales and use tax exemptions.

Chair McCay and Rep. Briscoe commented on the value of reviewing sales and use tax exemptions.

## **7. Other Items**

Sen. Bramble discussed changes in federal filing deadlines that need to be addressed by the committee.

Commissioner Valentine commented on these changes in the federal filing deadline for partnership tax returns. He expressed support for legislation amending Utah statute to make it consistent with federal law.

**MOTION:** Sen. Bramble moved that the committee open a bill file to address changes in federal filing deadlines. The motion passed unanimously. Sen. Dabakis, Sen. Harper, Sen. Henderson, and Rep. Knotwell were absent for the vote.

## **8. Review of Committee Studies and Reports**

Mr. Elder discussed draft legislation "Revenue and Taxation Interim Committee Report Amendments" (2016FL-0231/006), pointing out that the legislation would make the changes adopted by the committee at the July 15, 2015, meeting. He responded to questions from the committee.

In response to a question from Rep. Briscoe, Commissioner Valentine clarified that the Utah State Tax Commission would continue to create an annual report if draft legislation "Revenue and Taxation Interim Committee Report Amendments" was enacted.

**MOTION:** Rep. Cunningham moved to adopt draft legislation "Revenue and Taxation Interim Committee Report Amendments" as a committee bill. The motion passed with Rep. Briscoe and Rep. Poulson voting in opposition. Sen. Bramble, Rep. Froerer, Rep. Ivory, and Rep. Knotwell were absent for the vote.

## **9. Adjourn**

**MOTION:** Rep. Poulson moved to adjourn the meeting. The motion passed unanimously. Sen. Bramble, Rep. Froerer, Rep. Ivory, and Rep. Knotwell were absent for the vote.

Chair McCay adjourned the meeting at 12:12 p.m.