

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, May 18, 2016 – 8:30 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. Howard A. Stephenson
Rep. Joel K. Briscoe
Rep. Kim Coleman
Rep. Steve Eliason
Rep. Gage Froerer
Rep. Eric K. Hutchings
Rep. Ken Ivory
Rep. John Knotwell

Rep. Jeremy A. Peterson
Rep. Robert M. Spendlove
Rep. Jon E. Stanard

Members Absent:

Sen. Gene Davis
Rep. Marie H. Poulson

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.

1. Committee Business

Chair Henderson called the meeting to order at 8:40 a.m. Rep. Poulson was excused from the meeting.

MOTION: Rep. Knotwell moved to approve the minutes of the November 18, 2015, meeting. The motion passed unanimously. Rep. Briscoe, Rep. Ivory, Rep. McCay, and Rep. Stanard were absent for the vote.

Mr. Elder distributed and reviewed "Open and Public Meetings Act Training."

2. Legislative Management Committee Study Requests

Chair Henderson directed committee members to "Revenue and Taxation Interim Committee 2016 Study Items" to see the study items for the interim.

3. Long-Term Planning

Mr. Elder referenced "Legislative Rules IR2-2-103 Interim Committees -- Long-term planning emphasis," which requires interim committees to consider long-term planning issues each year.

Ms. Rebecca Rockwell, Commissioner, Utah State Tax Commission, identified and gave commission recommendations on three long-term planning issues that the commission has identified:

- (1) clarifying appeal periods under the Farmland Assessment Act;
- (2) harmonizing statutes related to pass-through entities; and
- (3) determining priority for the imposition of local option sales taxes for transportation.

Ms. Rockwell responded to questions from the committee.

4. Review of Tax Credits

Rep. Peterson discussed 2016 General Session H.B. 310 3rd Substitute, "Tax Credit Review Amendments," which formalizes a process for regular review of tax credits by the Revenue and Taxation Interim Committee. Rep. Peterson responded to questions from the committee.

Mr. Elder presented "Review of Income Tax Credits: UESP, Taxpayer, & Retirement" and distributed "Tax Year 2014 Credits," which lists the number, amount, and average for tax credits claimed in 2014.

Ms. Lynne Ward, Executive Director, Utah Educational Savings Plan, distributed "Utah Educational Savings Plan," "Morningstar Names Best 529 College-Savings Plans for 2015," and "UESP Investment Option Performance as of April 30, 2016." She responded to questions from the committee about the tax credit cap, contribution amounts, marketing and use growth, and additional tax benefits of Utah Educational Savings Plans.

Sen. Stephenson argued that the UESP tax credit primarily benefits individuals of higher means. He encouraged the committee to look at incentivizing education for individuals of any means. He responded to questions from the committee.

Mr. Elder completed "Review of Income Tax Credits: UESP, Taxpayer, & Retirement" and responded to questions concerning the taxpayer and retirement tax credits.

5. Taxing Authority of Local Districts

Ms. Valenti Arthur presented "Local Districts Overview," which explains local district structure and local district authority to impose property taxes.

Mr. LeGrand W. Bitter, Executive Director, Utah Association of Special Districts, presented "Local District Appointed Boards: Taxation with Representation," which provides background on local district taxing authority.

Mr. Lincoln Shurtz, Director of Government Affairs, Utah Association of Counties, commented on the creation and control of local districts and special districts.

Mr. Roger Tew, Utah League of Cities and Towns, commented on the league's involvement with local districts and special districts and cautioned against large changes that would disrupt the system.

Sen. Lincoln Fillmore discussed 2016 General Session S.B. 235 2nd Substitute, "Local District Tax Revisions." He argued that there is not a direct link between taxpayers and local districts that have taxing authority, which means that for some local districts there is not any accountability at the ballot box. He responded to questions from the committee.

Responding to Sen. Fillmore's comments, Mr. Bitter emphasized the difference between a special service district and a local district and responded to other questions from the committee.

Rep. Justin L. Fawson shared three objectives that need to be addressed concerning special districts:

- (1) defining auditing authority;
- (2) increasing voter participation and awareness; and
- (3) increasing transparency and accountability.

6. Review of Utah State Tax Commission

This agenda item was not discussed.

7. Other Items/Adjourn

The committee discussed the process to follow to open committee bill files.

MOTION: Sen. Bramble moved that the committee authorize the chairs to open committee bill files as necessary throughout the interim. The motion passed unanimously. Sen. Dabakis and Rep. Briscoe were absent for the vote.

MOTION: Rep. Peterson moved to open a committee bill file on expansion or modification of the Utah Educational Savings Plan tax credit to address intergenerational poverty. The motion passed unanimously. Sen. Dabakis and Rep. Briscoe were absent for the vote.

MOTION: Rep. McCay moved to adjourn the meeting. The motion passed unanimously. Sen. Dabakis and Rep. Briscoe were absent for the vote.

Chair Henderson adjourned the meeting at 10:53 a.m.