

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, July 13, 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. Gene Davis
Sen. Howard A. Stephenson
Rep. Kim Coleman
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. Robert M. Spendlove
Rep. Jon E. Stanard

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 McCay called the meeting to order at 8:39 a.m.

MOTION: Sen. Dabakis moved to approve the minutes of the June 15, 2016, meeting. The motion passed unanimously. Sen. Davis, Rep. Briscoe, Rep. Coleman, Rep. Eliason, Rep. Knotwell, Rep. Spendlove, and Rep. Stanard were absent for the vote.

2. Tax Credit Review Amendments

Rep. Peterson distributed and discussed 2016 Third Special Session H.B. 3001, "Tax Credit Review Amendments."

MOTION: Sen. Bramble moved that the committee recommend that the House and Senate pass H.B. 3001, "Tax Credit Review Amendments" in the Legislature's 2016 Third Special Session. The motion passed unanimously. Sen. Davis, Rep. Briscoe, Rep. Coleman, Rep. Spendlove, and Rep. Stanard were absent for the vote.

3. Review of Utah State Tax Commission

Chair McCay explained the purpose behind the Utah State Tax Commission presentation.

Mr. John Valentine, Chair, Utah State Tax Commission; Mr. Michael Cragun, Commissioner, Utah State Tax Commission; and Mr. Barry Conover, Executive Director, Utah State Tax Commission, presented "Utah State Tax Commission Presentation." Commissioner Cragun reviewed the structure and organization of the commission, particularly the constitutional requirements, statutory requirements, and administrative rules the commission is subject to. Mr. Conover discussed the organization of the commission and the functions performed by different divisions within the executive director's office. Commissioner Valentine presented two case studies of commission policy rulings, concerning a statute of limitations and the oil and gas severance tax. Commissioner Valentine proposed a statutory change that would allow more flexibility for the commissioners to meet with the executive director's office and division directors.

Commissioner Valentine, Commissioner Cragun, and Mr. Conover responded to questions from the committee.

4. Assessment of Land in Agricultural Use

Mr. Denny Lytle, Director, Property Tax Division, Utah State Tax Commission, distributed and discussed "Overview of the Farmland Assessment Act of 1969," which gave an overview of the Farmland Assessment Act, including current use, qualifications, rollback taxes, and county and commission responsibilities. Mr. Lytle responded to questions from the committee.

Mr. Lincoln Shurtz, Director of Government Affairs, Utah Association of Counties, stated support for the Farmland Assessment Act. He discussed needed clarity in definitions of "bona fide range improvement" and "change in use." Mr. Shurtz responded to questions from the committee.

Ms. Kathleen Howell, Assessor, Cache County, explained the ramifications of the Farmland Assessment Act on the property tax system as a whole. She discussed issues related to incomplete statutory guidance on bona fide range improvement plans, property that farmers are paid not to farm, the definition of change in use, and dual use of properties. She noted that assessors support farmers and the intent of the Farmland Assessment Act, but she asked for further clarity to resolve current issues.

Mr. Sterling Brown, Vice President, Public Policy, Utah Farm Bureau, stated that the purpose of the Farmland Assessment Act in 1969 was to protect bona fide farmers and ranchers, which purpose needs to stay intact. He noted that the bureau recognizes that agriculture has changed since 1969. He stated belief that the law was purposely drafted to be broad based. Mr. Brown responded to questions from the committee.

Sen. Stephenson mentioned the original purpose of Farmland Assessment Act as allowing farmers to operate where property taxes make agricultural operations economically prohibitive. Considering dual use of greenbelt property, he stated that farmers should not participate in the assessment program unless participation is necessary to enable the agricultural activity.

Rep. Froerer, Sen. Stephenson, Mr. Shurtz, and Mr. Brown discussed dual use of properties resulting in greenbelt assessment for properties that are not primarily used for agriculture. Rep. Froerer favored assessing property based on primary use. Mr. Shurtz suggested making a distinction between ancillary and related or unrelated uses.

Chair McCay thanked the presenters. He added that application of the definition or scope of agricultural use is narrowing for purposes of the Urban Farming Act.

5. Review of Recent Changes to the Formula Used to Distribute Fuel Tax Revenue to Local Governments

This agenda item was not discussed.

6. Review of Income Tax Credits – Recycling Market Development Zones

This agenda item was not discussed.

7. Assessment of Property

This agenda item was not discussed.

8. Opened Committee Bill Files

This agenda item was not discussed.

9. Other Items/Adjourn

Sen. Bramble discussed 2016 Third Special Session S.B. 3002, "Economic Development Revisions," which would provide certain sales and use tax exemptions for a qualifying enterprise data center and which would be reviewed in the Business and Labor Interim Committee. He noted that the bill has no fiscal note because there are not yet any qualifying data centers in Utah. Sen. Bramble responded to questions from the committee.

Sen. Stephenson spoke in favor of S.B. 3002, "Economic Development Revisions." He noted the value of data centers to the state's property tax base. He discussed amending the legislation to allow exemptions for machinery, equipment, and normal operating repair or replacement parts with an economic life longer than one year, rather than only machinery, equipment, and normal operating repair or replacement parts with an economic life longer than three years.

Sen. Dabakis discussed the 2015 review of sales and use tax earmarks by the Utah Tax Review Commission and the need for public education funds. Sen. Dabakis and Sen. Bramble discussed business tax exemptions and public education funding.

Chair McCay spoke in favor of broadening the policy proposed by S.B. 3002, "Economic Development Revisions," to cover computers and other scopes of production for small businesses in Utah.

MOTION: Sen. Bramble moved to adjourn the meeting. The motion passed unanimously. Sen. Davis, Sen. Henderson, and Rep. Hutchings were absent for the vote.

Chair McCay adjourned the meeting at 10:46 a.m.