

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, July 21, 1999 -- 2:00 p.m. -- Room 223 State Capitol

Members Present:

Sen. Howard Stephenson, Senate Chair
Rep. Raymond W. Short, House Chair
Sen. Ron Allen
Sen. Mike Dmitrich
Sen. Robert F. Montgomery
Sen. John L. Valentine
Rep. Loretta Baca
Rep. Judy A. Buffmire
Rep. Margaret Dayton
Rep. Loraine T. Pace
Rep. Tammy J. Rowan
Rep. Jack A. Seitz
Rep. Richard L. Walsh

Members Absent:

Sen. L. Steven Poulton
Rep. Ralph Becker
Rep. Kevin S. Garn
Rep. Wayne A. Harper
Rep. David M. Jones

Staff Present:

Mr. Bryant R. Howe,
Research Analyst
Ms. Rebecca L. Rockwell,
Associate General Counsel
Ms. L. Kaye Clark,
Secretary

Note: A list of others present and a copy of materials distributed in the meeting are on file in the Office of Legislative Research and General Counsel.

1. Committee Business

Chair Short called the meeting to order at 2:00 p.m. He asked Rep. Pace to preside as the committee chair while he attended to other business during part of the meeting.

MOTION: Rep. Walsh moved to approve the minutes of the June 16, 1999 meeting. The motion passed unanimously. Sen. Montgomery and Rep. Baca were absent for the vote.

2. Revenue Update

Doug Macdonald, Utah State Tax Commission ("Tax Commission"), distributed "TC-23 Monthly Revenue Summary Preliminary Year-end, FY 1998-99" and reviewed tax revenues and refunds from the major tax sources. He also made comments on Utah's economy after reviewing some key economic indicators.

3. Revenue Collections from Age Based Fee on Motor Vehicles

Bryant R. Howe explained that 1998 General Session S.B. 50, "Property Taxes-Uniform Fees and Certified Tax Rate" ("S.B. 50"), changed the fees on certain motor vehicles from "value-based" fees to "age-based" fees. The legislation also contained a provision that if the revenues

from motor vehicle fees changed as a result of the legislative adjustment in the uniform fee structure, a taxing entity's certified rate would be adjusted to offset the change in revenues. Consequently, if motor vehicle fee revenues decrease as a result of S.B. 50, the tax burden would shift to other types of property, including real property, to offset the loss in revenues. Mr. Howe reviewed the handout "Comparison of Estimated Collections for Motor Vehicle Fees for 27 Utah Counties, January - May 1998 and 1999" which shows that collections since the implementation of the bill have remained approximately revenue neutral on a statewide basis. The committee discussed whether revenue changes as a result of S.B. 50 would require a taxing entity to be subject to truth in taxation notice and hearing requirements.

Kathleen Howell, Cache County Assessor, and Lee Gardner, Salt Lake County Assessor, reported that changing to age-based fees has simplified the motor vehicle fee system.

George Mantes, former senator and sponsor of S.B. 50, addressed the committee regarding S.B. 50. He stressed that the legislation was drafted on the basis of revenue projections from the Tax Commission and the Office of the Legislative Fiscal Analyst and was not intended to raise property taxes on homes. He stated that the system implemented by S.B. 50 is simple and efficient, and urged the committee to avoid reinstating the previous system. Mr. Mantes recommended that, if necessary, the committee pass legislation during the 2000 General Session that: (1) adjusts the uniform fee structure to make it revenue neutral on the basis of actual collections; and (2) rolls back any certified tax rate increases resulting from S.B. 50.

Commissioner Rich McKeown, Tax Commission, explained that there is not sufficient data at this time to determine the revenue impact of changing to an age-based fee structure. He discussed options for correcting any potential tax shifts to real property resulting from S.B. 50 and responded to questions regarding the fiscal note on S.B. 50. Commissioner McKeown explained that due to an error in calculation, the estimated \$21.7 million revenue shortfall should be \$16.2 million. He informed the committee that the Tax Commission has the ability to make a manual certified tax rate adjustment in September.

Greg Fredde, Utah Taxpayers Association, expressed concerns regarding the potential tax shift created by S.B. 50.

4. Advisory Commission on Electronic Commerce

Chair Short resumed as the committee chair and welcomed Governor Leavitt. Governor Leavitt reported that the Advisory Commission on Electronic Commerce held its first meetings on June 20 and 21, 1999, and plans to make recommendations to Congress by April, 2000. He noted that many states, including Utah, are also working on solutions to Internet taxation. Governor Leavitt explained that emerging technology will allow states to: (1) identify where goods are being shipped; and (2) determine the appropriate sales tax for that location. He stressed the

importance of streamlining Utah's tax system so that electronic commerce can be conducted efficiently. The next meetings of the Advisory Commission on Electronic Commerce will be held on September 20 and 21, 1999, in New York. He responded to questions regarding tax policy, technology, federalism issues, and simplification of the tax system. Governor Leavitt agreed to inform the committee of developments and specific proposals for consideration.

5. Revenue from Tobacco Settlement: Review of Suggested State Legislation

Chair Short recommended the committee review information provided to the Health and Human Services Interim Committee regarding the tobacco settlement. He reviewed the handout "Tobacco Settlement Supplement" that lists legislation passed in other states related to the use of tobacco settlement monies, and suggested the committee review South Carolina's legislation concerning prevention. Chair Short informed the committee that the South Carolina legislation will be included in the Council of State Governments' supplemental publication.

6. Other Business

No other business was discussed.

7. Adjournment

MOTION: Rep. Seitz moved to adjourn the meeting at 3:55 p.m. The motion passed unanimously.

