

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, August 18, 1999 -- 2:15 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. L. Steven Poulton
Sen. John L. Valentine
Rep. Loretta Baca
Rep. Ralph Becker
Rep. Judy A. Buffmire
Rep. Margaret Dayton
Rep. Kevin S. Garn
Rep. Wayne A. Harper
Rep. David M. Jones
Rep. Loraine T. Pace
Rep. Tammy J. Rowan
Rep. Jack A. Seitz
Rep. Richard L. Walsh

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 2:15 p.m.

- a. Approval of the minutes of the July 21, 1999 meeting

MOTION: Rep. Walsh moved to approve the minutes of the July 21, 1999 meeting. The motion passed unanimously. Reps. Becker, Garn, and Jones were absent for the vote.

2. Apportionment of Commercial Airline Value

Wayne Pyle, Assistant City Manager, West Valley City, distributed the handout "Suggested Criteria for Air Transportation Operation Apportionment." Paul Rogers, representing West Valley City, claimed that West Valley City is "substantially impacted" by airline flyovers and, therefore, should receive a portion of the airlines' assessed values. He suggested that two pools of mobile flight equipment be established. The first pool would be apportioned on the basis of ground time and the second pool would be apportioned on the basis of the burden that the airline imposes on a jurisdiction. Mr. Rogers recommended that under the second pool, dense residential areas that are directly under an aircraft's glide path should be given a higher weighting for

purposes of apportionment. Mr. Pyle and Mr. Rogers responded to questions from the committee including questions about daily flight minimums, flight paths, truth in taxation, nexus, the threshold for determining whether an area is impacted by aircraft, and possible legislation.

Ms. Rockwell read from the Utah Supreme Court decision and noted that to deal with ambiguities in the ruling, a constitutional note may be required on legislation.

Commissioner Bruce Johnson, Utah State Tax Commission ("Tax Commission"), stated that this issue should be handled legislatively and requested that the Tax Commission be involved in drafting any legislation to provide input on the administrative issues relating to the bill.

3. Sales and Use Tax Simplification Proposals

Commissioner Rich McKeown, Tax Commission, reviewed the handout "Simplification Concepts/Alternatives," containing information on sales and use tax simplification.

Commissioner Johnson distributed the handout "Uniform Sales Tax Rate Proposal." He presented a uniform sales tax rate proposal, and explained that the goal of this proposal is to simplify the sales and use tax system for retailers, customers, other taxpayers, and administrators while maintaining state and local tax revenues at or near current levels. He said that under the uniform rate proposal, every taxpayer would pay the sales and use tax at a uniform statewide rate established by the Legislature. Local sales and use taxes would be credited against the state tax paid. The committee discussed issues relating to this proposal including revenue sharing, increased compliance, equal protection, and the impact of a statewide tax on rural areas.

4. Revenues from the Age-Based Fee on Motor Vehicles

a. Update on Revenue Estimates Made During 1998 General Session - Mr. Howe distributed Sen. Mantes' document titled "Fee-In-Lieu Tax Bill" and explained that he incorrectly attributed the document to the Property Tax Division at the last meeting. He apologized for this mistake.

b. Motor Vehicle Taxation Initiatives in Other States - Mr. Howe reviewed the handout "Summary of Selected State Actions on Taxes and Fees on Automobiles." He reported that California imposes a Vehicle License Fee ("VLF") on motor vehicles in place of taxing vehicles as personal property. As part of its FY 1999 budget, California permanently cut the VLF by 25 percent, and in July enacted an additional one-time 10 percent VLF reduction. Mr. Howe reported that for fiscal years 2000 and 2001, the Arizona Legislature has cut \$60 million from the vehicle license tax by gradually reducing the state's general fund portion of the tax. He said that in 1998, the Virginia Assembly enacted a plan to reduce the tax burden on the first \$20,000 of taxable value of a motor vehicle. The Illinois Legislature increased registration fees by 62

percent, but provided a reduced fee for low-income elderly persons. Mr. Howe reported that the governor of Oklahoma vetoed a bill that would have replaced Oklahoma's: (1) 3.25 percent motor vehicle sale excise tax with a 4.5 percent sales tax on the actual sales price of the vehicle; and (2) value-based tax system with a flat fee based on the age of the vehicle.

c. Comparison of Fees Paid Under Value-Based and Age-Based Systems - Mr. Howe reviewed the handout "Estimated Difference Between Value Based Vs. Age Based Fee on Motor Vehicles" and said he would provided a corrected version of the handout at the next committee meeting.

5. Taxing Entities Proposing Increases in Certified Property Tax Rates

David Vanier, Property Tax Division, Tax Commission, reviewed the handout "Entities Declaring a 1999 Tax Increase." He reported that on the basis of the information received to date, four counties, 19 school districts, 13 cities, and 16 special districts are proposing tax increases. Mr. Vanier reviewed data for each of the proposed tax increases by county including the: (1) type of increase; (2) certified tax rate; (3) proposed tax rate; and (4) the approximate dollar increase for a \$100,000 home and a \$100,000 business as a result of the proposed tax increases. Mr. Vanier agreed to provide the following additional information to the committee: (1) for each county, the amount by which property taxes will increase on a \$100,000 home due to the airline apportionment case and the recent motor vehicle changes; (2) a list of counties that initiated a judgment levy, including the amounts of the judgments and the effect of the judgments on property taxes; and (3) the reason for Glendale's rate increases.

Chair Short urged committee members to become informed on the school districts' use of the weighted pupil unit funds.

Greg Fredde, Utah Taxpayers Association, discussed some possible reasons for the proposed tax increases by taxing entities.

6. Other Business

No other business was discussed.

7. Adjournment

MOTION: Sen. Allen moved to adjourn the meeting at 4:25 p.m. The motion passed unanimously.

