

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**
Wednesday, April 19, 2000 -- 9:00 a.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. L. Steven Poulton
Sen. John L. Valentine
Rep. Loretta Baca
Rep. Ralph Becker
Rep. Judy A. Buffmire
Rep. Kevin S. Garn
Rep. David M. Jones
Rep. Loraine T. Pace
Rep. Tammy J. Rowan
Rep. Jack A. Seitz
Rep. Richard L. Walsh

Members Excused:

Rep. Margaret Dayton
Sen. Robert F. Montgomery

Members Absent:

Rep. Wayne A. Harper

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 9:00 a.m.

MOTION: Rep. Buffmire moved to approve the minutes of the November 17, 1999 meeting. The motion passed unanimously.

2. Economic Development Policies: A 50 State Comparison -- An Overview of Recent Findings Published in the 2000 Economic Report to the Governor - Mike Christensen, Utah Foundation, reviewed information from the report "Economic Development Policies in the States." This report is a 50 state comparison of tax and financial economic development incentives. This report shows that while Utah's economic development incentives are modest, they are an important part of the state's overall economic development package. He discussed the pros and cons of development incentives. Mr. Christensen stated that economic incentives are, at best, tools that can occasionally make the difference in attracting a company to the state or in helping an existing company expand in the state. He stressed that because the most important asset is the state's workforce, Utah should continue to focus on a quality educational system.

3. Property Tax Exemption for Personal Property Used in the Filmmaking Industry - Sen. Mike Dmitrich discussed the impact of taxing transitory personal property on the filmmaking industry and the Olympic Winter Games of 2002. He said that imposition of the tax discourages filmmaking in Utah.

Rebecca Rockwell reviewed information from the handouts "Constitutional and Statutory Framework - Transitory Personal Property Including Filmmaking Property" and "Constitutional Provisions Pertaining to the Taxation of Transitory Personal Property." She explained the constitutional and statutory provisions relating to the taxation of transitory personal property. She noted that the Utah Constitution does not directly provide for exemptions relating to transitory personal property such as filmmaking equipment owned by a business. Ms. Rockwell also commented that "transitory personal property" is not defined in statute.

Bryant Howe presented information from the handouts "Taxable Value by Type of Property" and "Distribution of Taxable Value by Type of Property." He reported that 7.4 percent of the property tax base comes from business personal property and is not a large portion of the counties' tax base.

Jim Fauver, Emery County Assessor, argued that the transitory personal property tax provides a fair and equitable tax base for local businesses competing with out of state businesses. He recommended replacing the personal property tax with a gross receipts tax or production tax.

Lee Gardner, Salt Lake County Assessor, reviewed the Utah State Tax Commission's (Tax Commission) recommendations regarding this tax that are contained in a proposed administrative rule, including the Tax Commission's definition of "transitory personal property." He discussed the difficulty of discovering transitory personal property brought into the state.

Leigh Vonderesch, Utah Film Commission, commented that the transitory personal property tax assessment is administratively burdensome and creates a disincentive for filming in Utah. She stressed the economic benefits of the film industry to the state. Chair Short requested that Ms. Vonderesch provide written information showing the economic advantages to the state in providing a property tax exemption for filmmaking equipment.

Commissioner Pam Hendrickson, Chair, Tax Commission, reviewed the transitory personal property tax laws in surrounding states. She explained that the Tax Commission has developed a draft rule defining "transitory personal property" as "tangible personal property that is used or operated primarily at a location other than a fixed place of business of the property owner or lessee." She said the rule also provides that "[t]ransitory personal property is subject to a proportional assessment when it has been in the state for 90 consecutive days in a calendar year." Commissioner Hendrickson reported that this draft rule has been distributed to certain groups for review. Commissioner Bruce Johnson discussed some legal implications of the proposed rule. Committee discussion followed regarding the constitutionality of the existing statute.

MOTION: Rep. Garn moved that staff draft legislation defining transitory personal property for the committee's consideration. Sen. Valentine spoke in favor of the motion and requested: (1) that the committee review whether the 90-day period contained in the Tax Commission's proposed rule should be incorporated into the draft legislation, or whether a shorter

time period should be prescribed; and (2) a financial estimate of the impacts. Sen. Dmitrich spoke in favor of the motion. The motion passed unanimously. Reps. Becker and Jones were absent for the vote.

Chair Stephenson requested that anyone wanting to give additional input on this issue contact committee staff.

4. Property Taxes on Secondary Residences - Rep. Morgan explained that providing a 45 percent property tax exemption to primary residences shifts the tax burden to secondary residence owners. She discussed the impact of this shift on residences in Big Cottonwood Canyon. Rep. Morgan told the committee that legislation she sponsored during the 2000 General Session to offer a limited residential exemption for secondary residences did not pass, and urged the committee to work to resolve the tax shift issue.

Sen. Mayne, who sponsored legislation during the 2000 General Session similar to Rep. Morgan's legislation, distributed the handout "We Support Senate Bill 64 to keep our family's cabin!" He discussed the concerns of senior citizens and other groups regarding property taxes on remote mountain cabins. He said that an amendment was made to his bill during the session regarding connections to certain municipal services in an attempt to carve out an exemption for remote cabins. Sen. Mayne told the committee that he plans to meet with interested parties and would like to report back to the committee with proposed legislation at a future meeting. He responded to questions regarding the impact of this tax shift to education.

Bryant Howe reviewed the charts "Ratio of Secondary Residential Property Taxable Value to Primary Residential Property Taxable Value" and "Percent That Secondary Residential Taxable Value is of Total Taxable Value." He explained that a change in the tax treatment of secondary residences would disproportionately impact certain counties.

Kathleen Howell, Cache County Assessor, discussed fairness issues related to property tax exemptions and tax burden shifts. She stated that taxes are not assessed according to services received.

Kim Wilson, Rich County Assessor, distributed the handout "Daggett County" and discussed the impact of the exemption provided for in Rep. Morgan's and Sen. Mayne's legislation on primary residence owners. Mary Argyle and Dennis Spraggins, Rich County residents, and Rena Pallesen, Daggett County resident, spoke against this exemption.

Art Partridge, Washington County Assessor, distributed the handout "Washington County - Vacation Home Analysis." He spoke against assessing property taxes in relation to services and said a tax shift would impact retired citizens living on fixed incomes.

Barbara Kresser, Summitt County Assessor, expressed concerns with discrimination issues related to the municipal services amendment. She discussed the impact of the proposed legislation on schools.

Glen Burgener, Wasatch County Assessor, discussed the increase in property taxes due to increasing property values and the impact on local residents.

Ken Wright, owner of a cabin in Summitt County, spoke in favor of the exemption. He commented that property taxes have increased even though he does not receive any services.

Sen. Stephenson commented that the committee will hear from any other cabin owners who wish to make a presentation at the May meeting.

5. Tax Penalties - This item was not discussed.

6. Other Business -No other business was discussed.

7. Adjournment -

MOTION: Rep. Pace moved to adjourn the meeting at 12:20 p.m. The motion passed unanimously.