

**MINUTES OF THE
REVENUE AND TAXATION INTERIM COMMITTEE**

Wednesday, November 15, 2000 – 9:00 a.m. – Room 129 State Capitol

Members Present:

Sen. Howard Stephenson, Senate Chair
Rep. Raymond W. Short, House Chair
Sen. Ron Allen
Sen. Robert F. Montgomery
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

Members Excused:

Sen. Mike Dmitrich
Sen. L. Steven Poulton

Staff Present:

Mr. Bryant R. Howe,
Research Analyst
Mr. O. William Asplund,
Assistant Director
Ms. Rebecca L. Rockwell,
Associate General Counsel
Ms. Sandra Wissa,
Legislative 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 9:10 a.m. and introduced the features of the new room.

MOTION: Rep. Rowan moved to approve the minutes of the October 18, 2000 meeting. The motion passed unanimously. Sen. Valentine, Rep. Short, Rep. Baca, Rep. Becker, and Rep. Jones were absent for the vote.

2. Taxation Issues Related to the Olympic Winter Games of 2002 (Olympics) – Mr. Lane Beattie, State Olympic Officer, and Ms. Natalie Gochnour, Governor’s Office of Planning and Budget, spoke regarding the fiscal impact of the Olympics on Utah using handouts “Economic, Demographic, and Fiscal Impacts in Utah” and “2002 Olympic Winter Games.” Ms. Gochnour stated that the net revenue for the state from the Olympics will be about \$56 million over a six-year period.

Mr. Beattie used the handout “State of Utah Annual Report of the State Olympic Officer Relating to the State Budget Impacts from the 2002 Olympic Winter Games” (Report) to report the potential impacts of the Olympics on taxes and revenue. He explained that all public funds used to build Olympic venues will be repaid. Mr. Beattie reviewed the recommendations contained in the Report, and discussed the progress on developing a memorandum of understanding between the Salt Lake Olympic Organizing Committee, venue communities, and

the Utah Olympic Public Safety Command (Command) to address how to fund public safety needs of venue communities and the Command during the Olympics.

MOTION: Sen. Valentine moved to thank Mr. Beattie for his report and requested him to finalize the memorandum of understanding before the 2001 General Session. The motion passed unanimously. Sen. Stephenson and Rep. Dayton were absent for the vote.

3. Modification of Additions to Income in the Individual Income Tax Act – Ms. Rebecca Rockwell reviewed revised draft legislation “Individual Income Tax - Additions to Federal Taxable Income,” explaining changes discussed at the October interim meeting. She distributed a handout “Excerpt from U.S. Individual Income Tax Return Form 1040,” which addressed adding to federal taxable income certain amounts of a child’s income, and the amounts of a child’s income that are added to federal taxable income under the proposed legislation. She also distributed handout “Form 8814.”

Sen. Valentine reviewed the handout “Modification of Additions to Income in the Individual Income Tax Act Estimated Revenue” which was prepared by the Office of the Legislative Fiscal Analyst. Sen. Valentine also explained the dates contained in the draft legislation.

MOTION: Sen. Allen moved to approve the draft legislation as a committee bill. The motion passed unanimously. Rep. Short, Rep. Baca, Rep. Becker, Rep. Dayton, Rep. Garn, and Rep. Jones were absent for the vote.

4. Indexing Individual Income Tax Brackets for Inflation – Ms. Rockwell reviewed the revised draft legislation “Individual Income Tax - Bracket Adjustments.” She explained that the proposed rounding created a marriage tax penalty and so the language was changed to create brackets for married individuals that are indexed for inflation. These brackets for married individuals are then used to create brackets for the single individuals at 50% of the brackets for married individuals.

MOTION: Sen. Montgomery moved to approve the revised proposed legislation as a committee bill to replace the legislation approved at the October interim meeting. The motion passed unanimously. Sen. Valentine, Rep. Short, Rep. Becker, and Rep. Garn were absent for the vote.

5. Taxation of Telecommunication Services – Mr. Bryant Howe reviewed the handout “Monthly Taxes and Fees on a Typical Residential Telephone Land Line.” He answered questions and explained the uses of current taxes and fees for residential telephone land lines.

Mr. Paul Morris, City Attorney for West Valley City and member of the Task Force of the League of Cities and Towns on Telecommunications, explained the model ordinance “Ordinance

on Mobile Telephone Service Revenue Act” that some cities and towns plan to enact to impose a tax on mobile telephone service. He asserted that cities and towns have the authority to tax telecommunication services in general and yet mobile telephone service is not currently being taxed. He explained that cities and towns: (1) would not enact an ordinance imposing a tax on mobile telephone service until January 1, 2001; (2) would work with telecommunications industry representatives to come up with a model ordinance that would be uniform throughout the state; (3) would limit the tax to \$1 per month per phone; and (4) after finishing the model ordinance would examine local taxation of the telecommunications industry generally. Mr. Morris stated that one of the reasons this tax is necessary is because wireless phones are not just supplemental anymore. As of December 1999, Mr. Morris stated that approximately 2% of wireless users have wireless as their exclusive telephone service. He stated that a tax on telephone service should not be just on wireline.

Mr. Robin Riggs, Qwest Corporation, stated that the industry agreed to the tax only if a comprehensive study of the current state and local taxation of telecommunication services is conducted and efforts are made to streamline the current telecommunications taxes. Mr. Riggs stated that Qwest hopes that this study be initiated next year.

Ms. Laurie Itkin, Leap Wireless International, spoke about the administrative burdens on companies in complying with telecommunication taxes. Ms. Itkin explained that companies are already paying taxes to multiple entities. With this ordinance that some cities and towns are adopting, companies will be remitting another payment. Ms. Itkin raised concerns with identifying all of Utah’s fees and taxes on customer bills. She recommended consolidating the fees and taxes so that telecommunication companies will only have to remit payments to one entity.

MOTION: Rep. Rowan moved to request the chairs to send a letter to Legislative Management Committee expressing strong support for a comprehensive study of issues dealing with taxation of telecommunications. The motion passed unanimously with Sen. Valentine, Rep. Short, Rep. Baca, Rep. Becker, and Rep. Jones absent for the vote.

6. Resort Communities Sales and Use Tax – Mr. Howe made a presentation discussing the handout “Resort Community Sales and Use Tax.” He explained that a municipality may impose a resort communities sales and use tax of up to 1.5% if the municipality’s transient room capacity is greater than or equal to 66% of the municipality’s population. Mr. Howe presented the committee with issues to consider, including the issue of whether there should be a regular review to determine continuing eligibility for a municipality to impose this tax. Mr. Howe discussed using a prescribed set of assumptions regarding the capacity of different types of lodging and providing that each municipality must annually certify with the Utah State Tax Commission (Tax Commission) to be eligible to impose the tax.

Ms. Pam Hendrickson, Tax Commission Chair, answered a question concerning monitoring eligibility to impose this tax. She stated that the Tax Commission does not monitor eligibility to impose this tax.

Mr. David Spatafore, Utah League of Cities and Towns, noted he is pleased that this issue is being addressed by the committee. He raised a concern that residential growth in resort cities lowers the transient room capacity.

7. Other Business – Ms. Rockwell reviewed proposed amendments to draft legislation “Sales and Use Tax Exemption for Mining Establishments.” She explained that the amendments delete a criterion in the mining exemption pertaining to parts for machinery or equipment that parallels a criterion in the manufacturing exemption. She explained that the Tax Commission is not currently implementing this criterion in the manufacturing exemption and the Tax Commission did not see a reason for the criterion to remain in the mining exemption. Ms. Lynn Solarczyk, Tax Commission, confirmed the Tax Commission’s position that the lines proposed to be deleted are not necessary.

MOTION: Sen. Allen moved to accept the amendments to the draft legislation “Sales and Use Tax Exemption for Mining Establishments” and to recommend the amended legislation as a committee bill in the 2001 General Session. The motion passed unanimously. Sen. Valentine, Rep. Short, Rep. Baca, Rep. Becker, and Rep. Jones were absent for the vote.

Ms. Rockwell read to the committee the constitutional note on the draft legislation “Navajo Nation - Motor and Special Fuel Taxes.” She explained that the legislation was drafted by Patricia Owen, Associate General Counsel, and that questions regarding the legislation should be directed to Ms. Owen.

Chair Stephenson expressed appreciation for the legislative staff during the year and committee members who are leaving the Legislature this year.

8. Adjournment

MOTION: Rep. Dayton moved to adjourn the meeting at 11:35 a.m. The motion passed unanimously.