

**MINUTES OF THE
GOVERNMENT REVENUE AND TAX SYSTEM TASK FORCE**
Friday, September 7, 2001 – 9:00 a.m. – Salt Lake Sheraton City Centre

Members Present:

Sen. John L. Valentine, Senate Chair
Rep. Greg J. Curtis, House Chair
Sen. Ron Allen
Sen. Gene Davis
Sen. Scott K. Jenkins
Rep. Eli H. Anderson
Rep. Chad E. Bennion
Rep. Judy Ann Buffmire
Rep. Craig W. Buttars
Rep. Kevin S. Garn

Members Absent:

Sen. Curtis Bramble
Rep. Cindy Beshear

Staff Present:

Mr. O. William Asplund, Assistant Director
Mr. Bryant Howe, Research Analyst
Ms. Rebecca L. Rockwell, Associate General Counsel
Ms. Sandra Wissa, Legislative Secretary

Note: A list of others present and a copy of materials can be found at <http://www.image.le.state.ut.us/imaging/history.asp> or contact the Office of Legislative Research and General Counsel.

1. Call to Order and Approval of Minutes

Chair Valentine called the meeting to order at 9:05 a.m. He explained the duties of the Task Force (Government Revenue and Tax System Task Force) and asked all members and staff to introduce themselves to the members of the ULCT (Utah League of Cities and Towns) and others present.

2. Approval of Minutes

MOTION: Rep. Garn moved to approve the minutes of the June 1, July 6, and August 6, 2001 meetings. The motion passed unanimously with Rep. Buffmire and Rep. Buttars absent for the vote.

3. Presentation on Taxation and Revenue Issues and Their Impact on Local Government – ULCT

Mr. Joe Piccolo, ULCT, presented some statistics on three Utah communities. Mr. Brody Bovero, ULCT, discussed the development of ULCT's budget database and capital improvement database. Mr. Roger Tew, ULCT, spoke on how cities and towns use tax revenues. Mr. Tew stated that the ULCT supports the Task Force study because of the critical need for better information and because tax policy impacts service decisions. He stated that since 1981 cities have decreased their reliance on the property tax and increased their reliance on the sales and use tax. Mr. Tew stated that the policy to keep the property tax low and the property tax on residences even lower caused the greater reliance on sales and use tax. He noted that cities have zoned for those sales and use tax dollars.

Mr. Tew highlighted some of the questions that ULCT would like the Task Force to consider. These questions are as follows: (1) Will the property tax continue to be a major source of revenue? (2) For which entities will the property tax be a major source of revenue? (3) How big of a property tax reduction should there be for residential property? (4) Is truth in taxation's primary goal of informing the public being

met? (5) What should the sales and use tax base be? (6) Is the current distribution of sales and use taxes between local governments appropriate?

4. ULCT Taxation and Service Level Survey

Mr. Dan Jones, President, Dan Jones & Associates, reviewed the taxation and service level survey conducted by Dan Jones & Associates. The survey measured Utah citizens' opinions on: state and local taxes; federal, state, and local government and elected officials; and services that are funded by tax revenues. He stated that according to this survey people do not really know what their taxes are used for. He urged cities to do a better job of explaining the relationship between services and taxes to their citizens.

5. Questions and Answers with Task Force and City and Town Officials

Chair Valentine allowed members of the audience to ask questions of the Task Force. A summary of these questions and answers are listed below.

Ms. Jean Arbuckle, City of Washington, questioned how municipalities can pay for necessary municipal services with the amount of tax revenues they receive. Sen. Jenkins stated that taxes are dealt with best on a level that is closest to the people. He noted that citizens want to receive more services with lower taxes, so legislators and local elected officials have to balance the level of services with the level of taxes.

Sen. Davis questioned whether truth in taxation notices provide people with misleading information. Mr. Jeff Jorgensen, City Administrator, North Logan, raised concerns with truth in taxation notices. He illustrated his concerns using the example of a tax increase for a specific item, such as a library, and raised concerns that the law does not allow information about this tax increase to be indicated in the newspaper ad. Mr. Tew stated that when the truth in taxation laws were enacted, the Utah State Tax Commission developed a form to be sent to each taxpayer that required detailed information about a tax increase and the impact of the tax increase. Mr. Tew concluded that because current statute does not permit truth in taxation newspaper notices to contain detailed information, these published notices can be misleading.

Mr. Tom Hardy, City Manager, City of Bountiful, asked whether the Task Force would consider authorizing a local option income tax. He also asked whether the Task Force believes that water projects should continue to be funded through property tax levies. In addition, Mr. Hardy raised concerns that taxing entities' certified tax rates are calculated on the basis of revenues collected for the previous year, not revenues budgeted for the previous year. He commented that if a taxing entity receives a lesser amount of revenues than the revenues included in the taxing entity's budget, that lesser amount becomes the amount the taxing entity may collect for the next year, unless the taxing entity goes through truth in taxation. Mr. Hardy concluded by commenting that he thought that the local 1 percent sales and use tax should be distributed to counties, cities, and towns only on the basis of population and not on the basis of point of sale. He said that this would help municipalities make better land use decisions. Rep. Curtis stated that during the last Task Force meeting water districts argued that the property tax was necessary for long term development. With respect to sales and use tax distributions, Rep. Curtis commented that the

Task Force will look at this issue, but the ULCT would need to come to an agreement on this issue and provide a proposal for the Task Force's consideration. Sen. Jenkins stated he believes that the current distribution of the local 1 percent sales and use tax is fair to the rural cities. Sen. Davis raised concerns that the change of distribution being suggested would eliminate incentives for cities to develop a commercial base.

Mr. Jim Ortler, Councilmember, Town of Brian Head, stated that when he was elected, he believed that sales and use taxes were the way to pay for the services that the town provided, but he was told that the Legislature determined sales and use tax rates and not the local government's elected officials. When he asked why, he was told that the Legislature did not trust local officials. Mr. Ortler asked whether the Legislature trusted local officials to be responsible in raising revenue for local purposes. Rep. Curtis stated that he trusted his local elected officials, but that he surveyed his constituents and his constituents indicated that they wanted the Legislature to control tax policy. Rep. Bennion said that some local officials resist raising taxes because of the political consequences, and having this responsibility rest with the Legislature minimizes the political consequences to local elected officials. Sen. Jenkins asserted that responsibility for tax increases is best left with local elected officials rather than with the Legislature. Sen. Jenkins explained that local elected officials have the right to raise property taxes but do not choose to do so because of pressure by constituents. Sen. Davis noted that some of the fees and other revenues that are enacted by the Legislature are influenced by constituent pressures.

Ms. Mary Ellen Pugsley, Chair, Big Cottonwood Canyon Community Council, commented that the Task Force has recognized that the tax on secondary homes is an issue that needs to be studied.

6. Adjournment

Chair Valentine adjourned the meeting at 11:15 a.m.

