

**MINUTES OF THE
GOVERNMENT REVENUE AND TAX SYSTEM TASK FORCE**
Friday, October 5, 2001 – 9:00 a.m. – Thanksgiving Point – Garden Room

Members Present:

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

Members Absent:

Sen. Ron Allen

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 9:00 a.m. and welcomed everyone to the meeting. He asked that everyone introduce themselves including the roundtable participants.

MOTION: Rep. Buffmire moved to approve the minutes of the September 7, 2001 meeting. The motion passed unanimously with Sen. Davis, Rep. Anderson, Rep. Bennion, and Rep. Garn absent for the vote.

2. Roundtable Discussion – Tax Policy and Local Decisions about Growth Management and Development

Mr. James R. Clark, Chairman, Coalition for Utah's Future, introduced the topic of the roundtable discussion. He also introduced the meeting facilitator, Mr. Gary Cornia, Professor of Public Management, Brigham Young University, who is a former member of the Tax Commission (Utah State Tax Commission), the current chair of the Utah Tax Review Commission, a member of the Board of the Lincoln Institute on Land Policy, and Chair of the Board on Tax Reform Training Institute in Taiwan.

The invited roundtable discussion participants were:

- ▶ Mayor Gregory Bell, Chairman, Envision Utah
- ▶ Camille Cain, Weber County Commission Chair
- ▶ Michael Christensen, Director, Office of Legislative Research & General Counsel
- ▶ James R. Clark, Chairman, Coalition for Utah's Future
- ▶ Palmer DePaulis, Commissioner, Tax Commission
- ▶ Mayor Tom Dolan, Sandy
- ▶ Mayor Larry Ellertson, Lindon
- ▶ George Garwood, Councilmember, South Ogden
- ▶ Tom Hardy, City Manager, Bountiful

- ▶ Robert Huefner, DBA, Director, Matheson Center for Health Care Studies
- ▶ Gilbert Jennings, President, Jennings Management, Inc.
- ▶ Bruce Johnson, Commissioner, Tax Commission
- ▶ Mayor David T. Kano, Brigham City
- ▶ Shauna Kerr, Summit County Commissioner
- ▶ Dan Lofgren, Cowboy Partners
- ▶ Jack Nixon, President, Nixon Construction
- ▶ Stuart Reid, Director, Community & Economic Dev. Dept., Ogden
- ▶ Mayor Jerry Stevenson, Layton
- ▶ Wilf Sommerkorn, Director, Davis County Community & Economic Dev.
- ▶ Lew Swain, Senior Partner, The Boyer Company
- ▶ Gary Uresk, City Administrator, Woods Cross
- ▶ H. Blaine Walker, Utah Association of Realtors
- ▶ Karen Wikstrom, Wikstrom Economic & Planning Consultants
- ▶ Wade Williams, Senior V.P., Corporate Development, Smith's Food & Drug

Some of the major issues identified in the roundtable discussion included:

- Utah's tax structure encourages cities to offer incentives to big businesses, leaving small and mid-size businesses at a disadvantage. (S. Reid)
- An increase in residential growth higher than the growth of the commercial base results in a problem of not having a large enough tax base to provide adequate services. (D. Kano)
- There is competition between cities for businesses. (L. Ellertson)
- Water and freeway users do not pay the full cost of those services or commodities resulting in the need for government subsidies. (J. Clark)
- There is a failure to recognize that housing creates public wealth. (Jack Nixon)
- Citizens demand more services, but they resist tax increases to provide for those services. (Sen. Jenkins)

Mr. Gary Cornia summarized the issues as follows:

- Economic cycling dictates that we need to think long-term.
- There is a strong resistance to tax increases in Utah.
- There is a dislike of the property tax.
- The sales tax "race" is real—and now it includes counties.
- Present policy leads to sprawl development and high infrastructure costs.
- There is a need to identify which taxes pay for which services.
- There are sales and use tax boundary issues that are intensified by e-commerce.
- There is an increased reliance on fees.
- Water and highways are subsidized by government.
- There is an increased demand for services.

Some options for addressing these issues were raised by roundtable discussion participants including the following:

1. We should look at the whole tax burden, not focus on any single tax. (Sen. Bramble)
2. We should consider options for addressing property tax issues, including: allowing taxing entities to receive an inflationary increase in property tax revenues that is not subject to truth in taxation and increasing the homeowner's exemption. (T. Hardy)
3. Our solutions must account for an economic downturn. (Rep. Buffmire)
4. We should conduct local planning on a regional basis. (Rep. Buffmire)
5. We need to educate the public about the tax system because there are misconceptions about the tax system. (B. Huefner)
6. We should broaden the sales and use tax base and lower the rates. (W. Sommerkorn)
7. We need to rebalance tax sources for cities and counties. (W. Sommerkorn)
8. We need to spend tax revenues more efficiently. (J. Nixon)
9. We need to link property taxes to some public services, like public safety. (T. Hardy)
10. Government needs to be more efficient. (Sen. Jenkins)
11. We need to consider which services are essential. (Sen. Bramble)
12. We need to identify which services should be funded by taxes and which services should be funded by fees. (B. Johnson)
13. We should create regional mechanisms to promote regional planning and to provide regional services. (G. Bell)

Gary Cornia asked what role Envision Utah could play in the process of developing solutions to the issues raised during the roundtable discussion. Roundtable discussion participants discussed Envision Utah helping to carry out a process of public participation in addressing these issues.

Chair Valentine called for a lunch break at 12:03 p.m.

3. Municipal Power and City Finances

Chair Curtis called the afternoon session to order at 1:06 p.m.

Due to a lack of time, Chair Curtis rescheduled this item for the November meeting.

4. Property Tax Issues

Mr. Tom Hardy, City Manager, Bountiful City, distributed and reviewed the handout "Memorandum: Truth in Taxation Problems. " He pointed out that the certified tax rate is determined on the amount of property taxes received and not the amount the taxing entity qualified for through the truth in taxation process during the previous year. Mr. Hardy recommended calculating the certified tax rate on the basis of taxes budgeted, not taxes received.

Mr. Lamar Sayer, Tax Commission, stated that about 10 years ago the certified tax rate was changed from being calculated on the basis of budgeted revenues to being calculated on the basis of actual collections.

Mr. Palmer DePaulis, cautioned that taxing entities should not receive a windfall as a result of the method of calculating the certified tax rate.

Rep. Buttars asked to have the Tax Commission and Mr. Hardy work together to determine whether the method of calculating the certified tax rate should be changed. Sen. Valentine asked staff to research when the law was changed from the certified rate being calculated on the basis of budgeted revenues to being calculated on the basis of revenues received.

Mr. Brent Gardner, Utah Association of Counties, stated that current law requires a taxing entity to justify getting revenues they already qualified to receive under truth in taxation.

Ms. Rebecca Rockwell, Associate General Counsel, Office of Legislative Research and General Counsel, distributed and discussed the presentation "Truth in Taxation Newspaper Advertisements: What's in the News?" She explained the requirements in statute for how truth in taxation notices must be published. Ms. Rockwell reviewed examples of taxing entities' truth in taxation notices including an example of a taxing entity providing information about a proposed tax increase, other than the information required by statute, by publishing a separate newspaper notice.

Ms. Mary Ellen Pugsley, Chair, Big Cottonwood Canyon Community Council, asked why truth in taxation notices are not required to provide information on a proposed tax increase on secondary residences. Chair Curtis stated that this information is not required by statute, but the law could be changed to include such a requirement. Mr. Gardner stated that to require more information on other classes of property to be contained in truth in taxation notices would be cumbersome.

Mr. Wesley Quinton, Utah Taxpayers Association, stated that the extra explanatory notices are often misleading or incorrect and if these types of notices are allowed it may cause more problems. Ms. Rockwell noted that there is not anything in statute to prohibit these types of explanatory notices and the law would need to be changed in order to stop them.

5. Task Force Discussion of Major Issues Identified by Local Government Entities

Ms. Rockwell distributed and reviewed the handouts "Selected Issues Raised by Presenters to Task Force (Government Revenue and Tax System Task Force) May - September 2001 Meetings" and "Selected Issues Raised by Audience Members to Task Force (Government Revenue and Tax System Task Force) May - September 2001 Meetings."

Mr. O. William Asplund, Assistant Director, Office of Legislative Research and General Counsel, distributed and reviewed the handouts "Utah School Superintendents Association Letter of Issues," "Utah League of Cities and Towns Letter on Priority Issues," and "Three Revenue Issues of County Importance Utah Association of Counties." He also stated that the special districts only expressed one priority which is to preserve their authority to impose property taxes for long-term development purposes. The Utah Association of Counties distributed a corrected version of their handout with the same title.

6. Adjournment

Chair Curtis announced that the next meeting will be held on November 2, 2001, at 9:30 a.m., in Room 405 of the State Capitol Building.

Chair Curtis adjourned the meeting at 2:18 p.m.

