

**MINUTES OF THE
TAX REVIEW COMMISSION**

Friday, April 19, 2002 – 1:00 p.m. – Room 416 State Capitol

Members Present:

Mr. Gary Cornia, Chair
Mr. Keith Prescott, Co-Chair
Sen. Lyle W. Hillyard
Sen. Millie M. Peterson
Rep. Greg J. Curtis
Mr. Larry Barusch
Mr. Mark K. Buchi
Ms. Anne Clark
Mr. David Crapo
Ms. Kathleen Howell
Commissioner Bruce Johnson

Mr. Bruce Jones
Ms. Dorothy P. Owen

Members Absent:

Rep. Judy Ann Buffmire

Staff Present:

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

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 committee secretary at 538-1032.

1. TRC (Tax Review Commission) Business

Chair Cornia called the meeting to order at 1:10 p.m.

MOTION: Sen. Peterson moved to approve the minutes of the November 9, 2001 meeting as revised. The motion passed unanimously, with Mr. Buchi absent for the vote.

Chair Cornia distributed and reviewed 2002 proposed meeting dates. The Commission adopted the following meeting dates: May 8, June 7, July 12, September 13, October 18, and November 15.

2. Update on the Streamlined Sales Tax Project/Meetings of the Governing States

Commissioner Johnson, who serves as a co-chair of the Sales Tax Simplification Implementing States for the Project (Streamlined Sales Tax Project), distributed and reviewed the handout "The Implementing States Streamlined Sales Tax Project: An Idea Whose Time has Come." He explained why the Project is necessary and reviewed the provisions that have been approved by the Project, which include: the use of certified sales tax providers and software; certain uniform definitions; and requiring each state to adopt a uniform tax base for the state and the local jurisdictions within the state.

Sen. Hillyard explained that he hopes that as a result of the Project's efforts, use tax collections will increase and the Legislature will be able to reduce sales and use tax rates as a result of the increased revenues.. He reviewed some political issues involved with the Project.

Rep. Wayne Harper explained that the Project is trying to identify a way for states to maintain control of state tax policy and fiscal impact within each state. He also explained that the Project may affect the way Utah collects sales and use taxes because of new sales and use tax sourcing rules.

Mr. Jim Olsen, Utah Retail Merchants Association, stated that the Project does not just involve creating a level playing field between "brick and mortar" stores and "remote sellers," but is a process of tax simplification. He explained that the Utah Retail Merchants Association supports the main goals of the Project.

3. Review of 2002 General Session S.J.R. 6 "Joint Resolution Urging a Study of Certain Exemptions"

Sen. Michael Waddoups distributed and reviewed S.J.R. 6 "Joint Resolution Urging a Study of Certain Exemptions," which he sponsored during the 2002 General Session. He explained that S.J.R. 6 is a joint resolution that urges the Tax Review Commission to conduct a 2-year study of certain tax exemptions allowed to governmental entities that compete with private companies.

Mr. Buchi asked Sen. Waddoups to outline his high priority issues. Sen. Waddoups stated that exemptions for electrical power systems owned by a city or town are important exemptions to review.

Mr. Steve Peterson, Utah School Boards Association and Utah Superintendents Association, stated that these associations support this study and emphasized that good decisions are made by good data.

Mr. Mike Jerman, Utah Taxpayers Association, told the TRC that the Utah Taxpayers Association supports this study. He believes that the study involves issues of tax fairness between customers of a private company and a public entity.

Mr. Roger Tew, Utah League of Cities and Towns and UAMPS (Utah Associated Municipal Power Systems), stated that the study is a good idea, but expressed some concern about the ramifications of government taxing government. Ted Rampton, UAMPS, stated that the members of UAMPS do pay some taxes and this should be taken into consideration.

Mr. Howard Headlee, Utah Bankers Association, urged the TRC to review tax exemptions allowed to credit unions.

Chair Cornia recommended that the TRC define a framework for this study during the this year, and in the second year develop recommendations.

Rep. Curtis stated that he believes that the two main categories of exemptions involve exemptions allowed to governmental entities that compete with the private sector and entities in the private sector that are allowed tax exemptions. He commented that he would like to study other examples of entities in the private sector that are allowed tax exemptions.

Mr. Buchi asked staff to create a list of entities that are allowed tax exemptions. He suggested that the TRC select from that list entities to study.

Sen. Waddoups stated that he will provide to staff a list of entities that could serve as a beginning point for the list that staff will develop. He also clarified that the purpose of this study is not to raise taxes, but to provide tax equity.

Chair Cornia summarized the TRC's request for staff to: create a list of entities that are allowed tax exemptions; address whether the entities pay sales and use taxes, income taxes, property taxes, or fees; and provide to the TRC other information about competition among these entities.

4. Report on Manufacturing Sales and Use Tax Exemption

Mr. Doug Macdonald, Chief Economist, Utah State Tax Commission, distributed "Review of the Sales Tax Exemption for Manufacturing Machinery and Equipment" and made a presentation on the exemption.

5. Sales and Use Tax Exemptions to Review in 2002

Mr. Howe distributed and reviewed "Proposed Sales and Use Tax Exemptions to be Reviewed 2002 Interim" and "State of Utah Exemptions to the Sales and Use Tax: Summary of Reviews Conducted by the Tax Review Commission from 1993-96, Legislative Action, and Revenue Effects." He explained that the TRC needs to review all of the sales and use tax exemptions over an 8-year period.

Mr. Crapo requested that the TRC add to the list of sales and use tax exemptions to be reviewed during the 2002 interim any sales and use tax exemptions the TRC considers as part of the study required by S.J.R. 6.

MOTION: Mr. Crapo moved that TRC review the sales and use exemptions listed in "Proposed Sales and Use Tax Exemptions to be Reviewed 2002 Interim" as well as any sales and use tax exemptions the TRC considers as part of the study required by S.J.R. 6. The motion passed unanimously with Sen. Hillyard, Sen. Peterson, and Rep. Curtis absent for the vote.

6. Other Proposed Study Items for 2002

Mr. Howe distributed and reviewed "Utah Tax Review Commission: Possible Study Items – 2002 Interim." He explained that a study of the state oil and gas severance tax is required this year with a report due to the Revenue and Taxation Interim Committee on or before the November 2002 Interim meeting.

Chair Cornia indicated that the three major issues for TRC study during the 2002 Interim should be: sales and use tax exemptions; the study required by S.J.R. 6; and water rates and property taxes.

7. Other Business

MOTION: Mr. Prescott moved to adjourn the meeting. The motion passed unanimously with Sen. Peterson absent for the vote.

Minutes of the Tax Review Commission
November 9, 2001
Page 4

Chair Cornia adjourned the meeting at 3:50 p.m.