

**MINUTES OF THE
PROPERTY TAX SUBCOMMITTEE
TAX REFORM TASK FORCE**

Wednesday, June 8, 2005 – 1:00 p.m. – Room W110 House Building

Subcommittee Members Present:

Sen. Mike Dmitrich, Chair
Rep. Gordon E. Snow, Chair
Rep. John Dougall
Comm. Pam H. Hendrickson

Members Absent:

Rep. Ralph Becker

Other Task Force Members Present:

Rep. Rosalind J. McGee
Rep. Merlynn T. Newbold

Staff Present:

Mr. Bryant R. Howe, Assistant Director
Ms. Angela D. Oakes, Associate General Counsel

Note: A list of others present and a copy of related materials can be found at www.leg.utah.gov or by contacting the task force secretary, Phalin Flowers, at 538-1032. A recording of the meeting is available from the task force secretary.

1. Subcommittee Business

Chair Dmitrich called the meeting to order at 1:11 p.m.

2. Personal Property Tax Issues

Rep. Dougall distributed 2006 General Session draft legislation "Resolution Regarding Property Tax on Personal Property." He explained that this resolution amends the Utah Constitution to revise provisions relating to the taxation of personal property. He said that it authorizes the Legislature to determine the manner and extent of taxing or exempting tangible personal property. He said that it also provides a constitutional exemption for certain property that previously has been subject to a legislatively enacted exemption.

Comm. Hendrickson asked a question regarding the language on lines 46 through 49. This language provides that the rate of a tax on tangible personal property may not exceed the rate of a tax on real property. She explained that under the current personal property tax system, the tax rate on personal property is the rate applied in the previous tax year. She questioned whether that practice could continue under this proposed language.

Rep. Snow asked why the permissive exemptions were being made mandatory on page 3, lines 82 through 87. Rep. Dougall replied that these exemptions are today in statute and that he does not anticipate the Legislature ever reimposing property taxes on this type of property. Therefore, it would be a good policy to include them in the Constitution.

MOTION: Rep. Snow moved that the Subcommittee ask the Utah Constitutional Revision Commission (CRC) to review the proposed constitutional amendment. Comm. Hendrickson asked that the CRC also especially review language on lines 46 through 49. The motion passed unanimously.

3. Other Items / Adjourn

Rep. Snow said that other issues remaining for the Subcommittee to consider include 1) the centrally assessed property tax system; 2) truth in taxation, including indexing for inflation; 3) the exemption for primary residences and whether to extend the exemption to secondary residences; 4) the minimum basic school levy; 5) to what extent government should be involved in businesses that compete with the private sector; and 6) the tax exempt status of nonprofit organizations.

Rep. Dougall said that the Subcommittee should also review property taxes as a source of revenue for local governments.

Mr. Roger Tew, Utah League of Cities and Towns, suggested that the Subcommittee consider what role the Legislature believes the property tax should play in financing local government. Mr. Tew said that this issues has dominated tax policy for the last 20 years.

Mr. Mike Jerman, Utah Taxpayers Association, said that while no one denies the declining reliance on property taxes as a source of revenue he said that truth in taxation laws is not a factor.

Mr. Tew said that the truth in taxation process has had a depressing effect on property tax revenues.

Mr. Carl Hendrickson, Utah Association of Counties, told the Subcommittee that counties use property taxes to fund countywide services such as jails, flood control, and other services. He said that county governments wanted to diversify revenue sources so the Legislature allowed counties to impose a county option sales and use tax. He said that counties support the policy that municipal services should be provided by cities and not counties. He said that the issue of what level of government should be providing what services and who should pay for these services should be a topic of Subcommittee consideration.

MOTION: Comm. Hendrickson moved to adjourn the meeting. The motion passed unanimously.

Chair Snow adjourned the meeting at 1:32 p.m.