

**MINUTES OF THE
RDA / OTHER TAXES SUBCOMMITTEE
TAX REFORM TASK FORCE**

Wednesday, June 8, 2005 – 2:00 p.m. – Room W135 House Building

Subcommittee Members Present:

Sen. Curtis S. Bramble, Chair
Rep. Merlynn T. Newbold, Chair
Sen. Mike Dmitrich
Rep. Gregory H. Hughes
Mr. Neil Ashdown

Other Task Force Members Present:

Rep. Wayne A. Harper
Sen. Howard A. Stephenson
Rep. Todd E. Kiser
Rep. Gordon E. Snow
Rep. Stephen H. Urquhart
Comm. Pam Hendrickson

Staff Present:

Mr. Bryant R. Howe, Assistant Director
Ms. Phalin L. Flowers, Legislative Secretary

Note: A list of others present and a copy of related materials can be found at www.le.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 Bramble called the meeting to order at 3:11 p.m.

2. Overview of Structure and Sources of Revenue for Utah Counties and Municipalities

Mr. Howe distributed and discussed "Utah Municipalities: Sources of Revenue, Government Funds Only, Grouped by Major Sources, FY 2003" and "Utah Counties: Sources of Revenue, FY 2003." He explained that these charts show the major sources of revenue for Utah's municipalities and counties but that they do not include municipal enterprise fund revenues.

3. Redevelopment Agencies

Mr. Bob Rees, Associate General Counsel, Office of Legislative Research and General Counsel, presented "RDAs 101." He reviewed how an RDA is created and governed, RDA projects, project area plans and budgets, taxing entity committees, tax increment, and Utah municipalities and counties with RDAs.

Mr. Howe distributed and discussed "Neighborhood Development Program." He explained that this was the original RDA statute enacted by the Utah Legislature in 1969.

4. Distribution of the One Percent Local Option Sales and Use Tax

Mr. Lincoln Shurtz, League of Cities and Towns, presented "Preparing for the Inevitable Debate." He explained that from FY 1992 to FY 2002, the percent that sales taxes are of total municipal revenue grew from 24% to 31% and that the portion of revenues from property taxes remained constant at 18%. He said that there are several important policy questions that the Subcommittee should consider. These

questions include how much sales tax rate headroom exists and to whom does it belong and is the sales tax allocation between the state and municipalities equitable. He emphasized that one tax structure does not fit all Utah municipalities and that it is important to balance administrative simplicity with local differences.

Mr. Roger Tew, League of Cities and Towns, clarified several points for the Subcommittee.

Sen. Bramble asked the witnesses how they would define “economic development” and whether or not it includes changing where retail sales occur. Mr. Shurtz replied that it includes such things as increasing the number of high paying jobs and that increasing retail sales is also a factor in economic development. Mr. Tew said that while from the state’s perspective, some economic development activity may be viewed as simply moving around a fixed amount of economic activity, local governments do have a role in influencing business location decisions. He also said that local governments must deliver essential public services that can influence a community’s quality of life.

Rep. Hughes said that it is logical for municipalities to seek growth in retail sales, given the current distribution formula. He asked why the current formula was adopted. Mr. Tew said that it was a political compromise.

Rep. Hughes asked what would change if municipalities were more dependent on property tax revenues. Would they still not make land use and zoning decisions based on what would yield the greatest amount of tax revenue? Mr. Tew replied that not all land use decisions are based on fiscal considerations, most are based on zoning ordinances. However, there are times when, at the margin, a certain land use decision is made to increase municipal revenue.

Rep. Becker said that land use decisions are complex and that more land use decisions need to be based on regional considerations.

Rep. Newbold asked how a municipality promotes economic development. Mr. Shurtz replied that its first priority is to provide efficient and effective municipal services.

Rep. Dougall asked for information to compare tax revenue for a municipality generated retail sales as opposed to housing. Mr. Shurtz said that while he did not have that information available now that he would respond at a future meeting.

Mr. Ashdown asked what factors led to increasing reliance on sales taxes as a source of municipal revenue. Mr. Tew replied that the Legislature has adopted policies to keep property taxes low and to focus property tax relief on primary residences.

Mr. Carl Hendrickson, Utah Association of Counties, told the Subcommittee that his organization supports basing the distribution of the local option sales and use tax solely on population. He also said that the .25% county option sales and use tax is an important source of revenue for general government purposes.

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Sen. Bramble emphasized that the Subcommittee and Tax Reform Task Force is seeking specific recommendations from various organizations on what changes should be made to the Utah's state and local tax system and that the task force is genuinely interested in knowing each organization's recommendations. Rep. Harper said that one of the purposes of the Subcommittees is to carefully review recommended changes submitted by interest groups.

5. Other Items / Adjourn

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

Chair Bramble adjourned the meeting at 4:35 p.m.