

**MINUTES OF THE  
SALES AND USE TAX SUBCOMMITTEE  
TAX REFORM TASK FORCE**

Thursday, June 16, 2005 – 8:00 a.m. – Room W130 House Building

**Subcommittee Members Present:**

Rep. Wayne A. Harper, House Chair  
Rep. Todd E. Kiser  
Comm. Pam R. Hendrickson

**Other Task Force Members Present:**

Sen. Howard Stephenson  
Rep. Rosalind J. McGee  
Rep. Gordon Snow

**Members Absent:**

Pres. John L. Valentine, Senate Chair  
Rep. Ralph Becker

**Staff Present:**

Ms. Rebecca L. Rockwell, Associate General  
Counsel  
Mr. Phillip V. Dean, Policy Analyst  
Mr. Courtlan Erickson, Law Clerk

**Note:** A list of others present and a copy of related materials can be found at [www.leg.utah.gov](http://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 Harper called the meeting to order at 8:17 a.m.

**MOTION:** Rep. Kiser moved to approve the minutes of the May 24 and June 8, 2005 meetings. The motion passed unanimously.

**2. State and Local Sales and Use Tax Base, Rates, and Exemptions**

Mr. Erickson distributed and reviewed "Sales & Use Tax Authorities Under Title 59: Taxes that Adopt the State Sales and Use Tax Base and Exemptions" and "Sales & Use Tax Authorities Under Title 59: Taxes that **Do Not** Adopt the State Sales and Use Tax Base and Exemptions."

Ms. Rockwell distributed and discussed "Utah Sales and Use Tax Options for: Uniform Statewide Sales and Use Tax Rate Changes to the Sales and Use Tax Base." Rep. Harper indicated that Option A is the current tax base in Utah.

Comm. Hendrickson distributed and reviewed "Motion." She explained that the motion recommends repealing all exemptions in *Utah Code Ann.* § 59-12-104 except exemptions related to resale, savings and investment, interstate equity, and intergovernmental relations or the Supremacy Clause of the Constitution of the United States. She also recommended as part of the motion creating a sales and use tax exemption for certain business inputs. She and Ms. Lynn Solarczyk, Utah State Tax Commission, distributed and commented on an untitled document explaining that at least parts, if not all, of certain current exemptions listed on that document will be incorporated into the new business inputs sales and use tax exemption.

Dr. Gary Cornia, Utah Tax Review Commission member and one of former Governor Walker's tax advisors, explained the process the tax advisors used in estimating the fiscal impacts of broadening the

sales and use tax base and lowering the sales and use tax rate. He made recommendations to the Subcommittee regarding estimating these fiscal impacts.

Ms. Rockwell distributed and discussed "DRAFT: Exemptions to the Sales and Use Tax Summary of Reviews Conducted by the Tax Review Commission from 1993 to 2004, Legislative Action, and Revenue Effects." She noted that this document was revised to include Comm. Hendrickson's recommendations regarding the sales and use tax exemptions.

**MOTION:** Comm. Hendrickson moved to repeal all sales and use tax exemptions except for those listed in "Motion." The motion failed with Rep. Harper and Comm. Hendrickson voting in favor.

### **3. Sales and Use Taxation of Services**

Comm. Hendrickson distributed a chart addressing services that could be incorporated into the sales and use tax base and made recommendations regarding which of these services should be taxable.

Dr. Cornia distributed and explained "Total US Consumption: Durable, Nondurable, and Services." He provided background information to the Subcommittee regarding the tax advisors' recommendation that the sales and use tax base should be expanded to include services. Dr. Cornia advised that additional research should be conducted regarding the impacts on various income groups in the state if the sales and use tax base is broadened and the rate reduced.

### **4. Other Items / Adjourn**

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

Chair Harper adjourned the meeting at 9:44 a.m.