

**Utah Legislature
Tax Reform Task Force
Working Group Recommendations and Task Force Action
as of October 12, 2005**

Working Group	Working Group Recommendation	Task Force Action	Bill Drafted?	Revenue Effect (of Task Force Action)
RDA and Other Taxes	Amend insurance premium tax to lower the tax rate on certain types of insurance policies.	On Sept 7, draft legislation approved by Tax Reform Task Force. On Sept 21, draft legislation approved by the Revenue and Taxation Interim Committee.	Yes	Under review by Legislative Fiscal Analyst (LFA)
RDA and Other Taxes	No working group recommendation. Proposal introduced to eliminate 1% local option sales and use tax "hold harmless" provision.	On Oct 12, Tax Reform Task Force voted to send hold harmless elimination proposal to Revenue and Taxation Interim Committee and public hearings.	No	No net revenue effect, shift of some local funds
Income	Change individual income tax base to federal Adjusted Gross Income with no deductions, 4% rate (preliminary starting point).	On Oct 12, the Tax Reform Task Force voted to send 4 proposals to the Revenue and Taxation Interim Committee and public hearings: (1) Gov. Huntsman's proposal (2) Gov. Huntsman's proposal revised to eliminate the personal exemption limit and allow a credit for mortgage interest (3) Rep. Dougall's proposal to adopt a flat income tax and provide a sales tax credit for those below certain income levels (4) Rep. Urquhart's proposal to reduce income tax by \$40M by expanding existing brackets	No	Would depend upon proposal adopted
Income	Refer to the Constitutional Revision Commission (CRC), with a favorable recommendation, a proposed constitutional amendment that eliminates the earmarking of income taxes for education.	On Sept 1, CRC voted to not support this proposal. On Oct 5, Tax Reform Task Force voted to table.	Yes	None

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Income	Recommend that the Tax Reform Task Force have a full and open discussion of options to change the state individual income tax.	Under consideration by Tax Reform Task Force.	N/A	None
Income	Repeal the state gross receipts tax and gross receipt tax increases imposed during the 1995 General Session. Require that the savings from the tax reduction to be passed along to ratepayers.	On Oct 5, Tax Reform Task Force voted to send draft legislation to Revenue and Taxation Interim Committee and public hearings.	Yes	LFA estimates \$3.4 million decrease to the Uniform School Fund
Income	Change the state corporate franchise & income taxes to allow a taxpayer to elect to use a single sales factor apportionment methodology.	On Oct 5, Tax Reform Task Force voted to send draft legislation to Revenue and Taxation Interim Committee and public hearings.	Yes	LFA estimates \$32.6 million decrease to the Uniform School Fund
Property	Refer to the CRC, without recommendation, a proposed constitutional amendment allowing legislature to exempt certain personal property from the property tax.	CRC voted at its Sept 1 meeting to not support this proposal. On Sept 15, Tax Reform Task Force voted to present the draft bill in public hearings. On Oct 5, Tax Reform Task Force voted to send draft legislation to Revenue and Taxation Interim Committee and public hearings.	Yes	No impact from constitutional change. Revenue impact would depend on subsequent legislative action, if constitutional change approved by voters
Property	Recommend two legislative options "Advertising Property Tax Increases" and "Requirement of Property Tax Increase Advertisement" that modify the newspaper advertisement required to be issued by taxing entities proposing to increase their certified rate.	On Oct 5, Tax Reform Task Force voted to send "Advertising Property Tax Increases" to Revenue and Taxation Interim Committee and public hearings.	Yes	LFA estimates no fiscal impact

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Property	Recommend to the full task force draft legislation titled "Property Tax - Certified Tax Rate Adjustment."	Under consideration by Tax Reform Task Force	Yes	LFA estimates amount of increased local revenues will vary based on CPI, but would be in the range of \$13 million annually.
Property	Recommend to the full task force draft legislation titled "Voted Leeway Amendments."	On Oct 12, Tax Reform Task Force voted to send 2 proposals to the Revenue and Taxation Interim Committee and public hearings: (1) "Voted Leeway Amendments" draft legislation, as adopted by working group (2) New draft legislation to provide that if a school district desires to be exempt from the newspaper advertisement requirement for its voted leeway property tax levy, that the levy must be subject to a sunset date.	Yes	"Voted Leeway Amendments" under review by LFA. Effects would depend on action taken by school districts.
Property	Limit the property tax primary residential exemption to 45% of the first \$100,000 of fair market value.	On Sept 15, Tax Reform Task Force voted to table.	Yes	None
Property	No working group recommendation. Proposal introduced to increase property tax circuit breaker amounts and expand eligibility, with a commensurate change in the renters credit and an adjustment to link age of eligibility with Social Security retirement age	On Oct 12, Tax Reform Task Force voted to send proposal to Revenue and Taxation Interim Committee and public hearings.	No	OLRGC estimates approximately \$6M for the property tax circuit breaker portion only (renter's credit would be additional)
Sales	Increase sales and use tax base to include certain personal consumption services	On Oct 12, Tax Reform Task Force voted to table.	No	Approximately \$150 million state General Fund increase & \$50 million local fund increase**

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Sales	Provide a \$75 per person refundable income tax credit to compensate for sales and use taxes on food for those below certain income thresholds	On Oct 12, Tax Reform Task Force voted to send proposal to Revenue and Taxation Interim Committee and public hearings.	No	Approximately \$50 million to \$60 million Uniform School Fund decrease, assuming full participation
Sales	Exempt from sales and use taxes all business inputs used in the production process in specified primary industries	On Oct 12, Tax Reform Task Force voted to send to Revenue and Taxation Interim Committee and public hearings the proposal exempting inputs in specified industries, with the preferred option being for inputs with a one year life or greater, but all useful life period estimates presented.	No	Approximately \$160 million state General Fund decrease and \$55 million local fund decrease**
Sales	Exempt from the sales and use tax telecommunications capital equipment	On Oct 12, Tax Reform Task Force voted to send to Revenue and Taxation Interim Committee and public hearings (along with broader business inputs proposal).	No	Approximately \$7 million to \$13 million state General Fund decrease and \$2 million to \$5 million local fund decrease**
Sales	Review existing sales and use tax exemptions	Under consideration by Tax Reform Task Force	No	Would depend on decision taken by the task force
Sales	Establish a uniform sales and use tax rate statewide (various options)	On Oct 12, Tax Reform Task Force voted to send proposal to Revenue and Taxation Interim Committee and public hearings (joint proposal with property and sales tax shift).	No	Various funding shifts. The proposal is intended to be revenue neutral at the state level.
Sales	Tax cable and satellite similarly	On Oct 12, Tax Reform Task Force voted to send to Revenue and Taxation Interim Committee and public hearings a proposal to equalize taxation of cable and satellite industries by providing a tax credit against the state excise tax for the cable industry.	No	LFA to review after bill drafted
Sales	Tax all personal property the same, regardless of attachment to real property	Under consideration by Tax Reform Task Force	No	Would depend on decision taken by the task force

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Sales	For the existing manufacturing sales and use tax exemption, more clearly define the difference between a repair part and a part that extends the useful life of equipment	On Oct 5, Tax Reform Task Force voted to draft legislation exempting both replacement and repair and to send to Revenue and Taxation Interim Committee and public hearings.	No	LFA to review after bill drafted
Sales	More clearly define isolated and occasional sales and use tax exemption	On Sept 9, Tax Review Commission passed draft legislation. On Oct 5, Tax Reform Task Force voted to send draft legislation to Revenue and Taxation Interim Committee and public hearings.	Yes	Under review by LFA
Sales	More clearly define which state and local telecommunication taxes and fees should be imposed on the provider and which should be imposed on the consumer	On Oct 12, Tax Reform Task Force voted to have the Tax Commission handle this issue through rulemaking.	No	None
Sales	More clearly define the difference between custom (non-taxable) and "canned" (taxable) software	Under consideration by Tax Reform Task Force	No	Would depend on decision taken by the task force
Sales	(1) Modify "locally grown" agricultural products statutory language to allow an exemption for a farmer's sale of a farmer's produce and repeal "locally grown" requirement or (2) repeal exemption entirely	On Oct 5, Tax Reform Task Force voted to draft legislation exempting agricultural products sold by the producer, the producer's family or the producer's statutory employee and to send to Revenue and Taxation Interim Committee and public hearings.	No	LFA to review after bill drafted
Sales	Tax all assisted car washes, laundry facilities, and amusement devices and exempt all unassisted car washes, laundry facilities, and amusement devices	On Oct 12, Tax Reform Task Force voted to send proposal to Revenue and Taxation Interim Committee and public hearings.	No	LFA to review after bill drafted
Sales	Treat similar transportation types similarly	Waiting for Tax Review Commission recommendation and under consideration by Tax Reform Task Force	Yes	Would depend on decision taken by the task force

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Sales	Examine newspaper exemption as part of general review of sales and use tax exemptions	On Oct 12, Tax Reform Task Force voted to send a proposal to tax newspapers to the Revenue and Taxation Interim Committee for comment and to present the proposal for comment at public hearings.	No	Would depend on decision taken by the task force
Sales	Refer proposal to provide a sales and use tax exemption for dental prostheses to Tax Review Commission for recommendation	Waiting for Tax Review Commission recommendation	No	Would depend on decision taken by the task force
Sales	Retain sales and use tax exemption for fuel and, if additional revenues for transportation are necessary, increase the fuel tax	Waiting for Task Force review and action	No	Would depend on decision taken by the task force
Sales	Shift city and county sales and use taxes to school districts and school district property taxes to cities and counties	On Oct 12, Tax Reform Task Force voted to send three proposals to Revenue and Taxation Interim Committee and public hearings for consideration: (1) Shift of sales/use and property taxes (joint proposal with single statewide sales and use tax rate) (2) 75% population / 25% point of sale distribution of 1% local option sales and use tax (3) 50% population / 25% point of sale / 25% wage distribution of 1% local option sales and use tax	No	Various funding shifts. The proposal is intended to be revenue neutral at the state level.

* The Utah State Tax Commission estimates that this is the 2005-06 revenue neutral rate

** Preliminary state revenue estimate from Utah State Tax Commission. Local funds are estimated at 1/3 of state estimate.