

**MINUTES OF THE  
HOUSE REVENUE AND TAXATION  
STANDING COMMITTEE  
Room W135 - West Office Building, State Capitol Complex**

**February 8, 2006**

MEMBERS PRESENT:      Rep. Wayne A. Harper, Chair  
                                 Rep. Glen A. Donnelson, Vice Chair  
                                 Rep. Sheryl L. Allen  
                                 Rep. Tim M. Cosgrove  
                                 Rep. Craig A. Frank  
                                 Rep. Fred R. Hunsaker  
                                 Rep. Bradley G. Last  
                                 Rep. Roz McGee  
                                 Rep. Carol Spackman Moss  
                                 Rep. Joseph G. Murray  
                                 Rep. Patrick L. Painter  
                                 Rep. Ross I. Romero

MEMBERS ABSENT:      Rep. Rebecca Lockhart  
                                 Rep. Merlynn T. Newbold  
                                 Rep. Gordon E. Snow

STAFF:                      Bryant Howe, Assistant Director  
                                 Rosemary Young, Secretary

Note:    A list of visitors and a copy of handouts are filed with the committee minutes.

Chair Harper called the meeting to order at 8:54 a.m.

**MOTION:**    Rep. Donnelson moved to approve the minutes of the February 3, 2006 meeting. The motion passed unanimously with Rep. Last, Rep. Murray, and Rep. Romero absent for the vote.

**H.B. 193      Sales and Use Tax Funding for Health Care (Rep. J. Mathis)**

Rep. Mathis introduced the bill and explained it to the committee.

**MOTION:**    Rep. Painter moved to transmit the bill with a favorable recommendation. The motion passed unanimously with Rep. Last, and Rep. Romero absent for the vote.

**H.B. 338      Property Tax Exemption for Business Personal Property (Rep. J. Dougall)**

**MOTION:**    Rep. Last moved to delete in title and body H.B. 338 and replace it with 1st

Substitute H.B. 338. The motion passed unanimously with Rep. Allen, Rep. Frank, and Rep. Harper absent for the vote.

Rep. Dougall introduced the bill and explained it to the committee. Steve White, Utah County Commissioner; and Mike Jerman, Utah Taxpayers Association, spoke in favor of the bill. Lee Gardner, Salt Lake County Assessor, spoke to the bill.

**MOTION:** Rep. Frank moved to transmit the bill with a favorable recommendation.

**SUBSTITUTE**

**MOTION:** Rep. McGee moved to proceed to the next item on the agenda. The motion failed with Rep. Cosgrove, Rep. McGee, and Rep. Moss voting in favor.

The motion to transmit HB 338 with a favorable recommendation passed with Rep. McGee and Rep. Moss voting in opposition.

**S.B. 139 Reportable Transactions Act (Sen. H. Stephenson) (Rep. W. Harper)**

**MOTION:** Rep. Donnelson moved to amend the bill as follows:

1. Page 3, Lines 64 through 80:

- 64            ~~{(6) "Noneconomic substance transaction" means a transaction or~~  
~~arrangement:~~  
65            ~~—(a) that lacks economic substance, as defined by state or federal law; or~~  
66            ~~—(b) in which an entity is disregarded because the entity lacks a valid nontax state~~  
67            ~~business purpose.}~~  
68            ~~{(7)}~~    (6)    "Reportable transaction" means a transaction or arrangement that:  
69            (a) is carried out through or invested in by one or more entities that:  
70            (i) are organized in this state;  
71            (ii) do business in this state;  
72            (iii) derive gross income from sources within this state;  
73            (iv) are subject to income tax; or  
74            (v) are otherwise subject to the jurisdiction of this state; and  
75            (b) is:  
76            ~~{(i) a noneconomic substance transaction;}~~  
77            ~~{(ii)}~~    (A)    a transaction or arrangement described in 26 C.F.R. Sec.  
              1.6011-4(b)(2) through  
78            ~~(7); or~~  
79            ~~{(iii)}~~    (B)    a reportable transaction as described by the commission by rule

80 made in  
accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act.

Sen. Stephenson assisted by Steve Young, a tax attorney acting in behalf of Questar Corporation, introduced the bill and explained it to the committee. Commissioner Bruce Johnson of the Utah Tax Commission spoke in favor of the bill. Sen. Stephenson requested that the record show that adoption of the amendment should not be construed as the legislature's endorsement of non-economic substance transactions and that common law now provides a sufficient enforcement remedy to prevent tax evasion through the use of non-economic substance transactions.

**MOTION:** Rep. Cosgrove moved to transmit the bill with a favorable recommendation. The motion passed unanimously with Rep. Frank absent for the vote.

**S.B. 37      Income Tax - Taxation of Individuals, Estates, and Trusts (Sen. L. Hillyard)**  
**(Rep. W. Harper)**

Sen. Hillyard introduced the bill and explained it to the committee. A handout was distributed. Commissioner Bruce Johnson, Utah State Tax Commission, spoke in favor of the bill.

**MOTION:** Rep. Hunsaker moved to transmit the bill with a favorable recommendation. The motion passed unanimously with Rep. Frank, Rep. Last, and Rep. Romero absent for the vote.

**S.B. 38      Individual Income Taxation of Certain Trust Distributions (Sen. L. Hillyard)**  
**(Rep. W. Harper)**

Sen. Hillyard introduced the bill and explained it to the committee. Commissioner Bruce Johnson, Utah State Tax Commission, spoke to the bill.

**MOTION:** Rep. Painter moved to transmit the bill with a favorable recommendation. The motion passed unanimously with Rep. Allen, Rep. Frank, and Rep. Harper absent for the vote.

**MOTION:** Rep. Hunsaker moved to adjourn. The motion passed unanimously with Rep. Frank absent for the vote.

The Chair adjourned the meeting at 9:58 a.m.

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Rep. Wayne A. Harper, Chair