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. 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.


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.


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

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. Donnelson moved to amend the bill as follows:

1. Page 3, Lines 64 through 80:

   64  "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 business purpose;
   67
   68     "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 transaction or arrangement described in 26 C.F.R. Sec. 1.6011–4(b)(2) through
   78     (7); or
   79     a reportable transaction as described by the commission by rule
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.


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.


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.


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