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Lots of tax-cutting talk, little accord at meeting

By [Lisa Riley Roche](#)

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There was plenty of talk about tax cuts at Friday's annual Utah Taxpayers Association conference — but little agreement on what to do about the \$70 million income tax cut that failed to pass last session.

Absent from the debate was Gov. Jon Huntsman Jr., who was scheduled to spend 20 minutes talking about economic development and special session tax cuts as the keynote speaker to the business advocacy group.

Legislative leaders, however, were there to offer their ideas. Senate President John Valentine, R-Orem, sprung yet another proposal for giving Utahns back a share of the \$1 billion in extra money that lawmakers had to spend last session.

His plan joins several already on the table from the governor and House Republicans, including one that surfaced this week that would give Utah taxpayers a choice between staying with the current income tax system or paying under a new, flatter system.

Valentine proposed waiting until the 2007 Legislature meets in January and then using some of the still-growing surplus — already \$123 million more than lawmakers had available when the session ended in March — to fund an even bigger tax cut.

The Senate president said legislators would be able to reduce taxes by another \$12 million then, plus cover the \$35 million error discovered last month in the governor's "fairer, flatter" income tax plan.

That "\$35 million oops" as described by Valentine forced the governor to cancel a special session he'd intended to call this month to reconsider his plan to lower the top tax rate from 7 percent to 5 percent while eliminating most deductions.

The total price tag for the governor's plan is now about \$105 million, and Valentine's, \$117 million. The error occurred because data used in calculating the initial costs did not take into account the credit Utahns receive for taxes they pay to other state for income earned there.

House Speaker Greg Curtis, R-Sandy, told the group that his GOP caucus is ready to vote for a simple \$70 million tax cut that would reduce the top rate from 7 percent to about 6.85 percent for most taxpayers — just as soon as the governor calls a special session.

"We need the third party here," Curtis said, drawing attention to Huntsman's absence from the conference except through his brief, taped remarks that were shown at the start. "I don't know where he's at."

The proposal from Valentine would upset the tax-cutting compromise reached between the Senate, House and governor in the final days of the 2006 Legislature. Under the terms of the deal, income taxes and the sales tax on food were to be reduced by \$70 million apiece.

The sales tax reduction on food purchases was approved, knocking 2 percentage points off the state's share of the hated tax as of Jan. 1, 2007, as was another \$20 million in business tax breaks.

Huntsman has yet to say what he intends to do about his tax plan, although he has expressed some interest in the so-called dual tax system. In his taped remarks, he stuck to his call for tax reform rather than a straight tax cut.

The governor's chief of staff, Neil Ashdown, talked to the conference about the need for a more stable income tax base as well as lower rates. He said afterward that the governor was not in attendance due to a scheduling conflict.

"You can't be everywhere," Ashdown said. "Certainly tax reform is his top priority right now and he certainly wanted to be here." Asked about Valentine's proposal to deal with tax reform next year, Ashdown said the governor would rather not wait.

"If we can get the House and the Senate comfortable with tax reform prior to the next session, we'd prefer to do it in a special session," Ashdown said, noting that \$70 million has already been set aside for income tax cuts in the budget year that begins July 1.

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