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Utah's gas tax may change

And 1 bill would cut \$\$ going to transit districts

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Lawmakers will face conflicting proposals that raise the state gasoline tax and also reduce the sales tax revenue going to transit districts when they open the Legislature next week.

This will be despite record-setting tax revenue this year and the fact that Salt Lake County voters approved a sales tax hike for new transit projects. It's kind of a brake hard, hit the gas, brake hard type of legislating — nothing new for the 104-member Legislature that often tries to accomplish what at first seems to be mutually exclusive ends.

In a pre-legislative conference Thursday, sponsored by the Utah Taxpayers Association, Rep. Wayne Harper, R-West Jordan, said he will sponsor a bill to reduce the current 24.5 cents per-gallon sales tax by nine cents, and then impose a 6.5 percent sales tax on all gasoline purchases.

The price of gas will not initially change with the adjustment, he said. But as gasoline prices rise, people will pay more than under the current system, where it's a simple 24.5 cents on each gallon purchased, regardless of the per-pump price.

Harper said that applying sales tax to purchases of gasoline would help provide a consistent source of revenue for transportation. The gas tax does not increase with inflation, and thus does not provide revenue that sustains with growth, he said.

"Sales tax allows us to respond to inflationary adjustments in the economy," he said.

On Wednesday, the Salt Lake Chamber of Commerce said that it supports an increase in the gas tax to help fund transportation. Charging sales tax to gasoline purchases is also an option to fund transportation, chamber president Lane Beattie said.

But the Taxpayers Association has issues with the idea, said Mike Jerman, vice president of the pro-business group. "Gasoline prices are very volatile, and we've always supported a tax system that relies on a stable revenue source," he said.

Meanwhile, House Speaker Greg Curtis, R-Sandy, says he will push to remove the sales tax on unprepared food from so-called "boutique" taxes, such as the zoo and arts tax, the resort tax, the transit tax and the rural hospital tax.

Removing food from the taxable base will reduce the amount of cash those taxes bring to their specific entities. It could really hit the Utah Transit Authority hard. The agency just received approval from voters to use funds from a new quarter-cent sales tax hike in Salt Lake County to build new transit lines and an extension of commuter rail.

"To be honest, candid, the biggest hit comes in the transit tax," Curtis told his House GOP caucus on Wednesday. On average, food makes up about 10 percent of all sales tax take. UTA takes in about \$130 million in sales tax. Removing the sales tax on food will cost UTA around \$13 million a year.

GOP Gov. Jon Huntsman Jr. said Thursday afternoon that he had not heard of Harper's gas tax proposal, so he couldn't comment on it.

Huntsman has talked with Curtis about his "boutique" sales tax adjustment for food. Huntsman supports removing all of the sales tax from food, saying he found Curtis' idea "intriguing."

"I have no judgment on it now," Huntsman said.

UTA spokesman Justin Jones said the decrease in funds will impact UTA's current level of service in addition to its ability to meet deadlines on new projects like TRAX extensions and commuter rail. The agency plans to work with Curtis to find a way to keep its funding levels intact, he said.

"It may have a significant impact, but we are optimistic and hopeful that UTA will remain whole so that we don't have to see significant service cuts and delays to our construction schedule."

But, Curtis says, Utah's good economy has been driving record collections in sales taxes. And when you combine the new quarter-cent levy coming this spring to UTA, their sales tax take will increase about 40 percent, he said.

The speaker is concerned about how removing food from the tax base could harm the few rural hospitals that have a sales tax. He figures it will cost those hospitals, in total, approximately \$480,000 a year. "I'm working to set up grants within the State Health Department to pay for those lost revenues," he said.

"There's a basic question here," he added. "Is it right to tax food to make sure people can enjoy the (Utah) Symphony," which gets significant money from the ZAP tax in Salt Lake County. "I say no," said Curtis.

With the state running a record-setting \$1.6 billion surplus from all tax revenue this year, Republican legislators are looking at several ways to cut between \$100 million and \$300 million. Curtis and some House Republicans wanted to further reduce the state's share of the sales tax on food. Lawmakers took 2 percentage points off the 4.75 percent tax Jan. 1. Curtis said GOP senators don't want to take the last 2.75 percentage points off food from the state's share (which would cost around \$100 million) but would consider taking the food tax out of the "boutique" tax bases (which would not cost the state itself any tax revenue).

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