



Tax issues may rain on Capitol parade

By Frank Pignanelli & LaVarr Webb

Webb: With only eight working days left in the legislative session, a lot of the easy decisions have been made, and a handful of tough ones remain — like the size and nature of the tax cut.

The House, Senate and governor have gotten along rather well so far. But tax reform and tax cuts may test the coziness.

Given the size of this year's budget surplus and the nature of Utah's Legislature, a sizable tax cut is inevitable. In my mind, anything over \$100 million is sizable. A cut in that range makes sense, along with a healthy boost for public education, as already committed by the governor and legislative leaders.

But after that, most of what's left of the state surplus should be invested in Utah's transportation infrastructure to ensure mobility, good jobs and a vibrant economy for our children and grandchildren.

The Utah Department of Transportation estimates a \$16.5 billion transportation funding deficit between now and 2030. Funding for critical I-15 reconstruction in Utah County and the Mountain View Corridor in Salt Lake County has yet to be identified.

Northern Utah County and western Salt Lake County populations are growing so rapidly that highway corridors are choked and a transportation crisis looms. The booming St. George area is also desperate for highway funding.

We need to remember that tax cuts are cumulative. The combined tax cuts of last year and this year could easily top \$400 million, meaning the state is passing up \$400 million every year, and more if further tax cuts are granted next year.

A portion of that revenue would go a very long way toward closing the \$16.5 billion gap and paying for the multibillion-dollar projects on the near horizon.

Spending on infrastructure is safe, conservative, responsible and far-sighted. It doesn't increase agency base budgets, and when the inevitable economic downturn occurs, the one-time spending provides a cushion. It can be eliminated without hurting education, social services, or other permanent programs, helping avoid layoffs and deep program cuts.

A modest tax cut is certainly warranted this year. But the conservative, prudent thing to do with the bulk of what's left is to invest it in Utah's future by paying down the enormous state highway obligations that are staring us in the face, while keeping future revenue in play as a cushion against bad times.

Utah's top business leaders, who aren't fans of taxes, overwhelmingly support this approach because it is so important to the state's economy.

Pignanelli: Now that I'm sleeping with a Utah state tax commissioner, I assumed that the intricacies of tax policy would become more interesting. I was wrong. (Nonetheless I am sleeping more — unfortunately.)

However, the politics behind tax deliberations remain fascinating. Personalities and personal agendas usually drive the structuring of revenue collections; and last year was the classic example. In case anyone forgot, in 2006 the House and the Senate were in open warfare. In the final days, a tax armistice was initiated but eventually dissolved hours before the session concluded. All hope to avoid a repeat, but other dynamics are in play.

House Speaker **Greg Curtis** is on a roll. When the session began, most politicians assumed that the vouchers and soccer stadium were in intensive care and ready for the grave. The speaker and his leadership team breathed life into vouchers. The governor and the Senate helped fulfill Curtis' dream of the soccer stadium in Sandy. Thus, Curtis' personal goal of removing the sales tax on food is likely to happen because . . . it is Curtis' personal goal.

But most senators remain unpersuaded on the food tax debate. Further, President **John Valentine** and Majority Leader **Curtis Bramble** will only allow removing the sales tax if major concessions are forthcoming from the House. Senate leaders will not tolerate the perception (regardless of its veracity) the House is driving the tax agenda.

Last week, Utahns witnessed that when Gov. Huntsman really wants something (i.e. the soccer stadium), he gets it. Consequently, political observers expect Huntsman to press his dual track reform. Several of the major proposals outlined in his budget are in trouble, and he wants a win in the tax contest.

Acting in "quasi-referee" roles are the major advocates: The Utah League of Cities and Towns and the Utah Taxpayers Association. The league is all over the Capitol reminding legislators that any food tax restructuring must avoid impacts upon municipalities. The Taxpayers Association maintains a simple mantra on income tax cuts, "The lower the rate, the better."

In all the wrangling, the most amusing discussions revolve around HB308. This bill (sponsored by Greg Hughes) would allow Utahns to pay more income taxes on a voluntary basis. Hughes contends statements in the media that citizens are willing to forego tax cuts in surplus years are hooey. Should the legislation pass,

quantifiable evidence will exist to answer the argument one way or another. When Hughes asked for my thoughts on his legislation, I responded, "No politician was defeated for supporting a tax cut."

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