



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Imposing Some Sanity on the Restaurant Tax: Broaden the Base, and Lower the Rate

For 17 years, nearly every county government in Utah has imposed a one percent sales tax on purchases made at restaurants. Like many other boutique taxes, the "Restaurant Tax," as it's come to be called, has far outlived its original purpose. Working with the Utah Restaurant Association, your Utah Taxpayers Association believes the time has finally arrived when we can begin to eliminate this bad tax.

The Restaurant Tax was originally imposed to refurbish the Salt Palace Convention Center. Proponents claimed this one percent tax on restaurant purchases would largely be paid by out-of-state visitors to Utah, and would then be used to promote further tourism to Utah. While Restaurant Tax funds did help pay for the Salt Palace renovation, today these funds are used for everything from recreation to promotion of restaurants; in other words, it's not encouraging tourism.

Sound tax policy demands a broad base and a low rate. The Restaurant Tax does just the opposite: it's a high tax on a very narrow base.

And as should have been obvious at the time the Restaurant Tax was adopted, Utah residents, not tourists, make the vast majority of restaurant purchases. The number of single moms buying Kids Meals at McDonalds, salesmen taking potential clients to dinner at Market Street Grill or other Utah resident

making restaurant purchases far exceeds the number of tourists on vacation in Utah.

The Restaurant Tax is also bad because it violates some of the most basic principles of tax policy. As your Taxpayers Association explains to elected officials all the time, sound tax policy demands a broad base and a low rate. The Restaurant Tax does just the opposite: it's a high tax (one percent) on a very narrow base (food purchased at restaurants).

Over the years your Taxpayers Association has made many attempts to eliminate this tax altogether, but relying on the revenue, the counties have always opposed our efforts. This year our proposal merely aims to impose sound tax policy on the tax, instead of eliminating the tax altogether. Representative Craig Frank is sponsoring legislation, which has already received unanimous approval from the Interim Revenue and Taxation Committee, which would apply a much lower tax rate to a broader sales tax base.

The lower rate applied to the broader base will raise the same amount of revenue as the existing Restaurant Tax, but it will not punish the restaurant industry. And this proposal goes out of the way to make whole the counties who impose this tax. They can use the revenue for the same things they are currently spending it on, and the mechanisms to impose this lower rate on the broader base do not change at all. All the bill does is broaden the base, and lower the rate.

No doubt taxpayers and the Taxpayers Association would prefer to eliminate this tax altogether. However, past experience teaches that the incremental step of improving the tax by broadening the base and lowering the rate is a better first step. Then the Association will advocate for continued lowering and finally the elimination of the tax.



Representative
Craig Frank

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Avoiding Change for Change Sake: No Time for New Taxes

As Utahns gather during this holiday season, let us give thanks that we live in a state that rewards hard work, is consistently recognized as the best-managed in the nation and resists pressure to change for change sake.

Our state faces a record budget gap,

estimated at \$850 million (with some estimates now swelling to \$1 billion as the 2010 legislative session approaches). With a shortfall brought about by the severity of the national recession, Utah's leaders face daunting choices, but as they seek to balance the state's books they should not abandon the core principles that have guided Utah so well for so many years.

It seems that the notion of "change" in government has evolved in recent times to mean tax increases. Throughout the land new taxes and fees are being proposed to an astonishing degree. The federal government is considering a wide array of new taxes to fund a burgeoning list of entitlements and new spending.

The National Conference of State Legislatures reports that, as of July, 36 states had hiked taxes by \$24 billion just this year.

Utah did not vote for this kind of change in last year's election; Utah voters are fully aware of the challenges facing themselves, their families and the government in these difficult times. As Utahns have been forced to make tough spending decisions, and defer ambitions to richer days, so, too, must their government.

Fortunately, Utahns can be thankful that Gov. Gary Herbert and the Legislature are focused on responsible spending and prudent financial management, even when the choices are difficult. As a result, Utah has one of the fiscally healthier state governments in the nation, bettered only by energy resource states such as Montana, Wyoming and Texas. Utah's relative fiscal health didn't happen by accident; it was the result of strong leadership that put the will of the people over the inertia

of government and its special interests.

To change Utah's ways and impose hundreds of millions of dollars of tax increases upon its citizens in the midst of this economic downturn would set Utah on the same path as other states whose economic problems have never been solved by higher levies. Difficult as it may be, now is not the time to place the recession's burden on the government squarely on the shoulders of taxpayers.

As Gov. Herbert has repeatedly and rightly said, putting people first does not mean protecting popular government spending; it means exercising strong leadership for the long-term benefit of all. There will always be worthy and important causes and needs, and painful choices; we all -- including government -- must bear the burden of financial responsibility.

Utah has great fundamentals for a strong recovery when the national economy begins to move forward: a growing, energetic population, excellent infrastructure and resources, and an attractive business climate.

And a citizenry with the capacity to do the hard work needed in hard times.

Now is not the time to change a formula that has served Utah so well and embrace the approach of higher taxes that has sapped the life and future out of so many other states and communities. Whether the proposal is a cigarette tax increase, a food tax increase, or any other tax hike, there will be better days ahead if we don't impose net new tax burdens upon struggling taxpayers now. A tax hike today rarely becomes a tax cut tomorrow.

This economic downturn will end, and when it does Utah will be better positioned to benefit from the recovery. This is not the time for us to change our thrifty and thoughtful ways of managing our state to make it through this passing storm.

We have much to be thankful for in Utah, most important our faith in our ability to meet difficult challenges that come our way. We cannot take the easy way out by simply raising taxes; we have to give thanks for the strength we have to weather these difficult times.

(A slightly modified version of this column appeared in the Salt Lake Tribune on November 27, 2009)

UTOPIA "lien"-ing on Brigham City Taxpayers

For years, backers of municipal telecom systems like UTOPIA and iProvo have lulled elected officials into a sense of security by showing them the wonders of fiber optic cables. Being entranced by the speeds and capabilities of a complete fiber optic network, nearly all elected officials in UTOPIA's 11 member cities have failed to seriously evaluate whether UTOPIA's socialist model will succeed. Instead, they allow UTOPIA representatives to hide critical data, or even mislead the public.

The latest example of UTOPIA's ability to play fast and loose

with the facts is in Brigham City. As your Taxpayers Association reported in May 2009, UTOPIA has nearly burned through the funds they received after UTOPIA's member cities (except Payson) bonded for up to \$503 million for UTOPIA. Despite their remarkable burn rate, UTOPIA's member cities are nowhere near built out.

Unwilling to admit that their model simply cannot work, UTOPIA has turned to ever more exotic financing mechanisms. In Brigham City they asked potential subscribers to pay \$3,000 to bring the fiber optic cables from the curb to their home. Given

that incumbent providers charge less than \$100, and often waive installation fees altogether, we assumed Brigham City residents would refuse to pay.

Unfortunately, we didn't count on UTOPIA misleading the residents. On November 5, UTOPIA presented the Brigham City Council with a list of 1,604 residents who they said had agreed to pay for UTOPIA's installation. Based on that list of residents (representing just over one quarter of Brigham City's residents), the Council approved an ordinance authorizing the city to place \$3,000 liens on the properties of the residents who had signed up (unless the property owner prepaid the installation cost of \$2,700). These liens would be paid at 7.95% interest in monthly \$25 installments over 20 years.

When your Taxpayers Association learned that UTOPIA had convinced so many residents to accept these terms, we were incredulous. We couldn't believe that Brigham City residents would sign up for UTOPIA, if they knew about the lien on their home, the 7.95% interest rate, the 20 year term, etc.

To test our instincts, we sent the accompanying mailer to every Brigham City resident. The mailer simply asked whether the residents who signed up for UTOPIA's lien knew what they were getting into. If not, and they want to explore options for getting out from under the UTOPIA lien, we asked them to contact the Taxpayers Association.

Since our mail piece arrived in people's homes, our phone lines have been ringing off the hook. Brigham City residents who signed up for UTOPIA are furious that they were duped into signing up for UTOPIA without knowing about a lien on their home, the full price they'd be paying, and so forth.

Some residents specifically asked UTOPIA representatives whether signing up for UTOPIA and assuming the \$25 per month fee would constitute a lien on their property. Repeatedly they were told that signing up for UTOPIA would not put a lien on their property. Other residents asked if signing this document required them to pay the \$25 per month, or if their signature merely indicated their support for UTOPIA. These residents were told it was just an expression of support. Still other residents were told that the \$25 per month charge would pay for installation, plus their phone, Internet and TV service.

In all of these instances, UTOPIA lied. Signing the document did enable Brigham City to place a lien on their property. Signing the document was not a statement of support; it was an attempt to bind the homeowner legally to UTOPIA. And the \$25 fee only pays for installation. TV, Internet and phone services over those lines require additional fees.



To see full UTOPIA mail-piece, visit www.utahtaxpayers.org

In the face of the overwhelming evidence that UTOPIA and its representatives played fast and loose with the facts, your Taxpayers Association has identified two options for Brigham City residents to get out of their UTOPIA lien. First, the Brigham City Council must acknowledge that Brigham City residents were misled, and should release any resident who wishes from the UTOPIA lien.

To help Brigham City residents express how upset they are with UTOPIA's misrepresentations, and how many people want to get out from under UTOPIA's lien, your Taxpayers Association has created a petition on our website, www.utahtaxpayers.org. We are encouraging every Brigham City resident who signed up for UTOPIA and feels they were misled to sign our petition, and to encourage their neighbors to do the same.

The Taxpayers Association will present the names of all those who complete this petition to the Brigham City Council on Thursday, December 10, and demand that the City Council allow these residents out of their contract.

Second, if the Brigham City Council is unwilling to stand up for the taxpayers they were elected to represent, there may be grounds for a legal action. Because UTOPIA clearly failed to disclose to the residents critical risks, facts and legal points associated with the contract to sign up for UTOPIA, the contract is likely not enforceable. The Utah Taxpayers Legal Foundation is already evaluating whether to bring suit to protect the rights of Brigham City residents.

And while this crisis is focused on Brigham City right now, if UTOPIA is successful there, they will take this same shell game to other cities. Taxpayers must take a stand, and reject UTOPIA's deceitful practices.

National Teachers Union Largest Political Spender in Nation

When most people think of big political spenders thoughts of Big Tobacco, Big Oil and pharmaceutical companies come to mind. However, a recent report from the Center for Responsive Politics in collaboration with the National Institute on Money in State Politics reveals that the nation's most financially active special interest group is not a powerful corporation, but instead a powerful labor union, the National Education Association (NEA).

The recent report revealed that the NEA was the largest

political spender in the 2007-2008 election cycle, contributing over \$54.9 million to state level campaigns, \$2.6 million to federal campaigns, totaling more than \$57 million in political contributions. The report evaluated political donations for candidates, political parties and ballot measures during the 2007-2008 election cycle to determine the country's largest political donors. The NEA was by far the biggest spending, outspending even the nation's second-place contributor by more than \$12 million.

However, despite its heavy hitting campaign donations and fundraising, the education labor union has long flown under the radar; failing to garner the same media coverage or reputation as other political contributors such as Wal-Mart, Goldman Sachs and Pfizer. However, the contributions of these

Any single organization that exerts \$57 million worth of political influence merits the attention of fiscal watchdogs.

corporation pale in comparison to the NEA's \$57 million in donations; Wal-Mart (\$5.2 million), Goldman Sachs (\$6.5 million), Pfizer (\$4.2 million). Additionally, the NEA has often combined political expenditures with the American Federation of Teachers (AFT) thereby further

increasing their campaign contributions by \$3.3 million. When compared to other notorious campaign donors, the results are staggering.

"America's two teachers' unions (NEA and AFT) outspent AT&T, Goldman Sachs, Wal-Mart, Microsoft, General Electric, Chevron, Pfizer, Morgan Stanley, Lockheed Martin, FedEx, Boeing, Merrill Lynch, Exxon Mobile, Lehman Brother and Walt Disney Corporation... **COMBINED.**"

| Political Donor | 2007-2008 Contributions |
|---------------------------------------|-------------------------|
| National Education Association (NEA) | \$56,349,269 |
| American Federation of Teachers (AFT) | \$11,984,598 |
| NEA/AFT Combined | \$3,359,243 |
| TOTAL DONATIONS | \$71,693,108 |

(Center for Responsive Politics, National Donor Profiles)

Having contributed to 185 political committees and over 3,700 candidates at all levels of government, the National Education Association is a major player in state and federal politics. As a result, it deserves the same scrutiny and media coverage afforded to other major union and corporate contributors. Any single organization that exerts \$57 million worth of political influence merits the attention of fiscal watchdogs.

For additional information regarding the political spending of the NEA and AFT, please visit www.opensecrets.org, the Center for Responsive Politics' non-partisan guide to campaign spending.

Low Tax States Fairing Better In Economic Downturn

Despite mounting pressure from the Salt Lake Chamber of Commerce and other interest groups, Governor Gary Herbert is wisely remaining firm in his commitment to avoid tax increases during the upcoming legislative session. According to the most recent edition of "Rich States, Poor States," increasing Utah taxes would directly and immediately lower the state's competitive position for personal and business investment.

The tax and spend lobby are actively promoting every tax increase they can think of, but, two recent reports from the Pew Research Center and the American Legislative Exchange Council suggest Governor Herbert's firm opposition to any tax increase in the upcoming legislative session is wise economic policy.

California offers perhaps the clearest example of how high taxes and high spending create poor economic conditions and a severe budget crisis. A recent Pew Research Center report evaluates California's current fiscal crisis to determine whether other states could find themselves facing similar situations.

Using six indicators that significantly contributed to California's fiscal crisis, the report examined the fiscal stability of all 50 states in order to gauge the similarities between their economic stability and California's fiscal failures. The six indicators considered in the report were change in revenue, budget gap, change in unemployment, foreclosure rate, supermajority requirements to pass tax increases and budget bills, and money management.

After equally weighing the six indicators, the Pew report determined that Utah has been extremely successful in maintaining fiscal stability. The accompanying chart shows that while most states have shown a decrease in revenue, and an increase in unemployment and foreclosures, Utah has minimized these negative changes and received an 'A' grade in money, people, information and infrastructure management. Utah's reduction in revenue is significantly lower than its neighbors. New Mexico, Idaho, Colorado and Arizona all have

double-digit reductions in revenue. While Utah's budget gap is significant at 19.8 percent, it pales in comparison to Nevada (37.8 percent) and Arizona (41.1 percent). And Utah's changes in unemployment and foreclosure rates are still far below the national average.

In the 2009 edition of "Rich States, Poor States," authors Art Laffer and Stephen B. Moore come to a similar conclusion. Examining the relationship between state taxes and economic growth between 1997 and 2007, their findings illustrate the need to avoid tax increases. States without an income tax,

- Had 21 percent job growth, compared to 11 percent job growth in the high income tax states.
- Had 84 percent growth in personal income, compared to 64 percent in the high income tax states.

Similarly, states with the lowest corporate income tax:

- Saw personal income per capita grow by 61 percent, compared to 48 percent in the high corporate income tax states.
- Enjoyed a 78 percent increase in gross state product, compared to 57 percent in the high corporate income tax states.

Laffer and Moore note that California and Texas provide striking examples of these disparate policy directions. While demographically similar, their tax and fiscal policies are radically different. While California consistently ranks as one of the highest taxed and highest spending states in the country, Texas is consistently one of the lowest taxed, lowest spending states in the nation.

The results of these policy differences could hardly be starker. Between 1997 and 2007, Texas enjoyed 21 percent growth in population, and personal income grew by 90 percent.

California’s population grew just 11 percent, and personal income grew by 77 percent.

A new, online national map of unemployment measured at the county level further suggests that Utah’s long-time commitment to low taxes has proven its mettle. Found at <http://www.economybeat.org/jobs-and-unemployment/geography-of-a-recession/>, the map shows the month-by-month changes in county unemployment nationwide from January 2007 through October 2009. On the map, shades of yellow represent lower unemployment, while shades of red, blue and purple represent higher unemployment.

As the animated map shows, Utah is one of a handful of states that Utah is one of a handful of states that aren’t nearly entirely purple. The only other states with significant swaths of yellow are midwestern states that rely on agriculture for much of their economy. Because official unemployment statistics exclude farm employment, states with large agricultural sectors still have employment levels comparable to Utah’s urban Wasatch Front counties.

Utah and Neighboring States: Using the “California Scorecard”

| State | Change in Revenue | Size of Budget Gap | Change in Unemployment | Foreclosure Rate | Needs Super-majority | GPP Money Grade | Score 5= best 30=worst |
|------------|-------------------|--------------------|------------------------|------------------|----------------------|-----------------|------------------------|
| Wyoming | 19.7% | 1.7% | 2.1 | .47% | No | B | 6 |
| Utah | -3.4% | 19.8% | 2.1 | 1.04% | No | A | 11 |
| New Mexico | -12.8% | 6.3% | 2.4 | .74% | No | B- | 12 |
| Idaho | -14.2% | 16.4% | 3.2 | 1.03% | No | B+ | 16 |
| Colorado | -10.1% | 18.6% | 2.8 | .86% | Yes | C+ | 21 |
| Nevada | 1.5% | 37.8% | 5.2 | 3.12% | Yes | C+ | 26 |
| Arizona | -16.5% | 41.1% | 3.0 | 2.42% | Yes | C+ | 28 |
| California | -16.2% | 49.3% | 4.6 | 2.02% | Yes | D+ | 30 |
| U.S. | -11.7% | 17.7% | 4.4 | 1.37% | - | B- | 17 |

(Pew Center on the States, reflecting the best available and most current data as of July 31, 2009)

These three reports offer clear guidance for Utah’s Legislature and Gov. Herbert as they prepare to tackle Utah’s daunting budget deficit. How they balance the budget will real and lasting consequences. California proves that governments can’t tax their citizens into prosperity. Governor Herbert’s leadership against tax hikes points in exactly the right direction.

Jack Towsley Named Chair of Utah Taxpayers Association Board of Directors

Jack Towsley was elected Chair of the Utah Taxpayers Association Board of Directors to replace Margo Provost on November 20, 2009 by the Association Board of Directors. At the annual membership meeting held the same day the 2010 Executive Committee was elected along with three new board members to replace Joe Lyon, Lee Brown and Phil Ware who retired from the Board of Directors. They were replaced by new members, Barbara Baker from Challenger Schools, Mike Edmonds from U.S. Magnesium and Keith Pitchford from Rio Tinto. The new Executive Committee members are Jack Towsley (Chair), John Ward (Vice-Chair), James Hewlett (Secretary), Kathryn Hymas (Treasurer), Margo Provost (Immediate Past Chair), Mark Buchi (Legislative Chair), Val Hafen (At Large) and Max Miller (At large).



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|---|---|---|---|
| <p>Chair Jack Towsley MountainStar Healthcare</p> | <p>Vice-Chair John Ward Harmons</p> | <p>Secretary James Hewlett Intermountain Power Agency</p> | <p>Immediate Past Chair Margo Provost Log Haven</p> |
|---|---|---|---|

Taxpayers Association Reviews County Budgets

The Utah Taxpayers Association has requested the budgets of all twenty-nine Utah counties. Of the 25 counties who returned our budget questionnaire, only one will be raising taxes to balance their budget in 2010. Salt Lake County is the only county proposing a tax increase and has therefore scheduled a Truth and Taxation hearing to review their proposed increase. All counties have recently or will be holding public budget hearings. The accompanying chart shows the date and time of county budget hearings, proposed county tax increases, proposed increases in health insurance costs and proposed increases in employee compensation.

Utah Taxpayers Association Pre-Legislative Conference

January 19, 2010

2:00 – 5:00

Capitol Building- Room 445

Come listen as Legislators and opinion leaders discuss the issues that will be facing the state during the 2010 session of the Utah Legislature.

Reserve your spot by calling (801) 972-8814 or by emailing fallon@utahtaxpayers.org.

| COUNTY | DATE OF HEARING | TIME | TAX HIKE | HEALTH COSTS | PAY INCREASE |
|------------|-----------------|---------|----------|--------------|--------------|
| Beaver | December 14 | 7:00pm | No | 5-7% | 0.00% |
| Box Elder | December 8 | 6:00pm | No | 3.00% | 0.00% |
| Cache | November 23 | 6:00pm | No | 7.00% | 0.00% |
| Carbon | December 1 | 2:30pm | No | 0.00% | 2.00% |
| Daggett | December 20 | 9:00am | No | 9.50% | 0.00% |
| Davis | December 8 | 6:00pm | No | 6.00% | 0.00% |
| Duchesne | December 14 | 7:00pm | No | | 0.00% |
| Emery | December 22 | 6:00pm | No | 2.00% | 0.00% |
| Garfield | December 14 | 1:30pm | | | |
| Grand | December 1 | 7:00pm | No | 3.00% | 0.00% |
| Iron | December 21 | 10:00am | No | 12.00% | 0.00% |
| Juab | December 21 | 6:00pm | No | | 0.00% |
| Kane | December 14 | 4:00pm | No | 11.00% | 0.00% |
| Millard | December 8 | 7:00pm | | | |
| Morgan | December 1 | 6:00pm | No | 19.50% | 0.00% |
| Piute | December 14 | 1:30pm | No | 1.75% | 0.00% |
| Rich | December 16 | 1:30pm | | | |
| Salt Lake* | December 8 | 6:00pm | Yes | 10.00% | -2.75% |
| San Juan | November 7 | 6:00pm | No | 7.00% | 0.00% |
| Sanpete | December 9 | 5:00pm | No | 9.50% | 0.00% |
| Sevier | December 21 | 11:00am | No | 0.00% | 0.00% |
| Summit | December 9 | 6:00pm | | | |
| Tooele | December 15 | 3:00pm | No | 3.70% | 0.00% |
| Uintah | November 16 | 11:00am | No | 0.00% | 0.00% |
| Utah | November 17 | 9:00am | No | 4.40% | 0.00% |
| Wasatch | November 2 | 6:00pm | No | 0.00% | 0.00% |
| Washington | November 17 | 4:00pm | No | 0.00% | 0.00% |
| Wayne | November 7 | 10:00am | No | 0.00% | -1.00% |
| Weber | November 24 | 6:00pm | No | 1.80% | 0.00% |

* Salt Lake County will hold their Truth and Taxation hearing at the same time.