



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Healthy Utah Inappropriately Deepens Utah's Relationship with Obamacare

Over the next few weeks, Governor Herbert's "Healthy Utah Plan" will be under consideration by the Utah State Legislature. Backed by the Utah Medical Association, the University of Utah Healthcare System and the Utah Hospital Association, Healthy Utah is the product of months of back and forth negotiations between the Governor and the U.S. Department of Health and Human Services.

As the most aggressive expansion proposal with any chance of passing, Healthy Utah is designed to provide Medicaid-financed healthcare services to uninsured adult Utahns who fall in the "coverage gap." These approximately 95,000 people make too much to be eligible for traditional Medicaid, but do not make enough to qualify for federal health insurance tax credits. Currently, these individuals get coverage either by paying out-of-pocket or from Utah's charity care network.

In order to move these 95,000 people from the coverage gap to coverage, Healthy Utah deepens Utah's relationship with the Affordable Care Act (Obamacare) and proposes adding another \$78 million in ongoing State funding. The Governor has stated on several occasions that Healthy Utah is designed to recoup some of the estimated \$680 million in Obamacare-related taxes sent from Utah to Washington. In essence, this means using more Utah taxpayer money via the state to get paid back with "matching" Utah taxpayer money via the feds.

Continued on page 4...

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VOLUME 40



My Corner: Truth-in-Taxation for the Motor Fuel Tax

Page 2



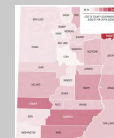
Utah Must Continue Tax Reform or Risk Losing Its Tax Advantage

Page 4



Association Hosts Successful Conferences

Page 5



Cost of County Governments Report Released

Page 6



Macquarie Releases UTOPIA Milestone Two Report

Page 7



Legislative Watchlist: Priority Bills and Legislative Highlights

Page 8



Association Accomplishments During January

Page 9

2015 Legislative Committee Meetings

Every Thursday morning during the 2015 Legislative Session from 7:00 AM to 8:00 AM in the East Senate Building, Seagull Room.

These weekly meetings are an opportunity to be updated on the progress of key bills moving through the legislature. Each week Association staff will present an updated legislative "watchlist" and will take questions and advice from

Association members on the progress of key legislation. All Association members are welcome to participate at any time. For more information, or to indicate your intention to attend, contact Kelsey at 435-799-7574 or kelsey@utahtaxpayers.org.

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My Corner: Truth-in-Taxation for the Motor Fuel Tax

While Howard Stephenson is serving at the Legislature, Mr. Hesterman will author My Corner.

Reforming Utah’s fuel tax is one of the top issues that will be addressed in the current 2015 state legislature. While the Senate has indicated a general support for simply raising the cents-per-gallon tax rate on fuel purchased, the House has expressed a preference to alter the tax structure so that revenue keeps up with demand and inflation. UDOT predicts an \$11.3 billion transportation budget shortfall by 2040, and roads across the state are deteriorating without proper maintenance. Increased funding for transportation is critical to the economic well being of the state.

Your Utah Taxpayers Association has followed this process closely. We have met with lawmakers, attended committee meetings and worked with Association members to develop a sound tax solution that will change the structure of the fuel tax. The Taxpayers Association proposes changing the fuel tax rate from a flat cents-per-gallon tax rate into a certified fuel tax rate that will guarantee prior year revenue. This not only preserves revenue moving forward, but also protects taxpayers from unnecessary and automatic tax increases.

This plan closely aligns the cost of the roads to the users. Under our plan, the certified rate would be calculated by combining the prior year’s revenue with any “new growth.” We define new growth as

certified cents-per-gallon rate. As fuel consumption decreases due to increased fuel efficiency and other factors, the certified rate will then rise to preserve revenue. Alternately, if fuel consumption increases, users will see the fuel tax rate fall.

The structure of the certified fuel tax rate is modeled after Utah’s Truth-in-Taxation law for property taxes. The state legislature would have the ability to increase the certified rate if revenue fell below needed levels, but would only have this option available through the legislative process, which allows for public involvement on a potential tax increase.

If the certified gas tax rate that we are proposing had been implemented when the legislature last raised the gas tax in 1997, the state could already have realized an additional \$445 million in the transportation fund over the past 17 years. With fluctuations up and down, the current cents-per-gallon rate would have been at 28 cents per gallon.

Projections based on fuel consumption and VMT growth estimates from UDOT further show that if the plan were enacted this year with no change to existing revenues, the gas tax could raise an additional \$750 million per year by 2040, with the rate only growing to 38 cents per gallon.

While generating and protecting revenue is an important part of any fuel tax plan, the most important part of our plan is the protection it provides to taxpayers. While some plans being discussed on Capitol Hill will simply put the gas tax on an “autopilot” revenue growth path that will not

$$\text{Cents per gallon certified fuel tax rate} = \frac{\text{Prior Year Fuel Tax Revenue} + \text{New Growth}^1}{\text{Prior Year Taxable Gallons of Fuel Sold}^2}$$

¹ New Growth = (Prior year revenue) x (% increase in statewide VMT)

UDOT tracks statewide VMT and annually submits a report to the federal government that includes a certified VMT count.

the percent increase over the previous year’s statewide vehicle miles traveled (VMT). Prior year revenue plus new growth is then divided by the prior year’s taxable gallons of fuel sold to calculate the

give taxpayers any protection against automatic rate increases, our plan guarantees that the legislature cannot raise fuel tax revenue beyond the certified rate without going through an open and

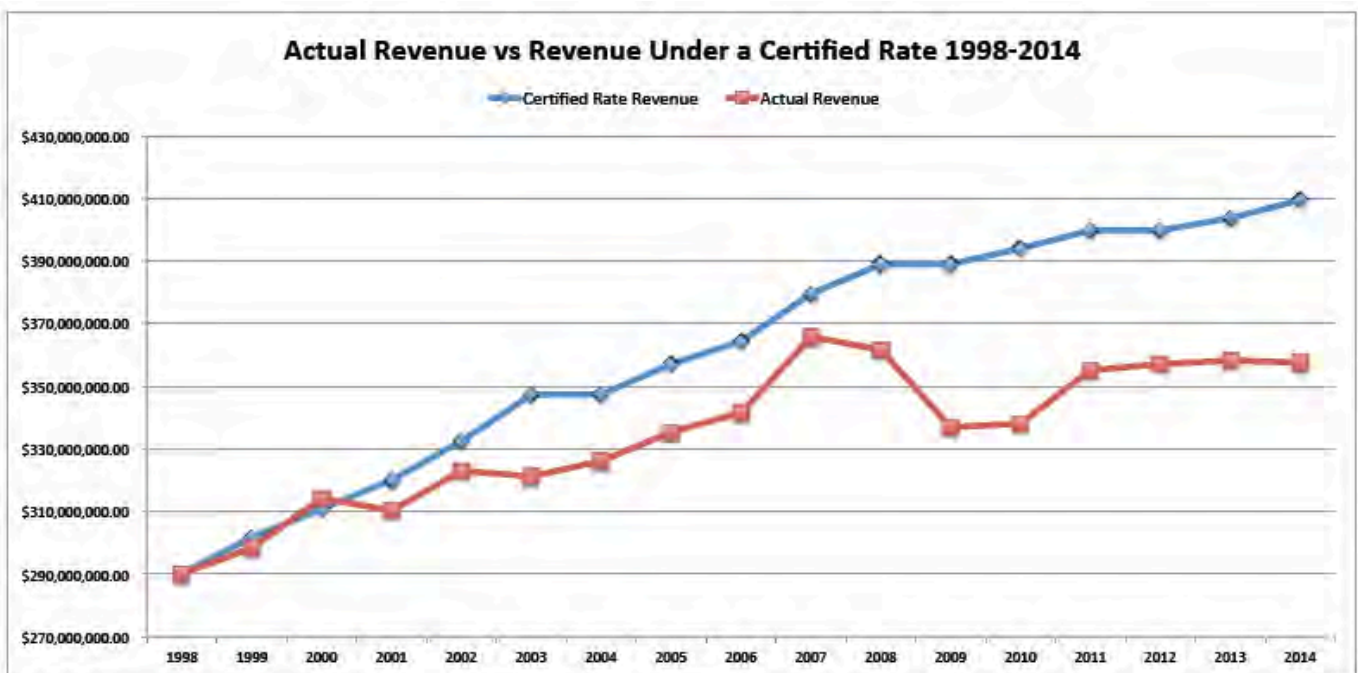
accountable process. This allows taxpayers the chance to work with their lawmakers in suggesting ideas on how to improve transportation funding. It also gives taxpayers an opportunity to speak for or against a certified rate increase when legislation is considered before legislative committees.

To view the Association's infographic on the certified fuel tax rate, click [here](#).

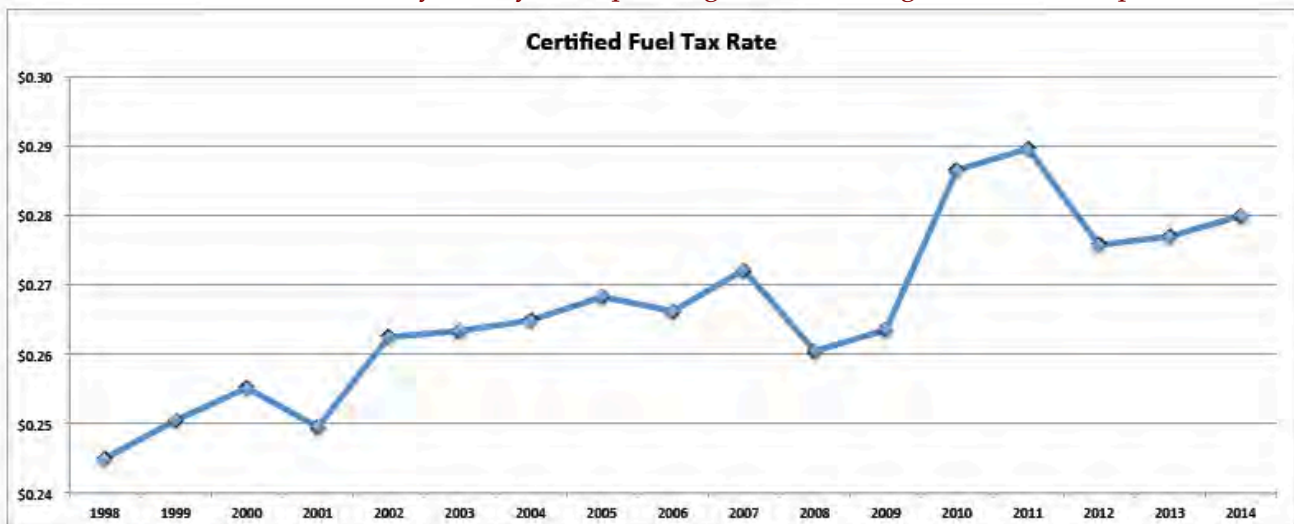
The time has come for a change in Utah's fuel tax. Our certified fuel tax rate proposal would allow lawmakers to guarantee state revenue in the coming years while giving taxpayers a voice in the process by protecting them from harmful plans such as indexing the gas tax rate to the consumer price index. We call on Utah's lawmakers to give our certified fuel tax rate plan serious consideration. ♦

To illustrate the effect of a certified fuel tax rate, the Utah Taxpayers Association used historical data from UDOT to chart what would have happened to Utah's fuel tax if the certified rate structure had been implemented with the last cents-per-gallon rate increase in 1997.

As you can see, revenue would have grown steadily with VMT growth under a certified rate. The revenue gap between actual fuel tax revenue and what could have been achieved under a certified rate is \$445 million.



While revenue is maintained or grows under a certified fuel tax rate, taxpayers will see their cents-per-gallon fuel tax rate rise or fall from year to year depending on statewide gasoline consumption.



Healthy Utah

...Continued from page 1

Perhaps the additional expenditure would make sense if it came with some meaningful concessions from the federal government, or included limits on the relationship Utah is bound to with the federal government. But it does not. And while this costly relationship between the state and the feds appears to have the unanimous support of State Democratic lawmakers and the editorial boards of both major newspapers, it does not make financial sense. An expenditure of taxpayer money is still an expenditure of taxpayer money, regardless of the government source.

The Utah Legislature's Healthcare Reform Taskforce spent the bulk of its meetings last year studying Medicaid Expansion and the problems surrounding Obamacare. Near the end of the year, the Taskforce concluded that Healthy Utah should not even be considered as an option before the 2015 legislature.

Importantly, the Taskforce based its recommendation on Utah's long, difficult history with Medicaid. As the go-to program to finance healthcare coverage for Utah's poor, Medicaid has a

well-earned reputation as inefficient and expensive. Among other things, Medicaid does not compensate providers fairly and it requires a tremendous cost shift to those who buy commercial insurance.

This is not a system to expand, but one that should be reformed. Four years ago the legislature did just that. By unanimously passing SB 180, the legislature created Medicaid Accountable Care Organizations (ACOs), simultaneously capped related Medicaid spending to the same rate as the general fund growth, and removed some of the perverse incentives that drove costs up and quality down.

Those on the Taskforce, who understand Medicaid the most, concluded that the Healthy Utah Plan would jeopardize these important reforms — among other things — and put the financing of traditional Medicaid at further risk. The Taxpayers Association commends the Taskforce for its thorough study of the Governor's plan and encourages the full Legislature to follow suit in its opposition to Healthy Utah. ♦

Utah Must Continue Tax Reform or Risk Losing Its Tax Advantage to Other States

Following GOP wins in governorships and state legislatures last fall, the general political mood across the country has been to cut taxes and adhere to a pro-growth agenda. The [Wall Street Journal recently reported](#) that at least 20 Republican governors are moving forward with tax-relief initiatives, and tax cuts in an additional 14 states are starting to take effect this year.

The Utah Taxpayers Association supports tax relief reforms anywhere, but would urge Utah's lawmakers to consider how these positive reforms in other states may put Utah's competitiveness at risk. Given the tax policy direction of other states and a current \$600 million state revenue surplus, Utah should not consider any tax increases, and should actively search for ways to further reduce Utah's tax burdens.

Utah lawmakers should pay special attention to the actions of neighboring states. Arizona's newly elected Governor Ducey has committed to cut the income tax

every year he is in office, ultimately doing away with Arizona's income tax altogether. Arizona would be joining Nevada and Wyoming as neighbor states to Utah without an income tax. Now is not the time for Utah's state legislature to consider an income tax increase. During the current legislative session your Utah Taxpayers Association helped defeat a 1% income tax increase. Instead of looking at ways to increase taxes, Utah lawmakers should actively work to cut the state income tax further.

South Carolina's Governor Haley recently announced her plan to prioritize transportation funding in the state with a gas tax increase, while simultaneously reducing the state's income tax rate to offset the higher tax burden on citizens. The Utah Taxpayers Association would support such a plan in Utah.

States with low taxes and healthy investment

and business activity come out on top in the competition for jobs and growth. Utah faces competition across the country and the globe. To keep up its track record as a good state in which to live and work, Utah needs to stick to low-rate broad-base tax policies. Your Taxpayers Association continues to promote sound tax policy in the state. ♦

Association Hosts Successful Conferences

The Utah Taxpayers Association recently hosted its annual “Newly Elected Officials Conference” at the Little America Hotel. Newly elected officials from around the state, including state legislators, county officials, and state and local school board members, joined the Association for an overview of state and local tax policy and governance. Clint Bolick, vice president of the Goldwater Institute, spoke about sound tax policy and how government officials can do their job while protecting the liberty of their constituents.



Above, attendees at the Newly Elected Officials Conference listen to Clint Bolick, vice president of the Goldwater Institute.

The Utah Taxpayers Association also hosted its annual “Pre-Legislative Conference” at The Grand America Hotel. Legislators, including Speaker of the House Greg Hughes and Senate President Wayne Niederhauser, spoke about upcoming legislation and legislative priorities. Several opinion leaders also spoke and gave previews of the important tax issues facing the 2015 Legislature. Over 150 guests participated in this successful conference. ♦



Above, attendees listen to speakers at the Pre-Legislative Conference at the Grand America Hotel.



Right, major Utah news outlets cover the Pre-Legislative Conference.

Cost of County Governments Report Released

The Utah Taxpayers Association, in cooperation with Strata Policy Group, recently released the 2015 *Cost of County Governments* report, showing the relationship between county government revenue and citizen income in Utah’s 29 counties. This data provides a snapshot of on average **how much of each dollar earned by a citizen is consumed by the county government in Utah.**

This report systematically compares how well elected officials in Utah’s counties control public spending, and illustrates the relationship between government as a service provider and citizens as consumers.

Highest Cost vs. Lowest Cost County Governments

In the Utah Taxpayers Association’s 2015 Cost of County Governments report based on 2013 data, Daggett County ranks as the county with the highest cost of government, where residents pay on average \$171.49 of each \$1000 they earn. The lowest ranked county is Utah County, where residents only pay \$6.78 of each \$1000 earned to the county government. The median Cost of County Government is \$35.61, and the average Cost of County Government is \$41.10.

Rural vs. Urban Counties

Residents in rural counties generally face a higher cost of county government than residents in urban counties. This trend is expected, as higher population in urban counties helps spread the burden of the fixed costs counties face in providing basic services to county residents.

A notable outlier is Salt Lake County, where the Cost of Government is higher than its population would suggest. Although Salt Lake County has double the population of any other county in Utah, it is the most expensive urban county in the state. Salt Lake County’s Revenue from Taxes and Fees Per Capita is nearly identical to Morgan County’s, even though Salt Lake County’s population is more than one hundred times that of Morgan County.

Property Values vs. Cost of County Government

Another general trend observed in the report is the direct relationship between property values and Cost of County Government. Utah’s biggest resort community, Park City, located in Summit County, has a lower percentage of land occupied by primary

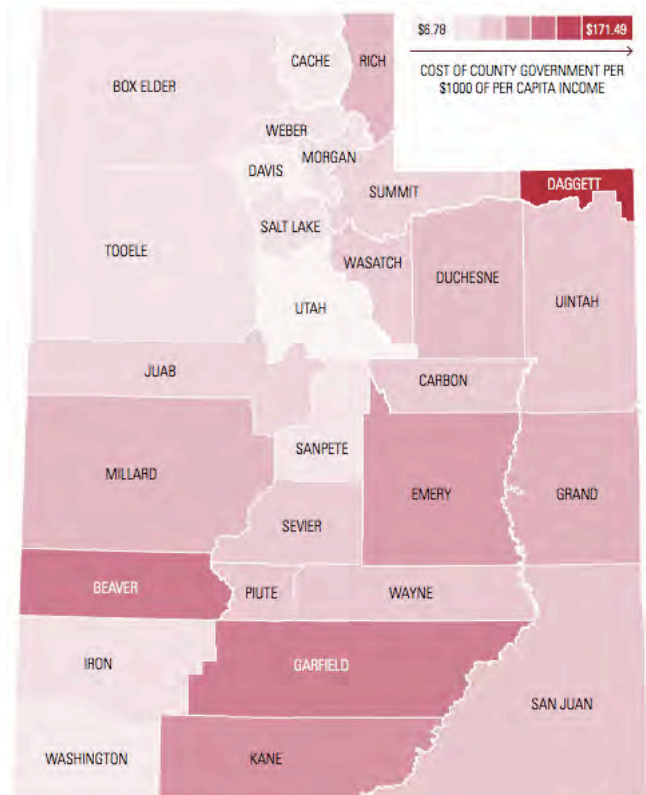
residences than most cities. With so little land receiving a primary residence’s 45% reduction in property taxes, Summit County tends to have more property tax revenue available. With more property tax revenue available, the county tends to spend more.

Similarly, the power plants in Emery and Millard counties generate unusually high assessed valuations, and so they have more money to spend than counties with similar populations.

This analysis indicates that county commissions enjoying higher than average property tax revenues spend the money available, rather than maintaining tax rates that would keep their cost of government more in line without counties of a similar population. ♦

The full report, including an explanation of the methodology used, can be viewed [here](#).

This map shows the Cost of County Governments in Utah, with darker red representing a higher Cost of Government.



Macquarie Releases UTOPIA Milestone Two Report

Macquarie Capital, the Australian investment firm hoping to lease and operate the 11-city UTOPIA fiber network, recently released their Milestone Two report. Milestone Two outlines Macquarie's proposal to upgrade and expand the existing UTOPIA fiber network after 5 of the 11 cities "opted-out" of proceeding with the deal after Macquarie released Milestone One. While providing some answers, Milestone Two in many ways only raises more questions. Here are the most important components of Milestone Two that impact taxpayers in both opt-in and opt-out UTOPIA cities.

Higher Utility Fee

The new utility fee estimate under Milestone Two is \$22.60 per month with a ceiling of \$25.00. This is several dollars higher than the initial \$18-\$20 monthly utility fee estimate. The business utility fee has also increased to \$45.20. This fee would be assessed by the cities on all businesses and rooftops in opt-in cities, regardless of whether or not these taxpayers subscribe to UTOPIA service.

Milestone Two further assumes that UTOPIA subscribers in opt-out cities will still be required to pay the monthly utility fee. However, Milestone Two fails to specify how this utility fee will be collected, and because opt-out cities have explicitly chosen not to impose the utility fee, we don't believe the opt-in cities nor Macquarie would have the authority to collect the fee. Milestone Two concedes that resolving the ongoing relationship between opt-out cities and Macquarie is a critical issue moving forward.

Public Vote

Last August, the mayors of the remaining 6 opt-in cities announced that they would hold a public vote to receive citizen feedback regarding the compulsory utility fee. Following their announcement, several county clerks responded with a formal statement noting that cities lack the legal authority to place an opinion question on the ballot. UTOPIA's opt-in cities then planned a non-

binding opinion survey of their residents before the end of the year, but the survey never happened.

Macquarie's Milestone Two now includes language specifying that a public vote will be held "prior to Financial Close, the result of which will determine if the transaction will proceed." While Macquarie stipulates public feedback as a necessary condition for moving forward, the question of whether cities can even hold such a public vote is still questionable. Even if legal, later in the report Macquarie estimates that a "potential vote by public to affirm project and commercial close" would happen *after* city approvals and commercial close, contradicting their earlier stance that the vote is a necessary condition for determining whether or not the transaction will proceed. Macquarie's intention for a public vote is unclear, and if the vote is indeed held after financial close, the process and results are meaningless. The fact that Macquarie may only ask the public what they think of the deal *after* financial close is troubling.

Address Count

Because five cities choose to opt-out of the Macquarie deal, the number of addresses subject to the utility fee dropped by 67,000. However, Macquarie claims that route tracing and other detailed investigations yielded approximately 12,000 incremental addresses not captured during the Milestone One analysis. This, along with substantial network redesign reduced the initially expected utility fee increase of \$8.57. But again, Milestone Two operates under the assumption that the UTOPIA subscribers in opt-out cities will be bound to the monthly utility fee.

Your Taxpayers Association will continue monitoring the direction of Macquarie's negotiations with UTOPIA and will speak out against unwise commitments on taxpayers in the 11 UTOPIA cities. ♦

2015 Fast Tax Booklets Published

The Utah Taxpayers Association annually publishes a *Fast Tax* reference booklet that summarizes 29 of Utah's major state and local taxes. A digital version is available online [here](#), or you can request a physical copy from kelsey@utahtaxpayers.org.



Utah Taxpayers Association Legislative Watchlist: *Priority Bills and Legislative Highlights*

A week and a half into Utah's 2015 legislative session, your Taxpayers Association has already been busy monitoring and lobbying on a variety of bills.

HB 54 - Public Education Increased Funding Program

Earlier this week, the Utah Taxpayers Association defeated HB 54 (Rep. Draxler) - legislation that would have increased the income tax on Utahns by \$429 million. This is a big win in helping keep Utah a top destination state for jobs and businesses. While we applaud Rep. Draxler's efforts to increase performance pay for teachers and bring more technology to the classroom, raising the income tax is the wrong route to take in accomplishing this goal.

Manufacturing Sales Tax Exemption and R&D Sales Tax Credit

Your Taxpayers Association is working on expanding the sales tax exemptions on business inputs. This legislative session Senator Stuart Adams is running a bill that would expand the manufactures sales tax exemption on business inputs to all consumable goods.

Senator Howard Stephenson is also running a bill to clarify that research and development business inputs are sales tax exempt. We will continue to update our members as these bills progress through the legislature.

SB 94 - Corporate Franchise and Income Tax Amendments

SB 94 clarifies Utah law to allow for a credit against or refund of an overpayment of corporate franchise or income taxes, so that the Tax Commission is not able to issue deficiencies during periods when taxpayers are not entitled to refunds. In 2011, the Auditing Division inappropriately changed its 34-year interpretation of the refund statute. The 2011 interpretation change was made without any public notice and should have been a statutory change. The Legislature did not become aware of the change until the Tax Commission issued a decision relating to the issue in 2014 and now \$5 million in refunds are being held up. SB 94 clarifies the issue and prevents negative fallout for Utah's attraction as a place for businesses to locate and expand. ♦

PRIORITY BILLS				
Bill	Title	Sponsor	Description	Position
HB 54	Public Education Increased Funding Program	Draxler	Increases the individual income tax rate from 5% to 6% for education. FN: \$176.2 million in FY 2016 and \$726.4 million in FY 2017	Oppose
HB 77	Postretirement Employment	Cunningham	Would allow retired state employees to return to work without having to stop their pension payment. FN: (\$30) million annual (not realized immediately)	Oppose
HB 190	Assessment Area Act Modifications	Webb	This bill amends provisions related to the designation of an assessment area and the levy of an assessment. Lowers the protest threshold to kill an assessment area from 50% to 40% of the affected citizens. Increases the protest period from 30 to 60 days. Establishes the standard of "roughly proportional" benefit as the standard for determining an assessment fee rather than assessed property value. Tightens up the use of assessment areas for economic development purposes.	Support
SB 55	Community Development and Renewal Agencies Task Force	Harper	Creates a Community Development and Renewal Agencies Task Force composed of legislators, school board members, UAC members, League members, private sector representatives, etc to evaluate RDAs and CDAs. FN: one-time \$(55,600)	Support
SB 97	Property Tax Equalization Amendments	Osmond	Creates the Minimum Basic Growth Account, amends the calculation of the school minimum basic tax rate, requires a certain amount of revenue collected from the minimum basic tax rate to, be deposited into the Minimum Basic Growth Account	Oppose

The Taxpayer Association's full Legislative Watchlist is updated weekly and can be viewed online [here](#).

Association Accomplishments During January:

- ❖ Released an infographic of Utah's FY2015 Appropriated Transportation Budget
- ❖ Hosted the Taxpayers Association's Newly Elected Officials Conference at the Little America Hotel
- ❖ Hosted over 150 guests at the Taxpayers Association's Pre-Legislative Conference at the Grand America Hotel
- ❖ Proposed a Certified Fuel Tax Rate to the state legislature's House and Senate transportation committees that would preserve revenue while protecting taxpayers
- ❖ Published the 2015 *Fast Tax* booklet that gives an overview of 29 of Utah's important taxes

In the News:

- ❖ Defeated Representative Draxler's HB 54 that would have raised Utah's income tax by \$429 million
 - [Deseret News](#)
 - [KSL News](#)
 - [The Herald Journal](#)
 - [Fox 13 News](#)
 - [Salt Lake Tribune](#)
- ❖ Spoke about transportation funding proposals
 - [The Doug Wright Show](#)
- ❖ Hosted the annual Pre-Legislative Conference where legislators talked about their upcoming legislation
 - [Deseret News](#)
 - [KSL](#)
 - [Utah Policy](#)
 - [Daily Herald](#)
 - [KTVX \(Channel 4\)](#)
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