



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Counties Should Reject the Local Option Sales Tax for Roads

Despite years of discussion and a five-cent per gallon fuel tax increase passed earlier this year, talk of raising taxes for transportation is not over. In the coming months taxpayers will start to hear rumblings of an additional tax increase for transportation projects as counties across the state consider placing a local option general sales tax increase on this November's ballot.

In the legislature's fuel tax increase bill, [HB 362](#), state lawmakers approved not only a 5 cent per gallon increase to the fuel tax effective January 1st (with growth up to 15 cents over time), but also an additional option for counties to raise general sales taxes by another .25% to pay for transportation projects in cities, counties and transit districts.

According to the [fiscal note](#) on HB 362, if voters statewide approve the local option sales tax, the sales tax liability on residents and businesses will increase by \$145.7 million. That is an astounding number considering the more than \$70 million the gas tax increase will already produce when it goes into effect in January.

While your Taxpayers Association supports adequate transportation funding, it cannot support a \$200 million tax increase on Utah's residents and businesses, especially when the bulk of the increase is being hidden in the sales tax, which has no direct correlation to Utah's roads.

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"Teed Off On Taxes" Golf Tournament

Don't forget to join the Utah Taxpayers Association for the annual "Teed Off On Taxes" golf tournament, to be held **Thursday, June 11, 2015** at the **Eaglewood Golf Course** in North Salt Lake. Shotgun start at 8:00 AM with lunch and raffle to follow.



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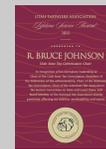
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My Corner: Why Utah's Rank on Per Student Spending Is Just One Data Point – Not a Vice

When State School Superintendent Brad Smith spoke at the recent Utah Taxes Now Conference on May 28, he struck a nerve with protectors of the education status quo when he said that a high ranking

on per student spending is not a virtue and Utah's ranking at 50th place is not a vice. "It is simply a measure of input variables and it is one input variable, and that's all," he said. Smith had been similarly criticized when he decried those complaining about the Legislature's 9.4% education funding increase in the most recent session of the Utah Legislature.

"The critical shift we must see in education is an emphasis on output variables." He suggested Utah's ranking as 50th in funding is of secondary importance. "It's being 27th in the nation in student performance that concerns me, because we can be so much better. . . . So the single data point I want to leave with you today is this: . . . Only 1 in 4 of Utah's graduating seniors are fully prepared to succeed in college," Supt. Smith said.

Why Smith is Right

I feel compelled to give the hard facts as to why Superintendent Smith is exactly right about Utah's consistently low ranking in per student spending being just one data point.

The most recent National Center for Education Statistics report shows that Utah has moved ahead of Idaho, from 51st in per student spending during the school year ending June 30, 2012 to 50th place. Utah spent \$7,818 per student while Idaho spent \$7,142.

If our goal had been to bring Utah spending per student to the 2012 national average of \$12,069, it would have taken \$2.35 billion in new revenues. This could have been accomplished by more than doubling Utah's individual income tax or nearly doubling Utah's total take in Utah property taxes imposed by all schools, counties, cities & towns and special taxing districts. Does anyone really believe that if Utah were to increase taxes by that amount, we would still have the best economic outlook of the 50 states? That we would continue to be named the Best State for Business & Careers? That we would continue to have

the highest job growth rate and one of the lowest unemployment rates in the nation?

The Rest of the Story

One would expect a strong correlation between per student spending and student performance, but the data do not support that assumption. Some states with high per student spending score better on the National Assessment of Educational Progress (NAEP) and other high-spending states show low student performance on the NAEP. Similar lack of correlation exists for low spending states; some score better and some score worse. In fact, the amount spent per student bears little relationship to the quality of education in a state. For example, Washington, D.C. spends just under \$26,661 per student (3.4 times Utah) and New York spends \$21,401 per student (2.7 times Utah), but few Utahns would opt to send their children to public schools like those in D.C. and New York.

The High Cost of Small School Districts

Other demographic and geographic factors revealed in [national studies](#) illustrate why higher spending per student correlates more directly to high administrative costs than improved student instruction.



Photo credit: The Salt Lake Tribune

Superintendent of Public Instruction Brad Smith addresses attendees at the 37th annual Utah Taxes Now conference

Utah school districts number only 41, with an average of 13,509 students per district compared to more than 1,000 districts in Texas with an average of only 4,707 students per district and nearly 1,000 districts in California with 6,177 students per district. There are significant administrative costs associated with small administrative units in public education; costs that do nothing to enhance the quality of education those students receive.

The other four of the five lowest states in spending per student have significant overhead in administration due to the markedly lower numbers of students per district. For example, while Utah has an average of 13,509 students per district, Idaho has an average of only 2,327, Oklahoma has 1,272, Arizona has 4,135 and Mississippi 3,228. The additional administrative overhead in these and most other states suggests that Utah is getting more bang for its buck in education spending. If non-instructional overhead costs were deducted from per student spending, Utah's ranking would be higher.

Other cost factors associated with small school districts involve limited ability to achieve uniform class sizes. Whenever small student populations exist, there are additional costs caused by sporadic class sizes. For high schools with only a few hundred students it is very costly to provide a full complement of course offerings to prepare graduates for college. The fact that Utah is the seventh most urban state in the nation – with 91% of its people living in urban areas – provides uniformity of class sizes, thereby lowering costs and improving efficiency.

Vermont, which has an average of 381 students per district – the second smallest in the nation – ranks seventh highest in spending per student at \$17,263. Is this money well spent? Montana with the smallest average district size at 344 spends \$11,447 per student and North Dakota with 548 students per district spends \$13,473 per student. New Hampshire has an average district size of 1,180 students and spends \$15,530 per student. Can anyone argue that

students in these states receive a better education or that taxpayers get greater educational value than Utah does at \$7,818 per student?

Would the education lobby feel better if Utah students were distributed evenly across the state and educated in small, high-overhead schools? Unfortunately, high cost doesn't necessarily mean high quality when it comes to public education.

Declining Enrollments Have Generated Higher Per Student Spending

The industrial Eastern and Mid-Western states have experienced declining economies. Out-migration in the rust belt is taking its toll on school efficiency. Unlike Utah and other growing western states, northeastern and mid-western states have experienced declining public school enrollment in past decades. The most difficult challenge of any school board is closing schools which citizens view as their community centers. Utah has witnessed only a hint of this in the unique portion of the state with declining enrollment – Granite School District's east bench. Citizens showed up at public hearings with figurative hanging ropes and torches ready to take matters into their own hands. In the end, only token closures were made because it's politically excruciating for elected school boards to close schools.

Rust-belt states whose districts face declining enrollments see the percentage of the budget dedicated to instructional spending decline as tax dollars are inefficiently used to cover facility operation and maintenance costs in half-empty schools with all the overhead of a school with a full student body. The cost of heating, lighting, cleaning, maintenance, and administration of buildings with half as many students as they are designed to house is a very expensive proposition. When a state in the rust belt spends more per student than Utah, it does not mean those students are getting a better education.

But Doesn't More Money Produce Better Education?

Despite the evidence cited above regarding mis-spent educational resources, some suggest that more money is necessary to produce better education outcomes. However, multiple studies over the years have failed to establish a strong correlation between spending and results. In fact, over the past few decades as education funding per student has increased much faster than inflation, student

Let's stop harping at a leader who has the courage to speak frankly, and give him a chance to make the difference he's promised.

schools with only a few hundred students it is very costly to provide a full complement of course offerings to prepare graduates for college. The fact that Utah is the seventh most urban state in the nation –

outcomes have been flat. What is clear to researchers from both sides of the argument is that any effect of per-student spending on student outcomes depends on *how* the money is spent, not on how *much* is spent.

This does not suggest that Utah should spend less on education. In fact, with a large percentage of teachers expected to retire in the next few years and an influx of new students entering the system, there is a crying need to ensure that teacher compensation is such that we can attract

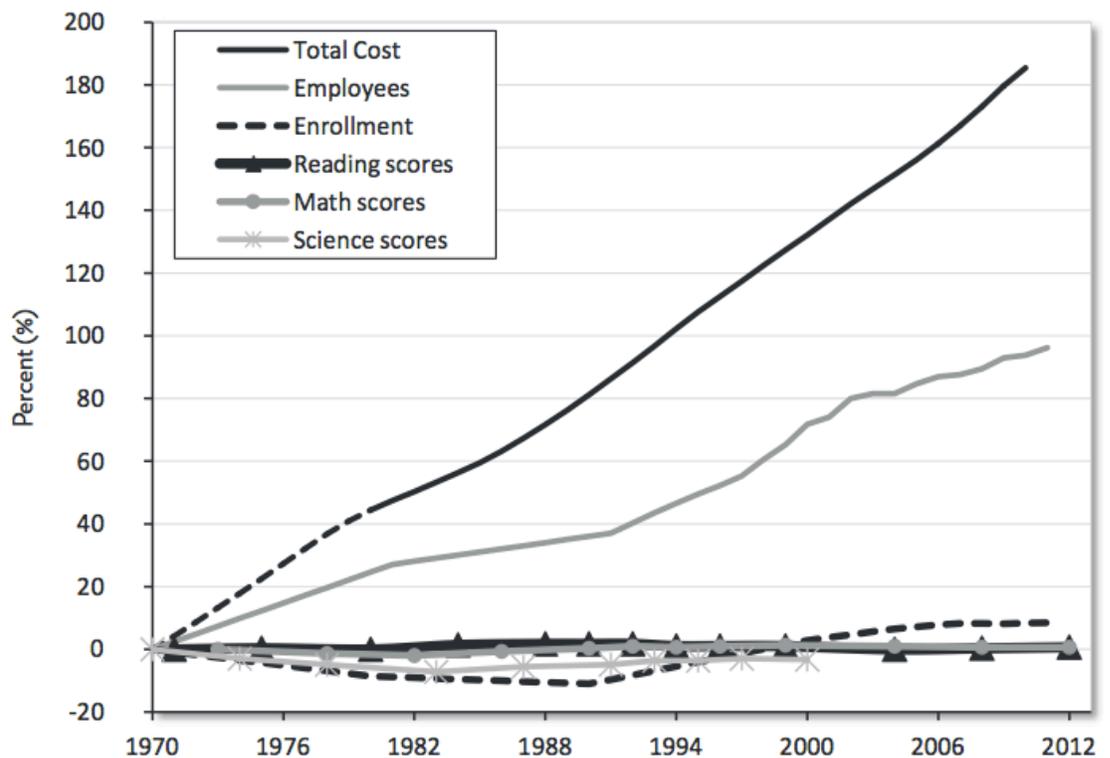
qualified teachers to our system, especially in the subject areas with the greatest shortages. To accomplish this, the legislature has pushed signing bonuses and differential pay for math, science, and special education teachers, which are in short supply. The legislature also instituted a pilot program for pay for performance for teachers whose students showed the most progress. The State School Board is currently evaluating a pilot for a modified school calendar which would pay teachers 50% more by providing an option to teach a third semester, without any additional cost to taxpayers. The innovations mentioned here have generally been opposed by the same critics of the Superintendent's recent comments.

One thing Superintendent Smith asked for which was missed by the media, is his expectation that the public hold him and the elected State School Board accountable for their pledge to significantly improve Utah's measures of educational output, regardless of our rankings in per pupil spending.

Let's stop harping at a leader who has the courage to speak frankly, and give him a chance to make the difference he's promised. ♦

Listen to Superintendent Smith's speech at the Utah Taxes Now conference [HERE](#).

Trends in American Public Schooling Since 1970



Sources: U.S. Department of Education, "Digest of Education Statistics"; and NAEP tests, "Long Term Trends, 17-Year-Olds."

Note: "Total cost" is the full amount spent on the K-12 education of a student graduating in the given year, adjusted for inflation. In 1970, the amount was \$56,903; in 2010, the amount was \$164,426.

This chart from the National Assessment of Educational Progress (NAEP) shows public education spending since 1970 along with reading, math and science test scores over the same time frame.

Interested in local education spending facts and figures? Explore our School Spending Report [here](#), with spending details for all of Utah's 41 School Districts and public charter schools.

Counties Should Reject the Local Option Sales Tax for Roads

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Your Taxpayers Association opposes the local option sales tax increase and encourages taxpayers to contact their county officials to ask them not to put the sales tax increase on the ballot this November.

For taxpayers in Salt Lake County, it is extremely vital that they contact their county officials, as the council is currently considering placing the sales tax on the ballot, overturning an existing [county ordinance](#) that prohibits tax increases from being placed on the ballot in non-general election year. In its wisdom, the Salt Lake County Council previously passed the ordinance to ensure a tax increase is considered by the largest amount of voters possible. Unfortunately the council is now feeling pressure to overturn this wise practice so that the general sales tax increase can be considered this November when voter turnout will be low.

After a 5 cent per gallon rise in the fuel tax and a \$75 million increase in the statewide basic property tax levy, plus additional tax increases from various cities, school districts and special districts in Utah, another increase in the sales tax is simply too much.

While working Utahns should be given the credit for the state's latest economic success and increases in new tax revenue collected, elected officials are taking credit for the economic recovery and

then asking for more money to fund additional government projects. It should be insulting to taxpayers when they have worked so hard to get the state out of the economic recession only to have the government seek to take their hard earned dollars away from them.

Instead of trying to hide the cost of Utah's roads in a sales tax, Utah's lawmakers need to be innovative and forward thinking in how the state can ensure the transportation funding system is sustainable long term.

They need to consider a vehicle miles traveled (VMT) system of assessing individual road use and funding highways. This type of funding mechanism would ensure that the cost of roads is borne by the users and would prevent alternative fuel users from avoiding paying their fair share for the use of the state's transportation system. Of course any type of VMT program will need to ensure the privacy of the state's residents is protected and such programs are being investigated. Utah is already part of a twelve state coalition studying VMT as a way of funding highways. Your Utah Taxpayers Association encourages greater exploration into VMT by UDOT and the State Legislature.

The state of Oregon is continuing its investigation of a VMT system. Beginning this summer 5,000 cars will be included in a pilot program that will track how many miles each car travels on the state's roads. Drivers will then be charged 1.5 cents for each mile they travel instead of paying a fuel tax at the pump.

Instead of increasing sales taxes, state lawmakers should look north and follow Oregon's plan to move away from an antiquated fuel tax and move into the future with an innovative program that protects taxpayers and ensures funding for transportation needs in the future. ♦



If adopted, the local option sales tax under HB 328 will dedicate a quarter percent of every transaction towards transportation projects for counties, cities, and transit.

Did you know that we post original content on our website? Check us out at www.utahtaxpayers.org to read about the recent legislative audit on Utah's water projections, federal income tax legislation, Utah's beer tax and more!

Are My Property Taxes Going Up This Fall?

An Early Look at Truth in Taxation Hearings this August

Every August, cities and school districts in Utah (along with some special districts) have the opportunity to raise property taxes when adopting their budget for the upcoming year. For counties and the remaining special districts, this process happens in December. Thanks to Utah’s taxpayer friendly property tax system, when a taxing entity wishes to raise property taxes it must first hold a public hearing called Truth in Taxation (TnT). This gives citizens an opportunity to voice their opinion and forces transparency in the taxing process.

Your Utah Taxpayers Association always tracks the budgets of Utah’s major cities and all 41 school districts to monitor property tax changes. So far this year the Taxpayers Association is aware of at least 8 entities that are pursuing property tax increases. We will keep an [updated list](#) on our website as more information becomes available, and next month’s newsletter will contain a complete list of entities holding TnT hearings along with details about rates and dollar amount increases. ♦

Entity	TnT Date	TnT Time
Sandy City	8/4/15	7:00 PM
Provo City	TBD	5:30 PM
Clearfield City	8/11/15	7:00 PM
Salt Lake City	8/13/15	TBD
Payson City	TBD	TBD
Millard School District	8/13/15	6:00 PM
Granite School District	TBD	TBD
Emery County School District	8/12/15	7:00 PM

NOTE: Last month your Utah Taxpayers Association reported that Midvale City would be pursuing a property tax increase this August. Since then, Midvale has decided not to raise property taxes this fall.

Is your city or school district raising property taxes? Let us know! Email Kelsey at kelsey@utahtaxpayers.org or call 801-972-8814.

37th Annual Utah Taxes Now Conference Review

On May 28th the Utah Taxpayers Association held its 37th annual Utah Taxes Now Conference at the Grand America Hotel. Over two hundred attendees participated in the annual tax summit.

Twenty-five presenters covered over a dozen different topics throughout the day, including economic development policy, education funding, transportation changes, Medicaid expansion, water funding, and federal tax and regulatory reform. Distinguished speakers included Congressman Chris Stewart, House Speaker Greg Hughes, Utah State Representatives and Senators, GOED Executive Director Val Hale, and State Superintendent of Public Instruction Brad Smith. Below are some of the highlights from the conference.

The Hidden Costs of Tax Compliance

This year’s keynote speaker was Dr. Jason Fichtner, Senior Research Fellow at the Mercatus Center at George Mason University. His lunch [presentation](#), “The Hidden Costs of Tax Compliance” focused on the unseen burden of a complex tax code and some surprising facts about who pays taxes and how much.

Dr. Fichtner showed how growth in government programs correlates almost exactly with growth in government debt and he pointed out that unfunded liabilities of the federal government (future payment obligations that exceed the funds available to pay) total \$200 trillion. When it comes to government programs, taxpayers always pay – there is no such thing as a free lunch.

Reforming Taxes for Economic Development

Senator Stuart Adams [presented on](#) SB 267, which removes the three-year economic life provision to extend the manufacturing sales tax exemption to all business inputs. During the 2015 legislative session SB 267 passed out of the Senate, and Senator Adams plans to push this legislation again next year. Good tax policy is one that only taxes final products, not inputs to production.

Senator Deidre Henderson addressed how changes to Utah’s corporate income tax structure can jump start economic growth in the



Senator Stuart Adams presents on sales tax exemptions as Legislative Fiscal Analyst Jonathan Ball and Senator Deidre Henderson wait to present.

state and reminded attendees that corporations don't pay taxes – people do.

Jonathan Ball, Director of the Office of the Legislative Fiscal Analyst **presented on** dynamic scoring and how fiscal notes that include both costs and benefits give a more accurate picture of impact to the state budget. For example, removing the three-year economic life provision of the sales tax exemption would “cost” the state in terms of lost revenue, but growth in wages and GDP would pay off in terms of economic benefit to Utah.

Changes to Utah’s Transportation Funding Structure

Senator Curtis Bramble, Ken Bullock, the Executive Director of the League of Cities and Towns, and Linda Hull, UDOT’s Policy and Legislative Services Director all covered the **recent changes** to Utah’s transportation

funding structure and **described**

how new money in the transportation fund will be used. Utah is part of a 12 state coalition studying Vehicle Miles Traveled (VMT) as an improved method of funding highways and this is something that will be explored by UDOT and the State Legislature in coming years. Your Utah Taxpayers Association encourages further exploration of VMT as a transportation funding mechanism because it directly ties system use with system cost as a user fee.

Certified Property Tax Rates

Representative Dan McCay **reported on** HB 328, a bill he sponsored during the 2015 legislative session that passed through the House. HB 328 removes centrally assessed properties from the calculation of new growth in the certified tax rate. This change will prevent the ratcheting upwards of tax revenues to taxing entities and protect homeowners from arbitrary tax hikes when the economy fluctuates. ♦



Utah Speaker of the House Greg Hughes presents on Medicaid expansion.



Did you miss our Conference? Would you like to reference something you heard? The complete agenda of topics and speakers, including links to all presentation materials and audio files can be found online [here](#).

Keynote speaker Dr. Jason Fichtner speaks on the hidden costs of tax compliance as conference attendees enjoy lunch.

R. Bruce Johnson Receives Lifetime Service Award

R. Bruce Johnson, recently retired Chair of the Utah State Tax Commission, received the Utah Taxpayers Association's 2015 Lifetime Service Award last Thursday.

In presenting the award, Association President Howard Stephenson noted that Mr. Johnson has perhaps done more to improve tax policy, equity and state tax administration than anyone in U.S. history. The award reads: "In recognition of his exemplary leadership as Chair of the Utah State Tax Commission, President of the Federation of Tax Administrators, Chair of the Multistate Tax Commission, Chair of the American Bar Association Tax Section Committee on State and Local Taxes, and Board Member of the National Tax Association and for positively affecting tax stability, predictability and equity."

Commissioner Johnson served as chair of the National Streamlined Sales Tax Project where he worked to develop approaches to ensure ease of compliance for multi-state retailers selling to customers in states across the nation. In *Quill Corp. v. North Dakota*, the U.S. Supreme Court decided in 1992 that states could not require out-of-state sellers to collect sales taxes on remote purchases but left the option for Congress to overrule the decision through legislation. The Streamlined Sales Tax Project has been working for the last few years to convince Congress to permit states to enter into a compact to require the collection of remote sales taxes. In receiving the award, Johnson noted that

recently U.S. Supreme Court Justice Anthony Kennedy has made comments publically that Quill might be ripe for reconsideration because technology has improved so much since 1992 and retailers across the nation would find it easier today to collect sales taxes on purchases made by customers in multiple states.

Mr. Johnson is now working with a new company called Taxometry, whose purpose it is to carry out and implement the streamlined sales tax and become a certified service provider in simplifying the collection of sales tax on online purchases.

The Utah Taxpayers Association is grateful for Mr. Johnson's dedicated service to improve Utah as a place for taxpayers to live and work. ♦



Association President Howard Stephenson presents R. Bruce Johnson with the Lifetime Service Award

Taxpayer Watchdog Award Presented to the Special Fraud Group of the Utah State Tax Commission

During the 37th annual Utah Taxes Now conference, the Utah Taxpayers Association presented the Taxpayer Watchdog Award to the Special Fraud Group of the Utah State Commission. As the formal recognition reads, this award was given to the group "for exposing and preventing tax frauds from stealing income tax refunds in Utah and throughout the United States and for strengthening protection of taxpayers' identification and confidential information." Present to receive the award was Commission Chair John Valentine,

Executive Director Barry C. Conover, Head of the Special Fraud Group Dolores Furniss and Chief Division Deputy Amy Arnn.

The Utah State Tax Commission has been instrumental in discovering nationwide problems with fraudsters exploiting weaknesses in online tax filing software such as TurboTax®. While the Tax Commission's systems are secure, the commission has nevertheless taken on the responsibility to alert taxpayers who have potentially had their personal information compromised by a third-party tax

preparation service.

In addition, the Utah State Tax Commission was instrumental in correcting the problem for Utahns during the 2015 legislative session. SB 250 sponsored by Senator Curtis Bramble implemented important protections against fraud by aligning the due date by which an employer must report employees' W2 information with the date by which employers must send employees their W2 information. In this way, once taxpayers start filing their individual tax returns, the Tax Commission will have information from the employer to compare with the W2s filed by taxpayers, thereby verifying the authenticity of tax returns prior to paying the returns.

The Utah Taxpayers Association is grateful to the Utah State Tax Commission for leading the way in combating tax fraud throughout the United States. ♦



Association President Howard Stephenson presents the Special Fraud Group of the Utah State Tax Commission with the Taxpayer Watchdog Award

Taxpayers Association Welcomes New Executive Assistant

After two years with the Utah Taxpayers Association, Heidi Erickson has left to pursue a PhD in education reform policy at the University of Arkansas studying under Jay P. Greene. Heidi was an important member of the Association and did an exceptional job lobbying the state legislature, tracking policy and planning and executing events. We wish the best for her in her new pursuits.

The new Executive Assistant with the Utah Taxpayers Association is Teresa Urie. Teresa is a recent graduate from Utah State University with a degree in Law & Constitutional Studies. Prior to joining the Utah Taxpayers Association, Teresa interned with the Utah State Legislature during the 2014 legislative session for Majority Leader Jim Dunnigan. She later interned in Washington DC for US Congressman Representative Mike Simpson (R-ID) where she had the opportunity to see the law-making process up close. Teresa also spent time on USU's Student Government Relations Council and participated with the USU College Republicans, USU Institute of Government and Politics and Pi Sigma Alpha. In these capacities Teresa had the opportunity to work with both students and government officials in creating and fostering a relationship between them. With these experiences, Teresa found a love of working to raise awareness about politics.

When not politically involved, Teresa spends her free time quilting and reading. She also enjoys spending time with family and hiking. ♦



Teresa Urie



Follow Us!
Keep up to date on the very latest happenings

Association Accomplishments During May:

- ❖ Planned and executed the Utah Taxpayers Association's 37th annual Utah Taxes Now conference at the Grand America Hotel with more than 200 attendees.
- ❖ Attended Utah County's Bus Rapid Transit (BRT) public hearing.
- ❖ Participated in the State Legislature's May interim day, testifying on proposed tax bills and tracking upcoming study items and legislation.
- ❖ Attended the Tax Review Commission meeting to keep an eye on how recipients of earmarked sales taxes use funds.
- ❖ Participated in the Salt Lake Chamber's Water Forum to be part of the conversation about how water development should be funded.
- ❖ Continued monitoring counties that may put the local option general sales tax for transportation on the ballot this November.
- ❖ Participated in discussions with freshman legislators to learn their priorities, backgrounds and plans as elected officials.
- ❖ Argued before the 3rd District Court that business inputs should not be taxed.

In the News:

- ❖ Hosted the 37th annual Utah Taxes Now conference at the Grand America Hotel, covering topics ranging from education funding to Medicaid expansion
 - [KUER](#)
 - [Utah Policy](#)
 - [Salt Lake Tribune](#)
 - [Deseret News](#)
 - [ABC4](#)
 - [The Daily Herald](#)
- ❖ Promoted the 37th annual Utah Taxes Now conference and spoke on taxes in Utah
 - [K Talk Radio](#)