



THE UTAH TAXPAYER

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Expanding Single Sales Factor Apportionment is Key to Utah's Economic Growth

Utah is regularly touted as one of the most business friendly states in the nation. This is because its prudent decision makers have chosen to invest in business by enacting sound tax laws and pro business policies.

But the state's elected officials cannot rest on their laurels if they want to keep Utah one of the top states for business. They need to keep up with other states in creating the best environment possible for businesses to succeed. A way to proceed is by amending the state's corporate income tax code to expand the single sales factor apportionment option to manufacturers.

Utah already has a single sales factor mechanism in place that was passed by the legislature in 2010, but the bill does not extend the option to manufacturing, mining and natural gas distribution. That is putting Utah at a disadvantage as a number of states have this in place and are now using this as a tool to attract new companies to their state.

To understand how single sales factor apportionment works, it helps to know how taxes on multistate businesses are currently being handled. In many states, including Utah, when a corporation produces goods and services in multiple states, each state requires that the business pay tax on a portion of its profits. A portion formula is used so the company does not end up being taxed on its whole profits by each state it operates in. Many states determine that portion by calculating the company's profits in relation to the total property, payroll and sales located within the individual state.

With a single sales factor apportionment option, states can now give businesses the decision to have their tax based solely on the sales within that particular state and eliminate the payroll and property portions of their tax calculation.

More than a dozen states have now opted to move away from the three-factor formula and are offering the single sales factor option. This tax change in those states is causing businesses to give the single sales factor states serious consideration in relocation and expansion decisions.

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ASSOCIATION STAFF

Howard Stephenson	President
Billy Hesterman	Vice President
Kelsey White	Research Analyst
Teresa Urie	Executive Assistant

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My Corner: UTOPIA Network Digging Deeper Into Debt

In a special meeting held July 2, the Board of Directors of the Utah Infrastructure Agency (UIA) authorized the issuance of over \$24 million in new telecommunications and franchise tax revenue bonds. UIA expects to spend the \$24 million within two

years by continuing to build out and upgrade the UTOPIA network, the troubled 11-city fiber network created in 2002.

The only thing enabling UIA to get further in debt is the backstop of taxpayer dollars. When the UTOPIA network was first created, member cities pledged taxpayer funds to serve as a bailout if the need ever arose (which member cities promised would *never* occur). Now taxpayers *have* bailed out UTOPIA and are still struggling with the bill as the network seeks more funding.

Authorization of this \$24 million bond is supposedly the last step to finish a 5-year plan developed in 2010 when UIA was created. UIA was formed to get more bonding capacity for the network after UTOPIA's debt problems prevented it from obtaining further bonding in the market. While UIA and UTOPIA are two separate legal entities, financing for one is financing for the other.

According to several UIA board members, "the plan is working." Despite this vague optimism, the agency is not yet ready to abandon asking for voluntary operating expense subsidies from member cities. UIA asserts it will be able to sustain operational breakeven before too long because there have been three instances in the past year in which revenues rose briefly above operating expenditures. According to UIA's chief financial officer, UIA will "definitely" be at breakeven by the time bond payments begin. There is little evidence to support this claim however, and exactly when UIA expects to be operationally sustainable is unclear. This optimism also ignores the fact that while UIA as a separate legal entity may be able to cover its debts, UTOPIA is still struggling with little hope in sight.

Throughout the past five years, UIA has been able to cover all UIA debt payments without calling on the

city-pledged energy sales and use taxes. This is a relief. However, on the UTOPIA side, there are still millions of dollars of debt to be repaid and operations are still subsidized by voluntary contributions from member cities' general funds. While things for UIA may be genuinely improving, taxpayers can't forget that UIA is still shackled to UTOPIA. Declaring victory over operational breakeven for UIA is meaningless without considering the continued problems of UTOPIA.

The Board was in a hurry to approve the \$24 million in debt because without cash in hand from new bonds, the agency can't generate the revenue needed to repay the bonds. UIA/UTOPIA's revenue projections depend on more fiber in the ground, network upgrades, a new video product, and increased residential and commercial subscriptions. None of these outcomes are possible without the new debt. UIA/UTOPIA is clearly worried that any slowdown in current construction could lead to a loss of construction or service contractors. One staff member was bold enough to mention the elephant in the room: competition from Google Fiber's presence in the Salt Lake Valley.

Now that the Board has authorized \$24 million in new bonds to fund UIA (and hence UTOPIA), what changes can we expect long-term in the financial viability of the network? Sadly, very few. UIA's optimistic projections indicate there could be \$2 million in ongoing annual revenue after the \$24 million is spent. That would be enough money to sustain the network, but would not leave enough capital left to grow and upgrade the network further. UIA staff estimate the network will still only be about 50% built-out once the \$24 million is spent. Taxpayers should expect UIA back in 2 years asking for more money to keep propping up the failed network.

The UIA board was very divided on whether or not to authorize the issuance of more bonds. Centerville, Lindon, Orem and Murray voted against the resolution while Layton, Midvale, West Valley City and Brigham City voted in favor of the debt. Because of the way votes on the UIA board are weighted according to population, the resolution passed by 60%.

Prior to the vote, opposing cities raised concerns about UIA/UTOPIA’s inability to seek public private partnerships while a potential deal with Macquarie

UIA Board Vote

For	Against
Midvale	Lindon
West Valley City	Orem
Layton	Centerville
Brigham City	Murray

Capital, an Australian investment firm hoping to lease and operate the network, is still pending. The deal is all but

dead, but until negotiations are formally closed, Board leadership has been unwilling to explore other options. Board members also voiced their concern over the lack of an agency executive director, no straight answers about when current construction funds will run out and the lack of certainty about when UIA will hit the breakeven point.

Despite the concerns, the Board Chair pushed for a vote and the usual triumvirate of Midvale, West Valley City and Layton dictated the outcome for all member cities. The fact that unelected representatives on the UIA board can commit dollars from taxpayers in other cities is cause for alarm. Elected officials are being bypassed and taxpayers lose the ability to weigh in.

This is yet another example of UIA/UTOPIA continuing to dig itself deeper into debt, disregarding input from city governments and ignoring clear market signals that UTOPIA will never be competitive or financially viable in the long-term. UTOPIA should not be competing with the private market at taxpayer expense by committing public dollars in the hopes of saving the dying boondoggle. ♦

Expanding Single Sales Factor Apportionment is Key to Utah’s Economic Growth

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The single sales factor option isn’t only an economic tool to attract businesses to the state but it also can prove to be beneficial for those who are already operating within a state. This change to the tax code will encourage local businesses that tend to export most of their production to other states, or countries, to expand facilities and payroll in Utah instead of expanding elsewhere, which will result in job creation for Utah.

Your Taxpayers Association believes that this is a sound tax policy decision for the state and is the next step to keeping Utah one of the most competitive and one of the most business friendly states in the nation. The Utah Taxpayers Association is currently discussing this issue with key stakeholders and legislators to ensure that this is one of the top two tax priorities in the coming session of the legislature – the other being the elimination of the three year economic life sales tax on business inputs. ♦

Truth-in-Taxation: The 5 Worst Proposed Property Tax Hikes of 2015

Utah residents in more than 30 cities, school districts and special districts face property tax hikes this year. Simply looking at the proposed percentage or dollar value increase is an unreliable way of evaluating the merit of a property tax hike. Some entities proposing major increases have justifiable needs, while other proposed increases might look minor at face value, but are really just money grabs. Here are Utah’s five worst proposed tax hikes of 2015.

Salt Lake City School District, Granite School District, Murray School District, Carbon School District and Grand School District

It is unusual to lump five entities together, but all of these school districts have indicated that a portion of their property tax hike is going to replace funding that follows a student leaving a district school to attend a charter school. Earlier this year the state legislature passed [H.B. 119](#), which requires school districts to send 25% of the property tax revenue they receive for a student to the charter school the student is choosing to attend. That means the districts are keeping 75% of the property tax money they

collected for these students but aren't providing any instruction or other services for those students. To raise taxes to make up for that loss of students when the districts keep 75% of the money already is unfair to taxpayers. These districts are penalizing taxpayers because students are choosing to leave the district and enroll in charter schools. That is insulting to taxpayers who have already paid for these students. Districts should learn to do without.

Jordan Valley Water Conservancy District (Salt Lake County)

This year's property tax increase totals \$655,404. When asked by your Taxpayers Association about the reason for the increase, the district stated that this hike was part of "an overall strategy" of maintaining "close to the maximum tax rate." It was also explained that the district is raising taxes to avoid needing to bond as much in the future. The district's budget shows that the entity will soon collect \$7-\$10 million in surplus revenues thanks to the tax increase. This is problematic on two levels. First, water projects should be paid for through user fees and not property taxes. Second, the district should not be keeping excess reserves to avoid bonds. Taking money from taxpayers *now* that will be used *later* for projects that the taxpayer may never enjoy is wrong.

West Point City

On the surface this increase looks to be minimal, as it is only \$11,271, but this is the second year in a row that this northern Utah city has made the "worst" list. West Point is once again raising taxes in an effort to slowly keep additional revenue coming into the city. This mocks Utah's Truth-in-Taxation law that is designed to alert taxpayers when tax increases are occurring. Instead, West Point is passing small and unnoticeable tax increases every year. West Point should rethink this policy that boils the frog slowly.

Clearfield City

For the fifth consecutive year Clearfield residents will pay more in city property taxes. This time the city is looking to raise ongoing funds by \$220,861 for a one-time project of replacing a sprinkler system at a park. The city is also adding to its rainy day fund. Clearfield should not permanently raise property taxes

August 2015 Truth-in-Taxation Hearings

Entity	Tax Increase	Tax Increase on avg home	Hearing Date	Hearing Time
Sandy	4%	\$9.07	4-Aug	7:00 PM
Provo	2.28%	\$2.89	4-Aug	5:30 PM
Granite School District	6.93%	\$23.02	4-Aug	6:00 PM
Salt Lake City School District	7.75%	\$11.28	4-Aug	7:00 PM
Fruit Heights	22.68%	\$100.42	4-Aug	7:15 PM
West Point	3.17%	\$3.62	4-Aug	7:00 PM
Traverse Ridge SSD	100%*	\$128.47	4-Aug	7:00 PM
Wayne School District	31.45%	\$61.71	5-Aug	7:00 PM
Grand School District	2.61%	\$17.33	5-Aug	6:00 PM
Elk Ridge	23.51%	\$86.39	6-Aug	6:00 PM
Unified Fire Service Area		\$0.37	7-Aug	8:30 AM
Scofield	5.76%		10-Aug	6:30 PM
Clearfield	10.33%	\$4.42	11-Aug	7:00 PM
Washington School District	7.96%	\$11.45	11-Aug	6:00 PM
West Valley City	0.83%		11-Aug	6:30 PM
Tooele School District	5.58%	\$50.03	11-Aug	7:00 PM
Murray School District	2.94%	\$28.00	11-Aug	7:00 PM
Fairview	5.10%		11-Aug	7:30 PM
Woodland Hills	12.30%	\$139.00	11-Aug	7:00 PM
Payson	6%	\$13.45	12-Aug	6:00 PM
Emery County School District		\$3.63	12-Aug	7:00 PM
Box Elder School District	5.88%	\$43.98	12-Aug	6:30 PM
Carbon School District	1.56%	\$6.46	12-Aug	6:00 PM
Jordan Valley Water Conservancy District	5.45%	\$3.55	12-Aug	6:00 PM
Salt Lake City	5.22%	\$32.37	13-Aug	6:00 PM
Willard	37.71%	\$51.57	13-Aug	6:30 PM
Circleville	14.89%		13-Aug	6:00 PM
Tintic School District	15.35%	\$35.37	17-Aug	6:00 PM
Daggett School District	6.17%	\$1.82	18-Aug	6:00 PM
Morgan School District	1.51%	\$17.45	18-Aug	6:30 PM
Lewiston	2.88%	\$1.72	18-Aug	7:30 PM
Juab School District	1.52%		19-Aug	6:00 PM
Salt Lake Valley Law Enforcement Service Area				

*Residents in the TRSSD will likely see a net property tax decrease.

to pay for a one-time project that should be covered in the regular annual budget. Taxpayers should not have to keep putting money into the city's savings account when the money would be better served staying in the taxpayer's wallet.

Tintic School District

A common tale told by taxing entities is that they aren't raising taxes but simply restructuring their debt service levy. More often than not, and in Tintic School District's case, that means voter approved bonds have now been paid off and taxpayers should be seeing a tax break. Instead the entity just wants an easy money grab by saying taxpayers are paying what they previously paid under the bond. This dastardly move steals a tax decrease from taxpayers and fails to respect their vote approving the bond in the first place. Taxpayers should resist this \$72,307 increase and demand the property tax decrease they are entitled to. ♦

Appealing the County's Valuation of Your Property: How to get Comparable Sales Data

Utah's 29 counties recently mailed property tax notices to every Utah property owner. These notices indicate the parcel's market value, the taxable value, the property tax rate each taxing entity with jurisdiction over the parcel intends to levy, the anticipated total property tax due on the property, and any Truth-in-Taxation hearings being held in the area. If you believe the county assessor set your property higher than what it would sell for, state law allows you to appeal the valuation.

To begin the appeal process, property owners must notify the county's Board of Equalization that they intend to appeal their valuation. Each county accepts notification in different ways. For information on how to notify the Board of Equalization in your county, see instructions included with your mailed property tax notice or call your county assessor's office.

After notifying the county that you plan to appeal the valuation of your property, the next step is to gather comparable sales data justifying your belief that the county assessor overvalued your property.

If you purchased the property within the past year from an unrelated party, the closing or settlement statement for that sale suffices. If you choose to share it, that sales price will determine your property's fair market value.

You can also identify at least 3 properties similar in style, quality, size, age, location, land area, etc, and then determine the assessed value or sales price of those 3 properties. The least expensive way to obtain comparable sales data is to contact a realtor. Most realtors will provide comparable sales data at no charge.

You will need to describe your property's location, physical characteristics (number of bedrooms and

bathrooms), size (acreage, finished and unfinished square feet in the home), age, etc. With that information, a realtor can usually identify several comparable sales within a few days.

Another option is to hire a professional to conduct an appraisal of your property. Other useful resources include [The Appraisal Institute](#) and the [American Society of Appraisers](#). In Utah, a typical residential appraisal costs about \$350, and takes about one week to complete. If you recently refinanced your property, the bank appraisal can be used in your appeal.

Regardless of how you collect comparable sales data, it's important to collect documents supporting your comparable sales data. These documents may include listings for your comparable sales, county assessments for those properties, or the appraisal you paid for. These documents will make your appeal run smoother, and give you a better chance of winning your appeal.

Please be aware of one cautionary note: If your comparable sales data, including your property's closing documents, show the value of your property to be higher than what the assessment notice states, then the county may increase your assessed valuation even higher. You may be frustrated that your assessed valuation went up 30% in one year, but that frustration will fall on deaf ears if you bought your property for even more than what the county assessed.

Armed with the best comparable sales data, you will be well prepared to have your property value lowered in your appeals hearing with the Board of Equalization. ♦

Salt Lake County Backs Off Harmful Tax Appeal Rules

Utah Taxpayers Association leads fight against unfair rule changes

The Salt Lake County Board of Equalization has moved away from two proposed rule changes that would have limited taxpayers in their efforts to appeal a property tax valuation.

In the county's Board of Equalization (BOE) proposed Administrative Rules for 2015, the county was seeking to limit a taxpayer's ability to submit rebuttal evidence in a tax appeal hearing. It also limited the time an appellant may take in having an appraisal done from 60 days to 30 days.

In written comments to the BOE, your Taxpayers Association stated that the change to the rebuttal process would violate due process and place an unnecessary burden on taxpayers by prohibiting them from submitting clarifying or rebuttal evidence. Changing the window from 60 days to 30 days for appraisals would limit the number of appeals filed as that would restrict the number of appraisals an appraiser would be able to complete.

This change also had the potential to increase the cost of an appraisal as the shortened time frame may have caused appraisers to charge premium prices in order for the appraisal to be completed in the 30 day time period.

After receiving comments from your Utah Taxpayers Association and other concerned tax experts, the BOE decided to abandon their proposed changes. The county is now considering no change to the 60 day window for appraisals to be completed and will allow for rebuttal evidence to be submitted by a taxpayer within 10 days of the assessor disclosing its evidence.

Salt Lake County's BOE is expected to adopt the new rules in early August. Your Taxpayers Association appreciates the county's willingness to adjust their rules to allow for a level playing field when tax appeals occur. ♦

2015 Cost of City Governments Report Released

Utah Cities Take \$568 Per Person Annually

The Utah Taxpayers Association, in cooperation with [Strata Policy](#), has released its 2015 Cost of City Governments Report. The report analyzes the cost of governments in Utah's largest 50 cities using two metrics: the cost of the city government per resident, and how much of a resident's income is consumed by city taxes and fees.

On average, Utah city governments take \$25 of each \$1,000 earned by residents in the city, representing 2.5% of taxpayer income. Utah cities also collect an average of \$568 in revenue per person.

"City governments are often overlooked, but arguably have the most impact on our daily lives," said Billy Hesterman, vice president of the Utah Taxpayers Association. "As we move into Truth-in-Taxation season in Utah – when cities evaluate and approve property tax increases – it is important that taxpayers understand how much their city is spending and what that means to them in their daily lives."

The city in Utah with the highest cost of government is South Salt Lake, which takes \$64.26 of each \$1,000 earned in the city (or 6.4%). The lowest cost city out of Utah's 50 largest cities is Riverton, which takes \$9.71 of each \$1,000 earned in the city (or .9%). It is important to note that cities do vary in the services that they provide.

"Taxpayers should remind city officials that the money they are spending is money taken right out of a family's budget. Every dollar should be carefully considered when elected officials are crafting a city budget," said Hesterman. ♦

View the full report on our website: [2015 Cost of City Governments Report \(FY 2014\)](#)



Vice President
Billy Hesterman

Increased Highway Funding Essential: Let's Choose the Right Tool

The Utah Taxpayers Association supports increased state and local transportation funding because our transportation system is such an essential part of Utah's economic infrastructure. During the 2015 Legislative Session your Utah Taxpayers Association was supportive of a net increase in the transportation fund through user fees, not general sales taxes.

First published in the [Salt Lake Tribune](#) as "Op-ed: S.L. County Shouldn't Put Transportation Tax on This Year's Ballot" on July 30, 2015

The Salt Lake County Council and Mayor Ben McAdams would be making a mistake by placing a sales tax increase question on this November's ballot. Not only would they be overturning an ordinance it just recently approved, which calls for tax related ballot questions to be placed on general election year ballots, but the council would also be handing over the decision to raise taxes to a small number of voters.

In 2014, the council wisely adopted an ordinance that states, "An election held to obtain voter authorization to impose a sales and use tax, under this title shall be held at a regular general election conducted in accordance with the procedures and requirements of state law."

This well-crafted ordinance prevents taxpayers from being blindsided by tax increases approved in off year elections. It also ensures the greatest number of voters have a say when the government is asking to take more money out of taxpayers' bank accounts.

Looking at past years, general elections have significantly higher voter turnout than off-year municipal elections. In 2012, Salt Lake County had 87.06 percent of its registered voters participate in the election. Compare that to the municipal elections in 2013 that only produced a 25.82 percent turnout countywide. In 2008, 70.99 percent of voters turned out to the polls. The next year, 2009, the municipal elections only had a countywide turnout of 19.51 percent of registered voters.

Proponents of the sales tax increase argue that voting by mail will solve this issue. It would be a monumental task for vote by mail to produce turnout that matches that of a presidential election. While it may increase the turnout some, it appears to be handing the decision of whether a tax increase should be approved or not over to the voters in Salt Lake City.

With its mayoral race taking place this election cycle, greater voter participation is expected in Salt Lake City. That means the voters in Salt Lake will have a greater say on the tax issue than those who live in cities with lower profile races and low voter turnout. I don't believe that is the intention of the Salt Lake County Council and Mayor or the will of the residents in Salt Lake County.

If approved, this sales tax increase has the potential to tax every resident in the county an additional \$50 annually. For a family of four that means a tax increase of \$200. With many of Utah's families still trying to rebuild their savings account after the Great Recession, a tax increase this large should not be left to a small number of voters in an off election year - the issue is too important.

The Salt Lake County Council and Mayor McAdams should stay true to the ordinance they themselves put in place only a year ago. As many taxpayers as possible deserve to have a voice on this issue, and more will if the proposal is placed on the 2016 general election ballot. ♦

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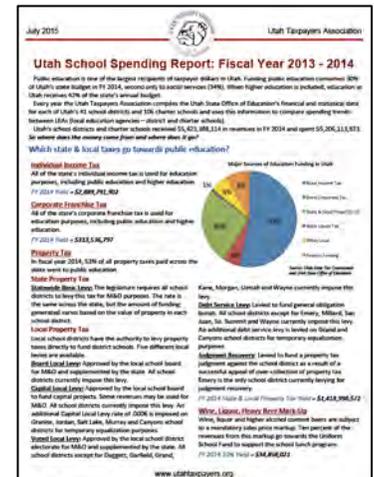
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Complete 2015 School Spending Report Released

When your Utah Taxpayers Association published the 2015 *School Spending Report* **earlier this year**, North Sanpete School District had not yet completed its financial reporting to the Utah State Office of Education. More than two months following North Sanpete's late submission of the data, the Utah State Office of Education (USOE) made that data publicly available. Using the updated FY 2014 Annual Financial Report from the USOE, which reflects the addition of North Sanpete School District's finances, the Utah Taxpayers Association has now updated and completed the *2015 School Spending Report*.

On July 14, the Utah Taxpayers Association had the opportunity to present this completed *School Spending Report* to the Legislature's Charter School Funding Task Force. The Association described the contents of the report, how the data can be used, where the data came from, and provided insights into some of the differences between district school spending and charter school spending.

*To hear the presentation given at the task force meeting, listen [here](#).
To view the complete 2015 School Spending Report, click [here](#).*



Association Accomplishments During July:

- ❖ Met with stakeholders to discuss a potential solution to nuisance business personal property audits
- ❖ Attended the Utah Infrastructure Agency board meeting to track the issuance of new debt guaranteed with taxpayer dollars
- ❖ Contacted all 29 of the state's county commissions/councils urging them to vote against placing a quarter cent local option sales tax increase on the November ballot
- ❖ Presented the 2015 School Spending Report at the Charter School Funding Legislative Taskforce meeting
- ❖ Attended the Salt Lake County Board of Equalization meeting and halted the passage of rule changes that would prevent taxpayers from successfully appeal their property tax valuations
- ❖ Attended July Legislative Interim meetings to track the progress of key taxpayer-related issues
- ❖ Met with the Washington School Board to encourage them to change their property tax policy that harms taxpayers

In the News:

- ❖ Spoke out against a quarter cent local option general sales tax increase for transportation funding
 - [Next City](#)
 - [The Spectrum](#)
 - [Standard Examiner](#)
 - [Salt Lake Tribune](#)
- ❖ Advocated for VMT user-based transportation funding rather than general sales tax subsidies
 - [Planetizen](#)
 - [The Spectrum](#)
- ❖ Spoke out against proposed property tax increases in cities and school districts
 - [Salt Lake Tribune](#)
 - [KSL](#)