



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

HB 61 - Creating a Stronger Business Climate for all Utahns

Under Utah’s corporate income tax, many multistate businesses are already allowed the option to use the single sales factor method when calculating their corporate income taxes. That means instead of having the apportionment of their taxable profits determined by a combination of Utah based property, sales and payroll taxes, the company can elect to have its taxable profits apportioned by the percent of its total sales that occurs inside Utah.

Utah already allows many businesses in the state to use the single sales factor option, but has left out businesses in manufacturing and mining, among others. Your Utah Taxpayers Association made fixing this inequity a top priority for the 2016 legislative session, as part of our Utah 2.0 initiative.

Utah has always been a leader in creating sound economic policy that businesses and organizations of all sizes flock to. But as other states learn from Utah’s example by providing single sales factor for all industries, including California, Colorado, and Texas, Utah looks less and less attractive to businesses.



Rep. John Knotwell

HB 61, sponsored by Rep. John Knotwell and Sen. Curt Bramble, began this process by expanding the option to businesses that are in the high-tech manufacturing sector, specifically under NAICS code 334. This bill passed the full Legislature and is expected to be signed by the governor.

While your Taxpayers Association continues to strive to make this an equitable option for all businesses, due to a possible short-term revenue impact on the state budget, it is appropriate to move towards this goal over a number of years.

This process began during this year’s Legislative Session, in which lawmakers used a phase-in implementation when they decide to allow businesses the ability to use single sales factor.



Sen. Curt Bramble

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My Corner: Utah 2.0 Advances During the 2016 Legislative Session

By now, you’ve heard of our Utah 2.0 initiative, aimed at bringing Utah back to the forefront in economic development and creating a more competitive tax policy.

Utah 2.0 is about creating a strong economic climate

for businesses to grow, expand, and locate here.

We’ve been talking about the value of Utah 2.0 for months now, and it has already paid off.

While I expected some progress to be made on this multi-year campaign during 2016, I did not expect to see it come so quickly.

Other organizations saw the value of the three overarching policies and already endorsed Utah 2.0. These include the Salt Lake Chamber, Utah Technology Council, the Utah Manufacturers Association, and the Utah Mining Association. We expect to add even more over the coming months as we continue to recruit and present the initiative to others.

As a quick recap, these three proposals are as follows:

1. Create equity in tax code by allowing a sales tax exemption for all manufacturing inputs, rather than inputs that have a life greater than 3 years,
2. Allow all industries to calculate the corporate franchise (income) tax using a single sales factor,
3. Ensure Utah is prepared with a proper and necessary workforce for the 21st Century.

It’s a credit to the Utah Legislature that three of Utah 2.0 priority bills passed during this Legislative Session. These bills dealt with the single sales factor (HB 61), and aligning Utah’s workforce (SB 103 and SB 131).

However, Utah 2.0 is not finished.

Due to short-term fiscal constraints, Rep. Brad Wilson’s HB 180 to end the three-year life sales tax penalty on manufacturers did not make it through the full Legislature.

Based on the discussions I’ve had with my legislative colleagues, there is a continued willingness to see this policy enacted.

During the 2015 Session, a bill similar to HB 180 passed the Senate, but did not pass the House. Just the reverse happened this year. I’m confident that legislators are able to see the value of eliminating the sales tax on inputs, it’s just a matter of helping them understand how much of an economic priority this ought to be.

HB 61, sponsored by Rep. John Knotwell, is a great first step towards creating the kind of equity and incentives businesses demand to invest, expand, and continue employing Utah’s workers.

UTAH 2.0
Ensuring Utah's Economic Viability Through Tax Reform and Workforce Alignment

2.0

Ending the Three-Year Life Sales Tax Penalty
1 Sub HB 180 - Rep. Brad Wilson
Tax outputs, not inputs. Tax the final product, not the farmer's corn seed.
Ensures Utah remains competitive - Utah is one of a few states that taxes inputs
Ends the unintentional consequence of Utah's tax code picking winners and losers

Allow for the Single Sales Factor
1 Sub HB 61 - Rep. John Knotwell
Make Utah's Corporate Income Tax competitive
Fix the inequity in Utah's tax code that allows some businesses to utilize this option while penalizing others
Maintain Utah's reputation as a business friendly state

Align Utah's workforce for the needs of business
SB 103 - Sen. Ann Millner
SB 131 - Sen. Steve Urquhart
Ensuring that Utah is putting its resources in the degrees which employers need
Unifying Utah's students with Utah's businesses to meet the needs of the state's economy

2.0

UTAH MINING
SALT LAKE CHAMBER
UTAH TECHNOLOGY COUNCIL

Your Taxpayers Association still holds to the principle that taxes ought to be competitive, and HB 61 took a good step in achieving it. There are still plenty of businesses that are excluded from electing the option to calculate based exclusively on sales, rather than assets, employees, and sales.

I’m absolutely certain that Utah 2.0 is the right policy at the right time, and the sooner legislators see that we are becoming less attractive compared to other states, the sooner we can get back to what Utahns do best, creating more innovative ways to succeed.

Utah Taxpayers Association 2016 Legislative Watchlist

Now that the Legislative Session has wrapped up, it's time to look back on the progress your Taxpayers Association has made advocating for lower taxes and stopping higher taxes from hitting your pocketbooks.

First, a look at Utah 2.0.

HB 180 - Sales and Use Tax Exemption Amendments - Rep. Brad Wilson

This bill is part of our legislative initiative, Utah 2.0. This bill would eliminate the sales tax inequity that exists for all manufacturing inputs. Under state law, only inputs that have a life of three years or greater are allowed to take the sales tax exemption.

This piece of legislation would apply to all inputs, not just those with a life of greater than 3 years. While the bill did pass the House of Representatives, due to budget constraints was unable to make it through the full Legislature. Look for this bill to come back in 2017.

HB 61 - Corporate Franchise and Income Tax Changes - Rep. John Knotwell

This is another of our Utah 2.0 initiative. HB 61 allows for all industries in the state to elect for taxation under a single sales factor. As it stands now in Utah code, some industries corporate income tax is calculated based on three factors: property, payroll (employees), and sales in Utah.

Right now, some industries are allowed the option to calculate their corporate income tax based only on the sales made within the state. However, this does not apply to everyone. HB 61 would change that to include everyone. HB 61 passed the full Legislature, and the governor is expected to sign this.

SB 103 - Strategic Workforce Investments - Sen. Ann Millner

SB 103 creates a process for students to become better prepared for the workforce. This bill creates stackable credentials that provide a pathway to graduation in certain fields, so students are ready to be employed as soon as they graduate.

This bill passed the Legislature and is on its way to the governor's desk. Count another win for Utah 2.0!

SB 131 - Utah College of Applied Technology

Governance Amendments - Sen. Steve Urquhart

SB 131 moves to restructure the process of how the UCAT system is managed and led, which includes adding term limits to its Board of Trustees, as well as adding responsibilities to the office of the Commissioner of Technical Education.

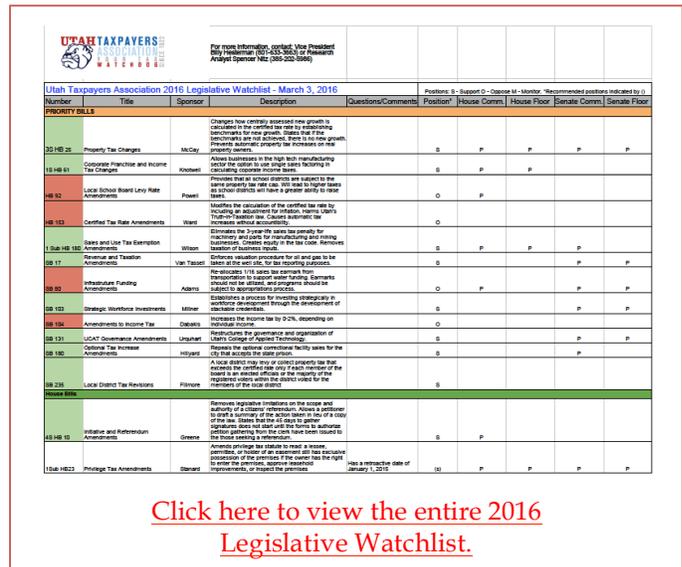
One more for Utah 2.0, as this bill passed the Legislature!

HB 25 - Property Tax Amendments - Rep. Dan McCay

HB 25 looks to change how centrally-assessed new growth is calculated in the certified tax rate by establishing benchmarks for new growth. If the benchmarks are not achieved, there is no new growth.

Essentially, this bill prevents automatic property tax increases on real property owners.

This bill passed the full Legislature, and the governor is expected to sign this into law.



UTAH TAXPAYERS ASSOCIATION
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Utah Taxpayers Association 2016 Legislative Watchlist - March 3, 2016

Number	Title	Sponsor	Description	Questions/Comments	Position	House Comm	House Floor	Senate Comm	Senate Floor
PROPERTY TAXES									
SB 131	Property Tax Changes	McCay	Changes how centrally assessed new growth is calculated to be certified tax rate or establishes benchmarks for new growth. States that if the benchmarks are not achieved, there is no new growth.		S	P	P	P	P
HB 180	Corporate Franchise and Income Tax Changes	Knotwell	Allows businesses in the high-tech manufacturing sector the option to use single sales factoring in calculating corporate income taxes.		S	P	P		
HB 182	Local School District Levy Rate Amendments	Probst	Removes the cap on local school district levies. Local school districts may now set higher rates as school districts will have a greater ability to raise taxes.		O	P			
HB 153	Certified Tax Rate Amendments	Sherr	Modifies the calculation of the certified tax rate by including the impact of inflation on the Truth-in-Taxation law. Current automatic tax increases are prohibited.		O				
HB 61	State and Use Tax Exemption Amendments	Wilson	Eliminates the 3-year life span for property for residential and agricultural property for the purpose of taxation of business property in the tax code. Removes the 3-year life span for property.		S	P	P	P	P
HB 17	Industrial Funding Amendments	Van Tassel	Repeals the 10% cap on industrial property tax exemption to support under funding. Exemptions should be allowed and programs should be subject to appropriations.		S			P	P
HB 93	Strategic Workforce Investments	Millner	Establishes a process for issuing credentials in various occupational fields through the development of stackable credentials.		S			P	P
HB 124	Amendments to Income Tax	DeWalt	Increases the income tax to 5.2%, depending on individual income.		O				
HB 121	UCAT Governance Amendments	Urquhart	Restructures the governance and organization of Utah's College of Applied Technology.		S			P	P
HB 185	Local Tax Revenue	Urquhart	Repeals the automatic revenue penalty rules for the CTE that exceeds the cap.		S			P	P
HB 120	Local District Tax Revisions	Flanagan	A local entity may not or exceed property tax that exceeds the cap on local property tax that is in an active office of the majority of the residents upon which the district voted for the members of the local board.		S				
OTHER TAXES									
HB 183	Industrial and Residential Amendments	Greene	Removes legislative limitations on the scope and authority of a county referendum. Allows a portion of the tax. States that the cap to apply to industrial property tax and that the cap is to be applied to the local starting a referendum.		S	P			
HB 182B	Property Tax Amendments	Stewart	Amends existing law relating to real estate, personal, or other of an agreement not have duration of the period of the contract for the right improvements or impact fee permits.	Has a retroactive date of January 1, 2016.		P	P	P	P

[Click here to view the entire 2016 Legislative Watchlist.](#)

HB 153 - Certified Tax Rate Amendments - Rep. Ray Ward

This legislation would modify the calculation of the certified tax rate by including an adjustment for inflation. This \$42 million tax increase would directly threaten Utah's Truth-in-Taxation law due to this recalculation. It would cause automatic tax increases without any accountability.

Your Taxpayers Association is adamantly opposed to this legislation, which failed to even have a committee hearing.

HB 309 - Sales and Use Tax Earmarks Amendments - Rep. Dan McCay

HB 309 removes a number of earmarks from the sales and use tax. The earmarks deal mostly with funding water projects and programs within the Division of Natural Resources.

The bill is a product of the Tax Review Commission that met in 2015.

In general, earmarks tie the hands of lawmakers, and your Taxpayers Association opposes this type of funding. The practice restricts the legislature's ability to react to immediate budgetary needs of the state. This bill did not get a hearing in the House Revenue and Taxation Committee.

HB 235 - Remote Transactions Parity Act - Rep. Mike McKell

HB 235, more broadly known as the remote sales tax bill, would put in place a method in which sales tax can be collected from the point of sale on remote sales, by creating a nexus for certain sellers. This bill also protected small remote sellers, so as to not place an unfair burden of compliance costs on them.

This bill passed out of the House Revenue and Taxation Committee, but was not presented on the House floor. Expect a lot more about this in 2017.

SB 17 - Revenue and Taxation Amendments - Sen. Kevin Van Tassell

Enforces valuation procedure for oil and gas to be taken at the well site.

In past years, there has been no standard for valuing commodities as they are extracted from the ground. This has led to some oil and gas being valued after refining and transportation processes, which increases the value, leading to taxable variations. SB 17 simply creates a standard for valuing oil and gas for taxing purposes.

This bill passed the Legislature.

SB 80 - Infrastructure Funding Amendments - Sen. Stuart Adams

SB 80 was one of the most talked about bills during the Session. Originally, it would have taken sales earmarks from transportation and moved them to be deposited in a fund meant for water development projects.

It was amended down to remove two earmarks entirely, depositing that money back into the General Fund for full appropriations use. However, it did still move one earmark away from transportation, and put it towards funding water projects in the future.

Besides being opposed to earmarks in state budgets, this bill still creates the possibility for tax increases in the future for transportation, particularly after the money taken away from taxpayers after the 2015 Session, by means of a gas tax increase, and local option for transportation across the state.

This bill passed the Legislature.

SB 104 - Amendments to Income Tax - Sen. Jim Dabakis

Increases the income tax by 0-2%, depending on individual income. SB 104 would have raised income taxes by \$78,000,000 in its first year, and \$173,000,000 in subsequent years by creating a progressive income tax structure, with income earners of more than \$250,000 paying a 6% income tax, and those making more than \$1 million annually paying 7%.

Your Taxpayers Association opposed and defeated SB 104, which failed to make it out of the Senate Revenue and Taxation Committee.

SB 120 - Property Tax Notice Amendments - Sen. Howard Stephenson

Better defines tax increases by removing bond payments from tax revenue, for the purpose of public notice.

There have been circumstances in which taxing entities would raise property taxes by the exact amount as an expiring bond payment, in order for the entity to keep collecting that money without triggering a Truth in Taxation hearing. This bill removes bond payments from tax revenue, to more broadly define when a Truth in Taxation notice and hearing must be distributed and held, respectively.

This bill passed at the very last minute of the Session!

You can view our entire Watchlist our website, www.utahtaxpayers.org.

Keep an Eye Out for our 2016 Legislative Scorecard!

Each year, the Utah Taxpayers Association scores every legislator based on how the votes they cast affected taxpayers. Find out how your legislator saved, or spent, your money during the 2016 Legislative Session. To learn more about our Scorecard and how you can get it delivered directly to you, email spencer@utahtaxpayers.org.

Guest Commentary: Reevaluating Salt Lake County’s Equestrian Center

As a one of the five Republicans on a nine-member Salt Lake County Council, I take very seriously my charge to oversee the \$1.2 billion budget.

As I examine the budget, I ask myself these four things:

1. Is this the role of government?
2. Will the investment in this program/project save taxpayer dollars down the road?
3. Is this something Salt Lake County residents need and expect from county government?
4. Are there other priorities that take precedence?

I found myself reflecting on these questions when the Salt Lake County Council considered funding for the Salt Lake County Equestrian Center in our budget meetings last December.

The Equestrian Center is a 120-acre park in South Jordan with an indoor arena, a 3/4-mile track, several hundred horse stalls, five outdoor arenas and a polo field. Currently, Salt Lake County taxpayers pay \$900,000 per year to keep the center in operation.

Efforts have been made to make the center more profitable for taxpayers. A few years ago the County awarded a contract to the very capable SMG management company. The hope was that SMG would be able to make the center more viable for the county. After nearly two years under SMG’s management, the park is still on pace to lose millions more unless we change the mission and the use of this land.

In addition to the \$900,000 annual taxpayer subsidy, the Equestrian Center has several million

dollars in deferred maintenance. Even though the Equestrian Center generates revenue through user fees and events, it is still subsidized at \$7,500 per acre. To put that in perspective, a regular park that does not generate any revenue is only subsidized at \$5,000 per acre.

During our budget meetings I asked that our Community Services Department prepare cost alternatives that identify optional uses for the Equestrian Center. We plan to hear those proposals in the coming months.

Our parks and recreation department promotes health and well being for the residents of Salt Lake County. We don't provide opportunities for every person's individual recreational preferences. We put tax dollars into amenities that are in high public demand, make fiscal sense, and encourage families to have healthy lifestyles.

Parks preserve open space and are visited hundreds of thousands of times a year and can be used by all of Salt Lake County’s 1.1 million residents. Our golf courses are some of the best managed in the state and, in addition to preserving open space, turn a profit. The Equestrian Center does none of those things.

As a fiscal conservative I can’t, in good conscience, continue to use tax dollars to subsidize horse owners at such a high cost. It’s time to do something different.



Salt Lake County Councilwoman Aimee Winder-Newton

Save the Date for the Annual “Teed Off On Taxes” Golf Tournament!



Join the Utah Taxpayers Association for the annual “Teed Off On Taxes” Golf Tournament on Thursday, June 9, 2015 at the Eaglewood Golf Course in North Salt Lake.

Sponsorship opportunities are available.

Contact Teresa Urie at Teresa@utahtaxpayers.org, or by calling (801) 972-8814 for more details.

The Debate Around Income Taxes Continues on Utah's Capitol Hill

Utah's Individual Income Tax is one of the largest sources of revenue for the state. According to the Tax Foundation, Utah's income tax makes up 28% of taxes collected for the state while property taxes make up 27.1% and sales taxes consist of 24.9% of the taxes collected. The Foundation has also found that Utah collects \$981 per capita in income taxes which ranks 22nd highest in the nation.

Despite that high ranking, there are still proposals that come before the legislature each year that seek to take additional money out of the pockets of Utahns.

These proposals either carve into the income tax base by offering income tax credits to certain groups, which ultimately leads to a tax increase on everyone, or bills that simply seek to increase the income tax.

One such proposal, which was never officially submitted as a legislative bill, came from the groups Prosperity 2020 and Education First. They are supportive of the idea that a question be placed on the ballot asking for citizens interest for a 7/8% income tax increase to pay for education. While this specific measure didn't appear in this year's Legislative Session, expect more discussion about this in the coming months.

It isn't surprising that these types of bills are considered. Often elected officials, especially in election years, want to target a specific group with an income tax credit to court that group's support. Others also see increasing the income tax as an avenue to give more money to education since the tax is earmarked to go to Utah's education system.

These proposals come with good intentions but are shortsighted. Supporters generally do not realize the broader scope of increasing the income tax burden. By raising the income tax the state would be punishing the success of its own residents.

Higher income taxes take away the incentive to work and produce as it claims the money that you and I earn. Raising the tax takes away resources that a person could use to invest in the economy either through personal purchases or through investments. It takes money away from the very bank accounts of those who are the backbone of Utah's economy, Utah's families.

Any discussion to raise the income tax or carve into the income tax base through credits or exemptions should be abandoned as it will ultimately prove to be damaging to Utahns and result in less economic activity in the state. That isn't to say that there aren't some discussions that could be had in how to improve Utah's income tax code.

If lawmakers want to make changes to the individual income tax, they should look at the exemptions, credits and deductions allowed under the tax. It would be beneficial to determine if there is a way to broaden the base that pays into the income tax and then seek out processes that will lower the rate for all individuals that work and reside within the state.

This is just one idea lawmakers have available to them that would create fairness within the individual income tax and could also produce long-term results for Utah's education system.

This process will not be easy. It would require legislators to debate eliminating deductions that are valued in Utah such as the deduction allowed for each child that is in a family. Decisions like that cannot be taken lightly but the discussion should be had to see if Utah has areas where the individual income tax can be improved.



Association Accomplishments During February:

- ❖ Defended taxpayers during the 2016 Legislative Session, followed 81 numbers of bills and resolutions.
- ❖ Distributed Legislative Watchlist to legislators on a weekly basis
- ❖ Enlisted other organizations in support of the Utah 2.0 initiative
- ❖ Won passage HB 61, which expanded single sales factor to high-tech industries.
- ❖ Defeated \$178 million income tax increase, in SB 104
- ❖ Successfully promoted Utah 2.0 through the passage of three key bills that will help Utah's economy thrive into the future
- ❖ Built a coalition of organizations to support key tax bills throughout the 2016 Legislative Session.

In the News:

- ❖ Op-Ed on Remote Sales Tax
 - [Deseret News](#)
- ❖ Op-Ed: Congress needs to pass Employee Rights Act
 - [Deseret News](#)
- ❖ Comments on a Bill to Allow Additional Retirement to some Public Employees
 - [City Weekly](#)
- ❖ Spoke against transit tax hike
 - [Deseret News](#)
- ❖ Comments on a \$178 million individual income tax increase
 - [Utah Political Capitol](#)
- ❖ Businesses should help Education
 - [Deseret News](#)