



# THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

## Improving Utah’s Business Climate Through Utah 2.0

### More Progress to be Made in 2017

Last year, your Taxpayers Association unveiled a proposal aimed at furthering Utah’s economic advancement in several key industries. The initiative, Utah 2.0 was an overwhelming success during the 2016 Session, with partial completion of 3 of the 4 key pieces of legislation.

Originally, Utah 2.0 set to accomplish three distinct goals: ending the three-year life sales tax penalty on manufacturers, allowing for the single sales factor for all businesses, and aligning Utah’s workforce for needs of employers and better jobs for Utah workers.

During the 2016 Session, progress was made towards these three goals, however more needs to be done to prevent Utah from falling behind the increasing competition from other states.

It’s a credit to the Utah Legislature that three of Utah 2.0 priority bills passed in 2016. These bills dealt with the single sales factor (HB 61), and aligning Utah’s workforce (SB 103 and 131).

However, Utah 2.0 is not finished.

One of Utah 2.0’s focal points is to eliminate the sales tax inequity that exists for all manufacturing inputs. In 2016, legislation sponsored by Rep. Brad Wilson would have applied this sales tax exemption to all *(continued on page 3)*

### Notice of Utah Taxpayers Association’s Annual Membership Business Meeting

All members of the Utah Taxpayers Association are invited to attend the Association’s Annual Business Meeting, which will be held on Friday, November 18, 2016 at 2:00 PM. The meeting will be at the offices of Holland & Hart, 222 South Main Street, Suite 2200, Salt Lake City, Utah. Due to building security, please RSVP bring photo ID.

Nominations for the Board of Directors will be accepted from the general membership until five days prior to the Annual Meeting. To RVSP, please contact Bren at (801) 972-8814 or [bren@utahtaxpayers.org](mailto:bren@utahtaxpayers.org).

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Association President  
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## My Corner: It's Time to End Government Agency Entitlements

We usually think of entitlements as social welfare benefits to individuals and families that government funds through tax dollars, but the biggest entitlements are those received by government agencies. In Utah, we have two major

government entitlements which ought to be eliminated.

### Local Governments' Entitlement to Guaranteed Property Taxes

The first of these involves the certified property tax rate. The certified tax rate guarantees every taxing entity that imposes a property tax the same number of dollars they received in the previous year, plus the new growth in properties within those entities' geographical boundaries. That, in most cases, is reasonable. But when an economic downturn occurs, Utah law still guarantees taxing entities revenue stream does not shrink. This has to change.

In an economic downturn, when citizens and businesses are all tightening their belts, it doesn't make sense for government to be immune from having to tighten its belt. So it only seems rational that we amend the Truth-in-Taxation law to require that when the economy shrinks, government has to shrink also – at least in the amount it takes in property taxes.

### The Absurdity of Having to 'Pay' for a Tax Cut

The second, and most significant entitlement government enjoys in Utah has to do with an unintended consequence of the way the Legislature handles its budget and fiscal notes on bills.

Utah is known for having a balanced budget and for taking care of our budgetary shortfalls. For example, we were one of the first states to handle the unfunded liability of state pension systems by ensuring that going forward, government employees' retirements are funded in the year that they are employed, not put off to a later year. This was accomplished by switching to

a defined contribution rather than a defined benefit plan. Sen. Dan Liljenquist was the one who helped guide us out of that morass and is now working around the country with state legislatures to fix their unfunded liabilities in their pension systems.

Balancing the budget requires that when a new spending program is proposed, there has to be a revenue source to pay for it, or other spending has to be reduced proportionately. That's good fiscal planning. However, when tax cutting legislation is proposed, rather than simply reflecting the lower

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revenue stream in the budget, in Utah, the sponsor of the tax cut is required to find a funding source before the bill can pass. This makes absolutely no sense. It's counterintuitive to expect that current government spending, in a conservative state like ours, should be protected at all costs. The message being sent by the legislature here is that government is entitled to all of the money it is getting now, plus growth in revenue, as if there is something sacrosanct about that.

We are respected as a state for our fiscal conservatism, yet it flies in the face of conservatism to have fiscal rules in the legislature that prohibit tax cuts from being enacted unless the legislature promises to restore the funding to the government from some other source. Current spending programs are protected from any loss of revenue through tax cuts, no matter how those tax cuts may positively impact future revenues. This needs to change.

The Legislature should adopt a process that allows for tax cuts to be handled first in the revenue budgeting process before the spending budget is set and then the known revenue should be distributed among the agencies depending on how much is available. A tax cut measure should never have to stand in line with spending increase measures as if they are somehow equal.

## Utah 2.0: More Progress to be Made (continued)

(continued from page 1) manufacturing inputs, not just those with a life of greater than 3 years.

While this legislation didn't make it all the way through the legislative process due to short-term fiscal constraints, it passed the House, but did not pass the Senate. In 2015, the reverse occurred.

Your Taxpayers Association is working with legislators to end the sales tax inequity during the 2017 Session, with even better results. Based on the discussions we've had with legislators, there is a growing willingness to see this policy enacted.

Our second initiative is to make Utah's corporate income tax more competitive by allowing all industries the opportunity to elect for a single sales factor. To put this simply, there is a corporate franchise (income tax) inequity between industry classifications in the state.

As it stands now in statute, some industries' corporate income 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.

During the 2016 Session, your Taxpayers Association ran a bill working with legislators to fix this inequity. However, due to fiscal constraints, the Legislature did not accomplish the full vision. But it took a step forward by applying the single sales apportionment to high tech manufacturers in the state.

As with the sales tax inequity for manufacturers, your Taxpayers Association is again working with legislators to expand single sales factor for all in the 2017 Session.

Third, Utah needs to ensure that we have the properly trained workforce to continue attracting businesses that have jobs ready to be filled. Some estimates have placed the number of unfilled STEM

jobs in Utah at 10,000.

In 2016, Sen. Ann Millner's Senate Bill 103 took a step in helping Utah's students prepare for an ever-changing 21st century workforce.

The bill created a process for investing strategically in workforce development through stackable credentials, including creating a report outlining high-demand jobs in Utah that support economic growth in the state. Stackable credentials allow students to link their employment with coursework, in order to achieve certifications as they work through college or high school.

As we look towards 2017, Utah still needs to work to continue to provide our students with the tools they need to enter the workforce.

One proposal that has been discussed throughout the 2016 interim session is competency-based education. Competency-based education is "a system where a student advances to higher levels of learning when the students demonstrates competency of concepts and skills regardless of time, place, or pace," as defined by SB 143 in the 2016 Session.

Simply put, a student moves onto the next level once (s)he has mastered the current concept.

The Education Interim Committee outlined several hurdles on all levels to competency-based education, including funding seat-time instead of student mastery, incentivizing schools, and creating an assessment protocol.

Utah 2.0 is all about strengthening Utah's economic future and preparing a workforce that would be unmatched in the nation. With this in mind, competency-based education measures that address the hurdles listed above are a key focus of Utah 2.0.

Your Taxpayers Association is working closely with legislators to ensure that Utah 2.0 is ready for even more success in 2017. To learn more about Utah 2.0, please read the [February](#) and [March](#) editions of *The Utah Taxpayer*, or you can [watch this video](#).

## Taxpayers Association Endorses Pleasant Grove General Obligation Bond for Public Safety Facilities

The Utah Taxpayers Association is urging voters to support Pleasant Grove's \$9.5 million General Obligation Bond (GO bond), which the city plans to

use to build new public safety facilities.

In 2014, your Taxpayers Association endorsed the city's \$12.7 million bond, which narrowly failed, and is

again encouraging voters to approve this year's \$9.5 million bond this November. The city has demonstrated resourcefulness and a genuine respect for citizen feedback in making do with existing facilities and refining a proposal worthy of voter approval this fall.

Pleasant Grove's need for a new public safety facility that can accommodate fire, police and courts is undeniable.

For example, Pleasant Grove's fire station was converted from an existing school agricultural building in 1980. Today, the very department charged with enforcing code requirements has multiple building code violations. Firefighter showers are in the public restrooms next to the city council meeting room, medical supplies are stored in a room accessible only through a four-foot tall doorway, and male and female crew quarters aren't separated.

The building is not seismically safe, which could lead to a situation in which the city's resources for dealing with a catastrophe are inaccessible exactly when needed the most. If any building in the city must be seismically safe, it is certainly the building where all public safety vehicles and equipment are stored.

The city court and police station face similar

## Truth in Taxation Hearings Proposed for 9 of 29 Utah

Officials in 9 of Utah's 29 counties have proposed increasing taxes for 2017, ranging from 2% to a 100% increase.

30 years ago, your Taxpayers Association was instrumental to reforming Utah's property tax structure, through the Truth in Taxation process. Truth in Taxation has helped government agencies be directly accountable to the taxpayers when attempting to raise property taxes in a given year.

During this process, your Taxpayers Association has been working with county budget officers to gather proposed budgets, as well as what the increases are needed for.

The chart to the right identifies the counties which are proposing the tax increases, as well as an amount as a percentage, and the date of the Truth in Taxation hearing.

Into the weeks ahead, your Taxpayers Association will be reviewing the submitted county budgets to find waste, and to mitigate or defeat the proposed increases in these 9 counties.

problems. Evidence is stored everywhere from an unused elevator shaft to the furnace room. Accused criminals are transported through the crowded lobby where members of the public are waiting to attend the trial, and there are no separate facilities for the judge and court staff. Attorneys and clients have no private area to meet and must discuss issues in public areas. When it comes time for the jury to deliberate, the court clerk has to vacate the office so it can be used as a deliberation room.

Over the past thirty years Pleasant Grove City's population has tripled, leaving public safety facilities insufficient to meet increased demand. Pleasant Grove has found ways to be remarkably resourceful with the limitations of existing facilities, but if the city is going to continue providing public safety services for its citizens, new public safety facilities are crucial.

Your Taxpayers Association endorses this bond and encourages the public to facilitate the city in providing essential public safety services. At the same time, the Association recognizes that voters must consider their own ability to pay when casting their ballot.

County	Proposed Tax Increase	Truth-in-Taxation Hearing Date
Box Elder*	100%	December 7
Cache	2.12%	November 22
Carbon	9%	December 21
Davis	23.37%	December 6
Juab	13.71%	November 14
Sanpete	24%	November 3
Tooele	8.67%	October 18
Wasatch	3%	December 7
Weber	22%	November 29

\*Box Elder County is creating a municipal services fund (MSF), which would increase taxes by the listed amount. However, the countywide general levy is being lowered dollar for dollar to compensate for the increase for the new MSF.

## Revenue and Taxation Interim Committee Looking at Amending Utah's Greenbelt Law

Over the summer, the Revenue and Taxation Interim Committee has been debating whether amending the greenbelt classification on property is appropriate when the use of property changes. A greenbelt property is agricultural land that is charged a lower amount in property taxes, when reaching certain qualifications in regards to activities such as farming and grazing. Farmers argue this tax break is a necessity to keep farms viable in the current economy.

The requirements for a property to be assessed as greenbelt vary, depending on what the farmer grows and in which county, and must be "actively devoted to agriculture".

State lawmakers are reviewing the law to determine if there are certain scenarios a property should not be assessed as greenbelt. For example, some traditional greenbelt property owners may use their land to increase income through non-agricultural uses, such as commercial snowmobiling, or even corn mazes.

The push to examine Utah's greenbelt designation laws comes from Utah's county assessors. The assessors are urging legislators to determine if activity other than farming or grazing is taking place on the land, whether the tax break should remain in place. Due to many involved parties, lawmakers

have spent two interim meetings discussing this item but have yet come to any conclusion on what to do. What appears to be difficult is determining what non-agricultural activity pulls the trigger on a property losing its greenbelt status. Policymakers are wrestling with such questions as: Should a property lose its status if a revenue-producing corn maze is on the property for a number of weeks in the fall?; or should the property lose its status if a barn is used to host wedding receptions?

It appears that most feel the answer is no to those questions. But what if the property is used in other ways for a period of months in a year activities such as horseback riding, snowmobiling or skiing?

A lot of questions still remain as Rep. Gage Froerer, R - Huntsville, who is leading up this discussion, along with the county assessors and Utah's farmers work together to determine if there is an appropriate time for a property to be de-classified as greenbelt under these scenarios. However, property rights also need to be balanced when making this consideration. The law, as currently written, allows the classification of greenbelt as long as the property owner maintains the requirements.

Your Taxpayers Association will continue to monitor this issue and work with stakeholders to inform you of the outcome of this process as it is worked on.

## Utah's Tax Watchdog Meets with Other Watchdogs at Vegas Conferences

While most of the nation was focused on Las Vegas in October to watch the final presidential debate, a meeting of the country's taxpayers associations was also taking place.

For two days in mid-October your Taxpayers Association was able to attend the National Taxpayers Conference. The conference gave association staff the chance to meet with heads of fellow taxpayer associations to discuss best practices among the different organizations and tax policy issues taking place across the country at the state and local level.

While at the conference we shared what Utah has done to equalize education funding among all Utah

students, regardless of what zip code they live in. We discussed with other Association's our Utah 2.0 initiative to sustain Utah's economic success for the next decade.

The Association was also asked to present at the annual conference of the Council on State Taxation (COST), which was held in conjunction with the National Taxpayers Conference.

This presentation gave us the opportunity to highlight to business leaders and tax experts from around the nation what Utah is doing to remain one of the stop states for businesses. The presentation covered Utah's state budget needs, top tax issues on

the November ballot and upcoming tax related legislation.

The discussion hit on the forecast for Utah's upcoming state budget, which is projected to be flat in terms of revenues received. Bond elections for Jordan and Alpine School Districts were also reviewed, as

those bonds will impact tax rates in Utah's largest school district. The Utah 2.0 plan to remove the sales taxes on certain business inputs and lower the corporate income tax rate was also shared with the conference attendees.

## Utah Taxpayers Deserve Confidentiality Throughout the Entire Property Valuation Appeals Process

Utah's businesses, just like residential property owners, have the right to appeal property tax valuations if they feel there is inaccuracy. However, businesses face an unfair disadvantage in this process by, in some circumstances, having their proprietary information publicly released during the appeal, putting their business models at risk.

In 2004, the Legislature passed Senate Bill 163, which set a standard requiring the state to protect proprietary commercial information of a taxpayer when going through the property tax valuation and/or the appeals process.

Under SB 163, this information is protected when it is given to a county assessor or the Tax Commission. However, this information can become public if a tax appeal case is taken to court.

The current status of allowing taxpayer information to become available to the public can serve as a deterrent to a taxpayer making an appeal. While the taxpayer may feel their assessed value was incorrect, they may be discouraged challenging the valuation in court because they would be required to disclose specific, proprietary information. Taxpayers should not fear any kind of retribution for attempting to

challenge a valuation made by the state.

Your Taxpayers Association is working to make sure that information remains confidential when a case goes before a judge. Earlier this year we pushed for legislation to fix this problem, but found that the better route was work with the courts to solve this matter. Sen. Bramble has a bill filed for 2017 to spur the judicial system to solve the problem through their own administrative rules, rather than have the Legislature fix it for them. We anticipate that the judicial system will look to change its rules to protect the taxpayer information as is done in the previous parts of the appeals process.

If it is determined that the best avenue to solve this problem is again through legislation, your Taxpayers Association is already working with legislators to ensure that Utah's taxpayers have their information protected in a court case.

A change to this practice will show that Utah is serious about protecting taxpayer information at all levels of the tax appeal process and that every taxpayer is free to make an appeal without fear of proprietary information disclosure.

### **Association Accomplishments During October:**

- ❖ Attended the Utah Legislature's Tax and Revenue Interim Committee
- ❖ Attended the National Taxpayers Association annual conference in Las Vegas
- ❖ Attended the Council on State Taxation (COST) annual conference
- ❖ Met with state legislators to discuss legislation for the 2017 Session
- ❖ Sent support emails to constituents in districts of candidates who are "Friends of the Taxpayer"

#### **In the News:**

- ❖ Effect of Truth-in-Taxation on Taxpayers
  - [Property Tax Bills: Salt Lake Tribune](#)
- ❖ National Taxpayers Annual State Business Tax Ranking Report
  - [Utah Earns High Business Tax Rating: Daily Herald](#)
- ❖ Privatization of Utah Liquor Sales
  - [Half of Utahns Want Private Liquor Sales: Utah Policy](#)