



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Utah's Average Teacher Pay Ranks Middle of the Pack Nationwide

While we can always do more to help fund our students and teachers, the picture is not nearly as dire as we're told it is.

In fact, the Utah Legislature, in 2016, designated \$178 million to teacher salary increases.

This Session, the Legislature has worked to cut \$69 million from base budgets, with roughly \$41 million, if each school district were to appropriate it to salaries, to approximately \$2,000 to each teacher in the state.

Also, the Legislature is expected to increase the weighted pupil unit (WPU), which is the mechanism that funds classroom education, which includes teacher pay. According to Utah's legislative budget team, they expect most of that to go directly to salaries.

While the Legislature continues to build teacher salaries to ensure Utah remains competitive to attract the best teachers, the situation is not as desperate as the messaging would have you believe.

According to data calculated by the Utah Taxpayers Association, Utah ranks 25th highest in average teacher salary in the nation, putting us right in the middle of the pack.

Utah's average teacher salary is \$55,746, which is above the nationwide median of \$55,630, a positive difference of \$116.

This data is for the averages of elementary, middle, and secondary school teachers for the 2015-2016 school year, by the Bureau of Labor Statistics and the National Center for Education Statistics. This does not include special education or CTE teachers.

Our non-adjusted average teacher pay puts us the second highest average teacher salary of our neighboring states, falling only behind Wyoming, where the average teacher salary is \$59,156.

When the cost of living adjustments are taken into consideration, the average teacher salary in Utah is \$57,470 annually. Keep in mind, this information does not include benefits or any other compensation. This ranking is strictly based on non-contract income and salary data.

In fact, Utah's average teacher salary, when adjusted for cost of living, is only \$129 less than the median nationwide teacher salary, which is \$57,599.

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My Corner: Federal Tax Reform Paves the Way for Meaningful, Beneficial State Tax Reform



Association Vice President
Billy Hesterman

While Howard Stephenson serves during the Legislative Session, Mr. Hesterman has authored this month's My Corner.

The Tax Cuts and Jobs Act that Congress passed in December will make a significant difference for the nation's economy. The legislation, among other things,

lowers the corporate income tax rate to 21% from 35% and doubles the standard deduction for individuals to

\$12,000. In addition, it calls for seven tax brackets for individual income taxpayers with the purpose designed to lessen the tax burden on many taxpayers. President Trump and the Republican Congressional leaders expect the changes to grow the nation's economy by allowing individuals and businesses to keep more money in their pockets.

The new tax law not only changes the administration of federal taxes, but will have an impact on how the state of Utah collects taxes. Utah's tax code calls for rolling conformity to changes in the federal tax code. That automatic compliance means items in Utah's tax code, like federal adjusted income, which calculates the individual income tax (and others) automatically follow the new federal law. This makes it a bit easier on Utah's Tax Commission and the Legislature not needing to adjust many sections of code to comply.

However, there are sections of tax code that need to be addressed by the Legislature to adapt to the federal changes. In his presentation to the Legislature's Executive Appropriations Committee, Utah State Tax Commission Chair John Valentine explained that changes made by Congress in the Tax Cuts and Jobs Act on how certain pass-through entities are treated may result in new revenue for the state of Utah.

Mr. Valentine, members of the governor's office, and legislative staff have concurred around figures of \$25-\$80 million of expected new revenue that Utah could receive due federal reform. These figures are only in theory if the Legislature makes no adjustments

to the current tax code. All these entities have admitted that it is difficult to predict how taxpayers will need to react, or the burden change they may see due to federal reform. There are still many uncertainties in how taxpayers will be affected, hence the large discrepancy between the figures.

One of these uncertainties, Chairman Valentine, in his presentation explained, is that Utah does not have direction in its tax laws on how to treat what is called "qualified business income" for pass-through taxpayers. A pass-through entity is a business that passes its profits, and therefore taxes, onto shareholders or owners. How Utah determines to treat this area will determine how much revenue the state sees from reform.

Federal Tax Reform

May impact Utah Individual Taxation

1. Elimination of the personal exemption
2. Increased standard deduction
3. Eliminating HELOC interest deduction
4. Limiting the mortgage interest deduction
5. Limitations of State and Local Tax Deduction



This slide from his presentation to the Utah Taxpayers Association's Legislative Outlook Conference, Utah State Tax Commission Chair John Valentine explained how federal tax reform may impact Utah individual taxation.

What Utah legislators should do with the revenue is clear. The money should be returned to the taxpayers. This can be accomplished in a number of ways. Lowering tax rates and burdens for individuals and businesses, as well as targeted tax cuts must be considered in this process. This includes the priorities your Taxpayers Association has identified in the legislative initiative, Utah 2.0, which will positively

affect all Utahns.

In particular, changes to Utah’s corporate income tax should be considered. Senate President Wayne Niederhauser has repeatedly said income tax is a tax productivity and success. Niederhauser explains that if you want less of something, you tax it, if you want more, you decrease the tax on it. He is absolutely correct. Utah should tax less on income. This will increase productivity in Utah and sustain Utah’s economic success.

One way to accomplish this is to adjust the calculation method for the corporate income tax through single sales factor apportionment. The calculation would base a multistate business’s income tax solely on its sales that occur with the state of Utah.

This will eliminate the use of property and payroll to determine the business’s income tax and place the determination of its income tax only on its sales within Utah. This type of calculation method would play a key role in attracting companies to Utah. These companies would see that Utah is rewarding those who bring their payroll and property to the state by only taxing the instate sales the company has. Utah then will enjoy the

benefits of new jobs and expansion of business operations in Utah. It also aligns Utah with the overwhelming majority of other states in the country in taxing companies in this manner.

Utah does tax many Utah businesses already under this calculation. This change will move many more high-paying, highly-productive industries into this category. As we have met with legislators on this issue, this is seen as a top priority for this session and your Taxpayers Association will continue to wave the banner on this effective economic attractor.

Other items that may be considered are rate changes to offset the revenue gained from federal tax reform. Another proposal being drafted, by Rep. Tim Quinn, R-Heber, also include attempts to hold families that make \$50,000-\$90,000 per year with a large number of kids harmless because of tax reform. Expect to hear more on this as the Session progresses.

Your Taxpayers Association will keep you up to date on the latest tax proposals via our Utah Taxpayer newsletter weekly emails and in our monthly newsletter.

Utah’s Teacher Pay Ranks Middle of the Pack Nationwide, is Second Highest in Region (continued)

The cost of living adjustment data is provided by the Bureau of Labor Statistics, which calculates the Regional Price Parity (RPP). The RPP is made of costs such as rental prices, the cost of goods such as food, fuel, and other factors. The latest data available was from 2015.

In addition, we calculated the income tax rate against the average teacher salary, when adjusted for

the cost of living adjustments. We found that due to Utah’s 5% income tax rate, Utah is 22nd lowest in individual income tax paid from the average teacher salary, when adjusted for RPP.

Your Taxpayers Association continues to explore teacher salary data, and you can expect more data regarding years of service salary discrepancy in our newsletters in the coming weeks.

Average Teacher Salary for Utah and Region (2015-2016 School Year)					
State	Average Teacher Salary	National Ranking	Salary Adjusted for Regional Price Parity	National Ranking	
Wyoming	\$ 59,156	18	\$ 61,493	15	
Utah	\$ 55,746	25	\$ 57,470	27	
Nevada	\$ 55,630	26	\$ 56,765	30	
New Mexico	\$ 55,580	27	\$ 58,877	25	
Colorado	\$ 52,266	33	\$ 50,645	44	
Idaho	\$ 48,753	43	\$ 52,198	42	
Arizona	\$ 44,526	47	\$ 46,285	51	

Controversial Tax Hikes Are the Talk of the First Weeks of 2018 Legislative Session

Week Three of the 2018 Legislative Session has come to an end, and your Taxpayers Association has already been working hard on legislation to benefit and protect taxpayers.

Taxpayers are looking at the potential of increased taxes on hotels, rental cars, and real property, totally in the hundreds of millions.

Here is a look at some of our highest priority bills.

[Senate Bills 28 & 29 \(Henderson\)](#)

After repeated audits blasting special service and local districts, referred to as limited purpose entities, for lack of compliance with state law, Sen. Henderson has proposed two bills that will work to shine more light on them.

These audits have found that there is no single, statewide database for all limited purpose entities, which makes ensuring that they are compliant with state law difficult. Therefore, Senate Bill 28 expands the definition of LPEs to include community reinvestment areas, government nonprofit organizations, local building authorities, and many others. It then requires that all these types of districts operating in the state register with the lieutenant governor's office.

This registry would include the LPEs governing board, contact information, location and where they operate, as well as their sources of revenue.

If any LPE fails to do so, the state auditor's office is permitted to withhold state and property tax disbursements.

Senate Bill 29 would require that counties also publish this data on their respective websites, for any LPE that operates in that county.

Your Taxpayers Association is strongly supportive of both these bills, and has worked to ensure that they have passed both bodies of the Legislature. They now move onto the governor.

[Senate Bill 103 - Strategic Workforce Amendments \(Millner\)](#)

This bill is part of your Taxpayers Association's legislative initiative, Utah 2.0, which is focused on ensuring Utah's economy remains solvent for the foreseeable future.

SB 103 expands on the work done in previous Legislative sessions, by creating a regional workforce

program requiring expanding partnerships between higher education systems and would report about job opportunities available to those who complete a stackable credential program. This bill helps to ensure that Utah's workforce is ready for the businesses that continue to move into and expand in Utah.

To learn more about Utah 2.0, [watch this video](#) produced by the Association.

[Senate Bill 120 - Local Government Fees and Taxes Amendments \(Henderson\)](#)

As more and more cities turn to fees to undermine Utah's Truth in Taxation process, SB 120 works to place some limitations on municipalities that impose a transportation fee on their residents' and business' utility bills.

One of the many problems with these types of fees is that it includes traditionally exempt property, such as county-owned land. Essentially, this means that county taxes are being used to pay city taxes.

SB 120 removes county-owned land from being assessed a transportation utility fee.

While this bill is very targeted in scope, your Taxpayers Association is supportive of any attempt to control the proliferation and collection of these fees.

[Senate Bill 136 - Transportation Governance Amendments \(Harper\)](#)

One of the most controversial issues being discussed on the Hill this session is transportation infrastructure and how to fund the growth and needs as Utah's population climbs. This bill is the result of the work of the Transportation and Governance Task Force that has met throughout all of 2017, looking to address transportation issues.

The bill has many components to it, but we are focused on the tax and funding issues. Let's start with the good pieces.

Parts of this bill work to increase the user fee for transportation by increasing the registration fees on alternative fuel vehicles. As more efficient vehicles become popular, which include alternative fuel vehicles, gas tax revenues plateau, which means less money to build and maintain our roads. In the case of some alternative fuel vehicles, such as electric, they do not pay any gasoline taxes. The bill proposes

increasing registration fees for these types of vehicles in order to collect the owners' fair contribution to our road maintenance.

Speaking of user fees, the bill also mandates that the Utah Department of Transportation continue the study of the implementation of a road usage charge, more commonly known as vehicle miles traveled.

Road usage charges, when fully implemented, could replace the gasoline tax by charging drivers an amount that is precisely related to how much they use the roads.

If SB 136 were to pass, UDOT would create a committee, which would annually report to the legislature about the different issues surrounding road usage charges, including the use of the revenue, feasibility, cost, and privacy.

But this bill also proposes some less-than-ideal tax policy ideas, including tax hikes, and undermining voters' choice.

First, SB 136 would significantly hike taxes on hotel visits and double the tax on rental cars, and use the money to pay for transit projects. These tax increases generally do not correlate the product being taxed and the service being provided.

Next, the bill would punish voters for rejecting the 0.25% local option sales tax for transportation, better known as Proposition 1 (which was part of the gas tax increase bill that passed the Legislature in 2015). If a county's voters rejected Prop 1, by 2022, the tax would be forced upon them, with the revenues going to the state, rather than being distributed throughout the county.

Your Taxpayers Association is in negotiations with major players of this legislation, and is working to see that our concerns are addressed.

[House Bill 293 - Education Funding Amendments \(Last\)](#)

Tax increase proposals exist in the education realm as well. House Bill 293 proposes freezing the statewide basic levy, which is a statewide property tax that pays for public education. This freezing of the rate would be the funding method for the equity pupil unit, which would more closely align revenue generation among all Utah school districts.

This bill directly contradicts Utah's Truth in Taxation process, which protects property taxpayers from automatic increases year over year. Currently, government entities, including the state, are given a set

amount of property tax collection. Therefore, if property values increase, the property tax rate decreases, benefitting property owners.

HB 293 does the opposite by freezing that property rate. Under this proposal, as property values increase, home and business owners will be paying more, since the state rate cannot adjust for the valuation. This provides the state with a huge tax windfall.

Your Taxpayers Association is extremely concerned with this legislation, and will continue to espouse to legislators the beneficial value of Truth in Taxation.

[Senate Bill 145 - School Funding Revisions \(Fillmore\)](#)

SB 145 also deals with the funding for equalization, however, this does not include a freeze or floor for the statewide basic rate for public education.

Instead, this bill directs growth in the income tax, which is used for public education, to fund equalization programs for lower property tax yielding districts.

To put it simply, some school districts are able to generate more local property tax revenue than others can, due to property values. This creates an inequity in school districts with lower property values, which are unable to fund students and teachers as well as others.

What equalization tries to accomplish is using state education funds, in SB 145's case income tax funds, to fill the gap between the higher property tax generating districts and the lower ones.

[House Bill 148 - Tax Revisions \(Quinn\)](#)

Another hot topic is what, if anything, to do to Utah's food sales tax. Currently the state portion is 1.75% of all food purchases. This is a significant reduction from the state's general sales tax rate of 4.7%.

HB 148 seeks to eliminate the state portion (1.75%) of the food sales tax, while leaving the local portion (1% for cities, and 0.25% for counties) intact.

In order to make the bill revenue neutral, the legislation would require the state general sales tax rate increase to 4.92%. However, this is still an increase of the general sales tax rate, which all people, regardless of income, will still need to pay on necessary purchases.

Your Taxpayers Association continues to actively lobby against this bill, since the bill would shrink the base and broaden the rate.

[House Bill 355 - Amendments to Tax Law \(McCay\)](#)

This proposed legislation would be a true tax decrease if it were to pass. In order to compensate for the passage of federal tax reform, Utahns would actually pay more in state income taxes due to the cuts at the federal level.

HB 355 seeks to lower both the individual and corporate income tax rate from 5% to 4.925%. This equates to roughly an \$80 tax cut.

There are plenty more bills we're engaged on during the first few weeks of the session. To view our entire Watchlist, [click here](#).

Utah Taxpayers Association 2018 Legislative Watchlist - February 9, 2018

Number	Title	Sponsor	Description	Questions/Comments	Position*
PRIORITY BILLS					
SB 28	Local Government and Limited Purpose Entity Registry	Henderson	Requires all local districts to register with Lt. Governor's office; allows the state auditor to stop revenue if local districts do not comply with state laws.		S
SB 29	County Listing of Local Government and Limited Purpose Entities	Henderson	Requires county government to provide information about all local districts operating within the county on their website.		S
SB 103	Strategic Workforce Amendments	Millner	Creates regional workforce program requiring expanding partnerships, stackable credentials job opportunities, and aligned to workforce needs.	Utah 2.0	S
SB 120	Local Government Fees and Taxes Amendments	Henderson	Prevents municipalities from collecting a utility fee for transportation on county property.		S

Google Fiber Fallout Should be a Warning to Cities Looking at Municipal-owned Fiber Systems

Utah cities looking at expanding or investing in government-owned telecommunications systems should look at the predicament Google Fiber has found itself in and think twice before sinking taxpayer dollars into these kinds of projects.

According to a recent article published by BGR.com, Google Fiber has run into hard times over the past year. In 2017, the company went through two CEO's, faced slower rollout rates and found itself bogged down in arguments with other utilities over wire placement on poles. The project was looking to expand in multiple cities across the nation but the buildout in those cities has either been halted or reduced significantly. It seems clear that the success of Google Fiber in Provo is the exception, not the rule.

That reality, however, has not stopped some Utah cities from continuing to consider a government-owned fiber system through UTOPIA. Despite the organization being millions of dollars in debt, cities like Orem continue to look at ways to have government compete with the private sector.

Recently Orem City Council members heard from the city's Public Works Advisory Commission which presented an option for the city to co-sign on to \$25

million worth of bonds for UTOPIA to be expanded faster in the city. The bond would be backed by the franchise fees that the city charges.

This consideration is coming on the heels of UTOPIA refinancing the debt load it carries through its secondary funding arm called UIA. In 2017, UIA sought bond ratings to borrow its fully authorized limit but received a BBB- rating from one agency, while the two other agencies refused to grade the organization. The bond rating doesn't signal a strong lender confidence yet some still choose to pursue using taxpayer dollars to make the system work.

As Orem Council members evaluate the recommendations from its Public Works Advisory Committee, your Taxpayers Association calls on them to look at what other cities have determined and what is taking place in the fiber market.

If a company like Google is scaling back its fiber operations, one has to wonder why a city would think it should ramp up its investment in the operation? If cities like Bountiful, Kaysville and Murray are declining to invest more in UTOPIA, why wouldn't Orem?

Private companies that pay taxes and fees to Orem City already can provide gig speeds to customers in Orem. Forcing telecommunications companies to compete against the government-backed network is an

improper use of taxpayer dollars and an improper role of government.

One also has to question if fiber in the ground is a sound investment to commit taxpayer dollars to for decades. Wireless companies have been testing "5G" signals in test markets and are expected to open more markets in 2018 which would provide homes with internet service using wireless signals instead of depending on the traditional wires in the ground process.

This change in how internet service may be delivered only shows why taxpayer dollars should not be used to

make long term investments in technology. It is unpredictable how internet service will be provided to a home in the next 10 years. The private market should be left to determine how this service should best be delivered, not the government.

Your Taxpayers Association calls on the Orem City Council to walk away from any proposal that expands taxpayers burden in a unpredictable project that has an uncertain future and that so far has only proven to run at a financial loss.

Association Accomplishments During January:

- ❖ Held the annual Legislative Outlook Conference at the Grand America Hotel
- ❖ Reviewed and expressed interest and appreciation on state tax reform efforts to Governor Gary Herbert
- ❖ Spoke about sound tax policy to the Park City Chamber of Commerce
- ❖ Met with Mayor Bradburn of Sandy to discuss enterprise funds and Truth-in-Taxation
- ❖ Testified in front of the Senate Revenue and Taxation Committee on behalf of legislation limiting the impact of utility fees for transportation

In the News

- ❖ Legislative Outlook Conference coverage
 - [Lawmakers talk possible budget surplus at Utah Taxpayers Association's annual conference: Tribune](#)
 - [State Lawmakers talk tax reform at Utah Taxpayers Association conference: ABC4 Utah](#)
 - [New federal tax windfall may not mean windfall for Utah coffers after all: Deseret News](#)