



THE UTAH TAXPAYER

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What Will Happen to Utah’s Gas Tax? *A comparison of transportation funding bills*

A number of transportation funding bills are being considered as the Utah legislature moves into the final week of the 2015 session.

Both the House and Senate are proposing fuel tax increases. SB 160, sponsored by Sen. Kevin Van Tassell, raises the gas tax by 10 cents to 34.5 cents per gallon. SB 160 also raises the tax on diesel fuels by 5 cents and the LNG/CNG tax by 21 cents to 29.5 cents per gallon or gasoline gallon equivalent.

Because of critical transportation needs, your Taxpayers Association supports Utah’s lawmakers raising the cents-per-gallon gas tax (not increased since 1997), but only if that increase includes a decrease in taxes elsewhere to keep the tax increase revenue neutral across the state budget. This approach provides transparency, accountability, and respects Utah taxpayers.

HB 362, sponsored by Rep. Johnny Anderson, would convert the gas tax into an annually adjusted percentage-based tax rate. This percentage would be calculated on the average wholesale price of gasoline for the previous 12 months. Currently, HB 362 proposes a percentage rate that would be equivalent to a 24.5 cents rate in year one to remain revenue neutral. Each year the percentage under HB 362 would be recalculated and converted into a cents-per-gallon rate. This rate includes a floor that adjusts with inflation growth, and a ceiling set at 56 cents per gallon, with room for growth above and beyond that level. This puts the gas tax on an increase escalator in perpetuity.

HB 362 also includes a local option quarter cent general sales tax for local transportation needs, administered by the counties. The use of these revenues includes roads, sidewalks, transit and trails, among other things. The quarter cent tax increase would need voter approval before implementation.

Your Taxpayers Association opposes the use of a local option general sales tax to fund transportation. This practice moves away from user fees and is unsound tax policy. A general sales tax on all goods and services is not directly connected to transportation system use. Transportation costs are already embedded in the current price of goods and services. Those who use the roads should pay for the roads directly. Using general taxes for specific uses moves away from a user fee.

In addition to SB 160 and HB 362, two other transportation

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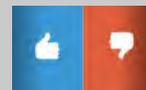
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My Corner: Tax Increases in a Surplus Year the Wrong Way to Go

While Howard Stephenson is serving at the Legislature, Mr. Hesterman will author My Corner.

Utah’s lawmakers have more than \$700 million in surplus revenue this year to meet the budgetary needs of the state.

Even though this is a significant amount of revenue for lawmakers to work with, it comes with restrictions. The majority of new revenues will go into the education fund. According to the February revenue projection numbers, legislators will only have \$88 million on-going general fund dollars and another \$73 million in general fund one-time monies to appropriate. In the education fund, lawmakers will see \$301 million in on-going dollars and another \$277 million in one-time funds. In all, the revenues amount to \$739 million.

To better understand what that means, State Auditor John Dougall explains it this way: when the state has an increase in on-going money, it is similar to receiving an increase in your annual salary. When there is an increase in one-time funding, it is compared to receiving a bonus. You treat those monies differently but enjoy receiving both.

The general fund, which is funded from sales, sin and severance taxes, is relatively flat this year,

meaning Utahns are holding on to their cash and not spending as much as lawmakers hoped. This limits what legislators will be able to fund with new monies in social services, higher education and general government services.

The education fund is receiving the majority of new funds. Income and property taxes comprise the majority of the education fund. This fund contributes to K-12 public schools as well as higher education.

Because the state is enjoying hundreds of millions in new revenue, your Taxpayers Association is fighting any tax increase this year. Despite the large surplus numbers, the legislature is considering a number of tax increases. One of the largest increases is Sen. Aaron Osmond’s \$75 million statewide property tax increase proposal, SB 97.

Sen. Osmond’s bill would increase the statewide property tax levy by \$75 million and use that new revenue to equalizing the gap between more affluent school districts and school districts that see less money coming from their own property tax base.

Your Taxpayers Association welcomes a conversation about school district funding equalization, but increasing property taxes by \$75 million in one year when lawmakers have more than \$500 million new monies in the education fund is unnecessary.

Certainly there are times when it is appropriate for policy makers to consider enhancing revenue, but now is not the time.

Your Taxpayers Association encourages the legislature to vote down any tax increases this session and maintain Utah’s strong economic environment by keeping taxes low and money in Utahns’ bank accounts instead of the government coffers. ♦



To view the February revenue projections, [click here](#).

Transportation Funding Comparison

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funding bills are making their way through the legislature. In the House, Rep. David Lifferth is sponsoring HB 271, which would raise the tax rates on CNG and LNG fuels to 24.5 cents per gallon – equal to the current rates on traditional fuel.

In the Senate, Sen. Wayne Harper is sponsoring SB 231 that would also raise the CNG and LNG rate, but only to 16 cents. SB 231 also increases existing vehicle registration fees and institutes higher registration fees on alternative fuel and non-fuel consuming vehicles in an attempt to equalize funding contributions across all vehicle types.

SB 231 includes an innovative measure that would change the existing state and local funding split from 70/30 to 40/60 on new revenue growth in the transportation fund.

All road users should bear an equal cost for the use of the state’s transportation system. HB 271 and SB 231 are a step in the right direction towards equalizing the user fee gap that currently exists between traditional fuel consumers and alternative fuel vehicles. ♦

	SB 160 - Van Tassell	HB 362 - Anderson	SB 231 - Harper	HB 271 - Lifferth
Association Position	Oppose	Oppose	Support	Support
Rate				
Motor Fuel	10 cent increase	14% rate	-	-
Special Fuel	5 cent increase	14% rate	-	-
CNG	21 cent increase	-	7.5 cent increase	7.5 cent increase
LNG	21 cent increase	-	7.5 cent increase	7.5 cent increase
Registration Fees	-	-	\$10 increase for most vehicles. Institutes fees for electric and hybrid vehicles.	-
Other	-	-	-	24.5 cents imposed on hydrogen
Revenue	FY 2017: \$130 M	FY 2017: Sales Tax: \$145.7 M Fuel Tax: \$25.3 M	FY 2017: \$28.7 M	FY 2017: \$2.1 M

Healthy Utah 2.0 and the Taxpayer Perspective on Medicaid Expansion

The Utah Taxpayers Association's purpose is to be the watchdog for Utah taxpayers, working to protect Utahns from unnecessary and burdensome government regulations and taxes. The Association uses set principles of efficient government and equitable taxation to evaluate legislative proposals.

The Association used these principles to evaluate Governor Herbert’s Medicaid expansion proposal known as Healthy Utah. Healthy Utah had various financial unknowns that would require additional state resources. The Association felt that this potential burden on taxpayers was not adequately discussed. With unpredictable outcomes and

questionable long-term sustainability, the Association did not endorse Healthy Utah.

Among discussions of various alternative Medicaid expansion plans such as Frail Utah and Utah Cares, Governor Herbert and the Senate recently released a new version of Healthy Utah with minimal initial impact on taxpayers and the state budget. Due to these changes, the Utah Taxpayers Association has taken a neutral position on the current legislation, known as SB 164. However, concerns remain for the future sustainability of Medicaid expansion and the potential impact to Utah taxpayers. Even though

the impact on Utah taxpayers will be minimal during the proposed 2-year pilot program, the legislature will need to find an ongoing funding solution for Medicaid expansion in year three.

The Utah Taxpayers Association supports a health care plan that respects Utah taxpayers. Medicaid expansion should include cost saving reforms and programs that maintain a fiscally sound state budget. Any expansion should help those who are most needy while providing resources for those individuals to become self-reliant so they can receive health care from the private market. Most important, as part of the discussion of expanding Medicaid, Utah needs to consider the trade-offs that will inevitably affect other critical state needs such as education, transportation and other social services. The Association looks forward to continued discussion of Medicaid expansion and hopes to see a compromise between the Governor and the Legislature. ♦

The 2015 Legislature's Best and Worst Bills for Utah Taxpayers

As one of the reddest states in the nation with a Republican dominated legislature, one would expect fiscal restraint and conservative legislation proposed during Utah's 2015 legislative session.

Such is not the case.

Instead, even with a \$700 million state budget surplus, the 2015 Utah Legislature is discussing nearly a dozen major tax increases. Your Taxpayers Association has been working tirelessly the past month to keep the legislature from increasing your tax burden.

But beyond egregious tax hikes and poor tax policies being considered, there are several excellent pieces of legislation that will improve the tax climate for individuals and businesses in the state.

Your Utah Taxpayers Association supports taxpayer friendly bills as they move through the legislature and fights tax hikes and poor tax policies. Below are some of the 2015 Legislature's best and worst bills for Utah taxpayers.

The Good:

2nd Sub HB 190 - Representative Curt Webb

HB 190, "Assessment Area Act Modifications," is the result of several years of work on Rep. Webb's part and a summer of negotiations with various stakeholders. While imperfect, HB 190 institutes important protections for taxpayers throughout the creation and implementation of assessment areas.

Assessment areas are used to assess fees on the property owners that directly benefit from an improvement or service. For example, sidewalks are generally funded through an assessment area rather than through general city taxes. If used properly, assessment areas can be a great way of keeping costs concentrated on those who benefit. However, if used

improperly, assessment areas represent yet another layer of taxation on property owners.

HB 190 enhances notice and hearing requirements, reduces the citizen protest threshold and allows more time for protest, and tightens up the procedural front end of assessment areas so that taxpayers are protected.

1st Sub SB 182 - Senator Curt Bramble

SB 182, "Amendments to Sales and Use Tax Exemptions," creates a sales tax exemption for highly specialized manufacturing equipment with an economic life of less than 3 years.

The Utah Taxpayers Association has long believed that business inputs should not be subject to sales tax. SB 182 is another step towards the complete removal of double taxation in manufacturing processes.

SB 267 - Senator Stuart Adams

SB 267, "Sales and Use Tax Exemption Amendments," removes the existing 3-year economic life provision to expand the manufacturers sales tax exemption on business inputs to all consumable goods.

This is an issue of state competitiveness for high-paying jobs and capital investment. Of the 46 states with a sales tax, 40 of them have an exemption for manufacturing equipment, and of those 40, Utah is the only state with the unique 3-year-economic-life requirement. This requirement favors long-lasting equipment over equipment that is used in more intensive manufacturing processes.

If exempt from sales tax on business inputs, manufacturers will be able to take that money and re-invest it, leading to more jobs and economic

growth.

When it comes to economic growth, tax policy matters. Utah's tax policy significantly affects the long-term decisions that businesses make. If Utah wants to create jobs, capital accumulation, investment, and productivity need to be protected. SB 267 does this, and will more than pay for itself over the years as Utah becomes an even more attractive place for business.

HB 251 – Representative Johnny Anderson

HB 251, "Amendments to the Interlocal Act," requires interlocal entities follow the same fiscal procedures required of other entities. Although not vested with direct taxing authority, interlocal entities do assess fees on other governmental taxing entities and use revenue bonds to fund specific projects. Placing fiscal procedures on interlocal entities will enhance transparency and accountability.

The Bad:

3rd Sub SB 97 – Senator Aaron Osmond

SB 97, "Property Tax Equalization Amendments," is a \$75 million statewide property tax increase. This legislation attempts to raise the minimum statewide basic levy (a property tax for education funding imposed statewide) by \$75 million. This would be a roughly \$50 increase on the average homeowner in Utah, and much higher for businesses.

Your Taxpayers Association has long felt that greater funding equity between school districts is needed. Some school districts with a wealthy tax base enjoy funding per student that is as much as four times higher than in other school districts. This is a problem created by the legislature through past district boundary drawing and should be fixed legislatively. But a \$75 million property tax increase is not the way to address this problem.

The Utah Taxpayers Association has proposed instead allocating new growth in the education fund towards school district property tax equalization. In a year of surplus, the legislature should not consider such a large property tax increase.

Unfortunately, SB 97 has already passed out of the Senate and has been heard and passed in House committee. The bill is now waiting on a final vote on the House floor. Your Taxpayers Association has been educating and lobbying the state legislature to vote no on SB 97 and refrain from raising your property taxes.

HB 327 – Representative Johnny Anderson

HB 327, "Personal Property Tax Amendments," is not a new tax increase, but a tax shift from businesses onto homeowners. HB 327 would exempt any item less than \$1,000 from being assessed business personal property tax. The legislative fiscal analyst estimates that removing this source of revenue would result in an \$11.7 million tax shift onto homeowners.

Your Taxpayers Association is sensitive to the problem of nuisance business personal property tax audits on small businesses, but shifting the tax liability onto homeowners is not the way to solve this problem.

HB 358 – Representative Joel Briscoe

HB 358, "Voted and Board Levy Amendments," increases the maximum rate allowed in the voted local levy to .002. This raises the property tax cap available to local school districts by roughly \$50 million. Your Utah Taxpayers Association expects that if HB 358 were to pass, most of Utah's school districts would propose to raise their voted local levy to the maximum rate.

Prior to the implementation of Utah's Truth-in-Taxation law, entities were allowed to increase their property tax rate by 6% per year. Intended to be a ceiling, this 6% cap instead became the floor, and entities raised taxes by 6% per year regardless of whether or not a property tax increase was necessary.

HB 358 would raise the voted local levy ceiling by nearly \$50 million to be borne by property owners in Utah. ♦

Contact your legislators and add your voice calling for fiscal restraint, government accountability, and a reasonable tax burden on hard working Utahns. [Click here](#) for contact information.

Utah Taxpayers Association Legislative Watchlist: *Priority Bills and Legislative Highlights*

With only a week left of Utah's 2015 legislative session, your Taxpayers Association is working tirelessly to make sure that the bills that become law in the 2015 legislative session are good for taxpayers.

HB 330 - Interlocal Entities Revisions

Earlier this week, your Utah Taxpayers Association defeated HB 330 (Rep. Johnny Anderson). This is legislation that would have extended direct property taxing authority to interlocal entities. This is a big win in preventing another layer of property tax on Utah homeowners and businesses. ♦

Bill	Title	Sponsor	Description	Position
HB 54	Public Education Increased Funding Program	Draxler	Increases the individual income tax rate from 5% to 6% for education	Oppose
2 Sub HB 190	Assessment Area Act Modifications	Webb	Amends provisions related to the designation of an assessment area and the levy of an assessment. Lowers the protest threshold from 50% to 40% of the affected citizens. Increases the protest period from 30 to 60 days. Establishes the standard of "roughly proportional" benefit as the standard for determining an assessment fee rather than assessed property value. Tightens up the use of assessment areas for economic development purposes.	Support
HB 327	Personal Property Tax Amendments	Anderson	Any item \$1,000 or less is exempt from business personal property tax. \$11.7 M tax shift onto homeowners.	Oppose
1st Sub HB 328	Tax Changes	McCay	Removes commodity based centrally assessed properties from the calculation of the certified tax rate, reducing volatility and arbitrary tax increases on homeowners.	Support
HB 330	Interlocal Entities Revisions	Anderson	Authorizes interlocal entities composed of taxing entities to issue GO bonds and levy property taxes with voter approval. Applies for sewer/water projects and public safety projects.	Oppose
HB 358	Voted and Board Levy Amendments	Briscoe	Increases the maximum voted local levy from .002 to .0024, increasing the available property tax cap by nearly \$80 M.	Oppose
HB 362	Transportation Infrastructure Funding	Anderson	Allows a county local option general sales tax for highways and public transit. Repeals cents per gallon fuel tax and switches to a 14% rate based on the statewide average rack price of a gallon of motor fuel per gallon from the previous 12 months. Floor moves upwards with CPI and ceiling initially set at \$4/gallon (about 56 cents tax per gallon).	Oppose
HB 369	Sales and Use Taxes for Transportation Amendments	Briscoe	Authorizes local option sales and use tax rate increase for public transit from 0.3% to 0.5%. \$93.1 M increase in local sales tax.	Oppose
1 Sub SB 94	Corporate Franchise and Income Tax Amendments	Stephenson	Allows for a credit against or refund of an overpayment of corporate franchise or income taxes.	Support
3Sub SB 97	Property Tax Equalization Amendments	Osmond	\$75 million property tax increase for school funding equalization.	Oppose
SB 160	Transportation Funding Amendments	Van Tassell	Motor fuel tax increase of 10 cents, special fuel 5 cents, LNG and CNG 21 cents.	Oppose
1 Sub SB 182	Amendments to Sales and Use Tax Exemptions	Bramble	Enacts a sales and use tax exemption for certain purchases or leases made by a drilling equipment manufacturer.	Support
SB 201	Sales and Use Tax Exemption Revisions	Stephenson	Clarifies the sales and use tax exemption on R&D business inputs.	Support
SB 231	Transportation Amendments	Harper	Increases registration fees. Increases CNG LNG tax rates. Increases money to locals under B&C to 40% of new revenue growth in the transportation fund.	Support
SB 267	Sales and Use Tax Exemption Amendments	Adams	Removes the three-year economic life provision to expand the manufacturing sales tax exemption on business inputs to all consumable goods.	Support

The Taxpayer Association's full Legislative Watchlist is updated weekly and can be viewed online [here](#).

Upcoming Association Events

37th Annual "Utah Taxes Now" Conference

The Utah Taxpayers Association will be hosting its annual "Utah Taxes Now" conference on **Thursday, May 28, 2015** at the Grand America Hotel. Leaders from the Utah House of Representatives and Senate, the Governor's office, policy experts and community leaders will cover a broad range of tax issues. A full agenda of topics and speakers will be available soon. CLE and CPE credit will be offered.



"Teed Off On Taxes" Golf Tournament

Join the Utah Taxpayers Association for the annual "Teed Off On Taxes" golf tournament on **Thursday, June 11, 2015** at the Eaglewood Golf Course in North Salt Lake. Sponsorship opportunities are available.

Register for the "Utah Taxes Now" Conference and the "Teed Off On Taxes" Golf Tournament by contacting Heidi Erickson at heidi@utahtaxpayers.org or calling (801) 972-8814.

Association Accomplishments During February:

- ❖ Lobbied the 2015 Utah Legislature for lower taxes and better tax policy
- ❖ Met regularly with House and Senate leadership
- ❖ Educated legislators on good transportation funding policies
- ❖ Defeated a number of bills that would have increased taxes or implemented poor tax policies.

In the News:

- ❖ Recommended alternative funding mechanisms for school district property tax equalization and spoke against a \$75 million property tax increase
 - [Salt Lake Tribune](#)
- ❖ Spoke in favor of equalized transportation taxes across alternative fuel vehicles
 - [Deseret News](#)
- ❖ Urged the legislature to refrain from raising taxes in a \$700 million budget surplus year
 - [Salt Lake Tribune](#)
- ❖ Testified in support of a cents-per-gallon fuel tax increase *if* taxes are decreased elsewhere in the state budget to keep the tax increase revenue neutral
 - [Salt Lake Tribune](#)
 - [Deseret News](#)



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