



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Rethinking General Tax Subsidies for Funding Highways and Water

The Utah Tax Review Commission (TRC) has been reactivated by the legislature to look specifically at sales tax earmarking, particularly the current budgetary earmarking for funding transportation and water.

The Utah Legislature in 2014 earmarked \$412 million of revenues from state general sales taxes for various transportation projects and another \$31 million for water and wastewater projects.

The TRC has been asked to look at the economic effects of earmarking general sales taxes for highways and water vs. requiring users to pay the full cost of their use of roads and consumption of water. Your Taxpayers Association has argued for years that highway users and water users ought to pay for their own usage. The Association hopes the independent TRC will make an economic analysis of the benefits of congestion pricing and user fees for highways including the potential for a tax on vehicle miles traveled (VMT) so that charges for highways ties to the actual use. Assessing tax on the gallons of motor fuel consumed is becoming less effective with the advent of electric cars and vehicles with greater fuel efficiency.

Unfortunately, the legislature this year gave authority for counties to seek voter approval for a new local option general sales tax for transportation funding. Your Taxpayers Association feels this moves away from the user fee approach to funding roads.

Counties are now considering placing this .25% general sales tax increase on the ballot this November. The measure would allocate 40% of the sales tax revenue increase to individual cities for transportation needs (the definition is broad enough that cities could use the money to fund projects such as trails, sidewalks and bike lanes). The next 40% of revenues would go to transit districts in the County, such as the Utah Transit Authority (UTA). Counties will receive the final 20%, which can also be used for various transportation related projects.

Salt Lake County has an ordinance in place that would prevent the council from placing the tax increase on the ballot this year, but the council is considering an override of that ordinance. A number of other counties, including Utah, Weber,

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

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My Corner: Salt Lake, Granite, Murray and Grand School Districts Proposing Misleading and Unjustifiable Property Tax Increases

This is the time of year when cities and school districts across the state set their budgets and propose property tax rates for the coming year. (Counties and most special taxing districts

go through the same process in November and December.) Your Taxpayers Association is always vigilant to warn taxpayers when local governing bodies are proposing property tax hikes.

As reported elsewhere in this newsletter, the Utah Taxpayers Association is currently aware of 13 cities, 14 school districts and 2 special districts proposing property tax hikes this year. Utah's Truth-in-Taxation law requires reductions in the certified tax rate to offset higher valuations on existing properties. This keeps an entity's budget revenue neutral and protects taxpayers from arbitrary tax increases.

Four school districts proposing tax hikes this year are not being completely honest about the need for a property tax increase: Salt Lake, Granite, Murray and Grand. These four districts claim that the legislature is responsible for the need for higher taxes because of the way public charter schools in Utah receive funding.

Under Utah law, when a student transfers from a district school to a charter school, the school district is required to send 25% of the local property tax revenues it receives for that student to the charter school. This is called local replacement funding. Unfortunately, due to a drafting error, 26 of Utah's 41 school districts have been keeping more than 75% of the local property tax revenues for students attending charter schools. The worst case is in Piute, which has kept 96% (or \$7,615) of local property taxes that had funded the student who left for a charter school.

The passage of [H.B. 119](#) during the 2015 legislative session corrected this error and establishes the same standard for all of Utah's school districts when it comes to transferring property tax revenues for charter students.

Now Salt Lake, Granite, Murray and Grand school districts are proposing to raise property taxes to cover the 25% they are required to send with charter

students, essentially double charging taxpayers. This is despicable. Just because some school districts had been incorrectly keeping higher revenues for charter students does not justify a tax hike on property owners now that the windfall has been removed. Nevertheless, Salt Lake, Granite, Murray and Grand school districts are trying to get away with just that - in their minds, the windfall has become an entitlement.

Murray School District

In the 2013-14 school year, Murray School District enjoyed spending a whopping \$2,523 more per student than the statewide average. At the same time, according to the Legislative Fiscal Analyst, Murray has also benefited from the drafting error windfall to the tune of \$28,455. But the Murray school board has proposed to increase property taxes by \$605,000 this year, of which \$115,000 will be used to replace loss of the windfall *and* cover the entire 25% of local replacement funding per charter student. This means that the district is keeping 100% of the property tax revenues for students that don't even attend district schools and forcing taxpayers to foot the bill.

Grand School District

Grand School District spends \$1,614 per student more than the state average and has previously received from the drafting error a windfall of \$45,656. But again, the school board wants to recoup \$87,000 for local replacement funding - enough to



cover the entire 25% going to charter students, increasing taxpayers' burden so that the district can enjoy larger revenues.

Salt Lake School District

The Salt Lake School District spends \$795 more per student than the state average and has been receiving \$525,273 from the drafting error. The school board, however, is proposing to hike taxes by \$900,000 to make up the lost windfall and cover the full cost of local replacement funding. Another \$600,000 for peer assistance and review and teacher development equals a total tax hike of \$1.5 million.

Granite School District

Granite doesn't spend more than the state average per student, but has received \$399,983 from the drafting error. The Granite School Board has proposed to increase taxes by over \$3.8 million this year, \$860,000 of which will be used to recoup the loss of the windfall and again, cover the full 25%. Granite *especially* should not be increasing taxes this year. Under [SB 97](#), the school equalization

legislation that passed in the 2015 session, the district will be receiving ongoing new revenue of \$1.18 million. The district has indicated that the revenue increase under SB 97 and the WPU increase will all be used for employee compensation and benefits.

The four school boards that are proposing tax hikes this year to maintain cushy revenue sources for phantom students need to hear from taxpayers when Truth-in-Taxation hearings are held in August. These school districts are double-charging taxpayers when a district student decides to attend a charter school. This was not the intent of the legislature and is completely unjustifiable.

It is crucial that as your Taxpayers Association continues to weigh in with each of the four school boards, you also add your voice calling on these school boards to refrain from unnecessarily raising your property taxes. ♦

Rethinking General Tax Subsidies for Funding Highways and Water

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Davis and Cache, are still considering this proposal that socializes the cost of road use instead of relying on user fees.



Dr. Randy Simmons speaks on the user fee method of water funding at the Utah Taxpayers Association's 2015 Utah Taxes Now Conference

The user fee approach to funding was advanced at the recent Utah Taxes Now Conference by Randy Simmons, President of Strata Policy, a Logan Utah based think tank.

Mr. Simmons said Utah's approach to subsidizing water through property and sales taxes induces waste and over-consumption.

Commenting on the water-lobby's estimates of water

demands for Utah's future, Simmons said, "Looking at a demand curve without pricing tells us nothing. We don't know what future demand looks like until

it is related to price." He argued that when water is subsidized through general taxes, water fees are lower than the real cost, and consequently, we cannot say what the demand curve looks like over time. Simmons said, "Water developers in Utah want other people's money. Amazing economic distortions occur when the commodity is paid for through other people's money." The easiest and best allocation method is to raise the price to represent the full cost and let the market allocate water instead of subsidizing the cost. In fact, "one of the best indicators of bad pricing is if a bank won't loan you the money for your water project. That's why water districts go to the legislature to get funding authorization," Simmons said.

Your Taxpayers Association supports sound tax policies that closely align taxes with government services provided. As discussions move forward on how to fund Utah's transportation and water projects we call upon the TRC, state legislators and local government officials to look to user fees to pay for services provided and not to the sales tax, as it will further hide the true cost of government. ♦

Which Local Taxing Entities Are Raising Property Taxes This Year?

Is your city or school district raising property taxes? Let us know! Email Kelsey at kelsey@utahtaxpayers.org or call 801-972-8814.

As happens every summer, cities and school districts, along with a few special service districts, prepare their budget for the new fiscal year and consider property tax increases. Last month, your Utah Taxpayers Association surveyed Utah’s 41 school districts and 40 largest cities to find out which entities will be holding a Truth-in-Taxation hearing for a property tax increase this August.

Below is a list of the entities we are currently aware of that will attempt to raise property taxes this fall. More information will be posted on our website as it becomes available. Feel free to contact us with questions or concerns.

The Utah Taxpayers Association generally opposes property tax increases. More often than not, funding for critical needs can be found within existing budgets by prioritizing and cutting waste. In many cases, a property tax increase for essential city needs such as public safety and infrastructure would not be necessary if the city were willing to cut lower spending priorities that are discretionary.

In some cases, property tax increases may be appropriate. In the case of Payson city, which has not had a property tax increase in about 40 years, raising property taxes to stop the poor practice of using enterprise funds for general government purposes may be appropriate. ♦

Entity	Increase Amount	TnT Hearing	Background and Purpose
Murray School District	\$605,000 (\$28 on avg homeowner)	8/11/2015, 7:00 PM	Charter school local replacement funding and additional school counselors, math coaches and elementary administrators.
Washington School District	-	8/11/2015, 6:00 PM	Have not responded to Association requests for info.
Granite School District	\$3,839,119 (\$23.02 on avg homeowner)	8/4/2015, 6:00 PM	Increase for charter school local replacement funding and a shift from debt service fund to the capital levy.
Emery County School District	\$122,000	8/12/2015, 7:00 PM	Judgment Levy to Utah American Energy.
Wayne School District	\$217,893 (\$61.71 on avg homeowner)	8/5/2015, 7:00 PM	Increase to the capital levy for building repairs. Will also propose to raise the voted local levy by another \$217,893 on the ballot in November.
Salt Lake City School District	\$1.5 M (\$11.28 on avg homeowner)	8/4/2015, 7:00 PM	Charter school local replacement funding, peer assistance and review (PAR) and professional development for teachers.
Box Elder School District	\$1.5 M	8/12/2015, 6:30 PM	Raising levies to the maximum to increase teacher salaries and development
Daggett School District	\$40,000 (\$0.67 on avg homeowner)	8/11/2015, 6:00 PM	Increase in health insurance costs and COLA. Losing tax base.
Grand School District	\$420,000, (\$17.33 on avg homeowner)	8/5/2015, 6:00 PM	The Board has been freezing the rate for the past several years. "Saving up" for a major middle school remodel and generating funds to cover charter school local replacement funding.
Juab School District	-	8/19/2015, 6:00 PM	Have not responded to Association requests for info.
Morgan School District	\$96,037 (\$17.45 on avg homeowner)	8/18/2015, 6:30 PM	Board hasn't defined specific use yet. Will go into capital reserves fund and general fund balance.
Tintic School District	-	-	Capital projects and operations.
Tooele School District	-	8/11/2015, 7:00 PM	Have not responded to Association requests for info.

Entity	Increase Amount	TnT Hearing	Background and Purpose
Carbon School District	-	-	Have not responded to Association requests for info.
West Valley City	\$199,965	8/11/2015, 6:30 PM	Judgment levy
Sandy	\$318,000	8/4/2015, 7:00 PM	Park and road maintenance, public safety additions, and expanded trails and bike lanes.
Provo	\$21.2 M	8/4/2015, 5:30 PM	New police officer, vehicle and equipment. Provo residents will also face fee increases in water and power rates. A RAP tax will be on the November ballot.
Clearfield	\$220,861 (\$4.42 on avg homeowner)	8/11/2015, 7:00 PM	This is the city's 5th consecutive year in a row raising property taxes. Will be used to replace a sprinkler system at one of the city parks and shore up more fund balance (currently at 20% of total revenues).
Salt Lake City	\$14 M	8/13/15	Public safety, etc.
Payson	\$160,000, (\$25 on avg homeowner)	8/12/15, 6:00 PM	Last property tax increase was about 40 years ago. Reduce transfers from city enterprise funds.
Willard	-	8/13/2015, 6:30 PM	Not yet contacted.
Lewiston	-	8/18/2015, 7:30 PM	Not yet contacted.
Fruit Heights	-	8/4/2015, 7:15 PM	Not yet contacted.
West Point	-	8/4/2015, 7:00 PM	Not yet contacted.
Fairview	-	8/11/2015, 7:30 PM	Not yet contacted.
Elk Ridge	-	8/6/2015, 6:00 PM	Not yet contacted.
Woodland Hills	-	8/11/2015, 7:00 PM	Not yet contacted.
Jordan Valley WCD	-	8/12/2015, 6:00 PM	Not yet contacted.
Traverse Ridge SSD	-	8/4/2015, 7:00 PM	Not yet contacted.

Congressman Chaffetz’s Sales Tax Equity Legislation Deserves Consideration

In an effort to modernize the outdated sales tax collection process, Congressman Jason Chaffetz, R-Utah, has introduced [H.R. 2775](#), the Remote Transactions Parity Act.

This legislation will equalize the playing field between “bricks and mortar” retail stores and out of state online retailers by granting states the authority to enforce state and local sales and use tax laws on remote transactions. Your Taxpayers Association has long supported the principle of sales tax equity among retailers and supports Congressman Chaffetz’s legislation.

Remote sellers such as online retailers are not currently required to collect and remit taxes on sales from out of state customers if the remote seller does not have a physical presence in the customer’s state. H.R. 2775, however, will end that practice by requiring retailers to comply with state sales tax laws as long as the state has adopted the Streamlined Sales and Use Tax Agreement, which Utah and 23 other states have.

H.R. 2775 protects small businesses because it exempts retailers who sell under \$5 million in gross receipts from remote state audits. It also has a phase in period for retailers to comply with the new sales tax structure. The legislation calls for retailers that have less than \$10 million in gross receipts to be exempt in the first year, less than \$5 million in the second year and less than \$1 million in the third.



Congressman Jason Chaffetz

In addition to the phase in period, the law also requires states give remote sellers the software needed to collect and remit the taxes due. It also requires states to pay for the installation and operating costs of the software.

As this legislation moves through the process towards becoming law, we call upon state lawmakers and local elected officials to complement this legislation with a simultaneous decrease in the state and local sales tax rates so that the tax policy change is revenue neutral. Your Taxpayers Association sees this as a key opportunity to broaden the tax base and lower the rate on all consumers rather than providing a windfall of new tax revenue to state and local governments.

H.R. 2775 has been referred to the House Judiciary Committee because of its interstate commerce nexus. Your Taxpayers Association looks forward to seeing the bill’s passage in the future. ♦

Rebecca L. Rockwell Confirmed to the Utah State Tax Commission

The Utah Taxpayers Association applauds the Governor’s appointment of Rebecca L. Rockwell to the Utah State Tax Commission and the Senate’s confirmation of her appointment. Billy Hesterman, Vice President of the Utah Taxpayers Association said, “We appreciate Ms. Rockwell’s lifetime of preparation for this appointment and her willingness to serve the taxpayers and taxing entities of Utah.”

Rebecca L. Rockwell, formerly Associate General Counsel with the Office of Legislative Research and General Counsel, was appointed to replace D’Arcy Pignanelli as a member of the Utah State Tax Commission. She was confirmed on June 17th and her term will run through June 30, 2019.

During the 2014 General Session, the Utah legislature passed [SB 19](#), “Appointment and Qualification of Members of the State Tax Commission.” This legislation greatly increased the experience and qualifications required of members of the Utah State Tax Commission.

Since the passage of SB 19, former Senator John Valentine has been appointed as Chair of the Utah State Tax Commission and now Ms. Rebecca L. Rockwell as Tax Commissioner.

Ms. Rockwell has worked in Utah state government for over 22 years and is one of the state’s foremost experts in tax case law, Utah tax

code and administrative rules and procedures. An expert in sales and use taxes, income taxes, property taxes and excise taxes, Ms.

Rockwell has drafted multiple state tax code recodifications, including changes to the taxation of estates and trusts and implementing the Streamlined Sales and Use Tax Agreement in Utah.

While Ms. Rockwell’s service to the Utah State Legislature will be missed, her service to the Utah State Tax Commission will ensure continued excellence in the administration and supervision of Utah’s state tax laws. ♦



Tax Commission Chair John Valentine with Commissioner Rebecca Rockwell, Commissioner Michael Cragun, and Commissioner Robert Pero.

To learn more about what state tax commissioners do, click [here](#).



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Utah State Tax Commission Announces New Reconciliation Requirements

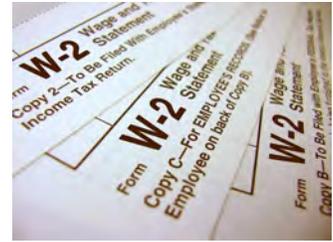
To combat identity theft and fraud the Utah State Tax Commission has changed its procedures for employers in filing annual reconciliation forms.

The new procedure requires all employers to now file their annual reconciliation forms electronically, including the TC-941R Utah Annual Withholding Reconciliation, all W-2's and required 1099Rs. In addition, the deadline for filing these forms electronically is now January 31 of each year.

This change is due to the passage of [SB 250](#) in the 2015 legislative session. The bill made changes to statute that allow the Tax Commission to match employer withholding information with employees' individual income tax returns *before* sending tax refunds, a move that will give additional identity theft protections to taxpayers.

The legislation prevents the Tax Commission from issuing income tax refunds before March 1 unless both the employer and the employee have filed all required returns and forms. An employer's failure to electronically file by January 31 may cause refund delays for employees.

Failure to comply with these new procedures will subject employers to significant penalties. Additional information on this change can be found on the Tax Commission's website: <http://tax.utah.gov>. ♦



On June 11th the Utah Taxpayers Association held its annual "Teed Off on Taxes" golf tournament at the Eaglewood Golf Course in North Salt Lake. Thank you to everyone who came and golfed with us, and an especially big thanks to our sponsors!





Research Analyst
Kelsey White

Letter: Bad Data Inhibits Utah Schools' Accountability

First published in the [Salt Lake Tribune](#) on June 27, 2015

The financial transparency of publicly funded entities, required by state and federal laws, sets the U.S. apart from other countries and contributes to the high standards of governance that taxpayers deserve. But for data to be meaningful and useful, it must be accurate and timely.

As research analyst for a watchdog organization that monitors taxpayer dollars in Utah, I rely on the budgets and financial data mandated to be publicly available across all levels of taxpayer-funded entities.

In preparing an annual report on Utah's education spending that the Utah Taxpayers Association publishes, I discovered that the financial data for Utah's public schools, as reported to and by the Utah State Office of Education (USOE), are muddled and fragmented. I saw problematic data at every level in Utah's education hierarchy.

Such disorganization is unacceptable, especially because public education receives all of the state income tax, more than half of the property tax and nearly half of the state's entire discretionary budget. Because of accounting differences between schools, taxpayers lack clarity about how their money is being spent. If one school district categorizes spending for supplies or programs differently than another school district, I lose my ability to compare one district with another because I very well may be comparing an apple with an orange.

At the June State Board of Education meeting, Associate Superintendent for Business and Operations Scott Jones said, "I'm only as good as the data that gets provided to me." His statement acknowledged that we all rely on data that school districts, public charter schools and divisions within the USOE self-report under a system lacking uniform procedures or oversight.

In my role as a watchdog, I, too, am only as good as the data that gets provided to me. I have little confidence that meaningful analysis of spending across public schools in Utah can be completed due to the unreliability of the data. Students and taxpayers deserve better.

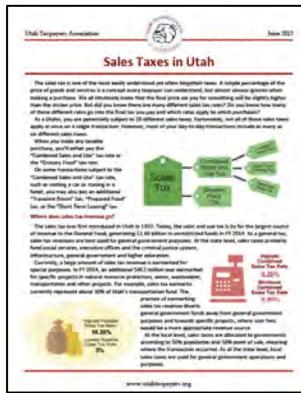
U.S. law requires high standards of financial management and transparency because, without a sound structure of policies and procedures, the door is left open for waste, fraud and abuse of public funds. In many cases, this waste and abuse is not perpetrated with malevolent intent, but it simply occurs by accident catalyzed by a faulty system. Proper accounting, uniformity and oversight prevent these problems and are essential pieces in protecting taxpayers.

Utah cannot afford a high margin of error in accounting practices when it comes to managing public education dollars. Our children's education and our state's economic growth are too important.

The state Board of Education needs resources to put a uniform accounting system in place so that taxpayers and schoolchildren know they are getting the best education that money can buy in our state.

With problems of financial reporting becoming apparent within the USOE, the board has begun discussing how to address these problems. There may finally be potential for meaningful change in clarifying the board's role as head of education in Utah. It will take additional manpower and financial commitment in the short term to institute policies and procedures that ensure adequate financial oversight and management of Utah's education dollars, but the payoff will be well worth it. ♦

Utah cannot afford a high margin of error in accounting practices when it comes to managing public education dollars.



Sales Taxes in Utah

The sales tax is one of the most easily understood yet often forgotten taxes. We all intuitively know that the final price we pay for something will be slightly higher than the sticker price. But did you know there are many different sales tax rates? Do you know how many of these different rates go into the final tax you pay and which rates apply to which purchases?

Our latest report, “Sales Taxes in Utah,” provides a comprehensive overview of sales taxes in Utah, including rates in all of the state’s 29 counties. Check it out [here!](#)

Association Accomplishments During June:

- ❖ Held the Utah Taxpayers Association’s annual “Teed Off on Taxes” golf tournament at the Eaglewood Golf Course in North Salt Lake.
- ❖ Attended County Commission meetings to speak against placing an optional .25% sales tax increase on the November ballot.
- ❖ Participated in the State Legislature’s June interim day, testifying on proposed tax bills and tracking upcoming study items and legislation.
- ❖ Attended the Tax Review Commission meeting to keep an eye on how recipients of earmarked sales taxes use funds.
- ❖ Spoke at city budget hearings regarding upcoming fiscal year 2016 budgets and potential property tax increases.
- ❖ Surveyed Utah’s 41 school districts and largest 40 cities regarding budget changes for the upcoming 2016 fiscal year.

In the News:

- ❖ Published a report on sales taxes in Utah
 - [Utah Policy](#)
 - [Salt Lake Tribune](#)
 - [The Daily Herald](#)
 - [Utah Taxpayers Association](#)
- ❖ Highlighted problems with Utah’s education spending data
 - [Salt Lake Tribune](#)
- ❖ Endorsed H.R. 2775, the Remote Transactions Parity Act, sponsored by Congressman Jason Chaffetz
 - [Deseret News](#)
 - [KSL](#)
- ❖ Spoke out against a general sales tax increase for local transportation funding
 - [Deseret News](#)
 - [Salt Lake Tribune](#)
 - [The Forty Five Podcast](#)
 - [Salt Lake Tribune](#)
 - [Standard Examiner](#)
 - [Trib Talk](#)
 - [Salt Lake Tribune](#)