



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

19 Cities, 9 School Districts, 3 Special Districts Increasing Taxes

In last month's edition of the Utah Taxpayer, we reviewed a few cities and school districts that are looking to increase their levies on taxpayers.

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.

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.

Here are just a few of the highlights for major tax increase proposals across the state. If you'd like to see a more comprehensive list, check the informational box at the bottom of this article.

Provo School District

Provo School District is looking at an increase in property taxes this year. The last time it raised rates was in 2009.

The Provo School Board has suggested that the new revenue, if approved, will go towards the purchase of new buses, as well as technology upgrades within the schools.

The district says that the average Provo homeowner who has a \$250,000 home could pay an additional \$100 a year.

If there's any good news about this increase, the decision by the school district prompted the Provo City Council to remove the option of their tax hike this year.

The board began discussing the possibility of increasing the tax levy in February) It will hold a public meeting on the increase on August 9 and will set tax rates by August 22.

Ogden City

Ogden is proposing an increase of more than 30%. City officials are claiming that it would effectively be an increase of 3.29% to the average taxpayer, citing an existing bond that has since expired. However, this is a classic bait-and-switch on taxpayers.

Your Taxpayers Association strongly opposes this claim, and

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My Corner: Cities Grasp at Straws Through Utility Fees for Transportation

In 2015, the Utah Legislature came to an agreement that would help the state, cities, and counties better maintain and build transportation infrastructure.

House Bill 362 raised the gas tax to 29.5 cents per gallon, which was the first increase in the gas tax since 1997. It also added a formula by which the tax can be automatically increased based on the cost of the average gallon of gas, in order to keep up with inflation. The State Tax Commission estimates it will generate about \$76 million a year.

Another provision of HB 362 was the option for counties to ask the voters if they would approve an additional sales tax to fund transportation budgets of cities, towns, and counties.

Your Taxpayers Association opposed HB 362, not because of the gas tax hike, but because of the local option sales tax.

First, we believe local roads are as much in need of adequate funding as state roads and should not left to a referendum creating “the haves” in counties where voters approved the ballot question, and the “have-nots” in counties where voters rejected the sales tax.

The Association also opposed the sales tax option because highway users should pay the full cost of their use of roads and not be subsidized by general sales or property taxes.

Last November, voters in 17 of Utah’s 29 counties were asked if their taxpayers would be willing to increase the sales tax rate by 0.25% in order to pay for transportation and mass transit-related projects within their boundaries. It passed in 10 of the counties that placed the proposition on the ballot in November of 2015. It failed in 7 counties, including Salt Lake and Utah County.

As the bill was originally passed, if the local option sales tax increase was approved by voters, 40% of the additional revenue from the tax increase goes to each of the cities within the county that raises the tax. Another 40% of the increase will go to the mass transit district operating within the county (e.g. Utah

Transit Authority), while the final 20% of the increase will be distributed to the county. For counties without a mass transit system, the revenue will be split with 60% being received by the counties and 40% going to the cities.

Now with that history, here’s where we are today. While some local municipalities are seeing increases to their transportation funds because of the gas tax increase, they are still not up to the funding levels needed to maintain local roads because voters rejected the local option sales tax at the ballot box. Because of this, several cities are proposing utility fees in order to compensate for a lack of infrastructure funds, specifically transportation, funding. These two cities are Pleasant Grove and Mapleton.

Pleasant Grove originally proposed charging residents a \$4.90 monthly fee and businesses a \$60.20 monthly fee to maintain their roads. It was estimated that this fee structure would raise \$1 million for the city to cover the cost of maintaining the city’s roads.

Highway and road users should pay the full cost of their use of roads, and should not be subsidized by general sales or property taxes.

This fee would be nearly \$60 annually for every household, regardless of the usage of the roads, and more than \$700 for every business, both big and small, in the city.

Pleasant Grove held a public hearing on the proposed fee, which your Association alerted city residents of and led the charge against the fee in the public comments of the meeting, the city is now taking its time to determine what is the best way to move forward in funding its roads.

Mapleton officials, in October of 2013, conducted a survey of their infrastructure to determine the need and approximate cost of the maintenance needed. The survey, known as Local Technical Assistance Program (LTAP), concluded that the city needed an additional \$200,000 annually.

However, this figure does not take into account

the new money raised from the gas tax that the Legislature passed in 2015, estimated at nearly \$57,000 annually.

While the city has not yet unveiled specifics of the plan publicly, officials are tentatively looking at an approximate \$96 fee per residential property. They have not mentioned the cost for businesses in the city.

The City Council is holding a meeting on July 20th to consider the adoption of this fee.

Efficient transportation systems are key to our state succeeding economically. Individuals need to get to work and goods need to be transported. We can't afford to have roads in poor conditions if we want to keep Utah as one of the top economic performing states in the nation.

However, our roads should be funded through user fees, not through socialized methods of a sales tax or mechanisms that may prove to be illegal by issuing fees to every resident in a city via the city's utility bill.

Courts in Kansas, Washington, Florida and Idaho have ruled that such fees are actually a tax and that cities cannot issue a road fee on a utility bill. Utah courts have not ruled on this issue but have set a standard to ensure that fees do not become indistinguishable from a tax. The Utah Supreme Court in *V-1 Oil Co. vs. Utah State Tax Commission* (1996) ruled that a fee must be a specific charge in return for a specific benefit to the

one paying the fee. The ruling also have determines that fees must bear some reasonable relationship to the cost of the service said to justify its imposition.

It is hard to see how Pleasant Grove and Mapleton city councils think their proposals fall under those standards for a fee.

If cities and counties need additional funding for their roads, they shouldn't need to look at issuing a fee for roads on the utility bill. Rather, the Legislature needs to further explore additional increases to the gas tax and studying the effect of determining the rate through vehicle-miles traveled (VMT). Instead of trying to hide the cost of Utah's roads in a sales tax, Utah's lawmakers need to be innovative and forward thinking in how the state can ensure the transportation funding system is sustainable long term.

They need to consider a VMT system assessing individual road use and funding highways. This type of funding mechanism would ensure that the cost of roads is borne by the users and would prevent alternative fuel users from avoiding paying their fair share for the use of the state's transportation system.

Utahns are willing to pay for the services they use but this needs to be done in a fair and transparent way. Your Association will continue to meet with the stakeholders on this issue to ensure that fees are not used as a method of taxation and that Utah's roads continue to be properly maintained for years to come.

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asks the city to advertise the true rate increase.

The money, the city says, is needed for additional employee compensation, as well as smaller capital improvements.

The Truth in Taxation hearing will be held on August 9th and 6 p.m.

Midvale City

Midvale City officials have proposing a whopping 145% property tax increase in their budget this upcoming fiscal year.

The city claims that without the increase, already deteriorating roads will not be maintained, and within 3 years, the city's general fund balance will be less than its obligations, including servicing debt.

Capital projects they have proposed as part of this year's budget include renovations to an outdoor amphitheater and a performing arts center, as well as building a pickleball court.

A Truth in Taxation hearing has been scheduled for August 9th at 7 p.m.

Cache County School District

The Cache County School District is proposing to increase its property tax revenue.

The Cache County School District tax on a \$223,628 residence would increase from \$548.19 to \$595.54, which is \$47.35 per year. The Cache County School District tax on a \$223,628 business would increase from \$996.71 to \$1,082.81, which is \$86.10 per year.

Roy City

Roy is proposing an increase of more than \$1 million a year.

City officials say the property tax is needed to include a cost-of-living adjustment for city employees, as well as funding some one-time equipment needs.

The city has not had a property tax increase since 2005.

The Truth in Taxation hearing has been scheduled for the 16th of August at 6 p.m.

Logan City

Logan City is also proposing a tax increase to fund its library system.

Logan Mayor Craig Peterson has stated the

increase is to help fund operating expenses, as well as save up for the remodeling of an existing library or construction of a new facility.

The goal is to reach a \$2 million pot, which can be used for the stated purposes above. Mayor Peterson has also suggested that there is a possibility of decreasing the property tax rate after reaching that threshold.

Let's see if he holds true to that option.

Below is a list of the entities we are currently aware of that will attempt to raise property taxes this fall. This information was provided to us from the Utah State Tax Commission in late June. While this is not a final list, we will continue to update you as more become available.

Entity Name	Certified Tax Rate	Proposed Tax Rate	Increase as Percentage
GARLAND CITY	0.003255	0.003649	12.10%
MANTUA TOWN	0.002864	0.003358	17.25%
LOGAN CITY SCHOOL DISTRICT	0.009513	0.009878	3.84%
CACHE COUNTY SCHOOL DISTRICT	0.007806	0.008191	4.93%
HYDE PARK CITY	0.000957	0.0011	14.94%
LEWISTON CITY	0.002191	0.002288	4.43%
LOGAN CITY	0.002116	0.002246	6.14%
NIBLEY CITY	0.001484	0.001667	12.33%
PARADISE TOWN	0.000914	0.001266	38.51%
SCOFIELD TOWN	0.000503	0.000879	74.75%
MANILA TOWN	0.001523	0.001629	6.96%
CLEARFIELD	0.001099	0.0018	63.79%
CITY OF NORTH SALT LAKE	0.001475	0.001622	9.97%
WEST POINT	0.000984	0.001036	5.28%
WOODS CROSS CITY	0.000848	0.001239	46.11%
CENTRAL UTAH WATER CONSERVANCY DISTRICT	0.000386	0.0004	3.63%
TOOELE COUNTY SCHOOL DISTRICT	0.009408	0.009593	1.97%
PROVO CITY SCHOOL DISTRICT	0.007172	0.007883	9.91%
NEBO SCHOOL DISTRICT	0.008193	0.009298	13.49%
ELK RIDGE CITY	0.00218	0.00449	105.96%

MAPLETON CITY	0.002574	0.002729	6.02%
PAYSON CITY	0.001192	0.001279	7.30%
WOODLAND HILLS CITY	0.004522	0.004839	7.01%
WASATCH COUNTY SCHOOL DISTRICT	0.008088	0.008288	2.47%
WASHINGTON COUNTY SCHOOL DISTRICT	0.007213	0.007272	0.82%
OGDEN CITY SCHOOL DISTRICT	0.008773	0.009275	5.72%
WEBER COUNTY SCHOOL DISTRICT	0.006397	0.006693	4.63%
OGDEN CITY	0.002377	0.00322	35.46%
ROY CITY	0.002051	0.002828	37.88%
NORTH VIEW FIRE DISTRICT	0.000973	0.001232	26.62%

Local Building Authorities Circumvent Will of the Voters

Imagine a scenario in which the voters of a county rejected a general obligation bond to construct a new public building. Following this, the legislative body of the county blatantly ignored the will of the voters and found a way to construct the public building anyway.

Seems to undermine democracy at its best and possibly violate our Constitution at its worst, right? Surprise, this is completely legal and many entities within the state have made that proposal a reality.

Let's learn about Local Building Authorities (LBAs). LBAs exist for the very purpose of constructing public buildings (prisons, police stations, etc.) by circumventing the voters, required for approval on a major cost project.

Essentially, an entity's legislative body can create the LBA by setting up a non-profit for the specific purpose of constructing a building, and act as an LBA's board with no additional oversight.

So, how do LBAs get their money? While they have no statutory authority to generate revenue from fees or property tax, the authority uses lease payments from the creating local entity to make payments on any bonds, which are typically revenue bonds.

Generally, revenue bonds have higher interest rates than voter-approved general obligations bonds.

An LBA may issue bonds if it is approved by the legislative body of the entity, which also serves as the board of a newly created LBA.

Simply put, the funds then are taken from one

city pocket and put into the other.

In Iron County, voters not once, but twice, rejected a measure to bond for a new county jail. Eventually, an LBA was created and the jail was built anyway.

What can taxpayers do? Once the LBA gives notice of intent to issue bonds, a petition, submitted by 20% of registered voters, can push the bond question back to the voters directly. As far as we can tell, this has never happened in Utah's history.

Why does this option exist to undermine the voters' decision? Some have argued it's another "tool in the toolbox" for cities and counties to avoid facing lawsuits or fines if some buildings are not up to code, after voters reject a proposed bond to construct a building.

However, this does not excuse any entity from directly violating the will of their constituents.

In June's Political Subdivision Interim Committee hearing, the topic of varying types of local districts, including LBAs were brought up. Many committee members raised a lot of excellent questions about the seemingly unlimited authority LBAs have in the construction process and funding of a new public building.

The Committee asked staff members to delve more deeply into the issue and we can expect a report in the coming weeks.

Expect to hear much more about this issue in the future as the Association works with committee members to better understand and regulate these overarching undemocratic districts.

Taxpayers Association Testifies in Support of Single Sales Factor for All Businesses in Utah

In late June, the Utah Tax Review Commission held a hearing to hear from several witnesses for input on tasked study topics, including the option of mandating single sales factor for corporate franchise taxes.

Association Vice President Billy Hesterman had been asked by the Commission to provide testimony on behalf of the Association on single sales factor, and how Utah could benefit from this tax policy.

Before the testimony, the [Association's Utah 2.0 video](#) was shown to those in attendance.

You can read Mr. Hesterman's testimony below.

"Last winter the Utah Taxpayers Association held a series of meetings with our sister business organizations in the state to discuss what the next steps should be for Utah in regards to tax policy to continue the state's strong economic environment. Two tax items rose to the top during these discussions.

"One was removing the sales tax penalty for machinery and parts that last less than three years for Utah's manufacturers and the other was implementing Single Sales Factor for all of Utah's businesses. To promote these two issues a campaign was created called Utah 2.0.

"The Taxpayers Association, along with the Salt Lake Chamber, The Utah Manufacturers Association, The Utah Mining Association and the Utah Technology Council have spent the last six months discussing Utah 2.0 with state lawmakers to educate them on these crucial tax changes for the state.

"Because of the efforts of these organizations and the state legislature, 1st Substitute House Bill 61, which expanded the single sales factor option to the high tech manufacturing sector of the state, passed in this last session.

"Now with the session over and this commission meeting to further examine this issue, our question to you is: "Whether and how can Utah expand single sales factor to all NAICS codes?"

"Utah is a state that wants to be an attractive location for business. In an effort to improve that

attractiveness, Gov. Huntsman, in 2005, called for the elimination of the state's corporate income tax to allow the state to be the same as Nevada and Wyoming, and other states, which charge no corporate income tax.

"Utah's business community opposed this proposal.

"Why would Utah's businesses oppose the elimination of the corporate income tax? Because the total elimination of the corporate income tax would allow for an even greater increase in that corporation's property tax.

"If Utah's corporate income tax is fully eliminated, Utah's constitution allows the state the ability to include intangible value, such as goodwill, going concern, trademarks and patents in the calculation of a company's property tax.

"Are there economic reasons as to why SSF should not be mandatory for every business in Utah?"

"For example, the public record shows that Adobe purchased Omniture for 1.8 billion in 2009. Yet, under this hypothetical scenario, the county assessor may have valued the physical assets of Omniture - the buildings, the land and the equipment in the neighborhood of \$200 million, at most.

"If Utah had no corporate income tax Adobe would pay its property taxes on \$1.6 billion instead of \$200 million.

"Allowing for intangible values to be included in the property tax would make Utah off limits for the location of the most coveted companies. Silicon slopes would suddenly become Silicon ghost town.

"Single sales factor gives companies the benefit of low corporate income taxes without exposing them to property taxes on the company's intangible property.

"The national Tax Foundation in Washington DC in their 2015 "Location Matters" report found that Utah's tax burden is below average in most business categories except for two. Utah ranked 26th in both Capital-Intensive Manufacturing and Labor-Intensive Manufacturing. The Foundation in its

report noted that Utah could improve its scores for these two sectors if it allowed single sales factor for these companies.

“As the Utah Taxpayers Association has examined this issue, we have observed that making it mandatory for all businesses will do two things. It will first incentivize businesses that are currently outside of the state to come to Utah as they will enjoy a lower tax burden here by only having their tax apportionment calculated by their in-state sales. Second, by making it mandatory, it does not give businesses that have little payroll or assets in the state an advantage over those that have invested in Utah.

“By allowing for an electable option, this gives companies with little investment in Utah the chance to lower their tax burden in the state over companies that have imported jobs and wealth to the state. By making it mandatory, Utah is

rewarding those that believe in what the state has to offer.

“This Commission now has an opportunity to examine this issue in-depth and give a recommendation on what is the best way to move forward for the state. We ask that you ask the question, “Are there economic reasons as to why this should not be mandatory for every business in Utah?”

“We believe Utah should move forward with fully implementing single sales factor to all Utah businesses. However, because of this commission’s ability to look at issues with a non-biased eye, you can make the recommendation that is best for the state. You may hear from my organization, or those we work with, arguing that it should be electable because it benefits our members, but this commission has the ability to determine what is the best tax policy for the state.”

Association Releases How Utah Compares Report

Utah’s state and local government tax and fee burden ranked 17th highest in the U.S. and above the national average during FY2013, according to the Utah Taxpayers Association’s annual calculations. Tax burden is expressed as the percentage of total personal income consumed by taxes and fees. Data from the U.S. Census Bureau’s Census of State and Local Government Finances and personal income data from the Bureau of Economic Analysis are used to calculate the burden of various taxes in all fifty states. In December 2015, data for fiscal year 2013 was released.

The overall tax and fee burden on Utahns increased slightly from FY2012, but Utah’s ranking improved as other states’ burdens climbed.

Utah’s tax burden (excluding user fees) also increased, but the ranking remained the same, indicating more substantial increases in other

states.

Utah’s total tax and fee burden of 14.17% of total

State and Local Tax Burdens and Revenues as a Percent of Total Personal Income, FY13				
<u>Measure</u>	<u>U.S.</u>	<u>Utah</u>	<u>UT Rank</u>	<u>UT as % U.S.</u>
All state/local government revenue (inc. federal revenue to local governments)	20.32%	22.34%	14	109.95%
State/local government revenue (exc. federal revenue to local governments)	16.15%	17.68%	10	109.51%
Taxes and fees	13.55%	14.17%	17	104.59%
Taxes and fees less higher education charges	12.82%	12.77%	21	99.56%
Taxes	10.38%	9.73%	32	93.72%
Individual income tax	2.41%	2.72%	17	112.82%
General sales tax	2.33%	2.42%	23	103.76%
Motor fuel tax	0.30%	0.36%	17	120.68%

personal income during FY2013 has significantly improved over previous years, (back in FY 2007 it was at 16.3%), but is still high among neighboring states. After state tax reform during the Huntsman administration, Utah moved from having the fifth highest tax burden in 2007 to the seventeenth highest tax burden in 2013. The only neighboring state with a greater tax and fee burden than Utah is Wyoming, ranking fifth overall in the country with a total tax and fee burden of 16.05%.

Utah’s income tax as a percentage of total personal income has continued to decrease since 2007, until 2013, when it shot up to 2.72% in comparison to FY2012, when Utahns gave 2.48% of their total personal income. Two of Utah’s

neighbors, Nevada and Wyoming, don’t impose an individual income tax, helping them rank above Utah in overall tax and fee burden.

In 2013, the percentage of total personal income Utahns spent on the general sales tax decreased to its lowest level in at least 9 years, at 2.42%, ranking Utah second lowest among the neighboring states, following Idaho. In general, the neighboring states all followed the trend of less of the personal income being spent in this category. However, none of these states are below the national average of 2.33%.

You can view the How Utah Compares entire report by [clicking here](#).

Utah and Neighboring States Tax Burden Comparison, FY13

State	Taxes and Fees		Individual Income Tax ¹		General Sales Tax ²		Property Tax	
	Burden	Rank	Burden	Rank	Burden	Rank	Burden	Rank
Arizona	12.28%	40	1.40%	41	3.72%	4	2.75%	31
Colorado	13.06%	30	2.26%	31	2.51%	18	2.88%	26
Idaho	12.33%	39	2.28%	30	2.34%	25	2.53%	36
Nevada	12.92%	34	-	-	3.64%	6	2.48%	37
New Mexico	13.51%	25	1.68%	38	3.96%	3	1.93%	46
Utah	14.17%	17	2.72%	17	2.42%	23	2.64%	34
Wyoming	16.05%	5	-	-	2.87%	13	4.18%	10

Association Accomplishments During June:

- ❖ Planned, organized, and held the 2016 Teed Off On Taxes Golf Tournament
- ❖ Attended meetings during the Legislature’s June Interim session
- ❖ Met with Jordan School District officials to help formulate cost-cutting measures for proposed bond
- ❖ Hired a new Executive Assistant
- ❖ Spoke out against Pleasant Grove’s transportation fee
- ❖ Spoke on corporate income tax apportionment before the Tax Review Commission

In the News:

- ❖ Comment on funding for Arena
 - [Salt Lake Tribune](#)