



# THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

## Utahns Voluntarily Contribute Just \$8,083 in 2014 to Public Education

Numerous polls have been released that indicate Utahns would be supportive of an increase in the individual and corporate income tax to support the public education system.

In October of this year, pollster Dan Jones and Associates asked Utahns whether they would favor or oppose a 7/8 of 1 percent increase in the personal and corporate income tax for public schools.

The results showed 66% of respondents would be in favor of such an increase.

That type of a rate hike would result in a more than \$700 annual increase for every household in the state of Utah, resulting in roughly \$750 million additional in government revenue annually.

Dan Jones released another poll earlier this year asking how important is it for Utah to increase its per-pupil spending so that we are no longer last in the nation. Similarly, results show 83% of Utahns find it important.

However, the additional revenue from the income tax increase being proposed would only raise Utah's ranking by two points, from 51st to 49th in the nation.

"Data" from these polls have been propped up in the public eye, released repeatedly over years, creating a perception in perpetuity that Utah's public education system is in dire straits. Therefore, these polls draw the conclusion that Utahns would be willing to give up even more of their money for public education. *(continued on page 3)*

### SAVE THE DATE: Pre-Legislative Conference on January 9, 2017

The Utah Taxpayers Association's annual Pre-Legislative Conference is on Monday, January 9, 2017 at 9 a.m. at the Little America Hotel in downtown Salt Lake City.

Seats are limited at this event.

To RVSP, please contact Bren at (801) 972-8814 or [bren@utahtaxpayers.org](mailto:bren@utahtaxpayers.org).

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## My Corner: Ballot Question for \$750 Million Income Tax Increase for Public Education Will Fail, Create Lasting Ill-Will

On November 29, 2016 education advocacy organizations Prosperity 2020 and Education First announced their intention to seek voter approval of a \$750 million permanent increase in Utah's individual and corporate

income taxes.

If approved by voters, the tax hike would raise the current rate from 5% to 5.875%, which translates to an increase of 17.5% over the current rate. The "Our Schools Now" initiative organizers say they will begin collecting signatures next summer to place the question of an income tax increase on the 2018 ballot.

I believe that if the measure makes it to the ballot it will fail to receive voter approval by a very wide margin, creating ill will from classroom teachers across the state.

One of the reasons I am so certain the measure will be defeated is that current political polling practices overstate support for "motherhood and apple pie" issues and understate support for candidates who are disliked by the media.

The recent presidential election has again illustrated the reasons we should be skeptical about public opinion polling. While it was predicted by nearly every polling firm that Hillary Clinton would win the election, Donald Trump came out as the winner.

If we look at the history of polling, this isn't very surprising. One thing we can assume from wildly inaccurate political polling is that often people lie to the pollster to save face when they voted against a popular ballot issue. In the case of the Presidential race it wasn't popular to say you were voting for Trump. So those who were polled would give a different answer than the truth to the pollster.

One polling organization that did predict the Trump victory accurately shows how voters are often not honest when answering questions with a pollster. The Trafalgar Group, a Republican consulting firm that conducted surveys using automated phone calls in battleground states, asked a different question rather than the traditional "who do you support for

president" question.

This group asked the responders who they think most of their neighbors are voting for. This gave the responders an opportunity to say how they will vote without losing face to the live pollster. Because of this question and other techniques, the Trafalgar group was able to accurately predict that Trump would win Pennsylvania, Michigan, Wisconsin, Florida and North Carolina.

We've also seen this on a local level. In 2013, the Jordan School District proposed a half billion-dollar bond and early polling showed that 77% supported the bond. However when it was time for the individuals to vote on the bond in November, it failed 67% to 32%.

Understanding this truth about polling is relevant to the Our Schools Now initiative.

As this campaign moves forward the proponents of the tax increase will cite a number of polls that show the public supports this dangerous change to Utah's income tax. But based on what we have learned from the recent election and elections in the past, I question if the support is really there.

In September of 2015 a Dan Jones and Associates poll showed that 68% of those polled would support a 1% increase to the income tax if the money was used for targeted, specific programs to improve public education. The issue with this poll is the question. How could anyone say they wouldn't support giving more money to improve public education especially when it is targeted and used for specific programs? The problem is that the question does not give the perspective to the taxpayer that this is nearly a 20% increase in the income tax rate and equals out to be an \$830 increase per household in the state. Responders may think otherwise about supporting the proposal if they understand the impact they are facing by supporting the initiative.

Another poll in October of 2016, again by Dan Jones and Associates, asked the question, "How important is it to you for Utah to increase its per-pupil spending so that we are no longer last in the nation?" Just over 70 percent said that was important. This is the equivalent to asking if you support motherhood and apple pie. Of course the public is going to say they support

education and don't want Utah to be last in any ranking. However, when it comes to actually letting the money go from their family checkbook, they will vote differently in the privacy of the voting booth.

Proof of this is described in the front-page article of this newsletter which shows that in 2014, when given an opportunity to voluntarily support education by donating a portion of their income tax refunds, Utahns only donated \$8,083 via the donation option on the state's income tax return. The "Invest More for Education" line item was placed on the income tax return when several education groups claimed citizens are willing to pay more for public education. Utahns have had the option to give more to the education system through this avenue and it is has only

generated \$8,000 annually. This is a clear signal that polls may say one thing but reality is something different.

As this effort to raise the income tax moves forward I expect that additional polls will be released that attempt to show that Utahns think that giving the government nearly three quarters of a billion dollars in new money is a good idea. While these polls are giving the result those paying for the poll want you to hear, the legislature needs to take the initiative petition seriously. Those representing Prosperity 2020 and Education First have said they hope the legislature will respond with a better plan. Let's hope they do.

## Utahns Voluntarily Contribute Just \$8,000 in 2014 to Public Education Through Income Tax Form (cont.)

*(continued from page 1)* Knowing this, in 2013, the Legislature passed a bill that allowed individuals to voluntarily contribute money directly to the public education system, through a option on the income tax form. This option comes alongside many other voluntary contribution items, including assistance to the homeless and buying armor for police dogs. How successful has the "Invest More in Education" voluntary contribution line item been?

Based on data from the Utah State Tax Commission and aggregated by your Taxpayers Association, voluntary income donations to the public education system only reached \$8,083 in 2014, which is the latest figure available.

When compared to the \$5.1 billion spent on public education in Utah, that is a measly 0.0000015% of the budget.

That \$8,083 was donated by 695 individual taxpayers, which equated to \$11.63 per voluntary contributor. This is far less than \$722 additional in income taxes which poll after poll has suggested Utahns will "happily pay" to support public education.

In fact, Utahns voluntarily donated more money through the income tax form to provide body armor for police dogs. Additionally, nearly three times as many filers donated to a program to spay and neuter pets (\$26,347) than gave to public education (\$8,083)

in 2014.

We've seen many notable Utahns promote the idea that taxpayers would be willing to pay more for public education, but the actionable data from Utah's families and workers shows otherwise.

This leads to the question of whether poll respondents fully consider the implications of the issues they are being pressed to answer, and if not, can that data be trusted?

In this month's My Corner, you can read more information about why polling data is often so inaccurate, and the outcome of issues is often the reverse of what polling data suggests.

But the opportunity for Utahns to voluntarily donate to public education may not last much longer. In an effort to shorten the increasing length of the income tax form, the Legislature this past session passed a law that would remove contribution options if a contribution generates less than \$30,000 annually for three consecutive years.

With donations to the Invest More in Education program in 2013 and 2014 well below the \$30,000 threshold, we'll find out in January when the Tax Commission releases the latest figures if Utahns will continue to be able to voluntarily give to public education, or whether all Utahns will be stuck paying hundreds more a year to inflate an arbitrary ranking.

## Taxpayers Win on the November Ballot on Schools, Parks, Elected Officials

In November, voters took to the polls being asked to approve several ballot measures, from school bonds to public safety facilities to parks. Your Taxpayers Association weighed in on these issues and found success on our efforts.

In Pleasant Grove, voters approved a \$9.5 million public safety facilities bond that was endorsed by the Utah Taxpayers Association.

Your Taxpayers Association had several meetings with Pleasant Grove city officials to learn more about the proposal and why they felt the bond was necessary. In these meetings, we found Pleasant Grove's need for new public safety facility that can accommodate fire, police, and courts undeniable.

For example, Pleasant Grove's fire station was converted from an existing school building in 1980, but was originally built in 1939. Today, the very department charged with enforcing code requirements has multiple building code violations. The building is not seismically safe, which could lead to a situation in which the city's first responders are unable to respond at all when they are needed needed the most.

In 2014, Pleasant Grove proposed a \$12.7 million bond for the construction of public safety facilities, which was also endorsed by the Taxpayers Association, but was narrowly rejected by voters 53-47%.

While the Taxpayers Association only endorses bonds when critical facilities must be funded, we felt a replacement to the public safety facilities in Pleasant Grove was necessary, and we applaud the voters decision to pay for these new buildings.

In Salt Lake County, voters in the Jordan School District were asked to approve a \$245 million bond to build 6 new schools, as well as the rebuild of West Jordan Middle School. In 2013, the Jordan School District proposed a nearly half-billion dollar bond, which your Taxpayers Association vigorously opposed. Because of our intervention, the bond failed 67-32%.

This year, officials at the Jordan School District reached out to your Taxpayers Association early in the process to evaluate the bond and determine ways to cut cost for the new bond measure, including looking at construction materials and school designs.

Because of the suggestions the Association made, taxpayers were saved millions, and the bond passed 60-40%.

In other bond efforts, the Alpine School District \$387 million bond, which will build 9 new schools, renovate 10 others, and purchase land for future schools passed 68-31%. Your Taxpayers Association did not oppose the bond after meeting with school officials and reviewing the proposal.

A proposal from Lehi City to bond for \$50 million for new parks and recreation facilities failed 39-60%. The bond, if approved, would have built two new parks and made additional upgrades throughout the system.

The Taxpayers Association also weighed in with several legislative races and a county council race, with success.

We are thrilled to see Salt Lake County Councilman Richard Snelgrove win his re-election race, 52-48%, after being awarded the Association's 2016 Taxpayer Advocate of the Year award, given by the Association during the annual Taxes Now Conference.

Councilman Snelgrove has worked tirelessly over his term to protect the taxpayer, including voting against a \$9.4 million tax hike in 2015. We are excited to continue to work with him and the remaining members of the Salt Lake County Council to ensure taxpayers are defended over the coming years.

Friend of the Taxpayer (an annual award given to legislators who vote in congruence with position the Association takes on legislation) and House Revenue and Taxation Vice Chair Jeremy Peterson also won re-election at the urging of your Taxpayers Association.

Jeremy has voted to reduce taxes to promote economic growth and job creation throughout his term, including voting to remove the inequitable taxation on business inputs. He won his election 56-44%.

The Taxpayers Association also weighed in on a heavily contested race between incumbent Rep. Lavar Christensen of Draper and Suzanne Harrison in House district 32. Your Taxpayers Association endorsed Rep. Christensen as an advocate for building on Utah's economic success. Rep. Christensen won his race 50.01-49.99%.

Friend of the Taxpayer Rep. Sophia Dicaro was also

endorsed this election cycle by the Taxpayers Association, but lost the race 51-49%.

Your Taxpayers Association is also pleased to see the general election win of Sen. Lincoln Fillmore, whom the Association endorsed and mailed out literature in support of, in his primary race against Rich Cunningham.

Cunningham, in the 2016 Session, ran a bill which tried to undermine the state's ability to control the inflating cost of the retirement system for public employees.

Sen. Fillmore won his election against Democrat Dan Paget 70-30%.

## Forbes Magazine Ranks Utah as the Top State for Business

Forbes Magazine has once again recognized Utah as the top state for business.

Earlier this month, the popular magazine released its latest rankings of which states are most business-friendly and the Beehive State once again earned the right to be called the best state for business in the nation.

Forbes' rankings factor in 40 metrics from 17 sources across six broad categories: business costs, labor supply, regulatory environment, economic climate growth prospects and quality of life.

Forbes' grading system gave Utah high marks for its regulatory climate and growth prospects; it found that Utah boasts a friendly legal climate.

The state also scored well due to its sound fiscal planning by legislators and the governor, as Utah was one of only 10 states to hold a AAA bond rating from all three bond rating agencies.

The state also scored high because its energy costs are 19% below the national average.

While the Forbes recognition is flattering and makes it seem that Utah's policymakers can rest on their haunches, it also brings a challenge to the state.

Other states are now implementing what Utah has done in the past and beginning to make more business-friendly policies that Utah has yet to implement.

In 2015, your Taxpayers Association together with the Utah Technology Council, the Utah Manufacturers Association, Utah Mining Association, and the Salt Lake Chamber introduced Utah 2.0. Broadly, this initiative is designed to promote continued Utah's economic strength and success, through the removal the taxation of inputs for the state's manufacturers, to continue the expansion of the single sales apportionment for corporate income tax to all businesses, and by strengthening Utah's workforce by properly aligning education to the needs of the state's employers.

This initiative saw success as multiple bills were passed by the Legislature in 2016 to accomplish these goals. However, more work will need to be accomplished in 2017. Your Taxpayers Association is working closely with key lawmakers to ensure that additional legislation is passed to achieve these crucial changes to Utah law.

## Changes to Solar Tax Credits, Continued Push on Utah 2.0 Make Progress Heading to 2017 General Session

Throughout the summer, the Tax Review Commission (TRC) had studied several of the key components of your Taxpayers Association's Utah 2.0 initiative. Broadly, this initiative is designed to promote continued Utah's economic strength and success, through the removal the taxation of inputs for the state's manufacturers, to continue the expansion of the single sales apportionment for corporate income tax to all businesses, and by strengthening Utah's workforce by properly aligning education to the needs of the state's employers.

In his report of the TRC's activities over the year to the

Revenue and Taxation Interim Committee (R & T) Chairman Curtis Trader testified that the Commission does believe that the single sales factor for corporate franchise apportionment should be implemented in the future, as well as agreeing that the sales tax penalty on manufacturing inputs with a life less than three years should be done away with.

Your Taxpayers Association testified on both these issues throughout the Commission's duration, and believe this is an excellent step in fulfilling Utah 2.0's goal of bringing continued economic growth to the state and all its citizens.

R & T also heard a bill from Rep. Jeremy Peterson, that would do away with the tax credit for solar panel installations.

This provides tax credit to individual of \$2,000 or 25% of cost of the system (whichever is less). Rep. Peterson testified that while the credit was put in place to help incentivize a fledgling industry, it has now grown at such an exponential rate that the subsidy is no longer needed.

As your Taxpayers Association has long maintained, taxes need to be fair and equitable, and should not be used to influence behavior. This tax credit for solar installs shifts the burden to all other taxpayers, and therefore ought to be eliminated.

According to data provided to the Committee, the solar tax credit is forecasted to drain taxpayer resources from the Uniform School Fund (education fund) nearly \$20 million in 2016 alone, and that figure is expected to increase to \$40-60 million in 2017.

The proposed legislation, adopted by the Revenue and Taxation Interim Committee, would phase the credit out over a period of 5 years, ending for new installations completely in 2022.

Your Taxpayers Association supports Rep. Peterson's efforts to eliminate this tax credit as an economic driver, as data provided shows the industry will continue to grow, even without the credits. Expect to hear more on this in the 2017 General Session.

Meanwhile, the Education Interim Committee, discussed another key principle of Utah 2.0, expanding Utah's workforce for the needs of employers through expanding competency-based education.

Competency-based education is "a system where a student advances to higher levels of learning when the students demonstrates competency of concepts and skills regardless of time, place, or pace." (U.C.A. Section 53A-15-1802).

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

However, the Education Interim Committee had outlined several barriers in previous months on all levels to competency-based education, including funding structure, incentivizing schools, and creating an assessment protocol.

A proposal from Sen. Ann Millner, chair of the Senate Education Committee, is attempting to work through these hurdles, specifically through funding measurements.

The legislation, approved by the Education Interim Committee, would build a funding structure for students who master a concept and are able to move onto the next level. Simply put, if a student graduates early under a competency-based education program, the remaining funding could be retained by the local education authority (school district or charter school) to distribute to the instruction of students who are still working towards mastery.

Expect continued conversation throughout the next few months. Stay tuned.

The Political Subdivisions Interim Committee also briefly addressed Sen. Lincoln Fillmore's legislation to improve taxation and representation in Utah's special service districts.

Fillmore's bill requires proposed tax increases for special service districts to be approved by the district's participating entities (i.e. cities that participate in a fire district) before the tax increase can be put in place, if the board is not made up of elected officials.

Currently some special service districts boards have members who are not elected but are able to participate in authorizing a property tax increase. Fillmore's bill would better align residents with those who have the power to tax by ensuring that the public can hold those who impose a tax increase accountable at the ballot box.

This legislation came at the urging of Your Taxpayers Association. We believe that any individual who has taxing authority should be accountable to the voters and that this will prevent unnecessary tax hikes in the future.

This proposal will also increase the transparency of special service districts within the state of Utah. While many cities are participants in these districts, the elected officials often are unaware of what the districts are doing.

We saw this first hand earlier this year when five special service districts that deal with solid waste disposal joined together to purchase another government owned landfill to compete against the private sector. When discussing the matter with the involved cities involved many of the elected officials had no idea that this was taking place.

You can read more about this specific issue in the [August edition of the Utah Taxpayer](#).

By adding more involvement by the member entities it is our expectation that there will be more transparency among special service districts in the future.

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## Board of Directors Elected at Annual Member Meeting

Utah Taxpayers Association Chairman Mike Edmonds has been elected to serve as chair of the Association's Board of Directors for a third year. In November, the Association's Board of Directors approved Edmonds for another term in a unanimous vote. Edmonds was first elected to the position in November of 2014.

Edmonds, of US Magnesium, was named to the Utah Taxpayers Association's Board of Directors in 2009. He has previously served on the Association's Executive Committee as the Association's Treasurer.

He is a certified public accountant with experience at PricewaterhouseCoopers. Prior to joining US Magnesium, Mr. Edmonds held several positions at Rio Tinto, including accounting positions and General Manager of their shared services offices in Salt Lake City. He has been with US Magnesium for 7½ years and is currently their Chief Financial and Administrative Officer.

Your Taxpayers Association Executive Committee for 2017 is as follows: Chair: Mike Edmonds, US Magnesium; Vice Chair: Morris Jackson, Morris Jackson, CPA; Secretary Bobby Rolston, Anadarko Petroleum Corporation; Treasurer: Brice Arave, IM Flash; and Legislative Chair Keith Pitchford, Rio Tinto.

Additionally, the Association is excited to welcome eight new members to the Board of Directors. The new members are: Erin Berry of Merit Medical, Tom Guinney of Gastronomy Restaurants, Tadd Hafen of Hafen, Buckner, Everett, and Graff, Darcy Kruitbosch of Autoliv, Olga Siggins of Orbital ATK, Leslie Simmons of HollyFrontier, Jennifer Sommers of CenturyLink, and Tara Thue of AT&T.

The Taxpayers Association thanks retiring board members Greg Argyle, Bill Barton, Greg Hardy, Val Hafen, Dave Parrish, and Randy Robison for their service on the Board.

## Officials in Weber County Approve Property Tax Increase

Your Taxpayers Association met with officials from Weber County in November to discuss a 21% proposed property tax increase, and what efforts were being made to cut non-essential spending.

In our meetings Weber County officials told the Association that they had taken measures to reduce overall costs of government, including moving tax payments and the appeals process to an online system.

Additionally, Weber officials told the Taxpayers Association that this year, all departmental budgets were reduced by 1% in order to cover the increase in health care costs.

The county is also aligning retirement benefits to be less costly to the taxpayer. These changes include phasing out benefits like health insurance for retired employees, and ending the payments of full premiums for current employees.

Your Taxpayers Association made clear with Weber County officials that options they ought to work with its cities and the Governor's Office of Economic Development to develop a concrete

strategy that will grow the county's economy through business development and jobs.

In turn, a stronger economy in the area will mitigate the need for future property tax increases through greater investments from a growing commercial and industrial sector.

A strong economic plan will mitigate the need for future property tax increases by increasing county revenue through greater returns from its commercial and industrial sectors.

Any government entity ought to be constantly auditing their budget on all levels to prevent waste, and it is especially important when considering raising the property taxes. A regular evaluation of government budgets is essential to create efficiency and ensure that the taxpayers get the most from each dollar paid to government.

The Weber County Commission held its Truth in Taxation hearing on November 29, where more than 100 people showed up to speak with the Weber County Commission. The increase was passed by a vote of 2-1.

### **Association Accomplishments During November:**

- ❖ Held the Annual Member Business Meeting
- ❖ Met with Weber County officials to discuss a property tax increase
- ❖ Sent election endorsements emails to support candidates who are defenders of taxpayers
- ❖ Attended Revenue and Taxation Interim Committee
- ❖ Spoke in Political Subdivisions Interim Committee in support of government transparency legislation

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

- ❖ School Bonds Passed
  - [No Opposition from Taxpayers Association's Helps Pass School Bonds: Deseret News](#)
  - [Voters Approve School Bonds: KSL](#)
- ❖ Water Districts
  - [Utah Taxpayers Association Cautions on Water Districts: Cache Valley Daily](#)
- ❖ Changes to Truth In Taxation and Income Tax Increase Proposal
  - [Utah Taxpayers Association Responds to Calls for Changes to Truth In Taxation and Income Tax Rates: Salt Lake Tribune](#)