



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

Wireless Taxes and Government Fees Keep Increasing, and Utahns Pay Far More than the National Average

Government entities at all levels levy a lot of taxes on fees on wireless services. As it becomes near ubiquitous, policymakers look at these services as a giant cash cow to collect revenue, while forcing wireless providers to collect and bear the brunt of the consumer's anger.

Cell phone taxes and government fees make up about 22.6% of the average customer's bill, according to the national Tax Foundation. That's up from 21.7% the year before. Wireless customers across the country will pay an estimated \$17.5 billion in taxes and fees to federal, state, and local governments.

Utah ranks far higher than the national average, at 26.47%, which is 7th highest in the nation. Utah also far exceeds any of our surrounding states in levying taxes on this type of service. Three of Utah's nearby states (Idaho, Oregon, and Nevada) all rank at the bottom of the list.

As an example, let's take a consumer with a single line of service, with the address based in Salt Lake City. If the service plan costs \$80, taxes, fees, and surcharges that go to government total \$4.12.

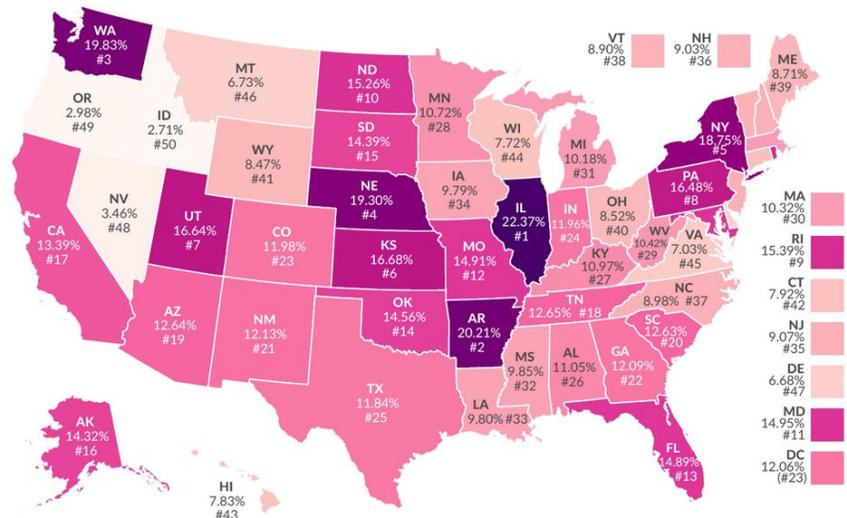
While the amount and the taxes and fees differ from city to city, here are a few you might see when you examine your cell phone bill.

- The Universal Service Fund (USF) fee - this levy is applied by the Federal Communications Commission (FCC) to help fund projects that make cell phone coverage and high-speed internet available across the entire country. This includes very remote areas where few, if any people reside.

- City Gross Receipts Tax is similar to the sales tax you pay. However, this is levied upon businesses that

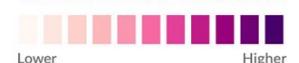
How High Are Cell Phone Taxes in Your State?

Taxes, Fees, and Government Charges on Wireless Service, July 2020



Note: The local tax rate is calculated as the average of the tax in the largest city and the capital city. DC's rank does not affect other states' rankings, but the figure in parentheses indicates where it would rank if included.
 Source: Methodology from COST, "50-State Study and Report on Telecommunications Taxation," May 2005. Updated July 2019 using state statutes, FCC data, and local ordinances.

Combined State & Local Wireless Tax Rate



provide a good or service. This is a perfect example of a tax on a business being passed along to the consumer.

- State and local sales tax are the traditional rate we all pay for goods and services.
- The State Universal Fund fee is nearly the same purpose as the USF issued by the FCC, except created to bolster statewide cell phone and broadband coverage.
- DEAF Surcharge -the revenue from this fee goes to pay for services for those who need additional services due to hearing issues. For example, Relay Utah.
- Poison Control Surcharge - pays for the poison control dispatch center.
- Utah Radio Network Charge – the Utah Communications Authority is working to upgrade radio networks to ensure emergency services are working off the same radio network to delay emergency response times and coordinate with other agencies.
- 911 Taxes -This can be levied by both cities and the state. These go to partially fund the dispatch centers for emergencies. The Utah 911 Emergency Service charge was recently increased from 9 cents to 25 cents. This bill was passed by the Legislature in 2019.

With state and many local governments and quasi-government entities saying they are struggling to maintain emergency funding, the growing wireless industry and its customers are attractive targets for raising new revenue.

This is ill-advised and should not be looked at as an easy fix for funding problems. Utah state and local government leaders should study our existing communication tax burden and consider policies that transition away from raising wireless taxes and fees further and instead pay for essential services through general fund sources.

My Corner: Learning from the Past, Looking to the Future; Utah Chooses Spencer Cox as its New Governor

Utah voters have overwhelmingly elected a new Governor and Lt. Governor who will take office on January 4, 2021.

The inaugurations of new governors have typically been grand affairs with military flag ceremonies, speeches, choirs singing anthems, statewide elected officers taking their Oaths of Office, while the Capitol rotunda and balconies are filled with thousands of onlookers wanting to be part of the historic event. However, due to COVID-19, the inauguration of Spencer Cox and Deidre Henderson is expected to be more of a virtual, online experience.



During my nearly 44 years at the Utah Taxpayers Association I have worked closely with seven Utah governors: Scott Matheson, Norman Bangerter, Michael Leavitt, Olene Walker, Jon Huntsman, Gary Herbert and now, Spencer Cox.

Norm Bangerter's "hands-on" approach

Each of the governors with whom I've worked had unique talents, goals, and abilities. Two of them, Bangerter and Walker, had served many years in the Legislature. House Speaker Norm Bangerter served five two-year terms in the House of Representatives and yet, interestingly, his eight years as Governor saw perhaps the rockiest relationship with the Legislature in part because of the extremely erratic economy and budgets in the 80s. Due to his prior legislative experience, Bangerter knew how to count votes. He would call legislators on their floor phones in the middle of close votes urging them to switch their votes on tax increase issues important to him. This prompted legislative leadership to prevent all incoming calls on floor phones.

Olene Walker's veto threat improved legislative processes

Similarly, Governor Olene Walker, served four terms in the Legislature and became Majority Whip before becoming Lt. Governor, and later Governor.. She threatened to veto the entire school funding bill in the final days of the general session because the legislature refused to include a tax increase to fund her early reading program. If there had been a veto, the session would have ended without an education funding bill at all, so she then would have called the Legislature into special session where there would have been little choice but to accede to her tax hike demand. Consequently, a new process was created through which the Legislature now passes "base budgets" at the first of the session which ensures that the Legislature is still in session during the time limit for vetoing appropriations bills. This early base budget passage ensures the basic state programs are funded if there is a disagreement between the Governor and Legislature or between the House and Senate over new money appropriations. In the wake of the COVID-19 pandemic, when it was projected that revenues would be drastically reduced, the special budget cutting session was able to simply revert to the base budget with minor adjustments.

Mike Leavitt knew how to work with legislators

Without a doubt, the Governor I worked with who had the best relationship with the Legislature was Mike Leavitt. Before officially declaring his candidacy, he met individually with every sitting legislator. One legislator, for example, told me Leavitt hiked Provo's Rock Canyon with him as they discussed issues and the legislator then agreed to support him. While in office, Governor Leavitt regularly invited legislators to accompany him as he travelled in and out of the state. When he was invited to be the keynote speaker at a New Mexico GOP fundraiser, a small group of legislators were invited to board the state plane and attend the event with him.

A fellow Senator who loved golf was invited to accompany Governor Leavitt to a speaking engagement in Palm Desert, CA after which they played a round of golf before flying back to Utah. Legislators were not reluctant to tell of their trips with the Governor. We were both first elected in 1992, and although Mike Leavitt and I agreed on almost every issue, at one point I publicly disagreed with him on a significant issue. About a week later I was invited to accompany him on a trip out of town which ended up being perhaps the least glamorous trip any legislator had experienced with the Governor that year.

We rode together from the Capitol in the backseat of a black Lincoln Town Car driven by a security person to the Tooele Chemical Agent Disposal Facility located at the Tooele Army Depot. There we donned hazmat clothing including a gas mask which were fitted and tested in control booths to be sure we couldn't smell the banana oil vapor. Walking through the mustard gas incineration facility, I wondered if I was invited there because of my negative comment. I didn't ask. Afterall, I truly did enjoy the one-on-one time to bend the governor's ear.

Governors Huntsman & Herbert

The Huntsman/Herbert administration came into power with an agenda to make Utah the best economy in the nation. And they succeeded, as evidenced by the fact that Utah has ranked #1 13 years straight as having the

Best Economic Outlook by ALEC's Annual Rich States Poor States ranking. Governor Jon Huntsman Jr. succeeded in getting the legislature to pass the biggest tax cut package in history, including cutting Utah's individual and corporate income tax rate from a graduated 7% top rate to a 5% flat rate. This resulted in massive economic growth and enabled Utah to weather the 2008 economic collapse better than other states. He also restructured the state's economic development effort and formed the Governor's Office of Economic Development in his office where he could directly guide its efforts.

Governor Gary Herbert expanded on these pro-growth policies and supported expansion of Utah's rainy day funds to ensure stability during tough economic times. As a result of sound legislative budget practices and Herbert's support of additional "working rainy day funds" Utah has been able to adjust to the severe revenue reductions from the current pandemic better than any other state and without massive cuts to essential services such as education.

What can we expect from Governor Cox?

Before being elected as Governor, Spencer J. Cox served in more elected offices than any Governor before him: city council, mayor, county commissioner and state representative, and most recently, Lt. Governor. Representative Spencer Cox served in the Legislature only ten months before Governor Gary Herbert tapped him to fill the vacancy when Lt. Governor Greg Bell resigned to take a position in the private sector. Lt. Governor Spencer Cox showed for the last two years that he was willing to visit nearly all of Utah's 248 cities and towns so that he could learn first hand what Utahns were experiencing, how they were succeeding and why they were struggling. Instead of formal meetings in town halls, he worked side by side with citizens on community service projects.

The things Cox learned during hundreds of community engagements seemed to create an understanding and empathy for the diversity of life that exists in a state which appears from a distance to be a homogeneous culture. Governor-elect Cox displayed political acumen recently when a group of protesters opposed to COVID mask mandates showed up at his home in Sanpete County. He greeted them with homemade cookies and hot chocolate, saying anyone willing to come all the way to remote Fairview deserves his respect.

Leaders in the Cox administration tell me he is already engaging legislators in small groups and virtually to lay out his plans and listen to theirs. He is also expected to be known by how accessible he is to the public, business community, interest groups and local elected officials.

Cox on Economic Development

While he acknowledges that Utah already sits among the top ten states in ratings of Higher Education, Public Education, Job Growth, Best Places for Business, and Economic Outlook, Spencer Cox is committed to improving Utah's economy and rural job growth. He says a prosperous economy will follow policies that keep taxes low and regulations to a minimum.

He said he wants to redesign our state tax code with an emphasis on reducing complexity. He believes free market capitalism has done more to eradicate real poverty than any other socioeconomic system in the history of the world. Conversely, incentives to lure corporate investment inherently changes the playing field in free markets and can lead to governments—not markets—picking winners and losers.

Governor-elect Cox says Utah should be the leader in recovering and rebuilding from the COVID economic slump. The new normal has shown that people in many types of jobs can effectively work and live in any part of the state. Utah has led the nation in creating safe harbors for independent contractors in the gig economy to have the flexibility to work when, where, and how much they choose. The Utah legislature will be considering

legislation in the 2021 session to ensure that online platform knowledge workers can enjoy the freedom of independent contractor status to work anywhere and anytime they choose.

Spencer Cox has made a commitment to ensuring that rural Utah will flourish and be even stronger after COVID recovery. This of course, should include capacity building to expand Utah exports to growing markets abroad and improve rural Utah's ability to welcome tourists. Prior to the pandemic, in 2019, visitors from Canada and China alone spent nearly \$300 million in the Beehive State. This is more than tourism dollars spent by tourists from the next ten countries combined. Ten year export data concluding in 2018 revealed that Utah service sector exports to China grew nearly 250% while services to other countries grew approximately 75%. Education and Tourism are the top Utah service exports to China and to other growing markets. Let's hope the Cox administration works to get international students and tourists to return to Utah rather than other western states once the COVID travel restrictions are no longer needed.

Education Equalization

As one who has worked to incrementally overcome the gross inequities in public education spending per student based on where students live, I am thrilled that Governor-elect Cox is Utah's first Governor committed to permanently correcting these funding inequities. Here are his own words: "Today, the lowest income school districts in Utah pay higher taxes while receiving less than half the funding per student as compared to the wealthiest school districts in the state. That disparity means fewer resources and less opportunity for children in low income areas." He said, "Addressing this inequity isn't just about tax policy or education reform. It is a moral imperative that strikes at the heart of Utah values."

Cox and Legislative Leadership

It's interesting and fortunate that while the Cox administration makes significant changes in those serving in leadership roles in the executive branch, elections for majority leadership positions in the legislative branch, both the House and Senate, were unchanged in the caucus votes held the same week as the general election, something I don't remember happening before with a new Governor. This should ensure stability and predictability as the new administration gets seated, being already familiar with legislative leaders. What's more, in spite of Spencer Cox's own short tenure in the legislature, with 8-year Senate veteran Deidre Henderson as Lt. Governor, the Cox/Henderson team is well-prepared to successfully move Utah forward.

2020 Ballot Also Featured State and Local Tax Issues Which Will Affect Taxpayers for Years to Come

While much of the attention from the 2020 election was drawn nationally, there were many important tax issues that voters weighed in on.

Kaysville Fiber

Your Taxpayers Association weighed in against a proposition in Kaysville to create and fund a municipal fiber network within the city. The residents of Kaysville appear to have voted down the proposal to have the city issue \$22 million in debt to finance the buildout. Kaysville already enjoys 99.6% broadband coverage by private industry and ranks 11th best in the state on that metric.

The no votes on the proposition are 8855 (50.8%) against to 8570 (49.2%) for.

Constitutional Amendment G

The Association also strongly encouraged voters to approve Constitutional Amendment G, which would expand the uses of Utah's income taxes to include spending for children and people with disabilities.

The measure, along with its implementing legislation, HB 357 (2020), would move education funding (about \$3.4 billion initially) into a constitutionally protected account which can be used only for K-12 education. It also guarantees that education funding will automatically be increased to cover the costs of enrollment growth and inflation. No other state would have such guarantees for future funding of their children's education.

To learn more about Amendment G and HB 357, [click here](#).

Amendment G passed with 53.68% voting for it, and 46.32% voting against.

West Weber Incorporation

Voters rejected the incorporation of an unincorporated area of West Weber County. This area enjoys a low tax burden currently and incorporation would have led to higher tax rates and a much greater tax burden on its residents. Voters agreed with your Taxpayers Association that remaining as an unincorporated area is the best choice for all.

The municipal services tax rate unincorporated West Weber residents pay is significantly lower than surrounding cities, with the cities' rates many multiples higher than what taxpayers currently pay in West Weber.

The incorporation proposal was rejected 56% to 44%.

Utah Legislative Races

Several legislative races in Salt Lake County have been hotly contested. Eric Hutchings (R – Kearns), has lost to his challenger.

In several House districts, incumbents narrowly retained their seats. Steve Eliason (R - Sandy) won by 77 votes, and Jim Dunnigan (R – Taylorsville), who has served as House Majority Leader, won against challenger Lynette Wendel by 84 votes.

Robert Spendlove (R – Sandy), a key member of the Legislature who helped craft the biggest tax cut in history (2007), won against challenger Siamik Khadjenoury by 1,172 votes.

Other Proposals

Voters in the Provo School District voted on an \$80 million bond to begin rebuilding and stabilizing Timpview High School. Timpview High is needing reconstruction due to being built on unsolid ground. *The bond proposal is ahead 50.77% to 49.23%, a difference of 559 votes.*

Tooele School District voters *approved their bond 51.9% to 48.1%*. The bond is \$170 million, and would pay for a \$100 million high school in north Tooele, a \$50 million junior high in Stansbury Park, and a \$20 million elementary school in Grantsville. The school district claims that there would be no additional tax increase with the passage of these bonds, since older bonds would be paid off within the new bond's timeframe. Your

Taxpayers Association believes it is important to clarify that, with older bonds expiring, taxes could have been lowered for property taxpayers.

Voters in Syracuse were asked to authorize a \$26 million bond to primarily be used for financing a fifty-acre park. *Voters rejected this 62 – 37%.*

In Salt Lake County, Mayor Jenny Wilson has won her race against challenger Trent Skaggs. Mayor Wilson has raised property taxes for each year she has held the office. *The vote was 51 – 45%.*

Outside Utah

Colorado Proposition 116 would reduce the income tax rate from 4.63 percent to 4.55 percent on both individuals and corporations. This proposition passed in Colorado. Utah's individual and corporate income tax is at 4.95%, and your Taxpayers Association is calling for a cut in the income tax rate as one of our 2021 legislative priorities. Read more here.

Illinois' Allow for Graduated Income Tax Amendment would remove the constitutional requirement for a flat income tax, allowing the legislature to create a graduated-rate structure. Illinois voters rejected this amendment.

Surprisingly, and fortunately, *California* voters decided to reject undoing the protections of its Proposition 13 which passed back in 1978. Proposition 15 would have introduced "split roll" property taxation, commercial properties would be assessed on their market value, while residential properties would continue being assessed on purchase price.

Interim Committees Discuss Tax Relief for Seniors, Limiting Tax Increment Financing before 2021 Session

Revenue and Taxation Interim Committee (Tangible Personal Property Tax and Tax Relief for Seniors)

During the Revenue and Taxation Interim Committee meeting on November 18th, your Utah Taxpayers Association provided testimony on two bills.

First, Senator Lincoln Fillmore (R - South Jordan) proposed a bill to provide property tax relief to senior citizens by allowing for a statewide deferral of property taxes for those over age 66 with a home valued at \$500,000 or less.

The bill would allow taxpayers to apply for that deferral with their county each year. When the home is sold or transferred to heirs, the balance of deferred taxes would then be collected and paid.

Your Taxpayers Association spoke in support of the bill as it will provide meaningful relief for those that need it and it is done as a deferral, not a forgiveness, of property taxes, so other taxpayers would not be subsidizing the benefit. The bill was voted through as a committee bill along with a bill sponsored by Senator Gene Davis (D - Salt Lake City) updating the property tax circuit breaker statutes.

The second bill that the Association spoke in support of was sponsored by Senator Wayne Harper (R - Taylorsville) that raises the exemption amount on tangible personal property tax from the current \$15,000 in personal property value to the first \$50,000. It would also make this a tax cut and not a tax shift to other taxpayers. This would mean very meaningful relief for many Utah small businesses.

According to data from the Office of Legislative Fiscal Analyst, this would exempt almost 40,000 additional small business taxpayers from the tax, leaving around 18,000 filers still subject to the tax. Around two-thirds of Utah businesses personal property taxpayers would now be exempt, if the law were to pass during the 2021 General Session.

However, the important note is that the amount of revenue lost to taxing entities is only \$13.2 million statewide out of the roughly \$3.4 billion that is collected annually from property tax. That goes to show that the vast majority of the personal property tax is paid by large businesses and exempting those small businesses from having to deal with this tax does not come at a meaningful cost to taxing entities.

Your Taxpayers Association made the comment that the \$50,000 should be the cap of what the exemption should be and there should be no further efforts to raise it higher. The Taxpayers Association believes the bill is constitutional on all fronts and the bill passed through the committee with a 16-1 vote.

Political Subdivisions Interim Committee (Tax Increment Financing)

The Political Subdivisions Interim Committee considered legislation proposed by Representative Merrill Nelson (R - Tooele) entitled Tax Increment Financing Amendments. Rep. Nelson explained to the committee that the legislation is necessary to protect the poorest school district's participation in Tax Increment Financing (TIF) incentives for developers. He said that the school districts which are property poor tend to have the highest tax rates and therefore have more money taken from them through TIF than the wealthier districts. The bill would set a maximum participation of a school district as the average statewide school tax rate. He said he wanted to set a limit on the amount that can be taken from school kids in the lowest funded schools in the state.

Speaking in support of the bill, your Taxpayers Association explained to committee members that under the current law, Tooele School District, which has the second highest school tax rate in the state and yet is one of the lowest per student funding, would potentially contribute *twice* the amount to the developers of a new project than the exact project would receive from Salt Lake School District and *three times* more than Park City.

The Association told the committee that the spending disparities illustrate why this limit on taking from the poorest districts is called for: Tooele total spending per student in the 2018-19 school year was \$8,347 compared to \$12,293 in Salt Lake City School District and \$17,494 in Park City School District. We argued that the bill would not inhibit economic development in districts protected by the cap because even with the TIF limited to the statewide school tax rate, a project in Tooele School District would still generate to the developer 92% more than Park City School District and 43% higher than Salt Lake City School District.

A motion to recommend the bill to the legislature was overwhelmingly supported by committee members in the House of Representatives but opposed by Senate members and therefore the motion failed to pass. The bill will likely be brought to the Legislature's 2021 General Session.

Public Utilities, Energy, and Technology Interim Committee (Hydrogen Production Tax Credits)

In the Public Utilities, Energy, and Technology Interim Committee, legislators were presented with draft legislation that would expand tax credits for hydrogen fuel production, including removing the excise tax for hydrogen fuel.

Your Taxpayers Association had spoken with the sponsor and vested parties on the issue weeks prior, and after review, found no specific reasons to oppose the bill.

This proposal would add credits for hydrogen fuel cells, production, and infrastructure, among others. The idea of this legislation, as mentioned by the sponsor, is to incentivize the industry to create and expand in Utah. Your Taxpayers Association has not opposed these types of measures in the past for burgeoning industries. However, we believe that when an industry is “grown up” to a point where it no longer needs these credits, that the credits be revoked.

In regards to this proposal, one suggestion that we made during these conversations was to add a sunset to the credits. In the legislation presented to the committee, your Taxpayers Association testified urging the committee to add provisions to ensure these credits are reviewed periodically. In addition, the removal of the excise tax for hydrogen fuel removes these types of vehicles from appropriately and fairly contributing to their usage of the roads, since the traditional gas tax would not apply.

Until a road usage charge is in place in the state of Utah, the excise tax is more appropriate to ensure everyone, regardless of vehicle purchase, is paying for their usage of the roads.

The Committee chose not to make the legislation a committee bill, but the sponsor is likely to bring the proposal forward during the 2021 General Session, which begins in January.

Association Accomplishments During November:

- ❖ Testified on key tax issues during November legislative interim hearings
- ❖ Held the Annual General Membership Meeting
- ❖ Started planning the Legislative Outlook Conference
- ❖ Met with legislators to negotiate tax legislation for 2021 Session

In the News

- ❖ Voters say No to Weber County's Prop 18 Incorporation
 - [Utah Taxpayers Warned a New City will mean New Taxes](#)
Standard-Examiner
- ❖ Is Next Generation Nuclear Technology Destined for Utah
 - [Utah Taxpayers has Urged Participants to Bow Out over Cost Concerns and Unproven Tech](#)
Desert News