



THE UTAH TAXPAYER

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Tax Cuts for Families, Eliminating Burden on Small Business, and Bringing Transparency to Property Tax Increases are Ready for the 2021 Legislative Session

We're just a few weeks away from the 2021 Legislative Session, and your Taxpayers Association has been very hard at work for months. We've been working with legislators, our members, and the public to identify tax issues that need solving.

It's impossible to guess what will happen over those 45 days, but the Association knows its legislative priorities will make positive changes to Utah and its taxpayers. Here are some of the policy changes we've been working on.

Changing the Paradigm on Tax Cuts

Representative Jeff Moss has legislation that will begin to shift the paradigm on how tax cuts are considered in any given year in the future when it comes to budgeting and government spending. His bill will add an additional step for the Executive Appropriations Committee each December to decide whether or not to set aside money for any tax cuts for the upcoming budget year.



Rep. Jeff Moss

This will help shift the mindset of legislators from discussing spending first and tax cuts later, to discussing tax cuts first, and then prioritizing spending based on the remaining revenues after that. This will make a significant impact on ensuring Utah continues to be run in the fiscally conservative way it has been for decades. That fiscally responsible mindset has put Utah at the top of the country for economic growth and helped the state weather storms far better than other less fiscally responsible states. It will help reduce wasteful and out of control government spending by aligning Utah's priorities where it should be, with the taxpayer in mind first and foremost.



Sen. Wayne Harper

Targeting the Most Burdensome Tax On Small Business - Tangible Personal Property Tax

With Senate Bill 18, Senator Wayne Harper (R-Taylorsville) has proposed legislation that will provide a massive amount of tax relief and compliance relief for small businesses all across the state. Senate Bill 18 would raise the amount of property that is exempt from Personal Property Tax from the current \$15,000 level to \$50,000. In addition, the bill would make the entire amount of the first \$50,000 of property exempt from the tax, versus the current law that makes all property taxable once a taxpayer goes over the \$15,000 amount.

The beauty of this tax cut is found in the details of who really pays the majority of this tax. While thousands of small businesses deal with the annual nightmare of counting their tables, chairs, computer terminals and knives and forks to pay a very small amount of tax, the vast majority of tax is paid by the very large property taxpayers. Analysis from the Office of the Legislative Fiscal Analyst shows that moving the exemption up to \$50,000 eliminates over 52,000 small businesses from this burdensome tax. That is over 62% out of the more than 83,000 businesses that are currently taxed. That is massive relief, not only from the burden of paying the tax, but also the burden of doing the inventory of items every year and being subject to pesky audits that often mean no meaningful change in the tax that is owed.

The good news is that this change only reduces property tax revenue in the entire state by approximately \$17 million. That is just .005% of total property tax revenue collected statewide. Even for the largest county in the state, Salt Lake County, it is only 0.5% of the total property tax revenue they collect. This is a small fraction of total revenue and can easily be adjusted for with prudent budgeting.

This bill will provide massive overdue relief for small businesses that have been hit hard by the pandemic.

Leveling the Playing Field On Transportation Taxes

Your Utah Taxpayers Association has always been an advocate for users paying their own way when it comes to water and roads. The more you use or drive, the more you should pay, and on the flipside, those that conserve should pay less. Every state in the nation faces a critical problem with transportation funding. The gas tax is dying a slow death. As fuel efficiency continues to increase and electric vehicles proliferate, the revenue collected from the gas tax continues to flatten and eventually decline on a net basis. This is happening along with sharply escalating road construction costs and increased miles driven as Utah's population continues to grow.

While the average gasoline vehicle driver, which makes up about 98% of the fleet on the road, pays an average of about \$380 per year in state and federal gas tax when they purchase gas, electric vehicle owners pay only a gas tax replacement fee each year they register their vehicle. That fee is currently only \$120 for electric vehicles, \$52 for plug in hybrid vehicles and \$20 for gas hybrid electric vehicles. That is simply not fair. Electric vehicles use the roads just as much and cause just as much congestion as any other vehicle. They should be paying their fair share.

In addition, there is currently no financial motivation for electric vehicle drivers to enroll in the "Ride Usage Charge (RUC)" program. Electric vehicle drivers can enroll in the program and track their mileage and pay on a per mile basis instead of paying the flat fee. If they drive less, they could pay less than the flat fee. However, based on the parameters of the program, if one drives more than 8,000 miles per year, it is better to just pay the flat fee and not bother with the tracking. There are hardly any drivers that drive less than 8,000 miles per year. If fees are higher in order to make them fair and pay for their road usage, drivers will be motivated to enter the RUC and if they can prove they drive less, they will pay less as they should. This will provide the momentum the RUC program needs to develop into the alternative to gas tax in the decades to come.

Your Taxpayers Association will be supporting legislation this year which levels that playing field by raising the fees electric vehicle drivers pay to bring them towards parity with what gas vehicle drivers already pay for their road usage. It is the right thing to do and absolutely necessary for the future of our transportation funding.

Eliminating Sales Taxes on Business Inputs – Oil, Gas, and Electrical Generation and Software

Utah's past legislatures have made a concerted effort for over two decades to remove sales taxes on business inputs, or what is required by a business to make a final product.

Your Taxpayers Association has strongly supported the use of sales tax exemptions in order to avoid tax pyramiding, which has helped establish Utah as the state with the best economic outlook for 12 years running, according to ALEC's Rich States Poor States annual ranking.

However, Utah still imposes punitive sales taxes on oil & gas exploration and production and non-renewable electric generation. Unfortunately, this has had an adverse effect on the eastern part of the state, most prominently the Uintah Basin counties of Duchesne and Uintah.

Utah has a history of eliminating sales taxes on business inputs. For example, passage of the 1995 manufacturing sales tax exemption ensured the Micron's initial investment of more than \$1 billion in Lehi. The "three-year-life" manufacturing exemption legislation in 2018 ensures that Utah manufacturers continue to provide jobs for Utah families.

Unfortunately, the oil and gas operations in the Uintah Basin and other oil and gas counties such as San Juan continue to pay punitive sales taxes on all of their machinery and materials consumed in the process. This sales tax combined with a hefty severance tax makes capital investment less attractive and leaves the region victim to ongoing boom and bust cycles.

Utah also has not eliminated sales taxes on business inputs on software services. As Utah's tech sector continues to employ more and more Utahns, this exemption needs to be provided to continue the boom that the industry is experiencing.

The Association is strongly supportive of upcoming legislation that will fix this issue and lead to stable, strong growth and economic prosperity for those areas in Utah that desperately need attention.

Ensuring Taxpayers Have the Information They Need When Facing a Property Tax Increase

Over the summer, the Association discovered that some taxing entities had been using a loophole in state law to avoid providing their taxpayers with the transparency required under Utah's Truth-in-Taxation law.

Under Utah law, taxing entities are required to publicly provide an adopted budget each year. This is especially important when the entity is considering a tax increase. Taxpayers absolutely must have all the necessary information and deserve to know what a proposed tax increase is being used for.

In this specific circumstance, a taxing entity, which serves 1.5 million people in Utah, proposed a tax increase, but argued that they were not required to post their budget online because the tentative budget hadn't been "officially" adopted. They argued the official adoption is done in August, during the Truth-in-Taxation meeting. By that time, it is too late for taxpayers to understand what is in the budget and to determine whether the proposed increase is valid. This is a very clear case of obeying the letter of the law, but definitely not the spirit.

Rep. Jeff Moss has legislation to fix this loophole to ensure taxpayers are well informed not only for proposed tax increases, but during each year's budgeting process.

Local School Property Tax Equalization

Senator Lincoln Fillmore has legislation to create a permanent remedy to the gross inequities in public education spending per student based on the school district in which the student lives. Poor districts tend to have higher tax rates while property taxpayers in rich districts generally enjoy lower tax rates.

Currently, the district with the largest tax base per student generates 36 times more money per student on the same tax rate as the poorest district. However, that district with the largest tax base per student also has the lowest tax rate in the state, one third the rate of the district with the highest tax rate. The Legislature should increasingly equalize the property tax yield per tax increment levied by the poor districts by using a portion of the annual growth in state education funds. That's what Senator Fillmore's bill would do, without increasing taxes for anyone.



Sen. Lincoln Fillmore

Newly-sworn in Governor Cox is Utah's first governor who is committed to permanently correcting these funding inequities. In his campaign for governor, 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."



Governor Spencer Cox

Tax Increment Financing Amendments

For decades, Utah school districts with high tax rates and low tax base per student have experienced a significantly higher level of property taxes diverted for tax increment financing (TIF) proposals when compared to the wealthier districts with lower property tax rates.

Your Taxpayers Association argues that legislation is necessary to protect the poorest school district's participation in TIF incentives for developers.

The school districts which are property poor, meaning low assessed value per enrolled student, tend to have the highest tax rates and therefore have more money taken from them through TIF than the same project in wealthier districts. The bill would set a maximum participation of a school district at the average statewide school tax rate. This would set a limit on the amount that can be taken from school children in the lowest funded schools in the state.

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 in 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 School District.

The bill would not inhibit economic development in districts protected by limiting the TIF to the statewide average school tax rate. A project in Tooele School District, for example, would still generate to the developer 92% more than the same project in Park City School District and 43% more than Salt Lake City School District.

This bill does not implement a statewide limit on the percentage of the tax increment which can be taken for all Utah school districts. It simply protects taxpayers and school budgets in about a third of Utah's 41 school districts; those with high property tax rates.

My Corner: The Power of Principles vs. the Power of the Tribe: Why Policymakers Sometimes Yield to Pressure

When I was a newly minted state senator in January, 1993, one of my first private goals was to end the special treatment which chosen lobbyists received through special access



to the legislators. The names of lobbyists who had assisted Democrat and Republican members of House and Senate leadership in fundraising and campaigning were placed on a special list directing the security team to allow them nearly unfettered access to the Senate and House chambers and lounges. In some cases, anointed lobbyists were also given access to the leadership offices, desks, and phones (this was before widespread use of cell phones) adjacent to the chambers. The preferred lobbyists also had full kitchen privileges, jockeying with elected legislators for coffee, soft drinks, and snacks.

Ending Special Privileges

When I raised my concerns with a trusted colleague, he reminded me of a political quote from the early 19th Century, "To the victor go the spoils." He told me that the practice was not actually preferential because leadership in both parties maintained lists of preferred lobbyists equally. When I pointed out that the preference was not between party leadership, but between a powerful lobbyist's access to the legislative process and an ordinary citizen's access. That senator agreed to join me in my campaign to end the practice.

I distinctly remember one occasion when one of the sergeants-at-arms came to me during the debate on the floor of the Senate informing me that a certain lobbyist would like to see me in the lounge. I told the security person that if the lobbyist wanted to see me, they could send in a blue note like every other citizen. I also made some public comments criticizing the preferential treatment saying that a homeless person in Pioneer Park should have just as much access as the highest paid lobbyist. I was summoned to the office of a member of leadership and told that I had broken the unwritten rule of loyalty, that senators were expected to avoid publicly airing the body's dirty laundry. With this warning, I was even more determined to end this discriminatory practice.

Preferred lobbyists were also commonly allowed on the floor of each house during debate. News stories reported that during heated debate on a controversial bill on the House floor, lobbyists participated in a voice vote as the Speaker had to ascertain the result by whether the Ayes or Nays were loudest.

In those days members of the media were also allowed access to the House and Senate chambers and lounges. More than once during floor debates a newspaper reporter would approach me at my seat on the floor attempting an interview.

I was so grateful when in the second year of my first term the preferential practices for lobbyists ended, including reporters having free roam of the chambers and glad to see leadership deciding to hold media access following each day's floor session.

Lobbyists Are Essential to the Process

Lest there be any misunderstanding, I believe lobbyists are an integral part of the legislative process. They are as essential as the Legislature's legal and fiscal staff because they passionately and persuasively provide data and research that an impartial staff cannot provide. As a whole, they represent their clients' views with great skill and provide information to assist legislators in making informed votes. Legislators who hear the pros of an issue from one lobbyist and the cons from another are better equipped to enact good public policy. The most important trait of a good lobbyist is integrity. If lobbyists ever provide false or misleading information, they lose their effectiveness and don't last long.

The Mushroom Caucus

About a third of the way through my 26 years in the Senate I began to realize that the House and Senate leadership teams would act like they were our ecclesiastical leaders. It was almost as if once the caucus 'sustained' members of leadership, we were all expected to comply with their decisions. I realized that while

this may work well with inspired church leadership, it is not appropriate to empower legislative leaders to make decisions and expect the caucus to support their unilateral decisions. I learned from colleagues from other states while attending national conferences that their leadership teams had a responsibility to distill the will of their caucuses and then do the heavy lifting of carrying out those positions in their negotiations with the opposite house and the governor.



The recurring manipulation of our caucus became so frustrating especially near the end of each session that I had my intern make a batch of political campaign style buttons with the Ghostbuster red circle and red slash but replacing the ghost with a mushroom. Near the end of the session, once again the leadership team excluded caucus members from decisions about the budget priorities. During the caucus meeting just before the deadline for printing the budget, leadership announced their decisions to the caucus. Several legislators including myself expressed frustration and opposition to the process but we were told one more time there wasn't time to

change their proposal.

As the Senate legislative floor action, eight or ten legislators wore the mushroom buttons on our lapels. The Senate President, having gaveled us back to order noticed the buttons and was concerned so he signaled for me to join him on the dais where he asked about the buttons. I posed the question, "Do you know how mushrooms are grown? They're kept in the dark and fed manure, and that's what just happened in our caucus meeting. So some of us have formed the Mushroom Caucus." Concerned that the press would pick up the story, he immediately called for a recess and we went back to caucus and aired our grievances. From then on, caucus meetings were the place where all members gave their input on positions taken by the caucus and our leadership team knew they had our support in negotiation with the House and Governor. Some of the Mushroom Caucus members later became Senate President, Majority Leader and Executive Appropriations Chair and stayed true to the standard of a democratic caucus process.

Peer Pressure and Tribal Mentality in Legislative Bodies

I believe the Utah Legislature is without a doubt the most efficient, effective and equitable of all 50 state legislatures and is light years better on these factors than the U.S. Congress. But there is still significant room for improvement.

From my 26 year experience inside the legislature and 44 years lobbying local governments and school districts on taxes and spending, I have often wondered why policymakers sometimes give in to pressure from their colleagues when they don't agree in principle for the thing they're voting for or against. We expect everyone to stick to their principles regardless of what others think or say.

I've done a lot of research about human decision making and why so many individuals are not willing to take the heat for their vote that agrees with their strongly held beliefs. Two of the books that represent the research I've done are *Decisive* by Chip & Dan Heath and *Thinking Fast & Slow* by Nobel Laureate Daniel Kahneman.

Most people believe the decisions they make in the presence of others are affected most by their own principles and strongly held values. But this is not the case for most people in social situations. Instead, the more powerful influence on individuals is the influence of the tribe and the acceptance of tribal authority, whether conscious or subliminal. We all belong to several tribes and decisions in a particular moment are affected by the proximity of the tribe in both distance and time frame. Classic experiments have demonstrated a person's willingness, under peer pressure, to discard their sense of right and wrong and give in to short-term

emotion. Sometimes the pressure to give up one's beliefs is based on what appears to the person to be a conflicting, but higher 'principle' such as unity, or being a 'team player.'

For example, the members of one house in the legislature comprise a spectrum of political ideology while there is a mirrored parallel spectrum of ideology in the other house. You would rationally expect legislators with similar political ideas in both houses would work with each other to advance their common agenda. This is usually the case. However, when the caucuses in each house meet together as tribes it is common for political ideologies to take second place to the group decision used to stand against the contrary position of the opposite house.

School Leaders Expected to Put Unity Over Equity

This tribe mentality has been prevalent among members of Utah's local school district leaders when they meet together in their statewide associations. In the legislative battle for local school property tax equalization, most of Utah's local school district officials have been more concerned about maintaining relationships with their colleagues in other districts than advocating for equitable funding resources to better serve their own kids. The differences in spending per student are extreme: Two neighboring districts of similar size have as much as a \$10,000 difference in spending per student. When a few brave leaders in underfunded school districts advocate for funding equity, they are shamed for speaking out and violating the tribe's rule of unity. The bottom line is that school officials feel more pressure from their colleagues who oppose the funding equalization proposals than they do from district patrons, teachers, parents and taxpayers who are largely unaware of their own district officials turning away funds. The principle of unity in the tribe has become a higher priority than equity for students.

Isn't it time we convince local school officials to put their own students, teachers, and taxpayers ahead of their desire not to upset their colleagues in wealthier districts?

2021 Legislative Outlook Conference to Focus on Maintaining Utah's Competitiveness and Bringing Tax Relief to All Utahns

On Monday, January 11, 2021 at 9:00 a.m., the Utah Taxpayers Association will host the 2021 Legislative Outlook Conference at the Little America Hotel in downtown Salt Lake City. The event will also be livestreamed for those who do not wish to attend in person.

Each year, the Association hosts the top tax policymakers in the state who will preview the upcoming legislative session, and what issues taxpayers can expect to see. Many of these topics include priorities for the Association.

The Association's top priority this year, we are focused on a tax cut for all Utahns, advocating for an income tax rate cut to 4.75%. The current rate is 4.95%. Why is this the right time? It's been over a decade since the last meaningful cut. Small business owners, families and all taxpayers need relief from the ongoing pandemic. We've crunched the numbers and found more than enough room in the budget for not only an income tax cut, but tax relief for seniors, military members, and families. Learn more about [our proposal here](#).

In addition, Utah's leaders will be providing context and their views of the 2021 Legislative Session. Newly sworn-in Lt. Governor Deidre Henderson will provide the new administration's priorities regarding tax policy, and both President Stuart Adams and Speaker Brad Wilson will look at what they see from their respective bodies.

Attendees will also learn more about how recently passed Amendment G will protect education funding. Amendment G opened Utah's income tax revenue to be used beyond education expenses. Critics felt that the amendment and its companion legislation (HB 357) would harm education, but Sen. Ann Millner will provide the plans and hard data to show why voters made the right choice, not only for public education, but for Utah's general fund revenue and expenses.

We'll be pleased to hear from many others on the cutting edge of setting Utah's tax policy, including both chairs of the Revenue and Taxation committees, Dan Hemmert of the new Cox administration's Governor's Office of Economic Development, and our state Auditor John Dougall on tax reform efforts from a decade ago.

The event is free, but attendees will need to RSVP to attend or receive the livestream information. [Click here to get registered.](#)

Association Accomplishments During December:

- ❖ Finalized planning for the 2021 Legislative Outlook Conference
- ❖ Held a successful Tax Book Camp for incoming legislators
- ❖ Met with multiple legislators regarding upcoming bills during the Legislative Session

In the News

- ❖ Utah County Considering Changes to Staffing Structure
 - [Utah and Salt Lake are the Only Counties with Personal Assistants](#)
Daily Herald
- ❖ Small Modular Reactor Projects gets Federal Funding but Cities Leave
 - [Utah Taxpayers have Highlighted the Risk to Taxpayers and Ratepayers](#)
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