



THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

How Will Your Taxes Change Now the 2021 General Session Has Ended?

The Utah Legislature's 45 day General Session ended at midnight on Friday, March 5. Here are some of the most important tax issues your Taxpayers Association accomplished.

Three Prongs of Tax Cuts Advance - Social Security, Military Retirement and Dependent Exemption

House Bill 86 (Brooks/Harper) - Social Security Amendments, delivers a social security tax cut to Utah's senior citizens. HB 86 raises the amount of income that is exempt from tax from \$35,000 for joint filers to \$50,000. This delivers an \$18 million state income tax cut to those that are receiving those benefits. **Passed House 72-0, Senate 27-0.**

2 Sub Senate Bill 11 (Harper/Pierucci) - Military Retirement Income Tax Amendments, will eliminate state income tax on military retirement benefits in Utah. Utah will join 46 other states that do not tax those benefits as many retirees from the various branches of the military settle into retirement after completing their service to our country. Senate Bill 11 delivers a \$24 million tax cut to those receiving those benefits. **Passed Senate 27-0, House 69-2.**

Senate Bill 153 (Fillmore/Moss) - Utah Personal Exemption Amendments, further restores the state tax exemption for dependents that was lost in the 2017 federal tax reform bill. That loss created a state income tax hike on Utah taxpayers with dependents. SB 153 raises that exemption from \$565 per dependent to \$1,750. This will provide a tax cut of \$54 million to taxpayers with dependents. SB 153 has passed the Legislature. **Passed Senate 28-0, House 70-2.**

Governor Cox has indicated that he will sign all three of these tax cuts.

SB 18 - Relief on Business Personal Property Tax for 39,000 More Small Businesses (Harper/Lisonbee)

5 Sub Senate Bill 18 will help an additional 39,000 small businesses in Utah be free from paying property tax each year on their business personal property. It raises the amount of exempt property from \$15,000 to \$25,000 and continues to exempt items that are under \$500 and not critical to the business activity.

Since the vast majority of tax on personal property is paid by large taxpayers, raising the threshold to \$25,000 delivers relief to more than 50% of businesses that currently pay the tax with a tax cut of around \$2 million statewide. **Passed Senate 26-0, House 67-0.**

SB 95 - Eliminating Tax Barriers for the Production of Software (Fillmore/J. Moss)

Your Taxpayers Association has long argued for a broad sales tax base and a low sales tax rate. The exception to this is using these exemptions as tools to eliminate tax pyramiding. Economists from across the country, as well as the Taxpayers Association, have strongly urged against taxing business inputs, and Utah and its policymakers have generally followed that advice.

The term “business inputs” refers to purchases that businesses make as a part of their production or operations. Tax policy experts nearly universally agree that sales taxes should be imposed at the final stage of consumption only, and not during the various stages of production or development.

SB 95 looks to expand this exemption for the production of software. As Silicon Slopes 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. **Passed the Senate 28-0. The House did not consider the legislation.**

HB 209 – Vehicle Registration Fee Revisions (Christofferson)

This legislation would have simply increased registration fees for electric, hybrid and plug-in hybrid vehicles.

The Association has long stood for the principle that users of a service ought to be responsible for the payment to maintain and provide the service. In this circumstance, roads and transportation infrastructure.

When a traditional-fueled vehicle fills their gas tank, the tax on gasoline is automatically calculated into the total price of a gallon of gas. That gasoline tax is then used to pay for the maintenance of both state and local roads.

Alternate-fueled and electric vehicles do not pay the gasoline tax, and therefore are not contributing their share of the usage of the roads. While they do pay a registration fee which does contribute to the transportation infrastructure, it is not nearly to the point of equity with traditional-fueled vehicles.

HB 209 simply would have asked that these types of vehicles are paying more of their contribution to the maintenance of roads.

The Association certainly understands the benefits of electric, hybrid, and alternate-fueled vehicles to Utah’s air quality, and HB 209 continues to provide a discount for drivers of these cars. If HB 209 were to pass in its current form, these alternate-fuel vehicles would still see a roughly 20% discount from their traditional-fueled counterparts.

Some have framed this as an attack against air quality and the environment, which it is not. This is simply about making sure Utah’s roads can be improved and paid for as alternate fuel vehicles increase in popularity.

In addition, there is currently no financial motivation for electric vehicle drivers to enroll in the “Road 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.

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.

You can learn more about the fees by viewing this spreadsheet the Association has put together. **Failed in the House 27-44.**

SB 206 - Providing Tax Relief for All Utah Taxpayers Through an Innovative Approach that Also Protects Public Education Funding (Fillmore)

Senate Bill 206 would have delivered a \$253 million dollar tax cut to Utah taxpayers. It would cut the individual and corporate income tax rates from 4.95% to 4.75% for 2021 and 2022 using only one time revenue in the state budget. Then, if revenue comes in strong enough at the end of fiscal year 2022, the rate cut would have become permanent at 4.75%.

It is noteworthy that \$253 million is only 17% of the current one time surplus of \$1.5 billion.

This innovative strategy allows education to be fully funded and ensures there is ample revenue for state government before the cut can become permanent. **Passed Senate Revenue and Taxation Committee 5-2. The full Senate did not consider the legislation.**

HB 140 - Transparency for Taxpayers Following Increased State Collection After Federal Changes (Thurston/McCay)

In addition to pushing for transparency for Utah taxpayers in the event that federal action increases the amount the state collects in taxes.

This is spurred by the 2017 federal tax reform, which eliminated the dependent exemption. The Legislature did not immediately make a change to protect taxpayers, which led to the state collecting millions in revenue it had no specific action in order to receive.

HB 140, in the case of federal action that increases the state's collection on taxes, would have put that new revenue into a restricted account until the Legislature decides whether to spend it or return it to taxpayers.

This bill would have helped taxpayers understand when taxes increase due to federal action, and require the Legislature to set a policy when the new revenue is collected. **Passed House 42-27, Failed in the Senate 8-21.**

SB 65 - Creating Everlasting Efforts to Redevelop Cities at Taxpayer Expense

Under current law, community reinvestment areas (CRA) (also known as redevelopment areas), end after a certain period of time. A CRA board (often the city council), will approve an area to be redeveloped based on blight, economic development, and sometimes housing.

CRAs can use tax increment financing (TIF) to build infrastructure or to be provided to the developer. The CRA board is required to set an end date for the project, at which point the tax increment financing ends and the newly generated property tax revenue returns back to the taxing entities.

Under SB 65, this process would flip. The CRA could levy a property tax that is used for economic development. That revenue could then be used indefinitely for new redevelopment areas.

Your Taxpayers Association believes that tax increment financing should only be used in the case of "but for". Essentially, TIF can be used if an area is not likely to be developed or redeveloped on its own merit. Creating a

separated property tax levy to endlessly use for redevelopment will lead to taxpayer waste as municipalities search for areas that don't necessarily need to be redeveloped. **Passed Senate 22-5, Passed House 52-18.**

View our entire 2021 Session Watchlist to see all tax-related bills the Association engaged on.

My Corner: Tales from Inside the Legislature

On April 15, Howard Stephenson will retire from his 44 years of service to the Utah Taxpayers Association – the longest tenure of any employee since the Association's founding in 1922. In his final issues writing this corner, he looks back and forward.



My experience serving in the Utah Senate for 26 years first began with the Utah Taxpayers Association Board of Directors giving me permission to run for the Senate in a district which did not have an incumbent. The district was the 'leftovers' of redistricting following the 1990 Census. The district started from Cedar Hills in Utah County and weaved through Alpine, Highland, Draper, Sandy, White City and finally ending on Center Street in Midvale.

The Board made certain from the outset if I was elected, that ethically I was not expected to vote for the positions of the Association (my 26 year Taxpayers Legislative Scorecard showed that some years I did not have a perfect score). When seeking approval to run, I unwisely offered to use my vacation time to partially offset the days I would be fulfilling legislative duties. Thankfully, board member Larry Givan convinced the rest of the Board that my offer was out of the question, that my young family would already pay a high price for my public service without losing vacation time with their dad. Little did I realize then the costs and benefits my family would experience from my service. From this first hand experience, I continue to hold all legislators and their families in the highest regard.

Filing for Public Office

I filed to run for the open senate seat on the first day, hoping to fend off others. On the morning of the filing deadline, I had no GOP opponent. I was unaware that a ten-year incumbent in the House had been courted by the UEA teachers union and the Utah Public Employees Association to run for the senate seat to prevent a taxpayer advocate from being elected. He had previously filed for re-election to his House seat in Utah County and went into the Lt. Governor's office in the Capitol around 2:30 that afternoon to file for the Senate seat. He was told the law at the time would require him to cancel his filing for the House seat in person in Provo, and then come back to the Capitol to file for the senate seat before 5:00 p.m. I happened to be in the Capitol Rotunda when he rushed to the Lt. Governor's office at 4:55, barely making the filing deadline.

I received a lot of help from politically active people in my district and in the party. I reached out to Colorado State Senator Bill Owens who was also Executive Director of the Colorado Petroleum Association on how to juggle conflicts as head of a lobbying organization while serving in the Senate. He gave me so much encouragement and took time to provide tips and tricks of getting elected and how to win support of party delegates. I incorporated his ideas in my campaigning. Bill Owens later served two terms as Governor of Colorado.

The State 1992 GOP Convention at the Weber County Fairgrounds would be the place where my Senate District Caucus vote would be held, the same convention through which Governor Mike Leavitt and U.S. Senator Bob Bennett would be nominated.

Learning a Hard Lesson about Character

In my effort to meet with every delegate I planned to meet two very different groups of delegates on the same day. My wife Julie came with me as she felt a duty to support her candidate husband. The first meeting involved delegates who were working together to promote school choice and education accountability. The second group included public school administrators and classroom teachers who were aligned with the UEA teachers union. When asked my position on school choice and school accountability I crafted my answers to be most acceptable to each audience, as I thought any good salesman would do. After leaving the final meeting and getting in the car to drive home I was feeling pretty good about my performance. But before starting the car engine, I sensed something was wrong and turned to Julie and asked why so gloomy? At first, I thought someone had said something to offend her. Sadly, I learned her disappointment was in me. Through tears, she told me she had always respected my integrity and the consistency through which I approached challenges. But she said if I couldn't give the same answer with the same passion to each group, she didn't want me to continue the campaign. She said she didn't want politics to change me from the good man she married. I could not have been more ashamed of myself, especially having left the meetings so pleased with my performance as a clever candidate. I humbly promised Julie that day that I would campaign and, if elected, serve with integrity and be consistent in my positions regardless of the audience.

How a Landslide Victory Felt Like a Loss

Rep. Mont Evans gave my nominating speech at the convention while former Speaker Glen Brown nominated my opponent saying that a lobbyist should not serve in the legislature. I had reached out to every one of more than one hundred delegates and proudly declared my conflict, pointing out that more than a dozen government employees and teachers served in the legislature in spite of their conflicts, so why shouldn't there be one legislator whose conflict is advocating for taxpayers? Having lobbied the legislature for 14 years I had learned how to count and figured in had 71% of the delegates, just barely more than the 70% required at that time to avoid a primary ballot contest. When the votes were counted I had 69.5% of the delegate vote. Two delegates who committed to me were so busy working on Joe Cannon's U.S. Senate race that they never showed up in time to vote in my caucus. Despite winning at convention in a landslide, I now faced a brutal primary election.

I had to work harder than I could ever have imagined in trying to win the Primary election. I was disheartened one Saturday morning as I left the house to find locations for my campaign signs only to discover hundreds of my opponent's signs all along the major streets in the district. The UEA and UPEA had kept their commitment to my opponent that they would do all that was necessary to make sure he won the election. He had an army of volunteers working for him and continually reminded voters of my conflict of interest.

I had promised Julie that I would not use the financial resources of our family to fund my election or my service in the legislature. So I was grateful for the many individuals and businesses who donated to my campaign, mostly without being asked. It was a long anxious summer of campaigning, preparing mailers and placing lawn signs but ultimately I won the primary with nearly 2/3 of the vote, having carried every precinct except two in my opponent's neighborhood. Apparently, my full-time employment as a taxpayer advocate was a conflict voters accepted. Because the senate district was overwhelmingly Republican, I won the General Election easily.

The Perspective from Inside the Legislature

My swearing in on the first day of the 1993 legislative session was a very moving experience. The prayer, the Color Guard, the music and opening speeches had a whole new meaning in light of my new responsibility. The dignity and importance of the process was brought to bear on my mind and heart as never before. I also became aware of something I did not fully understand, even having previously lobbied the legislature for 14 years: Legislators are given amazing support from the staffs of four different support entities, Research &

General Counsel, Fiscal Analyst, Auditor General, and the staffs of the House and Senate plus an intern for each legislator. No legislators are ever without support to accomplish their legislative goals. This is extremely important as legislators are bombarded on all sides by those seeking their time and attention.

However, all the support in the world doesn't prevent the PTSD that results from an intense 45-day legislative session that tests the psychological health of all legislators who seriously invest themselves in achieving challenging legislative goals. In fact, Stan Lockhart, husband of the late Speaker Becky Lockhart tells of a legislative spouse event where Marriage & Family Relations Counselor Matt Townsend gave training to assist families to understand the legislators in their families. Before the training, Townsend had spent time observing the legislators in action up close. The observations from a trained professional led him to advise legislative spouses on how they and their families can effectively cope with the physical and emotional absence of their spouse and parent of their children. Because legislators are totally consumed by their legislative roles, if families want to cope with and support their distracted legislator during the 45 day session, Townsend said they should treat them with patience as though they were children with special needs. The conditions legislators face during the session are so intense and so far outside the norm of human day-to-day life, that those who experience it need to be temporarily treated with special care. Then, after the session, they can be treated as normal, functioning adults.

It wasn't until I left the legislature that I realized that during each session I was in a sense, a slave, connected to a ball and chain. Legislators don't always realize how demanding or intense the session is because they are programmed every minute and the dopamine associated with the daily interactions and importance of the work, masks their lack of freedom.

The First Test of My Principles

You're supposed to represent the will of your district. All six mayors in my first term approached me to support an issue important to the League of Cities and Towns. I was uncomfortable with their request so I asked them what principle would demonstrate why I should support their request. They told me the principle was that they were mayors in my district and I was therefore obligated to vote for what they unanimously supported. This was the first serious test of my political character. Would I give in to pressure to vote for something which violated the principles I deeply held and on which I had campaigned? In the campaign I had told voters that they should only vote for me if they agree with the principles I have espoused, because that is what will guide my votes, not the opinion polls of the electorate in my senate district. Consequently, the mayors of my district were disappointed that I could not vote as they had requested.

Come On In, the Water's Fine!

Two years after I was elected to the Senate, Utah AFL-CIO President Eddie Mayne told me he was considering a run for the Senate on the Democrat ticket, having seen how I was able to juggle my conflict of interest. He won his election and we served several sessions together. When he passed from lung cancer while in office, his wife Karen was appointed to fill his remaining term. Since her appointment and multiple re-elections she has been one of the most effective Senators, based on bills passed, among other contributions. I often wonder if either of the Maynes would have decided to serve in the legislature if I hadn't run, demonstrating to Eddie how a lobbyist could handle the conflict of interest.

Defending Against Biased Media

For years, political writers at the Salt Lake Tribune took every opportunity to engage in extremely biased and inaccurate reporting nearly every time I was mentioned in a story. Although my Republican colleagues commiserated with me, and were glad it wasn't them, they said there was nothing I could do but turn the other cheek, saying it's unwise to pick a fight with those who buy paper by the ton and ink by the barrel. Then one

day, out of the blue I got a call from a well-known Democrat attorney, Dan Berman whom I thought barely knew me. He told me he was concerned about the way the Tribune had been unfairly treating me over the years. He offered to be my attorney, pro bono, to get them to stop. Somehow, he arranged a meeting with the Tribune Editor Jay Shelledy and political writers to review and evaluate the unfair journalism I had endured at their hands. It was an amazing meeting as I pulled article after article from a file and Mr. Berman explained the bias shown by the reporter. Often, the editor would agree that the bias was unacceptable, that the reporter took a cheap shot. He reprimanded reporters and columnists about some of the articles in the presence of me and my attorney. Other times he would say the article was fair criticism, that I left myself open on that one. I don't know what Mr. Berman said to the Tribune brass to get them to agree to the meeting, but for several years afterward I was treated fairly by the Tribune. I will be forever grateful for Dan Berman's unsolicited kindness.

Significant Legislation

There was so much that happened in my 26 years in the Utah Senate and the legislation that resulted is well preserved in legislative records available online. I will cover the significant tax related legislation in my last Corner in April. Some of the non-tax legislation I worked on include Utah's #1 Dual Language Immersion program, Charter Schools, Statewide Online Education Program, the nation's first Statewide Digital Teaching & Learning Masterplan, UPSTART home-based kindergarten readiness program which TED Global has identified as one of 8 Audacious Ideas that Can Change the World, the DREAM Act which allows undocumented high school graduates to attend college at in-state tuition rates, Paycheck Protection which ended the government subsidized PAC collection by public employee and teacher unions, raising government immunity caps, significantly expanding Utah's unique POPS professional arts organizations, and unique iSEE world class science museum outreach into schools.

Bowing Out

I didn't announce my retirement from the Senate until the end of the 2018 General Session, after the Motion to Adjourn Sine Die, so it was a surprise to most. I had worked for 23 years to eliminate the sales taxes on business inputs that had a life of less than three years and SB233 finally crossed the finish line at 5:00 p.m. on the final day of the session, I was ready to end my 26 year run.

I made the surprise announcement after midnight adjournment of the Senate and gave my parting comments of gratitude. The most touching comment that night came from Democrat Senator Jani Iwamoto who was very emotional about my announcement as she tearfully told me, "You can't leave me, we haven't finished our work!" She and I had worked together to chip away at the draconian practice of government immunity which protects government from responsibility for injury to innocent citizens.

No One Is Irreplaceable

I recall during my first legislative session Senate President Arnold Christensen telling senators that when we begin to think we're irreplaceable, we should stick a fist in a bucket of water and pull it out quickly. He said the hole that is left is how much we will be missed.

Cannon's Canon - The Insane Asylum of California Tax Policy Is why Businesses and Residents Are Fleeing to States Like Utah

Even before the COVID-19 pandemic, the flood of businesses and residents moving from California to states like Utah and Idaho was robust and showed no signs of



slowing. If anyone wants to know if that trend will continue, they need look no further than the insane asylum known as “tax policy” in California.

Boasting the highest marginal individual income tax rate of any state in the nation at 13.3% (Utah is at 4.95%) is just the beginning of the list of reasons taxpayers, businesses and wealth are fleeing California.

Thankfully for California taxpayers, tax hikes generally must pass with a two-thirds majority. Even with this high hurdle, legislators have proposed just about any tax hike you can think of. Here is just a small list of the legislation that has been proposed in 2020 in California as lawmakers considered a staggering \$82.8 billion in annual tax and fee hikes (buckle up):

- **AB 2712 - Tax Hike - \$53.3 Billion on Most Goods and Services**
 - Proposed creating the “California Universal Basic Income Program”, in which every California resident over the age of 18 would receive \$1,000 per month from the government. The program would be funded by imposing a 10% value added tax on all goods and services except medicine, food, groceries and clothing.
 - *Status - DID NOT PASS*
- **AB 85 - Tax Hike - \$9.2 Billion on California Employers**
 - Increases taxes on California employers over a 3 year period by limiting tax incentives and suspending tax relief for struggling businesses. The bill taxes research and development and COVID-19 research activities in California including the development of vaccines, treatments and testing kits, developing of medical equipment, development of work-from-home technologies and green technologies that help California reach its climate goals. The bill also suspends the Net Operating Loss Deduction, which will hit businesses hit hard by COVID-19 that may have significant losses in 2020 but could resume normal operations in 2021.
 - *Status - PASSED*
- **AB 398 - Tax Hike - \$2.1 Billion on California Jobs**
 - Proposed a \$275 per employee tax for five years on companies that employ 500 or more Californians, thus creating a fiscal incentive for companies to move jobs out of California.
 - *Status - DID NOT PASS*
- **AB 1659 - Tax Hike - \$902 Million on Utility Users**
 - Proposed a tax on utility users in the form of a \$3 billion bond that would be repaid with interest via a “surcharge” on utility bills. The tax would have been imposed on bills from investor owned utilities, not municipal utilities, for 25 years.
 - *Status - DID NOT PASS*
- **AB 1253 - Tax Hike - \$6.8 Billion Retroactive Income Tax Increase on Individuals**
 - Proposed a personal income tax increase, retroactive to January 1, 2020 at the rate of an additional 1% on income between \$1 million to \$2 million up to 3.5% more on income over \$5 million. That would hike California’s top rate of 13.3%, already the highest in the nation, to 16.8%, giving large taxpayers yet more incentive to flee to the state.
 - *Status - DID NOT PASS*
- **AB 2466 - Tax Hike - \$4.2 Billion on Soda**
 - Proposed a tax of 2 cents per fluid ounce of sugar-sweetened beverages, concentrates and syrups on those who distribute these products in California. The tax would equate to \$2.88 for every 12 pack of 12-ounce cans.
 - *Status - DID NOT PASS*

In addition to legislation in 2020, California voters also dealt with **Proposition 15**, which would have been a \$12 Billion property tax hike on commercial and industrial properties. The proposition would have created a “split roll” where residential properties continue to have the benefit of being assessed on their value for property tax on purchase price, however commercial and industrial properties would be assessed on market value, creating a massive tax hike on businesses large and small.

The revenue from the tax hike would be allocated to education funding. The majority of funding for the proponents of the measure came from billionaire Chen Zuckerberg, the wife of Facebook founder Mark Zuckerberg and from the California Teachers Union. After more than \$140 million was spent on support or opposition to the measure, California voters defeated Proposition 15 with 52% voting NO and 48% voting YES.

The list goes on and on including proposals to tax in-state energy production (\$1.6 billion hike), higher taxes on business pay ranges (\$1 billion hike), enacting air district taxes (\$490 million hike), limit on mortgage interest deduction (\$360 million hike), surcharge for broadband (\$66 million) and a tire tax increase (\$55 million). Unfortunately, as taxpayers and businesses flee the onslaught of higher taxes and fees, it appears that the flow of incoming traffic from California to Utah will not be slowing down anytime soon.

Association Accomplishments During February:

- ❖ Met with legislators and tax policymakers during the 2021 General [Session](#)
- ❖ Participated and testified Committee hearings at the 2021 Legislative [Session](#)
- ❖ Met with key negotiators to protect taxpayers and cut taxes for small businesses and [seniors](#)

In the News

- ❖ Bill Aims to Curb Rising Cost of Schools
 - [Utah Taxpayers Association agrees for more transparency](#)
Fox 13
- ❖ Truth [In](#) Taxation
 - [Reform Need for Iowa Taxpayers](#)
The Gazette
- ❖ Utah Legislature Reveals \$100 Million Tax Cut Plan
 - [Overall Rate Cut Covers All Taxpayers](#)
KJZZ.com
- ❖ Proposed Bill Raises Electric, Hybrid Vehicle Registration Fees
 - [Electric Vehicle Owners Would Still Be Paying Less Than Gas Drivers](#)
St George News
- ❖ Inside the Debate to Raise Electric Vehicle Registration Fees
 - [Bill is About Equity and Fairness in Using the Roads](#)
KSL
- ❖ \$250M State Income Tax Cut Bill Written [But](#) Will It Pass?
 - [Taxpayers Deserve Relief that Could be Made Permanent in the Future](#)
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