

Utah League of Cities and Towns
Legislative Policy Committee Minutes – August 21, 2019, 11:30 a.m.
Utah State Capitol, Senate Building Room 210 (and Zoom webcast)

1. Welcome, introductions, logistics, and adoption of [March 11, 2019 minutes](#)
 - i. ULCT 1st Vice President Mike Mendenhall welcomed the LPC and the committee approved the minutes from March 11, 2019.

2. Legislative items
 - a. **UPDATE:** interim items and looking toward the 2020 session (*ULCT staff*) (11:35-11:45)
 - i. ULCT Director of Government Relations Rachel Otto briefly updated the LPC on the current universe of legislative issues that ULCT is working on, including: tax reform, economic development, housing affordability, water conservation, public safety retirement, transportation, GRAMA, Good Landlord programs, off-highway vehicles, towing, subdivision updates, building inspection timing and accuracy, critical infrastructure materials regulation, stormwater retention and low impact development, court-awarded damages for land use decisions, and public infrastructure districts. ULCT Executive Director Cameron Diehl then explained the resolutions process to the LPC. The LPC is the resolutions committee and Cameron said the committee can expect to review several resolutions in the next meeting. Roger Baker asked Cameron what issues qualify for a resolution. Cameron suggested that if the policy is a priority for the city, they should bring it to staff and the LPC to determine a path forward.
 - b. **UPDATE:** Tax Restructuring and Equalization Tax Force (*Steve Young*) (11:45-12:25)
 - i. Cameron introduced Steve Young, a tax attorney with Holland and Hart and a non-voting member of the Tax Equalization and Restructuring Task Force. Steve began his presentation by stating that the goal of the task force was to find a fair solution for taxpayers and taxing entities. He outlined several key issues:
 1. Flexibility – Utah is the only state that constitutionally earmarks a major revenue source. The potential solutions to this problem are to amend the constitution (possibly converting the revenue earmark to a dedicated percentage for education funding) or to create a revenue tool to transfer funds from income tax to the general fund.

2. Sales Tax Broadening – services now comprise more of the economy than in 1932, when the sales tax was first adopted. Sales tax on goods may track inflation and population growth but the portion of the population paying the tax is decreasing. Taxing certain professional services also has the potential pitfall of tax pyramiding, which increases the costs of production and creates economic distortions. International value-added taxes present a possible model for the state to tax professional services and avoid tax pyramiding. Utah has the 12th broadest base in the country but there are some non-professional services. The full amount of online sales tax has likely yet to be collected from remote vendors. Cameron added that cities may see additional online sales tax revenue this coming year. Cameron also asked Steve if the state would reduce local rates if the base is broadened. Steve said the task force is still in the listening phase and hasn't started discussing policy directions yet. ULCT Senior Policy Advisor Roger Tew suggested that since large retailers like Amazon have a physical presence in Utah and already remit taxes for certain transactions, the increase in online sales tax revenue may not be as large as anticipated. Steve proceeded to list a number of non-professional services that could potentially be taxed including the full state tax on food, gas and electricity, delivery charges, interstate transportation of goods, intrastate transportation of goods and people, copying, installation charges, cleaning or repairs of real property, garbage removal services, lawn care, pest control, snow removal and tree trimming. Steve also mentioned several final consumption transactions with exemptions that may be removed.

ii. Steve was asked about the timeframe for tax policy changes. He responded that without overwhelming support from all involved stakeholders, tax policy changes are unlikely to occur in a special session. Cameron asked Steve what direction he anticipates the task force going in. Steve replied that there will likely be an ambitious "plan A" and a more feasible "plan B" for approaching the income tax earmark. A "plan C" might be a minor sales tax base broadening bill. Steve was asked about whether changes to the income tax earmark will reduce education funding. Steve

responded that no task force members are interested in reducing education funding, and the reason for our low per-capita education funding is a function of a young population and large families.

- c. Cameron emphasized that the tax process is ongoing. The next meeting is September 5th at 4:30.
3. Adjourn
 - a. The LPC adjourned.