December 9, 2019

Utah State Legislature
320 North State Street
Salt Lake City, UT 84114

Dear members of the Tax Restructuring and Equalization Task Force and the Utah State Legislature,

On behalf of the 1,385 mayors and council members in Utah, we as the officers of the Utah League of Cities and Towns thank you for your countless hours in analyzing how to modernize Utah’s tax code. We also thank you for considering the potential ripple effects that state tax reform could have on municipal budgets statewide. As elected officials, we share the same constituents and the same charge: deliver the services and infrastructure that residents expect in an efficient and fiscally responsible manner.

We appreciate your outreach to our members across the state over the last year, your meetings with our ULCT staff, and your willingness to understand our concerns about the ripple effects. As you know, we urged caution about the difference of being “revenue neutral” in the aggregate and “impact neutral” on specific city budgets. We rely on sales and use taxes, property tax, motor fuel tax, franchise tax, and other fees and the state often sets the parameters of those fiscal tools. We appreciate your consistent statements that you would not adversely affect municipal budgets.

The December 9 version of the bill upholds your commitment to not adversely affect municipal budgets. The proposed changes to the income tax, state sales tax on food, and state sales tax on motor fuel do not have a direct impact on municipal budgets. Cities do not receive any income tax revenue and the bill only contemplates state sales tax on food and gas. The proposed expansion of sales and use tax onto currently untaxed goods and services and the elimination of some sales tax exemptions will have a modest impact on municipal budgets. That specific impact is impossible to calculate.

Because the bill as drafted does not contemplate direct major impacts on municipal budgets, the ULCT Board of Directors has decided to not take an official position on the bill. We generally don’t take positions on legislation unless it directly impacts cities and towns. After all, we respect your ability to manage your general fund at the state level just as we request the same respect to manage our general funds at the local level. We look forward to continued dialogue with you about the sustainability of state and local tax policy, local property tax authority, and tools for local transportation funding.

In the meantime, thank you again for your efforts to bring people together to discuss tax reform, for listening to and addressing our concerns about the ripple effects of state tax reform on local government, and for being willing to make difficult decisions about the fiscal sustainability and economic competitiveness of our great state.

Sincerely,

Mike Mendenhall
President; Spanish Fork Council Member

Mike Caldwell
1st Vice President; Ogden Mayor

#CitiesWork
Dawn Ramsey
2nd Vice President; South Jordan Mayor

Gary Hill
Utah City Mgmt. Assoc.; Bountiful City Manager

Jon Pike
Immed. Past President; St. George Mayor

Cameron Diehl
Executive Director