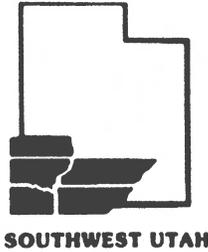


Five County Association of Governments **AGENDA ITEM #XII-C.**

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July 24, 2019

ATTN: Utah Legislature Tax Reform Tax Force
Utah State Legislature
350 North State, Suite 320
Salt Lake City, UT 84114

RE: Opposition to the Tax Equalization and Reduction Act, or current tax reform proposed and under consideration in the Utah Legislature.

Dear Members of the Utah Legislature Tax Reform Task Force, namely,

Senator Lyle Hillyard, Co-Chair
Representative Francis Gibson, Co-Chair
Senator Curt Bramble
Senator Kirk Cullimore
Senator Lincoln Fillmore
Senator Karen Mayne
Representative Joel Briscoe
Representative Tim Quinn
Representative Mike Schultz
Representative Robert Spendlove
Gary Cornia (non-voting)
Keith Prescott (non-voting)
Kristen Cox (non-voting)
Steve Young (non-voting):

The Five County Association of Governments comprises Iron, Beaver, Garfield, Kane, and Washington Counties, which also represent forty cities and five school districts. Our mission is to act on behalf of these counties, school districts, and cities in strengthening the ability of local officials to roll out federal and state programs within their jurisdictions.

On June 10, 2019, the Steering Committee of the Five County Association of Governments voted unanimously to formally oppose the Tax Equalization and Reduction Act, which act was defeated in the legislature's general session following constituent opposition voiced from across the state. It is the position of the Five County Association of Governments that tax policy, or any significant financial restructuring of this magnitude should be reserved for debate in the general session of the legislature, and particularly during a statewide election year, and never in a special session.

Of particular concern is the fact that Southern Utah was not represented in the task force considering the above legislation. In light of the fact that the fastest-growing metropolitan area in the state is in Southern Utah—one that is sure to rival other municipalities in the state in less than a decade—it is indispensable that the citizenry from this part of the state have a role in any future restructuring of Utah tax policy. Moreover, if the sales tax components of the legislation in question were ever to be implemented, the economy of Southwestern Utah would be significantly weakened, due to the marked advantage it would grant to Nevada and Arizona on account of their own, comparably favorable policies.

In addition to the omission of Southern Utah representation, and the inappropriate means by which the legislature allowed this legislation to be read and debated, the following items are further reasons for which the Five County Association of Governments opposes the Tax Equalization and Reduction Act:

1. Utah is a producing state, and relies heavily on services, so Five County is opposed to taxes on services.
2. Utah tax revenue standards MUST be impact neutral and not revenue neutral.
3. The legislation would incite a black market in recreational hunting and state revenues would decline.
4. Accountants in Southern Utah would go to Mesquite, Nevada for business services.
5. The state tax collectors will significantly enlarge the bureaucracy for enforcement.
6. Public school revenues would be adversely affected.
7. Tractor trailer owners would be given an incentive to register out of state, resulting in further losses in state revenues.
8. Business accounts will flee to adjacent states.
9. A black market in cash services will further deplete state resources.
10. Sales tax revenues have been steadily increasing in recent years, precluding the need for the legislation in question.
11. Unlike California, Utah balances its budget within the parameters of current revenues.
12. The legislation counters the sound logic of generations, of which the state of North Carolina has been a champion: If you want more of something, tax it less.

On June 29, 2019, additional comments by the Steering Committee, below, were made directly to the Taxing Task Force in St. George, and we have added those to our letter for full consideration.

State of Utah tax revenues:

Sales tax has increased approximately \$1.5 billion, or 149%, over the last 23 years, and continues to increase an average of 4.2% per year.

State revenue in 1995 was approximately \$4.5 billion.

State revenue in 2018 was approximately \$13.5 billion, an increase of \$9 billion from 1995.

State spending in 1995 was approximately \$4 billion.

State spending in 2018 was approximately \$13.5 billion, an increase of \$9.5 billion from 1995.

Utah's population has increased by 162% since 1995 while state revenue has increased by 208% and spending has increased by 235%.

Sales taxes are not decreasing, but rather, continue to increase proportionately to the population plus inflation.

Tax revenues continue to increase much faster than population growth plus inflation.

State expenditures are growing faster than revenue.

Sales taxes are taxes on consumption, not on income or investment. Inflation measures the change in end-use consumption of goods and services. For that reason, sales taxes should be indexed to inflation, rather than to GDP (gross domestic product = consumption + investment + government spending + net exports).

Utah should NOT lower income taxes and raise sales tax. Non-uniform and even random taxation of goods and services results in economic distortions, an increase in complexity, and a loss of transparency to the taxpaying public.

The Utah Constitution was amended to allow higher education to be funded from the Education Fund 20 years ago. This is a policy that can be renewed. Removing the legislature's handcuffs is a better way to address the revenue silo problem than restructuring the sales tax would be.

We hold that the task force was established to meet the needs of the whole state, but that it has not met that end due to the omission of representation from Southern Utah, and the five counties within our oversight have therefore rallied our state representatives to remedy the matter.

The Five County Association of Governments invites any members of the task force to our regularly scheduled Steering Committee meeting to address this matter directly. Should you desire to attend, please contact me at the address listed above, and I will add such a discussion to our agenda.

Respectfully,



Gil Almquist, Chair
Five County Association of Governments