

**UTAH STATE TAX COMMISSION
MEETING MINUTES**

9:00 a.m., Thursday, August 22, 2013

Commission Room 1000, 210 North 1950 West, Salt Lake City, Utah

Participating:

R. Bruce Johnson - Commission Chair
D'Arcy Dixon Pignanelli - Commissioner
Robert P. Pero - Commissioner
Barry Conover - Executive Director

Excused:

Michael J. Cragun - Commissioner

Commission Office:

Christa Johnson, Commission Executive Assistant
Charlie Roberts, Public Information Officer

Executive Director's Office:

Lynn Solarczyk, Director of Legislation
Julie Alsop, Finance Director
Denny Lytle, Property Tax Division Director

Note: A copy of related materials and an audio recording of the meeting can be found on the Tax Commission website: <http://tax.utah.gov/commission-office/meetings>.

I. Call to Order

Commission Chair Johnson called the meeting to order at 9:00 a.m. and noted that Commissioner Michael Cragun is excused.

II. Budget Request

Mr. Barry Conover and Ms. Julie Alsop presented the summary budget building block requests for fiscal year 2015.

1. Immigration Bill System Programming (HB116 and HB469 from the 2011 General Session)

Bills HB116 and HB469 created new tax requirements for immigrant workers and their employers.

These bills originally had an effective date of July 1, 2013. Implementation costs, however, were not funded by the legislature. Implementation was delayed to July 1, 2015, by SB225 of the 2013 General Session. Unless further changes are made in the upcoming session, the Tax Commission will need funds in FY2015 to design, develop and implement new systems and business processes.

Since the fiscal note was not funded on the original bills, the Tax Commission is requesting a budget increase to cover these costs in anticipation of the current law's implementation requirements.

2. Alcohol Beverage Control Fund Distribution

Ms. Julie Alsop explained that these are pass-through funds to local law enforcement entities to supplement their alcohol and drug enforcement programs. Utah Code 59-15-109 stipulates that 40 percent of the Beer Excise Tax from two-years prior be deposited in the Alcohol Beverage Enforcement and Treatment Restricted Account, less \$30,000. Utah Code 32B-2-404 states that Legislature shall appropriate an amount equal to at least that amount. Each year it is necessary for an adjustment for this appropriation due to beer sales varying from year to year. Beer sales decreased in FY2013, so a reduction is necessary for this appropriation for FY2015.

III. Executive Director's Report

Mr. Conover reported that he met with State Auditor John Dougall earlier this week to go over the Utah State Tax Commissions data and security audit.

IV. Public Comment (Individuals or groups wishing to address the Commissioners for up to three minutes on matters not related to a pending or reasonably imminent appeal to the Tax Commission)

Commission Chair Johnson noted that no one from the public wished to address the Commissioners at this time.

V. Consider Approving Open and Closed Commission Meeting Minutes of June 5, 2013 and Special Commission Meeting Minutes of June 27, 2013.

MOTION: Commissioner Dixon moved approval of the Open and Closed Commission Meeting Minutes of June 5, 2013 and Special Commission Meeting Minutes of June 27, 2013. The motion passed unanimously.

VI. Approve submission of proposed rule amendments to Division of Administrative Rules for publication in the Utah Register

Commission Chair Johnson announced that Commissioner Pero now administers the Tax Commission Administrative Rules.

Commissioner Pero introduced the following proposed rule amendment for the Commission to consider and submit for publication to the Division of Administrative Rules:

Rule R861-1A-29 provides that if a party withdraws an appeal from a Tax Commission initial hearing, the initial hearing decision becomes final as of the date that is 30 days after the date of the issuance of the initial hearing decision.

Rule R884-24P-33 is an annual valuation guideline for personal property tax. Counties and property owners will use the valuation guidelines for 2014 personal property tax assessments. Section 59-2-107 authorizes the State Tax Commission to promulgate rules that define classes of items considered to be personal property and provide valuation percent good schedules to value locally assessed personal property. County assessors must use the percent good schedules as contained in this rule. Any deviation which affects an entire class or type of personal property requires a written report documenting the schedule change to be submitted to the Tax Commission for approval prior to use. The rule is also amended to include changes made by 2013 SB 238 that allow property to be classified as non-capitalized personal property if the property is eligible to be claimed as a deductible expense, regardless of whether the deduction is actually claimed.

Commission Chair Bruce Johnson asked Mr. Herbert Jenkins to explain the process of how the numbers are verified in Rule R884-24P-33.

Mr. Herbert Jenkins with the Property Tax Division, Personal Property Appraisal Manager, explained that Personal Property is valued using a classification system referred to as Recommended Personal Property Valuation Schedule. These schedules identify various types of personal property and provide a percent good of acquisition cost for commercial personal property. The percent good numbers are based on relevant studies, market information, Marshall and Swift Trending studies, and other market information. These valuation schedules provide a factor to be applied to acquisition cost and acquisition year to determine taxable value. Once taxable value is determined, the local taxing area rate is applied to calculate the tax. The taxable value for business personal property classes subject to an ad valorem tax is calculated by applying the acquisition cost at the retail level of trade by the percent good factor of the year acquired.

Commissioner Dixon asked if at some point if the Property Tax Division would give a presentation on personal property tax audits.

Commission Chair Johnson asked Denny Lytle, Property Tax Division Director, if he would prepare a presentation on personal tax audits for a future Commission meeting.

MOTION: Commissioner Pero moved to submit the foregoing proposed rule amendments as presented. The motion passed unanimously.

VII. Consider Amending Administrative Rules

Commissioner Pero presented the following proposed rule amendment for the Commission to consider and make effective:

Rule R877-23V-22 amendment repeals the rule section since the subject matter is adequately dealt with in statute enacted by 2013 Senate Bill 196.

<http://le.utah.gov/~2013/bills/static/SB0196.html>

MOTION: Commissioner Pero moved to adopt the foregoing proposed rule amendment as presented to the Division of Administrative Rules. The motion passed unanimously

VIII. Commissioners' Reports

Commissioner Pero announced that Jacoba Larsen has accepted the position in Economic and Statistics Unit in the Office of the Commission. Jacoba is working with Leslee Katayama and Eric Cropper in analyzing state revenue projections. The Commission is grateful that she accepted the invitation.

Commission Chair Johnson reported that the Utah State Tax Commission hosted six members of the Ministry of Finance (MOF), Republic of Poland, on August 6 and 7, including Andrzej Parafianowicz, Undersecretary of State, Ministry of Finance, Warsaw. This visit allowed the MOF delegation to observe some best practices of a United States state tax agency and to observe a production implementation of the GenTax software for government tax administration. USTC has accomplished significant changes and improvements to its tax system and business processes in Utah, and the Commission is pleased to have shared our experiences as well as the important lessons learned.

IX. Closed Session to Discuss Pending or Reasonably Imminent Litigation

MOTION: Commissioner Dixon moved that the Commission meet in closed session to discuss pending or reasonably imminent litigation. The motion passed with Commission Chair Johnson, Commissioner Dixon and Commissioner Pero all voting aye.

X. Retuned to Open Session

Commission Chair B. Johnson called the meeting back to order at 9:32 a.m.

XI. Consider approving stipulation and settlement agreement for Verizon vs. Property Tax Division of the Utah State Tax Commission, Utah State Tax Commission and Salt Lake County, Fourth District Court, Case No. 110400164

Commission Chair B. Johnson recognized the Property Tax Division and Attorney General's Office, and expressed appreciation for their work valuing the Taxpayers property initially, and in evaluating and negotiating the settlement.

MOTION: Commissioner Dixon moved to approve the settlement agreement as presented. The motion passed unanimously.

Mr. John McCarrey asked if that constitutes approval for counsel's signature on behalf of the Tax Commissioners.

Commission Chair Johnson replied "yes."

Commission Chair Johnson adjourned the meeting at 9:34 a.m.

Approved on: Tuesday, September 17, 2013

Attested: Christa Johnson

Executive Assistant

Utah State Tax Commission