

15th Biennial Report
of the
**UTAH STATE
TAX COMMISSION**



For the fiscal years
1959-1960

FIFTEENTH
BIENNIAL REPORT
OF THE
STATE TAX COMMISSION



ORVILLE GUNTHER
Chairman

ARIAS G. BELNAP

ALLAN M. LIPMAN

HERBERT F. SMART
Commissioners

G. W. BARBEN
Executive Secretary

ROSCOE E. HAMMOND
Consultant

FOR THE FISCAL YEARS 1959-1960



THE STATE OF UTAH
STATE TAX COMMISSION
118 STATE CAPITOL
SALT LAKE CITY

September 30, 1960

COMMISSIONERS
ORVILLE GUNTHER
CHAIRMAN
ALLAN M. LIPMAN
ARIAS G. BELNAP
HERBERT F. SMART
G. W. BARBEN
EXECUTIVE SECRETARY

To His Excellency
The Honorable George D. Clyde, Governor
and Members of the Legislature of the
State of Utah

Gentlemen:

We submit herewith the biennial report of the State Tax Commission covering the period from July 1, 1958 to June 30, 1960.

This report is made in compliance with the requirements of the law as stated in Section 59-5-46, Utah Code Annotated, 1953, as amended, by Chapter 120, Laws of Utah, 1957.

Respectfully submitted,

STATE TAX COMMISSION

Orville Gunther
Chairman

Allan M. Lipman

Arias G. Belnap

Herbert F. Smart
Commissioners

G. W. Barben
Executive Secretary

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SUMMARY OF RECOMMENDATIONS

We respectfully recommend that:

Corporation Franchise Tax

1. The Legislature study the proposal of the committee of the National Tax Association that each state enact the uniform formula, as proposed by the committee, for the allocation of income of a corporation doing business in two or more states.

2. The Corporation Franchise Tax Act be amended to provide that (a) farmers, fruit growers or like associations which are organized or operated on a cooperative basis and which are exempt from the provisions of the act be required to file information returns and (b) corporations organized for the exclusive purpose of holding title to property, collecting income therefrom and turning over the entire amount thereof less expenses to an organization which itself is exempt from a tax imposed by this chapter also be required to file information returns.

Sales and Use Tax

The Legislature review the following exemptions for the purpose of determining whether they should be continued:

3. The occasional sale of a vehicle other than a motor vehicle.

4. The sale of tangible personal property by religious, charitable and eleemosynary institutions.

The Taxation of Motor Vehicles

5. Property taxes on all vehicles now subject to the motor vehicle registration law be replaced by an excise tax.

Motor Vehicle Registration

6. The Motor Vehicle Registration Law be amended to provide (a) for the destruction of surrendered certificates of title after they have been held for a period of five years, (b) that the use of exempt plates be clearly defined and (c) that the time that a motor vehicle which has been seized, under the provision of Section 41-1-115 U.C.A. 1953 must be held before sale be reduced from sixty to thirty days.

Motor Fuel Taxation (Gasoline Tax)

7. The Motor Fuel Tax Act be amended to provide for the exemption of benzine from the application of the tax.

CORPORATION FRANCHISE TAX

1. We respectfully recommend that the Legislature study the proposal of the committee of the National Tax Association that each state enact the uniform formula, as proposed by the committee, for the allocation of income of a corporation doing business in two or more states.

The allocation of the income of a corporation which does business in two or more states and which does not keep its accounting records on a unitary basis for each state presents a difficult problem in the administration of the corporation franchise tax act. At the time that this law was enacted in 1931 a formula had been developed elsewhere which was designed to allocate in an equitable manner the income of such a corporation to each state in which the corporation did business. This formula with some modification was enacted into the Utah law.

Within recent years several groups have studied the allocation problem for the purpose of developing a formula which would be acceptable to those states that have corporation franchise tax laws. The purpose of such a formula is to provide for the taxation of all of the income of a corporation, to insure that the same income would not be taxed by two or more states and to simplify the administration of the tax. A committee of the National Tax Association has developed such a plan and has proposed its adoption. It has the tentative approval of the American Bar Association, the Council of State Governments and the National Tax Association. It has been enacted into law by some of the western states.

This formula does not depart substantially from the allocation method which is now part of the Utah corporation franchise tax act but it does modify the application of some of the provisions. Both methods contain the following factors: (1) tangible property, (2) salaries and wages, (3) gross receipts. In the new formula the tangible property factor is changed from an average value to a cost basis. There is no change in the salaries and wages factor. The gross receipts basis is modified by the provision that in the case of the sale of tangible personal property the allocation is on the destination basis rather than the location of the office from which the sales are made.

The nature of this problem is such that we felt that it should be brought to your attention for your study and consideration. The full text of the corporation franchise tax act which deals with rules for determining net income allocated to this state will be found in Section 59-13-20 U.C.A. 1953, as amended.

2. We respectfully recommend that the Corporation Franchise Tax Act be amended to provide that (a) farmers, fruit growers or like associations which are organized or operated on a cooperative basis and which are exempt from the provisions of the act be required to file information returns and (b) corporations organized for the exclusive purpose of holding title to property, collecting income therefrom and turning over the entire amount thereof less

expenses to an organization which itself is exempt from a tax imposed by this chapter also be required to file information returns.

(a) Section 59-13-4 U.C.A. 1953 contains the following provision regarding the exemption of "cooperatives":

"The following corporations are exempt from the provisions of this chapter, to wit: * * *

"(10) Farmers', fruit growers', or like associations organized and operated on a cooperative basis,

(a) For the purpose of marketing the products of members or other producers and turning back to them the proceeds of sales, less the necessary marketing expenses, on the basis of either the quantity or the value of the products furnished by them, or (b) For the purpose of purchasing supplies and equipment for the use of members or other persons, and turning over such supplies and equipment to them at actual cost, plus necessary expenses. Exemption shall not be denied any such association because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the state of incorporation or eight per cent per annum, whichever is greater on the value of the consideration for which the stock was issued, and if substantially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the association, upon dissolution or otherwise, beyond the fixed dividends) is owned by producers who market their products or purchase their supplies and equipment through the association; nor shall exemption be denied any such association because there is accumulated and maintained by it a reserve required by state law or a reasonable reserve or surplus for any necessary purpose. Such an association may market the products of nonmembers in an amount the value of which does not exceed the value of the products marketed for members, and may purchase supplies and equipment for nonmembers in an amount the value of which does not exceed the value of the supplies and equipment purchased for members; provided, the value of the purchases made for persons who are neither members nor agricultural producers does not exceed fifteen per cent of the value of all its purchases."

"Corporations organized by an association exempt under the provisions of this section, or members thereof, for the purpose of financing the ordinary crop operations of such members or other producers, and operated in conjunction with such association are also exempt. Exemption shall not be denied any such corporation because it has capital stock, if the dividend rate of such stock is fixed at not to exceed the legal rate of interest in the state of incorporation or eight per cent per annum, whichever is greater, on the value of the consideration for which the stock was issued, and if substan-

tially all such stock (other than nonvoting preferred stock, the owners of which are not entitled or permitted to participate, directly or indirectly, in the profits of the corporation, upon dissolution or otherwise, beyond the fixed dividends) is owned by such association, or members thereof; nor shall exemption be denied any such corporation because there is accumulated and maintained by it a reserve required by state law or a reasonable reserve for any necessary purpose." * * *

(b) Section 59-13-4 U.C.A. 1953 contains the following provision regarding the exemption of holding companies. "The following corporations are exempt from the provisions of this chapter, to wit * * * (11) Corporations organized for the exclusive purpose of holding title to property, collecting income therefrom and turning over the entire amount thereof less expenses to an organization which itself is exempt from the tax imposed by this chapter."

A careful reading of the above statute will indicate that there are strict rules to determine whether the associations and corporations above mentioned are exempt from the corporation franchise tax but unless the commission has detailed information dealing with such associations and organizations it is impossible to determine whether they qualify for this exemption. It is for this reason that the commission recommends that these associations and corporations be required to file information returns which will support their claims for an exempt status.

SALES & USE TAX

3. *We respectfully recommend that the Legislature review the exemption from the sales tax of the occasional sale of a vehicle other than a motor vehicle to determine whether this exemption should be continued.*

The Sales Tax Act contains the following provisions:

"From and after the effective date of this act there is levied and there shall be collected and paid: (a) a tax upon every retail sale of tangible personal property made within the State of Utah equivalent to two percent of the purchase price paid or charged. * * *" 59-15-4 U.C.A. 1953 as amended.

Section 59-15-2 U.C.A. 1953 as amended provides as follows: " * * * the term 'retail sale' is not intended to include isolated or occasional sales by persons not regularly engaged in business * * * provided however that no sale of a motor vehicle shall be deemed isolated or occasional for the purpose of this act." * * *

From the time that this provision dealing with motor vehicles became effective and until it was construed by the Supreme Court, the Tax Commission uniformly collected the tax on each retail sale of all motor vehicles, trailers, semi-trailers and all other vehicles subject to the motor vehicle registration law.

In the case of the Pacific Intermountain Express Co. vs the State Tax Commission (8 U. 144) which was decided September 4, 1958 one of the questions which was presented to the Supreme Court involved the imposition of a tax on the occasional sale of a trailer or semi-trailer. The court held that "Trailers and semi-trailers transferred as an isolated or occasional sale by a non retailer are not taxable under the Sales Tax Act, and are not included within the phrase 'motor vehicle' as used in the sales tax act since a motor vehicle naturally connotes and suggests some sort of self-propulsion."

The effect of this decision was to exempt the "occasional" sale of trailers and semi-trailers from the sales tax but it left unchanged the requirement to impose the tax on the "occasional sale of power units." We bring this matter to the attention of the Legislature in order that legislative policy may be determined on this problem.

4. *We respectfully recommend that the Legislature review the exemption of sales of tangible personal property by religious, charitable and eleemosynary institutions.*

Section 59-15-6 U.C.A. 1953 as amended provides that * * * "all sales made to or by religious, charitable and eleemosynary institutions, in the conduct of the regular religious, charitable, and eleemosynary functions and activities * * * shall be exempt from taxation."

Exemption of the sales to religious, charitable and eleemosynary institutions seems defensible. However, in the exemption of sales by such institutions, certain problems of equity and administration become apparent.

THE TAXATION OF MOTOR VEHICLES

5. *We respectfully recommend that property taxes on motor vehicles be replaced by an excise tax.*

This, in our opinion, will require a constitutional amendment. Each year as new taxing districts are created and as the number of motor vehicles is increased, the tax problem becomes more acute. We believe that a solution may be found by substituting an excise tax for the property tax. This will save time for the owner and will simplify the administration of the tax. By appropriate legislation an excise tax can be devised which will yield approximately the same amount of revenue which is now being collected from the property tax. Furthermore this revenue can then be distributed in an equitable manner to the local units of government which are now receiving the property tax.

MOTOR VEHICLE REGISTRATION

6. *We respectfully recommend (a) that the motor vehicle registration law be amended to provide for the destruction of surrendered certificates of title and applications for title after they*

have been held for a period of five years, (b) that the use of exempt plates be clearly defined and (c) that the time that a motor vehicle which has been seized under the provision of Section 41-1-15 U.C.A. 1953 must be held before sale be reduced from sixty to thirty days.

(a) The law as stated in 41-1-71 U.C.A. 1953 contains the following provision:

* * * "The department shall retain and appropriately file every surrendered certificate of title and every application for title for a period of not less than seven years, such file to be so maintained as to permit the tracing of titles of the vehicles designated therein."

Experience has developed the fact that there is no need for maintaining these records after five years. To keep them longer than this period encumbers our files with unnecessary documents and requires the expenditures of funds for files and at the same time uses valuable office space.

(b) The use of exempt plates is a frequent source of difficulty, due in part to the fact that some operators of motor vehicles which are owned by a branch of state government or by local political subdivisions apply for plates which do not show their exempt status. In some cases these motor vehicles are used in police investigation work while in other situations the operator of the vehicle represents that the use of the vehicle is such that it is preferable to have ordinary license plates on the motor vehicle. We feel that the policy regarding the use of exempt plates should be clearly stated in the law.

(c) The following provisions of the law explain the situations in which a vehicle may be seized by the motor vehicle department or by a peace officer and later sold if the owner or the lien holder cannot be determined:

41-1-115 U.C.A. 1953. "The department or any peace officer, without a warrant, may seize and take possession of any vehicle which is being operated with improper registration, or which the department or the peace officer has reason to believe has been stolen, or on which any motor number, manufacturer's number or identification mark has been defaced, altered or obliterated. Any peace officer so seizing or taking possession of such vehicle shall immediately notify the department of such action and shall hold the vehicle until notified by the department as to what further action should be taken regarding the disposition of the vehicle."

41-1-116 U.C.A. 1953. "The department is hereby authorized to store such vehicle so seized either in a public or private garage until the registration thereof has been properly completed or until the ownership of the vehicle is established to the satisfaction of the department."

"In any case where the motor number, manufacturer's number or identification mark has been defaced, altered or obliterated, the vehicle shall not be released until the original motor number,

manufacturer's number or identification mark has been replaced, or until a new number assigned by the department as hereinafter provided has been stamped thereon."

The following section establishes the manner in which the proceeds from the sale of vehicles are distributed:

41-1-136. "If the ownership of a vehicle seized and sold by the department as provided in section 41-1-135 or by sections 41-1-115 to 41-1-117 inclusive of this act, cannot be determined, then the excess of the proceeds of any such sale over the fees for registration or transfer and penalties and costs, shall be deposited with the state treasurer in a suspense account and shall be returned to the owner of the vehicle so sold upon claim being filed therefor by such owner or his heirs or assigns within one year of date of sale of such vehicle. Where no claim is filed for such excess moneys within one year from date of sale of the vehicle, then such moneys shall be covered into the state general fund. The \$3 fee provided for under section 59-10-51, Utah Code Annotated 1953, shall, when collected under this section, be paid into the state general fund."

The recommendation of the commission that the vehicles which are seized in accordance with the above quoted statutes be sold at the end of a thirty day period rather than sixty days is based upon the experience of the commission in the administration of this feature of the motor vehicle registration law. The owners of vehicles which have any real value are generally quickly identified and consequently are not sold. The ones which are sold generally are not worth enough to pay for the cost of the seizure, storage and sale. It would save the state money if these vehicles were sold at the end of a thirty day period and thus reduce the cost of storage.

MOTOR FUEL TAX

7. We respectfully recommend that the Motor Fuel Tax Act be amended to provide for the exemption of benzine from the application of the tax.

Section 41-11-6 U.C.A. 1953 provides for the imposition of the tax on motor fuel and Section 41-11-1 contains the following definitions of items which are subject to the motor fuel tax.

"* * * (2) 'Motor fuels' are fuels known as gasoline, including what is commonly known as drip gas, casinghead and absorption or natural gasoline, benzine, benzol, and such other volatile and inflammable liquids, except kerosene, distillate, diesel fuel, butane, propane or propane-butane mixtures, as are produced, blended, compounded or used for producing motive power in internal-combustion engines or for the purpose of operating or propelling motor vehicles, motor boats or airplanes but if any two or more products are compounded or mixed and the resulting compound or mixture is suitable for use or is used in the operation of a motor

vehicle, such resulting compound or mixture in its entirety shall be a motor fuel." * * *

At the time that the motor fuel tax act was first enacted benzine was used as a motor fuel. We are now advised that it is no longer so used but is used in industry. Consequently, the tax on benzine as a motor fuel imposes an unreasonable burden on those industries in which it is used. We therefore recommend that this product be exempted from the imposition of the tax and that this exemption be accomplished by striking the word benzine from the act.

RESULTS OF TAX LEGISLATION IN 1959

Utah's tax system was revised in several respects by the Thirty Third Regular and Special Sessions of the Legislature. (1) The tax base was extended. (2) Additional exemptions were granted. (3) The mine occupation tax on the production of oil and gas was increased. (4) Administrative procedures were revised. (5) The revenue for public schools was increased. (6) A local option sales and use tax was enacted.

(1) The tax base was extended—

Enactments through which the tax base was extended involved the following revenue measures:

- A. The sales and use tax.
- B. The corporation franchise tax.
- C. The oleomargarine tax.
- D. The property tax.

A. *The sales and use tax.*—The application of the sales and use tax laws was extended to (1) include a tax on the amount paid or charged for all services, repairs, or renovations of tangible personal property or for the installation of tangible personal property rendered in connection with other personal property; (2) a tax on the amount paid or charged for tourist home, hotel, motel or trailer court accommodations or service except in those situations where residence is maintained for a period of more than 30 days under the terms of a lease; (3) a tax on the amount paid or charged for laundry or dry cleaning service.

(Chapter 113, Laws of Utah, 1959)

B. *The corporation franchise tax.*—The application of the corporation franchise tax was extended in such a manner as to provide an income tax on corporations engaged solely in interstate commerce in Utah. Corporations which heretofore were exempt from the corporation franchise tax by reason of the fact that they were engaged solely in interstate commerce are now required to pay a tax based upon income at the same rate that other corporations are taxed on a franchise tax basis.

(Chapter 108, Laws of Utah, 1959)

C. *The oleomargarine tax.*—The tax on oleomargarine which in the past had been limited to the sale of oleomargarine in Utah was extended to include a tax on the use of oleomargarine in Utah which had been purchased outside the State.

(Chapter 6, Laws of Utah—First Special Session 1959)

D. *The property tax.*—A new concept in taxation was established through the enactment of a tax upon the possession or other beneficial use of property which is exempt from taxation as property. This tax is in the same amount and to the same extent as the ad valorem property tax. The primary purpose of the legislation was to impose a tax on the buildings and other facilities which are owned by the United States Government or one of its instrumentalities on federal reservations and leased to private corporations but it applies to other exempt property as well. This new tax has been applied in Weber County where there is a federal reservation upon which the State of Utah has not ceded its jurisdiction and in Box Elder County where a private corporation owns land upon which an instrumentality of the United States Government has erected buildings and established equipment.

(2) Additional exemptions were granted—

A. *Exemption of Household Furnishings.*—At the general election in 1958, Article 13, Section 2 of the Constitution of the State of Utah was amended to provide the following:

"* * * The Legislature may provide for the exemption from taxation of * * * all household furnishings, furniture and equipment used exclusively by the owner thereof at his place of abode in maintaining a home for himself and family. * * *"

The Legislature in 1959 enacted a statute which placed this constitutional amendment in operation.

(Chapter 104, Laws of Utah, 1959)

B. *Off Highway Gasoline Tax.*—Through legislative enactment a refund was provided for the taxes paid by any person who purchased and used within the State of Utah any motor fuel for the purpose of operating, running, or propelling stationary farm equipment and self-propelled farm machinery used solely for non-highway agricultural uses. In effect, this resulted in an exemption of the tax on motor fuels so used. The law, as stated in Chapter 69, Laws of Utah 1959, contains the following provisions dealing with the application for a permit and refund:

41-11-6(2). "Every person, firm or partnership desiring to qualify for refund under the provisions of this act shall apply in writing to the state tax commission upon a form to be prescribed by it for a permit to obtain a refund in accordance with the provisions hereof."

"Such original application, to receive a permit for refund of motor fuel tax, shall contain: (1) the name of the applicant,

(2) his address, (3) location and number of acres owned and operated and location and number of acres rented and operated, the latter of which must be verified by affidavit from the legal owner; (4) the number of acres planted to each crop, type of soil and whether irrigated or dry, and (5) make, size, and power rating of each piece of equipment using motor fuel. When applicant is an operator of self-propelled or tractor pulled farm machinery with which he works for hire doing custom jobs for other farmers, said application shall include such information as the state tax commission requires in relation thereto and shall all be contained in and be considered part of the said original application. This original application and all information contained therein shall constitute a permanent file in the name of the applicant with the state tax commission."

"Any person claiming the right to a refund of such state excise tax, must file by September thirtieth of each year, a claim with the state tax commission for the claimed refund for the fiscal year of July first of the previous year to June thirtieth of the current year. The claim shall state the name and address of the claimant; the number of gallons of motor fuels purchased for agricultural non-highway uses, and the amount paid therefor; the applicant shall further support his claim by submitting the original paid invoice; the applicant shall also file with the claim for refund a certificate of the county assessor showing each piece of equipment using motor fuel and the amount of taxes paid thereon during the year in which the refund is claimed, provided, however, that no refund shall be allowed until the property tax upon such equipment shall be paid in full or otherwise secured as provided by Section 59-10-4; and such further supplemental information to the applicant's permanent file as the state tax commission deems necessary. No more than one claim for tax refund may be filed annually by each user of refund gasoline."

The law contains the following provision dealing with the method of making refunds by the State Tax Commission:

41-11-6(3). "Upon approval by the State Tax Commission of such claim for refund, the state treasurer shall make payment of the amount found to be justly due as a refund to the claimant, provided, however, that there shall be deducted from the gross amount of each refund claim approved for payment that percentage, as cost of administration, which the actual cost of administration of this act bears to the total amount refunded as based upon the annual average administrative costs of refunds made, as experienced during the two years immediately prior to the year during which the refund is claimed, which amount so deducted shall be credited to the state tax commission as cost of administration. During the first year in which this act shall be in force and effect, there shall be deducted from each claim for refund approved for payment five percent (5%) which shall be credited to the state tax commis-

sion as cost of administration. In addition to any other amounts deducted from the claimed refund the state treasurer shall also deduct two percent (2%) of the selling price of the refund motor fuel, which shall be credited to the state general fund as if the same were collected as a sales tax. Such payment of claim shall be made on or before December 31 of each year, provided that no refund shall be paid on any claim of less than \$15.00. The total amount of refunds shall be paid from motor fuel taxes."

Complete information showing the number of refunds and the amount of such refunds for the first year of operation will not be known until late in the calendar year 1960. This is due to the fact that the first refunds which are permitted under this law cover the use of gasoline during the fiscal year which began July 1, 1959 and ended June 30, 1960. The claims for refunds for the use of motor fuels during this period must be filed by September 30, 1960 and must be paid not later than December 31, 1960.

(3) The mine occupation tax—

A. *The mine occupation tax on the production of oil and gas was increased.* — Prior to the enactment of the 1959 Legislature the occupation tax on mining and on the production of oil and gas was one percent of the gross value of the production above an annual exemption of \$50,000 in value of the ore or metals or the value of oil, gas or other hydrocarbon substances produced at each mine or well. The 1959 amendment increased the rate of the tax on the production of oil and gas wells to two percent of the value of the production and further provided, in effect, that the increase in the tax thus collected would be credited directly to the State General Fund. Sec. 59-5-69, U.C.A. 1953 as amended by Chapter 106 Laws of Utah 1959.

(4) Administrative Procedures Were Revised

A. *The collection procedure by which the tax on oleomargarine was collected was simplified and strengthened.* Reference has already been made to the extension of the tax to the use of oleomargarine in Utah which had been purchased tax free outside of Utah. In addition to this provision the administration of the law was greatly improved through the change in the collection procedure. Prior to the 1959 amendment the tax on oleomargarine was collected through the use of stamps. This procedure was awkward and costly to the state. It was awkward in that the stamps could not be readily affixed to each package. As a result of this the commission by regulation required the dealers to place the stamps on the cartons in which the packages were shipped. It was costly to the state because the law provided for a discount of ten percent in the amount to be paid for stamps for all purchases of \$25.00 or more in any single purchase.

The new law discontinued the use of stamps, repealed the discount provision and provided for the collection of the tax through

a report system by which the dealer is required to file a statement with the commission each month and pay the amount of tax which is due.

A comparison of the amount of oleomargarine taxes collected in the fiscal year ended June 30, 1959 with the amount collected for the fiscal year ended June 30, 1960 indicates a loss in taxes for the first year of the operation of this amendment. This apparent loss is due to adjustments which were made during the transition from the old to the new law and to the fact that there may be a lag of a maximum of nearly two months between the time that a purchaser paid a tax on oleomargarine and the time that the tax is paid to the tax commission. Under the old law the tax was paid in advance through the purchase of stamps.

B. A general tax withholding provision was enacted as an integral part of the individual income tax. A major administrative change was made in the enforcement of the individual income tax law through the enactment of a general withholding provision which became effective July 1, 1959. Prior to the enactment of the 1959 statute, a limited withholding tax provision had been part of the individual income tax act. Under the provisions of this general withholding tax amendment every employer who does business within the State of Utah for periods in excess of 60 days is required to deduct and withhold from wages paid to an employee 7% of the total amount which is required to be deducted and withheld under the provisions of the Internal Revenue Code of the United States. The new law also provides that if the tax withheld under the above mentioned provision proves to be disproportionate to the tax liability, the Tax Commission may adjust the percentage which when withheld will as closely as may be possible pay the income tax liability imposed by the act. The law further provides that the Tax Commission in lieu of a percentage deduction may adopt, by regulation, tax tables upon which the amount of the tax to be withheld is based, and which will as closely as possible pay the income tax liability imposed by the act.

Responsibility of Employer

Every employer is required to pay to the Tax Commission on or before the last day of April, July, October and January the amount required to be deducted and withheld from wages paid to any employee. The employer is required to hold the taxes in trust which have thus been withheld for the State of Utah, and is further required to make an annual return to the commission summarizing the total compensation pay, the federal income tax deducted and withheld, and the State tax deducted and withheld for each employee during the calendar year.

The effect of the withholding tax amendment on tax collections is shown in the following tabulation which lists the individual income tax collections for each of the two fiscal years prior to the effective date of the new amendment and for the first year in which this procedure was in operation.

	Fiscal Year July 1, 1957 to June 30, 1958	Fiscal Year July 1, 1958 to June 30, 1959	Fiscal Year July 1, 1959 to June 30, 1960
Individual Income			
Tax Collections	\$11,454,660.27	\$12,436,675.25	\$16,717,973.62
Withholding Tax			
Included Above	\$ 410,878.27	\$ 571,473.94	\$ 6,357,537.44

The following tabulation shows the refunds granted for each of the years listed above which were solely due to the fact that the withheld tax was in excess of the tax liability:

	No. of Refunds	Total Amount
To 6-30-58 (on 1957 returns)	5,100	\$ 30,712.33
To 6-30-59 (on 1958 returns)	7,500	63,523.73
To 6-30-60 (on 1959 returns)	67,200	435,732.71

(5) The revenue for public schools was increased—

The method by which revenue is provided for public schools on both the elementary and the high school level is complicated and effective. The local districts provide for the cost of buildings and grounds except for the state aid through an appropriation for emergency building needs and for the continuing building program. The cost of maintenance and operation of schools is met through a carefully integrated plan of local taxes and state aid. Through its operation the resources of local districts and of the state are combined to furnish revenue for the maintenance and operation of public schools in the local districts.

State participation in local district costs is administered through the operation of the Uniform School Fund. This fund was created by the Constitution and is composed of the following elements:

1. Receipts from the following state excise taxes:
 - a. the individual income tax—
 - b. the corporation franchise tax based upon income, and from the corporation income tax—
 - c. one half of the receipts from the cigarette tax.
2. Legislative appropriations.
3. Receipts from state lands.
4. Monies received from the operation of the federal leasing act.
5. Collections from the 12 mill local levy which are in excess of \$5,150 per distribution unit plus transportation costs.
6. Miscellaneous sources.
7. Receipts from a statewide property tax. If the monies which are credited to the Uniform School Fund from the sources listed above are not sufficient to service the various local

school costs in which the state participates, a statewide levy on property is imposed to provide the additional revenue.

The following statements briefly indicate the effect of the 1959 legislation on revenue for public schools.

A. *The costs of the basic state supported school program were increased.* — The following tabulation shows the costs per distribution unit (formerly called a classroom unit) and the local levies required to participate in state aid, which were established by the Legislature in 1957, (Chapter 122, Laws of Utah 1957) and as they were amended by the Legislature in 1959 (Chapter 107, Laws of Utah 1959).

1957		1959	
Costs and Levy Requirements		Costs and Levy Requirements	
Cost per distribution unit	Local Levy Required	Cost per distribution unit	Local Levy Required
\$4,050.00	10.0 Mills	\$4,650.00	10.0 Mills
4,237.50	10.5 Mills	4,775.00	10.5 Mills
4,425.00	11.0 Mills	4,900.00	11.0 Mills
4,612.50	11.5 Mills	5,025.00	11.5 Mills
4,800.00	12.0 Mills	5,150.00	12.0 Mills

While the law provides that a school district could select any one of the five gradations of costs listed above, the record shows that every school district selected the maximum cost per distribution unit for each year that this schedule has been in effect. The effective increase in the cost per distribution unit therefore was from \$4,800 to \$5,150 per unit but no corresponding increase was made in the local levy requirement. As a result the additional cost is borne by the state.

In addition to the cost per distribution unit listed above, each school district is provided with funds to defray transportation costs of school children. These costs are determined in accordance with the following provisions of the law:

"The cost of transportation includable in the basic state-supported school program shall be the lesser of: (a) the sum of \$20.00 for each pupil regularly enrolled in kindergarten through grade six who is actually transported one and one-half miles or more each way between home and school, two miles or more each way for each pupil in grades seven through twelve, or (b) three-fourths of the total actual transportation cost. The state's contribution toward said cost of transportation shall be allocated in the manner set forth in Section 53-7-7."

(Sec. 53-7-5b, U.C.A. 1953, as amended)

B. *The cost of the supplemental state supported program was increased.* — Just as in the case of the basic state supported pro-

gram participation in the cost of the supplemental state supported program is dependent upon the application of the requisite levy. Prior to the 1959 enactment the following schedule of levies and supplemental costs was in effect. This basis for participation in the supplemental program was established by Chapter 33, Laws of Utah 1953, First Special Session.

1953

Levy requirements for participation in the supplemental program.	Amounts guaranteed expressed in the percentage of the basic school program.
1 Mill	3% of basic program
2 Mills	6% of basic program
3 Mills	9% of basic program
4 Mills	12% of basic program

If the levy imposed by the local school district did not yield the revenue which was required to provide the cost of the supplemental program, the difference was paid from the Uniform School Fund.

The Legislature in 1959 amended this act by increasing the cost of the supplemental school program without requiring a commensurate increase in the local levy. The following schedule of levies and of supplemental costs as contained in Section 59-9-3 as amended is now in effect.

1959

Levy requirements for participation in the supplemental program.	Amounts guaranteed expressed in the percentage of the basic school program.
1 Mill	3.75% of basic program
2 Mills	7.50% of basic program
3 Mills	11.25% of basic program
4 Mills	15.00% of basic program

During recent years every school district has participated in this supplemental program and in nearly every instance has imposed the maximum levy for this purpose. The increase in the cost of the supplemental program was borne substantially by the Uniform School Fund.

C. *Local school programs were strengthened.* — The 1957 Act (Chapter 92, Laws of Utah 1957) empowered school districts to make a levy for strictly local purposes of an amount equal to 25 percent of the basic program or an amount which may be provided by a local levy of not to exceed 8 mills whichever amount was greater. This act was amended by Chapter 81, Laws of Utah 1959, to permit a school district to make a levy for local purposes of an amount equal to 27% of the basic program on an amount which may be provided by a levy of not to exceed 9 mills, whichever amount is greater. This is one act passed by the 1959 Legislature

which increased school costs for maintenance and support on the local level and did not shift any of the tax load to the state.

D. *Special Education of Handicapped Children was Provided.* — The law dealing with the education of handicapped children was amended and an appropriation of \$30,000 was made from the Uniform School Fund to the State Board of Education for the administration of the act. (Chapter 83, Laws of Utah 1959.)

E. *State Financial Aid for District School Buildings and Equipment was Increased.* — The 1959 Legislature enacted two laws dealing with the subject of state aid to local school districts for buildings. The one appropriated \$4,000,000 to the State Board of Education for emergency school building purposes. The other provided for a "continuing school building program."

The state's contribution to the continuing school building program is determined in the following manner:

Chapter 82, Section 11, Laws of Utah, 1959. — "The state's annual contribution of funds to the continuing school building program contemplated by this act for all of the school districts shall be determined in the following manner:

(a) The state board of education shall annually, on or before the first day of August, ascertain the estimated total number of the school building units of each district and of all of the school districts for the current year; multiply said total numbers by \$700.00; and certify said data in total and by districts to the state tax commission. The product of this multiplication for all districts constitutes the amount of the total continuing school building program of the state. The product of this multiplication for each district constitutes the amount of the district's total continuing school building program."

"If in any year there is a variation between the estimated and the actual total number of school building units of a school district, the amount by which said actual school building units are greater or less than the estimated units of said year shall be adjusted prior to the close of the fiscal year."

(b) "From the amount of said program there shall be subtracted the total amount of money which the State Tax Commission determines may be obtained by each of the various school districts from the lesser of the annual property tax of six mills or the property tax sufficient to provide an amount equal to \$700.00 per school building unit, which is required by Section 10(b) hereof. The difference resulting from this subtraction constitutes the total state contribution to the continuing school building program, excepting that during the period beginning July 1, 1959 and ending June 30, 1961 the total state's contribution shall be an amount equal to 60% of said difference."

(c) "There shall be appropriated from the Uniform School Fund to the continuing school building fund such amount of money

as is necessary to pay said state's contribution to the continuing school building program. Said contribution and the state's participation in the continuing school building program shall be deemed to be a part of the cost of operation and maintenance of the minimum school program of the state within the provisions of Section 7 of Article XIII of the constitution of the State of Utah or of Section 59-9-4, Utah Code Annotated 1953."

The effects of the 1959 legislation on school costs are shown in the tabulations on pages 18, 19, and 20, but they reflect the results of other influences too. The increase in the cost of each distribution unit from a maximum of \$4,800.00 per unit to a maximum of \$5,150.00 was responsible for the greatest single increase but the additional number of distribution units had a major effect on higher costs too. When the Uniform School Fund levy was set in August 1959 it was estimated that there would be 9,172,070 distribution units for the ensuing year. At this time an increase of \$100.00 per distribution unit would result in an additional total cost of \$917,207.00 but the increase was \$350.00 per unit. The total additional cost which was due to the increase in the cost per distribution unit therefore was \$3,209,745.00.

The influence of an expanding school population on expenditures for public education in Utah may be shown by making the following comparisons. When the Uniform School Fund levy was determined in August 1958 it was estimated that there would be 8,647,865 distribution units for the school year 1958 and 1959. One year later the estimate was 9,172,070 units, an increase of 524,205.

If there had been no increase in the cost of the distribution units, that is if the cost had remained at a maximum of \$4,800.00 there would have been an increase of over \$2,500,000.00 in the total school cost on account of the increased number of distribution units. There are other reasons for the pyramiding of school expenditures between the school years 1958-1959 and 1959-1960. An examination of the schedule 'State Supported School Program' shows each element of Utah's school finance problem for the years in question and compares the costs for the two years noted above.

While all of the comparisons in the tabulations entitled "Uniform School Fund" and "State Supported School Program" are significant in the study of the school finance problem, we call your attention in particular to the following:

For the school year 1958-1959 the total estimated cost of the State Supported School Program less the deduction for federal aid was \$32,047,629.99 and in the year following the estimated cost less these deductions was \$40,166,211.78. This is an increase of \$8,118,581.79 or 25.33%. The estimated revenue available to the Uniform School Fund from sources other than the property tax was \$25,330,000 for the school year 1958-1959 and \$27,725,000 for the school year 1959-1960. This is an increase of \$2,395,000 or 9.46%.

The non property tax revenue for each of these years includes the legislative appropriation to the Uniform School Fund. For the

school year 1958-1959 \$7,750,000 was available from this source and for the school year 1959-1960 the appropriation was \$4,500,000.

When the State Tax Commission met in August 1959 to determine the state-wide levy for the Uniform School Fund it was confronted by these facts and by the following requirement of the law:

53-7-7 Utah Code Annotated 1953 as amended provides that:

* * * (2) "The State Tax Commission shall levy on all taxable property of the state an amount which together with such other funds as are provided by law will raise the state's contribution to the state supported minimum school program." * * *

The fact that the increase in revenue from sources other than the property tax was in no way commensurate with the increase in the cost of the state supported school program made it necessary for the Tax Commission to set a levy for the uniform school fund which would provide this additional revenue from the property tax. The levy which was determined by the Commission to meet these requirements was 6-1/10 mills whereas the levy for the previous year was 1 mill. The increase in levy was therefore over 600%. This illustrates one of the important features of our school finance law.

Under the present circumstances if the Legislature increases the cost of the State Supported School Program an additional tax must be imposed upon property unless the legislature at the same time provides for a commensurate increase in non property tax revenue.

UNIFORM SCHOOL FUND

Estimated Monies Available

	For School Year 1958 - 1959	For School Year 1959 - 1960
Balance in Uniform School Fund 7/1/58 & 59	\$ 4,257,216.67	\$ 3,923,608.00
Estimated Income From:		
State Land Board	1,500,000.00	1,100,000.00
Corporation Franchise Tax	4,050,000.00	5,500,000.00
Individual Income Tax	10,000,000.00	14,500,000.00
Cigarette Tax	1,030,000.00	1,125,000.00
Federal Leasing	1,000,000.00	1,000,000.00
Appropriations from		
General Fund	7,750,000.00	4,500,000.00
Jordan School District		
Over-Collection	1,111,860.89	56,782.77
Iron County School District		
Over-Collection	66,944.46	
San Juan County School District		
Over-Collection		609,328.52
Total Available	\$30,766,022.02	\$32,314,719.29

STATE SUPPORTED SCHOOL PROGRAM

Estimated Costs

	For School Year 1958 - 1959	For School Year 1959 - 1960
State Contribution to Basic Program	\$28,376,300.27	\$33,548,865.09
State Contribution to Supplemental Program	1,121,415.28	2,880,408.17
State Contribution to Continuing Building		642,553.12
PLUS:		
Contribution to Utah State Teacher's Retirement Fund ..	1,264,164.45	1,384,811.00
Contribution to Social Security	993,431.99	1,304,041.00
Merit Study Committee Allowance	59,568.00	80,113.40
Appropriation to Tax Commission		
for Collection of School Taxes	331,000.00	380,000.00
Finance Commission W/H Tax	10,000.00	11,500.00
Capitol Bldg. & Grounds	4,250.00	4,900.00
Payments to Counties for Collection of State Property Tax for Schools	45,000.00	75,000.00
Special Education for Handicapped		15,000.00
State Board of Education (Administration)	142,500.00	182,500.00
Total Estimated Cost	\$32,347,629.99	\$40,509,691.78
LESS:		
Estimated Deductions for Federal Aid	300,000.00	343,480.00
Net Amount to be Provided	\$32,047,629.99	\$40,166,211.78

The following computations show the basis for the determination of the statewide property tax levies:

	For School Year 1958 - 1959	For School Year 1959 - 1960
Estimated Cost of the State Supported School Program	\$ 32,047,629.99	\$ 40,166,211.78
Available in the Uniform School Fund	30,766,022.02	32,314,719.29
Additional Needed (To Be Raised From Statewide Property Tax) \$	1,281,607.97	\$ 7,851,492.49
Assessed Value of State	\$1,312,593,289.00	\$1,316,616,216.00
	X 1 Mill	X 6.1 Mills
	\$ 1,312,593.29	\$ 8,031,358.92
Less estimated 2% loss in collections	\$ 1,286,341.42	\$ 7,870,731.74

The total effect on the property tax of the increased levies for the State Uniform School Fund and for local school district purposes is shown in the following tabulation.

STATEMENT SHOWING PROPERTY TAXES CHARGED FOR THE YEARS 1958 & 1959

	1958	1959
District Schools Including State Levy for Uniform School Fund	\$45,191,557	\$55,527,921
Cities and Towns	12,324,906	12,691,702
County	9,419,735	9,060,927
Roads	3,010,183	3,155,233
Special Taxing Districts	2,434,073	2,707,256
Bounty	183,718	126,766
TOTAL	\$72,564,172	\$83,269,805

(6) A Local Option Sales and Use Tax was Enacted—

Through the enactment of Chapter 114 Laws of Utah 1959, counties, cities and towns were granted authority to impose a sales and use tax at the rate of one half of one percent of the base established by the general sales and use tax act. The law provides that the tax shall be administered by the state tax commission and that the commission shall be reimbursed for the cost of this service but not to exceed two and one half percent of the amount collected.

The following tabulation shows the revenue which was distributed to the counties, cities and towns during the first year of operation. With the exception of Duchesne County each of the

counties which enacted ordinances establishing the sales and use tax made these ordinances effective July 1, 1959. Duchesne County's ordinance was operative as of January 1, 1960.

SUMMARY OF UNIFORM LOCAL SALES & USE TAX COLLECTIONS DISTRIBUTED TO PARTICIPATING LOCAL UNITS FOR THE PERIOD JULY 1, 1959 TO JUNE 30, 1960

Local Unit	Total Collections	Administrative Costs	Net Distributed
DAGGETT COUNTY	\$ 13,165.78	\$ 329.15	\$ 12,836.63
DAVIS COUNTY	20,859.27	521.48	20,337.79
Bountiful	66,258.35	1,656.46	64,601.89
Centerville	5,310.82	132.77	5,178.05
Clearfield	24,218.69	605.46	23,613.23
Clinton	161.37	4.04	157.33
East Layton	115.37	2.89	112.48
Farmington	4,546.07	113.65	4,432.42
Kaysville	9,735.42	243.38	9,492.04
Layton	37,416.22	935.41	36,480.81
No. Salt Lake	17,503.31	437.58	17,065.73
South Weber	1,083.60	27.09	1,056.51
Sunset	8,593.85	214.85	8,379.00
Syracuse	4,044.47	101.11	3,943.36
West Bountiful	3,200.49	80.01	3,120.48
West Point	198.65	4.96	193.69
Woods Cross	5,173.15	129.33	5,043.82
TOTALS	\$ 208,419.10	\$ 5,210.47	\$ 203,208.63
DUCHESNE COUNTY	\$ 382.43	\$ 9.56	\$ 372.87
Altamont	102.89	2.57	100.32
Duchesne	810.23	20.26	789.97
Myton	106.80	2.67	104.13
Roosevelt	6,310.85	157.77	6,153.08
Tabiona	102.39	2.56	99.83
TOTALS	\$ 7,815.59	\$ 195.39	\$ 7,620.20
GRAND COUNTY	\$ 7,705.22	\$ 192.63	\$ 7,512.59
Moab	38,817.57	970.44	37,847.13
TOTALS	\$ 46,522.79	\$ 1,163.07	\$ 45,359.72
KANE COUNTY	\$ 2,671.40	\$ 66.79	\$ 2,604.61
Alton	56.29	1.40	54.89
Glendale	251.55	6.28	245.27
Kanab	8,641.24	216.04	8,425.20
Orderville	1,080.51	27.01	1,053.50
TOTALS	\$ 12,700.99	\$ 317.52	\$ 12,383.47

PIUTE COUNTY	\$ 2,060.59	\$ 51.52	\$ 2,009.07
SALT LAKE COUNTY.....	\$ 457,260.65	\$ 11,431.52	\$ 445,829.13
Bingham Canyon	7,091.12	177.27	6,913.85
Midvale	29,661.19	741.53	28,919.66
Murray	94,955.79	2,373.90	92,581.89
Riverton	12,129.20	303.23	11,825.97
Salt Lake City	1,999,106.75	49,977.67	1,949,129.08
Sandy	4,599.49	114.99	4,484.50
South Jordan	1,357.36	33.93	1,323.43
South Salt Lake	104,215.78	2,605.40	101,610.38
West Jordan	6,889.14	172.23	6,716.91
TOTALS	\$2,717,266.47	\$ 67,931.67	\$2,649,334.80
SAN JUAN COUNTY	\$ 29,551.47	\$ 738.78	\$ 28,812.69
Blanding	12,377.07	309.43	12,067.64
Monticello	14,673.50	366.84	14,306.66
TOTALS	\$ 56,602.04	\$ 1,415.05	\$ 55,186.99
WASHINGTON CO.	\$ 2,828.31	\$ 70.71	\$ 2,757.60
Enterprise	982.62	24.56	958.06
Hurricane	5,176.15	129.40	5,046.75
LaVerkin	237.01	5.92	231.09
Leeds	63.75	1.59	62.16
New Harmony	48.76	1.22	47.54
St. George	32,759.78	819.01	31,940.77
Santa Clara	1,006.70	25.16	981.54
Springdale	1,384.22	34.60	1,349.62
Virgin	106.20	2.65	103.55
Washington	553.53	13.84	539.69
TOTALS	\$ 45,147.03	\$ 1,128.66	\$ 44,018.37
Total Collections			
Distributed	\$3,109,700.38	\$ 77,742.50	\$3,031,957.88
Protested Collections	1,919.22		
Refunds Made to			
Taxpayers	1,585.98		
Unclassified Collections ..	3,844.28		
Garfield County 4-1-60	4.75		
June Collections	17,169.67		
TOTAL COLLECTIONS.....	\$3,134,224.28		

There is a lag in the receipt of this tax by the county or municipality due to the following provisions of the law. (1) The tax which is collected by the vendor is held for a calendar quarterly period and is paid to the tax commission before the thirtieth day of the month immediately following the quarter. The sales and use taxes which are collected by a dealer during January, February and

March are paid to the tax commission on or before April 30. (2) It takes the tax commission nearly two months to allocate these collections to the counties, cities and towns and to make the payments.

UTAH'S CURRENT REVENUE POSITION

In order to present a brief but significant analysis of Utah's current revenue position we have prepared a statement showing state tax collections during the past two fiscal years. Comparisons are made as far as it is consistent on the basis of the fund to which the tax is credited. Actual collections are shown before refunds are made and before revenues are set aside for a reserve. In the case of the "Mining Occupation Tax" all of the collection is shown as being credited to the State General Fund. The entire receipts from this source will eventually be placed in this fund but the collections from this tax except one half of the tax derived from gas and oil is first credited to the "Occupation Tax Reserve Fund" and then distributed to the State General Fund in such a manner that a fairly constant flow of revenue is provided.

Major increases in tax collections for the fiscal year ended June 30, 1960 are shown for the State General Fund and for the Uniform School Fund. In the General Fund conspicuous increases are evident in the mining occupation tax and in the sales and use tax. The mining occupation tax shows an increase of \$1,269,297.88 over the amount which was collected in the fiscal year ended June 30, 1959, \$1,021,688.33 of this amount is due to the increase in the tax rate on the production of oil and gas. The remainder is the result of increased mining activity. The collections from the sales and use tax increased \$2,856,747.32 or more than ten percent. This increase, we believe, is due primarily to the following factors:

1. The extension of the sales and use tax to items not heretofore taxed.

2. Better administration through increased auditing.

3. Growth of business in the State.

It is impossible to determine the effect of each of these factors in producing the increased collections noted above. Better administration was due to additional funds which were made available for auditing tax returns. On the whole the commission collected approximately \$6.50 for each dollar that was spent in auditing not only sales and use tax returns but also the returns of taxpayers for all other excise taxes.

The individual income tax was responsible for the greatest increase in tax collections. In spite of an amendment to the tax base which had the effect of reducing the tax liability of many taxpayers the net effect was an increase in the amount collected of \$4,281,298.37 or over 33½ percent. This increase was due mainly to the enactment of the general withholding provision, but improved administration through increased auditing, and the growth of busi-

ness activity also had their influence. The general withholding provision effected collections in two ways. First it resulted in the crediting to the Uniform School Fund of a "windfall" of approximately \$2,166,835. This is due to the fact that under the provisions of the general withholding amendment taxes are paid in advance of the time that the payment was required prior to the effective date of the withholding provision. If we subtract this "windfall" tax of \$2,166,835 from the increase of \$4,281,298.37 we have \$2,114,463.37. Second, it resulted in the collection of taxes which probably never would have been paid had it not been for the withholding provision. While it is impossible to determine the amount of tax collected which was due solely to this provision it is the considered opinion of the commission that it was substantial and that the results fully justify the enactment of the general withholding amendment.

Just as in the case of the sales and use tax, the increase in the collection of the individual income tax is due in part to increased auditing and to the improvement in the State's economy.

COST OF COLLECTIONS

The tax commission maintains a cost accounting system to determine the actual costs of collecting each tax. The following statement shows the total collections and expenditures for each fiscal year since 1941 and the total per dollar cost of collecting all taxes.

COLLECTIONS AND EXPENDITURES FISCAL YEARS 1941 TO PRESENT

(Drivers License, M.V.D.A., Unemployment and Reappraisal Omitted)

Fiscal Years Ended June 30	Total Collections	Departmental Expenditures	Number of Returns and Registrations	Ratio of Expenditures to Collections
1941	\$14,079,413	\$ 352,053	429,236	2.50 %
1942	15,889,123	357,310	424,963	2.25
1943	18,579,462	341,905	465,895	1.84
1944	19,654,228	367,590	457,650	1.87
1945	19,474,412	378,020	435,961	1.94
1946	22,372,616	380,940	479,274	1.70
1947	27,486,035	492,177	558,275	1.79
1948	31,894,621	492,959	603,805	1.55
1949	35,254,307	579,617	657,927	1.64
1950	35,358,494	608,485	727,370	1.72
1951	41,880,553	648,464	779,765	1.55
1952	47,135,587	662,343	812,543	1.41
1953	48,042,871	720,760	831,658	1.50
1954	51,411,280	785,058	839,748	1.53
1955	53,336,923	886,100	894,056	1.66
1956	62,412,648	983,819	997,792	1.58
1957	72,214,140	1,019,479	1,040,003	1.41
1958	75,070,297	1,039,309	1,431,211	1.38
1959	79,222,426	1,143,875	1,559,835	1.44
1960	90,159,990	1,385,630	1,705,813	1.53*

*Cost of General Withholding and Off Highway Refunds Division Included—FIRST YEAR.

TAX RECEIPTS FOR THE TWO PAST FISCAL YEARS

26

STATE TAX COMMISSION

STATE GENERAL FUND

	Fiscal Year July 1, 1958 to June 30, 1959	Fiscal Year July 1, 1959 to June 30, 1960
Beer Tax	\$ 240,419.58	\$ 253,159.91
Cigarette Tax	1,124,873.04	1,182,881.68
Corporation Property Tax Base	188,383.96	183,611.42
Inheritance Tax	1,100,579.74	1,018,046.00
Insurance Tax	1,951,819.27	2,149,883.12
Mine Occupation Tax	2,395,379.59	3,664,677.47
Oleomargarine Tax	685,334.71	641,376.35
Sales & Use Taxes	25,781,145.96	28,637,893.28
TOTAL	\$33,467,935.85	\$37,731,529.23

UNIFORM SCHOOL FUND

Individual Income Tax	\$12,436,675.25	\$16,717,973.62
Corporation Income Tax and Corp.-Fran. Tax Based on Income	5,296,689.00	6,060,892.95
Cigarette Tax	1,081,259.62	1,146,633.55
TOTAL	\$18,814,623.87	\$23,925,500.12

Note: Included in the receipts of the individual income tax shown above are the following amounts which were collected through the withholding tax provision.

Withholding Tax	\$ 621,167.33	\$ 6,910,369.67
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STATE ROAD FUNDS

Motor Fuel Tax	\$17,991,180.73	\$19,291,260.17
Motor Vehicle Registration Fund	4,314,428.55	4,562,989.32
Special Fuel Tax (Diesel)	1,654,164.43	1,739,989.92
Mileage & Temporary Permit Fees	1,072,994.06	1,234,886.64
TOTAL	\$25,032,767.77	\$26,829,126.05

SPECIAL FUNDS

Car and Bus Tax	\$ 243,336.89	\$ 245,478.49
Firemen's Pension Fund	191,427.19	206,533.94
Motor Vehicle Control Fund	200,418.49	226,553.97
M.V.D.A. Fund	47,080.00	52,052.50
Public Service Commission Fund	99,230.38	116,606.82
Sales Tax Cash Bonds	89,525.07	97,177.67
School Lunch Fund	626,712.12	669,499.98
Special Fuel Cash Bonds	8,900.00	8,400.00
Suspense	3,180.22	8,152.53
Automobile Drivers Education	397,288.00	417,292.00
TOTAL	\$ 1,907,098.36	\$ 2,047,747.90
GRAND TOTAL	\$79,222,425.85	\$90,533,903.30

Note: During the period from July 1, 1959 to June 30, 1960, \$3,134,224.28 was collected by the Tax Commission under the local sales and use tax act. This amount is not included in the total shown above.

FIFTEENTH BIENNIAL REPORT

27

PROPERTY TAX

The State Tax Commission performs two primary functions in connection with property taxes. First, the Commission is required to set the value and levy the assessment on all mines and utilities in the State. Secondly, the Commission is charged with the duty of appraising of all tangible property in the State on a five year rotation basis, and equalizing values among all properties of the state.

Mines and Utilities: The primary change made in the method of evaluating the mines and utilities has occurred in the case of non metalliferous mines. The Tax Commission employed a geologist during the biennium and has had him engaged in making a value of all non metalliferous mining properties in the State in order to assure a more fair and equitable basis of determining the value of these deposits in place. This is the first time in many years that professional help has been used in determining the in-place value of these mineral deposits.

Reappraisal Program: In 1953 the Legislature required the Tax Commission to appraise all tangible property in the State on a five year rotation basis. The Legislature neglected, however, to give an appropriation to the Tax Commission in that year. Consequently, it was not until the year 1955 that the program got under way in earnest. The close of the 1960 Biennium showed that the tax Commission had reappraised all of the buildings in the State. This made an appraisal in excess of 300,000 structures. In addition to that the reappraisal of land values has been progressing as rapidly as funds permitted and while all of the land in the State has not been reappraised, the land in the more urban areas has been done. It was felt necessary to do the urban lands first because that is where the more rapid change of values is occurring. The Tax Commission has been handicapped in this program due to lack of funds to hire sufficient qualified personnel.

The reappraisal manual which has been used in the reappraisal program, while brought up to date in 1953, continued to use the material cost basis of 1940. The Commission realized that this cost basis is entirely unrealistic on today's market, and has underway the preparation of a new appraisal manual based upon 1960 costs. This manual will be ready for use by the first of January, 1961.

Research Program: The Tax Commission is charged with the duty of finding the level of assessed value as it relates to fair market value in order to keep uniformity among the classes of property and between the different geographical areas of the State and to keep such levels in conformity with the level of assessment prescribed by the legislature.

In order to carry out this duty, the Tax Commission received a small deficit appropriation amounting to \$17,000 from the State Board of Examiners to initiate a research analysis program to determine the level of assessments among the several counties of

the State and among classes of property. This deficit appropriation was sufficient only to begin the program. To carry out this program will require the Legislature to adequately finance such a program. The program did not get underway until May of 1960 hence a report of the program is unavailable for this biennium. We can state, however, that a report of assessment levels in many of the counties will be available for the 1961 Legislature.

RESULTS OF AUDITING PROGRAM

The successful administration of excise taxes depends largely on a carefully planned and executed auditing program. This has been demonstrated during the years in which the tax commission has collected the various excise taxes which it administers. As increased funds have been provided for auditing purposes during the past few years the Tax Commission has employed additional auditors and has increased the number of accounts that it has examined each year. This has been very remunerative to the State. During the past biennium the tax commission has collected approximately \$6.50 from deficiency assessments for each dollar that it has expended in auditing. One significant feature of the auditing plan which the Tax Commission has had in operation for some years is a method which it has developed for auditing the accounts of corporations which do business in Utah but which have accounting offices outside of the state. Rather than to require a corporation which has an accounting office outside of the state to send its books and records to Utah for an audit, the tax commission worked out a plan in cooperation with these out of state corporations whereby the corporation would pay the expense of the commission in sending an auditor to the city where the accounting records are kept. In order to minimize the cost to the corporation of these expenses the commission arranges to have several audits conducted in one city with the same team of auditors. The combined costs of the travel expenses of these auditors are then apportioned to the corporations whose accounts are audited.

During the past biennium the Tax Commission had made out of state audits as follows:

State	No. of Audits
California (San Francisco area)	44
Illinois	40
Nebraska	11
Colorado	72
New York	90
Pennsylvania	15
Idaho	34
Texas	107
Oklahoma	30
TOTAL	443

