

# **Resolution: 2011-001 – Tax Structure**

## **2011 Utah League of Cities and Towns Resolution – Local Government Tax Structure**

Resolution submitted by the ULCT Staff in support of basic principles related to local government finance

In 2004 and 2005, the Utah League of Cities and Towns established the League's Tax Team. This group met for nearly two years and after input from a wide variety of people and organizations developed the League's tax plan. The plan's general principles were affirmed by the League's general membership in September 2005.

These general principles are:

- The municipal tax structure should be rooted in the principles of fairness, consistency, predictability, stability, sustainability, efficiency, flexibility, and effectiveness.
- A one-size tax structure does not fit all municipal situations.
- Portions of the current tax structure are obsolete and no longer represent the current economy.
- As demographics and economics change municipal services must reflect those changes.
- Municipalities' dependence on sales tax revenue creates a situation where day to day needs cannot be met when this revenue decreases unless other services or revenue sources are adjusted.

Recently, various proposals are being considered by the Utah State Legislature that authorizes additional sales tax rates for a variety of targeted programs. In addition, proposals to change the current 50/50 sales tax distribution formula have been presented to the Legislature.

Now, therefore be it resolved that we, the members of the Utah League of Cities and Towns, recommend that we reaffirm the tax principles adopted in 2005. In addition, we recommend that before any statutory changes are adopted that impact municipal funding, that the Utah Legislature considers the following factors:

1. Any change to municipal funding should include the comprehensive input of cities and towns to ensure that all circumstances are considered.
2. Recognition that periodic evaluation of the funding tools available to local government is important.
3. Recognition that a review of municipal funding sources should not be singularly focused on one portion of the funding, but should be comprehensive of all available funding sources.
4. Recognition that there is no one right, or fair, answers to sales tax distribution. Each formula has "pro's and con's and must be generally supported by Utah's cities and towns.
5. Maintenance of a 50/50 distribution formula for the municipal sales tax creates stability and consistency for local governments, and has been agreed to by our membership as the suggested distribution formula and "hold harmless" cities forfeited sales tax growth starting in 2005 to maintain that distribution formula..

6. Significant long-term financing, business development, land use, and community sustainability decisions have been made by municipalities based upon the premise of a continuing 50/50 distribution formula.
7. Changes to the distribution formula creates “winners” and “losers” and should be evaluated carefully
8. Recognition that most new “endeavors” look at sales tax as the preferred funding option and with limited sales tax capacity a prioritization of those endeavors is important.