

SUMMARY *of* PROCEEDINGS



JOINT REVENUE COMMITTEE

COMMITTEE MEETING INFORMATION

December 4-5, 8:30 a.m.
Jonah Building, Room L54
Cheyenne, Wyoming

COMMITTEE MEMBERS PRESENT

Senator R. Ray Peterson, Co-chairman
Representative Michael Madden, Co-chairman
Senator Cale Case
Senator Affie Ellis
Senator Dave Kinskey
Senator Jeff Wasserburger
Representative Cathy Connolly
Representative JoAnn Dayton
Representative Dan Furphy
Representative Timothy Hallinan
Representative Mark S. Kinner
Representative Dan Laursen
Representative Jerry Obermueller
Representative Jerry Paxton

LEGISLATIVE SERVICE OFFICE STAFF

Josh Anderson, Senior Staff Attorney
Dean Temte, Senior Fiscal Analyst
Matt Sackett, Senior Fiscal Analyst

OTHER LEGISLATORS PRESENT AT MEETING

Senator Eli Bebout
Representative Steve Harshman
Representative Patrick Sweeney

OTHERS PRESENT AT MEETING

Please refer to [Appendix 1](#) to review the Subcommittee Sign-in Sheet for a list of other individuals who attended the meeting.

The Committee Meeting Summary of Proceedings (meeting minutes) is prepared by the Legislative Service Office (LSO) and is the official record of the proceedings of a legislative committee meeting. This document does not represent a transcript of the meeting; it is a digest of the meeting and provides a record of official actions taken by the Committee. All meeting materials and handouts provided to the Committee by the Legislative Service Office, public officials, lobbyists, and the public are on file at the Legislative Service Office and are part of the official record of the meeting. An index of these materials is provided at the end of this document and these materials are on file at the Legislative Service Office. For more information or to review meeting materials, please contact the Legislative Service Office at (307) 777-7881 or by e-mail at lso@wyoleg.gov. The Summary of Proceedings for each legislative committee meeting can be found on the Wyoming Legislature's website at www.wyoleg.gov.

EXECUTIVE SUMMARY

The Committee met for two days in Cheyenne. The Committee received testimony on legislation that had been requested by the Committee over the interim. The Committee voted to sponsor bills related to revenue diversions, alcoholic liquor markup and the tobacco tax. The Committee determined to have final consideration of bills related to the leisure and hospitality tax and broad general revenue bills at the January meeting of the Committee.

CALL TO ORDER (DECEMBER 4, 2017)

Co-Chairman Peterson called the meeting to order at 8:30 a.m. The following sections summarize the Committee proceedings by topic. Please refer to [Appendix 2](#) to review the Committee Meeting Agenda.

CITY AND TOWN OPTIONAL SALES TAX, CONTINUED

18LSO-0287 – Optional municipal tax.

Mr. Josh Anderson of the Legislative Service Office walked the Committee through the Bill. [Appendix 3](#). He noted that the bill was the result of discussions that began at the November meeting on the previous local optional tax

Mr. Rick Kaysen of the Wyoming Association of Municipalities said that he was in support of the bill. He noted that any new tax under the bill would require an affirmative vote by the voters.

Mr. Pete Obermueller of the Wyoming County Commissioners Association asked the Committee to defeat the bill. County residents would be paying the tax, but they would not get to vote on the tax. He said that municipalities and voters would not have any incentive to tax themselves for the benefit of those outside of the municipal boundaries. In response to a question he said the current system works because all the entities have to agree. There are potential changes to the current system that could be considered, but this bill would move things the wrong direction.

Mr. Brett Moline of the Wyoming Farm Bureau Federation said that he was opposed to the bill because it would not allow those that pay the tax to vote on it.

Ms. Marion Orr, Mayor of Cheyenne, urged the Committee to support the bill.

Mr. Rob Hendry, Natrona County Commissioner, urged the Committee to defeat the bill.

After additional discussion, Representative Furphy moved that the Committee sponsor the bill and the motion was seconded.

Representative Connolly moved that the bill be amended on page 2-line 18 by deleting “in a specified amount for a specific” and inserting "a specified purpose in a specified amount," and on line 19 by deleting "purpose"; and after "economic development," by inserting "or a combination thereof". The motion was seconded and passed by voice vote.

Representative Connolly moved that the bill be amended to change the effective date to December 31, 2018. The motion was seconded and passed by voice vote.

Representative Kinner moved that the bill be amended on page 8 –lines 4 and 5 and on page 14-lines 8 and 9 by deleting “by the treasurer”. The motion was seconded and passed by voice vote.

The motion to sponsor the bill failed with a roll call vote of 7 ayes and 7 noes. See vote form attached to bill.

BILL DRAFTS REGARDING REVENUE DIVERSIONS

Mr. Anderson provided a handout to the Committee of the bills under consideration along with fiscal and administrative impacts. [Appendix 4](#). The Committee considered the following bills related to revenue diversions:

18LSO-0289 – Disposition of state school land revenue.

Mr. Anderson explained the bill. [Appendix 5](#). He noted that the bill removes the \$8 million cap on transfers to the school capital construction account.

Representative Connolly moved that the Committee sponsor the bill and the motion was seconded.

Representative Hallinan moved that the bill be amended to change “public school capital construction account” to “school foundation program account”. The motion was not seconded.

After additional discussion the Committee voted to sponsor the bill by a roll call vote of 10 ayes and 4 noes. See vote form attached to bill.

18LSO-0290 – Severance tax distribution revision.

Mr. Anderson explained the bill. [Appendix 6](#). He noted that this bill would direct a portion of severance taxes to the general fund. Previously those funds were deposited into the permanent Wyoming mineral trust fund, and in recent years had been temporarily diverted into the budget reserve account.

Mr. Dan Noble of the Department of Revenue said that the bill would not have any additional cost for the Department.

Mr. Mark Gordon, State Treasurer, said that inflation proofing is a concern and the inflation rate may start to increase.

Representative Obermueller provided a handout to the Committee highlighted the funds that were being affected by the bill. [Appendix 7](#).

Co-Chairman Madden moved that the Committee sponsor the bill and the motion was seconded. The motion passed with a roll call vote of 9 ayes and 5 noes. See vote form attached to bill.

REVENUE ENHANCING BILLS – SPECIAL REVENUE ENHANCEMENTS

The Committee considered the following bills related to Special Revenue Enhancements:

18LSO-0198 – Leisure and hospitality tax.

Mr. Anderson explained the bill. [Appendix 8](#). He noted that the bill was revised based on the discussions at the November meeting.

Mr. Noble said that he had concerns about the exemption portion of the bill and would recommend including vendor compensation in the same manner as sales taxes.

Ms. Diane Shober of the Wyoming Office of Tourism urged the Committee to support the bill.

Mr. Chris Brown of the Wyoming Lodging and Restaurant Association urged the Committee to support the bill and said that it represented industry working on a solution to the funding issues facing the state.

Mr. Jim Waldrup of the Wort Hotel and Silver Dollar Bar requested the Committee to support the bill and said that the leisure and hospitality tax was a better alternative than a statewide lodging tax.

Representative Sweeney asked the Committee to support the bill.

Mr. C.J. Box on behalf of the Wyoming Office of Tourism urged the Committee to support the bill to promote tourism and keep pace with other competing states.

Ms. Patricia Hays of Taco Johns spoke in favor of the bill and a dedicated funding source for tourism in Wyoming.

Mr. Brett Moline asked the Committee to vote against the tax.

After additional discussion, Co-Chairman Peterson made a motion to table the bill until the January meeting of the Committee. The motion was seconded and passed by voice vote.

18LSO-0145 – Alcoholic liquors markup amount.

Mr. Anderson explained the bill. [Appendix 9](#).

Mr. Mike Moser of the Wyoming State Liquor Association asked the Committee to vote against the bill. He said that taxing individual industries targets specific businesses and hurts them. He recommended consideration of taxes that are less regressive and that have a broader tax base.

Mr. Buck McVeigh of the Wyoming Taxpayers Association said that sin taxes that target one segment of the economy are regressive and do not generate enough revenue to address the funding issues facing the state.

Representative Sweeney said that he would support the Committee voting to sponsor the bill to keep options on the table for consideration by the full legislature.

Co-Chairman Madden moved that the Committee sponsor the bill. The motion was seconded and passed by a roll call vote of 8 ayes and 5 noes with Senator Case abstaining. See vote form attached to bill.

18LSO-0146 – Alcohol tax for drug and alcohol programs.

Mr. Anderson explained the bill. [Appendix 10](#). Senator Kinskey moved that the bill be removed from the agenda. The motion was seconded and passed by voice vote.

18LSO-0147 – Malt beverage tax.

Mr. Anderson explained the bill. [Appendix 11](#). He noted that the bill would increase the tax rate on malt beverages.

Mr. Moser urged the Committee to defeat the bill.

Ms. Laura Grott of the Wyoming Beer Distributors Association said that the increase would not make a meaningful impact on state revenues and asked the Committee to vote against the bill.

Representative Connolly moved that the Committee sponsor the bill and the motion was seconded. The motion failed with a roll call voted of 3 ayes and 10 noes with Senator Case abstaining. See vote form attached to bill.

18LSO-0288 – Tobacco tax.

Mr. Anderson explained the bill. [Appendix 12](#). He noted that the bill included language that made the bill effective only after an agreement with the Eastern Shoshone and Northern Arapaho Tribes providing for imposition of tobacco taxes on the Wind River Indian Reservation. He said that it would be advisable to include some type of deadline to ensure that the bill either was or was not effective by a date certain.

Ms. Mary Searmack of Smoker Friendly asked the Committee to vote against the bill because the large increase in the tax would decrease the tax base and be counter-productive from a revenue perspective.

Mr. Buck McVeigh provided a handout to the Committee on the cornerstones of taxation. [Appendix 13](#). He urged the Committee to oppose the bill.

Ms. Mary Lynne Shickich of the American Heart Association said that she was in support of the \$1 tax increase for health benefits to the state. She noted the cigarette tax had not increased since 2003.

Mr. Mark Larsen of the Petroleum Marketers Association asked the committee not to sponsor the bill.

Mr. Moser urged the Committee not to sponsor the bill because it impacts only one industry and may encourage purchasers to make purchases in other states.

Mr. Jason Mincer of the American Cancer Society encouraged the Committee to pass the bill.

Ms. Toni Decklever of the Wyoming Nurses Association said that she supports the bill for health benefits.

Ms. Laurie Urbigkit of Reynolds Tobacco said that the effort to address the issue of taxation on the Reservation is beneficial, but urged the Committee not to sponsor the bill.

Ms. Jan Cartwright of the Primary Care Association asked the Committee to sponsor the bill.

Senator Case moved that the Committee sponsor the bill and the motion was seconded.

Representative Hallinan moved that the bill be amended to change from a \$1 increase to a \$.30 increase in cigarette taxes and the motion was seconded. The motion failed by voice vote.

Representative Paxton moved that the bill be amended to a \$.50 cent increase instead of a \$1 increase. The motion was seconded and failed by voice vote.

Representative Madden moved that the bill be amended to make it apply only to cigarettes and not other tobacco products. The motion was seconded and failed by voice vote.

The Committee voted to sponsor the bill with a roll call vote of 8 ayes and 6 noes.

REVENUE ENHANCING BILLS – GENERAL REVENUE ENHANCEMENTS

The Committee determined that it would not take votes, but would consider testimony on the following bills:

18LSO-0142 – Sales tax on specified services.

Mr. Anderson explained the bill. [Appendix 14](#).

Mr. Bruce Hinchey of the Petroleum Association of Wyoming said that this bill would increase costs on the mineral industry as a large consumer of services including computer programming, legal services and engineering. He said his organization would oppose the bill.

Mr. Gary Grigsby of the American Council of Engineering Companies said imposing a tax on professional services would put Wyoming companies at a competitive disadvantage and drive business out of the state.

Mr. Mark Gifford of the Wyoming State Bar said that there many complicated administrative issues to consider when considering a tax on legal services including how to address public defenders and other lawyers paid by the state, in-house legal services, online legal services, retainer fees and instances where legal fees are prescribed by law. He noted that people hire lawyers because of a need, not when they have extra money and this tax would negatively impact those clients and small businesses in Wyoming.

Ms. Marcia Shanor of the Wyoming Trial Lawyers Association said that she spoke with South Dakota who has a similar tax and the tax on legal services is very difficult to administer.

Mr. Ken Tobin said that the tax would be difficult to enforce on architectural services and that it would have negative impacts on the industry as many businesses have long term agreements that would not account for this tax.

Ms. Jody Levin of Charter Communications said that communications services already pay a franchise fee and taxing the service would be a double tax on those companies.

Mr. Dave Picard of Dish TV said that he would oppose the tax on services.

Ms. Cheryl Riley of ATT and Direct TV said that the tax would increase the cost of communications services in Wyoming.

Mr. Brett Moline said that he would oppose the tax for the impacts on consumers of services. He noted that if the increased tax base was combined with a reduction in other taxes it may change the discussion.

Mr. Mike Geesey of the Wyoming Bankers Association said that the bill should be amended to make clear that banking services are exempt.

Mr. Keith Kennedy of Agrimind said that the impacts of the tax on agriculture production could be large and the margins on agricultural products are generally not very high.

Ms. Amy Canaday of Collections Center Rawlins said that there were some concerns about double taxation and the tax could make Wyoming companies less competitive with companies in other states.

Mr. Noble noted that there are some portions of the legislation that need additional clarification, such as agricultural services. He said that there are also some potential issues with sourcing and there has been a significant amount of litigation on the tax in South Dakota.

18LSO-0144 – Property tax assessment rates.

Mr. Anderson explained the bill. [Appendix 15](#). He said that the bill would increase the property tax assessment rate for industrial property and all other property by two percent. He noted that 18LSO-0291 was an alternative version of the bill that phased in the increase in rates over two years. [Appendix 16](#).

Mr. Kennedy said that the flat two percent increase was a bigger impact on all other property compared to the increase on industrial property.

Mr. Hinchey said that the increase to the industrial property tax rate would hit the mineral industry hard because they cannot change the price they receive for the product to account for the increase in the tax. He urged the Committee to vote against the bill.

Mr. Moline testified against the bill as a tax increase.

Ms. Laurie Urbikit of Wyoming Realtors said that many citizens are struggling to afford their houses under the existing tax and would oppose any increase in the property tax rate.

Representative Sweeney recommended that the bill be amended to remove the increased rate for industrial property.

Mr. Pat Meyer, Park County Assessor, said that it may be premature to look at increasing the property tax assessment rate.

Mr. Dixie Huxtable, Converse County Assessor, said that the increased rate would have a large effect on citizens with fixed incomes, but industry may have more ability to deal with an increase to the property tax rate.

18LSO-0143 – Sales tax for school capital construction.

Mr. Anderson explained the bill. [Appendix 17](#). He noted that the bill would increase the sales tax rate by 0.5% and distribute those funds to the school capital construction account.

Mr. Hinchey said that while the increase did not sound like a lot it would have a large impact and urged the Committee to oppose the additional tax.

MEETING RECESS

The Committee recessed at 5:20 p.m.

CALL TO ORDER (DECEMBER 4, 2017)

Co-Chairman Madden called the meeting to order at 8:30 a.m.

RECONSIDERATION OF WIND TAX

Senator Case moved that the Committee reconsider the motion from Representative Hallinan during the August meeting to have a wind tax bill drafted. Senator Case provided a handout to the Committee on wind. [Appendix 18](#). The motion was seconded by Representative Hallinan.

Senator Case said that Wyoming has best wind in the western grid based on the capacity factor and a favorable tax rate due to no corporate income tax.

After additional discussion, the motion failed by voice vote.

ASSESSMENT OF ACCOUNTS RECEIVABLE FROM STATE AUDITOR'S OFFICE AND CGI, CONTINUED

Mr. Bryce Berg of CGI said that his organization worked with the State Auditor's Office to investigate seven agencies in Wyoming that have significant outstanding accounts receivable. He said the assessment looked at areas of best practice and opportunities for improvement. They found that all of the agencies were using different systems. Some agencies were proactive and some were not. He noted that the current processes are inconsistent and are not using best practices. He said that there was an opportunity to leverage the state's existing accounting system to implement a centralized collection process including the enhanced and expanded use of collection agencies.

Ms. Cynthia Cloud, State Auditor, said that there is not enough debt in Wyoming to recommend using the South Dakota model with an in-house collection agency.

Ms. Sandy Urbanek, Deputy State Auditor, said that the recommendation was to establish a division within the State Auditor's Office to oversee the collection process and leverage the uniform accounting system. She noted that they would not seek to do in-house collections but would still need a small dedicated staff to implement the program. They would like to implement a phased approach with the Department of Workforce Services as the first pilot phase.

Mr. Dan Noble, Director of the Department of Revenue said that the Department does not disagree with the idea but would be concerned on how the centralized effort would interact with the Department's current efforts to make collections from taxpayers.

Ms. Gail Symons of the Efficiency Commission said that this effort is in-line with efforts of the Efficiency Commission.

Ms. Amy Canaday of Collections Center Rawlins supported the recommendation to continue to use outside collection agencies. She said having some consistency across agencies would be helpful, but it would be important to consider the special circumstances of each agency.

After additional discussion, Co-Chairman Peterson noted that discussions could continue over the next interim. Senator Bebout urged the State Auditor to bring this topic to the Efficiency Commission.

UPDATE FROM WYOMING LOTTERY

Mr. Jon Clontz of the Wyoming Lottery provided a copy of the Governor's report to the Committee. [Appendix 19](#). Mr. Clontz walked the Committee through the report. He noted that the Lottery has had large one-time costs for adding new games, but without additional games ticket sales begin to fall.

In response to a question Mr. Clontz noted that there have been discussions about the use of debit cards to purchase lottery tickets. He said that they do not have anything in progress and that considerations related to the use of debit cards were more complicated than expected.

TAXATION COMPLEXITIES AND RELATED MATTERS PERTAINING TO PARK COUNTY

Mr. Pat Meyer said that out-of-state companies operating in the national parks are exempt from Wyoming taxes. He noted that it would require federal action to change and he was looking for additional support.

Mr. Trey Mathew of Xanterra said that his company does not own any property in Yellowstone and they pay fees to the National Park Service. He said that tourism promotion from operations in the Park contributes to the state and local economies.

DISCOUNTED CASH FLOW

Mr. Craig Grenvik of the Department of Revenue said that the Department is continuing to study the potential for using discounted cash flow to value oil and gas. He said that they are looking at a sample of properties but a critical decision would be how to handle the change to the new valuation method including whether it would be possible to be revenue neutral.

In response to a question Mr. Grenvik said that Utah has been using discounted cash flow valuation for approximately twenty years and have been very helpful in answering questions. He said that representatives from Utah have offered to come give a presentation to the Committee on discounted cash flow valuation.

Mr. Bobby Rolston of the Petroleum Association of Wyoming said that it would be important to define how variables are handled in calculation and take as much of the unknown out of the calculation as possible.

Ms. Huxtable said that she supports the study and would encourage providing additional funding for the study as necessary.

MEETING ADJOURNMENT

There being no further business, Co-Chairman Madden adjourned the meeting at 1:15 p.m.

Respectfully submitted,

Representative Michael Madden, Co-Chairman

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Committee Meeting Materials Index

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18	Reconsideration of Wind Tax	Wind Capacity Factors	Senator Case
19	Wyoming Lottery	Wyoming Lottery Governor's Report	Wyoming Lottery