

Minimum Basic Tax Rate Amendments

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Lincoln Fillmore

LONG TITLE**Committee Note:**

The Revenue and Taxation Interim Committee recommended this bill.

Legislative Vote: 12 voting for 2 voting against 4 absent

General Description:

This bill amends provisions related to the minimum basic tax that school districts impose.

Highlighted Provisions:

This bill:

- ensures state funding in an amount that covers the total cost of the basic school program for a school district that imposes the combined minimum basic tax rate;
- requires school districts that impose the combined minimum basic tax to remit to the state the revenue the tax generates;
- repeals provisions regarding state and local contributions toward the basic school program; and
- makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

11-13-302, as last amended by Laws of Utah 2023, Chapter 7

53F-2-205, as last amended by Laws of Utah 2023, Chapter 7

53F-2-301, as last amended by Laws of Utah 2024, Chapters 124, 460

53F-2-515, as last amended by Laws of Utah 2023, Chapter 7

59-2-902, as last amended by Laws of Utah 1993, Chapters 4, 227

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **11-13-302** is amended to read:

11-13-302 . Payment of fee in lieu of ad valorem property tax by certain energy suppliers -- Method of calculating -- Collection -- Extent of tax lien.

(1)(a) Each project entity created under this chapter that owns a project and that sells any capacity, service, or other benefit from it to an energy supplier or suppliers whose tangible property is not exempted by Utah Constitution Article XIII, Section 3, from the payment of ad valorem property tax, shall pay an annual fee in lieu of ad valorem property tax as provided in this section to each taxing jurisdiction within which the project or any part of it is located.

(b) For purposes of this section, "annual fee" means the annual fee described in Subsection (1)(a) that is in lieu of ad valorem property tax.

(c) The requirement to pay an annual fee shall commence:

(i) with respect to each taxing jurisdiction that is a candidate receiving the benefit of impact alleviation payments under contracts or determination orders provided for in Sections 11-13-305 and 11-13-306, with the fiscal year of the candidate following the fiscal year of the candidate in which the date of commercial operation of the last generating unit, other than any generating unit providing additional project capacity, of the project occurs, or, in the case of any facilities providing additional project capacity, with the fiscal year of the candidate following the fiscal year of the candidate in which the date of commercial operation of the generating unit providing the additional project capacity occurs; and

(ii) with respect to any taxing jurisdiction other than a taxing jurisdiction described in Subsection (1)(c)(i), with the fiscal year of the taxing jurisdiction in which construction of the project commences, or, in the case of facilities providing additional project capacity, with the fiscal year of the taxing jurisdiction in which construction of those facilities commences.

(d) The requirement to pay an annual fee shall continue for the period of the useful life of the project or facilities.

(2)(a) The annual fees due a school district shall be as provided in Subsection (2)(b) because the ad valorem property tax imposed by a school district and authorized by the Legislature represents both:

(i) a levy [~~mandated by~~]the state mandates as a condition of receiving state funding for the state minimum school program under Section 53F-2-301; and

(ii) local levies for capital outlay and other purposes under Sections 53F-8-303,

53F-8-301, and 53F-8-302.

(b) The annual fees due a school district shall be as follows:

(i) the project entity shall pay to the ~~[school district]~~ state an annual fee for the state minimum school program at the rate imposed by the school district and authorized by the Legislature under Section 53F-2-301; and

(ii) for all other local property tax levies authorized to be imposed by a school district, the project entity shall pay to the school district either:

(A) an annual fee; or

(B) impact alleviation payments under contracts or determination orders provided for in Sections 11-13-305 and 11-13-306.

(3)(a) An annual fee due a taxing jurisdiction for a particular year shall be calculated by multiplying the tax rate or rates of the jurisdiction for that year by the product obtained by multiplying the fee base or value determined in accordance with Subsection (4) for that year of the portion of the project located within the jurisdiction by the percentage of the project which is used to produce the capacity, service, or other benefit sold to the energy supplier or suppliers.

(b) As used in this section, "tax rate," when applied in respect to a school district, includes any assessment to be made by the school district under Subsection (2) or Section 63M-5-302.

(c) There is to be credited against the annual fee due a taxing jurisdiction for each year, an amount equal to the debt service, if any, payable in that year by the project entity on bonds, the proceeds of which were used to provide public facilities and services for impact alleviation in the taxing jurisdiction in accordance with Sections 11-13-305 and 11-13-306.

(d) The tax rate for the taxing jurisdiction for that year shall be computed so as to:

(i) take into account the fee base or value of the percentage of the project located within the taxing jurisdiction determined in accordance with Subsection (4) used to produce the capacity, service, or other benefit sold to the supplier or suppliers; and

(ii) reflect any credit to be given in that year.

(4)(a) Except as otherwise provided in this section, the annual fees required by this section shall be paid, collected, and distributed to the taxing jurisdiction as if:

(i) the annual fees were ad valorem property taxes; and

(ii) the project were assessed at the same rate and upon the same measure of value as

- 100 taxable property in the state.
- 101 (b)(i) Notwithstanding Subsection (4)(a), for purposes of an annual fee required by
102 this section, the fee base of a project may be determined in accordance with an
103 agreement among:
- 104 (A) the project entity; and
105 (B) any county that:
- 106 (I) is due an annual fee from the project entity; and
107 (II) agrees to have the fee base of the project determined in accordance with the
108 agreement described in this Subsection (4).
- 109 (ii) The agreement described in Subsection (4)(b)(i):
- 110 (A) shall specify each year for which the fee base determined by the agreement
111 shall be used for purposes of an annual fee; and
112 (B) may not modify any provision of this chapter except the method by which the
113 fee base of a project is determined for purposes of an annual fee.
- 114 (iii) For purposes of an annual fee imposed by a taxing jurisdiction within a county
115 described in Subsection (4)(b)(i)(B), the fee base determined by the agreement
116 described in Subsection (4)(b)(i) shall be used for purposes of an annual fee
117 imposed by that taxing jurisdiction.
- 118 (iv)(A) If there is not agreement as to the fee base of a portion of a project for any
119 year, for purposes of an annual fee, the State Tax Commission shall determine
120 the value of that portion of the project for which there is not an agreement:
- 121 (I) for that year; and
122 (II) using the same measure of value as is used for taxable property in the state.
- 123 (B) The valuation required by Subsection (4)(b)(iv)(A) shall be made by the State
124 Tax Commission in accordance with rules made by the State Tax Commission.
- 125 (c) Payments of the annual fees shall be made from:
- 126 (i) the proceeds of bonds issued for the project; and
127 (ii) revenues derived by the project entity from the project.
- 128 (d)(i) The contracts of the project entity with the purchasers of the capacity, service,
129 or other benefits of the project whose tangible property is not exempted by Utah
130 Constitution Article XIII, Section 3, from the payment of ad valorem property tax
131 shall require each purchaser, whether or not located in the state, to pay, to the
132 extent not otherwise provided for, its share, determined in accordance with the
133 terms of the contract, of these fees.

(ii) It is the responsibility of the project entity to enforce the obligations of the purchasers.

(5)(a) The responsibility of the project entity to make payment of the annual fees is limited to the extent that there is legally available to the project entity, from bond proceeds or revenues, money to make these payments, and the obligation to make payments of the annual fees is not otherwise a general obligation or liability of the project entity.

(b) No tax lien may attach upon any property or money of the project entity by virtue of any failure to pay all or any part of an annual fee.

(c) The project entity or any purchaser may contest the validity of an annual fee to the same extent as if the payment was a payment of the ad valorem property tax itself.

(d) The payments of an annual fee shall be reduced to the extent that any contest is successful.

(6)(a) The annual fee described in Subsection (1):

(i) shall be paid by a public agency that:

(A) is not a project entity; and

(B) owns an interest in a facility providing additional project capacity if the interest is otherwise exempt from taxation pursuant to Utah Constitution, Article XIII, Section 3; and

(ii) for a public agency described in Subsection (6)(a)(i), shall be calculated in accordance with Subsection (6)(b).

(b) The annual fee required under Subsection (6)(a) shall be an amount equal to the tax rate or rates of the applicable taxing jurisdiction multiplied by the product of the following:

(i) the fee base or value of the facility providing additional project capacity located within the jurisdiction;

(ii) the percentage of the ownership interest of the public agency in the facility; and

(iii) the portion, expressed as a percentage, of the public agency's ownership interest that is attributable to the capacity, service, or other benefit from the facility that is sold, including any subsequent sale, resale, or layoff, by the public agency to an energy supplier or suppliers whose tangible property is not exempted by Utah Constitution, Article XIII, Section 3, from the payment of ad valorem property tax.

(c) A public agency paying the annual fee pursuant to Subsection (6)(a) shall have the obligations, credits, rights, and protections set forth in Subsections (1) through (5)

with respect to its ownership interest as though it were a project entity.

- (d) On or before March 1 of each year, a project entity that owns a project and that provides any capacity, service, or other benefit to an energy supplier or a public agency shall file an electronic report with the State Tax Commission that identifies:
- (i) each energy supplier and public agency to which the project entity delivers capacity, service, or other benefit; and
 - (ii) the amount of capacity, service, or other benefit delivered to each energy supplier and public agency.

Section 2. Section 53F-2-205 is amended to read:

53F-2-205 . Powers and duties of state board to adjust Minimum School

Program allocations -- Use of remaining funds at the end of a fiscal year.

(1) As used in this section:

- (a) "ESEA" means the Elementary and Secondary Education Act of 1965, 20 U.S.C. Sec. 6301 et seq.
- (b) "Program" means a program or allocation funded by a line item appropriation or other appropriation designated as:
 - (i) Basic Program;
 - (ii) Related to Basic Programs;
 - (iii) Voted and Board Levy Programs; or
 - (iv) Minimum School Program.

(2) Except as provided in Subsection (3) ~~or (5)~~, if the number of weighted pupil units in a program is underestimated, the state board shall reduce the value of the weighted pupil unit in that program so that the total amount paid for the program does not exceed the amount appropriated for the program.

(3) If the number of weighted pupil units in a program is overestimated, the state board shall spend excess money appropriated for the following purposes giving priority to the purpose described in Subsection (3)(a):

- (a) to support the value of the weighted pupil unit in a program within the basic state-supported school program in which the number of weighted pupil units is underestimated;
- (b) to support the state guaranteed local levy increments as defined in Section 53F-2-601,

if:

- (i) local contributions to the voted local levy program or board local levy program are

201 overestimated; or

202 (ii) the number of weighted pupil units within school districts qualifying for a

203 guarantee is underestimated;

204 (c) to support the state supplement to local property taxes allocated to charter schools, if

205 the state supplement is less than the amount prescribed by Section 53F-2-704;

206 (d) to fund the cost of the salary supplements described in Section 53F-2-504; or

207 (e) to support a school district with a loss in student enrollment as provided in Section

208 53F-2-207.

209 ~~[(4) If local contributions from the minimum basic tax rate imposed under Section~~

210 ~~53F-2-301 are overestimated, the state board shall reduce the value of the weighted pupil~~

211 ~~unit for all programs within the basic state-supported school program so the total state~~

212 ~~contribution to the basic state-supported school program does not exceed the amount of~~

213 ~~state funds appropriated.]~~

214 ~~[(5) If local contributions from the minimum basic tax rate imposed under Section~~

215 ~~53F-2-301 are underestimated, the state board shall:]~~

216 ~~[(a) spend the excess local contributions for the purposes specified in Subsection (3),~~

217 ~~giving priority to supporting the value of the weighted pupil unit in programs within the~~

218 ~~basic state-supported school program in which the number of weighted pupil units is~~

219 ~~underestimated; and]~~

220 ~~[(b) reduce the state contribution to the basic state-supported school program so the total~~

221 ~~cost of the basic state-supported school program does not exceed the total state and local~~

222 ~~funds appropriated to the basic state-supported school program plus the local~~

223 ~~contributions necessary to support the value of the weighted pupil unit in programs~~

224 ~~within the basic state-supported school program in which the number of weighted pupil~~

225 ~~units is underestimated.]~~

226 ~~[(6)] (4) Except as provided in Subsection (3)[~~or (5)~~], the state board shall reduce the state~~

227 ~~guarantee per weighted pupil unit provided under the local levy state guarantee program~~

228 ~~described in Section 53F-2-601, if:~~

229 ~~(a) local contributions to the voted local levy program or board local levy program are~~

230 ~~overestimated; or~~

231 ~~(b) the number of weighted pupil units within school districts qualifying for a guarantee~~

232 ~~is underestimated.~~

233 ~~[(7)] (5) Money appropriated to the state board is nonlapsing, including appropriations to the~~

234 ~~Minimum School Program and all agencies, line items, and programs under the~~

jurisdiction of the state board.

[(8)] (6) The state board shall report actions taken by the state board under this section to the Office of the Legislative Fiscal Analyst and the Governor's Office of Planning and Budget.

Section 3. Section **53F-2-301** is amended to read:

53F-2-301 . Minimum basic tax rate for a fiscal year that begins after July 1, 2022.

(1) As used in this section:

(a) "Basic levy increment rate" means a tax rate that will generate an amount of revenue equal to \$75,000,000.

(b) "Combined basic rate" means a rate that is the sum of:

(i) the minimum basic tax rate; and

(ii) the WPU value rate.

(c) "Commission" means the State Tax Commission.

(d) "Minimum basic local amount" means an amount that is:

(i) equal to the sum of:

(A) the school districts' contribution to the basic school program the previous fiscal year;

(B) the amount generated by the basic levy increment rate; and

(C) the eligible new growth, as defined in Section 59-2-924 and rules of the State Tax Commission multiplied by the minimum basic rate; and

(ii) set annually by the Legislature in Subsection (2)(a).

(e) "Minimum basic tax rate" means a tax rate certified by the commission that will generate an amount of revenue equal to the minimum basic local amount described in Subsection (2)(a).

(f) "Weighted pupil unit value" or "WPU value" means the amount established each year in the enacted public education budget that is multiplied by the number of weighted pupil units to yield the funding level for the basic school program.

(g) "WPU value amount" means an amount:

(i) that is equal to the product of:

(A) the WPU value increase limit; and

(B) the percentage share of local revenue to the cost of the basic school program in the immediately preceding fiscal year; and

(ii) set annually by the Legislature in Subsection (3)(a).

(h) "WPU value increase limit" means the lesser of:

(i) the total cost to the basic school program to increase the WPU value over the WPU value in the prior fiscal year; or

(ii) the total cost to the basic school program to increase the WPU value by 4% over the WPU value in the prior fiscal year.

(i) "WPU value rate" means a tax rate certified by the commission that will generate an amount of revenue equal to the WPU value amount described in Subsection (3)(a).

(2)(a) The minimum basic local amount for the fiscal year that begins on July 1, 2024, is \$759,529,000 in revenue statewide.

(b) The preliminary estimate of the minimum basic tax rate for a fiscal year that begins on July 1, 2024, is .001429.

(3)(a) The WPU value amount for the fiscal year that begins on July 1, 2024, is \$29,240,600 in revenue statewide.

(b) The preliminary estimate of the WPU value rate for the fiscal year that begins on July 1, 2024, is .000055.

(4)(a) On or before June 22, the commission shall certify for the year:

(i) the minimum basic tax rate; and

(ii) the WPU value rate.

(b) The estimate of the minimum basic tax rate provided in Subsection (2)(b) and the estimate of the WPU value rate provided in Subsection (3)(b) are based on a forecast for property values for the next calendar year.

(c) The certified minimum basic tax rate described in Subsection (4)(a)(i) and the certified WPU value rate described in Subsection (4)(a)(ii) are based on property values as of January 1 of the current calendar year, except personal property, which is based on values from the previous calendar year.

(5)(a) To qualify for receipt of ~~[the-]state [contribution toward]~~ funding of the basic school program and as a school district's contribution toward the cost of the basic school program for the school district, ~~[each]~~ a local school board shall impose the combined basic rate.

(b) For a local school board that imposes the combined basic rate:

(i) the relevant county treasurer shall:

(A) collect the combined basic rate revenue for all school districts located within the county treasurer's county; and

(B) remit the revenue monthly to the state treasurer; and

(ii) the state treasurer shall deposit the combined basic rate revenue the state treasurer receives from a county treasurer into state funds.

~~[(b)]~~ (c)(i) The state is not subject to the notice requirements of Section 59-2-926 before imposing the tax rates described in this Subsection (5).

(ii) The state is subject to the notice requirements of Section 59-2-926 if the state authorizes a tax rate that exceeds the tax rates described in this Subsection (5).

(6)~~[(a)]~~ The state shall ~~[contribute to]~~ ensure that, for each school district [toward]
described in Subsection (5), an allocation from state funds is at least equivalent to the
cost of the basic school program in the school district~~[-an amount of money that is the~~
~~difference between the cost of the school district's basic school program and the sum~~
~~of revenue generated by the school district by the following:]~~ .

[~~(i) the combined basic rate; and]~~

[~~(ii) the basic levy increment rate.]~~

~~[(b)(i) If the difference described in Subsection (6)(a) equals or exceeds the cost of the basic school program in a school district, no state contribution shall be made to the basic school program for the school district.]~~

~~[(ii) The proceeds of the difference described in Subsection (6)(a) that exceed the cost of the basic school program shall be paid into the Uniform School Fund as provided by law and by the close of the fiscal year in which the proceeds were calculated.]~~

(7) Upon appropriation by the Legislature, the Division of Finance shall deposit an amount equal to the proceeds generated statewide:

(a) by the basic levy increment rate into the Minimum Basic Growth Account created in Section 53F-9-302; and

(b) by the WPU value rate into the Teacher and Student Success Account created in Section 53F-9-306.

Section 4. Section **53F-2-515** is amended to read:

53F-2-515 . Federal Impact Aid Program -- Offset for underestimated allocations from the Federal Impact Aid Program.

(1) In addition to ~~[the revenues received from the levy imposed by a local school board and authorized by the Legislature under Section 53F-2-301]~~ funds the Legislature appropriates to the basic school program, the Legislature shall provide an amount equal to the difference between the school district's anticipated receipts under the entitlement for the fiscal year from the Federal Impact Aid Program and the amount the school district actually received from this source for the next preceding fiscal year.

(2) If at the end of a fiscal year the sum of the receipts of a school district from a distribution from the Legislature pursuant to Subsection (1) plus the school district's allocations from the Federal Impact Aid Program for that fiscal year exceeds the amount allocated to the school district from the Federal Impact Aid Program for the next preceding fiscal year, the excess funds are carried into the next succeeding fiscal year and become in that year a part of the school district's contribution ~~[to]~~ toward the cost of the school district's basic program for operation and maintenance under the state minimum school finance law.

(3) During the next succeeding fiscal year described in Subsection (2), the school district's required tax rate for the basic program shall be reduced so that the yield from the reduced tax rate plus the carryover funds equal the school district's required contribution ~~[to]~~ toward the cost of the school district's basic program.

(4) For the school district of a local school board that is required to reduce the school district's basic tax rate under this section, the school district shall receive state minimum school program funds as though the reduction in the tax rate had not been made.

Section 5. Section **59-2-902** is amended to read:

59-2-902 . Minimum basic tax levy for school districts.

(1) If any county fails to comply with Section 59-2-704, then this section determines the adjustment of the basic school levy for school districts within the county.[-]

~~(2)~~(a) Before June 15, the commission shall ascertain from the State Board of Education the number of weighted pupil units in each school district in the state for the school year commencing July 1 of the current calendar year, estimated according to the Minimum School Program Act, and the money necessary for the cost of the operation and maintenance of the minimum school program of the state for the school fiscal year beginning July 1 of the current calendar year.[-]

(b) The commission shall then estimate the amounts of all surpluses in the Uniform School Fund, as of July 1 of the current calendar year, available for the operation and maintenance of the program, and shall estimate the anticipated income to the fund available for those purposes for the current school year from all sources, including revenues from taxes on income or from taxes on intangible property pursuant to Article XIII, Sec. 12, Utah Constitution.

~~[(2)]~~ (3)(a) The commission shall then determine for each school district the amount to be raised by the minimum basic tax levy as its contribution toward the cost of the basic state-supported program, as required by the Minimum School Program Act.

~~[(3)]~~ (4) Each county auditor shall be notified by the commission that the minimum basic tax levy shall be imposed by the school district, to which shall be added an additional amount, if any, due to local undervaluation as provided in this section.[-]

(a) The auditor shall inform the county legislative body as to the amount of the levy.[-]

(b) The county legislative body shall at the time and in the manner provided by law make the levy upon the taxable property in the school district together with further levies for school purposes as may be required by each school district to pay the costs of programs in excess of the basic state-supported school program.

~~[(4)]~~ (5) ~~[If the levy applied under this section raises an amount in excess of the total basic state-supported school program for a school district, the excess amount shall be remitted by the school district to the State Board of Education to be credited to the Uniform School Fund for allocation to school districts to support the basic state-supported school program.]~~ The availability of money shall be considered by the commission in fixing the state property levy as provided in the Minimum School Program Act.

~~[(5)]~~ (6)(a) If the levy does not raise an amount in excess of an amount equal to the cost of the total basic state-supported school program for a district, then the difference between the amount which the local levy will raise within the district, and the total cost of the basic state-supported school program within the district shall be computed. [This difference, if any, shall be apportioned from the Uniform School Fund to each school district as the contribution of the state to the basic state-supported school program for the district, subject to the following conditions:]

~~[(a)]~~ (b)(i) ~~[Before the apportionment is made, the]~~ The commission shall determine if the local taxable valuation of any school district is undervalued according to law and if so, the dollar amount of the undervaluation.[-]

(ii) The dollar amount of the undervaluation shall be multiplied by the district basic uniform school levy at 98%.[-]

(iii) The resulting dollar amount shall be divided by the current year estimated yield of .0002 per dollar of taxable value at 98% based on the district's taxable valuation prior to adjusting for undervaluation.

~~[(b)]~~ (c)(i) The resulting levy amount shall be added to the required district basic uniform levy to determine the combined district basic school levy adjusted for undervaluation.[-]

(ii) The combined rate of levy shall be certified to the county auditor and employed by the auditor and the county legislative body in lieu of the required basic school

405 local levy.

406 Section 6. **Effective Date.**

407 This bill takes effect on May 7, 2025.