

PROPERTY TAX EXEMPTION AMENDMENTS

2021 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Wayne A. Harper

House Sponsor: Karianne Lisonbee

LONG TITLE

Committee Note:

The Revenue and Taxation Interim Committee recommended this bill.

Legislative Vote: 17 voting for 1 voting against 1 absent

General Description:

This bill modifies the Property Tax Act.

Highlighted Provisions:

This bill:

- modifies the qualifications for tangible personal property tax to be exempt from property tax; and
- excludes the revenue generated from the increase in the exemption amount from the certified tax rate calculation.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

59-2-924, as last amended by Laws of Utah 2020, Chapters 305 and 354

59-2-1115, as last amended by Laws of Utah 2020, Chapters 38 and 42



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

Section 1. Section **59-2-924** is amended to read:

59-2-924. Definitions -- Report of valuation of property to county auditor and commission -- Transmittal by auditor to governing bodies -- Calculation of certified tax rate -- Rulemaking authority -- Adoption of tentative budget -- Notice provided by the commission.

(1) As used in this section:

(a) (i) "Ad valorem property tax revenue" means revenue collected in accordance with this chapter.

(ii) "Ad valorem property tax revenue" does not include:

(A) interest;

(B) penalties;

(C) collections from redemptions; or

(D) revenue received by a taxing entity from personal property that is semiconductor manufacturing equipment assessed by a county assessor in accordance with Part 3, County Assessment.

(b) "Adjusted tax increment" means the same as that term is defined in Section [17C-1-102](#).

(c) (i) "Aggregate taxable value of all property taxed" means:

(A) the aggregate taxable value of all real property a county assessor assesses in accordance with Part 3, County Assessment, for the current year;

(B) the aggregate taxable value of all real and personal property the commission assesses in accordance with Part 2, Assessment of Property, for the current year; and

(C) the aggregate year end taxable value of all personal property a county assessor assesses in accordance with Part 3, County Assessment, contained on the prior year's tax rolls of the taxing entity.

(ii) "Aggregate taxable value of all property taxed" does not include the aggregate year end taxable value of personal property that is:

(A) semiconductor manufacturing equipment assessed by a county assessor in accordance with Part 3, County Assessment; and

(B) contained on the prior year's tax rolls of the taxing entity.

- 59 (d) "Base taxable value" means:
- 60 (i) for an authority created under Section 11-58-201, the same as that term is defined in
- 61 Section 11-58-102;
- 62 (ii) for an agency created under Section 17C-1-201.5, the same as that term is defined
- 63 in Section 17C-1-102;
- 64 (iii) for an authority created under Section 63H-1-201, the same as that term is defined
- 65 in Section 63H-1-102; or
- 66 (iv) for a host local government, the same as that term is defined in Section 63N-2-502.
- 67 (e) "Centrally assessed benchmark value" means an amount equal to the highest year
- 68 end taxable value of real and personal property the commission assesses in accordance with
- 69 Part 2, Assessment of Property, for a previous calendar year that begins on or after January 1,
- 70 2015, adjusted for taxable value attributable to:
- 71 (i) an annexation to a taxing entity; or
- 72 (ii) an incorrect allocation of taxable value of real or personal property the commission
- 73 assesses in accordance with Part 2, Assessment of Property.
- 74 (f) (i) "Centrally assessed new growth" means the greater of:
- 75 (A) zero; or
- 76 (B) the amount calculated by subtracting the centrally assessed benchmark value
- 77 adjusted for prior year end incremental value from the taxable value of real and personal
- 78 property the commission assesses in accordance with Part 2, Assessment of Property, for the
- 79 current year, adjusted for current year incremental value.
- 80 (ii) "Centrally assessed new growth" does not include a change in value as a result of a
- 81 change in the method of apportioning the value prescribed by the Legislature, a court, or the
- 82 commission in an administrative rule or administrative order.
- 83 (g) "Certified tax rate" means a tax rate that will provide the same ad valorem property
- 84 tax revenue for a taxing entity as was budgeted by that taxing entity for the prior year.
- 85 (h) "Eligible new growth" means the greater of:
- 86 (i) zero; or
- 87 (ii) the sum of:
- 88 (A) locally assessed new growth;
- 89 (B) centrally assessed new growth; and

(C) project area new growth or hotel property new growth.

(i) "Host local government" means the same as that term is defined in Section 63N-2-502.

(j) "Hotel property" means the same as that term is defined in Section 63N-2-502.

(k) "Hotel property new growth" means an amount equal to the incremental value that is no longer provided to a host local government as incremental property tax revenue.

(l) "Incremental property tax revenue" means the same as that term is defined in Section 63N-2-502.

(m) "Incremental value" means:

(i) for an authority created under Section 11-58-201, the amount calculated by multiplying:

(A) the difference between the taxable value and the base taxable value of the property that is located within a project area and on which property tax differential is collected; and

(B) the number that represents the percentage of the property tax differential that is paid to the authority;

(ii) for an agency created under Section 17C-1-201.5, the amount calculated by multiplying:

(A) the difference between the taxable value and the base taxable value of the property located within a project area and on which tax increment is collected; and

(B) the number that represents the adjusted tax increment from that project area that is paid to the agency;

(iii) for an authority created under Section 63H-1-201, the amount calculated by multiplying:

(A) the difference between the taxable value and the base taxable value of the property located within a project area and on which property tax allocation is collected; and

(B) the number that represents the percentage of the property tax allocation from that project area that is paid to the authority; or

(iv) for a host local government, an amount calculated by multiplying:

(A) the difference between the taxable value and the base taxable value of the hotel property on which incremental property tax revenue is collected; and

(B) the number that represents the percentage of the incremental property tax revenue

from that hotel property that is paid to the host local government.

(n) (i) "Locally assessed new growth" means the greater of:

(A) zero; or

(B) the amount calculated by subtracting the year end taxable value of real property the county assessor assesses in accordance with Part 3, County Assessment, for the previous year, adjusted for prior year end incremental value from the taxable value of real property the county assessor assesses in accordance with Part 3, County Assessment, for the current year, adjusted for current year incremental value.

(ii) "Locally assessed new growth" does not include a change in:

(A) value as a result of factoring in accordance with Section 59-2-704, reappraisal, or another adjustment;

(B) assessed value based on whether a property is allowed a residential exemption for a primary residence under Section 59-2-103;

(C) assessed value based on whether a property is assessed under Part 5, Farmland Assessment Act; or

(D) assessed value based on whether a property is assessed under Part 17, Urban Farming Assessment Act.

(o) "Project area" means:

(i) for an authority created under Section 11-58-201, the same as that term is defined in Section 11-58-102;

(ii) for an agency created under Section 17C-1-201.5, the same as that term is defined in Section 17C-1-102; or

(iii) for an authority created under Section 63H-1-201, the same as that term is defined in Section 63H-1-102.

(p) "Project area new growth" means:

(i) for an authority created under Section 11-58-201, an amount equal to the incremental value that is no longer provided to an authority as property tax differential;

(ii) for an agency created under Section 17C-1-201.5, an amount equal to the incremental value that is no longer provided to an agency as tax increment; or

(iii) for an authority created under Section 63H-1-201, an amount equal to the incremental value that is no longer provided to an authority as property tax allocation.

- (q) "Property tax allocation" means the same as that term is defined in Section 63H-1-102.
- (r) "Property tax differential" means the same as that term is defined in Section 11-58-102.
- (s) "Qualifying exempt revenue" means revenue received:
- (i) for the previous calendar year;
 - (ii) by a taxing entity;
 - (iii) from tangible personal property that is exempt from property tax under Subsection 59-2-1115(2) for a calendar year beginning on January 1, 2022; and
 - (iv) on the value of the tangible personal property that exceeds \$15,000, adjusted for inflation in accordance with Subsection 59-2-1115(3).
- ~~(s)~~ (t) "Tax increment" means the same as that term is defined in Section 17C-1-102.
- (2) Before June 1 of each year, the county assessor of each county shall deliver to the county auditor and the commission the following statements:
- (a) a statement containing the aggregate valuation of all taxable real property a county assessor assesses in accordance with Part 3, County Assessment, for each taxing entity; and
 - (b) a statement containing the taxable value of all personal property a county assessor assesses in accordance with Part 3, County Assessment, from the prior year end values.
- (3) The county auditor shall, on or before June 8, transmit to the governing body of each taxing entity:
- (a) the statements described in Subsections (2)(a) and (b);
 - (b) an estimate of the revenue from personal property;
 - (c) the certified tax rate; and
 - (d) all forms necessary to submit a tax levy request.
- (4) (a) Except as otherwise provided in this section, the certified tax rate shall be calculated by dividing the ad valorem property tax revenue that a taxing entity budgeted for the prior year minus the qualifying exempt revenue by the amount calculated under Subsection (4)(b).
- (b) For purposes of Subsection (4)(a), the legislative body of a taxing entity shall calculate an amount as follows:
- (i) calculate for the taxing entity the difference between:

- 183 (A) the aggregate taxable value of all property taxed; and
184 (B) any adjustments for current year incremental value;
- 185 (ii) after making the calculation required by Subsection (4)(b)(i), calculate an amount
186 determined by increasing or decreasing the amount calculated under Subsection (4)(b)(i) by the
187 average of the percentage net change in the value of taxable property for the equalization
188 period for the three calendar years immediately preceding the current calendar year;
- 189 (iii) after making the calculation required by Subsection (4)(b)(ii), calculate the product
190 of:
- 191 (A) the amount calculated under Subsection (4)(b)(ii); and
192 (B) the percentage of property taxes collected for the five calendar years immediately
193 preceding the current calendar year; and
- 194 (iv) after making the calculation required by Subsection (4)(b)(iii), calculate an amount
195 determined by:
- 196 (A) multiplying the percentage of property taxes collected for the five calendar years
197 immediately preceding the current calendar year by eligible new growth; and
198 (B) subtracting the amount calculated under Subsection (4)(b)(iv)(A) from the amount
199 calculated under Subsection (4)(b)(iii).
- 200 (5) A certified tax rate for a taxing entity described in this Subsection (5) shall be
201 calculated as follows:
- 202 (a) except as provided in Subsection (5)(b), for a new taxing entity, the certified tax
203 rate is zero;
- 204 (b) for a municipality incorporated on or after July 1, 1996, the certified tax rate is:
- 205 (i) in a county of the first, second, or third class, the levy imposed for municipal-type
206 services under Sections 17-34-1 and 17-36-9; and
- 207 (ii) in a county of the fourth, fifth, or sixth class, the levy imposed for general county
208 purposes and such other levies imposed solely for the municipal-type services identified in
209 Section 17-34-1 and Subsection 17-36-3(23); and
- 210 (c) for debt service voted on by the public, the certified tax rate is the actual levy
211 imposed by that section, except that a certified tax rate for the following levies shall be
212 calculated in accordance with Section 59-2-913 and this section:
- 213 (i) a school levy provided for under Section 53F-8-301, 53F-8-302, or 53F-8-303; and

(ii) a levy to pay for the costs of state legislative mandates or judicial or administrative orders under Section 59-2-1602.

(6) (a) A judgment levy imposed under Section 59-2-1328 or 59-2-1330 may be imposed at a rate that is sufficient to generate only the revenue required to satisfy one or more eligible judgments.

(b) The ad valorem property tax revenue generated by a judgment levy described in Subsection (6)(a) may not be considered in establishing a taxing entity's aggregate certified tax rate.

(7) (a) For the purpose of calculating the certified tax rate, the county auditor shall use:

(i) the taxable value of real property:

(A) the county assessor assesses in accordance with Part 3, County Assessment; and

(B) contained on the assessment roll;

(ii) the year end taxable value of personal property:

(A) a county assessor assesses in accordance with Part 3, County Assessment; and

(B) contained on the prior year's assessment roll; and

(iii) the taxable value of real and personal property the commission assesses in accordance with Part 2, Assessment of Property.

(b) For purposes of Subsection (7)(a), taxable value does not include eligible new growth.

(8) (a) On or before June 30, a taxing entity shall annually adopt a tentative budget.

(b) If a taxing entity intends to exceed the certified tax rate, the taxing entity shall notify the county auditor of:

(i) the taxing entity's intent to exceed the certified tax rate; and

(ii) the amount by which the taxing entity proposes to exceed the certified tax rate.

(c) The county auditor shall notify property owners of any intent to levy a tax rate that exceeds the certified tax rate in accordance with Sections 59-2-919 and 59-2-919.1.

(9) (a) Subject to Subsection (9)(d), the commission shall provide notice, through electronic means on or before July 31, to a taxing entity and the Revenue and Taxation Interim Committee if:

(i) the amount calculated under Subsection (9)(b) is 10% or more of the year end taxable value of the real and personal property the commission assesses in accordance with

Part 2, Assessment of Property, for the previous year, adjusted for prior year end incremental value; and

(ii) the amount calculated under Subsection (9)(c) is 50% or more of the total year end taxable value of the real and personal property of a taxpayer the commission assesses in accordance with Part 2, Assessment of Property, for the previous year.

(b) For purposes of Subsection (9)(a)(i), the commission shall calculate an amount by subtracting the taxable value of real and personal property the commission assesses in accordance with Part 2, Assessment of Property, for the current year, adjusted for current year incremental value, from the year end taxable value of the real and personal property the commission assesses in accordance with Part 2, Assessment of Property, for the previous year, adjusted for prior year end incremental value.

(c) For purposes of Subsection (9)(a)(ii), the commission shall calculate an amount by subtracting the total taxable value of real and personal property of a taxpayer the commission assesses in accordance with Part 2, Assessment of Property, for the current year, from the total year end taxable value of the real and personal property of a taxpayer the commission assesses in accordance with Part 2, Assessment of Property, for the previous year.

(d) The notification under Subsection (9)(a) shall include a list of taxpayers that meet the requirement under Subsection (9)(a)(ii).

Section 2. Section **59-2-1115** is amended to read:

59-2-1115. Exemption of certain tangible personal property.

(1) As used in this section:

(a) (i) "Item of taxable tangible personal property" does not include an improvement to real property or a part that will become an improvement.

(ii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules defining the term "item of taxable tangible personal property."

(b) (i) "Taxable tangible personal property" means tangible personal property that is subject to taxation under this chapter.

(ii) "Taxable tangible personal property" does not include:

(A) tangible personal property required by law to be registered with the state before it is used on a public highway, public waterway, or public land or in the air;

(B) a mobile home as defined in Section [41-1a-102](#); or

(C) a manufactured home as defined in Section 41-1a-102.

~~[(2)(a) The taxable tangible personal property of a taxpayer is exempt from taxation if the taxable tangible personal property has a total aggregate taxable value per county of \$15,000 or less.]~~

~~[(b) In addition to the exemption under Subsection (2)(a), an item of taxable tangible personal property, except for an item of noncapitalized personal property as defined in Section 59-2-108, is exempt from taxation if the item of taxable tangible personal property:]~~

~~[(i) has an acquisition cost of \$1,000 or less;]~~

~~[(ii) has reached a percent good of 15% or less according to a personal property schedule published by the commission pursuant to Section 59-2-107; and]~~

~~[(iii) is in a personal property schedule with a residual value of 15% or less.]~~

~~[(c) For an item of taxable tangible personal property that is not exempt under Subsection (2)(a) or (b), the item is exempt from taxation if:]~~

~~[(i) (A) the item is owned by a business and is not critical to the actual business operation of the business; or]~~

~~[(B) beginning January 1, 2021, the item is owned by a business; and]~~

~~[(ii) the acquisition cost of the item is:]~~

~~[(A) less than \$150; or]~~

~~[(B) beginning January 1, 2021, less than \$500.]~~

(2) The first \$50,000 of a taxpayer's taxable tangible personal property within a county is exempt from taxation.

(3) (a) For a calendar year beginning on or after January 1, ~~[2021]~~ 2023, the commission shall increase the dollar amount described in Subsection (2)~~[(a)]~~:

(i) by a percentage equal to the percentage difference between the consumer price index for the preceding calendar year and the consumer price index for calendar year ~~[2019]~~ 2021; and

(ii) up to the nearest \$100 increment.

(b) For purposes of this Subsection (3), the commission shall calculate the consumer price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

(c) If the percentage difference under Subsection (3)(a)(i) is zero or a negative percentage, the consumer price index increase for the year is zero.

(4) (a) For the first calendar year in which a taxpayer qualifies for an exemption described in Subsection (2)[(a)], a county assessor may require the taxpayer to file a signed statement described in Section 59-2-306.

(b) Notwithstanding Section 59-2-306 and subject to Subsection (5), for a calendar year in which a taxpayer qualifies for an exemption described in Subsection (2)[(a)] after the calendar year described in Subsection (4)(a), a signed statement described in Section 59-2-306 with respect to the taxable tangible personal property that is exempt under Subsection (2)[(a)] may only require the taxpayer to certify, under penalty of perjury, that the taxpayer qualifies for the exemption under Subsection (2)[(a)].

(c) If a taxpayer qualifies for an exemption described in Subsection (2)[(a)] for five consecutive years and files a signed statement for each of those years in accordance with Section 59-2-306 and Subsection (4)(b), a county assessor may not require the taxpayer to file a signed statement for each continuing consecutive year for which the taxpayer qualifies for the exemption.

~~[(d) If a taxpayer qualifies for an exemption described in Subsection (2)(b) or (c) for an item of tangible taxable personal property, a county assessor may not require the taxpayer to include the item on a signed statement described in Section 59-2-306.]~~

(5) A signed statement with respect to qualifying exempt primary residential rental personal property is as provided in Section 59-2-103.5.

(6) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules to administer this section and provide for uniform implementation.

Section 3. Effective date.

This bill takes effect on January 1, 2022.