

PROPERTY TAX AMENDMENTS

2020 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Steve Eliason

Senate Sponsor: Curtis S. Bramble

LONG TITLE

General Description:

This bill modifies the Property Tax Act.

Highlighted Provisions:

This bill:

- ▶ modifies the definition of incremental value to include project areas created under Title 11, Chapter 58, Utah Inland Port Authority Act; Title 63H, Chapter 1, Military Installation Development Authority Act; and Title 63N, Chapter 2, Part 5, New Convention Facility Development Incentives;
- ▶ defines related terms;
- ▶ modifies the definitions of charitable purposes, educational purposes, and exclusive use for purposes of claiming a property tax exemption;
- ▶ provides activities that exclude a person from claiming an exemption for charitable purposes, educational purposes, or religious purposes; and
- ▶ changes the effective date of Section [59-2-1101](#) in S.B. 263, Property Tax Definition Amendment, Chapter 496, 2019 General Session.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

[59-2-924](#), as last amended by Laws of Utah 2018, Chapters 101, 368, and 415

[59-2-1101](#) (Effective 07/01/20), as last amended by Laws of Utah 2019, Chapters 453 and 496

Uncodified Material Affected:

AMENDS UNCODIFIED MATERIAL:

Uncodified Section 2, Laws of Utah 2019, Chapter 496

This uncodified section affects Section [59-2-1101](#) (Effective 07/01/20).

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](#).

56 ~~[(b)]~~ (c) (i) "Aggregate taxable value of all property taxed" means:

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

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

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

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

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

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

69 (d) "Base taxable value" means:

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

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

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

76 (iv) for a host local government, the same as that term is defined in Section 63N-2-502.

77 ~~[(e)]~~ (e) "Centrally assessed benchmark value" means an amount equal to the highest
78 year end taxable value of real and personal property the commission assesses in accordance
79 with Part 2, Assessment of Property, for a previous calendar year that begins on or after
80 January 1, 2015, adjusted for taxable value attributable to:

81 (i) an annexation to a taxing entity; or

82 (ii) an incorrect allocation of taxable value of real or personal property the commission

assesses in accordance with Part 2, Assessment of Property.

~~[(d)]~~ (f) (i) "Centrally assessed new growth" means the greater of:

(A) zero; or

(B) the amount calculated by subtracting the centrally assessed benchmark value adjusted for prior year end incremental value from 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.

(ii) "Centrally assessed new growth" does not include a change in value as a result of a change in the method of apportioning the value prescribed by the Legislature, a court, or the commission in an administrative rule or administrative order.

~~[(e)]~~ (g) "Certified tax rate" means a tax rate that will provide the same ad valorem property tax revenue for a taxing entity as was budgeted by that taxing entity for the prior year.

~~[(f)]~~ (h) "Eligible new growth" means the greater of:

(i) zero; or

(ii) the sum of:

(A) locally assessed new growth;

(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](#).

~~[(g)]~~ (m) "Incremental value" means ~~[the same as that term is defined in Section [17C-1-102](#)];~~

(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.

~~[(h)]~~ (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.

~~[(j)] (o)~~ "Project area" means ~~[the same as that term is defined in Section 17C-1-102.];~~

(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.

~~[(j)] (p)~~ "Project area new growth" means ~~[an amount equal to the incremental value that is no longer provided to an agency as tax increment.];~~

(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) "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 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:

(A) the aggregate taxable value of all property taxed; and

(B) any adjustments for current year incremental value;

(ii) after making the calculation required by Subsection (4)(b)(i), calculate an amount determined by increasing or decreasing the amount calculated under Subsection (4)(b)(i) by the

average of the percentage net change in the value of taxable property for the equalization period for the three calendar years immediately preceding the current calendar year;

(iii) after making the calculation required by Subsection (4)(b)(ii), calculate the product of:

(A) the amount calculated under Subsection (4)(b)(ii); and

(B) the percentage of property taxes collected for the five calendar years immediately preceding the current calendar year; and

(iv) after making the calculation required by Subsection (4)(b)(iii), calculate an amount determined by:

(A) multiplying the percentage of property taxes collected for the five calendar years immediately preceding the current calendar year by eligible new growth; and

(B) subtracting the amount calculated under Subsection (4)(b)(iv)(A) from the amount calculated under Subsection (4)(b)(iii).

(5) A certified tax rate for a taxing entity described in this Subsection (5) shall be calculated as follows:

(a) except as provided in Subsection (5)(b), for a new taxing entity, the certified tax rate is zero;

(b) for a municipality incorporated on or after July 1, 1996, the certified tax rate is:

(i) in a county of the first, second, or third class, the levy imposed for municipal-type services under Sections 17-34-1 and 17-36-9; and

(ii) in a county of the fourth, fifth, or sixth class, the levy imposed for general county purposes and such other levies imposed solely for the municipal-type services identified in Section 17-34-1 and Subsection 17-36-3(22); and

(c) for debt service voted on by the public, the certified tax rate is the actual levy imposed by that section, except that a certified tax rate for the following levies shall be calculated in accordance with Section 59-2-913 and this section:

(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 **59-2-1101 (Effective 07/01/20)** is amended to read:

59-2-1101 (Effective 07/01/20). Definitions -- Exemption of certain property -- Proportional payments for certain property -- Exception -- County legislative body authority to adopt rules or ordinances.

(1) As used in this section:

272 ~~[(a) (i) "Educational purposes" means the same as that term is used in Section~~
273 ~~501(c)(3), Internal Revenue Code, and interpreted according to federal law.]~~

274 (a) "Charitable purposes" means:

275 (i) for property used as a nonprofit hospital or a nursing home, the standards outlined in
276 Howell v. County Board of Cache County ex rel. IHC Hospitals, Inc., 881 P.2d 880 (Utah
277 1994); and

278 (ii) for property other than property described in Subsection (1)(a)(i), providing a gift
279 to the community.

280 (b) (i) "Educational purposes" means purposes carried on by an educational
281 organization that normally:

282 (A) maintains a regular faculty and curriculum; and

283 (B) has a regularly enrolled body of pupils and students.

284 (ii) "Educational purposes" includes:

285 (A) the physical or mental teaching, training, or conditioning of competitive athletes by
286 a national governing body of sport recognized by the United States Olympic Committee that
287 qualifies as being tax exempt under Section 501(c)(3), Internal Revenue Code; and

288 (B) an activity in support of or incidental to the teaching, training, or conditioning
289 described in Subsection ~~[(1)(a)(i)] (1)(b)(ii).~~

290 ~~[(b)] (c) "Exclusive use exemption" means a property tax exemption under Subsection~~
291 ~~(3)(a)(iv), for property owned by a nonprofit entity used exclusively for [religious, charitable,~~
292 ~~or educational purposes.]~~ one or more of the following purposes:

293 (i) religious purposes;

294 (ii) charitable purposes; or

295 (iii) educational purposes.

296 (d) "Gift to the community" means:

297 (i) the lessening of a government burden; or

298 (ii) (A) the provision of a significant service to others without immediate expectation

299 of material reward;

300 (B) the use of the property is supported to a material degree by donations and gifts
301 including volunteer service;

302 (C) the recipients of the charitable activities provided on the property are not required
303 to pay for the assistance received, in whole or in part, except that if in part, to a material
304 degree;

305 (D) the beneficiaries of the charitable activities provided on the property are
306 unrestricted or, if restricted, the restriction bears a reasonable relationship to the charitable
307 objectives of the nonprofit entity that owns the property; and

308 (E) any commercial activities provided on the property are subordinate or incidental to
309 charitable activities provided on the property.

310 ~~[(e)]~~ (e) "Government exemption" means a property tax exemption provided under
311 Subsection (3)(a)(i), (ii), or (iii).

312 ~~[(f)]~~ (f) (i) "Nonprofit entity" means an entity:

313 (A) that is organized on a nonprofit basis, that dedicates the entity's property to the
314 entity's nonprofit purpose, and that makes no dividend or other form of financial benefit
315 available to a private interest;

316 (B) for which, upon dissolution, the entity's assets are distributable only for exempt
317 purposes under state law or to the government for a public purpose;

318 (C) that does not receive income from any source, including gifts, donations, or
319 payments from recipients of products or services, that produces a profit to the entity in the
320 sense that the income exceeds operating and long-term maintenance expenses; and

321 (D) for which none of the net earnings or donations made to the entity inure to the
322 benefit of private shareholders or other individuals, as the private inurement standard has been
323 interpreted under Section 501(c)(3), Internal Revenue Code.

324 (ii) "Nonprofit entity" includes an entity [if the]:

325 ~~[(i)]~~ (A) if the entity is:

(I) treated as a disregarded entity for federal income tax purposes; and
[~~(ii) entity is~~] (II) wholly owned by, and controlled under the direction of, a nonprofit
entity; and

[~~(iii)~~] (B) for which none of the net earnings and profits of the entity [~~irrevocably~~]
inure to the benefit of any person other than a nonprofit entity.

[~~(e)~~] (g) "Tax relief" means an exemption, deferral, or abatement that is authorized by
this part, Part 18, Tax Deferral and Tax Abatement, or Part 19, Armed Forces Exemptions.

(2) (a) Except as provided in Subsection (2)(b) or (c), tax relief may be allowed only if
the claimant is the owner of the property as of January 1 of the year the exemption is claimed.

(b) Notwithstanding Subsection (2)(a), a claimant shall collect and pay a proportional
tax based upon the length of time that the property was not owned by the claimant if:

(i) the claimant is a federal, state, or political subdivision entity described in
Subsection (3)(a)(i), (ii), or (iii); or

(ii) pursuant to Subsection (3)(a)(iv):

(A) the claimant is a nonprofit entity; and

(B) the property is used exclusively for religious, charitable, or educational purposes.

(c) Subsection (2)(a) does not apply to an exemption described in Part 19, Armed
Forces Exemptions.

(3) (a) The following property is exempt from taxation:

(i) property exempt under the laws of the United States;

(ii) property of:

(A) the state;

(B) school districts; and

(C) public libraries;

(iii) except as provided in Title 11, Chapter 13, Interlocal Cooperation Act, property of:

(A) counties;

(B) cities;

353 (C) towns;
354 (D) local districts;
355 (E) special service districts; and
356 (F) all other political subdivisions of the state;
357 (iv) except as provided in Subsection (6) or (7), property owned by a nonprofit entity
358 used exclusively for one or more of the following purposes:
359 (A) religious[;] purposes;
360 (B) charitable[;] purposes; or
361 (C) educational purposes;
362 (v) places of burial not held or used for private or corporate benefit;
363 (vi) farm machinery and equipment;
364 (vii) a high tunnel, as defined in Section 10-9a-525;
365 (viii) intangible property; and
366 (ix) the ownership interest of an out-of-state public agency, as defined in Section
367 11-13-103:
368 (A) if that ownership interest is in property providing additional project capacity, as
369 defined in Section 11-13-103; and
370 (B) on which a fee in lieu of ad valorem property tax is payable under Section
371 11-13-302.
372 (b) For purposes of a property tax exemption for property of school districts under
373 Subsection (3)(a)(ii)(B), a charter school under Title 53G, Chapter 5, Charter Schools, is
374 considered to be a school district.
375 (4) Subject to Subsection (5), if property that is allowed an exclusive use exemption or
376 a government exemption ceases to qualify for the exemption because of a change in the
377 ownership of the property:
378 (a) the new owner of the property shall pay a proportional tax based upon the period of
379 time:

- 380 (i) beginning on the day that the new owner acquired the property; and
381 (ii) ending on the last day of the calendar year during which the new owner acquired
382 the property; and
- 383 (b) the new owner of the property and the person from whom the new owner acquires
384 the property shall notify the county assessor, in writing, of the change in ownership of the
385 property within 30 days from the day that the new owner acquires the property.
- 386 (5) Notwithstanding Subsection (4)(a), the proportional tax described in Subsection
387 (4)(a):
- 388 (a) is subject to any exclusive use exemption or government exemption that the
389 property is entitled to under the new ownership of the property; and
- 390 (b) applies only to property that is acquired after December 31, 2005.
- 391 (6) (a) A property may not receive an exemption under Subsection (3)(a)(iv) if:
- 392 (i) the nonprofit entity that owns the property participates in or intervenes in any
393 political campaign on behalf of or in opposition to any candidate for public office, including
394 the publishing or distribution of statements; or
- 395 (ii) a substantial part of the activities of the nonprofit entity that owns the property
396 consists of carrying on propaganda or otherwise attempting to influence legislation, except as
397 provided under Subsection 501(h), Internal Revenue Code.
- 398 (b) Whether a nonprofit entity is engaged in an activity described in Subsection (6)(a)
399 shall be determined using the standards described in Section 501, Internal Revenue Code.
- 400 (7) A property may not receive an exemption under Subsection (3)(a)(iv) if:
- 401 (a) the property is used for a purpose that is not religious, charitable, or educational;
402 and
- 403 (b) the use for a purpose that is not religious, charitable, or educational is more than de
404 minimis.
- 405 ~~[(6)]~~ (8) A county legislative body may adopt rules or ordinances to:
- 406 (a) effectuate the exemptions, deferrals, abatements, or other relief from taxation

provided in this part, Part 18, Tax Deferral and Tax Abatement, or Part 19, Armed Forces Exemptions; and

(b) designate one or more persons to perform the functions given the county under this part, Part 18, Tax Deferral and Tax Abatement, or Part 19, Armed Forces Exemptions.

~~[(7)]~~ (9) If a person is dissatisfied with a tax relief decision made under designated decision-making authority as described in Subsection ~~[(6)]~~ (8)(b), that person may appeal the decision to the commission under Section [59-2-1006](#).

Section 3. **Uncodified Section 2, Laws of Utah 2019, Chapter 496** is amended to read:

Section 2. **Effective date.**

This bill takes effect on ~~[July 1, 2020]~~ January 1, 2021.

Section 4. **Retrospective operation.**

Section [59-2-924](#) has retrospective operation to January 1, 2020.

Section 5. **Effective date.**

(1) Except as provided in Subsection (2), this bill takes effect on May 12, 2020.

(2) The changes in this bill to Section [59-2-1101](#) (Effective 07/01/20) take effect on January 1, 2021.