

AIRCRAFT PROPERTY TAX AMENDMENTS

2024 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Wayne A. Harper

House Sponsor: Walt Brooks

LONG TITLE

General Description:

This bill modifies provisions related to property tax assessment for aircrafts.

Highlighted Provisions:

This bill:

- subjects aircraft to state registration by the Department of Transportation based on the number of days an aircraft operates in the state in a year;
- limits the types of aircraft subject to central assessment by the State Tax Commission;
- requires the Department of Transportation to annually provide a list to the State Tax Commission identifying each aircraft subject to state registration; and
- makes technical and conforming changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

59-2-201, as last amended by Laws of Utah 2023, Chapter 471

72-10-109, as last amended by Laws of Utah 2023, Chapter 216

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

Section 1. Section **59-2-201** is amended to read:

59-2-201 . Assessment by commission -- Determination of value of mining property -- Determination of value of aircraft -- Notification of assessment -- Local assessment of property assessed by the unitary method -- Commission may consult with

county.

(1) (a) By May 1 of each year, the following property, unless otherwise exempt under the Utah Constitution or under Part 11, Exemptions, shall be assessed by the commission at 100% of fair market value, as valued on January 1, in accordance with this chapter:

- (i) except as provided in Subsection (2), all property that operates as a unit across county lines, if the values must be apportioned among more than one county or state;
- (ii) all property of public utilities;
- (iii) ~~all~~ subject to Subsection (1)(b), all operating property of an airline, air charter service, and air contract service;
- (iv) all geothermal fluids and geothermal resources;
- (v) all mines and mining claims except in cases, as determined by the commission, where the mining claims are used for other than mining purposes, in which case the value of mining claims used for other than mining purposes shall be assessed by the assessor of the county in which the mining claims are located; and
- (vi) all machinery used in mining, all property or surface improvements upon or appurtenant to mines or mining claims. For the purposes of assessment and taxation, all processing plants, mills, reduction works, and smelters that are primarily used by the owner of a mine or mining claim for processing, reducing, or smelting minerals taken from a mine or mining claim shall be considered appurtenant to that mine or mining claim, regardless of actual location.

(b) For purposes of Subsection (1)(a)(iii), if the operating property of an airline, air charter service, or air contract service includes an aircraft, the commission shall assess the aircraft only if the aircraft operates under 14 C.F.R. Part 121, with a maximum takeoff weight exceeding 35,000 pounds.

~~[(b) (i) For purposes of Subsection (1)(a)(iii), operating property of an air charter service does not include an aircraft that is:]~~

~~[(A) used by the air charter service for air charter; and]~~

~~[(B) owned by a person other than the air charter service.]~~

~~[(ii) For purposes of this Subsection (1)(b):]~~

~~[(A) "person" means a natural person, individual, corporation, organization, or other legal entity; and]~~

~~[(B) a person does not qualify as a person other than the air charter service as described~~

in Subsection (1)(b)(i)(B) if the person is:]

[~~(F) a principal, owner, or member of the air charter service; or~~]

[~~(H) a legal entity that has a principal, owner, or member of the air charter service as a principal, owner, or member of the legal entity.~~]

(2) (a) The commission may not assess property owned by a telecommunications service provider.

(b) The commission shall assess and collect property tax on state-assessed commercial vehicles at the time of original registration or annual renewal.

(i) The commission shall assess and collect property tax annually on state-assessed commercial vehicles that are registered pursuant to Section 41-1a-222 or 41-1a-228.

(ii) State-assessed commercial vehicles brought into the state that are required to be registered in Utah shall, as a condition of registration, be subject to ad valorem tax unless all property taxes or fees imposed by the state of origin have been paid for the current calendar year.

(iii) Real property, improvements, equipment, fixtures, or other personal property in this state owned by the company shall be assessed separately by the local county assessor.

(iv) The commission shall adjust the value of state-assessed commercial vehicles as necessary to comply with 49 U.S.C. Sec. 14502, and the commission shall direct the county assessor to apply the same adjustment to any personal property, real property, or improvements owned by the company and used directly and exclusively in their commercial vehicle activities.

(3) (a) The method for determining the fair market value of productive mining property is the capitalized net revenue method or any other valuation method the commission believes, or the taxpayer demonstrates to the commission's satisfaction, to be reasonably determinative of the fair market value of the mining property.

(b) The commission shall determine the rate of capitalization applicable to mines, consistent with a fair rate of return expected by an investor in light of that industry's current market, financial, and economic conditions.

(c) In no event may the fair market value of the mining property be less than the fair market value of the land, improvements, and tangible personal property upon or appurtenant to the mining property.

(4) (a) As used in this Subsection (4), "aircraft pricing guide" means a nationally

recognized publication that assigns value estimates for individual commercial aircraft that are:

- (i) identified by year, make, and model; and
 - (ii) in average condition typical for the aircraft's type and vintage.
- (b) (i) Except as provided in Subsection (4)(d), the commission shall use an aircraft pricing guide, adjusted as provided in Subsection (4)(c), to determine the fair market value of aircraft assessed under this part.
- (ii) The commission shall use the Airliner Price Guide as the aircraft pricing guide, except that:
- (A) if the Airliner Price Guide is no longer published or the commission determines that another aircraft pricing guide more reasonably reflects the fair market value of aircraft, the commission, after consulting with the airlines operating in the state, shall select an alternative aircraft pricing guide;
 - (B) if an aircraft is not listed in the Airliner Price Guide, the commission shall use the Aircraft Bluebook Price Digest as the aircraft pricing guide; and
 - (C) if the Aircraft Bluebook Price Digest is no longer published or the commission determines that another aircraft pricing guide more reasonably reflects the fair market value of aircraft, the commission, after consulting with the airlines operating in the state, shall select an alternative aircraft pricing guide.
- (c) (i) To reflect the value of an aircraft fleet that is used as part of the operating property of an airline, air charter service, or air contract service, the fair market value of the aircraft shall include a fleet adjustment as provided in this Subsection (4)(c).
- (ii) If the aircraft pricing guide provides a method for making a fleet adjustment, the commission shall use the method described in the aircraft pricing guide.
- (iii) If the aircraft pricing guide does not provide a method for making a fleet adjustment, the commission shall make a fleet adjustment by reducing the aircraft pricing guide value of each aircraft in the fleet by .5% for each aircraft over three aircraft up to a maximum 20% reduction.
- (d) The commission may use an alternative method for valuing aircraft of an airline, air charter service, or air contract service if the commission:
- (i) has clear and convincing evidence that the aircraft values reflected in the aircraft pricing guide do not reasonably reflect fair market value of the aircraft; and

(ii) cannot identify an alternative aircraft pricing guide from which the commission may determine aircraft value.

(5) Immediately following the assessment, the commission shall send, by certified mail, notice of the assessment to the owner or operator of the assessed property and the assessor of the county in which the property is located.

(6) The commission may consult with a county in valuing property in accordance with this part.

(7) The local county assessor shall separately assess property that is assessed by the unitary method if the commission determines that the property:

(a) is not necessary to the conduct of the business; and

(b) does not contribute to the income of the business.

Section 2. Section **72-10-109** is amended to read:

72-10-109 . Certificate of registration of aircraft required -- Exceptions.

(1) ~~[(a) A]~~ Except as provided in Subsection (2), a person may not operate, pilot, or navigate, or cause or authorize to be operated, piloted, or navigated within this state any civil aircraft ~~[domieiled]~~ operating in this state for 181 or more days within any consecutive 12-month period unless the aircraft has a current certificate of registration issued by the department.

~~[(b) The restriction described in Subsection (1)(a)-]~~

(2) The state registration requirement under Subsection (1) does not apply to:

(a) aircraft licensed by a foreign country with which the United States has a reciprocal agreement covering the operations of the registered aircraft~~[-or to-]~~ ;

(b) a non-passenger-carrying flight solely for inspection or test purposes authorized by the Federal Aviation Administration to be made without the certificate of registration~~[-]~~ ;
or

(c) aircraft operating under 14 C.F.R. Part 121, with a maximum takeoff weight exceeding 35,000 pounds.

~~[(2) Aircraft centrally assessed by the State Tax Commission are exempt from the state registration requirement under Subsection (1)-]~~

(3) Beginning on January 1, 2024, a person may not operate in this state an unmanned aircraft system or an advanced air mobility aircraft for commercial operation for which certification is required under 14 C.F.R. Part 107 or 135 unless the aircraft has a current certificate of registration issued by the department.

(4) The department shall, or before December 31 of each calendar year, provide to the State

164 Tax Commission a list of each aircraft for which a current certificate of registration is
165 issued by the department under Subsection (1).

166 Section 3. **Effective date.**

167 This bill takes effect on January 1, 2025.