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## **State of Utah Exemptions to the Sales and Use Tax: Summary of Reviews Conducted by the TRC (Tax Review Commission) from 1993 through 2004, Legislative Action, and Revenue Effects.**

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Prepared May 23, 2005/Classifications Added June 7, 2005

Note: this chart shows exemptions in effect as of July 1, 2005

**B=Exempt as Business Input**

**E=Remain Exempt**

**R=Repeal**

<b>No.</b>	<b>Summary of Exemption</b>	<b>Year of Last TRC Review</b>	<b>TRC Recommendation/ Legislature's Response to TRC Recommendation</b>	<b>Annual Revenue Effect (USTC estimate) as of FY2004</b>	<b>Exemption Classification</b>	<b>USTC Recommendation</b>
1	Aviation, motor, and special fuels subject to a Utah state excise tax.	1995	At the request of the governor, the TRC postponed consideration of this exemption.	\$123,362,000- Motor and special fuels \$6,888,000- Aviation fuel	Transportation	R
2	Sales to the state, its institutions, and its political subdivisions excluding certain purchases of construction materials.	1995	The TRC postponed this review until 1996 but the review never took place in 1996.	\$17,646,000–State Government \$20,652,000–Local Government	Government	E
3	Sales of food, beverage, and dairy products from vending machines.	1993	Change the formula from 120% to 150% of the cost of goods consumed. The recommended change was enacted by the Legislature.	\$1,006,000	Coin-Operated Business/Food & Food Ingredients or Prepared Food	R
4	Sales of certain food products and related services to commercial airline carriers for in-flight consumption.	1994	Sunset the exemption July 1, 2000. The exemption remains in effect.	\$280,000	Food & Food Ingredients or Prepared Food	B

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5	Sales of parts and equipment installed in aircraft used in interstate or foreign commerce.	1994	Sunset the exemption July 1, 2000. The exemption remains in effect.	\$175,000–Airline equipment	Production Input	B
6	Sales of certain media by producers, distributors, or studios to a commercial broadcaster or exhibitor.	1993	Repeal the exemption July 1, 1994. The exemption remains in effect.	\$30,000–Motion picture rentals \$20,000–Radio broadcast tapes	Production Input	B
7	Sales of cleaning or washing of tangible personal property by a coin-operated laundry or dry-cleaning machine.	1993	Repeal the exemption July 1, 1997. The exemption remains in effect.	\$263,000	Coin-Operated Business	R
8	Sales made to or by religious or charitable organizations.	1995	The TRC postponed this review until 1996 but the review never took place in 1996.	\$9,758,000	Nonprofit	B
9	Sales of a vehicle to an out-of-state resident if the vehicle will not be registered or used in this state.	1996	Retain the exemption. The exemption remains in effect.	\$5,586,000	Sales to Nonresident/ Transportation	R
10	Sales of medicine.	1996	Retain the exemption. The exemption remains in effect.	\$57,674,000– Prescription drugs \$51,000–Oxygen and stoma supplies	Medical	R
11	Sales or use of property, materials, or services used in pollution control facilities.	1993	Repeal the exemption July 1, 1996. If renewed, add Tax Commission and tighten standards.	\$255,000	Production Input	B
12	Sales of meals served by churches, charitable institutions, higher education, and medical/nursing facilities.	1995	The TRC postponed this review until 1996 but the review never took place in 1996.	\$496,000 Meals served by churches, etc. \$484,000 Nursing home & hospital meals	Food & Food Ingredients or Prepared Food/ Nonprofit	R
13	Isolated or occasional sales by non-business persons except for vehicles that must be registered.	2004	Reviewed and deferred action until 2005. The exemption remains in effect.	\$2,602,000	Administrative Simplicity/Other	R
14	Sales of certain machinery and replacement parts used in manufacturing.	1993 <sup>2</sup>	Repeal the exemption July 1, 1996 unless a review required by statute indicates otherwise. <sup>1</sup>	\$31,724,000–New or expanding \$9,851,000– Replacement	Production Input	B

No.	Summary of Exemption	Year of Last TRC Review	TRC Recommendation/ Legislature's Response to TRC Recommendation	Annual Revenue Effect (USTC estimate) as of FY2004	Exemption Classification	USTC Recommendation
15	Sales of tooling or equipment used in any aerospace or electronics–U.S. government contract.	1994	Sunset the exemption July 1, 2000. The exemption remains in effect.	\$406,000	Production Input	B
16	Intrastate movement of freight or passengers.	2004	Retain the exemption for freight. Study the exemption for passenger fares and the exemption for public transit in 2005.	\$2,413,000	Transportation	R
17	Sales of newspapers or newspaper subscriptions.	1994	Sunset the exemption July 1, 2000. The exemption remains in effect.	\$2,535,000	Coin-Operated Business/Other	R
18	Tangible personal property traded for all or part of an item's purchase price.	2004	Retain the exemption. The exemption remains in effect.	n/a	Administrative Simplicity/Other	E
19	Sales of tangible personal property used or consumed in farming operations.	2003	Retain the exemption with some clarifications. The clarifications were enacted by the Legislature in 2005 General Session, S.B. 6 "Sales and Use Tax Exemptions."	\$17,320,000	Production Input	B
20	Sales of hay.			\$2,845,000	Production Input	B
21	Exclusive sale of certain locally grown agricultural products.	2003	Repeal the exemption. The exemption remains in effect.	\$1,425,000	Food & Food Ingredients or Prepared Food	R
22	Purchases of food as defined in 7 U.S.C. Sec. 2012(g) under the Food Stamp Program, 7 U.S.C. Sec. 2011 et seq.	2003	Retain the exemption. The exemption remains in effect.	\$5,539,000	Food & Food Ingredients or Prepared Food/ Required to Participate in Federal Program	E
23	Sales of nonreturnable containers and other packaging materials.	1993	Retain the exemption. The exemption remains in effect.	\$22,223,000	Production Input	B
24	Property stored in the state for resale.	1996	Retain the exemption. The exemption remains in effect.	n/a	Other/Producti on Input	E

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25	Property brought into the state by a nonresident for personal use and enjoyment.	1996	Retain the exemption. The exemption remains in effect.	\$3,135,000	Sales to Nonresident	E
26	Property—either in its original form or a component part—purchased for resale in the state.	1996	Retain the exemption. The exemption remains in effect.	\$30,357,000	Other/Producti on Input	E
27	Property upon which a sales or use tax was paid to some other state or subdivision of a state.	1996	Retain the exemption. The exemption remains in effect.	n/a	Other/Sales to Nonresident	E
28	Sales of certain services or utilities used in compounding.	1995	To be studied in 1996 with the telecommunications study.	\$15,393,000	Production Input/ Public Utility	B
29	Purchases of foods under the nutrition program for women, infants and children (WIC).	2003	Retain the exemption. The exemption remains in effect.	\$1,556,000	Food & Food Ingredients or Prepared Food/Require d to Participate in Federal Program	E
30	Sales or leases of certain steel mill replacement parts for a specified time.	1993	Repeal the exemption July 1, 1994 or at least expand the definition of "steel mill" to SIC 3312. SIC 3312 definition of "steel mill" adopted by the Legislature. Exemption remains in effect until 2014.	\$100,000	Production Input	B
31	Sales of certain boats to nonresidents of this state.	1996	Retain the exemption. The exemption remains in effect.	\$161,000	Sales to Nonresident	R
32	Sales of aircraft manufactured in Utah for use outside Utah where a sales or use tax is not imposed.	1994	Sunset the exemption July 1, 2000. Exemption remains in effect.	\$0	Sales to Nonresident	B
33	Amounts paid for the purchase of telephone service for purposes of providing telephone service.	1994	In-depth study about taxation/regulation of telecommunications. Provide funding for study.	\$23,009,000— Interstate carrier \$7,606,000—WATS exemption	Production Input/ Public Utility	B

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34	Fares charged to persons using public transit.			\$922,000	Government/ Transportation	R
35	Sales or leases of vehicles to, or use of vehicles by an authorized carrier.			\$150,000	Transportation	B
36	A certain portion of the purchase price of a manufactured home.			\$1,000,000	Other	E
37	Sales relating to schools and school fundraising sales.	1995	An exemption for lab fees and textbooks used in public education (for credit) should be created. The Legislature enacted this exemption.	\$50,000	Government	R
38	Sales or rentals of durable medical equipment.			\$521,000	Medical	R
39	Sales to a ski resort of electricity to operate a passenger ropeway.			\$74,000	Production Input/ Public Utility	B
40	Sales of certain equipment or parts to a ski resort.			\$502,000	Production Input	B
41	Sales of natural gas, electricity, heat, coal, fuel oil, or other fuels for industrial use.			\$28,440,000– Industrial utilities	Production Input/ Public Utility	B
42	Sales or rentals of certain coin-operated devices for amusement, entertainment or recreation.	1993	Repeal the exemption July 1, 1997. The exemption remains in effect.	\$694,000	Coin-Operated Business	R
43	Sales of cleaning or washing of tangible personal property by a coin-operated car wash.	1993	Repeal the exemption July 1, 1997. The exemption remains in effect.	\$556,000	Coin-Operated Business	R
44	Sales of certain copies by the state or political subdivision of the state, except state institutions of higher education.			\$10,000	Government	R
45	Amounts paid to a person providing intrastate transport of a business' employee.			\$25,000	Production Input/ Transportation	R

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46	Amounts paid for entrance into an athletic event at an institution of higher education.			\$481,000	Government	R
47	Prepaid telephone calling cards.			\$27,000	Public Utility/Other	R
48	Sales of hearing aids and hearing aid accessories.			\$330,000	Medical	R
49	Sales made to or by an area agency on aging or a senior citizen center owned by a county, city, or town.			\$1,000	Government/ Nonprofit	B
50	Sales or leases of certain semiconductor fabricating or processing materials.			Less than \$1,020,000	Production Input	B
51	Sales of certain hotel or other similar accommodations and services taxed by the Navajo Nation.			\$154,700 (fiscal note)	Avoids Multiple Taxation/ Government	E
52	The lease or use of a vehicle issued a temporary sports event registration certificate for an event period.			\$0 (fiscal note)	Transportation	R
53	Sales of certain electricity produced from renewable resources.			n/a	Public Utility	R
54	Sales or rentals of mobility enhancing equipment.			\$0 fiscal note	Medical	R
55	Sales of water in a pipe, conduit, ditch, or reservoir.			\$0 fiscal note	Public Utility	B
56	Sales of currency or coinage that constitute legal tender of the United States or of a foreign nation.			\$0 fiscal note	Government/ Other	E
57	Sales of certain forms of gold, silver, or platinum if the item does not constitute legal tender.			\$0 fiscal note	Other	E

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58	Amounts paid on a sale-leaseback transaction.			\$0 fiscal note	Other	E
59	Sales of a prosthetic device for use on or in a human.			\$0 fiscal note	Medical	R
60	Purchases, leases, or rentals of equipment primarily used in the production or postproduction of a motion picture, television program, or other similar types of media.			\$250,000 in FY 2005	Production Input	B
61	Sales and certain leases made before June 30, 2009 of machinery or equipment used by a renewable energy facility that uses wind power to produce electricity.			The fiscal note stated: "Passage of this bill would have no impact on current revenue. There is the potential for future revenue forgone of up to \$4,200,000. Local revenues could potentially increased as a result of passage of this bill."	Production Input/ Public Utility	B
62	Sales and certain leases made before June 30, 2009 of machinery or equipment used by a waste energy production facility.					
63	Sales and certain leases made before June 30, 2009 of machinery or equipment used by a facility that produces fuel from biomass energy.					
64	Amounts paid to a purchaser as a rebate from the manufacturer of a new vehicle for purchasing the new vehicle.			See No. 65 Below	Transportation	R
65	Certain sales of tangible personal property to persons within the state that is subsequently shipped outside the state and incorporated pursuant to contract into and becomes a part of real property located outside of this state, except to the extent that the other state imposes a sales or other similar tax.			\$1,350,000 in FY 2006 (Fiscal note)	Sales to Nonresident	R

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66	Purchases of lists and databases used to send direct mail.			Fiscal note stated "Passage of this bill would codify current industry practice and therefore any fiscal impact would be minimal."	Production Input	B
67	Redemptions or repurchases of property by a person if that property was delivered to a pawnbroker and then redeemed or repurchased within a certain time period.				Administrative Simplicity/Other	R
68	Sales to and by the Heber Valley Historic Railroad Authority. (See Section 9-3-311.)			\$10,000	Government/Other	?

1. Rep. Harper prepared initial classifications for each of the sales and use tax exemptions and asked staff to expand and modify those classifications. Some exemptions could properly fall within multiple classifications. In some cases, we assigned more than one classification to an exemption. However, this table does not provide an exhaustive list of all possible classifications for a particular exemption. Rep. Harper stated that his goal in classifying sales and use tax exemptions is to provide the Sales and Use Tax Subcommittee with a review item to use in determining whether to retain or eliminate sales and use tax exemptions.

2. At its April 19, 2002 meeting, the TRC received a report from the Tax Commission on this exemption. No further action was taken.