

1 **SALES AND USE TAX AND INCOME TAX**

2 **REVISIONS**

3 2000 GENERAL SESSION

4 STATE OF UTAH

5 **Sponsor: Millie M. Peterson**

6 AN ACT RELATING TO REVENUE AND TAXATION; PHASING OUT THE STATE
7 PORTION OF THE SALES AND USE TAX ON SALES OF FOOD; ADDING AN
8 INDIVIDUAL INCOME TAX BRACKET; MODIFYING INDIVIDUAL INCOME TAX RATES;
9 PROVIDING FOR A SALES AND USE TAX EXEMPTION FOR FOOD SOLD THROUGH
10 VENDING MACHINES; AND MAKING TECHNICAL CHANGES.

11 This act affects sections of Utah Code Annotated 1953 as follows:

12 AMENDS:

13 **59-10-104**, as last amended by Chapter 333, Laws of Utah 1996

14 **59-12-103**, as last amended by Chapter 133, Laws of Utah 1999

15 **59-12-104**, as last amended by Chapters 63, 155, 195, 306, 313 and 362, Laws of Utah
16 1999

17 ENACTS:

18 **59-12-104.2**, Utah Code Annotated 1953

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

20 Section 1. Section **59-10-104** is amended to read:

21 **59-10-104. Tax basis -- Rates.**

22 ~~[(1) For taxable years beginning on or after January 1, 1996, but beginning before January~~
23 ~~1, 1997, a tax is imposed on the state taxable income, as defined in Section 59-10-112, of every~~
24 ~~resident individual as follows:]~~

25 ~~[(a) For an individual, other than a husband and wife or head of household required to use~~
26 ~~the tax table under Subsection (1)(b), the tax under this section is imposed in accordance with the~~
27 ~~following table:]~~

28	[If the state taxable income is:]	[The tax is:]
29	[Less than or equal to \$750]	[2.55% of the state taxable income]
30	[Greater than \$750 but less than or equal]	[\$19, plus 3.5% of state taxable income]
31	[to \$1,500]	[greater than \$750]
32	[Greater than \$1,500 but less than or equal]	[\$45, plus 4.4% of state taxable income]
33	[to \$2,250]	[greater than \$1,500]
34	[Greater than \$2,250 but less than or equal]	[\$78, plus 5.35% of state taxable income]
35	[to \$3,000]	[greater than \$2,250]
36	[Greater than \$3,000 but less than or equal]	[\$119, plus 6% of state taxable income]
37	[to \$3,750]	[greater than \$3,000]
38	[Greater than \$3,750]	[\$164, plus 7% of state taxable income]
39		[greater than \$3,750]

40 (b) For a husband and wife filing a single return jointly, or a head of household as defined
41 in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section is imposed
42 in accordance with the following table:]

43	[If the state taxable income is:]	[The tax is:]
44	[Less than or equal to \$1,500]	[2.55% of the state taxable income]
45	[Greater than \$1,500 but less than or equal]	[\$38, plus 3.5% of state taxable income]
46	[to \$3,000]	[greater than \$1,500]
47	[Greater than \$3,000 but less than or equal]	[\$91, plus 4.4% of state taxable income]
48	[to \$4,500]	[greater than \$3,000]
49	[Greater than \$4,500 but less than or equal]	[\$157, plus 5.35% of state taxable income]
50	[to \$6,000]	[greater than \$4,500]
51	[Greater than \$6,000 but less than or equal]	[\$237, plus 6% of state taxable income]
52	[to \$7,500]	[greater than \$6,000]
53	[Greater than \$7,500]	[\$327, plus 7% of state taxable income]
54		[greater than \$7,500]

55 (2) (a) For taxable years beginning on or after January 1, 1997, but beginning on or
56 before December 31, 2000, a tax is imposed on the state taxable income, as defined in Section
57 59-10-112, of [every] a resident individual as [follows:] provided in this Subsection (1).

58 (a) (b) For an individual, other than a husband and wife or head of household required

59 to use the tax table under Subsection [~~(2)~~(b)] (1)(c), the tax under this section is imposed in
 60 accordance with the following table:

61 If the state taxable income is:	The tax is:
62 Less than or equal to \$750	2.3% of the state taxable income
63 Greater than \$750 but less than or equal 64 to \$1,500	\$17, plus 3.3% of state taxable income greater than \$750
65 Greater than \$1,500 but less than or equal 66 to \$2,250	\$42, plus 4.2% of state taxable income greater than \$1,500
67 Greater than \$2,250 but less than or equal 68 to \$3,000	\$74, plus 5.2% of state taxable income greater than \$2,250
69 Greater than \$3,000 but less than or equal 70 to \$3,750	\$113, plus 6% of state taxable income greater than \$3,000
71 Greater than \$3,750	\$158, plus 7% of state taxable income greater than \$3,750

73 (b) (c) For a husband and wife filing a single return jointly, or a head of household as
 74 defined in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section is
 75 imposed in accordance with the following table:

76 If the state taxable income is:	The tax is:
77 Less than or equal to \$1,500	2.3% of the state taxable income
78 Greater than \$1,500 but less than or equal 79 to \$3,000	\$35, plus 3.3% of state taxable income greater than \$1,500
80 Greater than \$3,000 but less than or equal 81 to \$4,500	\$84, plus 4.2% of state taxable income greater than \$3,000
82 Greater than \$4,500 but less than or equal 83 to \$6,000	\$147, plus 5.2% of state taxable income greater than \$4,500
84 Greater than \$6,000 but less than or equal 85 to \$7,500	\$225, plus 6% of state taxable income greater than \$6,000
86 Greater than \$7,500	\$315, plus 7% of state taxable income greater than \$7,500

88 (2) (a) For the taxable year beginning on or after January 1, 2001, but beginning on or
 89 before December 31, 2001, a tax is imposed on the state taxable income, as defined in Section

90 59-10-112, of a resident individual as provided in this Subsection (2).

91 (b) For an individual, other than a husband and wife or head of household required to use
 92 the tax table under Subsection (2)(c), the tax under this section is imposed in accordance with the
 93 following table:

94 <u>If the state taxable income is:</u>	<u>The tax is:</u>
95 <u>Less than or equal to \$750</u>	<u>2.3% of the state taxable income</u>
96 <u>Greater than \$750 but less than or equal</u> 97 <u>to \$1,500</u>	<u>\$17, plus 3.3% of state taxable income</u> <u>greater than \$750</u>
98 <u>Greater than \$1,500 but less than or equal</u> 99 <u>to \$2,250</u>	<u>\$42, plus 4.2% of state taxable income</u> <u>greater than \$1,500</u>
100 <u>Greater than \$2,250 but less than or equal</u> 101 <u>to \$3,000</u>	<u>\$74, plus 5.2% of state taxable income</u> <u>greater than \$2,250</u>
102 <u>Greater than \$3,000 but less than or equal</u> 103 <u>to \$3,750</u>	<u>\$113, plus 6% of state taxable income</u> <u>greater than \$3,000</u>
104 <u>Greater than \$3,750 but less than or equal</u> 105 <u>to \$25,000</u>	<u>\$158, plus 7% of state taxable income</u> <u>greater than \$3,750</u>
106 <u>Greater than \$25,000</u>	<u>\$1,645, plus 7.7% of state taxable income</u> <u>greater than \$25,000</u>

108 (c) For a husband and wife filing a single return jointly, or a head of household as defined
 109 in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section is imposed
 110 in accordance with the following table:

111 <u>If the state taxable income is:</u>	<u>The tax is:</u>
112 <u>Less than or equal to \$1,500</u>	<u>2.3% of the state taxable income</u>
113 <u>Greater than \$1,500 but less than or equal</u> 114 <u>to \$3,000</u>	<u>\$35, plus 3.3% of state taxable income</u> <u>greater than \$1,500</u>
115 <u>Greater than \$3,000 but less than or equal</u> 116 <u>to \$4,500</u>	<u>\$84, plus 4.2% of state taxable income</u> <u>greater than \$3,000</u>
117 <u>Greater than \$4,500 but less than or equal</u> 118 <u>to \$6,000</u>	<u>\$147, plus 5.2% of state taxable income</u> <u>greater than \$4,500</u>
119 <u>Greater than \$6,000 but less than or equal</u> 120 <u>to \$7,500</u>	<u>\$225, plus 6% of state taxable income</u> <u>greater than \$6,000</u>

121	<u>Greater than \$7,500 but less than or equal</u>	<u>\$315, plus 7% of state taxable income</u>
122	<u>to \$50,000</u>	<u>greater than \$7,500</u>
123	<u>Greater than \$50,000</u>	<u>\$3,290, plus 7.7% of state taxable income</u>
124		<u>greater than \$50,000</u>

125 (3) (a) For the taxable year beginning on or after January 1, 2002, but beginning on or
 126 before December 31, 2002, a tax is imposed on the state taxable income, as defined in Section
 127 59-10-112, of a resident individual as provided in this Subsection (3).

128 (b) For an individual, other than a husband and wife or head of household required to use
 129 the tax table under Subsection (3)(c), the tax under this section is imposed in accordance with the
 130 following table:

131	<u>If the state taxable income is:</u>	<u>The tax is:</u>
132	<u>Less than or equal to \$750</u>	<u>2.3% of the state taxable income</u>
133	<u>Greater than \$750 but less than or equal</u>	<u>\$17, plus 3.3% of state taxable income</u>
134	<u>to \$1,500</u>	<u>greater than \$750</u>
135	<u>Greater than \$1,500 but less than or equal</u>	<u>\$42, plus 4.2% of state taxable income</u>
136	<u>to \$2,250</u>	<u>greater than \$1,500</u>
137	<u>Greater than \$2,250 but less than or equal</u>	<u>\$74, plus 5.2% of state taxable income</u>
138	<u>to \$3,000</u>	<u>greater than \$2,250</u>
139	<u>Greater than \$3,000 but less than or equal</u>	<u>\$113, plus 6% of state taxable income</u>
140	<u>to \$3,750</u>	<u>greater than \$3,000</u>
141	<u>Greater than \$3,750 but less than or equal</u>	<u>\$158, plus 7% of state taxable income</u>
142	<u>to \$25,000</u>	<u>greater than \$3,750</u>
143	<u>Greater than \$25,000</u>	<u>\$1,645, plus 8.2% of state taxable income</u>
144		<u>greater than \$25,000</u>

145 (c) For a husband and wife filing a single return jointly, or a head of household as defined
 146 in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section is imposed
 147 in accordance with the following table:

148	<u>If the state taxable income is:</u>	<u>The tax is:</u>
149	<u>Less than or equal to \$1,500</u>	<u>2.3% of the state taxable income</u>
150	<u>Greater than \$1,500 but less than or equal</u>	<u>\$35, plus 3.3% of state taxable income</u>
151	<u>to \$3,000</u>	<u>greater than \$1,500</u>

152	<u>Greater than \$3,000 but less than or equal</u>	<u>\$84, plus 4.2% of state taxable income</u>
153	<u>to \$4,500</u>	<u>greater than \$3,000</u>
154	<u>Greater than \$4,500 but less than or equal</u>	<u>\$147, plus 5.2% of state taxable income</u>
155	<u>to \$6,000</u>	<u>greater than \$4,500</u>
156	<u>Greater than \$6,000 but less than or equal</u>	<u>\$225, plus 6% of state taxable income</u>
157	<u>to \$7,500</u>	<u>greater than \$6,000</u>
158	<u>Greater than \$7,500 but less than or equal</u>	<u>\$315, plus 7% of state taxable income</u>
159	<u>to \$50,000</u>	<u>greater than \$7,500</u>
160	<u>Greater than \$50,000</u>	<u>\$3,290, plus 8.2% of state taxable income</u>
161		<u>greater than \$50,000</u>

162 (4) (a) For taxable years beginning on or after January 1, 2003, a tax is imposed on the
 163 state taxable income, as defined in Section 59-10-112, of a resident individual as provided in this
 164 Subsection (4).

165 (b) For an individual, other than a husband and wife or head of household required to use
 166 the tax table under Subsection (4)(c), the tax under this section is imposed in accordance with the
 167 following table:

<u>If the state taxable income is:</u>	<u>The tax is:</u>
168 <u>Less than or equal to \$750</u>	<u>2.3% of the state taxable income</u>
169 <u>Greater than \$750 but less than or equal</u>	<u>\$17, plus 3.3% of state taxable income</u>
170 <u>to \$1,500</u>	<u>greater than \$750</u>
171 <u>Greater than \$1,500 but less than or equal</u>	<u>\$42, plus 4.2% of state taxable income</u>
172 <u>to \$2,250</u>	<u>greater than \$1,500</u>
173 <u>Greater than \$2,250 but less than or equal</u>	<u>\$74, plus 5.2% of state taxable income</u>
174 <u>to \$3,000</u>	<u>greater than \$2,250</u>
175 <u>Greater than \$3,000 but less than or equal</u>	<u>\$113, plus 6% of state taxable income</u>
176 <u>to \$3,750</u>	<u>greater than \$3,000</u>
177 <u>Greater than \$3,750 but less than or equal</u>	<u>\$158, plus 7% of state taxable income</u>
178 <u>to \$25,000</u>	<u>greater than \$3,750</u>
179 <u>Greater than \$25,000</u>	<u>\$1,645, plus 8.5% of state taxable</u>
180 <u>income</u>	
181	<u>greater than \$25,000</u>

182 (c) For a husband and wife filing a single return jointly, or a head of household as defined

183 in Section 2(b), Internal Revenue Code, filing a single return, the tax under this section is imposed
 184 in accordance with the following table:

185 <u>If the state taxable income is:</u>	<u>The tax is:</u>
186 <u>Less than or equal to \$1,500</u>	<u>2.3% of the state taxable income</u>
187 <u>Greater than \$1,500 but less than or equal</u> 188 <u>to \$3,000</u>	<u>\$35, plus 3.3% of state taxable income</u> <u>greater than \$1,500</u>
189 <u>Greater than \$3,000 but less than or equal</u> 190 <u>to \$4,500</u>	<u>\$84, plus 4.2% of state taxable income</u> <u>greater than \$3,000</u>
191 <u>Greater than \$4,500 but less than or equal</u> 192 <u>to \$6,000</u>	<u>\$147, plus 5.2% of state taxable income</u> <u>greater than \$4,500</u>
193 <u>Greater than \$6,000 but less than or equal</u> 194 <u>to \$7,500</u>	<u>\$225, plus 6% of state taxable income</u> <u>greater than \$6,000</u>
195 <u>Greater than \$7,500 but less than or equal</u> 196 <u>to \$50,000</u>	<u>\$315, plus 7% of state taxable income</u> <u>greater than \$7,500</u>
197 <u>Greater than \$50,000</u> <u>income</u>	<u>\$3,290, plus 8.5% of state taxable</u> <u>greater than \$50,000</u>

198
 199 Section 2. Section **59-12-103** is amended to read:

200 **59-12-103. Sales and use tax base -- Rate -- Use of sales and use tax revenues.**

201 (1) [~~There is levied a~~] A tax is imposed on the purchaser as provided in this part for [the
 202 amount] amounts paid or charged for the following:

- 203 (a) retail sales of tangible personal property made within the state;
- 204 (b) [~~amount~~] amounts paid to common carriers or to telephone or telegraph corporations,
 205 whether the corporations are municipally or privately owned, for:
- 206 (i) all transportation;
- 207 (ii) intrastate telephone service; or
- 208 (iii) telegraph service;
- 209 (c) sales of the following for commercial use:
- 210 (i) gas[~~;~~];
- 211 (ii) electricity[~~;~~];
- 212 (iii) heat[~~;~~];
- 213 (iv) coal[~~;~~];

- 214 (v) fuel oil[;]; or
- 215 (vi) other fuels [~~sold for commercial use~~];
- 216 (d) sales of the following for residential use:
- 217 (i) gas[;];
- 218 (ii) electricity[;];
- 219 (iii) heat[;];
- 220 (iv) coal[;];
- 221 (v) fuel oil[;]; or
- 222 (vi) other fuels [~~sold for residential use~~];
- 223 (e) [~~meals sold~~] sales of prepared food or beverages by a restaurant as defined in Section
- 224 59-12-602;
- 225 (f) amounts paid or charged as admission or user fees for theaters, movies, operas,
- 226 museums, planetariums, shows of any type or nature, exhibitions, concerts, carnivals, amusement
- 227 parks, amusement rides, circuses, menageries, fairs, races, contests, sporting events, dances,
- 228 boxing [~~and~~] matches, wrestling matches, closed circuit television broadcasts, billiard [~~or~~] parlors,
- 229 pool parlors, bowling lanes, golf [~~and~~], miniature golf, golf driving ranges, batting cages, skating
- 230 rinks, ski lifts, ski runs, ski trails, snowmobile trails, tennis courts, swimming pools, water slides,
- 231 river runs, jeep tours, boat tours, scenic cruises, horseback rides, sports activities, or any other
- 232 amusement, entertainment, recreation, exhibition, cultural, or athletic activity;
- 233 (g) amounts paid or charged for services;
- 234 (i) for repairs or renovations of tangible personal property; or [services]
- 235 (ii) to install tangible personal property in connection with other tangible personal
- 236 property;
- 237 (h) except as provided in Subsection 59-12-104(7), amounts paid or charged for cleaning
- 238 or washing of tangible personal property;
- 239 (i) amounts paid or charged for tourist home, hotel, motel, or trailer court accommodations
- 240 and services for less than 30 consecutive days;
- 241 (j) amounts paid or charged for laundry [~~and~~] or dry cleaning services;
- 242 (k) amounts paid or charged for leases [~~and~~] or rentals of tangible personal property if [the
- 243 property];
- 244 (i) the tangible personal property's situs is in this state[; if];

245 (ii) the lessee took possession of the tangible personal property in this state~~[-];~~ or [if]

246 (iii) within this state the tangible personal property is:

247 (A) stored~~[-];~~

248 (B) used~~[-];~~ or

249 (C) otherwise consumed [~~in this state~~];

250 (l) amounts paid or charged for tangible personal property if within this state the tangible
251 personal property is:

252 (i) stored~~[-];~~

253 (ii) used~~[-];~~ or

254 (iii) consumed [~~in this state~~]; and

255 (m) amounts paid or charged for prepaid telephone calling cards; and

256 (n) except as provided in Section 59-12-104.2, sales of food.

257 (2) Except [~~for~~] as provided in Subsection [(1)(d)] (3), the tax rates [~~of the tax levied~~
258 under] imposed on an item or service described in Subsection (1) [~~shall be~~] are as follows:

259 [~~(a) 5% through June 30, 1994;~~

260 [~~(b) 4.875%~~] (a) beginning on July 1, 1994 through June 30, 1997, the tax rate is 4.875%;

261 and

262 [~~(c) 4.75%~~] (b) beginning on July 1, 1997, the tax rate is 4.75%.

263 (3) [~~The rates of the~~] Notwithstanding Subsection (2), beginning on January 1, 1990, the
264 tax [~~levied under~~] rate imposed on a sale described in Subsection (1)(d) [~~shall be~~] is 2% [~~from and~~
265 after January 1, 1990].

266 (4) (a) There shall be deposited in an Olympics special revenue fund or funds as determined
267 by the Division of Finance under Section 51-5-4, for the use of the Utah Sports Authority created
268 under Title 63A, Chapter 7, Utah Sports Authority Act:

269 (i) from January 1, 1990, through December 31, 1999, the amount of sales and use tax
270 generated by a 1/64% tax rate on the taxable items and services under Subsection (1);

271 (ii) from January 1, 1990, through June 30, 1999, the amount of revenue generated by a
272 1/64% tax rate under Section 59-12-204 or Section 59-12-205 on the taxable items and services
273 under Subsection (1); and

274 (iii) interest earned on the amounts under Subsections (4)(a)(i) and (ii).

275 (b) These funds shall be used:

276 (i) by the Utah Sports Authority as follows:

277 (A) to the extent funds are available, to transfer directly to a debt service fund or to
278 otherwise reimburse to the state any amount expended on debt service or any other cost of any
279 bonds issued by the state to construct any public sports facility as defined in Section 63A-7-103;

280 (B) to pay for the actual and necessary operating, administrative, legal, and other expenses
281 of the Utah Sports Authority, but not including protocol expenses for seeking and obtaining the
282 right to host the Winter Olympic Games; and

283 (C) unless the Legislature appropriates additional funds from the Olympics Special
284 Revenue Fund to the Utah Sports Authority, the Utah Sports Authority may not expend, loan, or
285 pledge in the aggregate more than:

286 (I) \$59,000,000 of sales and use tax deposited into the Olympics special revenue fund
287 under Subsection (4)(a);

288 (II) the interest earned on the amount described in Subsection (4)(b)(i)(C)(I); and

289 (III) the revenues deposited into the Olympics Special Revenue Fund that are not sales and
290 use taxes deposited under Subsection (4)(a) or interest on the sales and use taxes;

291 (ii) to pay salary, benefits, or administrative costs associated with the State Olympic
292 Officer under Subsection 63A-10-103(3), except that the salary, benefits, or administrative costs
293 may not be paid from the sales and tax revenues generated by municipalities or counties and
294 deposited under Subsection (4)(a)(ii).

295 (c) A payment of salary, benefits, or administrative costs under Subsection 63A-10-103(3)
296 is not considered an expenditure of the Utah Sports Authority.

297 (d) If the Legislature appropriates additional funds under Subsection (4)(b)(i)(C), the
298 authority may not expend, loan, pledge, or enter into any agreement to expend, loan, or pledge the
299 appropriated funds unless the authority:

300 (i) contracts in writing for the full reimbursement of the monies to the Olympics special
301 revenue fund by a public sports entity or other person benefitting from the expenditure; and

302 (ii) obtains a security interest that secures payment or performance of the obligation to
303 reimburse.

304 (e) A contract or agreement entered into in violation of Subsection (4)(d) is void.

305 (5) (a) From July 1, 1997, the annual amount of sales and use tax generated by a 1/8% tax
306 rate on the taxable items and services under Subsection (1) shall be used as follows:

307 (i) 50% shall be used for water and wastewater projects as provided in Subsections (5)(b)
308 through (f); and

309 (ii) 50% shall be used for transportation projects as provided in Subsections (5)(g) through
310 (h).

311 (b) Five hundred thousand dollars each year shall be transferred to the Agriculture
312 Resource Development Fund created in Section 4-18-6.

313 (c) Fifty percent of the remaining amount generated by 50% of the 1/8% tax rate shall be
314 transferred to the Water Resources Conservation and Development Fund created in Section
315 73-10-24 for use by the Division of Water Resources. In addition to the uses allowed of the fund
316 under Section 73-10-24, the fund may also be used to:

317 (i) provide a portion of the local cost share, not to exceed in any fiscal year 50% of the
318 funds made available to the Division of Water Resources under this section, of potential project
319 features of the Central Utah Project;

320 (ii) conduct hydrologic and geotechnical investigations by the Department of Natural
321 Resources in a cooperative effort with other state, federal, or local entities, for the purpose of
322 quantifying surface and ground water resources and describing the hydrologic systems of an area
323 in sufficient detail so as to enable local and state resource managers to plan for and accommodate
324 growth in water use without jeopardizing the resource;

325 (iii) fund state required dam safety improvements; and

326 (iv) protect the state's interest in interstate water compact allocations, including the hiring
327 of technical and legal staff.

328 (d) Twenty-five percent of the remaining amount generated by 50% of the 1/8% tax rate
329 shall be transferred to the Utah Wastewater Loan Program subaccount created in Section 73-10c-5
330 for use by the Water Quality Board to fund wastewater projects as defined in Section 73-10b-2.

331 (e) Twenty-five percent of the remaining amount generated by 50% of the 1/8% tax rate
332 shall be transferred to the Drinking Water Loan Program subaccount created in Section 73-10c-5
333 for use by the Division of Drinking Water to:

334 (i) provide for the installation and repair of collection, treatment, storage, and distribution
335 facilities for any public water system, as defined in Section 19-4-102;

336 (ii) develop underground sources of water, including springs and wells; and

337 (iii) develop surface water sources.

338 (f) Notwithstanding Subsections (5)(b), (c), (d), and (e), \$100,000 of the remaining amount
339 generated by 50% of the 1/8% tax rate each year shall be transferred as dedicated credits to the
340 Division of Water Rights to cover the costs incurred in hiring legal and other technical staff for the
341 adjudication of water rights. Any remaining balance at the end of each fiscal year shall lapse back
342 to the contributing funds on a prorated basis.

343 (g) Fifty percent of the 1/8% tax rate shall be transferred to the class B and class C roads
344 account to be expended as provided in Title 72, Chapter 2, Transportation Finances Act, for the
345 use of class B and C road funds except as provided in Subsection (5)(h).

346 (h) (i) If H.B. 53, "Transportation Corridor Preservation," passes in the 1996 General
347 Session, \$500,000 each year shall be transferred to the Transportation Corridor Preservation
348 Revolving Loan Fund, and if H.B. 121, "State Park Access Roads," passes in the 1996 General
349 Session, from July 1, 1997, through June 30, 2006, \$500,000 shall be transferred to the Department
350 of Transportation for the State Park Access Highways Improvement Program. The remaining
351 amount generated by 50% of the 1/8% tax rate shall be transferred to the class B and class C roads
352 account.

353 (ii) At least 50% of the money transferred to the Transportation Corridor Preservation
354 Revolving Loan Fund under Subsection (5)(h)(i) shall be used to fund loan applications made by
355 the Department of Transportation at the request of local governments.

356 (6) (a) Beginning on January 1, 2000, the Division of Finance shall deposit into the
357 Centennial Highway Fund created in Section 72-2-118 a portion of the state sales and use tax
358 under Subsections (2) and (3) equal to the revenues generated by a 1/64% tax rate on the taxable
359 items and services under Subsection (1).

360 (b) Except for sales and use taxes deposited under Subsection (7), beginning on July 1,
361 1999, the revenues generated by the 1/64% tax rate:

362 (i) retained under Subsection 59-12-204(7)(a) shall be retained by the counties, cities, or
363 towns as provided in Section 59-12-204; and

364 (ii) retained under Subsection 59-12-205(4)(a) shall be distributed to each county, city, and
365 town as provided in Section 59-12-205.

366 (7) Beginning on July 1, 1999, the commission shall deposit into the Airport to University
367 of Utah Light Rail Restricted Account created in Section 17A-2-1064 the portion of the sales and
368 use tax under Sections 59-12-204 and 59-12-205 that is:

369 (a) generated by a city or town that will have constructed within its boundaries the Airport
370 to University of Utah Light Rail described in the Transportation Equity Act for the 21st Century,
371 Pub. L. No. 105-178, Sec. 3030(c)(2)(B)(i)(II), 112 Stat. 107; and

372 (b) equal to the revenues generated by a 1/64% tax rate on the taxable items and services
373 under Subsection (1).

374 Section 3. Section **59-12-104** is amended to read:

375 **59-12-104. Exemptions.**

376 The following sales and uses are exempt from the taxes imposed by this chapter:

377 (1) sales of aviation fuel, motor fuel, and special fuel subject to a Utah state excise tax
378 under Title 59, Chapter 13, Motor and Special Fuel Tax Act;

379 (2) sales to the state, its institutions, and its political subdivisions; however, this exemption
380 does not apply to sales of construction materials except:

381 (a) construction materials purchased by or on behalf of institutions of the public education
382 system as defined in Utah Constitution Article X, Section 2, provided the construction materials
383 are clearly identified and segregated and installed or converted to real property which is owned by
384 institutions of the public education system; and

385 (b) construction materials purchased by the state, its institutions, or its political
386 subdivisions which are installed or converted to real property by employees of the state, its
387 institutions, or its political subdivisions;

388 (3) subject to Section 59-12-104.2, sales of food, beverage, and dairy products from
389 vending machines in which the proceeds of each sale do not exceed \$1 if the vendor or operator
390 of the vending machine reports an amount equal to 150% of the cost of items as goods consumed;

391 (4) sales of food, beverage, dairy products, similar confections, and related services to
392 commercial airline carriers for in-flight consumption;

393 (5) sales of parts and equipment installed in aircraft operated by common carriers in
394 interstate or foreign commerce;

395 (6) sales of commercials, motion picture films, prerecorded audio program tapes or
396 records, and prerecorded video tapes by a producer, distributor, or studio to a motion picture
397 exhibitor, distributor, or commercial television or radio broadcaster;

398 (7) sales of cleaning or washing of tangible personal property by a coin-operated laundry
399 or dry cleaning machine;

400 (8) (a) except as provided in Subsection (8)(b), sales made to or by religious or charitable
401 institutions in the conduct of their regular religious or charitable functions and activities, if the
402 requirements of Section 59-12-104.1 are fulfilled;

403 (b) the exemption provided for in Subsection (8)(a) does not apply to the following sales,
404 uses, leases, or rentals relating to the Olympic Winter Games of 2002 made to or by an
405 organization exempt from federal income taxation under Section 501(c)(3), Internal Revenue
406 Code:

- 407 (i) retail sales of Olympic merchandise;
- 408 (ii) admissions or user fees described in Subsection 59-12-103(1)(f);
- 409 (iii) sales of accommodations and services as provided in Subsection 59-12-103(1)(i),
410 except for accommodations and services:

411 (A) paid for in full by the Salt Lake Organizing Committee for the Olympic Winter Games
412 of 2002;

413 (B) exclusively used by:

414 (I) an officer, a trustee, or an employee of the Salt Lake Organizing Committee for the
415 Olympic Winter Games of 2002; or

416 (II) a volunteer supervised by the Salt Lake Organizing Committee for the Olympic Winter
417 Games of 2002; and

418 (C) for which the Salt Lake Organizing Committee for the Olympic Winter Games of 2002
419 does not receive reimbursement; or

420 (iv) a lease or rental of a vehicle as defined in Section 41-1a-102, except for a lease or
421 rental of a vehicle:

422 (A) paid for in full by the Salt Lake Organizing Committee for the Olympic Winter Games
423 of 2002;

424 (B) exclusively used by:

425 (I) an officer, a trustee, or an employee of the Salt Lake Organizing Committee for the
426 Olympic Winter Games of 2002; or

427 (II) a volunteer supervised by the Salt Lake Organizing Committee for the Olympic Winter
428 Games of 2002; and

429 (C) for which the Salt Lake Organizing Committee for the Olympic Winter Games of 2002
430 does not receive reimbursement;

- 431 (9) sales of vehicles of a type required to be registered under the motor vehicle laws of this
432 state which are made to bona fide nonresidents of this state and are not afterwards registered or
433 used in this state except as necessary to transport them to the borders of this state;
- 434 (10) sales of medicine;
- 435 (11) sales or use of property, materials, or services used in the construction of or
436 incorporated in pollution control facilities allowed by Sections 19-2-123 through 19-2-127;
- 437 (12) sales of meals served by:
- 438 (a) churches, charitable institutions, and institutions of higher education, if the meals are
439 not available to the general public; and
- 440 (b) inpatient meals provided at medical or nursing facilities;
- 441 (13) isolated or occasional sales by persons not regularly engaged in business, except the
442 sale of vehicles or vessels required to be titled or registered under the laws of this state in which
443 case the tax is based upon:
- 444 (a) the bill of sale or other written evidence of value of the vehicle or vessel being sold;
445 or
- 446 (b) in the absence of a bill of sale or other written evidence of value, the then existing fair
447 market value of the vehicle or vessel being sold as determined by the commission;
- 448 (14) (a) the following purchases or leases by a manufacturer on or after July 1, 1995:
- 449 (i) machinery and equipment:
- 450 (A) used in the manufacturing process;
- 451 (B) having an economic life of three or more years; and
- 452 (C) used:
- 453 (I) to manufacture an item sold as tangible personal property; and
- 454 (II) in new or expanding operations in a manufacturing facility in the state; and
- 455 (ii) subject to the provisions of Subsection (14)(b), normal operating replacements that:
- 456 (A) have an economic life of three or more years;
- 457 (B) are used in the manufacturing process in a manufacturing facility in the state;
- 458 (C) are used to replace or adapt an existing machine to extend the normal estimated useful
459 life of the machine; and
- 460 (D) do not include repairs and maintenance;
- 461 (b) the rates for the exemption under Subsection (14)(a)(ii) are as follows:

462 (i) beginning July 1, 1996, through June 30, 1997, 30% of the sale or lease described in
463 Subsection (14)(a)(ii) is exempt;

464 (ii) beginning July 1, 1997, through June 30, 1998, 60% of the sale or lease described in
465 Subsection (14)(a)(ii) is exempt; and

466 (iii) beginning July 1, 1998, 100% of the sale or lease described in Subsection (14)(a)(ii)
467 is exempt;

468 (c) for purposes of this Subsection (14), the commission shall by rule define the terms
469 "new or expanding operations" and "establishment"; and

470 (d) on or before October 1, 1991, and every five years after October 1, 1991, the
471 commission shall:

472 (i) review the exemptions described in Subsection (14)(a) and make recommendations to
473 the Revenue and Taxation Interim Committee concerning whether the exemptions should be
474 continued, modified, or repealed; and

475 (ii) include in its report:

476 (A) the cost of the exemptions;

477 (B) the purpose and effectiveness of the exemptions; and

478 (C) the benefits of the exemptions to the state;

479 (15) sales of tooling, special tooling, support equipment, and special test equipment used
480 or consumed exclusively in the performance of any aerospace or electronics industry contract with
481 the United States government or any subcontract under that contract, but only if, under the terms
482 of that contract or subcontract, title to the tooling and equipment is vested in the United States
483 government as evidenced by a government identification tag placed on the tooling and equipment
484 or by listing on a government-approved property record if a tag is impractical;

485 (16) intrastate movements of:

486 (a) freight by common carriers; and

487 (b) passengers:

488 (i) by taxicabs as described in SIC Code 4121 of the 1987 Standard Industrial
489 Classification Manual of the federal Executive Office of the President, Office of Management and
490 Budget; or

491 (ii) transported by an establishment described in SIC Code 4111 of the 1987 Standard
492 Industrial Classification Manual of the federal Executive Office of the President, Office of

493 Management and Budget, if the transportation originates and terminates within a county of the
494 first, second, or third class;

495 (17) sales of newspapers or newspaper subscriptions;

496 (18) tangible personal property, other than money, traded in as full or part payment of the
497 purchase price, except that for purposes of calculating sales or use tax upon vehicles not sold by
498 a vehicle dealer, trade-ins are limited to other vehicles only, and the tax is based upon:

499 (a) the bill of sale or other written evidence of value of the vehicle being sold and the
500 vehicle being traded in; or

501 (b) in the absence of a bill of sale or other written evidence of value, the then existing fair
502 market value of the vehicle being sold and the vehicle being traded in, as determined by the
503 commission;

504 (19) sprays and insecticides used to control insects, diseases, and weeds for commercial
505 production of fruits, vegetables, feeds, seeds, and animal products, but not those sprays and
506 insecticides used in the processing of the products;

507 (20) (a) sales of tangible personal property used or consumed primarily and directly in
508 farming operations, including sales of irrigation equipment and supplies used for agricultural
509 production purposes, whether or not they become part of real estate and whether or not installed
510 by farmer, contractor, or subcontractor, but not sales of:

511 (i) machinery, equipment, materials, and supplies used in a manner that is incidental to
512 farming, such as hand tools with a unit purchase price not in excess of \$250, and maintenance and
513 janitorial equipment and supplies;

514 (ii) tangible personal property used in any activities other than farming, such as office
515 equipment and supplies, equipment and supplies used in sales or distribution of farm products, in
516 research, or in transportation; or

517 (iii) any vehicle required to be registered by the laws of this state, without regard to the use
518 to which the vehicle is put;

519 (b) sales of hay;

520 (21) exclusive sale of locally grown seasonal crops, seedling plants, or garden, farm, or
521 other agricultural produce if sold by a producer during the harvest season;

522 (22) purchases of food as defined in 7 U.S.C. Sec. 2012(g) under the Food Stamp
523 Program, 7 U.S.C. Sec. 2011 et seq.;

524 (23) sales of nonreturnable containers, nonreturnable labels, nonreturnable bags,
525 nonreturnable shipping cases, and nonreturnable casings to a manufacturer, processor, wholesaler,
526 or retailer for use in packaging tangible personal property to be sold by that manufacturer,
527 processor, wholesaler, or retailer;

528 (24) property stored in the state for resale;

529 (25) property brought into the state by a nonresident for his or her own personal use or
530 enjoyment while within the state, except property purchased for use in Utah by a nonresident living
531 and working in Utah at the time of purchase;

532 (26) property purchased for resale in this state, in the regular course of business, either in
533 its original form or as an ingredient or component part of a manufactured or compounded product;

534 (27) property upon which a sales or use tax was paid to some other state, or one of its
535 subdivisions, except that the state shall be paid any difference between the tax paid and the tax
536 imposed by this part and Part 2, and no adjustment is allowed if the tax paid was greater than the
537 tax imposed by this part and Part 2;

538 (28) any sale of a service described in Subsections 59-12-103(1)(b), (c), and (d) to a person
539 for use in compounding a service taxable under the subsections;

540 (29) purchases of supplemental foods as defined in 42 U.S.C. Sec. 1786(b)(14) under the
541 special supplemental nutrition program for women, infants, and children established in 42 U.S.C.
542 Sec. 1786;

543 (30) beginning on July 1, 1999, through June 30, 2004, sales or leases of rolls, rollers,
544 refractory brick, electric motors, or other replacement parts used in the furnaces, mills, or ovens
545 of a steel mill described in SIC Code 3312 of the 1987 Standard Industrial Classification Manual
546 of the federal Executive Office of the President, Office of Management and Budget;

547 (31) sales of boats of a type required to be registered under Title 73, Chapter 18, State
548 Boating Act, boat trailers, and outboard motors which are made to bona fide nonresidents of this
549 state and are not thereafter registered or used in this state except as necessary to transport them to
550 the borders of this state;

551 (32) sales of tangible personal property to persons within this state that is subsequently
552 shipped outside the state and incorporated pursuant to contract into and becomes a part of real
553 property located outside of this state, except to the extent that the other state or political entity
554 imposes a sales, use, gross receipts, or other similar transaction excise tax on it against which the

555 other state or political entity allows a credit for taxes imposed by this chapter;

556 (33) sales of aircraft manufactured in Utah if sold for delivery and use outside Utah where
557 a sales or use tax is not imposed, even if the title is passed in Utah;

558 (34) amounts paid for the purchase of telephone service for purposes of providing
559 telephone service;

560 (35) fares charged to persons transported directly by a public transit district created under
561 the authority of Title 17A, Chapter 2, Part 10, Utah Public Transit District Act;

562 (36) sales or leases of vehicles to, or use of vehicles by an authorized carrier;

563 (37) (a) 45% of the sales price of any new manufactured home; and

564 (b) 100% of the sales price of any used manufactured home;

565 (38) sales relating to schools and fundraising sales;

566 (39) sales or rentals of home medical equipment and supplies;

567 (40) (a) sales to a ski resort of electricity to operate a passenger ropeway as defined in
568 Section 72-11-102; and

569 (b) the commission shall by rule determine the method for calculating sales exempt under
570 Subsection (40)(a) that are not separately metered and accounted for in utility billings;

571 (41) sales to a ski resort of:

572 (a) snowmaking equipment;

573 (b) ski slope grooming equipment; and

574 (c) passenger ropeways as defined in Section 72-11-102;

575 (42) sales of natural gas, electricity, heat, coal, fuel oil, or other fuels for industrial use;

576 (43) sales or rentals of the right to use or operate for amusement, entertainment, or
577 recreation a coin-operated amusement device as defined in Section 59-12-102;

578 (44) sales of cleaning or washing of tangible personal property by a coin-operated car wash
579 machine;

580 (45) sales by the state or a political subdivision of the state, except state institutions of
581 higher education as defined in Section 53B-3-102, of:

582 (a) photocopies; or

583 (b) other copies of records held or maintained by the state or a political subdivision of the
584 state; and

585 (46) (a) amounts paid:

586 (i) to a person providing intrastate transportation to an employer's employee to or from the
587 employee's primary place of employment;

588 (ii) by an:

589 (A) employee; or

590 (B) employer; and

591 (iii) pursuant to a written contract between:

592 (A) the employer; and

593 (B) (I) the employee; or

594 (II) a person providing transportation to the employer's employee; and

595 (b) in accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the
596 commission may for purposes of Subsection (46)(a) make rules defining what constitutes an
597 employee's primary place of employment;

598 (47) amounts paid for admission to an athletic event at an institution of higher education
599 that is subject to the provisions of Title IX of the Education Amendments of 1972, 20 U.S.C. Sec.
600 1681 et seq.;

601 (48) sales of telephone service charged to a prepaid telephone calling card;

602 (49) (a) sales of hearing aids; and

603 (b) sales of hearing aid accessories; and

604 (50) (a) sales made to or by:

605 (i) an area agency on aging; or

606 (ii) a senior citizen center owned by a county, city, or town; or

607 (b) sales made by a senior citizen center that contracts with an area agency on aging.

608 Section 4. Section **59-12-104.2** is enacted to read:

609 **59-12-104.2. State sales and use tax for certain sales of food -- Reduction and repeal**
610 **of tax.**

611 (1) (a) Subject to Subsections (1)(b) and (c), for purposes of this section and Subsection
612 59-12-104(3), "food" is as defined in 7 U.S.C. Sec. 2012(g) under the Food Stamp Program, 7
613 U.S.C. Sec. 2011 et seq., regardless of whether the retailer from whom the food is purchased or
614 the purchaser participates in a federal or state food program.

615 (b) "Food" includes:

616 (i) hot or cold foods prepared for immediate consumption on or off the premises of a

617 retailer that does not meet the definition of a restaurant under Section 59-12-602; or
618 (ii) food sold through vending machines.
619 (c) "Food" does not include prepared foods or beverages that are sold by a restaurant as
620 defined in Section 59-12-602.
621 (2) Sales of food are subject to the tax imposed by Section 59-12-103 at the following
622 rates:
623 (a) beginning on January 1, 2001, through December 31, 2001, the rate is 3.25%;
624 (b) beginning on January 1, 2002, through December 31, 2002, the rate is 1.75%; and
625 (c) beginning on January 1, 2003, the rate is 0%.
626 (3) This section does not limit any authority provided under this chapter to a county, city,
627 or town to impose a tax, including a tax on food.

Legislative Review Note
as of 2-16-00 7:04 PM

A limited legal review of this legislation raises no obvious constitutional or statutory concerns.

Office of Legislative Research and General Counsel