

CHARITABLE PURPOSE DETERMINATION

2005 GENERAL SESSION

STATE OF UTAH

Sponsor: Parley G. Hellewell

LONG TITLE

General Description:

This bill amends provisions of the Property Tax Act relating to the charitable property tax exemption provided for in Utah Constitution, Article XIII, Section 3, Subsection (1)(f).

Highlighted Provisions:

This bill:

- ▶ defines the term "bad debt";
- ▶ clarifies that failure by a nonprofit entity to collect bad debt is not considered charitable assistance for purposes of determining whether:
 - property owned by the nonprofit entity is used exclusively for charitable purposes; or
 - the nonprofit entity requires a person to pay, in whole or in part, for the goods or services provided by the nonprofit entity; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

59-2-1101, as last amended by Chapter 333, Laws of Utah 2004



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

Section 1. Section **59-2-1101** is amended to read:

59-2-1101. Exemption of certain property -- Proportional payments for government-owned property -- Veteran's exemption -- County legislative body authority to adopt rules or ordinances.

(1) (a) Except as provided in Subsection (1)(b) or (c), the exemptions, deferrals, and abatements authorized by this part 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 (1)(a), if the claimant is a federal, state, or political subdivision entity under Subsection (2)(a), (b), or (c), the entity shall collect and pay a proportional tax based upon the length of time that the property was not owned by the entity.

(c) Notwithstanding Subsection (1)(a), a claimant may be allowed a veteran's exemption in accordance with Sections 59-2-1104 and 59-2-1105 regardless of whether the claimant is the owner of the property as of January 1 of the year the exemption is claimed if the claimant is:

(i) the unmarried surviving spouse of:

(A) a deceased disabled veteran as defined in Section 59-2-1104; or

(B) a veteran who was killed in action or died in the line of duty as defined in Section 59-2-1104; or

(ii) a minor orphan of:

(A) a deceased disabled veteran as defined in Section 59-2-1104; or

(B) a veteran who was killed in action or died in the line of duty as defined in Section 59-2-1104.

(2) The following property is exempt from taxation:

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

(b) property of:

(i) the state[;];

(ii) school districts[;]; and

(iii) public libraries;

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

- 59 (i) counties[;];
- 60 (ii) cities[;];
- 61 (iii) towns[;];
- 62 (iv) special districts[;]; and
- 63 (v) all other political subdivisions of the state[; ~~except as provided in Title 11, Chapter~~
- 64 ~~13, Interlocal Cooperation Act~~];

65 (d) property owned by a nonprofit entity which is used exclusively for:

- 66 (i) religious[;] purposes;
- 67 (ii) pursuant to Subsection (4), charitable[;] purposes; or
- 68 (iii) educational purposes;

69 (e) places of burial not held or used for private or corporate benefit;

70 (f) farm equipment and machinery;

71 (g) intangible property; and

72 (h) the ownership interest of an out-of-state public agency, as defined in Section
73 11-13-103, in property providing additional project capacity, as defined in Section 11-13-103,
74 on which a fee in lieu of ad valorem property tax is payable under Section 11-13-302.

75 (3) A county legislative body may adopt rules or ordinances to:

76 (a) effectuate the exemptions, deferrals, abatements, or other relief from taxation

77 provided in this part; and

78 (b) designate one or more persons to perform the functions given the county under this

79 part.

80 (4) (a) For purposes of this Subsection (4), "bad debt" means debt that is:

81 (i) owed to a nonprofit entity for goods or services provided by the nonprofit entity;

82 and

83 (ii) (A) discharged in bankruptcy; or

84 (B) treated as uncollectible in the records of the nonprofit entity.

85 (b) For purposes of Subsection (2)(d)(ii), failure to collect bad debt is not charitable
86 assistance for purposes of determining whether:

87 (i) property owned by the nonprofit entity is used exclusively for charitable purposes;

88 or

89 (ii) the nonprofit entity requires a person to pay for the goods or services provided by

- 90 the nonprofit entity:
- 91 (A) in whole; or
- 92 (B) in part.

Legislative Review Note
as of 12-17-04 11:11 AM

Based on a limited legal review, this legislation has not been determined to have a high probability of being held unconstitutional.

Office of Legislative Research and General Counsel

Fiscal Note
Bill Number SB0045

Charitable Purpose Determination

20-Jan-05

3:41 PM

State Impact

Passage of this bill should have no significant fiscal impact.

Individual and Business Impact

No significant fiscal impact.

Office of the Legislative Fiscal Analyst