

**Representative Daniel McCay** proposes the following substitute bill:

**PROPERTY TAX ASSESSMENT CHANGES**

2017 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Daniel McCay**

Senate Sponsor: Deidre M. Henderson

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**LONG TITLE**

**General Description:**

This bill amends property tax provisions related to the assessment of property.

**Highlighted Provisions:**

This bill:

- ▶ requires the centrally assessed benchmark value to be adjusted for taxable value attributable to a change in assessment that occurs due to a decision made by the State Tax Commission regarding equalization of assessment;
- ▶ defines a "bona fide range improvement program"; and
- ▶ makes technical and conforming changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill provides retrospective operation.

**Utah Code Sections Affected:**

AMENDS:

**59-2-502**, as last amended by Laws of Utah 2005, Chapter 254

**59-2-503**, as last amended by Laws of Utah 2013, Chapter 322

**59-2-924**, as last amended by Laws of Utah 2016, Chapters 350 and 367



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

Section 1. Section **59-2-502** is amended to read:

**59-2-502. Definitions.**

As used in this part:

(1) "Actively devoted to agricultural use" means that the land in agricultural use produces in excess of 50% of the average agricultural production per acre:

(a) as determined under Section [59-2-503](#); and

(b) for:

(i) the given type of land; and

(ii) the given county or area.

(2) (a) "Bona fide range improvement program" means a rangeland improvement project that is generally recognized by the grazing or livestock industry to:

(i) increase the quality of forage for livestock; and

(ii) result in increased livestock production.

(b) "Bona fide range improvement program" includes:

(i) reseeding;

(ii) spraying;

(iii) burning;

(iv) controlling for weeds or herbs; or

(v) using one of the following mechanical methods:

(A) chaining;

(B) furrowing;

(C) terracing;

(D) trenching;

(E) railing;

(F) ripping; or

(G) pitting.

~~[(2)]~~ (3) "Conservation easement rollback tax" means the tax imposed under Section [59-2-506.5](#).

~~[(3)]~~ (4) "Identical legal ownership" means legal ownership held by:

57 (a) identical legal parties; or

58 (b) identical legal entities.

59 [~~4~~] (5) "Land in agricultural use" means:

60 (a) land devoted to the raising of useful plants and animals with a reasonable

61 expectation of profit, including:

62 (i) forages and sod crops;

63 (ii) grains and feed crops;

64 (iii) livestock as defined in Section 59-2-102;

65 (iv) trees and fruits; or

66 (v) vegetables, nursery, floral, and ornamental stock; or

67 (b) land devoted to and meeting the requirements and qualifications for payments or

68 other compensation under a crop-land retirement program with an agency of the state or federal

69 government.

70 [~~5~~] (6) "Other eligible acreage" means land that is:

71 (a) five or more contiguous acres;

72 (b) eligible for assessment under this part; and

73 (c) (i) located in the same county as land described in Subsection 59-2-503(1)(a); or

74 (ii) contiguous across county lines with land described in Subsection 59-2-503(1)(a) as

75 provided in Section 59-2-512.

76 [~~6~~] (7) "Platted" means land in which:

77 (a) parcels of ground are laid out and mapped by their boundaries, course, and extent;

78 and

79 (b) the plat has been approved as provided in Section 10-9a-604 or 17-27a-604.

80 [~~7~~] (8) "Rollback tax" means the tax imposed under Section 59-2-506.

81 [~~8~~] (9) "Withdrawn from this part" means that land that has been assessed under this

82 part is no longer assessed under this part or eligible for assessment under this part for any

83 reason including that:

84 (a) an owner voluntarily requests that the land be withdrawn from this part;

85 (b) the land is no longer actively devoted to agricultural use;

86 (c) (i) the land has a change in ownership; and

87 (ii) (A) the new owner fails to apply for assessment under this part as required by

88 Section 59-2-509; or

89 (B) (I) an owner applies for assessment under this part as required by Section

90 59-2-509; and

91 (II) the land does not meet the requirements of this part to be assessed under this part;

92 (d) (i) the legal description of the land changes; and

93 (ii) (A) an owner fails to apply for assessment under this part as required by Section

94 59-2-509; or

95 (B) (I) an owner applies for assessment under this part as required by Section

96 59-2-509; and

97 (II) the land does not meet the requirements of this part to be assessed under this part;

98 (e) if required by the county assessor, the owner of the land:

99 (i) fails to file a new application as provided in Subsection 59-2-508(4); or

100 (ii) fails to file a signed statement as provided in Subsection 59-2-508(4); or

101 (f) except as provided in Section 59-2-503, the land fails to meet a requirement of

102 Section 59-2-503.

103 Section 2. Section 59-2-503 is amended to read:

104 **59-2-503. Qualifications for agricultural use assessment.**

105 (1) For general property tax purposes, land may be assessed on the basis of the value  
106 that the land has for agricultural use if the land:

107 (a) is not less than five contiguous acres in area, except that land may be assessed on  
108 the basis of the value that the land has for agricultural use:

109 (i) if:

110 (A) the land is devoted to agricultural use in conjunction with other eligible acreage;

111 and

112 (B) the land and the other eligible acreage described in Subsection (1)(a)(i)(A) have  
113 identical legal ownership; or

114 (ii) as provided under Subsection (4); and

115 (b) except as provided in Subsection (5) or (6):

116 (i) is actively devoted to agricultural use; and

117 (ii) has been actively devoted to agricultural use for at least two successive years

118 immediately preceding the tax year for which the land is being assessed under this part.

119 (2) In determining whether land is actively devoted to agricultural use, production per  
120 acre for a given county or area and a given type of land shall be determined by using the first  
121 applicable of the following:

122 (a) production levels reported in the current publication of the Utah Agricultural  
123 Statistics;

124 (b) current crop budgets developed and published by Utah State University; and

125 (c) other acceptable standards of agricultural production designated by the commission  
126 by rule adopted in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking  
127 Act.

128 (3) Land may be assessed on the basis of the land's agricultural value if the land:

129 (a) is subject to the privilege tax imposed by Section 59-4-101;

130 (b) is owned by the state or any of the state's political subdivisions; and

131 (c) meets the requirements of Subsection (1).

132 (4) Notwithstanding Subsection (1)(a), the commission or a county board of  
133 equalization may grant a waiver of the acreage limitation for land upon:

134 (a) appeal by the owner; and

135 (b) submission of proof that:

136 (i) 80% or more of the owner's, purchaser's, or lessee's income is derived from  
137 agricultural products produced on the property in question; or

138 (ii) (A) the failure to meet the acreage requirement arose solely as a result of an  
139 acquisition by a governmental entity by[:(~~F~~)] eminent domain[:;] or [~~(H)~~] the threat or  
140 imminence of an eminent domain proceeding;

141 (B) the land is actively devoted to agricultural use; and

142 (C) no change occurs in the ownership of the land.

143 (5) (a) The commission or a county board of equalization may grant a waiver of the  
144 requirement that the land is actively devoted to agricultural use for the tax year for which the  
145 land is being assessed under this part upon:

146 (i) appeal by the owner; and

147 (ii) submission of proof that:

148 (A) the land was assessed on the basis of agricultural use for at least two years  
149 immediately preceding that tax year; and

150 (B) the failure to meet the agricultural production requirements for that tax year was  
151 due to no fault or act of the owner, purchaser, or lessee.

152 (b) As used in Subsection (5)(a), "fault" does not include:

153 (i) intentional planting of crops or trees which, because of the maturation period, do  
154 not give the owner, purchaser, or lessee a reasonable opportunity to satisfy the production  
155 levels required for land actively devoted to agricultural use; or

156 (ii) implementation of a bona fide range improvement program[;] or crop rotation  
157 program[; ~~or other similar accepted cultural practices which do~~] that does not give the owner,  
158 purchaser, or lessee a reasonable opportunity to satisfy the production levels required for land  
159 actively devoted to agricultural use.

160 (6) Land that otherwise qualifies for assessment under this part qualifies for assessment  
161 under this part in the first year the land resumes being actively devoted to agricultural use if:

162 (a) the land becomes ineligible for assessment under this part only as a result of a split  
163 estate mineral rights owner exercising the right to extract a mineral; and

164 (b) the land qualified for assessment under this part in the year immediately preceding  
165 the year the land became ineligible for assessment under this part only as a result of a split  
166 estate mineral rights owner exercising the right to extract a mineral.

167 (7) Land that otherwise qualifies under Subsection (1) to be assessed on the basis of the  
168 value that the land has for agricultural use does not lose that qualification by becoming subject  
169 to a forest stewardship plan developed under Section 65A-8a-106 under which the land is  
170 subject to a temporary period of limited use or nonuse.

171 Section 3. Section 59-2-924 is amended to read:

172 **59-2-924. Definitions -- Report of valuation of property to county auditor and**  
173 **commission -- Transmittal by auditor to governing bodies -- Calculation of certified tax**  
174 **rate -- Rulemaking authority -- Adoption of tentative budget -- Notice provided by the**  
175 **commission.**

176 (1) As used in this section:

177 (a) (i) "Ad valorem property tax revenue" means revenue collected in accordance with  
178 this chapter.

179 (ii) "Ad valorem property tax revenue" does not include:

180 (A) interest;

- 181 (B) penalties;
- 182 (C) collections from redemptions; or
- 183 (D) revenue received by a taxing entity from personal property that is semiconductor  
184 manufacturing equipment assessed by a county assessor in accordance with Part 3, County  
185 Assessment.
- 186 (b) (i) "Aggregate taxable value of all property taxed" means:
- 187 (A) the aggregate taxable value of all real property a county assessor assesses in  
188 accordance with Part 3, County Assessment, for the current year;
- 189 (B) the aggregate taxable value of all real and personal property the commission  
190 assesses in accordance with Part 2, Assessment of Property, for the current year; and
- 191 (C) the aggregate year end taxable value of all personal property a county assessor  
192 assesses in accordance with Part 3, County Assessment, contained on the prior year's tax rolls  
193 of the taxing entity.
- 194 (ii) "Aggregate taxable value of all property taxed" does not include the aggregate year  
195 end taxable value of personal property that is:
- 196 (A) semiconductor manufacturing equipment assessed by a county assessor in  
197 accordance with Part 3, County Assessment; and
- 198 (B) contained on the prior year's tax rolls of the taxing entity.
- 199 (c) "Centrally assessed benchmark value" means an amount equal to the highest year  
200 end taxable value of real and personal property the commission assesses in accordance with  
201 Part 2, Assessment of Property, for a previous calendar year that begins on or after January 1,  
202 2015, adjusted for taxable value attributable to:
- 203 (i) an annexation to a taxing entity; ~~[or]~~
- 204 (ii) an incorrect allocation of taxable value of real or personal property the commission  
205 assesses in accordance with Part 2, Assessment of Property~~[-:]; or~~
- 206 (iii) a decision made by the commission under Section [59-2-1007](#).
- 207 (d) (i) "Centrally assessed new growth" means the greater of:
- 208 (A) zero; or
- 209 (B) the amount calculated by subtracting the centrally assessed benchmark value  
210 adjusted for prior year end incremental value from the taxable value of real and personal  
211 property the commission assesses in accordance with Part 2, Assessment of Property, for the

212 current year, adjusted for current year incremental value.

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

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

218 (f) "Eligible new growth" means the greater of:

219 (i) zero; or

220 (ii) the sum of:

221 (A) locally assessed new growth;

222 (B) centrally assessed new growth; and

223 (C) project area new growth.

224 (g) "Incremental value" means the same as that term is defined in Section 17C-1-102.

225 (h) (i) "Locally assessed new growth" means the greater of:

226 (A) zero; or

227 (B) the amount calculated by subtracting the year end taxable value of real property the  
228 county assessor assesses in accordance with Part 3, County Assessment, for the previous year,  
229 adjusted for prior year end incremental value from the taxable value of real property the county  
230 assessor assesses in accordance with Part 3, County Assessment, for the current year, adjusted  
231 for current year incremental value.

232 (ii) "Locally assessed new growth" does not include a change in:

233 (A) value as a result of factoring in accordance with Section 59-2-704, reappraisal, or  
234 another adjustment; or

235 (B) assessed value based on whether a property is allowed a residential exemption for a  
236 primary residence under Section 59-2-103.

237 (i) "Project area" means the same as that term is defined in Section 17C-1-102.

238 (j) "Project area new growth" means an amount equal to the incremental value that is  
239 no longer provided to an agency as tax increment.

240 (2) Before June 1 of each year, the county assessor of each county shall deliver to the  
241 county auditor and the commission the following statements:

242 (a) a statement containing the aggregate valuation of all taxable real property a county



243 assessor assesses in accordance with Part 3, County Assessment, for each taxing entity; and

244 (b) a statement containing the taxable value of all personal property a county assessor  
245 assesses in accordance with Part 3, County Assessment, from the prior year end values.

246 (3) The county auditor shall, on or before June 8, transmit to the governing body of  
247 each taxing entity:

248 (a) the statements described in Subsections (2)(a) and (b);

249 (b) an estimate of the revenue from personal property;

250 (c) the certified tax rate; and

251 (d) all forms necessary to submit a tax levy request.

252 (4) (a) Except as otherwise provided in this section, the certified tax rate shall be  
253 calculated by dividing the ad valorem property tax revenue that a taxing entity budgeted for the  
254 prior year by the amount calculated under Subsection (4)(b).

255 (b) For purposes of Subsection (4)(a), the legislative body of a taxing entity shall  
256 calculate an amount as follows:

257 (i) calculate for the taxing entity the difference between:

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

259 (B) any adjustments for current year incremental value;

260 (ii) after making the calculation required by Subsection (4)(b)(i), calculate an amount  
261 determined by increasing or decreasing the amount calculated under Subsection (4)(b)(i) by the  
262 average of the percentage net change in the value of taxable property for the equalization  
263 period for the three calendar years immediately preceding the current calendar year;

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

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

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

269 (iv) after making the calculation required by Subsection (4)(b)(iii), calculate an amount  
270 determined by subtracting eligible new growth from the amount calculated under Subsection  
271 (4)(b)(iii).

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

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

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

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

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

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

285 (i) a school levy provided for under Section 53A-16-113, 53A-17a-133, or  
286 53A-17a-164; and

287 (ii) a levy to pay for the costs of state legislative mandates or judicial or administrative  
288 orders under Section 59-2-1602.

289 (6) (a) A judgment levy imposed under Section 59-2-1328 or 59-2-1330 may be  
290 imposed at a rate that is sufficient to generate only the revenue required to satisfy one or more  
291 eligible judgments.

292 (b) The ad valorem property tax revenue generated by a judgment levy described in  
293 Subsection (6)(a) may not be considered in establishing a taxing entity's aggregate certified tax  
294 rate.

295 (7) (a) For the purpose of calculating the certified tax rate, the county auditor shall use:

296 (i) the taxable value of real property:

297 (A) the county assessor assesses in accordance with Part 3, County Assessment; and

298 (B) contained on the assessment roll;

299 (ii) the year end taxable value of personal property:

300 (A) a county assessor assesses in accordance with Part 3, County Assessment; and

301 (B) contained on the prior year's assessment roll; and

302 (iii) the taxable value of real and personal property the commission assesses in  
303 accordance with Part 2, Assessment of Property.

304 (b) For purposes of Subsection (7)(a), taxable value does not include eligible new

305 growth.

306 (8) (a) On or before June 22, a taxing entity shall annually adopt a tentative budget.

307 (b) If a taxing entity intends to exceed the certified tax rate, the taxing entity shall  
308 notify the county auditor of:

309 (i) the taxing entity's intent to exceed the certified tax rate; and

310 (ii) the amount by which the taxing entity proposes to exceed the certified tax rate.

311 (c) The county auditor shall notify property owners of any intent to levy a tax rate that  
312 exceeds the certified tax rate in accordance with Sections 59-2-919 and 59-2-919.1.

313 (9) (a) Subject to Subsection (9)(d), the commission shall provide notice, through  
314 electronic means on or before July 31, to a taxing entity and the Revenue and Taxation Interim  
315 Committee if:

316 (i) the amount calculated under Subsection (9)(b) is 10% or more of the year end  
317 taxable value of the real and personal property the commission assesses in accordance with  
318 Part 2, Assessment of Property, for the previous year, adjusted for prior year end incremental  
319 value; and

320 (ii) the amount calculated under Subsection (9)(c) is 50% or more of the total year end  
321 taxable value of the real and personal property of a taxpayer the commission assesses in  
322 accordance with Part 2, Assessment of Property, for the previous year.

323 (b) For purposes of Subsection (9)(a)(i), the commission shall calculate an amount by  
324 subtracting the taxable value of real and personal property the commission assesses in  
325 accordance with Part 2, Assessment of Property, for the current year, adjusted for current year  
326 incremental value, from the year end taxable value of the real and personal property the  
327 commission assesses in accordance with Part 2, Assessment of Property, for the previous year,  
328 adjusted for prior year end incremental value.

329 (c) For purposes of Subsection (9)(a)(ii), the commission shall calculate an amount by  
330 subtracting the total taxable value of real and personal property of a taxpayer the commission  
331 assesses in accordance with Part 2, Assessment of Property, for the current year, from the total  
332 year end taxable value of the real and personal property of a taxpayer the commission assesses  
333 in accordance with Part 2, Assessment of Property, for the previous year.

334 (d) The notification under Subsection (9)(a) shall include a list of taxpayers that meet  
335 the requirement under Subsection (9)(a)(ii).

336 Section 4. **Retrospective operation.**

337 This bill has retrospective operation to January 1, 2017.