



SALES TAX EXEMPTIONS

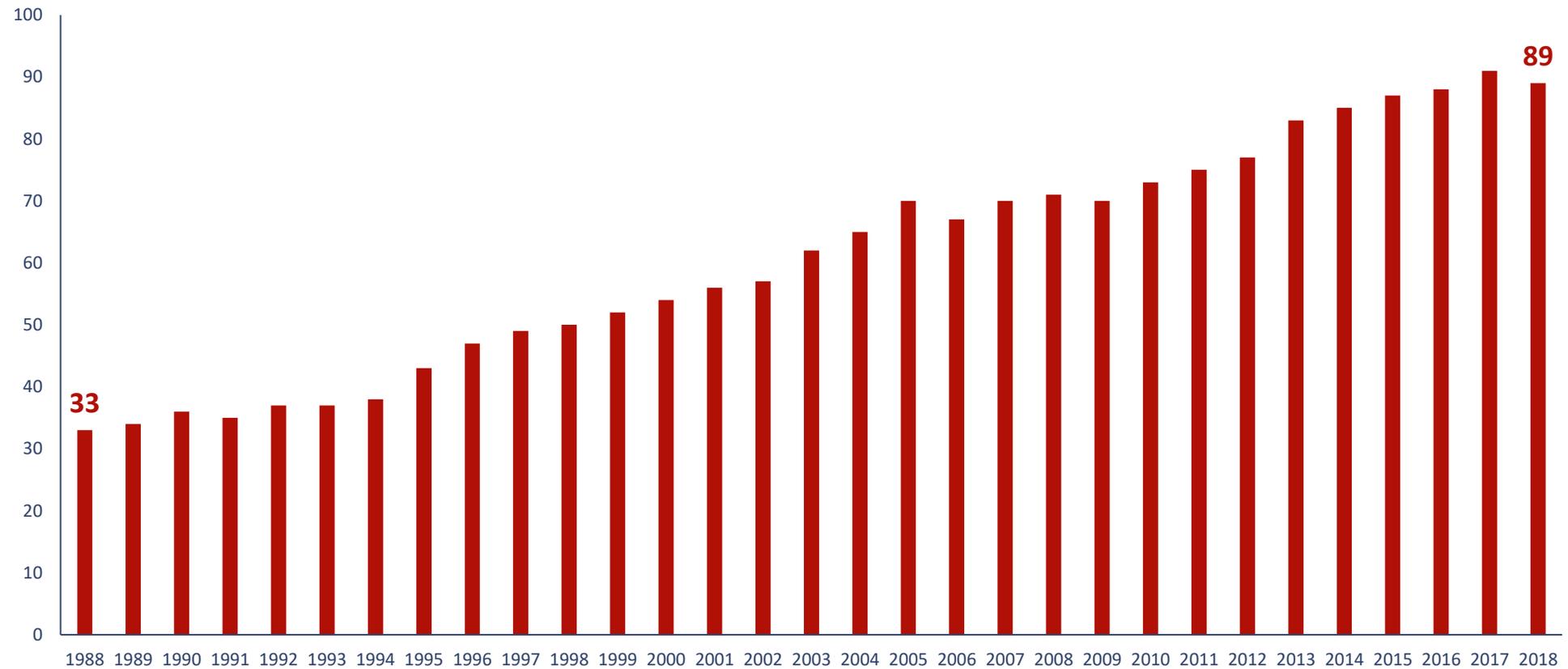
Revenue and Taxation Interim Committee
September 16, 2020

Office of Legislative Research and General Counsel

SALES TAX EXEMPTIONS

- There are currently 89* sales tax exemptions that remove certain transactions that would otherwise be subject to sales tax from the sales tax base.
- The estimated value of these exemptions is approximately \$1B.
- The likely policy goals of these transactions include: eliminating tax pyramiding, promoting charitable organizations, enabling an efficient collection system, and incentivizing or reducing costs for certain transactions such as health care purchases.
- Utah ranks 27th in the United States* for sales tax breadth or percent of consumption subject to sales tax (~34%).

NUMBER OF SALES TAX EXEMPTIONS



SALES TAX EXEMPTIONS

Exemption	Year Enacted	FY 2019 Est. Value	SB2001 Changes	Utah Code Section 59-12-104:
Business Inputs - Specific good/service, use, and purchaser				
Machinery, equipment, parts, materials, or repair for manufacturers, mining, and web search providers	1985	\$170,200,000		(14)
Vehicle or products installed on a vehicle used by an authorized carrier	1995	\$16,500,000		(33)
Construction materials for Salt Lake International Airport (material converted to real property only)	2008	\$121,300,000		(66)
Machinery or equipment purchased by the film industry and used to produce certain media	2004	\$3,800,000		(54)
Fuel sold to a common carrier railroad and used in a locomotive engine	2008	\$3,660,000	Repealed	(68)
Machinery, equipment, etc. purchased by a refinery and used in a specified activity	2017	\$2,150,000		(86)
Certain products purchased by airlines for in-flight use or consumption	1983	\$2,100,000		(4)
Machinery, equipment, or parts used for electronic financial payment services (three-year life)	2013	\$0		(79)
Construction materials for life science research facility (material converted to real property only)	2012	\$710,000		(73)
Amusement and recreation machinery or equipment (three-year life; business must charge fee to use)	2013	\$521,000		(76)
Electricity to ski resorts for lifts	1996	\$270,000	Repealed	(37)
Machinery, equipment, normal operating repair or replacement parts, purchased by a medical lab	2018	\$80,000		(88)
Construction materials for new airport in 2nd class county (material converted to real property only)	2008	\$0		(67)
Machinery, equipment, or parts purchased by certain data centers (one-year economic life)	2016	\$0	Modified	(84)
Non-returnable containers, labels, casings for use in packaging TPP	1969	Insufficient Data		(22)

Source: Utah Tax Commission

Prepared by: Office of Legislative Research and General Counsel

SALES TAX EXEMPTIONS

Exemption	Year Enacted	FY 2019 Est. Value	SB2001 Changes	Utah Code Section 59-12-104:
Business Inputs - Specific good/service and purchaser				
Certain machinery, equipment, or software purchased by or for a telecommunications service provider	2006	\$12,900,000		(61)
Commercials, films, and other audio / video sold to broadcasters and others	1981	\$6,700,000		(6)
Short-term lodging consumables	2013	\$2,330,000		(77)
Certain products used by a steel mill	1987	\$228,000		(29)
Ski resort equipment and parts	1996	\$78,000		(38)
Business Inputs - Specific good/service and use				
Natural gas, electricity, coal, fuel oil, and other fuels for industrial use	1996	\$45,300,000		(39)
Machinery, equipment, or parts used in qualified research (three-year life)	2012	\$14,900,000		(74)
Intrastate telecommunications services or fuel for use in compounding a taxable service	1933	\$8,200,00		(27)
Certain equipment under certain aerospace or electronics contracts with the federal government	1986	\$7,900,000		(15)
Telecommunications service for purposes of providing telecommunications service	1990	\$4,000,000		(32)
Address list or database used to send direct mail	2005	\$1,700,000		(59)
Database access (viewing or retrieval of information)	2013	\$1,190,000	Repealed	(78)
Vehicles used for temporary sporting events	2001	Less than \$1,000	Repealed	(46)

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Exemption	Year Enacted	FY 2019 Est. Value	SB2001 Changes	Utah Code Section 59-12-104:
Business Inputs - Specific use and purchaser				
Aircraft parts and equipment for installation in certain aircraft	1984	\$8,000,000	Technical	(5)
Pollution control equipment (includes consumables)	1973	\$6,900,000		(11)
Products to an aircraft repair provider if used to repair aircraft not registered in Utah	2010	\$267,000		(70)
Business property temporarily brought into the state by an out-of-state business for disaster-related work	2014	\$0		(81)
Product used in preparation of food if seller and purchaser are the same (seller already paid sales tax)	2013	Insufficient Data		(75)
Certain machinery, equipment, etc. for or by an alternative energy electricity production facility	2002	Insufficient Data		(55)
Certain machinery, equipment, etc. for or by a waste energy production facility	2004	Insufficient Data		(56)
Certain purchases for or by a facility that produces fuel from alternative energy	2004	Insufficient Data		(57)
Business Inputs - Specific good/service				
Hay	1995	\$11,200,000		(19)
Semiconductor fabricating, processing, research, or development materials	2001	\$7,600,000		(44)
Molten magnesium	2015	\$660,000		(83)
Fuel cell	2013	\$51,000	Technical	(80)
Business Inputs - Specific use				
Certain products primarily used in farming operations	1979	\$70,800,000	Technical	(18)
Property stored in the state for resale	1937	Insufficient Data		(23)
Product purchased for resale in its original form or as a component part of a manufactured good	1937	Insufficient Data		(25)
Sale-leaseback transactions	2003	Insufficient Data		(52)
Building materials shipped out of state and incorporated into real property	1989	Insufficient Data	Technical	(58)
Products used in the research and development of alternative energy technology	2006	Insufficient Data		(62)
Business property purchased outside the state and brought into the state after first use	2007	Insufficient Data		(63)

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Exemption	Year Enacted	FY 2019 Est. Value	SB2001 Changes	Utah Code Section 59-12-104:
Charitable/Non-profit/Government				
State and local government purchases except for certain construction materials	1933	\$51,900,000		(2)
Sales to or by religious or charitable organizations	1933	\$12,900,000		(8)
Food stamp purchases	1986	\$4,200,000		(21)
Certain food or alcohol served by religious, charitable, medical or higher education	1939	\$1,840,000		(12)
Copies and publications by a government entity	1997	\$490,000		(41)
WIC purchases	1987	\$350,000		(28)
Sales to a public transit district (includes construction materials converted to real property)	2007	\$336,000	Repealed	(65)
Sales relating to schools and fundraising sales	1995	\$160,000		(35)
Sales to or by Heber Valley Railroad	2010	\$130,000		(69)
Sales of goods and services at a National Guard morale, welfare, and recreation facility	2014	\$22,000		(82)
Health Care				
Prescription drugs, syringes, and stoma supplies	1976	\$167,700,000	Modified	(10)
Prescribed durable medical equipment for home use	1995	\$4,680,000		(36)
Prescribed disposable home medical supplies	1995	\$2,270,000		(64)
Sales to or by a nonprofit that provides certain services to persons age 60+	1999	\$1,520,000		(43)
Prescribed mobility enhancing equipment	1995	\$1,150,000		(48)
Prosthetic device (prescribed or purchased by medical facility)	1995	\$860,000		(53)
Medical cannabis	2018	Insufficient Data		(89)

SALES TAX EXEMPTIONS

Exemption	Year Enacted	FY 2019 Est. Value	SB2001 Changes	Utah Code Section 59-12-104:
Economic Efficiency- Other Tax Considerations				
Aviation, motor, special fuels (jet, gas, diesel, etc.)	1933	\$231,600,000	Modified	(1)
Non-resident vehicle that is not registered or used in the state except under specified circumstances	1957	\$8,400,000		(9)
Non-resident boat that is not registered or used in the state except under specified circumstances	1988	\$121,000		(30)
Hotel accommodations and services taxed by the Navajo Nation	2001	\$69,000		(45)
Product brought in by a nonresident for use (product may not be used for business in the state)	1937	Insufficient Data		(24)
Product for which sales tax was paid to another state (must pay difference if Utah tax is greater)	1937	Insufficient Data		(26)
Accommodations and services if the proprietor is subject to the MIDA accommodations tax	2018	\$0		(87)
Economic Efficiency- Historically Coin Operated				
Primarily unassisted cleaning of property (coin operated laundry, etc.)	1975	\$3,320,000	Modified	(7)
Use of unassisted amusement device	1996	\$720,000	Modified	(40)
Vending machine food sold for \$1 or less under certain circumstances	1965	\$92,000	Modified	(3)
Car wash that does not include cleaning the interior of the vehicle	2017	\$8,400	Modified	(85)

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Exemption	Year Enacted	FY 2019 Est. Value	SB2001 Changes	Utah Code Section 59-12-104:
Other				
Vehicle trade-ins and other trades as part payment for a purchase	1933	\$75,400,000		(17)
Water in a pipe, conduit, ditch or reservoir	2003	\$23,400,000		(49)
45% of a new and 100% of a used manufactured home (based on sales price)	1995	\$4,000,000		(34)
Newspapers or newspaper subscriptions	1937	\$1,930,000	Repealed	(16)
Admissions to college athletic events	1998	\$1,480,000	Repealed	(42)
Pawnbroker repurchases or redemptions	2005	\$1,320,000		(60)
Exclusive sale of seasonal crops and plants if sold during the harvest season by the producer	1937	\$552,000		(20)
Textbooks purchased by a student (not including a college bookstore; seller sales primarily textbooks)	2011	\$210,000	Repealed	(71)
Certain electricity produced from a new alternative energy source	2002	\$115,600		(47)
Municipal taxes or fees levied on purchaser for enhanced level of municipal service	2011	\$10,000		(72)
Aircraft manufactured in Utah	1990	\$0		(31)
Isolated or occasional sales if not regularly engaged in business	1937	Insufficient Data		(13)
Currency or coinage that is legal tender	1983	Insufficient Data		(50)
Gold, silver, platinum (bars, coins, etc.; not legal tender; content 50%+ gold, silver, or platinum)	2003	Insufficient Data		(51)