Tax Primer

November 2001
Dear Legislator:

At its April 2001 meeting, the Legislative Management Committee asked the Office of Legislative Research and General Counsel to conduct research and publish briefing papers on several issues. This *Tax Primer* is one of the requested papers. It is written as a brief, straightforward explanation of Utah's tax system as it exists in the year 2001. Its principal aim is to inform you on how the state tax system works. The report concentrates on what taxes Utahns pay, how much revenue is produced by these taxes, and what those taxes pay for. The paper also provides comparative data between Utah and other states.

We hope you find this report useful as you make decisions regarding taxes and public services. As always, please feel free to contact me, Bryant Howe, Bill Asplund, or Rebecca Rockwell if you have any questions.

Sincerely,

Michael E. Christensen
Director
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EXECUTIVE SUMMARY

- Taxes are the price to be paid for public goods and services

- In fiscal year 2001 taxpayers in Utah paid $1.9 billion in sales and use taxes, $1.7 billion in personal income taxes and for calendar year 2000 were charged $1.4 billion in property taxes.

- Income and sales and use taxes have grown more rapidly than property tax revenues.

- Any proposed increase in property tax revenues by local governments is subject to the notification requirements known as Utah's 'Truth in Taxation' laws.

- Property tax is a local government revenue sources, with over half of the tax revenues going to help fund public education.

- Seventy-five percent of all sales and use taxes go to state government to fund its operations and is state government's principal source of general revenue.

- All taxes based on income are used exclusively for educational funding.

- Utah law provides for a variety of other taxes, some of which are earmarked for specified programs. The most important of these is the excise tax on gasoline and special fuels which is used for transportation purposes.

- Utah has 40 school age children per 100 working adults compared to a national average of 30 school-age children per 100 working adults. This abundance of school-age children means that Utah ranks 31st nationally on the collection of state and local tax revenues per person, but 9th nationally when state and local revenues are compared to personal income.

- A household state tax burden of 8.3% of personal income is higher than comparable burdens in surrounding states.

- Business tax burdens based on gross state product place Utah in the middle of surrounding states.

- Once state taxes are collected they are placed in the General Fund, the Uniform School Fund, or the Transportation Fund for appropriation purposes.

- Units of local government in Utah include cities and towns, counties, school districts and special districts and each relies on a different mix of taxes and fees to fund its activities.
INTRODUCTION

A. Why This Publication?

"But in this world nothing can be said to be certain, except death and taxes."
Benjamin Franklin

"Taxes are what we pay for civilized society."
Oliver Wendell Holmes

"Death and taxes and childbirth! There's never any convenient time for any of them."
Margaret Mitchell

As these quotes reveal, most everyone has an opinion about taxes. Taxes are frequently levied without reference to any particular government service or expenditure. So while most taxpayers are willing to pay their share, they want to know that they are being treated fairly and that their tax dollars are being spent frugally and correctly.

This tax primer provides a brief description of the taxes paid in Utah. The purpose of this primer is to inform legislators and the general reader how the tax system works. The report focuses on the three major tax categories of the Utah system–property, sales, and income.

For each of these major taxes, this tax primer explains how the tax developed, what is taxable, who pays the tax, when and how it is collected, where the revenue goes and why the tax is important. A brief description of other taxes levied in Utah and a comparison of Utah's tax system with other states is also included. Finally, the report also outlines into which funds tax revenues are received and the general purposes for which they are spent.

All of the data for this report will be for the state fiscal year beginning on July 1, 2000 and ending on June 30, 2001, unless otherwise stated. Reference to the "Tax Commission" means the Utah State Tax Commission established under Article XIII, Section 2 of the Utah Constitution.

B. Brief Summary of Overall Tax Structure for State and Local Governments

1. The Three-Legged Stool

A balanced tax system is often compared to a stool with three legs. Each leg represents a different tax and all three legs are equal in that each tax raises roughly the same amount of revenue. Just as a three-legged stool gives more strength and stability than a one- or two-legged stool, tax experts believe a balanced tax system provides strength and stability to a state's revenue and gives the state the best chance of meeting many important goals. Among those goals is to provide adequate revenue, a fair and proportional distribution of the cost of providing public
goods and services, moderate and stable levels of taxation, and an equilibrium between the growth of tax revenues and the taxpayer's income.4

Only states that have a unique opportunity to export their taxes to non-residents are in a position to ignore this revenue diversification prescription. Nevada, with its gaming industry, and Wyoming, with its large natural resource base, are examples of states without a diverse tax base (neither state imposes an individual income tax).

The three taxes represented by the legs are: (1) sales and use taxes, (2) property taxes, and (3) taxes based on income. As shown in Figure 1, these three types of taxes raise more than $5 billion in revenue in 2001. The largest amount of revenue comes from sales and use taxes at 38%, followed by the individual income tax and property taxes. These three taxes are the major sources of revenue for state and local governments in Utah and the same is true for most other states as well.

Figure 1

Utah’s Three Major Taxes: Individual Income, Property, and State and Local Sales and Use
Fiscal Year 2001

Property Taxes 28%
State and Local Sales and Use Taxes 38%
Individual Income Tax 34%

Total Revenue: $5,011,354,610

2. Changes in Major State and Local Revenues

During the period from 1978 to the present, as portrayed in Figure 2, revenues from the state sales and use and individual income taxes grew significantly. Property tax revenues grew more slowly because the Legislature cut property tax rates imposed by schools and exempted a larger portion of the value of primary residences from the property tax. Imposition of "truth-in-taxation" laws have also correlated with slower growth in property tax revenues. Probably one of the most remarkable aspects of the revenue growth during the 1990s has been the strong growth of the individual income tax, due primarily to the state's fast-growing economy.

Figure 2

State Sales and Use, Individual Income, and Property Tax Revenue
Fiscal Years 1978 to 2001

I. PROPERTY TAX

A. Introduction

In Utah, the property tax is the oldest tax and was the principal source of revenue for all of state and local government until the Great Depression, when other taxes were added. It is still a major source of revenue for local governments and schools in Utah. Property taxes charged for calendar year 2000 amounted to just over $1.4 billion.

B. What is Taxable?

1. Taxable Property, Exemptions, and Abatements

a. Taxable Property

Under Utah's property tax system, all taxable tangible property is valued on the basis of its fair market value, unless the property is subject to special treatment under the Utah Constitution.

b. Property Tax Exemptions and Abatements

As provided in Article XIII, Section 2, of the Utah Constitution, some important examples of property constitutionally exempt from the property tax are:

- property of federal, state, or local governments
- properties owned by nonprofit entities that are used exclusively for religious, charitable, or educational purposes
- public libraries
- places of burial
- household furnishings
- inventories and property being held for shipment out of state
- property used for irrigating
- intangible property, if earnings from the property are subject to income taxes

Property taxes are abated (reduced) on the property of the poor, of blind persons, and of disabled veterans or their surviving spouses or minor orphans. For a complete description of the programs providing property tax relief, see Appendix A.

c. Other Special Tax Treatment of Property

Forty-five percent of the fair market value of primary residential property is exempt from taxation. The Legislature defines in statute what is "primary" residential property. Agricultural land is not assessed at its fair market value, but is assessed at its value for agricultural purposes.
Cars and light trucks are not assessed a property tax based on fair market value, but instead pay according to a fee schedule based on the age of the vehicle. Other vehicles pay a statewide uniform fee amounting to 1.5% of the vehicle's fair market value.12

2. Privilege Tax and Tax Equivalent Property

Any property which is exempt from the property tax, which is used to conduct a business for profit, is subject to the privilege tax. For example, a business whose operations are conducted on federal land is exempt from the property tax, but would be subject to the privilege tax. This tax is assessed, collected, and distributed in the same manner as the property tax.

"Tax equivalent property" means property on which any tax equivalent payment is made. A "tax equivalent payment" means a payment to be made in lieu of property taxes on tax exempt property when required by a contract authorized by statute.13 The Intermountain Power Project, for example, made in lieu payments by contract to help local government build the necessary infrastructure to support its large utility development. The Intermountain Power Project is a consortium of municipalities which otherwise might have been exempt from paying property taxes, but which paid in lieu payments under contract.

C. Who Pays the Tax?

Figure 3 shows the various types of property that are included in the property tax base. Primary residential property is the largest percentage of the base at 43%, followed by commercial and industrial property, then by other types of real property.

Figure 3

![Property Taxes Diagram]

While all taxable property is required to be valued at fair market value, the amount of property taxes that a taxpayer pays depends on the number of taxing entities that impose taxes on the property and the rate at which those entities impose a property tax. Rates can vary widely across the state based on the number of taxing entities and the level of rates.

Appendix B displays hypothetical tax rates and property taxes charged for a primary residence located in several Utah cities.

D. When and How is the Tax Collected?

1. Who Imposes the Property Tax?

The property tax is levied by all 29 counties, all 40 school districts, over 230 cities and towns, and approximately 300 special districts. The location of the property determines the rate of tax that will be imposed. The lowest rates will generally be found in rural areas where relatively few governmental services are provided and the highest rates in cities with higher levels of governmental services.

It is also important to note that the state's general obligation debt is dependent on property tax. Constitutionally, property values establish the state's debt limits and property taxes are the principal source of local revenue to repay general obligation bonds.

2. Determining Property Value

a. Local Assessment

County assessors have the obligation to place a market value on all residential, commercial, and industrial properties within their county. The Tax Commission conducts regular studies to ensure that values are kept current.

b. Central Assessment

The Utah Constitution and state statutes require that certain types of property be assessed by the Tax Commission. These are called centrally assessed properties. Centrally assessed property includes the real and personal property of airlines, railroads, utilities, natural resource properties, geothermal fluids and geothermal resources, and other businesses whose operations cross county or state lines. The primary rationale behind central assessment of these types of property is the complexity and often multi-jurisdictional nature of the property.

c. Local Assessment vs. Central Assessment

Figure 4 shows the relationship between the percentage of property taxes that are locally or centrally assessed from 1987 through 1999. It shows that the percentage of the property tax base that is locally assessed has been increasing and the percentage of the property tax base that is centrally assessed has been decreasing. This shift has been caused by the greater growth and
development of residential and commercial properties when compared to centrally assessed mines and transportation companies which have not grown significantly.

Figure 4

Percent of All Property Taxes Charged to Locally Assessed and Centrally Assessed Taxpayers
1987 to 2000 Tax Years


d. Equalization

Article XIII, Section 2 of the Utah Constitution states that "all tangible property in the state, not [otherwise] exempt . . . shall be taxed at a uniform and equal rate in proportion to its value." This is the purpose of equalization: to ensure that all property is valued and taxed based upon its fair market value using the same standards throughout the state. The Tax Commission monitors both intra- and inter-county equity. Intra-county equity refers to the equality or uniformity of assessments within a county. Inter-county equity refers to the equality or uniformity of assessments among the 29 counties of the state.

Property tax assessments are supposed to be equitable throughout the state and across all classes of real and personal property. In order to keep assessment values current and equitable, county assessors are required to update property values on an annual basis by doing a systematic review of market data and to conducting a detailed review of the characteristics of each property every five years. Additionally, the Tax Commission is required to conduct an annual assessment/sales ratio study and to order adjustments or corrective action by any individual county assessor based on the study results.
The county legislative body of each county acts as the county board of equalization. This board is responsible to ensure that property taxes are equitable within the county. The county board of equalization is responsible for:

- adding property to the assessment roll,
- making corrections to the assessment roll which may raise or lower property values,
- raising or lowering the value of a class or group of properties,
- adjusting assessments based on taxpayer appeals, and
- granting certain exemptions.

Decisions of each county board of equalization may be appealed to the Tax Commission. For a description of how the roles of the various entities involved in the property tax process fit together, see Appendix C.

3. Valuation Date/Tax Payment Due Date

All taxable real property and many types of personal property are appraised at 100% of their fair market value as of January 1 each year less any exemptions that may be available, like the 45% exemption for a primary residence. All of the dates for assessments, hearings, and appeals are set out in the Property Tax Calendar which is produced by the Tax Commission's Property Tax Division. This publication can be found on the Internet at www.tax.ex.state.ut.us/property/pubs/html.

All taxes on real property are due to be paid by the last day of November. Taxes on registered personal property are due at the time of initial registration, renewal, or when there is a change in ownership.

4. Truth in Taxation

To fully inform taxpayers, Utah law requires taxing entities which propose to increase their property tax revenues in any given fiscal year to go through a public notice and hearing process known as "Truth in Taxation." Utah's "Truth in Taxation" laws are revenue-driven, not rate-driven. This means that the requirement to hold a "Truth in Taxation" hearing is based upon the actual property tax collections of a taxing entity, not the rate charged. Utah law requires "Truth in Taxation" hearings to be held when a taxing entity elects to collect more revenue than was collected the previous year, although the entities are permitted to keep property tax revenues generated by "new growth"—such as value added to the tax rolls from a new subdivision or a new business.

For example, if property values increase 10% as the result of inflation or revaluation, but a taxing entity does not lower its property tax rate proportionately, it must advertise and hold a "Truth in Taxation" hearing. The hearing is required because increases in value due to inflation or revaluation are not considered to be new growth.
State law requires two forms of public notice when an entity proposes a tax increase. First, the county auditor must send a "Notice of Property Valuation and Tax Change" to every property owner. The notice discloses the property's current year's and the previous year's market values, the potential tax impact of the proposed revenue increase, instructions for appealing the property market value, and the date, time, and place of any public hearings where proposed increases will be discussed. In addition, a taxing entity must advertise any proposed increase in the local newspaper.

5. Appeals

If a property owner disagrees with the value set by the county assessor on either real or personal property, an appeal may be filed with the county board of equalization. The appeal on real property must be filed within 30 days of the date the "Notice of Valuation and Tax Change" is mailed. This date appears on the notice. The law assumes that the assessor has established an accurate, equitable value. Therefore, the burden of proof is on the property owner to provide facts to support a claim of erroneous or illegal valuation.

E. Where Does the Tax Revenue Go?

Taxing entities which are authorized to levy property taxes include counties, municipalities, school districts, and various special districts in accordance with their individual governing statutes. Figure 5 shows the proportion of property tax revenues which went to the various taxing entities, with schools receiving the largest portion. Figure 6 shows how these proportions have changed during selected years. This figure shows that between 1980 and 1997, the portion of property tax revenue going to school districts decreased from 55% to 50%. This was due to the Legislature reducing the property tax levy for the minimum basic school program in the mid 1990s.

Figure 5

Property Taxes
Where Does the Money Go?
2000 Tax Year

Figure 6

Distribution of Property Tax Revenue
1980, 1997 and 2000 Tax Years

<table>
<thead>
<tr>
<th>Percent of Total Property Tax Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 10 20 30 40 50 60 70</td>
</tr>
</tbody>
</table>

- **Schools**: 59, 55, 11%
- **Counties**: 21, 25, 20%
- **Cities and Towns**: 11, 14, 15%
- **Special Districts**: 9, 11, 10%


These various taxing entities often overlap one another. The location of a property determines which entities are entitled to levy a property tax against that particular property. Figure 7 shows how overlapping taxing entities combine to determine the property tax to which a given property is subject. In this example, eight different taxing districts are created as shown in the figure. Taxing district 6, which receives services from all four taxing districts, has the highest tax rate.

Figure 7

How Taxing Entities Can Overlap To Create Tax Districts

F. Why Does This Tax Matter?

The property tax is important in the financing of public education and local government. Land, buildings, and improvements cannot be moved easily and therefore a tax on this property is stable. For local school boards it is the only major source of revenue that they can adjust to meet local needs and to provide for school buildings. It is also a major source of revenue for counties, municipalities, and most special districts.

The value of property generally does not vary as rapidly as does corporate and personal incomes and its price is usually not subject to the same rapid changes as commodities subject to the sales tax like food and clothing.

The property tax also serves to put limits on the amount of debt government can incur and constitutionally acts as a guarantee that the debt will be paid. This guarantee is an important element in the high credit rating the state and its political subdivisions currently receive.
II. **SALES AND USE TAX**

**A. Introduction**

Sales taxes were first introduced as a revenue source in 1933 when property tax collections dropped dramatically because of the Great Depression. The use tax was added in 1937 to complement the existing sales tax. Use taxes are imposed on taxable transactions involving tangible personal property purchased outside the state that the purchaser stores, uses, or consumes within the state. For FY 2001, state and local governments collected almost $1.9 billion in sales and use tax revenue, making it the single largest revenue source of any tax.²⁸

All state and local sales and use taxes are administered and collected by the Tax Commission. The tax is collected primarily from vendors, except on private sales of vehicles when the tax is paid by the new owner when the title is transferred. Taxpayers are asked to voluntarily report their use tax liability when they file an income tax return. For example, a Utah resident who buys a sweater over the Internet or from a Land’s End catalog owes use tax on that purchase. Most taxpayers are not aware of this obligation and fail to report or pay the tax.

**B. What is Taxable?**

The sales and use tax is imposed on the sale of goods and some related services, measured as a percentage of their price.

The scope of the sales and use tax was defined in the 1930s so that some types of sales are excluded from the system entirely.²⁹ Cable and satellite TV are examples of services not subject to the sales and use tax because they did not exist in 1930. In addition, many types of sales or certain classes of taxpayers are statutorily exempt from paying sales taxes.³⁰ Government, religious, and charitable groups are generally exempt from paying sales tax.³¹ Other exemptions are provided in the interest of efficiency, the carrying out of social policy, or to provide economic development. The Utah Tax Review Commission³² is responsible to review each of these exemptions every eight years to see if the exemptions are still appropriate and useful.
C. Who Pays the Tax?

As shown in Figure 8, retail trade (purchases by individuals) accounts for 55% of the sales and use tax base, while business purchases account for another 26%. Certain taxable services account for another 15%.

![Gross Taxable Sales by Major Component](image)

D. When and How is the Tax Collected?

As noted above, sales taxes are collected from a purchaser for retail sales, leases, or rentals of tangible personal property or certain services, such as public accommodations and services provided by hotels. Depending on the type of tax and the extent to which the vendor has a physical presence in the state, sales and use taxes may be collected and remitted by the vendor or paid by the purchaser.

The state, counties, and municipalities impose sales and use taxes. Counties and municipalities also impose this tax on behalf of public transit districts. Car rental, restaurant, and transient room taxes are also collected in conjunction with the sales and use tax.

Vendors, before they can legally sell goods and services in Utah, must obtain a license to do so. They are legally obligated to collect sales tax and remit it in a timely manner to the Tax Commission. Some vendors are allowed to retain 1.5% of sales tax collected for the state and 1%
of sales tax collected for local governments to cover their costs of collecting and remitting sales and use taxes to the Tax Commission on a monthly basis.\textsuperscript{36}

The Tax Commission in turn acts as an agent for local government and collects and remits to them their share of the tax after deducting a portion for administrative expense.

E. Where Does the Tax Revenue Go?

Figure 9 shows how revenue from state and local sales and use taxes are distributed. In fiscal year 2001, these state and local sales taxes raised nearly $1.9 billion in revenue. Nearly 75\% of this revenue went to state government where it was deposited in the General Fund either as free revenue or restricted revenue. Restricted revenues are earmarked for certain uses including highways and water development.

State law provides for several optional sales and use taxes that provide revenue for municipalities and counties. (See Appendix D-1 for a complete description.) Just over 21\% of all sales and use tax revenues are used by these entities. Most of these revenues are used for general government purposes. However, some revenues are earmarked for building and maintaining highways under the jurisdiction of a municipality.

Counties and municipalities may also impose a sales and use tax to operate public transportation systems. About 3.5\% of all sales tax revenues are used for this purpose.

Counties may also impose a sales and use tax of up to 1/10 of 1\% for the support of recreational and zoological facilities and botanical, cultural, and zoological organizations. This tax is currently imposed by Salt Lake, Uintah, and Summit counties.

Finally, rural counties and rural cities may impose a sales and use tax to support publicly owned hospitals and other health care facilities. In addition to state and local taxes that are imposed using the state sales and use tax base and exemptions, there are other state and local option taxes that do not use the state sales and use tax base and exemptions. (See Appendix D-2 for a complete description.)
F. Why Does This Tax Matter?

The sales and use tax has become the most important source of revenue to state government and its operations and to the state’s higher education system. It is also an important source of revenue to the Utah Transit Authority and other public transit districts, to municipalities, and to county governments. Apart from public education, revenue from sales and use tax funds the bulk of government goods and services. Public safety and law enforcement, health and human services, universities and colleges are all dependent on sales and use tax revenue. Arts, cultural, and zoological organizations have also benefitted from sales and use tax revenues.

The sales and use tax faces an uncertain future. The sales and use tax base, as a proportion of the state's overall economy, is shrinking. Catalogue and Internet sales, while subject to the sales and use tax, are difficult to collect. This lack of consistent collection causes concern among local and in-state merchants who worry about competing with out of state merchants who may feel little or no obligation to collect the use tax and remit it to the state.

Increasingly, local governments and parts of state government want sales and use taxes to be earmarked statutorily for a particular purpose. However, earmarking allows some groups to avoid having to justify their budgets and compete with other important groups for revenue. Also, some argue that earmarking also limits the ability of policymakers to have a wide range of options in the budgeting process.
III. INCOME TAX

A. Introduction

Utah has both an individual income tax and a corporation franchise tax based on income. A Uniform School Fund was established constitutionally in 1938, and in 1947, all taxes based on income were constitutionally required to be used for public education. In 1996, Utah voters approved a change to the constitution providing that these revenues could also be used for higher education. Utah is the only state where the constitution mandates that revenue from taxes based on income must be used for educational purposes.

B. What is Taxable?

In general, taxable income of both individuals and corporations is based on the definition of income used for federal income tax purposes.

1. Individual Income Taxes

In the case of individual income taxes, taxable income includes all sources of revenue to the taxpayer including wages, interest, dividends, rental income and capital gains. Personal exemptions and either a standard deduction or itemized deduction are provided to reduce the individual's tax liability and to exempt certain low income people from having a tax obligation. Utah's personal exemption for income tax purposes is only 75% of what the federal government provides. The state allows a deduction, however, of 50% of federal income taxes paid.

2. Corporate Franchise and Income Taxes

Each corporation pays an annual tax for the privilege of exercising its corporate franchise or for the privilege of doing business in the state. The tax is a minimum of $100, whether it earns income or not, or 5% of its income derived from or attributable to sources within the state. The portion attributable to Utah is determined by the amount of property, sales, and payroll the corporation has in Utah compared to the total amount of property, sales, and payroll the corporation has in the United States. Each of these three factors is given equal weight.

3. Gross Receipts Tax

Those corporations paying a gross receipts tax pay it on all revenues attributable to Utah after the first $10,000,000.

C. Who Pays the Tax?

In fiscal year 2001, individuals paid just over $1.7 billion in income taxes and corporations paid $162.7 million in corporate franchise and income taxes. A tax on gross receipts was also paid by two types of business taxpayers as described in section 3 below.
1. Individual Income Tax

Figure 10 displays the percent of total returns for various income classes. Almost three-fourths of Utah individual income tax returns show an adjusted gross income of $50,000 or less. Just 6% of all returns show an adjusted gross income of $100,000 or more.

Figure 10

Percent of Total Individual Income Tax Returns by Adjusted Gross Income
1999 Tax Year

[Pie chart showing the distribution of returns by adjusted gross income]

Total Number of Returns: 859,265

While higher income taxpayers make up a small portion of all Utah taxpayers, they do pay a majority of Utah's individual income taxes. **Taxpayers with adjusted gross income of more than $100,000 paid 41% of Utah's individual income taxes.** This is shown in Figure 11.

Figure 11

Percent of Total Individual Income Tax Revenue
Paid by Adjusted Gross Income
1999 Tax Year

2. Corporate Franchise and Income Taxes

Corporate franchise and income taxes are mostly paid by certain types of businesses. A large percentage of corporate franchise and income tax returns are filed by firms in the manufacturing, transportation, communications, and public utilities sectors. As shown in Figure 12, these firms make up about 30% of all corporation franchise and income tax filers.

Figure 12

Share of Corporate Franchise Tax Returns by Sector
1993, 1996, and 1997 Tax Years

TCPU: Transportation, Communication, and Public Utilities.
FIRE: Finance, Insurance, and Real Estate

According to the Utah State Tax Commission, the current data base codes used to classify corporate returns into sectors are not fitting well for many corporations. This is why an increased number of firms were placed in the “not coded” category.

Just over half of all Utah firms that file a corporate franchise and income tax return show no taxable income. Figure 13 displays the percentage of corporate franchise and income returns by the amount of the firm’s Utah net taxable income. **Just 3% of all firms filing a return reported a Utah net taxable income of more than $500,000 but these firms paid 87% of all corporate franchise and income taxes.** This is depicted in Figure 14.

**Figure 13**

Percent of Corporate Franchise Returns by Firm’s Utah Net Taxable Income
1997 Tax Year

Total Number of Returns: 22,624

Percent of Corporate Franchise Tax Revenue by Firm’s Utah Net Taxable Income
1997 Tax Year

Total: $169,840,000


3. Gross Receipts Tax

A gross receipts tax is also imposed on two types of businesses:

- non-profit corporations, other than religious and charitable institutions, who would otherwise not be required to pay income taxes (e.g. Intermountain Power Project)

- electrical corporations who received a property tax reduction authorized in 1995 by the Legislature (e.g. Pacificorp.).

In fiscal year 2001, $8.3 million of gross receipts taxes were collected and deposited in the Uniform School Fund.
D. When and How are the Taxes Collected?

1. Individual Income Tax

Most state individual income taxes are collected through employer withholding. In general, an employer doing business in Utah or having any income from Utah sources must withhold an amount from an employee's wages that will, as closely as possible, pay the employee's state individual income taxes. In some cases, an employer may also be required to withhold individual income taxes from certain unemployment compensation benefits and annuities.44

Certain exemptions from withholding are authorized by statute, including: an exemption for employers doing business in Utah for 60 days or less during a calendar year; and an exemption for an employee not incurring individual income tax liability.45 Withholding amounts are established in accordance with tables established by the Tax Commission.46 An employer may be required to remit to the Tax Commission amounts the employer withholds monthly or quarterly, depending on the employer's average monthly withholding liability.

2. Corporate Franchise and Income Taxes

Who pays. Unlike state individual income taxes, state corporate franchise and income taxes require that a corporation meeting certain requirements must prepay a percentage of the corporation's taxes. A corporation is generally required to make quarterly estimated tax payments if the corporation:

- is subject to state corporate franchise or income taxes, and
- has a tax liability of:
  - $3,000 or more in the current taxable year, or
  - $3,000 or more in the previous taxable year.47

Installments. Estimated tax payments are generally made in four equal payments on the 15th day of the 4th, 6th, 9th, and 12th months of the corporation's taxable year. A corporation may elect to pay a total amount of estimated tax payments of at least:

- 90% of the corporation's current year tax liability, or
- 100% of the corporation's prior year tax liability.

Return due dates. A corporation required to file a state corporate franchise or income tax return must file the return with the Tax Commission and pay any tax due on or before the 15th day of the fourth month following the close of the corporation's taxable year.48 A corporation's taxable year for state corporate franchise and income tax purposes must be the same as the corporation's taxable year for federal income tax purposes.49 A corporation's taxable year may correspond to the calendar year with an individual income tax return due date of April 15, or may be a fiscal year starting on a day other than January 1.50
3. Gross Receipts Tax

The state gross receipts taxes are not subject to withholding, and returns are filed twice each year.\textsuperscript{51} Otherwise, the gross receipts tax is subject to the same procedures as the corporate franchise and income taxes.

E. Where Does the Tax Revenue Go?

Figure 15 shows the disposition of individual income tax and corporate franchise and income taxes revenues. Almost 90\% of these revenues are used to operate the state's public education system. The rest is used to help finance the higher education system.

Figure 15

\centerline{Individual Income Tax and Corporate Franchise and Income Taxes} \vspace{12pt}
\centerline{Where Does the Money Go?} \vspace{12pt}
\centerline{Fiscal Year 2002 Appropriated} \vspace{12pt}

\begin{center}
\begin{tikzpicture}
  \pie[text=legend]{\text{Uniform School Fund} \nx{89}, \text{Higher Education} \nx{11}}
\end{tikzpicture}
\end{center}

Total: $2,015,764,716

Note: This shows only ongoing, nonrestricted revenue. The Legislature appropriates 100\% of the Uniform School Fund to fund the state's public education system. Income tax revenues are appropriated to the state's higher education system.


F. Why Does This Tax Matter?

Taxes on income are used exclusively to help finance the public and higher education systems in Utah.\textsuperscript{52} With the state's large school-aged population, this secure source of revenue, which increases automatically with increases in income, has allowed Utah to increase spending on education for over a decade without having to raise income tax rates. Through the minimum school program funded for the most part by income taxes, each child in Utah is assured that a definite amount of money will be spent to educate that child.
IV. OTHER TAXES

A. Introduction

Utah law provides for a variety of taxes other than those discussed previously. These taxes supplement state and local government revenues. The following are examples of miscellaneous taxes and a brief summary of how the taxes are used. For a more detailed summary of some of these taxes, see Appendix E.

B. Local Taxes

Taxes that are imposed only by municipalities for general fund purposes and include the following:

Figure 16

<table>
<thead>
<tr>
<th>Tax</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility Franchise Tax</td>
<td>A tax on the gross revenues of a public services provider. (Statutorily limited to a maximum rate of 6% without voter approval.)</td>
</tr>
<tr>
<td>Municipal Energy Sales and Use Tax</td>
<td>A tax on every sales or use of taxable energy within a municipality. (Maximum rate of 6%). See Appendix E for more detail.</td>
</tr>
</tbody>
</table>

In fiscal year 1999, $64.9 million of utility franchise and municipal energy sales and use taxes were collected by municipalities.54

C. State Taxes

Taxes that are imposed by the state are used for a variety of purposes. Examples of state taxes are listed below.

1. Taxes Deposited into the General Fund

A significant number of miscellaneous taxes imposed by the state are deposited into the General Fund including:

- Inheritance Tax
- Oil and Gas Severance Tax
- Mining Severance Tax
- Beer Tax
- Cigarette and Tobacco Taxes
- Insurance Premium Taxes
2. Taxes Used for Highway Purposes

Utah Constitution Article XIII, Section 13 requires that the proceeds of certain taxes, fees, or charges relating to the operation of a motor vehicle, or the proceeds of an excise tax on gasoline or other liquid motor fuels be "used exclusively for highway purposes." Revenue from the motor fuel tax and the special fuel tax are used for highway purposes.

3. Taxes Used for Miscellaneous Purposes

Some taxes imposed by the state are used to fund particular programs or are used for a variety of purposes. Examples of such taxes are displayed in Figure 17.

Figure 17

Examples of Taxes Used for Miscellaneous Purposes and Use of Revenues

<table>
<thead>
<tr>
<th>Tax</th>
<th>Use of Revenues Includes</th>
<th>FY 2001 Net Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviation Fuel Tax</td>
<td>Airports and Aeronautical Operations of the Department of Transportation</td>
<td>$8,815,994</td>
</tr>
<tr>
<td>Wine and Liquor Tax</td>
<td>School Lunch Program</td>
<td>$14,696,313</td>
</tr>
</tbody>
</table>

A Tax Primer for Utah Legislators – November 2001 Page 29

V. TAX COMPARISONS

A. Introduction

This section explains how Utah compares with other states in state tax revenue per person and in relation to personal income. It also compares Utah with selected other western states in how the overall tax obligation falls on households and businesses.

B. Utah’s Dependency Ratio

An explanation of the taxes paid by Utahns can be summed up as follows: Utah taxpayers pay more of their personal income in state and local taxes than do residents of most other states. The reason for this is simple: the state has more children to educate in its public schools per taxpayer than any other state in the nation. Figure 18 shows Utah’s school-age “dependency ratio.” The dependency ratio is the number of school-aged children per number of working adults. **Utah has about 40 school-age children per 100 working adults compared to a national average of 30 school-age children per 100 working adults.**

Figure 18

Number of School Age Children Per 100 Working Adults
Five Highest and Five Lowest States, 1999

C. National Comparisons: State and Local Revenue Only

There are two ways that are traditionally used to compare tax burdens among the states. The first way to compare tax burdens is to simply look at taxes paid per person—whether or not that person pays any taxes. The second way is to compare the amount of taxes paid in relation to personal income. Personal income is the measure of all the income that all persons in the state receive, no matter what the source. Only taxes paid to the state are used in these comparisons.

Figure 19 shows how Utah is ranked in state and local tax revenue per person. As shown in this figure, states with the highest amounts of state tax revenue per person include Alaska, New York, and Connecticut. In this comparison, Utah is ranked 31st overall. States with low state tax revenue per person include South Dakota, Alabama, and Tennessee. Utah ranks rather low by this comparison because of the states' relatively large number of children, who have little or no earnings.56

Figure 19

State and Local Tax Revenue Per Capita
Utah Compared to the Ten Highest and Ten Lowest States, FY 1999

The second way to compare tax burdens is by taking state and local tax revenue as a percent of total personal income. In this comparison, Utah is ranked 9th overall. This is shown in Figure 20. Utah ranks higher by this measurement because of the same need for funding a relatively large public school system.

**Figure 20**

### State and Local Tax Revenue as a Percentage of Personal Income
Utah Compared to the Ten Highest and Ten Lowest States, FY 1999

<table>
<thead>
<tr>
<th>State</th>
<th>0</th>
<th>5</th>
<th>10</th>
<th>15</th>
<th>20</th>
<th>25</th>
<th>30</th>
<th>35</th>
<th>40</th>
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<tbody>
<tr>
<td>Alaska</td>
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<td>Wyoming</td>
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<td>New Mexico</td>
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<td>Delaware</td>
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<td>South Dakota</td>
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### D. Comparisons with Selected Western States

The information in this section is taken from studies conducted by the economic and statistical units of the Tax Commission. Taxes included in the figures in this section include income and estate taxes, property taxes, general sales taxes, tourism taxes, selective sales taxes, severance taxes, and unemployment insurance taxes.

When comparing tax burdens among states, it is useful to choose states with similar tax structures and economic conditions. Utah is unique in that it is bordered by two states that do not impose a state income tax: Nevada and Wyoming. Nevada receives significant revenue from taxes on gaming. Wyoming imposes taxes on its abundant natural resources. Montana has no...
state sales tax, but does impose a severance tax on coal. These taxes on gaming and natural resources can largely be exported to taxpayers in other states, thereby lowering the state resident’s overall tax burden.

This section shows the differences between businesses and households in state and local taxes paid. Figure 21 compares Utah with selected other western states in the total state and local taxes paid by households. This figure shows taxes paid as a percentage of personal income. This figure shows that Utah households pay 8.3% of personal income in state and local taxes, the highest percentage of any state included in the western states comparison. Again the reason for this higher tax burden is Utah’s large school-age population—the largest in the nation as a percentage of population.

Figure 21

Household Tax Burdens
Utah and Selected Western States, 1999 – 2000

Figure 22 shows the initial tax burden imposed on businesses as a percent of gross state product. (It is important to note the two different yardsticks used to compute household and business tax burdens: for households, it is compared to total personal income; for businesses, it is compared to gross state product.) Washington businesses have the highest proportion. This state imposes a tax on gross business income. Washington businesses also pay a portion of the state's relatively high sales tax. As shown in Figure 22, Utah ranks in the middle of the selected western states when comparing business tax burdens.

Figure 22

Figure 23 displays the change in initial tax burden for household and businesses since 1985. This figure shows state and local taxes as a percentage of either personal income for households or gross state product for businesses. The initial taxes paid by households has grown from 7.6% of total personal income in 1985 to 8.3% in 2000. Increasing home values and income from capital gains during the 1990s account for some of this increase. It is important to note that during this same time frame, the Legislature lowered the property, individual income, and state sales and use tax rates, but raised taxes rates on cigarettes and motor fuel, and increased motor vehicle registration fees.58

Figure 23

Effective Household and Business Tax Burdens
Utah, Selected Years, 1985 to 2000

For households, amount shown is percent of personal income. For businesses, amount shown is percent of gross state product (GSP). Source: ECONOMIC AND STATIS. UNIT, UTAH STATE TAX COMM’, RES. PUB. 2001-19, WESTERN STATES’ TAX BURDENS FISCAL YEAR 1999–2000, at 33 (June 2001).
VI. FUNDING OF GOVERNMENT SERVICES

A. Introduction

Once taxes are collected they must be placed in funds and appropriated to pay for various goods and services that government provides. This section briefly describes the relative importance of the three major taxes to the state and to the various local government entities.

B. Major State Tax Revenue Funds

The Utah Legislature appropriates most state tax monies from three funds: (1) the General Fund, (2) the Uniform School Fund, and (3) the Transportation Fund. Each fund has dedicated revenue sources.

1. General Fund

From the General Fund, the Legislature appropriates monies for general government use and for higher education. Some General Fund revenue is also used to fund the state's public school system. Figure 24 shows what tax revenues make up the General Fund. The largest single source of revenue comes from the state's 4.75% sales and use tax. Two small sources of General Fund revenue (interest and liquor profits) are not included in this figure because they are not tax revenues.

Figure 24

The General Fund
Where Does the Tax Money Come From?
Fiscal Year 2001

State Sales and Use Taxes 88%

Other Taxes 0.17%

Severance Taxes 3%

Inheritance Tax 2%

Beer and Cigarette Taxes 4%

Insurance Taxes 3%

Total General Fund Tax Net Revenue: $1,608,334,180

2. **Uniform School Fund**

Under the Utah Constitution, monies in the Uniform School Fund may only be used to fund the state's public education system. The Legislature also appropriates income tax revenue to operate the State's higher education system. As shown in Figure 25, the Uniform School Fund is largely comprised of revenues generated by one tax, the individual income tax. The corporate income and franchise taxes are also an important revenue source for this fund.

![Figure 25: Uniform School Fund Revenue Sources](image)

The Uniform School Fund
Where Does the Tax Money Come From?
Fiscal Year 2001

- Individual Income Tax: 89%
- Corporate Franchise and Income Taxes: 9%
- Other Taxes: 2%

Total Uniform School Fund Tax Net Revenue: $1,911,621,557

3. Combined General Fund and Uniform School Fund

Figure 26 displays the sources of the tax revenue for the combined Uniform School Fund and General Fund for FY 2001. Two tax sources, the individual income tax and the state sales and use tax make up 89% of the total of these two funds. Corporate franchise and income taxes make up 5% of these two funds.

Figure 26

Combined General Fund and Uniform School Fund
Where Does the Tax Money Come From?
Fiscal Year 2001

Total General Fund and Uniform School Fund Tax Net Revenue: $3,525,367,844

4. Transportation Fund

The Transportation Fund is the third major fund in Utah. The Utah Constitution requires that taxes imposed on sales of motor fuel may only be used for certain highway purposes.\(^6\) As shown in Figure 27, nearly 80% of the revenues deposited into the Transportation Fund come from the state's taxes on motor fuel and special fuel. Motor vehicle registration fees also contribute to this fund. Federal transportation monies do not go into the Transportation Fund, but are provided to Utah as a block grant, so these monies are not included in Figure 27.

Figure 27

**Transportation Fund**
**Where Does the Money Come From?**
**Fiscal Year 2001**

- **Motor Fuel Tax** 56%
- **Special Fuel Tax** 19%
- **Motor Vehicle Registration Fees** 6%
- **Other Sources** 13%
- **Sales Tax - Restricted** 6%

**Total Transportation Fund Net Revenue: $417,393,033**

C. Sources of Revenue for Local Governments in Utah

Units of local government in Utah include cities, towns, counties, school districts, and special districts. These governmental entities rely on a wide range of taxes and fees to fund the various services they provide.

Figure 28 displays the revenue sources for the general fund budgets for Utah's 29 counties. Property taxes provide nearly one-third of the revenues for these budgets. Sales and use taxes, charges, and fees are also major sources of revenue for counties. County general fund budgets provide general county-wide services. Counties have separate budgets for services such as capital projects and municipal-type services.

Figure 28

Sources of General Fund Revenue for Utah Counties
Fiscal Year 1999

Source: An Analysis of County Revenues, Presentation by Arie Van De Graaff, Utah Association of Counties, to Government Revenue & Tax System Task Force, 54th Leg. (July 6, 2001).
Cities and towns rely on a mix of property taxes, sales and use taxes, and fees to fund general operation budgets. Sales and use taxes have been a growing source of revenue for municipalities in the last few years. Figure 29 displays the sources of general fund revenue for municipalities.

Figure 29

Sources of General Fund Revenue for Utah Municipalities
Fiscal Year 2000

Source: Budget Database, Presentation by Kerri Nakamura, Utah League of Cities and Towns, to Government Revenue & Tax System Task Force, 54th Leg. (June 6, 2001).
Special districts in Utah provide a wide variety of services including water and sewer services, recreation services, and mosquito abatement services. Many of these services are provided through fees for services. Consequently, fees are a major source of revenue for special districts, as shown in Figure 30.

Figure 30

Sources of Revenue for Utah Special Service Districts
Fiscal Year 2001

Utah's school districts operate their day to day operations through maintenance and operation budgets. As shown in Figure 31, state sources of revenue, including individual income tax and corporate franchise and tax revenue, provide three fourths of the funding for these budgets. Federal funds and local property tax revenues provide the balance of funding.

Figure 31

Sources of Maintenance and Operation Revenue for Utah School Districts
Fiscal Year 2000

VII. CONCLUSION

Taxpayers in Utah paid just over $3.6 billion in fiscal year 2001 in individual income taxes, property taxes, and state and local sales and use taxes and were charged almost $1.4 in the 2000 tax year in property taxes.63 These taxes were used to fund a wide variety of services in public education, higher education, state government and local governments. Utah taxpayers also paid several other state and local taxes and fees.

One of the hallmarks of an optimum tax system is stability. Taxpayers should be able to plan on a relatively consistent tax system year after year. Because state and local policymakers generally agree with the need for stability, the Utah tax system is unlikely to face major structural change in the foreseeable future.

While major changes are not likely, legislators will continue to grapple with many difficult issues. A viable and fair tax system must continually adjust to changes in the economy. Policymakers will need to continue to improve and refine Utah's tax system so that it remains a fair and reliable way to generate revenues for essential public purposes.
End Notes

1. OXFORD DICTIONARY OF QUOTATIONS 218 n.8 (3d ed. 1979) (Oxford University Press 1980) (quoting Benjamin Franklin in Letter to Jean Baptiste LeRoy (Nov. 13, 1789)).

2. JOHN BARTLETT, FAMILIAR QUOTATIONS 644 n.8 (15th ed. 1980) (Emily Morrison Beck 125th anniv. ed.) (quoting Oliver Wendell Holmes citing Compania de Tabacos v. Collector, 275 U.S. 87, 100 (1904)).

3. OXFORD DICTIONARY OF MODERN QUOTATIONS 154 n.10 (Tony Augarde ed., 1991) (quoting MARGARET MITCHELL, GONE WITH THE WIND ch.38 (1936)).

4. Characteristics of a Balanced State-Local Tax System, Presentation by Robert J. Kleine and John Shannon, Advisory Commission on Intergovernmental Relations, to National Conference of State Legislatures (Oct. 10, 1985). (For a more detailed description of these principles, as well as tax principles developed by the National Conference of State Legislatures and the Utah Legislature, see Appendix F.)


7. Id at 26.

8. See UTAH CONST. art. XIII, §§ 1, 3.


14. See UTAH CONST. art. XIV, Public Debt. The debt limit for the state is established in Section 1 and the debt limit for local jurisdictions is established in Section 4.


17. UTAH CONST. art. XIII, § 11; UTAH CODE ANN. § 59-2-201 (2000).

18. UTAH CONST. art XIII, §§ 2, 3; UTAH CODE ANN. § 59-2-103 (2000).


27. See UTAH CONST. art. XIV.

29. RASMUSSEN, supra note 5, at 37.

30. Exemptions to the sales tax are found in UTAH CODE ANN. § 59-12-104 (Supp. 2001).

31. UTAH CODE ANN. § 59-12-104 (2), (8) (Supp. 2001)

32. A commission of legislators and private citizens is under UTAH CODE ANN. § 59-1-901 (2000) to review state tax policy.

33. UTAH CODE ANN. § 59-12-103 (Supp. 2001).

34. UTAH CODE ANN. § 59-12-103 (1)(l) (Supp. 2001).

35. UTAH CODE ANN. § 59-12-106 (2000).


37. See UTAH CODE ANN. § 59-12-103(5), (6), (7) (Supp. 2001) for a description of the earmarking of the state sales and use tax levy.

38. RASMUSSEN, supra note 5, at 49.


40. UTAH CODE ANN. § 59-10-114 (2)(b) (Supp. 2001).

41. UTAH CODE ANN. § 59-7-104 (2000).


43. TC-23 MONTHLY REVENUE SUMMARY, supra note 28.

44. UTAH CODE ANN. § 59-10-404 (2000).

45. UTAH CODE ANN. § 59-10-402, -403 (2000).


47. UTAH CODE ANN. § 59-7-504 (2000). Although not expressly stated in statute, Tax Commission Form TC-20, Corporation Franchise or Income Tax Return and Instructions provides that a parent company filing combined reports with affiliated companies must make quarterly estimated payments if the aggregate state tax liability is $3,000 or more for all corporations included in combined filings, including corporations paying only the minimum tax.

48. UTAH CODE ANN. §§ 59-7-505, -507 (2000). Exceptions to the return filing requirements are contained in Utah Code Ann. § 59-7-505 (2000). These statutes do not expressly require that the tax due must be paid by the due date regardless of whether estimated payments are made, but penalties apply if there is an underpayment.

49. UTAH CODE ANN. § 59-7-502 (2000). If a corporation's taxable year changes for federal income tax purposes, the corporation must file a short period return covering the period that is less than 12 months between the last day of the prior taxable year and the last day of the new taxable year. Utah Code Ann. § 59-7-503 (2000).

50. UTAH CODE ANN. § 59-7-505 (2000).


60. For example, see Appropriations Act, H.B. 1, 54th Leg., Gen. Sess. (Utah 2001).


Appendix A
## Appendix A-1
### Property Tax Relief

<table>
<thead>
<tr>
<th>Type of Property Tax Relief</th>
<th>Entity Determining Eligibility</th>
<th>Relief Mandatory or Discretionary</th>
<th>Deadline for Filing for Relief</th>
<th>Funded by General Fund</th>
<th>Number of Persons Claiming Relief - 2000</th>
<th>Tax Dollars Abated - 2000 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Blind Exemption</strong></td>
<td>County</td>
<td>Mandatory</td>
<td>September 1</td>
<td>No</td>
<td>1,968</td>
<td>267,846</td>
</tr>
<tr>
<td><strong>Homeowner's Credit</strong></td>
<td>County</td>
<td>Mandatory</td>
<td>September 1</td>
<td>Yes³</td>
<td>16,780</td>
<td>4,600,904</td>
</tr>
<tr>
<td><strong>Homeowner's Valuation Reduction</strong></td>
<td>County</td>
<td>Mandatory</td>
<td>September 1</td>
<td>No</td>
<td>13,443</td>
<td>3,088,449</td>
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<tr>
<td><strong>Renter's Credit</strong></td>
<td>Tax Commission</td>
<td>Mandatory</td>
<td>December 31</td>
<td>Yes</td>
<td>3,295⁷</td>
<td>611,422</td>
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<tr>
<td><strong>Indigent Abatement</strong></td>
<td>County</td>
<td>Discretionary</td>
<td>September 1</td>
<td>No</td>
<td>9,765</td>
<td>1,101,870</td>
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<td><strong>Other Relief</strong></td>
<td>County/Tax Commission</td>
<td>Discretionary</td>
<td>No Deadline</td>
<td>No</td>
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<td><strong>Indigent Deferral</strong></td>
<td>County</td>
<td>Discretionary</td>
<td>September 1</td>
<td>No</td>
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<td>Not Available⁶</td>
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<td><strong>Veteran's Exemption</strong></td>
<td>County</td>
<td>Mandatory</td>
<td>September 1</td>
<td>No</td>
<td>9,740</td>
<td>3,363,696</td>
</tr>
</tbody>
</table>

Prepared by the Office of Legislative Research and General Counsel - November, 2001
Source: Utah State Tax Commission
1. A person may appeal a county decision on property tax relief to the Utah State Tax Commission ("Tax Commission"). See Utah Code Ann. § 59-2-1006 (2000) (property tax exemptions); Utah Code Ann. § 59-2-1217 (2000) (circuit breaker). Presumably, denial of a renter's credit, which is determined by Taxpayer Services of the Tax Commission, would also be appealed to the Tax Commission; however, the Tax Commission is not aware of any appeals having been filed challenging the denial of a renter's credit.

2. For purposes of this table, "mandatory" means that the entity determining eligibility for property tax relief is required to grant the property tax relief if the person applying for the property tax relief meets the criteria established in statute for receiving the property tax relief.


5. Utah Code Ann. § 59-2-1201 (2000) provides that "[t]he purpose of this part is to provide general property tax relief for certain persons who own or rent their places of residence through a system of tax credits, refunds, and appropriations from the General Fund. The relief is to offset in part the general tax burden, a significant portion of which, directly or indirectly, is represented by property tax. Accordingly, the tax relief provided by this part is determined in part by reference to the property tax assessment and collection mechanisms, but, however, is not limited to property tax relief nor is it formulated upon the Legislature's power to relieve those taxes. It is for the general relief of all taxes."

6. If a county submits a list of claimants and the homeowner's credits granted to the claimants on or before November 30, the Tax Commission pays the county the amount of the credits directly from the General Fund on or before January 1. If the list is received after November 30, the Tax Commission pays the county within 30 days after the Tax Commission receives the list. Utah Code Ann. § 59-2-1206(2) (Supp. 2001).

7. This number includes refunds the Tax Commission makes for mobile homes. In some cases, a person receiving circuit breaker property tax relief for a mobile home may own the mobile home or the property on which the mobile home is located, so the person may actually receive a homeowner's credit rather than a renter's credit. However, because the Tax Commission does not track whether mobile home residents own or rent their mobile homes or the property on which the mobile homes are located, all mobile home data in this table is listed under the renter's credit. For 2000, 753 persons received property tax relief for a mobile home, with a total of $121,545 in tax dollars abated.

8. Utah Code Ann. § 59-2-1347(1) (2000) allows a county, for property assessed by the county, or the Tax Commission, for property assessed by the Tax Commission, to accept an amount less than the full amount of taxes due, and allows a county to defer the full amount of taxes due "where, in the judgment of the [county legislative body for property assessed by the county, or the Tax Commission for property assessed by the Tax Commission], the best human interests and the interests of the state and the county are served." Id. The statute also allows a county legislative body to grant retroactive adjustments or deferrals.

9. The Tax Commission does not have data on the number of persons claiming property tax relief or the amount of relief granted under the indigent deferral provisions.
Appendix A-2
Circuit Breaker Property Tax Relief

1999

<table>
<thead>
<tr>
<th>Number of Persons Claiming Relief</th>
<th>Tax Dollars Abated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeowner's Credit</td>
<td>14,781</td>
</tr>
<tr>
<td></td>
<td>$3,878,805</td>
</tr>
<tr>
<td>Homeowner's Valuation Reduction</td>
<td>14,765</td>
</tr>
<tr>
<td></td>
<td>$4,213,413</td>
</tr>
<tr>
<td>Renter's Credit</td>
<td>2,515</td>
</tr>
<tr>
<td></td>
<td>$481,892</td>
</tr>
<tr>
<td>Mobile Home Refunds</td>
<td>797</td>
</tr>
<tr>
<td></td>
<td>$120,209</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>32,858</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$8,694,319</strong></td>
</tr>
</tbody>
</table>

2000

<table>
<thead>
<tr>
<th>Number of Persons Claiming Relief</th>
<th>Tax Dollars Abated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeowner's Credit</td>
<td>16,780</td>
</tr>
<tr>
<td></td>
<td>$4,600,909</td>
</tr>
<tr>
<td>Homeowner's Valuation Reduction</td>
<td>13,443</td>
</tr>
<tr>
<td></td>
<td>$3,088,449</td>
</tr>
<tr>
<td>Renter's Credit</td>
<td>2,542</td>
</tr>
<tr>
<td></td>
<td>$489,877</td>
</tr>
<tr>
<td>Mobile Home Refunds</td>
<td>753</td>
</tr>
<tr>
<td></td>
<td>$121,547</td>
</tr>
<tr>
<td><strong>TOTALS</strong></td>
<td><strong>33,518</strong></td>
</tr>
<tr>
<td></td>
<td><strong>$8,300,773</strong></td>
</tr>
</tbody>
</table>

Funded by General Fund
Not Funded by General Fund

Prepared by the Office of Legislative Research and General Counsel – May, 2001
Source: Utah State Tax Commission
Appendix B
## APPENDIX B
Hypothetical Property Tax Bills from Various Utah Cities and Counties

### 2000 Property Tax Rates

**Property Taxes on Home With A Market Value of $181,818**

<table>
<thead>
<tr>
<th>City/County/Service District</th>
<th>Tax Rate</th>
<th>Taxes Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Blanding</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Blanding City</td>
<td>0.00400</td>
<td>$400</td>
</tr>
<tr>
<td>San Juan School District</td>
<td>0.00863</td>
<td>$863</td>
</tr>
<tr>
<td>San Juan County</td>
<td>0.00420</td>
<td>$420</td>
</tr>
<tr>
<td>Blanding Cemetery Maintenance Dist.</td>
<td>0.00025</td>
<td>$25</td>
</tr>
<tr>
<td>San Juan County Water Conserve. Dist.</td>
<td>0.00052</td>
<td>$52</td>
</tr>
<tr>
<td>San Juan County Health Services Dist.</td>
<td>0.00100</td>
<td>$100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0.0186</td>
<td>$1,860</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City/County/Service District</th>
<th>Tax Rate</th>
<th>Taxes Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Orem</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Orem City</td>
<td>0.001850</td>
<td>$185</td>
</tr>
<tr>
<td>Alpine School District</td>
<td>0.006884</td>
<td>$688</td>
</tr>
<tr>
<td>Utah County</td>
<td>0.001506</td>
<td>$151</td>
</tr>
<tr>
<td>Orem Metro Water Dist.</td>
<td>0.000044</td>
<td>$4</td>
</tr>
<tr>
<td>Central Utah Water Conservancy Dist.</td>
<td>0.000337</td>
<td>$34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0.010621</td>
<td>$1,062</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City/County/Service District</th>
<th>Tax Rate</th>
<th>Taxes Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Salt Lake City</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salt Lake City</td>
<td>0.004916</td>
<td>$492</td>
</tr>
<tr>
<td>Salt Lake City School District</td>
<td>0.005741</td>
<td>$574</td>
</tr>
<tr>
<td>Salt Lake County</td>
<td>0.002904</td>
<td>$290</td>
</tr>
<tr>
<td>Salt Lake County Water District</td>
<td>0.000271</td>
<td>$27</td>
</tr>
<tr>
<td>Salt Lake City Mosquito Abatement</td>
<td>0.000073</td>
<td>$7</td>
</tr>
<tr>
<td>Central Utah Water Conservancy Dist.</td>
<td>0.000377</td>
<td>$38</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0.014282</td>
<td>$1,428</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City/County/Service District</th>
<th>Tax Rate</th>
<th>Taxes Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Logan</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Logan City</td>
<td>0.001963</td>
<td>$196</td>
</tr>
<tr>
<td>Logan School District</td>
<td>0.007218</td>
<td>$722</td>
</tr>
<tr>
<td>Cache County</td>
<td>0.001791</td>
<td>$179</td>
</tr>
<tr>
<td>Mosquito Abatement District No. 1.</td>
<td>0.000269</td>
<td>$27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0.011241</td>
<td>$1,124</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>City/County/Service District</th>
<th>Tax Rate</th>
<th>Taxes Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>St. George</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>St. George City</td>
<td>0.002064</td>
<td>$206</td>
</tr>
<tr>
<td>Washington County School District</td>
<td>0.006905</td>
<td>$690</td>
</tr>
<tr>
<td>Washington County</td>
<td>0.001677</td>
<td>$168</td>
</tr>
<tr>
<td>Wash. County Water Conserve. Dist.</td>
<td>0.000874</td>
<td>$87</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0.01152</td>
<td>$1,152</td>
</tr>
<tr>
<td></td>
<td>Tax Rate</td>
<td>Taxes Charged</td>
</tr>
<tr>
<td>----------------</td>
<td>----------</td>
<td>---------------</td>
</tr>
<tr>
<td>Nephi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nephi City</td>
<td>0.001515</td>
<td>$152</td>
</tr>
<tr>
<td>Juab School District</td>
<td>0.00807</td>
<td>$807</td>
</tr>
<tr>
<td>Juab County</td>
<td>0.00259</td>
<td>$259</td>
</tr>
<tr>
<td>Central Utah Water Conserve. Dist.</td>
<td>0.000377</td>
<td>$38</td>
</tr>
<tr>
<td>Total</td>
<td>0.012552</td>
<td>$1,255</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Tax Rate</th>
<th>Taxes Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unincorporated Salt Lake County</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Granite School District</td>
<td>0.006678</td>
<td>$668</td>
</tr>
<tr>
<td>Salt Lake County</td>
<td>0.002904</td>
<td>$290</td>
</tr>
<tr>
<td>Salt Lake County Mun. Serv. Dist.</td>
<td>0.002028</td>
<td>$203</td>
</tr>
<tr>
<td>Salt Lake County Library</td>
<td>0.000583</td>
<td>$58</td>
</tr>
<tr>
<td>Salt Lake County Mosquito Abatement</td>
<td>0.000073</td>
<td>$7</td>
</tr>
<tr>
<td>Salt Lake Suburban Sanitary Dist.</td>
<td>0.000265</td>
<td>$26</td>
</tr>
<tr>
<td>Central Utah Water Conservancy Dist.</td>
<td>0.000377</td>
<td>$38</td>
</tr>
<tr>
<td>Total</td>
<td>0.012908</td>
<td>$1,291</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Tax Rate</th>
<th>Taxes Charged</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ogden</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ogden City</td>
<td>0.004295</td>
<td>$430</td>
</tr>
<tr>
<td>Ogden City School District</td>
<td>0.007761</td>
<td>$776</td>
</tr>
<tr>
<td>Weber County</td>
<td>0.004012</td>
<td>$401</td>
</tr>
<tr>
<td>Weber Basin Water Conserve Dist.</td>
<td>0.0002</td>
<td>$20</td>
</tr>
<tr>
<td>Central Weber Sewer Improv. Dist.</td>
<td>0.000603</td>
<td>$60</td>
</tr>
<tr>
<td>Weber County Mos. Abate. Dist.</td>
<td>0.000118</td>
<td>$12</td>
</tr>
<tr>
<td>Special Mun Levy for WBWC Water</td>
<td>0.000222</td>
<td>$22</td>
</tr>
<tr>
<td>Total</td>
<td>0.017211</td>
<td>$1,721</td>
</tr>
</tbody>
</table>

Note: A primary residence with a market value of $181,818 has an approximate taxable value of $100,000.

These are hypothetical examples only. Actual property tax obligations depend on the rates imposed by the taxing entities where the property is located.

Prepared by Office of Legislative Research and General Counsel. Basic Data: Property Tax Division, Utah State Tax Commission
Appendix C
# APPENDIX C
Utah's Property Tax System
How Roles and Responsibilities Fit Together

<table>
<thead>
<tr>
<th>Function</th>
<th>Players</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Identifies Taxable Real Property</td>
<td>Recorder and Assessor</td>
<td>Identify taxable property – sites/statistics</td>
</tr>
<tr>
<td>2. Establish Value</td>
<td>Assessor</td>
<td>Establish FMV* &amp; TV** – Locally assessed property</td>
</tr>
<tr>
<td></td>
<td>State Tax Commission</td>
<td>Establish FMV &amp; TV &amp; collects tax on personal property</td>
</tr>
<tr>
<td>3. Value Corrections</td>
<td>County Board of Equalization</td>
<td>Adjust value–appeals, exemption, &amp; equalization</td>
</tr>
<tr>
<td></td>
<td>State Tax Commission</td>
<td>Adjust Value–appeals, exemption, &amp; equalization</td>
</tr>
<tr>
<td></td>
<td>County Auditor</td>
<td>Post centrally assessed values to the property tax roll; Post changes authorized by board of equalization and Tax Commission</td>
</tr>
<tr>
<td>4. Establish Tax Rate</td>
<td>Local Governments</td>
<td>Set budgets and compute rates</td>
</tr>
<tr>
<td></td>
<td>County Auditor</td>
<td>Provide value &amp; tax data and assist local governments</td>
</tr>
<tr>
<td></td>
<td>State Tax Commission</td>
<td>Monitor statutory compliance and approve rates</td>
</tr>
<tr>
<td>5. Tax Relief</td>
<td>County Governing Body</td>
<td>Grant tax relief–veteran, blind, indigent, &amp; circuit breaker</td>
</tr>
<tr>
<td>6. Compute Tax Bill</td>
<td>County Auditor</td>
<td>Extend tax roll–Multiply value by tax rate to compute taxes charged.</td>
</tr>
<tr>
<td></td>
<td>County Governing Body</td>
<td>Authorized adjustment to tax bill–approve adjustments based on errors and omissions, illegal &amp; erroneous assessment</td>
</tr>
<tr>
<td></td>
<td>Treasurer</td>
<td>Post adjustments as authorized by BOE</td>
</tr>
<tr>
<td>7. Bill and Collect Taxes</td>
<td>Current: County Treasurer</td>
<td>Mail bill and collect taxes on real property</td>
</tr>
<tr>
<td></td>
<td>County Assessor</td>
<td>Mail bill and collect taxes on personal property</td>
</tr>
<tr>
<td>Delinquent: County Treasurer</td>
<td>Compute penalties &amp; interest and make collections on real property and attached personal property</td>
<td></td>
</tr>
<tr>
<td></td>
<td>County Assessor</td>
<td>Compute penalties &amp; interest and make collections on unattached personal property</td>
</tr>
<tr>
<td>8. Disburse Taxes Collected</td>
<td>Treasurer</td>
<td>Distribute taxes, penalties, interest, and miscellaneous money collecte to taxing entities</td>
</tr>
<tr>
<td>9. Settle and Balance Value and Taxes</td>
<td>County Treasurer, Auditor, Assessor, Taxing Entities, County Governing Body</td>
<td>Ensure all taxes have been property charged, collected, and distributed.</td>
</tr>
</tbody>
</table>

*FMV = Fair Market Value
** TV = Taxable Value
Appendix D
# Appendix D-1

## Sales & Use Tax Authorities Under Title 59

Taxes that Adopt the State Sales and Use Tax Base & Exemptions

Table Data Current Through 10/1/2001

<table>
<thead>
<tr>
<th>Description of Tax</th>
<th>Citation</th>
<th>Maximum Tax Rate (%)</th>
<th>Entity Authorized to Impose Tax</th>
<th>Vote Required Before Imposing</th>
<th>Vendor Discount (%)&lt;sup&gt;4&lt;/sup&gt;</th>
<th>Distribution Formula/ Revenue Use Restrictions&lt;sup&gt;5&lt;/sup&gt;</th>
<th>Tax Applicable to Sales by Remote Vendors&lt;sup&gt;6&lt;/sup&gt;</th>
<th>FY2001 Revenues ($)&lt;sup&gt;7&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>State sales &amp; use</td>
<td>59-12-103</td>
<td>4.75&lt;sup&gt;1&lt;/sup&gt;</td>
<td>S&lt;sup&gt;1&lt;/sup&gt;</td>
<td>No</td>
<td>1.50</td>
<td>Yes</td>
<td>Yes&lt;sup&gt;14&lt;/sup&gt;</td>
<td>1,431,419,000</td>
</tr>
<tr>
<td>Local sales &amp; use</td>
<td>59-12-204; 59-12-205</td>
<td>1.00</td>
<td>CO, CI, T&lt;sup&gt;41&lt;/sup&gt;</td>
<td>No</td>
<td>1.00</td>
<td>Yes</td>
<td>Yes&lt;sup&gt;12&lt;/sup&gt;</td>
<td>310,636,385</td>
</tr>
<tr>
<td>Town option sales &amp; use</td>
<td>59-12-1302</td>
<td>1.00</td>
<td>T&lt;sup&gt;15&lt;/sup&gt;</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>County option sales &amp; use</td>
<td>59-12-1102</td>
<td>0.25</td>
<td>CO&lt;sup&gt;42&lt;/sup&gt;</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No&lt;sup&gt;14&lt;/sup&gt;</td>
<td>76,321,562</td>
</tr>
<tr>
<td>Resort communities</td>
<td>59-12-401</td>
<td>1.00</td>
<td>CI, T&lt;sup&gt;14&lt;/sup&gt;</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Additional resort communities</td>
<td>59-12-402</td>
<td>0.50</td>
<td>CI, T&lt;sup&gt;14&lt;/sup&gt;</td>
<td>Yes&lt;sup&gt;15&lt;/sup&gt;</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>7,218,674</td>
</tr>
<tr>
<td>Public transit</td>
<td>59-12-501</td>
<td>0.25</td>
<td>CO, CI, T&lt;sup&gt;14&lt;/sup&gt;</td>
<td>Yes</td>
<td>1.00</td>
<td>Yes</td>
<td>No</td>
<td>68,834,459</td>
</tr>
<tr>
<td>Additional public transit</td>
<td>59-12-502</td>
<td>0.25</td>
<td>CO, CI, T&lt;sup&gt;14&lt;/sup&gt;</td>
<td>Yes</td>
<td>1.00</td>
<td>Yes&lt;sup&gt;11&lt;/sup&gt;</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>County option funding for botanical, cultural, recreational, &amp; zoological organizations or facilities</td>
<td>59-12-703</td>
<td>0.10</td>
<td>CO&lt;sup&gt;22&lt;/sup&gt;</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>16,077,241</td>
</tr>
<tr>
<td>City or town option funding for botanical, cultural, recreational, &amp; zoological organizations or facilities</td>
<td>59-12-1402; Effective on 1-1-2003</td>
<td>0.10</td>
<td>CI, T&lt;sup&gt;15&lt;/sup&gt;</td>
<td>Yes&lt;sup&gt;14&lt;/sup&gt;</td>
<td>No</td>
<td>Yes</td>
<td>No&lt;sup&gt;15&lt;/sup&gt;</td>
<td>0&lt;sup&gt;26&lt;/sup&gt;</td>
</tr>
<tr>
<td>Rural county hospital</td>
<td>59-12-802</td>
<td>1.00</td>
<td>CO&lt;sup&gt;22&lt;/sup&gt;</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>3,860,994</td>
</tr>
<tr>
<td>Rural city hospital</td>
<td>59-12-804</td>
<td>1.00</td>
<td>CI&lt;sup&gt;22&lt;/sup&gt;</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Municipal highways</td>
<td>59-12-1001</td>
<td>0.25</td>
<td>CI, T&lt;sup&gt;15&lt;/sup&gt;</td>
<td>Yes&lt;sup&gt;14&lt;/sup&gt;</td>
<td>1.00</td>
<td>Yes</td>
<td>No</td>
<td>5,657,876</td>
</tr>
</tbody>
</table>

S=state; CO=county; CI=city; and T=town

Prepared by the Office of Legislative Research and General Counsel – November, 2001

Source: Utah State Tax Commission
1. The term "tax base" generally refers to the types of transactions that are subject to taxation. For purposes of the state sales and use tax, the state "tax base" is described in Utah Code Ann. § 59-12-103 (Supp. 2001). The state sales and use tax exemptions are established in Utah Code Ann. § 59-12-104 (Supp. 2001). With few exceptions, the sales and use taxes contained in this table that are imposed by counties, cities, or towns provide in statute that the tax base for these taxes imposed by counties, cities, or towns is the same as the state sales and use tax base, and the exemptions are the same as the state sales and use tax exemptions. Two of the taxes contained in this table, the resort communities tax and additional resort communities tax, substantially adopt the state sales and use tax base and exemptions, but require additional exemptions from the taxes for wholesale sales and sales of items for which consideration paid is $2,500 or more. Utah Code Ann. §§ 59-12-401, -402 (2000).

2. This column lists only the section in Utah Code Ann. 1953, as amended through the 2001 Second Special Session, imposing the tax. In addition to the section imposing the tax, the tax may be addressed in other sections of Utah Code Ann. that are not referenced in this column.

3. Data contained in this table regarding which counties, cities, or towns impose a tax and the rates of taxes imposed by counties, cities, or towns is derived from Utah State Tax Comm'n, Utah Code Title 59, Chapter 12 Sales and Use Tax Act Tax Rates (2001).

4. If a vendor's annual tax liability for certain taxes is $50,000 or more, the vendor is required to file monthly tax returns. A vendor filing monthly tax returns may retain a percentage of certain taxes that the vendor collects in recognition of the vendor's costs of collecting and remitting the taxes on a monthly basis. Utah Code Ann. § 59-12-108 (2000). This percentage is commonly called a "vendor discount." In addition to the vendor discounts summarized in this table, Utah Code Ann. § 59-12-108 allows a vendor discount for the municipal energy sales and tax provided for in Title 10, Chapter 1, Part 3, Municipal Energy Sales and Use Tax Act; and the taxes on vehicle rentals under Utah Code Ann. § 59-12-603 (Supp. 2001). See Appendix D-2 for a description of the taxes on vehicle rentals under Utah Code Ann. § 59-12-603 (Supp. 2001).

5. This column indicates whether a tax is subject to a distribution formula or imposes restrictions on the use of revenues generated by the tax. The column does not reflect as a distribution formula an administrative fee that the Utah State Tax Commission ("Tax Commission") retains for the taxes imposed by a county, city, or town but collected by the Tax Commission. Use restrictions under this column do not include provisions authorizing tax revenues to be used for state General Fund purposes or for county, city, or town general fund purposes.

6. Utah Code Ann. § 59-12-107(1)(b) (Supp. 2001) provides that certain vendors that do not have a sufficient presence in the state to be required to collect Utah sales and use taxes, commonly called "remote vendors," may voluntarily collect these taxes. Currently, sales and use tax collection by remote vendors is voluntary, but collection duties will become mandatory if the Supreme Court of the United States authorizes or Congress permits states to require remote vendors to collect a sales or use tax. Utah Code Ann. § 59-12-103.1 (2000). If a remote vendor collects these taxes, transactions are subject to a state tax and a local tax. The state tax is imposed at a rate of 2% for gas, electricity, heat, coal, fuel oil, or other fuels sold for residential use, and 4.75% for all other taxable transactions. The local tax is equal to the sum of the following rates: the lowest tax rate imposed by a county, city, or town under the local sales and use tax, but only if all of the counties, cities, and towns in the state impose the local sales and use tax; and the lowest tax rate imposed by a county under the county option sales and use tax, but only if all the counties in the state impose the county option sales and use tax. Utah Code Ann. § 59-12-103(2)(c) (Supp. 2001). Currently, all counties, cities, and towns in the state impose the local sales and use tax, so this tax applies to transactions for which a remote vendor collects a tax. However, because Emery County, Kane County, and Millard County do not impose the county option sales and use tax, this tax does not apply to transactions for which a remote vendor collects a tax. A portion of the state sales and use taxes collected by remote vendors are deposited into the Remote Sales Restricted Account, and the local sales and use taxes collected by remote vendors are distributed to counties, cities, and towns on the basis of a distribution formula.

7. Except with regard to the state sales and use tax for which no distribution data is available, the amounts shown in this column are based on the actual cash payouts made by the Tax Commission to counties, cities, or towns during the fiscal year. The data for the state sales and use tax reflects the net revenue collected for the fiscal year after making certain subtractions such as refunding amounts to taxpayers. Figures are rounded to the nearest dollar.

8. Utah Code Ann. § 59-12-103(2) (Supp. 2001) provides that the sales and use tax rate is 2% for gas, electricity, heat, coal, fuel oil, or other fuels sold for residential use.

9. All sales and use transactions that are taxable under Utah Code Ann. § 59-12-103 are subject to the 2% tax on gas, electricity, heat, coal, fuel oil, or other fuels sold for residential use or the 4.75% tax on other transactions. See id.

10. See supra note 6.

11. All counties, including all of the cities and towns within those counties, impose a 1% local sales and use tax.

12. See supra note 6.

13. Utah Code Ann. § 59-12-1302(2) (2000) provides that a town may only impose this tax if, on or before January 1, 1996, the town imposed a license fee or tax under Utah Code Ann. § 10-1-203 (Supp. 2001) on businesses on the basis of gross receipts. Snowville is the only town that imposes the town option sales and use tax, and does so at a rate of 1%.

14. The following three counties do not impose the county option sales and use tax: Emery; Kane; and Millard. Twenty-six counties impose a .25% county option sales tax on transactions throughout the county, including transactions within cities and towns located in the county.

15. See supra note 6.
16. Utah Code Ann. § 59-12-401 (2000) provides that a city or town may only impose this tax if the transient room capacity of the city or town is greater than or equal to 66% of the permanent census population. The following 11 cities or towns impose a 1% resort communities tax: Alta; Boulder; Brian Head; East Green River; Green River; Kanab; Moab; Panguitch; Park City; Springdale; and Troy. Monticello imposes a .5% resort communities tax.

17. Utah Code Ann. § 59-12-402 (2000) provides that a city or town may only impose this tax if the transient room capacity is greater than or equal to 66% of the permanent census population. The following five cities or towns impose a .5% additional resort communities tax: Brian Head; East Green River; Green River; Moab; and Springdale.

18. A city or town is not subject to the voter approval requirement if, on or before January 1, 1996, the city or town imposed a license fee or tax under Utah Code Ann. § 10-1-203 on more than one class of businesses on the basis of gross receipts.

19. Utah Code Ann. § 59-12-501 (2000) provides that a county, city, or town may only impose this tax if the county, city, or town is within a transit district organized under Title 17A, Chapter 2, Part 10, Utah Public Transit District Act. The following three counties, including all of the cities or towns within these three counties, impose a .25% public transit tax: Davis; Salt Lake; and Weber. Thirty-five cities or towns outside of these counties impose a .25% public transit tax.

20. Utah Code Ann. § 59-12-502 (Supp. 2001) provides that a county, city, or town may only impose this tax if the county, city, or town is within a transit district organized under Title 17A, Chapter 2, Part 10, Utah Public Transit Act. The following three counties, including all of the cities or towns within these counties, impose a .25% additional public transit tax: Davis; Salt Lake; and Weber.

21. Revenues generated by a county of the first class are the only revenues subject to an allocation formula. Utah Code Ann. § 59-12-502(5) (Supp. 2001) provides that: 75% of the revenues are allocated to fund a fixed guideway system and expanded public transportation system; and 25% of the revenues are allocated to fund new construction, major renovations, and improvements to Interstate 15 and state highways within the county, and to pay any debt service and bond issuance costs related to these projects.

22. Three counties, Salt Lake, Summit, and Uintah, impose a .10% botanical, cultural, recreational, and zoological organizations or facilities tax on transactions throughout the county, including transactions within cities and towns located in the county.

23. Because this tax does not take effect until January 1, 2003, currently there are not any cities or towns that impose the tax.

24. Before a city or town may submit an opinion question to the residents of the city or town on the imposition of this tax, the city or town must first go through a process of obtaining: a written resolution from the county legislative body in which the city or town is located stating that the county legislative body is not seeking to impose a county option tax for botanical, cultural, recreational, and zoological organizations or facilities; or a written statement that the results of a county opinion question submitted to the residents of the county permit the city or town to submit the opinion question to the residents of the city or town. A city or town would be allowed to submit an opinion question to the residents of the city or town if the results of the county opinion question indicate that a majority of the county's registered voters voted against the county imposing the tax, but the majority of the registered voters who are residents of the city or town voted for the imposition of the county tax.

25. Statute does not expressly provide that this tax applies to transactions for which a remote vendor collects a tax, but the tax is not included in the statutory list of taxes that do not apply to transactions for which a remote vendor collects a tax. Utah Code Ann. § 59-12-103(2)(d) (Supp. 2001). For purposes of this table, this tax is classified as not applicable to sales by remote vendors.

26. Because this tax does not take effect until January 1, 2003, no collections have been made.

27. Garfield County and Kane County impose a 1% rural county hospital tax. Uintah County imposes a 0.4% rural county hospital tax. These taxes are imposed on transactions throughout the county, including transactions within cities and towns located in the county.

28. Utah Code Ann. § 59-12-801(2) (2000) provides that a rural city hospital is a hospital owned by a city that is located within a third, fourth, fifth, or sixth class county. Beaver City is the only city that imposes a rural city hospital tax, and does so at a rate of 1%. 

29. Utah Code Ann. § 59-12-1001 (2000) provides that a city or town may impose this tax only if the city or town does not also impose the public transit tax provided for in Title 59, Chapter 12, Part 5, Public Transit Tax. The following 20 cities or towns impose a .25% municipal highways tax: Brian Head; East Green River; Ephraim; Green River; Gunnison; Heber; Hurricane; Ivins; LaVerkin; Moab; Nephi; Price; Richfield; Roosevelt; St. George; Salina; Santa Clara; Vernal; Washington City; and Wellington.
### APPENDIX D-2
#### SALES & USE TAX AUTHORITIES UNDER TITLE 59

Taxes That Do Not Adopt the State Sales and Use Tax Base and Exemptions

Table Data Current Through 10/1/2001

<table>
<thead>
<tr>
<th>Description of Tax</th>
<th>Citation</th>
<th>Maximum Tax Rate (%)</th>
<th>Tax Base</th>
<th>Entity Authorized to Impose Tax</th>
<th>Vote Required Before Imposing</th>
<th>Vendor Discount (%)</th>
<th>Distribution Formula/Revenue Use Restrictions</th>
<th>Tax Applicable to Sales by Remote Vendors</th>
<th>FY 2001 Revenues ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transient room</td>
<td>59-12-301</td>
<td>3.00</td>
<td>room rentals</td>
<td>CO'</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>16,589,528</td>
</tr>
<tr>
<td>Municipality transient room</td>
<td>59-12-352</td>
<td>1.00</td>
<td>room rentals</td>
<td>CI, T</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>650,984</td>
</tr>
<tr>
<td>Add'l municipal transient room</td>
<td>59-12-353</td>
<td>0.50</td>
<td>room rentals</td>
<td>CI, T</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Tourism, recreation, cultural, &amp; convention facilities</td>
<td>59-12-603</td>
<td>3.00</td>
<td>vehicle rentals</td>
<td>CO'</td>
<td>No</td>
<td>1.00 1.00 1.00</td>
<td>No</td>
<td>Yes</td>
<td>9,642,909</td>
</tr>
<tr>
<td>Motor vehicle rental</td>
<td>59-12-1201</td>
<td>2.50</td>
<td>vehicle rentals</td>
<td>S</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>3,587,682</td>
</tr>
</tbody>
</table>

S=state; CO=county; CI=city; and T=town

Prepared by the Office of Legislative Research and General Counsel – November, 2001

Source: Utah State Tax Commission
1. Note 1 of Appendix D-1 explains that Appendix D-1 summarizes taxes that generally adopt the same sales and use tax base and exemptions as the state sales and use tax. See Appendix D-1. This table summarizes taxes contained in Title 59, Revenue and Taxation, that do not adopt the same sales and use tax base and exemptions as the state sales and use tax. In general, the taxes summarized in this table are imposed only on certain transactions, such as room rentals, vehicle rentals, or sales of prepared foods, while the state sales and use tax is imposed on a wide range of transactions and is subject to a number of exemptions.

2. This column lists only the section in Utah Code Ann. 1953, as amended through the 2001 Second Special Session, imposing the tax. In addition to the section imposing the tax, the tax may be addressed in other sections of Utah Code Ann., that are not referenced in this column.

3. Data contained in this table regarding which counties, cities, or towns impose a tax and the rates of taxes imposed by counties, cities, or towns is derived from Utah State Tax Comm'n, Utah Code Title 59, Chapter 12 Sales and Use Tax Act Tax Rates (2001).

4. If a vendor's annual tax liability for certain taxes is $50,000 or more, the vendor is required to file monthly tax returns. A vendor filing monthly tax returns may retain a percentage of certain taxes the vendor collects in recognition of the vendor's costs of collecting and remitting the taxes on a monthly basis. Utah Code Ann. § 59-12-108 (2000). This percentage is commonly called a "vendor discount." In addition to the vendor discounts summarized in this table and Appendix D-1, Utah Code Ann. § 59-12-108 allows a vendor discount for the municipal energy sales and use tax provided for in Title 10, Chapter 1, Part 3, Municipal Energy Sales and Use Tax Act.

5. This column indicates whether a tax is subject to a distribution formula or imposes restrictions on the use of revenues generated by the tax. The column does not reflect as a distribution formula an administrative fee that the Utah State Tax Commission ("Tax Commission") retains for the taxes imposed by a county, city, or town but collected by the Tax Commission. Use restrictions under this column do not include provisions authorizing tax revenues to be used for state General Fund purposes for county, city, or town general fund purposes.


7. Except for the motor vehicle rental tax for which no distribution data is available, the amounts in this column are based on the actual cash payouts made by the Tax Commission to counties, cities, or towns during the fiscal year. The amount for the motor vehicle rental tax reflects the net revenue collected for the fiscal year after making certain subtractions such as refunding amounts to taxpayers. Figures are rounded to the nearest dollar.

8. Utah Code Ann. § 59-12-301 (Supp. 2001) provides that a county legislative body may impose a tax on "the rent for every occupancy of a suite or room: (i) on the following entities doing business as motor courts, motels, hotels, inns, or providing similar public accommodations . . . ."

9. All counties impose a 3% transient room tax on transactions throughout the county, including transactions within cities and towns located in the county.

10. The collection of the transient room tax, municipality transient room tax, and additional municipal transient room tax is unique as compared to the collection of other local option sales and use taxes because a county, city, or town imposing such a tax is allowed to "collect the tax imposed by [the county, city, or town] and need not transmit [the tax] to the [Tax Commission] or contract with the [Tax Commission] to collect [the tax]." Utah Code Ann. § 59-12-302(1) (2000). See also Utah Code Ann. § 59-12-354(2) (2000). A retailer is, however, required to report the amount of tax collected to the Tax Commission. All other sales and use taxes imposed by a county, city, or town under Title 59, Revenue and Taxation, are collected by the Tax Commission rather than by the county, city, or town. This column does not include amounts collected by a county, city, or town rather than by the Tax Commission.

11. Utah Code Ann. §§ 59-12-352, -353 (2000) provide that a city or town may impose a tax on the rents charged to transients occupying public accommodations. Utah Code Ann. § 59-12-351 (Supp. 2001) defines "public accommodation" as "a place providing temporary sleeping accommodations that is regularly rented to the public and includes: (a) a motel; (b) a hotel; (c) a motor court; (d) an inn; (e) a bed and breakfast establishment; (f) a condominium; and (g) a resort home." Utah Code Ann. § 59-12-351 also defines "rents" to include rents and timeshare fees or dues, and provides that "transient" means "a person who occupies a public accommodation for less than 30 consecutive days."

12. At least the following 20 cities or towns impose a 1% municipality transient room tax: Brigham; Blanding; East Green River; Green River; Heber; Holliday; Lindon; Marriott-Slaterville; Midway; Moab; Monticello; Orem; Price; Richfield; Roosevelt; Salina; South Salt Lake; Springdale; Springfield; and West Valley City. There may be additional cities or towns not listed in this note that impose a municipality transient room tax, collect the tax directly, and do not report to the Tax Commission that the city or town imposes and collects the municipality transient room tax.

14. **Utah Code Ann.** § 59-12-353 provides that a city or town may only impose this tax if the governing body of the city or town: 

[(a)] before January 1, 1996, levied and collected a license fee or tax under [**Utah Code Ann.**] § 10-1-203; and 

[(b)] before January 1, 1997, took official action to obligate the [city or town] in reliance on the license fees or taxes under [**Utah Code Ann.**] § 10-1-203 to the payment of debt service on bonds or other indebtedness, including lease payments under a lease purchase agreement." At least Moab, Roosevelt, Springville, and West Valley City impose an additional municipal transient room tax at a rate of 0.5%. There may be additional cities or towns not listed in this note that impose an additional municipal transient room tax, collect the tax directly, and do not report to the Tax Commission that the city or town imposes and collects the additional municipal transient room tax.

15. The statute authorizing the tax does not expressly require that revenues generated by the tax be used for the repayment of debt. However, the conditions for imposing the tax and the length of time that the tax may be imposed are contingent upon the repayment of debt. For example, to impose the tax a city or town must have taken official action to obligate the city or town to the payment of certain indebtedness. See supra note 14. In addition, a city or town may only impose the tax until the sooner of: the day on which the indebtedness or related obligations are paid in full; or 25 years from the day on which the city or town imposed the tax. **Utah Code Ann.** § 59-12-353(2). Consequently, for purposes of this table, this tax is classified as having revenue use restrictions.

16. **Utah Code Ann.** § 59-12-603 (Supp. 2001) authorizes a county to impose the following taxes:

**Vehicle rental taxes:** imposed on "short-term leases and rentals of motor vehicles not exceeding 30 days, except for leases and rentals of motor vehicles made for the purpose of temporarily replacing a person's motor vehicle that is being repaired pursuant to a repair or an insurance agreement."

**Tax on prepared food:** imposed on "sales of prepared foods and beverages that are sold by restaurants." 'Restaurant' includes any coffee shop, cafeteria, luncheonette, soda fountain, or fast-food service where food is prepared for immediate consumption. 'Restaurant' does not include: [(a)] any retail establishment whose primary business or function is the sale of fuel or food items for off-premise, but not immediate, consumption; and [(b)] a theater that sells food items, but not a dinner theater." **Utah Code Ann.** § 59-12-602(4) (2000).

**Tax on room rentals:** imposed on "the rent for every occupancy of a suite or room: (i) on the following entities doing business as motor courts, motels, hotels, inns, or providing similar public accommodations . . . ."

17. Tourism, recreation, cultural, and convention facilities taxing authorities are described below:

**Vehicle rental taxes:** **Utah Code Ann.** § 59-12-603 provides that a county may only impose the 4% vehicle rental tax if the county also imposes the 3% vehicle rental tax. The following nine counties impose the 3% vehicle rental tax: Davis; Duchesne; Grand; Morgan; Salt Lake; Sevier; Uintah; Washington; and Weber. These taxes are imposed on vehicle rentals throughout the county, including vehicle rentals within cities and towns located in the county.

**Tax on prepared food:** The following four counties do not impose a tax on prepared food: Emery; Millard; Piute; and San Juan. Twenty-five counties impose a 1% tax on sales of prepared food throughout the county, including sales of prepared food within cities and towns located in the county.

**Tax on room rentals:** The tax on room rentals may only be imposed by a county of the first class. Consequently, Salt Lake County is the only county imposing this tax.

18. This total combines the 3% vehicle rental tax and the 4% vehicle rental tax.

19. **Utah Code Ann.** § 59-12-1201 (2000) provides that this tax shall be imposed on "all short-term leases and rentals of motor vehicles not exceeding 30 days." The statute provides exemptions from the tax including exemptions for the following motor vehicles, leases, or rentals: certain motor vehicles weighing 12,001 or more pounds; a motor vehicle rented as a personal household goods moving van; and leases or rentals of motor vehicles for the purpose of temporarily replacing a person's vehicle that is being repaired pursuant to a repair agreement or an insurance agreement.

20. The statute authorizing the motor vehicle rental tax does not expressly identify the entity authorized to impose the tax. However, because all motor vehicle rentals in the state are subject to this 2.5% tax, for purposes of this table the motor vehicle rental tax is classified as being imposed by the state.
Appendix E
## Appendix E

### Overview of Selected Taxes

Table Data Current Through 11/1/2001

This table provides an overview of some Utah taxes that are not major taxes, but which supplement state and local revenues. The table is not a comprehensive summary of all taxes imposed by statute. Except for premium assessments ("assessments") relating to the taxation of insurers and the brine shrimp royalty, this table does not address fees, assessments, royalties, or other similar charges. The table does not address withholding taxes. Property taxes, uniform fees on motor vehicles, individual income taxes, corporate franchise and income taxes, and gross receipts taxes are discussed in the body of the briefing paper and are not summarized in this table. Except for the municipal energy sales and use tax which is summarized in this table, state and local sales and use taxes are addressed in Appendix D.

<table>
<thead>
<tr>
<th>Tax Category</th>
<th>Tax</th>
<th>Citation1</th>
<th>Brief Description</th>
<th>FY2001 Net Revenues ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax on Property</td>
<td>Privilege Tax</td>
<td>59-4-101</td>
<td>The tax is imposed on real or personal property that is exempt from taxation if that property is used in connection with a business conducted for profit. Exemptions are provided by statute. This tax is assessed, collected, and distributed to taxing entities in the same manner as the property tax.</td>
<td>Not Available¹</td>
</tr>
<tr>
<td>Tax on Sales or Uses</td>
<td>Municipal Energy Sales and Use Tax</td>
<td>10-1-304</td>
<td>A city or town may impose a tax of up to 6% of the delivered value of gas or electricity within the city or town. Exemptions are provided by statute. A city or town imposing the tax receives the revenues generated by the tax.</td>
<td>2,947,163</td>
</tr>
<tr>
<td>Taxes on Income</td>
<td>Inheritance Taxes</td>
<td>59-11-103 59-11-104</td>
<td>For decedents who are Utah residents, the tax is equal to the amount of the state death tax credit allowed under Section 2011, Internal Revenue Code (&quot;Section 2011&quot;). For nonresident decedents, the tax is a percentage of the Section 2011 state death tax credit, calculated on the basis of the value of the decedent's property located in the state. Exemptions and credits are provided by statute. Revenues generated by the taxes are deposited into the General Fund.</td>
<td>30,017,185</td>
</tr>
<tr>
<td>Fuel Taxes</td>
<td>Motor Fuel Tax</td>
<td>59-13-201</td>
<td>The tax is imposed at a rate of 24.5¢ per gallon on motor fuel that is sold, used, or received for sale or use in the state. Exemptions, reductions, and refunds are provided by statute. Revenues generated by the tax are deposited into the Transportation Fund and the General Fund.</td>
<td>229,410,348</td>
</tr>
<tr>
<td></td>
<td>Special Fuel Tax</td>
<td>59-13-301</td>
<td>The tax is imposed at a rate of 24.5¢ per gallon on fuels that: are usable as fuel to operate or propel a motor vehicle on state highways; and are not taxed as aviation fuel or motor fuel. Exemptions, reductions, and refunds are provided by statute. Revenues generated by the tax are deposited into the Transportation Fund.</td>
<td>80,849,044</td>
</tr>
<tr>
<td></td>
<td>Aviation Fuel Tax</td>
<td>59-13-401</td>
<td>Aviation fuel purchased for use by a federally certificated air carrier is subject to a 4¢ per gallon tax. All other aviation fuel is subject to a 9¢ per gallon tax. Refunds and credits are provided by statute. Revenues generated by the tax are deposited into the Transportation Fund's Restricted Revenue Account for aeronautical operations. These revenues are allocated to the airport where the aviation fuel was sold and to aeronautical operations of the Department of Transportation in accordance with a formula established by statute.</td>
<td>8,815,994</td>
</tr>
<tr>
<td>Tax Category</td>
<td>Tax</td>
<td>Citation¹</td>
<td>Brief Description²</td>
<td>FY2001 Net Revenues ($)³</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>------------------------------</td>
<td>-----------</td>
<td>-------------------------------------------------------------------------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Mineral Extraction Taxes</td>
<td>Oil and Gas Severance Tax</td>
<td>59-5-102</td>
<td>The tax is imposed on &quot;the value, at the well, of oil or gas produced, saved, and</td>
<td>39,357,798</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>sold or transported from the field where the substance was produced.&quot; The rates of</td>
<td></td>
</tr>
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<td></td>
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<td>the tax for oil are as follows: 3% of the value up to and including the first $13</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>per barrel; and 5% of the value from $13.01 and above per barrel. The rates of the</td>
<td></td>
</tr>
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<td></td>
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<td></td>
<td>tax for natural gas are as follows: 3% of the value up to and including the first</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1.50 per MCF; and 5% of the value from $1.51 and above per MCF. The tax rate is</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4% of the taxable value for natural gas liquids. Exemptions, reductions, and credits</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>are provided by statute. Certain revenues generated by the tax are deposited into</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>the Uintah Basin Revitalization Fund and the Navajo Revitalization Fund as provided</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>by statute, and the remainder of the revenues are deposited into the General Fund.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mining Severance Tax</td>
<td>59-5-202</td>
<td>The tax is imposed on a person engaged in the business of mining or extracting</td>
<td>6,203,714</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>metalliferous minerals in the state at a rate of 2.6% of the taxable value of &quot;all</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>metals or metalliferous minerals sold or otherwise disposed of.&quot; Methods for</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>determining &quot;taxable value&quot; are provided by statute, and the calculation of taxable</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>value differs depending on the type of mineral.&quot; Exemptions are provided by</td>
<td></td>
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<td>statute. Revenues generated by the tax are deposited into the General Fund.</td>
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<tr>
<td>Tobacco or Alcohol Taxes</td>
<td>Cigarette Tax</td>
<td>59-14-204</td>
<td>The tax is imposed on the sale, use, or storage of cigarettes in the state. The</td>
<td>42,859,511</td>
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<td>rates of the tax are as follows: 2.575¢ on each cigarette, for cigarettes weighing</td>
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<td>not more than three pounds per thousand cigarettes; and</td>
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<td>3.175¢ on each cigarette, for cigarettes weighing in excess of three pounds per</td>
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<td>thousand cigarettes. For cigarettes weighing not more than three pounds per</td>
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<td>thousand cigarettes, the tax amounts to 51.5¢ per package of 20 cigarettes, and</td>
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<td>64.375¢ per package of 25 cigarettes. Exemptions and refunds are provided by</td>
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<td>statute. The tax is generally paid by purchasing from the Tax Commission a stamp</td>
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<td>which is required by law to be affixed to packages or containers of cigarettes. A</td>
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<td>4% discount is allowed for stamp purchases in excess of $25. A portion of the</td>
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<td>revenues generated by the tax are deposited into the Cigarette Tax Restricted</td>
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<td>Account to be used by the Department of Health for a tobacco prevention and control</td>
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<td>media campaign targeted towards children. The remainder of the revenues are</td>
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<td></td>
<td></td>
<td>deposited into the General Fund.</td>
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<tr>
<td>Tobacco Products Tax</td>
<td>59-14-302</td>
<td></td>
<td>The tax is imposed at a rate of 35% of the manufacturer's sales price on the sale,</td>
<td>4,729,248</td>
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<td>use, or storage of tobacco products, other than cigarettes, in the state. Exemptions,</td>
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<td>refunds, and credits are provided by statute. Revenues generated by the tax are</td>
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<td></td>
<td></td>
<td></td>
<td>deposited into the General Fund.</td>
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<tr>
<td>Beer Tax</td>
<td>59-15-101</td>
<td></td>
<td>The tax is imposed at a rate of $11 per 31-gallon barrel on all beer which is</td>
<td>10,320,329</td>
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<td>imported or manufactured for sale, use, or distribution in the state. Bottled and</td>
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<td>canned beer is converted to barrel equivalents on tax returns. Exemptions and</td>
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<td>credits are provided by statute. Revenues generated by the tax are deposited into</td>
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<td></td>
<td></td>
<td></td>
<td>the General Fund.</td>
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<tr>
<td>Wine and Liquor Tax</td>
<td>59-16-101</td>
<td></td>
<td>The tax is imposed on retail sales of wine and distilled liquors sold by the</td>
<td>14,696,313</td>
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<td></td>
<td>Department of Alcoholic Beverage Control at a rate of 13% of the retail purchase</td>
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<td>price. Revenues generated by the tax are deposited into the Uniform School Fund and</td>
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<td>used to support the school lunch program administered by the State Board of</td>
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<td></td>
<td>Education.</td>
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<tr>
<td>Tax Category</td>
<td>Tax</td>
<td>Citation</td>
<td>Brief Description</td>
<td>FY2001 Net Revenues ($)</td>
</tr>
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<td>----------------------</td>
<td>------------------------</td>
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<td>-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>Miscellaneous Taxes</td>
<td>Insurance Premium Taxes</td>
<td>59-9-101</td>
<td>Several taxes or assessments are imposed on the basis of insurance premiums, including: a tax of 2.25% of certain premiums from insurance covering property or risks located in the state; a premium assessment of between 1% and 8%, as determined by the Labor Commission, of certain workers’ compensation premium income received by an insurer from workers’ compensation insurance in the state; a tax of .45% of certain premiums for title insurance concerning property located in the state; a tax of .01% of certain premiums from policies covering motor vehicle risks in the state; and, for calendar years beginning on January 1, 2002, through December 31, 2004, an assessment of up to 2%, as determined by the Labor Commission, of certain workers’ compensation premium income. An insurer may be subject to one or a combination of these taxes or assessments. For certain other insurers that are not otherwise subject to taxation, a tax on the basis of administrative and claims expense is imposed, at a rate of 3.25% for insurers providing workers' compensation coverage on persons employed in the state, and 2.25% for other insurers. Exemptions, reductions, and offsets are provided by statute. Revenues generated by these taxes are deposited into a variety of funds, including: the General Fund; the Employers' Reinsurance Fund; the Fire Academy Support Fund; the Fireman's Pension Fund; the Uninsured Employers' Fund; and the Workplace Safety Account. Revenues generated by the .01% tax on certain premiums from policies covering motor vehicle risks in the state are deposited into the General Fund but used as a dedicated credit to pay certain expenses of the Insurance Department.</td>
<td>83,408,113[1]</td>
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<td>59-9-101.3</td>
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<td>59-9-103</td>
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<td>59-9-105</td>
<td></td>
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<td></td>
<td>Illegal Drug Stamp Tax</td>
<td>59-19-103</td>
<td>The tax is imposed as follows: on each gram of marijuana, or each portion of a gram, $3.50; on each gram of a controlled substance, or each portion of a gram, $200; and on each 50 dosage unit of a controlled substance that it not sold by weight, or each portion of such a unit, $2,000. A person who is lawfully in possession of marijuana or a controlled substance is not subject to the tax. The tax is paid by purchasing stamps from the Tax Commission. Revenues generated by the tax are deposited into the Drug Stamp Tax Fund as a dedicated credit and allocated as provided by statute for purposes including: the Tax Commission's &quot;administrative costs of recovery;&quot; and to enforce controlled substance laws.</td>
<td>(50)[4]</td>
</tr>
<tr>
<td></td>
<td>Brine Shrimp Royalty</td>
<td>59-23-4</td>
<td>The royalty is imposed at a rate of .035 of the value of unprocessed brine shrimp eggs. The Tax Commission annually determines the value of unprocessed brine shrimp eggs in accordance with a valuation methodology established by administrative rule. Revenues generated by the royalty are deposited into the Species Protection Account.</td>
<td>212,215</td>
</tr>
<tr>
<td></td>
<td>Radioactive Waste Tax</td>
<td>59-24-103</td>
<td>The tax is imposed at the following rates: 12% of the gross receipts received from the disposal of containerized class A low-level radioactive waste; 10% of the gross receipts received from the disposal of processed class A low-level radioactive waste; 5% of the gross receipts received from the disposal of uncontainerized, unprocessed class A low-level radioactive waste; 10 cents per cubic foot of alternate feed material received at a radioactive waste facility for disposal or reprocessing; and 10 cents per cubic foot of byproduct material received at a radioactive waste facility for disposal. Exemptions are provided by statute. Revenues generated by the tax are deposited into the General Fund.</td>
<td>Not Available[5]</td>
</tr>
</tbody>
</table>

Prepared by the Office of Legislative Research and General Counsel – November, 2001
Source: Utah State Tax Commission

7. For example, Utah Code Ann. § 59-5-203 (2000) provides that: for all metals except beryllium, taxable value equals 30% "of the gross proceeds received for the metals sold or otherwise disposed of by the producer of the metal"; for beryllium, taxable value equals 20% "of the gross proceeds received for the beryllium sold or otherwise disposed of by the producer"; and for metalliferous minerals shipped out of state in the form of ore, taxable value equals "80% of the gross proceeds."


9. Utah Code Ann. § 59-9-101.3 (Supp. 2001) provides that certain self-insured employers that are allowed to pay workers' compensation direct pay the assessment on the basis of an amount that is equivalent to the total workers' compensation premium income.

10. There are a variety of taxes or other tax-related provisions in titles other than Title 59, Chapter 9, Taxation of Admitted Insurers ("Chapter 9"), that are not discussed in this table. Examples of these taxes or tax-related provisions include: taxes similar to the taxes imposed by Chapter 9, that are imposed on insurers not subject to taxation under Chapter 9; subject to some exceptions, provisions subjecting an insurer of another state or country doing business in Utah to taxes, fees, licenses, or other requirements that the insurer's state or country imposes on Utah insurers in excess of the taxes, fees, licenses, or other requirements the state or country imposes on similar insurers of that state or country; and provisions increasing the tax rate applicable under Chapter 9 if an insurance transaction violates certain statutes. See, e.g., Utah Code Ann. §§ 31A-3-302, 31A-3-401, 402 (Supp. 2001); Utah Code Ann. § 34A-2-202 (Supp. 2001).

11. The Tax Commission is not collecting the assessment provided for in Utah Code Ann. § 59-9-101.3 because the authorization to impose the assessment takes effect on January 1, 2002. In addition, the Tax Commission is not collecting a tax on certain other insurers that are not otherwise subject to taxation provided for in Utah Code Ann. § 59-9-103 (2000). The Tax Commission confirmed in a telephone conversation that the amount listed as FY2001 net revenues collected for the insurance premium taxes are the net revenues collected for the taxes or assessments provided for in Utah Code Ann. §§ 59-9-101, -105. Telephone Conversation with Lynn Solarczyk, Administrative Officer, Tax Commission (Nov. 1, 2001).


13. "Administrative costs of recovery" is not defined in Title 59, Chapter 19, Illegal Drug Stamp Tax Act. Additionally, it should be noted that in 1997 the Utah Supreme Court ruled that "when imposed in connection with but separate from related criminal proceedings, [the Illegal Drug Stamp Tax is punitive and] violates the Double Jeopardy Clause of the United States Constitution." Brunner v. Collection Div. of the Utah State Tax Comm'n, 945 P.2d 687, 691 (Utah 1997).

14. The Tax Commission is not collecting this tax and the $50 net revenue loss for FY2001 is for costs incurred to pay court filing fees. Conversation with Lynn Solarczyk, Administrative Officer, Tax Commission (Nov. 2, 2001).

15. The Tax Commission stated in a telephone conversation that confidentiality statutes do not permit the Tax Commission to release collection data for this tax directly to the Office of Legislative Research and General Counsel. Telephone Conversation with Lynn Solarczyk, Administrative Officer, Tax Commission (Nov. 1, 2001).
Appendix F
Principles of a High Quality Revenue System

A high quality revenue system is:

- Composed of elements that are complementary
- Produces revenue in a reliable manner
- Relies on a balanced variety of revenue sources
- Treats individuals equitably
- Promotes fair, efficient, and effective administration
- Is responsive to interstate and international economic competition
- Minimizes involvement in private spending decisions
- Is accountable to taxpayers

APPENDIX F-2

Guiding Principles of An Effective State Revenue System

These principles are designed to make explicit the philosophical framework and the practical limits of an effective state revenue system.

1. Simplicity: Taxes should be readily understood by taxpayers and easily administered.

2. Certainty: Taxes should be designed to ensure fiscal certainty for the taxpayer and government so as to avoid frequent changes in rates and base designs.

3. Revenue Adequacy: Revenues should be designed so as to cover costs of government without generating large surpluses or increasing reliance on debt financing.

4. Diversification and Balance: The tax structure should rely on a variety of taxes. In particular, sales, income, and property taxes should be important elements of the tax system. These taxes should have a broad base so that rates can be as low as possible.

5. Neutrality: Taxes should be designed to minimize unintended interference with private economic decisions. All exemptions to tax liability should be examined as to their intended purpose and as to their effectiveness.

6. Competitiveness: Rates and distribution burdens should be compared and evaluated for their effect on the growth of the state's economy and employment, and on the migration of residents to and from the state.

7. Equity: Where appropriate, tax burdens should be distributed according to the benefits received from the government. For those activities of government where the benefit principle does not apply, the ability to pay principle requires that individuals with equal economic capacities pay the same amount of tax and persons with a greater capacity bear a somewhat larger tax burden.

8. Accountability: Taxes should be designed so that changes in tax burden or distribution of tax burdens is explicit and fully disclosed and not hidden through complex institutional arrangements.

9. Growth: The tax system should be designed so that the growth of tax revenues is at about the same rate as the growth of the economy.

10. Reform: Devices to "hold harmless" or "grandfather" existing policies could embed inequities within the system and thwart reform purposes. If transition mechanisms are required, they should be of short duration.

Prepared by: Office of Legislative Research and General Counsel
During its 1990 General Session, the Utah Legislature adopted three resolutions that outlined Utah's policies with regards to the property taxes, income tax, and sales and use taxes. These policies were developed by the Tax Recodification Commission and are meant to be a guide for lawmakers in reviewing tax policy.

**Property Tax Policy**

The property tax system should:

- Uniformly appraise taxable property at fair market value
- Be professionally administered and adequately funded
- Be simple and understandable for the taxpayer
- Provide to the public adequate information about valuation, tax changes, and the appeals process
- Carefully scrutinize property tax exemptions
- Recognize the unique status of residential property
- Discourage 'tax forum shopping' and promote uniformity in the taxation of mobile personal property

**Personal Income Tax Policy**

The state individual income tax should be:

- Broadly based
- Structured to shield subsistence income from taxation
- Structured so as to be moderately progressive
- Indexed for inflation
- Linked to the current federal income tax system
Sales and Use Tax Policy

- The sales and use tax should be broadly based:
  - reflect the overall economy
  - exemptions carefully scrutinized for these purposes
    - taxation and economic efficiency
    - societal objectives
    - economic development

- The sales and use tax base should seek to mitigate regressive impacts.

- The sales and use tax should be administratively simple.

- The sales and use tax should promote compliance.

- Revenue from the sales and use tax should not be earmarked.

Source: