

**SALES TAX EXEMPTION FOR
MUNICIPALITY-SPONSORED EVENTS**

1998 GENERAL SESSION

STATE OF UTAH

Sponsor: David Ure

AN ACT RELATING TO THE SALES AND USE TAX ACT; PROVIDING A SALES AND
USE TAX EXEMPTION FOR CERTAIN MUNICIPALITY-SPONSORED EVENTS;
MAKING TECHNICAL CHANGES; AND PROVIDING AN EFFECTIVE DATE.

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

AMENDS:

59-12-104, as last amended by Chapters 218, 299, 344 and 378, Laws of Utah 1997

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

Section 1. Section **59-12-104** is amended to read:

59-12-104. Exemptions.

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

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

(2) through December 31, 1995, sales to the state, its institutions, and its political
subdivisions, except sales of construction materials however, construction materials purchased by
the state, its institutions, or its political subdivisions which are installed or converted to real
property by employees of the state, its institutions, or its political subdivisions are exempt;

(3) beginning January 1, 1996, sales to the state, its institutions, and its political
subdivisions; however, this exemption does not apply to sales of construction materials except:

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

- 1 (b) construction materials purchased by the state, its institutions, or its political
- 2 subdivisions which are installed or converted to real property by employees of the state, its
- 3 institutions, or its political subdivisions;
- 4 (4) sales of food, beverage, and dairy products from vending machines in which the
- 5 proceeds of each sale do not exceed \$1 if the vendor or operator of the vending machine reports
- 6 an amount equal to 150% of the cost of items as goods consumed;
- 7 (5) sales of food, beverage, dairy products, similar confections, and related services to
- 8 commercial airline carriers for in-flight consumption;
- 9 (6) sales of parts and equipment installed in aircraft operated by common carriers in
- 10 interstate or foreign commerce;
- 11 (7) sales of commercials, motion picture films, prerecorded audio program tapes or
- 12 records, and prerecorded video tapes by a producer, distributor, or studio to a motion picture
- 13 exhibitor, distributor, or commercial television or radio broadcaster;
- 14 (8) sales of cleaning or washing of tangible personal property by a coin-operated laundry
- 15 or dry cleaning machine;
- 16 (9) sales made to or by religious or charitable institutions in the conduct of their regular
- 17 religious or charitable functions and activities, if the requirements of Section 59-12-104.1 are
- 18 fulfilled;
- 19 (10) sales of vehicles of a type required to be registered under the motor vehicle laws of
- 20 this state which are made to bona fide nonresidents of this state and are not afterwards registered
- 21 or used in this state except as necessary to transport them to the borders of this state;
- 22 (11) sales of medicine;
- 23 (12) sales or use of property, materials, or services used in the construction of or
- 24 incorporated in pollution control facilities allowed by Sections 19-2-123 through 19-2-127;
- 25 (13) sales of meals served by:
- 26 (a) churches, charitable institutions, and institutions of higher education, if the meals are
- 27 not available to the general public; and
- 28 (b) inpatient meals provided at medical or nursing facilities;
- 29 (14) isolated or occasional sales by persons not regularly engaged in business, except the
- 30 sale of vehicles or vessels required to be titled or registered under the laws of this state in which
- 31 case the tax is based upon:

1 (a) the bill of sale or other written evidence of value of the vehicle or vessel being sold;
2 or

3 (b) in the absence of a bill of sale or other written evidence of value, the then existing fair
4 market value of the vehicle or vessel being sold as determined by the commission;

5 (15) (a) the following purchases or leases by a manufacturer on or after July 1, 1995:

6 (i) machinery and equipment:

7 (A) used in the manufacturing process;

8 (B) having an economic life of three or more years; and

9 (C) used:

10 (I) to manufacture an item sold as tangible personal property; and

11 (II) in new or expanding operations in a manufacturing facility in the state; and

12 (ii) subject to the provisions of Subsection (15)(b), normal operating replacements that:

13 (A) have an economic life of three or more years;

14 (B) are used in the manufacturing process in a manufacturing facility in the state;

15 (C) are used to replace or adapt an existing machine to extend the normal estimated useful
16 life of the machine; and

17 (D) do not include repairs and maintenance;

18 (b) the rates for the exemption under Subsection (15)(a)(ii) are as follows:

19 (i) beginning July 1, 1996, through June 30, 1997, 30% of the sale or lease described in
20 Subsection (15)(a)(ii) is exempt;

21 (ii) beginning July 1, 1997, through June 30, 1998, 60% of the sale or lease described in
22 Subsection (15)(a)(ii) is exempt; and

23 (iii) beginning July 1, 1998, 100% of the sale or lease described in Subsection (15)(a)(ii)
24 is exempt;

25 (c) for purposes of this subsection, the commission shall by rule define the terms "new or
26 expanding operations" and "establishment"; and

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

29 (i) review the exemptions described in Subsection (15)(a) and make recommendations to
30 the Revenue and Taxation Interim Committee concerning whether the exemptions should be
31 continued, modified, or repealed; and

- 1 (ii) include in its report:
- 2 (A) the cost of the exemptions;
- 3 (B) the purpose and effectiveness of the exemptions; and
- 4 (C) the benefits of the exemptions to the state;
- 5 (16) sales of tooling, special tooling, support equipment, and special test equipment used
- 6 or consumed exclusively in the performance of any aerospace or electronics industry contract with
- 7 the United States government or any subcontract under that contract, but only if, under the terms
- 8 of that contract or subcontract, title to the tooling and equipment is vested in the United States
- 9 government as evidenced by a government identification tag placed on the tooling and equipment
- 10 or by listing on a government-approved property record if a tag is impractical;
- 11 (17) intrastate movements of:
- 12 (a) freight by common carriers; and
- 13 (b) people by taxicabs as described in SIC Code 4121 of the Standard Industrial
- 14 Classification Manual of the federal Executive Office of the President, Office of Management and
- 15 Budget;
- 16 (18) sales of newspapers or newspaper subscriptions;
- 17 (19) tangible personal property, other than money, traded in as full or part payment of the
- 18 purchase price, except that for purposes of calculating sales or use tax upon vehicles not sold by
- 19 a vehicle dealer, trade-ins are limited to other vehicles only, and the tax is based upon:
- 20 (a) the bill of sale or other written evidence of value of the vehicle being sold and the
- 21 vehicle being traded in; or
- 22 (b) in the absence of a bill of sale or other written evidence of value, the then existing fair
- 23 market value of the vehicle being sold and the vehicle being traded in, as determined by the
- 24 commission;
- 25 (20) sprays and insecticides used to control insects, diseases, and weeds for commercial
- 26 production of fruits, vegetables, feeds, seeds, and animal products, but not those sprays and
- 27 insecticides used in the processing of the products;
- 28 (21) (a) sales of tangible personal property used or consumed primarily and directly in
- 29 farming operations, including sales of irrigation equipment and supplies used for agricultural
- 30 production purposes, whether or not they become part of real estate and whether or not installed
- 31 by farmer, contractor, or subcontractor, but not sales of:

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

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

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

9 (b) sales of hay;

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

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

14 (24) sales of nonreturnable containers, nonreturnable labels, nonreturnable bags,
15 nonreturnable shipping cases, and nonreturnable casings to a manufacturer, processor, wholesaler,
16 or retailer for use in packaging tangible personal property to be sold by that manufacturer,
17 processor, wholesaler, or retailer;

18 (25) property stored in the state for resale;

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

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

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

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

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

1 Sec. 1786;

2 (31) (a) sales or leases made before June 30, 1996, of rolls, rollers, refractory brick,
3 electric motors, and other replacement parts used in the furnaces, mills, and ovens of a steel mill
4 described in SIC Code 3312 of the 1987 Standard Industrial Classification Manual of the federal
5 Executive Office of the President, Office of Management and Budget; or

6 (b) contracts entered into or orders placed on or before January 1, 1996, to purchase or
7 lease an item described in Subsection (31)(a) if the contract or order constitutes a:

8 (i) legal obligation to purchase or lease an item described in Subsection (31)(a); and

9 (ii) sale or lease under Section 59-12-102 on or before June 30, 1997;

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

14 (33) sales of tangible personal property to persons within this state that is subsequently
15 shipped outside the state and incorporated pursuant to contract into and becomes a part of real
16 property located outside of this state, except to the extent that the other state or political entity
17 imposes a sales, use, gross receipts, or other similar transaction excise tax on it against which the
18 other state or political entity allows a credit for taxes imposed by this chapter;

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

21 (35) amounts paid for the purchase of telephone service for purposes of providing
22 telephone service;

23 (36) fares charged to persons transported directly by a public transit district created under
24 the authority of Title 17A, Chapter 2, Part 10, Public Transit Districts;

25 (37) sales or leases of vehicles to, or use of vehicles by an authorized carrier;

26 (38) until July 1, 2000, 45% of the sales price of any new manufactured home and 100%
27 of the sales price of any used manufactured home;

28 (39) sales relating to schools and fundraising sales;

29 (40) sales or rentals of home medical equipment and supplies;

30 (41) (a) sales to a ski resort of electricity to operate a passenger tramway as defined in
31 Subsection 63-11-38(8); and

- 1 (b) the commission shall by rule determine the method for calculating sales exempt under
2 Subsection (41)(a) that are not separately metered and accounted for in utility billings;
3 (42) sales to a ski resort of:
4 (a) snowmaking equipment;
5 (b) ski slope grooming equipment; and
6 (c) passenger tramways as defined in Subsection 63-11-38(8);
7 (43) sales of natural gas, electricity, heat, coal, fuel oil, or other fuels for industrial use;
8 (44) sales or rentals of the right to use or operate for amusement, entertainment, or
9 recreation a coin-operated amusement device as defined in Subsection 59-12-102(3);
10 (45) sales of cleaning or washing of tangible personal property by a coin-operated car wash
11 machine;
12 (46) sales by the state or a political subdivision of the state, except state institutions of
13 higher education as defined in Section 53B-3-102, of:
14 (a) photocopies; or
15 (b) other copies of records held or maintained by the state or a political subdivision of the
16 state; [and]
17 (47) (a) amounts paid:
18 (i) to a person providing intrastate transportation to an employer's employee to or from the
19 employee's primary place of employment;
20 (ii) by an:
21 (A) employee; or
22 (B) employer; and
23 (iii) pursuant to a written contract between:
24 (A) the employer; and
25 (B) (I) the employee; or
26 (II) a person providing transportation to the employer's employee; and
27 (b) in accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act, the
28 commission may for purposes of Subsection (47)(a) make rules defining what constitutes an
29 employee's primary place of employment; and
30 (48) sales at an event approved by the legislative body of a city of the third class or a town
31 if all of the:

1 (a) services performed at the event are performed by a volunteer as defined in Subsection
2 67-20-2(3)(a); and

3 (b) the net proceeds from the event are used to:

4 (i) build or operate, within the city or town, a:

5 (A) park; or

6 (B) public facility; or

7 (ii) fund a community-wide:

8 (A) program; or

9 (B) event.

10 Section 2. **Effective date.**

11 This act takes effect on July 1, 1998.

Legislative Review Note
as of 10-28-97 7:33 AM

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

Office of Legislative Research and General Counsel