

**PROPERTY TAX - INTANGIBLES**

**EXEMPTION**

1998 GENERAL SESSION

STATE OF UTAH

**Sponsor: John L. Valentine**

AN ACT RELATING TO THE PROPERTY TAX ACT; MODIFYING THE DEFINITION OF PROPERTY; REPEALING OBSOLETE LANGUAGE; MAKING TECHNICAL CHANGES; AND PROVIDING FOR RETROSPECTIVE OPERATION.

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

AMENDS:

**59-2-102**, as last amended by Chapter 360, Laws of Utah 1997

REPEALS:

**59-2-304**, as last amended by Chapter 263, Laws of Utah 1991

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

Section 1. Section **59-2-102** is amended to read:

**59-2-102. Definitions.**

As used in this chapter and title:

(1) "Aerial applicator" means aircraft or rotorcraft used exclusively for the purpose of engaging in dispensing activities directly affecting agriculture or horticulture with an airworthiness certificate from the Federal Aviation Administration certifying the aircraft or rotorcraft's use for agricultural and pest control purposes.

(2) "Air charter service" means an air carrier operation which requires the customer to hire an entire aircraft rather than book passage in whatever capacity is available on a scheduled trip.

(3) "Air contract service" means an air carrier operation available only to customers who engage the services of the carrier through a contractual agreement and excess capacity on any trip and is not available to the public at large.

(4) "Airline" means any air carrier operating interstate routes on a scheduled basis which

1 offers to fly passengers or cargo on the basis of available capacity on regularly scheduled routes.

2 (5) "Assessment roll" means a permanent record of the assessment of property as assessed  
3 by the county assessor and the commission and may be maintained manually or as a computerized  
4 file as a consolidated record or as multiple records by type, classification, or categories.

5 (6) "Certified revenue levy" means a property tax levy that provides the same amount of  
6 ad valorem property tax revenue as was collected for the prior year, plus new growth, but exclusive  
7 of revenue from collections from redemptions, interest, and penalties.

8 (7) "County-assessed commercial vehicle" means:

9 (a) any commercial vehicle, trailer, or semitrailer which is not apportioned under Section  
10 41-1a-301 and is not operated interstate to transport the vehicle owner's goods or property in  
11 furtherance of the owner's commercial enterprise;

12 (b) any passenger vehicle owned by a business and used by its employees for  
13 transportation as a company car or vanpool vehicle; and

14 (c) vehicles which are:

15 (i) especially constructed for towing or wrecking, and which are not otherwise used to  
16 transport goods, merchandise, or people for compensation;

17 (ii) used or licensed as taxicabs or limousines;

18 (iii) used as rental passenger cars, travel trailers, or motor homes;

19 (iv) used or licensed in this state for use as ambulances or hearses;

20 (v) especially designed and used for garbage and rubbish collection; or

21 (vi) used exclusively to transport students or their instructors to or from any private,  
22 public, or religious school or school activities.

23 (8) (a) "Escaped property" means any property, whether personal, land, or any  
24 improvements to the property, subject to taxation and is:

25 (i) inadvertently omitted from the tax rolls, assigned to the incorrect parcel, or assessed  
26 to the wrong taxpayer by the assessing authority;

27 (ii) undervalued or omitted from the tax rolls because of the failure of the taxpayer to  
28 comply with the reporting requirements of this chapter; or

29 (iii) undervalued because of errors made by the assessing authority based upon incomplete  
30 or erroneous information furnished by the taxpayer.

31 (b) Property which is undervalued because of the use of a different valuation methodology

1 or because of a different application of the same valuation methodology is not "escaped property."

2 (9) "Fair market value" means the amount at which property would change hands between  
3 a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both  
4 having reasonable knowledge of the relevant facts~~[-and includes the adjustment for intangible~~  
5 ~~values under Sections 59-2-304 and 59-2-201 for real property assessed by the county assessor or~~  
6 ~~the commission]~~. For purposes of taxation, "fair market value" shall be determined using the  
7 current zoning laws applicable to the property in question, except in cases where there is a  
8 reasonable probability of a change in the zoning laws affecting that property in the tax year in  
9 question and the change would have an appreciable influence upon the value.

10 (10) "Farm machinery and equipment," for purposes of the exemption provided under  
11 Section 59-2-1101, means tractors, milking equipment and storage and cooling facilities, feed  
12 handling equipment, irrigation equipment, harvesters, choppers, grain drills and planters, tillage  
13 tools, scales, combines, spreaders, sprayers, haying equipment, and any other machinery or  
14 equipment used primarily for agricultural purposes; but does not include vehicles required to be  
15 registered with the Motor Vehicle Division or vehicles or other equipment used for business  
16 purposes other than farming.

17 (11) "Geothermal fluid" means water in any form at temperatures greater than 120 degrees  
18 centigrade naturally present in a geothermal system.

19 (12) "Geothermal resource" means:

20 (a) the natural heat of the earth at temperatures greater than 120 degrees centigrade; and

21 (b) the energy, in whatever form, including pressure, present in, resulting from, created  
22 by, or which may be extracted from that natural heat, directly or through a material medium.

23 (13) "Improvements" includes all buildings, structures, fixtures, fences, and improvements  
24 erected upon or affixed to the land, whether the title has been acquired to the land or not.

25 "Improvements" also includes a mobile home as defined in Section 59-2-601, located on land  
26 owned by the person who owns the mobile home. For purposes of this subsection "land owned"  
27 includes a vendee in possession of the land under a land contract.

28 (14) "Intangible ~~[value]~~ property:" ~~[includes various fees, services, closing costs, and~~  
29 ~~brokerage commissions related to a real property sales transaction.]~~

30 (a) means property that is capable of private ownership separate from tangible property;

31 and

1           **(b) includes:**

2           **(i) moneys;**

3           **(ii) credits;**

4           **(iii) bonds;**

5           **(iv) stocks;**

6           **(v) representative property;**

7           **(vi) franchises;**

8           **(vii) trade names;**

9           **(viii) copyrights; and**

10           **(ix) patents.**

11           (15) "Metalliferous minerals" includes gold, silver, copper, lead, zinc, and uranium.

12           (16) "Mine" means a natural deposit of either metalliferous or nonmetalliferous valuable  
13 mineral.

14           (17) "Mining" means the process of producing, extracting, leaching, evaporating, or  
15 otherwise removing a mineral from a mine.

16           (18) "Nonmetalliferous minerals" includes, but is not limited to, oil, gas, coal, salts, sand,  
17 rock, gravel, and all carboniferous materials.

18           (19) "Personal property" includes:

19           (a) every class of property as defined in Subsection (20) which is the subject of ownership  
20 and not included within the meaning of the terms "real estate" and "improvements";

21           (b) gas and water mains and pipes laid in roads, streets, or alleys;

22           (c) bridges and ferries; and

23           (d) livestock which, for the purposes of the exemption provided under Section 59-2-1112,  
24 means all domestic animals, honeybees, poultry, fur-bearing animals, and fish.

25           (20) (a) "Property" means property [~~which~~ that is subject to assessment and taxation  
26 according to its value[~~, but~~].

27           **(b) "Property" does not include [moneys, credits, bonds, stocks, representative property,**  
28 **franchises, goodwill, copyrights, patents, or other intangibles] intangible property as defined in**  
29 **this section.**

30           (21) "Public utility," for purposes of this chapter, means the operating property of a  
31 railroad, gas corporation, oil or gas transportation or pipeline company, coal slurry pipeline

1 company, electrical corporation, telephone corporation, sewerage corporation, or heat corporation  
2 where the company performs the service for, or delivers the commodity to, the public generally  
3 or companies serving the public generally, or in the case of a gas corporation or an electrical  
4 corporation, where the gas or electricity is sold or furnished to any member or consumers within  
5 the state for domestic, commercial, or industrial use. Public utility also means the operating  
6 property of any entity or person defined under Section 54-2-1 except water corporations.

7 (22) "Real estate or property" includes:

8 (a) the possession of, claim to, ownership of, or right to the possession of land;

9 (b) all mines, minerals, and quarries in and under the land, all timber belonging to  
10 individuals or corporations growing or being on the lands of this state or the United States, and all  
11 rights and privileges appertaining to these; and

12 (c) improvements.

13 (23) "Residential property," for the purposes of the reductions and adjustments under this  
14 chapter, means any property used for residential purposes as a primary residence. It does not  
15 include property used for transient residential use or condominiums used in rental pools.

16 (24) (a) "State-assessed commercial vehicle" means:

17 (i) any commercial vehicle, trailer, or semitrailer which operates interstate or intrastate to  
18 transport passengers, freight, merchandise, or other property for hire; or

19 (ii) any commercial vehicle, trailer, or semitrailer which operates interstate and transports  
20 the vehicle owner's goods or property in furtherance of the owner's commercial enterprise.

21 (b) "State-assessed commercial vehicle" does not include vehicles used for hire which are  
22 specified in Subsection (7)(c) as county-assessed commercial vehicles.

23 (25) "Taxable value" means fair market value less any applicable reduction allowed for  
24 residential property under Section 59-2-103.

25 (26) "Taxing entity" means any county, city, town, school district, special taxing district,  
26 or any other political subdivision of the state with the authority to levy a tax on property.

27 (27) "Tax roll" means a permanent record of the taxes charged on property, as extended  
28 on the assessment roll and may be maintained on the same record or records as the assessment roll  
29 or may be maintained on a separate record properly indexed to the assessment roll. It includes tax  
30 books, tax lists, and other similar materials.

31 Section 2. **Repealer.**

- 1           This act repeals:
- 2           Section **59-2-304, Intangible value adjustments -- Implementation of new program.**
- 3           Section 3. **Retrospective operation.**
- 4           This act has retrospective operation to January 1, 1998.

---

---

**Legislative Review Note**  
**as of 2-19-98 9:04 AM**

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

**Office of Legislative Research and General Counsel**