

1                                   **PROHIBITION ON SALES AND USE TAX**  
2                                   **INCENTIVE PAYMENTS BY A**  
3                                   **MUNICIPALITY**

4                                   2004 GENERAL SESSION

5                                   STATE OF UTAH

6                                   **Sponsor: Sheldon L. Killpack**

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8   **LONG TITLE**

9   **General Description:**

10         This bill amends the Utah Municipal Code.

11   **Highlighted Provisions:**

12         This bill:

13             ▶ defines terms;

14             ▶ prohibits a municipality from making a sales and use tax incentive payment under  
15 an agreement entered into on or after May 3, 2004; and

16             ▶ prohibits a municipality from entering into an agreement on or after May 3, 2004, to  
17 make a sales and use tax incentive payment.

18   **Monies Appropriated in this Bill:**

19         None

20   **Other Special Clauses:**

21         None

22   **Utah Code Sections Affected:**

23   ENACTS:

24         **10-1-501**, Utah Code Annotated 1953

25         **10-1-502**, Utah Code Annotated 1953

26         **10-1-503**, Utah Code Annotated 1953



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

29 Section 1. Section **10-1-501** is enacted to read:

30 **Part 5. Prohibition on Sales and Use Tax Incentive Payments Act**

31 **10-1-501. Title.**

32 This part is known as the "Prohibition on Sales and Use Tax Incentive Payments Act."

33 Section 2. Section **10-1-502** is enacted to read:

34 **10-1-502. Definitions.**

35 As used in this part:

36 (1) "Agreement" means an oral or written agreement between a municipality and a  
37 person.

38 (2) "Payment" includes:

39 (a) a payment;

40 (b) a rebate;

41 (c) a refund; or

42 (d) an amount similar to Subsections (2)(a) through (c).

43 (3) (a) "Sales and use tax" means a tax:

44 (i) imposed on transactions within a municipality; and

45 (ii) except as provided in Subsection (3)(b), authorized under Title 59, Chapter 12,

46 Sales and Use Tax Act.

47 (b) Notwithstanding Subsection (3)(a)(ii), "sales and use tax" does not include a tax  
48 authorized under:

49 (i) Subsection 59-12-103(2)(a)(i);

50 (ii) Subsection 59-12-103(2)(b)(i);

51 (iii) Section 59-12-301;

52 (iv) Section 59-12-352;

53 (v) Section 59-12-353;

54 (vi) Section 59-12-603; or

55 (vii) Section 59-12-1201.

56 (4) "Sales and use tax incentive payment" means a payment of revenues:

57 (a) to a person;

58 (b) by a municipality;

59 (c) to induce the person to locate or relocate a business entity within the municipality;

60 and

61 (d) that are derived from a sales and use tax.

62 Section 3. Section **10-1-503** is enacted to read:

63 **10-1-503. Prohibition on municipality making a sales and use tax incentive**  
64 **payment or entering into an agreement to make a sales and use tax incentive payment.**

65 A municipality may not:

66 (1) make a sales and use tax incentive payment under an agreement entered into on or  
67 after May 3, 2004; or

68 (2) enter into an agreement on or after May 3, 2004 to make a sales and use tax  
69 incentive payment.

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**Legislative Review Note**  
as of 1-21-04 11:56 AM

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

**Office of Legislative Research and General Counsel**

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**Fiscal Note**  
**Bill Number SB0124**

**Prohibition on Sales and Use Tax Incentive Payments By A  
Municipality**

*29-Jan-04*  
*11:45 AM*

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**State Impact**

Passage of this bill could result in more sales tax revenues staying with local municipalities.

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**Individual and Business Impact**

Organizations would be ineligible to receive sales tax incentive benefits from municipalities.

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**Office of the Legislative Fiscal Analyst**