

Representative John Dougall proposes the following substitute bill:

RESOLUTION REGARDING PROPERTY TAX

ON PERSONAL PROPERTY

2006 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: John Dougall

Senate Sponsor: _____

LONG TITLE

General Description:

This joint resolution of the Legislature proposes to amend the Utah Constitution to revise provisions relating to the taxation of personal property.

Highlighted Provisions:

This resolution proposes to amend the Utah Constitution to:

- ▶ authorizes the Legislature to provide property tax exemptions for certain tangible personal property;

- ▶ provide a constitutional exemption for certain property that previously has been subject to a legislatively enacted exemption;

- ▶ authorize the Legislature to provide by statute for the use of federal depreciation schedules in the calculation of the fair market value of tangible personal property;

and

- ▶ modifies the exemption for household furnishings, furniture, and equipment.

Special Clauses:

This resolution directs the lieutenant governor to submit this proposal to voters.

This resolution provides a contingent effective date of January 1, 2007 for this proposal.

Utah Constitution Sections Affected:



26 AMENDS:

27 **ARTICLE XIII, SECTION 2**

28 **ARTICLE XIII, SECTION 3**

29

30 *Be it resolved by the Legislature of the state of Utah, two-thirds of all members elected to each*
31 *of the two houses voting in favor thereof:*

32 Section 1. It is proposed to amend Utah Constitution Article XIII, Section 2, to read:

33 **Article XIII, Section 2. [Property tax.]**

34 (1) (a) So that each person and corporation pays a tax in proportion to the fair market
35 value of his, her, or its tangible property, all tangible property in the State that is not exempt
36 under the laws of the United States or under this Constitution shall be:

37 ~~(a)~~ (i) assessed at a uniform and equal rate in proportion to its fair market value, to be
38 ascertained as provided by law and subject to Subsection (1)(b); and

39 ~~(b)~~ (ii) taxed at a uniform and equal rate.

40 (b) The Legislature may by statute provide that the fair market value of tangible
41 personal property be calculated in reliance on depreciation schedules promulgated by the
42 United States government.

43 (2) Each corporation and person in the State or doing business in the State is subject to
44 taxation on the tangible property owned or used by the corporation or person within the
45 boundaries of the State or local authority levying the tax.

46 (3) The Legislature may provide by statute that land used for agricultural purposes be
47 assessed based on its value for agricultural use.

48 (4) The Legislature may by statute determine the manner and extent of taxing livestock.

49 (5) The Legislature may by statute determine the manner and extent of taxing or
50 exempting intangible property, except that any property tax on intangible property may not
51 exceed .005 of its fair market value. If any intangible property is taxed under the property tax,
52 the income from that property may not also be taxed.

53 (6) Tangible personal property required by law to be registered with the State before it
54 is used on a public highway or waterway, on public land, or in the air may be exempted from
55 property tax by statute. If the Legislature exempts tangible personal property from property tax
56 under this Subsection (6), it shall provide for the payment of uniform statewide fees or uniform

57 statewide rates of assessment or taxation on that property in lieu of the property tax. The fair
58 market value of any property exempted under this Subsection (6) shall be considered part of the
59 State tax base for determining the debt limitation under Article XIV.

60 Section 2. It is proposed to amend Utah Constitution Article XIII, Section 3, to read:

61 **Article XIII, Section 3. [Property tax exemptions.]**

62 (1) The following are exempt from property tax:

63 (a) property owned by the State;

64 (b) property owned by a public library;

65 (c) property owned by a school district;

66 (d) property owned by a political subdivision of the State, other than a school district,
67 and located within the political subdivision;

68 (e) property owned by a political subdivision of the State, other than a school district,
69 and located outside the political subdivision unless the Legislature by statute authorizes the
70 property tax on that property;

71 (f) property owned by a nonprofit entity used exclusively for religious, charitable, or
72 educational purposes;

73 (g) places of burial not held or used for private or corporate benefit;

74 (h) farm equipment and farm machinery as defined by statute; [~~and~~]

75 (i) water rights, reservoirs, pumping plants, ditches, canals, pipes, flumes, power
76 plants, and transmission lines to the extent owned and used by an individual or corporation to
77 irrigate land that is:

78 (i) within the State; and

79 (ii) owned by the individual or corporation, or by an individual member of the
80 corporation[?];

81 (j) tangible personal property constituting inventory present in the State on January 1
82 and held for sale in the ordinary course of business;

83 (k) tangible personal property present in the State on January 1 and held for sale or
84 processing and shipped to a final destination outside the State within 12 months; and

85 (l) household furnishings, furniture, and equipment used primarily by the owner of that
86 property in maintaining the owner's home.

87 (2) (a) The Legislature may by statute exempt the following from property tax:

88 ~~[(i) tangible personal property constituting inventory present in the State on January 1~~
89 ~~and held for sale in the ordinary course of business;]~~

90 ~~[(ii) tangible personal property present in the State on January 1 and held for sale or~~
91 ~~processing and shipped to a final destination outside the State within 12 months;]~~

92 ~~[(iii)]~~ (i) subject to Subsection (2)(b), property to the extent used to generate and
93 deliver electrical power for pumping water to irrigate lands in the State;

94 ~~[(iv)]~~ (ii) up to 45% of the fair market value of residential property, as defined by
95 statute; and

96 ~~[(v) household furnishings, furniture, and equipment used exclusively by the owner of~~
97 ~~that property in maintaining the owner's home.]~~

98 (iii) tangible personal property that is of minimal value; and

99 (iv) tangible personal property that, if subject to property tax, would generate an
100 inconsequential amount of revenue in relation to:

101 (A) the administrative burden and cost of imposing and collecting the tax; or

102 (B) the burden and cost to the taxpayer of complying with the requirement to pay the
103 tax.

104 (b) The exemption under Subsection (2)(a)~~[(iii)]~~(i) shall accrue to the benefit of the
105 users of pumped water as provided by statute.

106 (3) The following may be exempted from property tax as provided by statute:

107 (a) property owned by a disabled person who, during military training or a military
108 conflict, was disabled in the line of duty in the military service of the United States or the State;
109 and

110 (b) property owned by the unmarried surviving spouse or the minor orphan of a person
111 who:

112 (i) is described in Subsection (3)(a); or

113 (ii) during military training or a military conflict, was killed in action or died in the line
114 of duty in the military service of the United States or the State.

115 (4) The Legislature may by statute provide for the remission or abatement of the taxes
116 of the poor.

117 **Section 3. Submittal to voters.**

118 The lieutenant governor is directed to submit this proposed amendment to the voters of

119 the state at the next regular general election in the manner provided by law.

120 Section 4. **Effective date.**

121 If the amendment proposed by this joint resolution is approved by a majority of those

122 voting on it at the next regular general election, the amendment shall take effect on January 1,

123 2007.

State Impact

Publication and distribution costs to put this resolution on the ballot will be \$11,500 from the General Fund.

	<u>FY 2007</u> <u>Approp.</u>	<u>FY 2008</u> <u>Approp.</u>	<u>FY 2007</u> <u>Revenue</u>	<u>FY 2008</u> <u>Revenue</u>
General Fund, One-Time	\$11,500	\$0	\$0	\$0
TOTAL	\$11,500	\$0	\$0	\$0

Individual and Business Impact

No fiscal impact.

Office of the Legislative Fiscal Analyst