

FEE IN LIEU OF PROPERTY TAX

AMENDMENTS

2007 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Richard W. Wheeler

Senate Sponsor: _____

LONG TITLE

General Description:

This bill amends the Interlocal Cooperation Act to provide payment of an annual fee in lieu of property taxes.

Highlighted Provisions:

This bill:

- ▶ requires certain public agencies to pay an annual fee in lieu of a property tax;
- ▶ provides a method of calculation to determine the amount of the annual fee;
- ▶ provides that certain public agencies have the same obligations, credits, rights, and protections as a project entity; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:

AMENDS:

11-13-302, as last amended by Chapter 21, Laws of Utah 2003

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



28 Section 1. Section **11-13-302** is amended to read:

29 **11-13-302. Payment of fee in lieu of ad valorem property tax by certain energy**
30 **suppliers -- Method of calculating -- Collection -- Extent of tax lien.**

31 (1) (a) Each project entity created under this chapter that owns a project and that sells
32 any capacity, service, or other benefit from it to an energy supplier or suppliers whose tangible
33 property is not exempted by Utah Constitution Article XIII, Section [2] 3, from the payment of
34 ad valorem property tax, shall pay an annual fee in lieu of ad valorem property tax as provided
35 in this section to each taxing jurisdiction within which the project or any part of it is located.

36 (b) For purposes of this section, "annual fee" means the annual fee described in
37 Subsection (1)(a) that is in lieu of ad valorem property tax.

38 (c) The requirement to pay an annual fee shall commence:

39 (i) with respect to each taxing jurisdiction that is a candidate receiving the benefit of
40 impact alleviation payments under contracts or determination orders provided for in Sections
41 11-13-305 and 11-13-306, with the fiscal year of the candidate following the fiscal year of the
42 candidate in which the date of commercial operation of the last generating unit, other than any
43 generating unit providing additional project capacity, of the project occurs, or, in the case of
44 any facilities providing additional project capacity, with the fiscal year of the candidate
45 following the fiscal year of the candidate in which the date of commercial operation of the
46 generating unit providing the additional project capacity occurs; and

47 (ii) with respect to any taxing jurisdiction other than a taxing jurisdiction described in
48 Subsection (1)(c)(i), with the fiscal year of the taxing jurisdiction in which construction of the
49 project commences, or, in the case of facilities providing additional project capacity, with the
50 fiscal year of the taxing jurisdiction in which construction of those facilities commences.

51 (d) The requirement to pay an annual fee shall continue for the period of the useful life
52 of the project or facilities.

53 (2) (a) The annual fees due a school district shall be as provided in Subsection (2)(b)
54 because the ad valorem property tax imposed by a school district and authorized by the
55 Legislature under Section 53A-17a-135 represents both:

56 (i) a levy mandated by the state for the state minimum school program under Section
57 53A-17a-135; and

58 (ii) local levies for capital outlay, maintenance, transportation, and other purposes

59 under Sections 11-2-7, 53A-16-107, 53A-16-110, 53A-17a-126, 53A-17a-127, 53A-17a-133,
60 53A-17a-134, 53A-17a-143, 53A-17a-145, and 53A-21-103.

61 (b) The annual fees due a school district shall be as follows:

62 (i) the project entity shall pay to the school district an annual fee for the state minimum
63 school program at the rate imposed by the school district and authorized by the Legislature
64 under Subsection 53A-17a-135(1); and

65 (ii) for all other local property tax levies authorized to be imposed by a school district,
66 the project entity shall pay to the school district either:

67 (A) an annual fee; or

68 (B) impact alleviation payments under contracts or determination orders provided for
69 in Sections 11-13-305 and 11-13-306.

70 (3) (a) An annual fee due a taxing jurisdiction for a particular year shall be calculated
71 by multiplying the tax rate or rates of the jurisdiction for that year by the product obtained by
72 multiplying the fee base or value determined in accordance with Subsection (4) for that year of
73 the portion of the project located within the jurisdiction by the percentage of the project which
74 is used to produce the capacity, service, or other benefit sold to the energy supplier or suppliers.

75 (b) As used in this section, "tax rate," when applied in respect to a school district,
76 includes any assessment to be made by the school district under Subsection (2) or Section
77 63-51-6.

78 (c) There is to be credited against the annual fee due a taxing jurisdiction for each year,
79 an amount equal to the debt service, if any, payable in that year by the project entity on bonds,
80 the proceeds of which were used to provide public facilities and services for impact alleviation
81 in the taxing jurisdiction in accordance with Sections 11-13-305 and 11-13-306.

82 (d) The tax rate for the taxing jurisdiction for that year shall be computed so as to:

83 (i) take into account the fee base or value of the percentage of the project located
84 within the taxing jurisdiction determined in accordance with Subsection (4) used to produce the
85 capacity, service, or other benefit sold to the supplier or suppliers; and

86 (ii) reflect any credit to be given in that year.

87 (4) (a) Except as otherwise provided in this section, the annual fees required by this
88 section shall be paid, collected, and distributed to the taxing jurisdiction as if:

89 (i) the annual fees were ad valorem property taxes; and

90 (ii) the project were assessed at the same rate and upon the same measure of value as
91 taxable property in the state.

92 (b) (i) Notwithstanding Subsection (4)(a), for purposes of an annual fee required by
93 this section, the fee base of a project may be determined in accordance with an agreement
94 among:

95 (A) the project entity; and

96 (B) any county that:

97 (I) is due an annual fee from the project entity; and

98 (II) agrees to have the fee base of the project determined in accordance with the
99 agreement described in this Subsection (4).

100 (ii) The agreement described in Subsection (4)(b)(i):

101 (A) shall specify each year for which the fee base determined by the agreement shall be
102 used for purposes of an annual fee; and

103 (B) may not modify any provision of this chapter except the method by which the fee
104 base of a project is determined for purposes of an annual fee.

105 (iii) For purposes of an annual fee imposed by a taxing jurisdiction within a county
106 described in Subsection (4)(b)(i)(B), the fee base determined by the agreement described in
107 Subsection (4)(b)(i) shall be used for purposes of an annual fee imposed by that taxing
108 jurisdiction.

109 (iv) (A) If there is not agreement as to the fee base of a portion of a project for any
110 year, for purposes of an annual fee, the State Tax Commission shall determine the value of that
111 portion of the project for which there is not an agreement:

112 (I) for that year; and

113 (II) using the same measure of value as is used for taxable property in the state.

114 (B) The valuation required by Subsection (4)(b)(iv)(A) shall be made by the State Tax
115 Commission in accordance with rules made by the State Tax Commission.

116 (c) Payments of the annual fees shall be made from:

117 (i) the proceeds of bonds issued for the project; and

118 (ii) revenues derived by the project entity from the project.

119 (d) (i) The contracts of the project entity with the purchasers of the capacity, service, or
120 other benefits of the project whose tangible property is not exempted by Utah Constitution

121 Article XIII, Section [2] 3, from the payment of ad valorem property tax shall require each
122 purchaser, whether or not located in the state, to pay, to the extent not otherwise provided for,
123 its share, determined in accordance with the terms of the contract, of these fees.

124 (ii) It is the responsibility of the project entity to enforce the obligations of the
125 purchasers.

126 (5) (a) The responsibility of the project entity to make payment of the annual fees is
127 limited to the extent that there is legally available to the project entity, from bond proceeds or
128 revenues, monies to make these payments, and the obligation to make payments of the annual
129 fees is not otherwise a general obligation or liability of the project entity.

130 (b) No tax lien may attach upon any property or money of the project entity by virtue of
131 any failure to pay all or any part of an annual fee.

132 (c) The project entity or any purchaser may contest the validity of an annual fee to the
133 same extent as if the payment was a payment of the ad valorem property tax itself.

134 (d) The payments of an annual fee shall be reduced to the extent that any contest is
135 successful.

136 ~~[(6)(a) Any public agency that is not a project entity and that owns an interest in
137 facilities providing additional project capacity which, if its tangible property is not exempted
138 by Utah Constitution, Article XIII, Section 2, from the payment of ad valorem property tax,
139 uses any capacity, service, or other benefit from it or which sells any capacity, service, or other
140 benefit from it to an energy supplier or suppliers whose tangible property is not exempted by
141 Utah Constitution, Article XIII, Section 2, from the payment of ad valorem property tax, shall
142 pay an annual fee with respect to its ownership interest, and shall have the obligations, credits,
143 rights, and protections set forth in Subsections (1), (2), (3), (4)(a), (4)(c), (4)(d), and (5) with
144 respect to its ownership interest as though it were a project entity.]~~

145 ~~[(b) The ownership interest of a public agency upon which an annual fee is payable is
146 not subject to:]~~

147 ~~[(i) ad valorem property taxes under Title 59, Chapter 2, Property Tax Act; or]~~

148 ~~[(ii) privilege taxes under Title 59, Chapter 4, Privilege Tax.]~~

149 ~~[(c) Each public agency and project entity that owns an interest in facilities providing
150 additional project capacity:]~~

151 ~~[(i) is subject to an annual fee only with respect to that ownership interest; and]~~

152 ~~[(ii) is not subject to an annual fee with respect to any portion of the facilities~~
153 ~~providing additional project capacity that it does not own.]~~
154 (6) (a) The annual fee described in Subsection (1):
155 (i) shall be paid by a public agency that:
156 (A) is not a project entity; and
157 (B) owns an interest in a facility providing additional project capacity if the interest is
158 exempt from taxation pursuant to Utah Constitution, Article XIII, Section 3; and
159 (ii) for a public agency described in Subsection (6)(a)(i), shall be calculated in
160 accordance with Subsection (6)(b).
161 (b) The annual fee required under Subsection (6)(a) shall be an amount equal to the
162 product of:
163 (i) an amount equal to the product of:
164 (A) the fee base or value of the facility providing additional project capacity;
165 (B) the ownership interest of the public agency in the facility; and
166 (C) the percentage of capacity, service, or other benefit from the facility that is sold by
167 the public agency to an energy supplier or suppliers whose tangible property is not exempted by
168 Utah Constitution, Article XIII, Section 3, from the payment of ad valorem property tax; and
169 (ii) the tax rate of the applicable taxing jurisdiction.
170 (c) A public agency paying the annual fee pursuant to Subsection (6)(a) shall have the
171 obligations, credits, rights, and protections set forth in Subsections (1) through (5) with respect
172 to its ownership interest as though it were a project entity.

Legislative Review Note
as of 1-22-07 3:36 PM

Office of Legislative Research and General Counsel

H.B. 142 - Fee in Lieu of Property Tax Amendments

Fiscal Note

2007 General Session

State of Utah

State Impact

Enactment of this bill will not require additional appropriations.

Individual, Business and/or Local Impact

Enactment of this bill likely will not result in direct, measurable costs and/or benefits for individuals, businesses, or local governments at the present time. Future situations could arise in which businesses and local governments could be impacted by provisions of this bill.

1/31/2007, 1:55:19 PM, Lead Analyst: Wardrop, T.

Office of the Legislative Fiscal Analyst