

CHANGES TO PROPERTY TAX

2017 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Curtis S. Bramble

House Sponsor: Daniel McCay

LONG TITLE

General Description:

This bill amends provisions in the Property Tax Act related to the assessment of aircraft.

Highlighted Provisions:

This bill:

- ▶ provides a method for determining the fair market value of centrally assessed aircraft.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

59-2-201, as last amended by Laws of Utah 2015, Chapter 139

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

Section 1. Section **59-2-201** is amended to read:

59-2-201. Assessment by commission -- Determination of value of mining property -- Determination of value of aircraft -- Notification of assessment -- Local assessment of property assessed by the unitary method -- Commission may consult with county.

(1) (a) By May 1 of each year, the following property, unless otherwise exempt under

30 the Utah Constitution or under Part 11, Exemptions, Deferrals, and Abatements, shall be
31 assessed by the commission at 100% of fair market value, as valued on January 1, in
32 accordance with this chapter:

33 (i) except as provided in Subsection (2), all property [~~which~~] that operates as a unit
34 across county lines, if the values must be apportioned among more than one county or state;

35 (ii) all property of public utilities;

36 (iii) all operating property of an airline, air charter service, and air contract service;

37 (iv) all geothermal fluids and geothermal resources;

38 (v) all mines and mining claims except in cases, as determined by the commission,
39 where the mining claims are used for other than mining purposes, in which case the value of
40 mining claims used for other than mining purposes shall be assessed by the assessor of the
41 county in which the mining claims are located; and

42 (vi) all machinery used in mining, all property or surface improvements upon or
43 appurtenant to mines or mining claims. For the purposes of assessment and taxation, all
44 processing plants, mills, reduction works, and smelters [~~which~~] that are primarily used by the
45 owner of a mine or mining claim for processing, reducing, or smelting minerals taken from a
46 mine or mining claim shall be considered appurtenant to that mine or mining claim, regardless
47 of actual location.

48 (b) (i) For purposes of Subsection (1)(a)(iii), operating property of an air charter
49 service does not include an aircraft that is:

50 (A) used by the air charter service for air charter; and

51 (B) owned by a person other than the air charter service.

52 (ii) For purposes of this Subsection (1)(b):

53 (A) "person" means a natural person, individual, corporation, organization, or other
54 legal entity; and

55 (B) a person does not qualify as a person other than the air charter service as described
56 in Subsection (1)(b)(i)(B) if the person is:

57 (I) a principal, owner, or member of the air charter service; or

58 (II) a legal entity that has a principal, owner, or member of the air charter service as a
59 principal, owner, or member of the legal entity.

60 (2) The commission shall assess and collect property tax on state-assessed commercial
61 vehicles at the time of original registration or annual renewal.

62 (a) The commission shall assess and collect property tax annually on state-assessed
63 commercial vehicles [~~which~~] that are registered pursuant to Section 41-1a-222 or 41-1a-228.

64 (b) State-assessed commercial vehicles brought into the state [~~which~~] that are required
65 to be registered in Utah shall, as a condition of registration, be subject to ad valorem tax unless
66 all property taxes or fees imposed by the state of origin have been paid for the current calendar
67 year.

68 (c) Real property, improvements, equipment, fixtures, or other personal property in this
69 state owned by the company shall be assessed separately by the local county assessor.

70 (d) The commission shall adjust the value of state-assessed commercial vehicles as
71 necessary to comply with 49 U.S.C. Sec. 14502, and the commission shall direct the county
72 assessor to apply the same adjustment to any personal property, real property, or improvements
73 owned by the company and used directly and exclusively in their commercial vehicle activities.

74 (3) (a) The method for determining the fair market value of productive mining property
75 is the capitalized net revenue method or any other valuation method the commission believes,
76 or the taxpayer demonstrates to the commission's satisfaction, to be reasonably determinative
77 of the fair market value of the mining property.

78 (b) The commission shall determine the rate of capitalization applicable to mines [~~shall~~
79 ~~be determined by the commission~~], consistent with a fair rate of return expected by an investor
80 in light of that industry's current market, financial, and economic conditions.

81 (c) In no event may the fair market value of the mining property be less than the fair
82 market value of the land, improvements, and tangible personal property upon or appurtenant to
83 the mining property.

84 (4) (a) As used in this Subsection (4), "aircraft pricing guide" means a nationally
85 recognized publication that assigns value estimates for individual commercial aircraft that are:

86 (i) identified by year, make, and model; and

87 (ii) in average condition typical for the aircraft's type and vintage.

88 (b) (i) Except as provided in Subsection (4)(d), the commission shall use an aircraft
89 pricing guide, adjusted as provided in Subsection (4)(c), to determine the fair market value of
90 aircraft assessed under this part.

91 (ii) The commission shall use the Airliner Price Guide as the aircraft pricing guide,
92 except that:

93 (A) if the Airliner Price Guide is no longer published or the commission determines
94 that another aircraft pricing guide more reasonably reflects the fair market value of aircraft, the
95 commission, after consulting with the airlines operating in the state, shall select an alternative
96 aircraft pricing guide;

97 (B) if an aircraft is not listed in the Airliner Price Guide, the commission shall use the
98 Aircraft Bluebook Price Digest as the aircraft pricing guide; and

99 (C) if the Aircraft Bluebook Price Digest is no longer published or the commission
100 determines that another aircraft pricing guide more reasonably reflects the fair market value of
101 aircraft, the commission, after consulting with the airlines operating in the state, shall select an
102 alternative aircraft pricing guide.

103 (c) (i) To reflect the value of an aircraft fleet that is used as part of the operating
104 property of an airline, air charter service, or air contract service, the fair market value of the
105 aircraft shall include a fleet adjustment as provided in this Subsection (4)(c).

106 (ii) If the aircraft pricing guide provides a method for making a fleet adjustment, the
107 commission shall use the method described in the aircraft pricing guide.

108 (iii) If the aircraft pricing guide does not provide a method for making a fleet
109 adjustment, the commission shall make a fleet adjustment by reducing the aircraft pricing guide
110 value of each aircraft in the fleet by .5% for each aircraft over three aircraft up to a maximum
111 20% reduction.

112 (d) The commission may use an alternative method for valuing aircraft of an airline, air
113 charter service, or air contract service if the commission:

114 (i) has clear and convincing evidence that the aircraft values reflected in the aircraft
115 pricing guide do not reasonably reflect fair market value of the aircraft; and

116 (ii) cannot identify an alternative aircraft pricing guide from which the commission
117 may determine aircraft value.

118 [~~(4)~~] (5) Immediately following the assessment, the commission shall send, by certified
119 mail, notice of the assessment to the owner or operator of the assessed property [~~shall be~~
120 ~~notified of the assessment by certified mail. The~~] and the assessor of the county in which the
121 property is located [~~shall also be immediately notified of the assessment by certified mail~~].

122 [~~(5)~~] (6) The commission may consult with a county in valuing property in accordance
123 with this part.

124 [~~(6) Property~~] (7) The local county assessor shall separately assess property that is
125 assessed by the unitary method[~~, which~~] if the commission determines that the property:

126 (a) is not necessary to the conduct of the business; and

127 (b) does not contribute to the income of the business [~~as determined by the~~
128 ~~commission, shall be assessed separately by the local county assessor~~].

129 Section 2. **Retrospective operation.**

130 This bill has retrospective operation to January 1, 2017.