

Senator Howard A. Stephenson proposes the following substitute bill:

PERSONAL PROPERTY TAX REVISIONS

2018 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Daniel McCay

Senate Sponsor: Howard A. Stephenson

LONG TITLE

General Description:

This bill modifies the Property Tax Act by amending provisions relating to the taxation of tangible personal property.

Highlighted Provisions:

This bill:

- ▶ amends definitions;
- ▶ amends the exemption from taxation for certain items of taxable tangible personal property;
- ▶ amends requirements for a taxpayer to provide a signed statement for certain tangible personal property in certain circumstances; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

59-2-102, as last amended by Laws of Utah 2016, Chapters 98, 308, 367, and 368



26 [59-2-108](#), as last amended by Laws of Utah 2013, Chapter 248
 27 [59-2-804](#), as last amended by Laws of Utah 2014, Chapter 65
 28 [59-2-1115](#), as last amended by Laws of Utah 2013, Chapters 19 and 147
 29 [59-7-302](#), as last amended by Laws of Utah 2017, Chapters 181 and 268

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

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

33 **59-2-102. Definitions.**

34 As used in this chapter and title:

35 (1) (a) "Acquisition cost" means all the costs required to put an item of tangible
 36 personal property into service.

37 (b) "Acquisition cost" includes:

38 (i) the purchase price of a new or used item;

39 (ii) the cost of freight, shipping, loading at origin, unloading at destination, crating,
 40 skidding, or other applicable costs of shipping;

41 (iii) the cost of installation, engineering, rigging, erection, or assembly, including
 42 foundations, pilings, utility connections, or other similar costs; and

43 (iv) sales and use taxes.

44 ~~[(1)]~~ (2) "Aerial applicator" means aircraft or rotorcraft used exclusively for the
 45 purpose of engaging in dispensing activities directly affecting agriculture or horticulture with
 46 an airworthiness certificate from the Federal Aviation Administration certifying the aircraft or
 47 rotorcraft's use for agricultural and pest control purposes.

48 ~~[(2)]~~ (3) "Air charter service" means an air carrier operation that requires the customer
 49 to hire an entire aircraft rather than book passage in whatever capacity is available on a
 50 scheduled trip.

51 ~~[(3)]~~ (4) "Air contract service" means an air carrier operation available only to
 52 customers that engage the services of the carrier through a contractual agreement and excess
 53 capacity on any trip and is not available to the public at large.

54 ~~[(4)]~~ (5) "Aircraft" means the same as that term is defined in Section [72-10-102](#).

55 ~~[(5)]~~ (6) (a) Except as provided in Subsection ~~[(5)]~~ (6)(b), "airline" means an air carrier
 56 that:

57 (i) operates:
58 (A) on an interstate route; and
59 (B) on a scheduled basis; and
60 (ii) offers to fly one or more passengers or cargo on the basis of available capacity on a
61 regularly scheduled route.

62 (b) "Airline" does not include an:

- 63 (i) air charter service; or
- 64 (ii) air contract service.

65 ~~[(6)]~~ (7) "Assessment roll" means a permanent record of the assessment of property as
66 assessed by the county assessor and the commission and may be maintained manually or as a
67 computerized file as a consolidated record or as multiple records by type, classification, or
68 categories.

69 ~~[(7)]~~ (8) "Base parcel" means a parcel of property that was legally:

- 70 (a) subdivided into two or more lots, parcels, or other divisions of land; or
- 71 (b) (i) combined with one or more other parcels of property; and
- 72 (ii) subdivided into two or more lots, parcels, or other divisions of land.

73 ~~[(8)]~~ (9) (a) "Certified revenue levy" means a property tax levy that provides an amount
74 of ad valorem property tax revenue equal to the sum of:

75 (i) the amount of ad valorem property tax revenue to be generated statewide in the
76 previous year from imposing a school minimum basic tax rate, as specified in Section
77 [53A-17a-135](#), or multicounty assessing and collecting levy, as specified in Section [59-2-1602](#);
78 and

79 (ii) the product of:

- 80 (A) eligible new growth, as defined in Section [59-2-924](#); and
- 81 (B) the school minimum basic tax rate or multicounty assessing and collecting levy
82 certified by the commission for the previous year.

83 (b) For purposes of this Subsection ~~[(8)]~~ (9), "ad valorem property tax revenue" does
84 not include property tax revenue received by a taxing entity from personal property that is:

- 85 (i) assessed by a county assessor in accordance with Part 3, County Assessment; and
- 86 (ii) semiconductor manufacturing equipment.

87 (c) For purposes of calculating the certified revenue levy described in this Subsection

88 [~~8~~] (9), the commission shall use:

89 (i) the taxable value of real property assessed by a county assessor contained on the
90 assessment roll;

91 (ii) the taxable value of real and personal property assessed by the commission; and

92 (iii) the taxable year end value of personal property assessed by a county assessor
93 contained on the prior year's assessment roll.

94 [~~9~~] (10) "County-assessed commercial vehicle" means:

95 (a) any commercial vehicle, trailer, or semitrailer that is not apportioned under Section
96 41-1a-301 and is not operated interstate to transport the vehicle owner's goods or property in
97 furtherance of the owner's commercial enterprise;

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

100 (c) vehicles that are:

101 (i) especially constructed for towing or wrecking, and that are not otherwise used to
102 transport goods, merchandise, or people for compensation;

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

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

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

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

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

109 [~~10~~] (11) (a) Except as provided in Subsection [~~10~~] (11)(b), for purposes of Section
110 59-2-801, "designated tax area" means a tax area created by the overlapping boundaries of only
111 the following taxing entities:

112 (i) a county; and

113 (ii) a school district.

114 (b) "Designated tax area" includes a tax area created by the overlapping boundaries of
115 the taxing entities described in Subsection [~~10~~] (11)(a) and:

116 (i) a city or town if the boundaries of the school district under Subsection [~~10~~] (11)(a)
117 and the boundaries of the city or town are identical; or

118 (ii) a special service district if the boundaries of the school district under Subsection

119 [~~(10)~~] (11)(a) are located entirely within the special service district.

120 [~~(11)~~] (12) "Eligible judgment" means a final and unappealable judgment or order
121 under Section [59-2-1330](#):

122 (a) that became a final and unappealable judgment or order no more than 14 months
123 before the day on which the notice described in Section [59-2-919.1](#) is required to be provided;
124 and

125 (b) for which a taxing entity's share of the final and unappealable judgment or order is
126 greater than or equal to the lesser of:

127 (i) \$5,000; or

128 (ii) 2.5% of the total ad valorem property taxes collected by the taxing entity in the
129 previous fiscal year.

130 [~~(12)~~] (13) (a) "Escaped property" means any property, whether personal, land, or any
131 improvements to the property, that is subject to taxation and is:

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

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

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

138 (b) "Escaped property" does not include property that is undervalued because of the use
139 of a different valuation methodology or because of a different application of the same valuation
140 methodology.

141 [~~(13)~~] (14) "Fair market value" means the amount at which property would change
142 hands between a willing buyer and a willing seller, neither being under any compulsion to buy
143 or sell and both having reasonable knowledge of the relevant facts. For purposes of taxation,
144 "fair market value" shall be determined using the current zoning laws applicable to the property
145 in question, except in cases where there is a reasonable probability of a change in the zoning
146 laws affecting that property in the tax year in question and the change would have an
147 appreciable influence upon the value.

148 [~~(14)~~] (15) (a) "Farm machinery and equipment," for purposes of the exemption
149 provided under Section [59-2-1101](#), means tractors, milking equipment and storage and cooling

150 facilities, feed handling equipment, irrigation equipment, harvesters, choppers, grain drills and
151 planters, tillage tools, scales, combines, spreaders, sprayers, haying equipment, including balers
152 and cubers, and any other machinery or equipment used primarily for agricultural purposes.

153 (b) "Farm machinery and equipment" does not include vehicles required to be
154 registered with the Motor Vehicle Division or vehicles or other equipment used for business
155 purposes other than farming.

156 ~~[(15)]~~ (16) "Geothermal fluid" means water in any form at temperatures greater than
157 120 degrees centigrade naturally present in a geothermal system.

158 ~~[(16)]~~ (17) "Geothermal resource" means:

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

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

163 ~~[(17)]~~ (18) (a) "Goodwill" means:

164 (i) acquired goodwill that is reported as goodwill on the books and records that a
165 taxpayer maintains for financial reporting purposes; or

166 (ii) the ability of a business to:

167 (A) generate income that exceeds a normal rate of return on assets and that results from
168 a factor described in Subsection ~~[(17)]~~ (18)(b); or

169 (B) obtain an economic or competitive advantage resulting from a factor described in
170 Subsection ~~[(17)]~~ (18)(b).

171 (b) The following factors apply to Subsection ~~[(17)]~~ (18)(a)(ii):

172 (i) superior management skills;

173 (ii) reputation;

174 (iii) customer relationships;

175 (iv) patronage; or

176 (v) a factor similar to Subsections ~~[(17)]~~ (18)(b)(i) through (iv).

177 (c) "Goodwill" does not include:

178 (i) the intangible property described in Subsection ~~[(21)]~~ (22)(a) or (b);

179 (ii) locational attributes of real property, including:

180 (A) zoning;

- 181 (B) location;
- 182 (C) view;
- 183 (D) a geographic feature;
- 184 (E) an easement;
- 185 (F) a covenant;
- 186 (G) proximity to raw materials;
- 187 (H) the condition of surrounding property; or
- 188 (I) proximity to markets;
- 189 (iii) value attributable to the identification of an improvement to real property,
- 190 including:
 - 191 (A) reputation of the designer, builder, or architect of the improvement;
 - 192 (B) a name given to, or associated with, the improvement; or
 - 193 (C) the historic significance of an improvement; or
 - 194 (iv) the enhancement or assemblage value specifically attributable to the interrelation
 - 195 of the existing tangible property in place working together as a unit.
- 196 ~~[(18)]~~ (19) "Governing body" means:
 - 197 (a) for a county, city, or town, the legislative body of the county, city, or town;
 - 198 (b) for a local district under Title 17B, Limited Purpose Local Government Entities -
 - 199 Local Districts, the local district's board of trustees;
 - 200 (c) for a school district, the local board of education; or
 - 201 (d) for a special service district under Title 17D, Chapter 1, Special Service District
 - 202 Act:
 - 203 (i) the legislative body of the county or municipality that created the special service
 - 204 district, to the extent that the county or municipal legislative body has not delegated authority
 - 205 to an administrative control board established under Section 17D-1-301; or
 - 206 (ii) the administrative control board, to the extent that the county or municipal
 - 207 legislative body has delegated authority to an administrative control board established under
 - 208 Section 17D-1-301.
- 209 ~~[(19)]~~ (20) (a) For purposes of Section 59-2-103:
 - 210 (i) "household" means the association of individuals who live in the same dwelling,
 - 211 sharing its furnishings, facilities, accommodations, and expenses; and

212 (ii) "household" includes married individuals, who are not legally separated, that have
213 established domiciles at separate locations within the state.

214 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
215 commission may make rules defining the term "domicile."

216 ~~[(20)]~~ (21) (a) Except as provided in Subsection ~~[(20)]~~ (21)(c), "improvement" means a
217 building, structure, fixture, fence, or other item that is permanently attached to land, regardless
218 of whether the title has been acquired to the land, if:

219 (i) (A) attachment to land is essential to the operation or use of the item; and

220 (B) the manner of attachment to land suggests that the item will remain attached to the
221 land in the same place over the useful life of the item; or

222 (ii) removal of the item would:

223 (A) cause substantial damage to the item; or

224 (B) require substantial alteration or repair of a structure to which the item is attached.

225 (b) "Improvement" includes:

226 (i) an accessory to an item described in Subsection ~~[(20)]~~ (21)(a) if the accessory is:

227 (A) essential to the operation of the item described in Subsection ~~[(20)]~~ (21)(a); and

228 (B) installed solely to serve the operation of the item described in Subsection ~~[(20)]~~
229 (21)(a); and

230 (ii) an item described in Subsection ~~[(20)]~~ (21)(a) that is temporarily detached from the
231 land for repairs and remains located on the land.

232 (c) "Improvement" does not include:

233 (i) an item considered to be personal property pursuant to rules made in accordance
234 with Section 59-2-107;

235 (ii) a moveable item that is attached to land for stability only or for an obvious
236 temporary purpose;

237 (iii) (A) manufacturing equipment and machinery; or

238 (B) essential accessories to manufacturing equipment and machinery;

239 (iv) an item attached to the land in a manner that facilitates removal without substantial
240 damage to the land or the item; or

241 (v) a transportable factory-built housing unit as defined in Section 59-2-1502 if that
242 transportable factory-built housing unit is considered to be personal property under Section

243 59-2-1503.

244 [~~(21)~~] (22) "Intangible property" means:

245 (a) property that is capable of private ownership separate from tangible property,

246 including:

247 (i) money;

248 (ii) credits;

249 (iii) bonds;

250 (iv) stocks;

251 (v) representative property;

252 (vi) franchises;

253 (vii) licenses;

254 (viii) trade names;

255 (ix) copyrights; and

256 (x) patents;

257 (b) a low-income housing tax credit;

258 (c) goodwill; or

259 (d) a renewable energy tax credit or incentive, including:

260 (i) a federal renewable energy production tax credit under Section 45, Internal Revenue

261 Code;

262 (ii) a federal energy credit for qualified renewable electricity production facilities under

263 Section 48, Internal Revenue Code;

264 (iii) a federal grant for a renewable energy property under American Recovery and

265 Reinvestment Act of 2009, Pub. L. No. 111-5, Section 1603; and

266 (iv) a tax credit under Subsection 59-7-614(5).

267 [~~(22)~~] (23) "Livestock" means:

268 (a) a domestic animal;

269 (b) a fish;

270 (c) a fur-bearing animal;

271 (d) a honeybee; or

272 (e) poultry.

273 [~~(23)~~] (24) "Low-income housing tax credit" means:

274 (a) a federal low-income housing tax credit under Section 42, Internal Revenue Code;
275 or

276 (b) a low-income housing tax credit under Section 59-7-607 or Section 59-10-1010.

277 [~~24~~] (25) "Metalliferous minerals" includes gold, silver, copper, lead, zinc, and
278 uranium.

279 [~~25~~] (26) "Mine" means a natural deposit of either metalliferous or nonmetalliferous
280 valuable mineral.

281 [~~26~~] (27) "Mining" means the process of producing, extracting, leaching, evaporating,
282 or otherwise removing a mineral from a mine.

283 [~~27~~] (28) (a) "Mobile flight equipment" means tangible personal property that is
284 owned or operated by an air charter service, air contract service, or airline and:

285 (i) is capable of flight or is attached to an aircraft that is capable of flight; or

286 (ii) is contained in an aircraft that is capable of flight if the tangible personal property
287 is intended to be used:

288 (A) during multiple flights;

289 (B) during a takeoff, flight, or landing; and

290 (C) as a service provided by an air charter service, air contract service, or airline.

291 (b) (i) "Mobile flight equipment" does not include a spare part other than a spare
292 engine that is rotated at regular intervals with an engine that is attached to the aircraft.

293 (ii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
294 commission may make rules defining the term "regular intervals."

295 [~~28~~] (29) "Nonmetalliferous minerals" includes, but is not limited to, oil, gas, coal,
296 salts, sand, rock, gravel, and all carboniferous materials.

297 [~~29~~] (30) "Part-year residential property" means property that is not residential
298 property on January 1 of a calendar year but becomes residential property after January 1 of the
299 calendar year.

300 [~~30~~] (31) "Personal property" includes:

301 (a) every class of property as defined in Subsection [~~31~~] (32) that is the subject of
302 ownership and is not real estate or an improvement;

303 (b) any pipe laid in or affixed to land whether or not the ownership of the pipe is
304 separate from the ownership of the underlying land, even if the pipe meets the definition of an

305 improvement;

306 (c) bridges and ferries;

307 (d) livestock; and

308 (e) outdoor advertising structures as defined in Section 72-7-502.

309 ~~[(31)]~~ (32) (a) "Property" means property that is subject to assessment and taxation
310 according to its value.

311 (b) "Property" does not include intangible property as defined in this section.

312 ~~[(32)]~~ (33) "Public utility" means:

313 (a) for purposes of this chapter, the operating property of a railroad, gas corporation, oil
314 or gas transportation or pipeline company, coal slurry pipeline company, electrical corporation,
315 telephone corporation, sewerage corporation, or heat corporation where the company performs
316 the service for, or delivers the commodity to, the public generally or companies serving the
317 public generally, or in the case of a gas corporation or an electrical corporation, where the gas
318 or electricity is sold or furnished to any member or consumers within the state for domestic,
319 commercial, or industrial use; and

320 (b) the operating property of any entity or person defined under Section 54-2-1 except
321 water corporations.

322 ~~[(33)]~~ (34) (a) Subject to Subsection ~~[(33)]~~ (34)(b), "qualifying exempt primary
323 residential rental personal property" means household furnishings, furniture, and equipment
324 that:

325 (i) are used exclusively within a dwelling unit that is the primary residence of a tenant;

326 (ii) are owned by the owner of the dwelling unit that is the primary residence of a
327 tenant; and

328 (iii) after applying the residential exemption described in Section 59-2-103, are exempt
329 from taxation under this chapter in accordance with Subsection 59-2-1115(2).

330 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
331 commission may by rule define the term "dwelling unit" for purposes of this Subsection ~~[(33)]~~
332 (34) and Subsection ~~[(36)]~~ (37).

333 ~~[(34)]~~ (35) "Real estate" or "real property" includes:

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

335 (b) all mines, minerals, and quarries in and under the land, all timber belonging to

336 individuals or corporations growing or being on the lands of this state or the United States, and
337 all rights and privileges appertaining to these; and

338 (c) improvements.

339 ~~[(35)]~~ (36) (a) "Relationship with an owner of the property's land surface rights" means
340 a relationship described in Subsection 267(b), Internal Revenue Code, except that the term
341 25% shall be substituted for the term 50% in Subsection 267(b), Internal Revenue Code.

342 (b) For purposes of determining if a relationship described in Subsection 267(b),
343 Internal Revenue Code, exists, the ownership of stock shall be determined using the ownership
344 rules in Subsection 267(c), Internal Revenue Code.

345 ~~[(36)]~~ (37) (a) Subject to Subsection ~~[(36)]~~ (37)(b), "residential property," for purposes
346 of the reductions and adjustments under this chapter, means any property used for residential
347 purposes as a primary residence.

348 (b) Subject to Subsection ~~[(36)]~~ (37)(c), "residential property":

349 (i) except as provided in Subsection ~~[(36)]~~ (37)(b)(ii), includes household furnishings,
350 furniture, and equipment if the household furnishings, furniture, and equipment are:

351 (A) used exclusively within a dwelling unit that is the primary residence of a tenant;

352 and

353 (B) owned by the owner of the dwelling unit that is the primary residence of a tenant;

354 and

355 (ii) does not include property used for transient residential use.

356 (c) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
357 commission may by rule define the term "dwelling unit" for purposes of Subsection ~~[(33)]~~ (34)
358 and this Subsection ~~[(36)]~~ (37).

359 ~~[(37)]~~ (38) "Split estate mineral rights owner" means a person that:

360 (a) has a legal right to extract a mineral from property;

361 (b) does not hold more than a 25% interest in:

362 (i) the land surface rights of the property where the wellhead is located; or

363 (ii) an entity with an ownership interest in the land surface rights of the property where
364 the wellhead is located;

365 (c) is not an entity in which the owner of the land surface rights of the property where
366 the wellhead is located holds more than a 25% interest; and

367 (d) does not have a relationship with an owner of the land surface rights of the property
368 where the wellhead is located.

369 [~~38~~] (39) (a) "State-assessed commercial vehicle" means:

370 (i) any commercial vehicle, trailer, or semitrailer that operates interstate or intrastate to
371 transport passengers, freight, merchandise, or other property for hire; or

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

374 (b) "State-assessed commercial vehicle" does not include vehicles used for hire that are
375 specified in Subsection [~~9~~] (10)(c) as county-assessed commercial vehicles.

376 [~~39~~] (40) "Subdivided lot" means a lot, parcel, or other division of land, that is a
377 division of a base parcel.

378 (41) "Tax area" means a geographic area created by the overlapping boundaries of one
379 or more taxing entities.

380 [~~43~~] (42) (a) "Tax roll" means a permanent record of the taxes charged on property,
381 as extended on the assessment roll, and may be maintained on the same record or records as the
382 assessment roll or may be maintained on a separate record properly indexed to the assessment
383 roll.

384 [~~40~~] (43) "Taxable value" means fair market value less any applicable reduction
385 allowed for residential property under Section 59-2-103.

386 [~~42~~] (44) "Taxing entity" means any county, city, town, school district, special taxing
387 district, local district under Title 17B, Limited Purpose Local Government Entities - Local
388 Districts, or other political subdivision of the state with the authority to levy a tax on property.

389 (b) "Tax roll" includes tax books, tax lists, and other similar materials.

390 Section 2. Section 59-2-108 is amended to read:

391 **59-2-108. Election for assessment and taxation of noncapitalized personal**
392 **property according to a schedule.**

393 (1) As used in this section:

394 [~~(a)(i) "Acquisition cost" means all costs required to put an item of tangible personal~~
395 ~~property into service; and]~~

396 [~~(ii) includes:]~~

397 [~~(A) the purchase price for a new or used item;]~~

398 ~~[(B) the cost of freight and shipping;]~~

399 ~~[(C) the cost of installation, engineering, erection, or assembly; and]~~

400 ~~[(D) sales and use taxes.]~~

401 ~~[(b)]~~ (a) (i) "Item of taxable tangible personal property" does not include an
402 improvement to real property or a part that will become an improvement.

403 (ii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
404 commission may make rules defining the term "item of taxable tangible personal property."

405 ~~[(e)]~~ (b) "Noncapitalized personal property" means an item of tangible personal
406 property:

407 (i) that has an acquisition cost of \$1,000 or less; and

408 (ii) with respect to which a deduction is allowed under Section 162 or Section 179,
409 Internal Revenue Code, in the year of acquisition, regardless of whether a deduction is actually
410 claimed.

411 ~~[(d)]~~ (c) "Taxable tangible personal property" means tangible personal property that is
412 subject to taxation under this chapter.

413 (2) (a) A person may make an election for the noncapitalized personal property owned
414 by the person to be assessed and taxed as provided in this section.

415 (b) Except as provided in Subsection (2)(c), a county may not require a person who
416 makes an election under this section to:

417 (i) itemize noncapitalized personal property on the signed statement described in
418 Section [59-2-306](#); or

419 (ii) track noncapitalized personal property.

420 (c) If a person's noncapitalized personal property for which the person makes an
421 election under this section is examined in accordance with Section [59-2-306](#), the person shall
422 provide proof of the acquisition cost of the noncapitalized personal property.

423 (3) (a) An election under this section may not be revoked.

424 (b) Except as provided in Subsection (3)(d), if a person makes an election under this
425 section with respect to noncapitalized personal property, the person shall pay taxes on the
426 noncapitalized personal property according to the schedule described in Subsection (4).

427 (c) If a person sells or otherwise disposes of an item of noncapitalized personal
428 property for which the person makes an election under this section prior to the fourth year after

429 acquisition, the person shall continue to pay taxes according to the schedule described in
430 Subsection (4).

431 (d) If a person makes an election under this section for noncapitalized personal
432 property acquired on or before December 31, 2012, at a time after the first year after
433 acquisition, the person shall pay taxes according to the taxable value for the applicable one or
434 more years after acquisition as determined by the schedule described in Subsection (4).

435 (e) If a person makes an election under this section, the person may not appeal the
436 values described in Subsection (4).

437 (4) The taxable value of noncapitalized personal property for which a person makes an
438 election under this section is calculated by applying the percent good factor against the
439 acquisition cost of the noncapitalized personal property as follows:

440 Noncapitalized Personal Property Schedule

Year after Acquisition	Percent Good of Acquisition Cost
First year after acquisition	75%
Second year after acquisition	50%
Third year after acquisition	25%
Fourth year after acquisition	0%

446 Section 3. Section **59-2-804** is amended to read:

447 **59-2-804. Interstate allocation of mobile flight equipment.**

448 (1) As used in this section:

449 (a) "Aircraft type" means a particular model of aircraft as designated by the
450 manufacturer of the aircraft.

451 (b) "Airline ground hours calculation" means an amount equal to the product of:

452 (i) the total number of hours aircraft owned or operated by an airline are on the ground,
453 calculated by aircraft type; and

454 (ii) the cost percentage.

455 (c) "Airline revenue ton miles" means, for an airline, the total revenue ton miles during
456 the calendar year that immediately precedes the January 1 described in Section **59-2-103**.

457 (d) "Cost percentage" means a fraction, calculated by aircraft type, the numerator of

458 which is the airline's average cost of the aircraft type and the denominator of which is the
459 airline's average cost of the aircraft type:

460 (i) owned or operated by the airline; and

461 (ii) that has the lowest average cost.

462 (e) "Ground hours factor" means the product of:

463 (i) a fraction, the numerator of which is the Utah ground hours calculation and the
464 denominator of which is the airline ground hours calculation; and

465 (ii) .50.

466 (f) (i) Except as provided in Subsection (1)(f)(ii), "mobile flight equipment" is as
467 defined in Section 59-2-102.

468 (ii) "Mobile flight equipment" does not include tangible personal property described in
469 Subsection 59-2-102~~(27)~~(28) owned by an:

470 (A) air charter service; or

471 (B) air contract service.

472 (g) "Mobile flight equipment allocation factor" means the sum of:

473 (i) the ground hours factor; and

474 (ii) the revenue ton miles factor.

475 (h) "Revenue ton miles" is determined in accordance with 14 C.F.R. Part 241.

476 (i) "Revenue ton miles factor" means the product of:

477 (i) a fraction, the numerator of which is the Utah revenue ton miles and the
478 denominator of which is the airline revenue ton miles; and

479 (ii) .50.

480 (j) "Utah ground hours calculation" means an amount equal to the product of:

481 (i) the total number of hours aircraft owned or operated by an airline are on the ground
482 in this state, calculated by aircraft type; and

483 (ii) the cost percentage.

484 (k) "Utah revenue ton miles" means, for an airline, the total revenue ton miles within
485 the borders of this state:

486 (i) during the calendar year that immediately precedes the January 1 described in
487 Section 59-2-103; and

488 (ii) from flight stages that originate or terminate in this state.

489 (2) For purposes of the assessment of an airline's mobile flight equipment by the
 490 commission, a portion of the value of the airline's mobile flight equipment shall be allocated to
 491 the state by calculating the product of:

492 (a) the total value of the mobile flight equipment; and

493 (b) the mobile flight equipment allocation factor.

494 Section 4. Section **59-2-1115** is amended to read:

495 **59-2-1115. Exemption of certain tangible personal property.**

496 (1) For purposes of this section:

497 ~~[(a) (i) "Acquisition cost" means all costs required to put an item of tangible personal~~
 498 ~~property into service; and]~~

499 ~~[(ii) includes:]~~

500 ~~[(A) the purchase price for a new or used item;]~~

501 ~~[(B) the cost of freight and shipping;]~~

502 ~~[(C) the cost of installation, engineering, erection, or assembly; and]~~

503 ~~[(D) sales and use taxes.]~~

504 ~~[(b)]~~ (a) (i) "Item of taxable tangible personal property" does not include an
 505 improvement to real property or a part that will become an improvement.

506 (ii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
 507 commission may make rules defining the term "item of taxable tangible personal property."

508 ~~[(c)]~~ (b) (i) "Taxable tangible personal property" means tangible personal property that
 509 is subject to taxation under this chapter.

510 (ii) "Taxable tangible personal property" does not include:

511 (A) tangible personal property required by law to be registered with the state before it
 512 is used:

513 (I) on a public highway;

514 (II) on a public waterway;

515 (III) on public land; or

516 (IV) in the air;

517 (B) a mobile home as defined in Section [41-1a-102](#); or

518 (C) a manufactured home as defined in Section [41-1a-102](#).

519 ~~[(2) (a) The taxable tangible personal property of a taxpayer is exempt from taxation if~~

520 ~~the taxable tangible personal property has a total aggregate taxable value per county of \$10,000~~
521 ~~or less.]~~

522 (2) (a) The first \$10,000 of the total aggregate taxable value of taxable tangible
523 personal property of a taxpayer per county is exempt from taxation.

524 (b) In addition to the exemption under Subsection (2)(a), an item of taxable tangible
525 personal property, except for an item of noncapitalized personal property as defined in Section
526 59-2-108, is exempt from taxation if the item of taxable tangible personal property:

527 (i) has an acquisition cost of \$1,000 or less;

528 (ii) has reached a percent good of 15% or less according to a personal property
529 schedule published by the commission pursuant to Section 59-2-107; and

530 (iii) is in a personal property schedule with a residual value of 15% or less.

531 (3) (a) For calendar years beginning on or after January 1, 2015, the commission shall
532 increase the dollar amount described in Subsection (2)(a):

533 (i) by a percentage equal to the percentage difference between the consumer price
534 index for the preceding calendar year and the consumer price index for calendar year 2013; and

535 (ii) up to the nearest \$100 increment.

536 (b) For purposes of this Subsection (3), the commission shall calculate the consumer
537 price index as provided in Sections 1(f)(4) and 1(f)(5), Internal Revenue Code.

538 (c) If the percentage difference under Subsection (3)(a)(i) is zero or a negative
539 percentage, the consumer price index increase for the year is zero.

540 (4) (a) For the first calendar year in which ~~[a taxpayer qualifies for an exemption~~
541 ~~described in Subsection (2)]~~ the taxpayer's total aggregate value of taxable tangible personal
542 property per county is less than the amount described in Subsection (2)(a), adjusted as provided
543 in Subsection (3), a county assessor may require the taxpayer to file a signed statement
544 described in Section 59-2-306.

545 ~~[(b) Notwithstanding Section 59-2-306 and subject to Subsection (5), for a calendar~~
546 ~~year in which a taxpayer qualifies for an exemption described in Subsection (2) after the~~
547 ~~calendar year described in Subsection (4)(a), a signed statement described in Section 59-2-306~~
548 ~~with respect to the taxable tangible personal property that is exempt under Subsection (2) may~~
549 ~~only require the taxpayer to certify, under penalty of perjury, that the taxpayer qualifies for the~~
550 ~~exemption under Subsection (2).]~~

551 (b) Notwithstanding Section 59-2-306 and subject to Subsection (5), if the taxpayer's
552 total aggregate value of taxable tangible personal property per county is less than the amount
553 described in Subsection (2)(a), adjusted as provided in Subsection (3), in the previous calendar
554 year, a county assessor:

555 (i) may not require the taxpayer to set forth all the tangible personal property assessable
556 by the assessor which is owned, possessed, managed, or under the control of the taxpayer in a
557 signed statement described in Section 59-2-306; and

558 (ii) may only require the taxpayer to certify, under penalty of perjury, in a signed
559 statement described in Section 59-2-306 that the taxpayer's total aggregate value of taxable
560 tangible personal property per county is less than the amount described in Subsection (2)(a),
561 adjusted as provided in Subsection (3).

562 (5) A signed statement with respect to qualifying exempt primary residential rental
563 personal property is as provided in Section 59-2-103.5.

564 (6) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
565 commission may make rules to administer this section and provide for uniform
566 implementation.

567 Section 5. Section 59-7-302 is amended to read:

568 **59-7-302. Definitions -- Determination of taxpayer status.**

569 (1) As used in this part, unless the context otherwise requires:

570 (a) "Aircraft type" means a particular model of aircraft as designated by the
571 manufacturer of the aircraft.

572 (b) "Airline" means the same as that term is defined in Section 59-2-102.

573 (c) "Airline revenue ton miles" means, for an airline, the total revenue ton miles during
574 the airline's tax period.

575 (d) "Business income" means income arising from transactions and activity in the
576 regular course of the taxpayer's trade or business and includes income from tangible and
577 intangible property if the acquisition, management, and disposition of the property constitutes
578 integral parts of the taxpayer's regular trade or business operations.

579 (e) "Commercial domicile" means the principal place from which the trade or business
580 of the taxpayer is directed or managed.

581 (f) "Compensation" means wages, salaries, commissions, and any other form of

582 remuneration paid to employees for personal services.

583 (g) (i) Except as provided in Subsection (1)(g)(ii), "mobile flight equipment" means the
584 same as that term is defined in Section 59-2-102.

585 (ii) "Mobile flight equipment" does not include:

586 (A) a spare engine; or

587 (B) tangible personal property described in Subsection 59-2-102[(27)](28) owned by
588 an air charter service or an air contract service.

589 (h) "Nonbusiness income" means all income other than business income.

590 (i) Subject to Subsection (2), "optional sales factor weighted taxpayer" means:

591 (i) for a taxpayer that is not a unitary group, regardless of the number of economic
592 activities the taxpayer performs, a taxpayer having greater than 50% of the taxpayer's total sales
593 everywhere generated by economic activities performed by the taxpayer if the economic
594 activities are classified in a NAICS code within NAICS Subsector 334, Computer and
595 Electronic Product Manufacturing, of the 2002 or 2007 North American Industry Classification
596 System of the federal Executive Office of the President, Office of Management and Budget; or

597 (ii) for a taxpayer that is a unitary group, a taxpayer having greater than 50% of the
598 taxpayer's total sales everywhere generated by economic activities performed by the taxpayer if
599 the economic activities are classified in a NAICS code within NAICS Subsector 334,
600 Computer and Electronic Product Manufacturing, of the 2002 or 2007 North American
601 Industry Classification System of the federal Executive Office of the President, Office of
602 Management and Budget.

603 (j) "Revenue ton miles" is determined in accordance with 14 C.F.R. Part 241.

604 (k) "Sales" means all gross receipts of the taxpayer not allocated under Sections
605 59-7-306 through 59-7-310.

606 (l) Subject to Subsection (2), "sales factor weighted taxpayer" means:

607 (i) for a taxpayer that is not a unitary group, regardless of the number of economic
608 activities the taxpayer performs, a taxpayer having greater than 50% of the taxpayer's total sales
609 everywhere generated by economic activities performed by the taxpayer if the economic
610 activities are classified in a NAICS code of the 2002 or 2007 North American Industry
611 Classification System of the federal Executive Office of the President, Office of Management
612 and Budget, except for:

- 613 (A) a NAICS code within NAICS Sector 21, Mining;
- 614 (B) a NAICS code within NAICS Industry Group 2212, Natural Gas Distribution;
- 615 (C) a NAICS code within NAICS Sector 31-33, Manufacturing, other than NAICS
616 Code 336111, Automobile Manufacturing;
- 617 (D) a NAICS code within NAICS Sector 48-49, Transportation and Warehousing;
- 618 (E) a NAICS code within NAICS Sector 51, Information, other than NAICS Subsector
619 519, Other Information Services; or
- 620 (F) a NAICS code within NAICS Sector 52, Finance and Insurance; or
- 621 (ii) for a taxpayer that is a unitary group, a taxpayer having greater than 50% of the
622 taxpayer's total sales everywhere generated by economic activities performed by the taxpayer if
623 the economic activities are classified in a NAICS code of the 2002 or 2007 North American
624 Industry Classification System of the federal Executive Office of the President, Office of
625 Management and Budget, except for a NAICS code under Subsections (1)(l)(i)(A) through (F).
- 626 (m) "State" means any state of the United States, the District of Columbia, the
627 Commonwealth of Puerto Rico, any territory or possession of the United States, and any
628 foreign country or political subdivision thereof.
- 629 (n) "Transportation revenue" means revenue an airline earns from:
- 630 (i) transporting a passenger or cargo; or
- 631 (ii) from miscellaneous sales of merchandise as part of providing transportation
632 services.
- 633 (o) "Utah revenue ton miles" means, for an airline, the total revenue ton miles within
634 the borders of this state:
- 635 (i) during the airline's tax period; and
- 636 (ii) from flight stages that originate or terminate in this state.
- 637 (2) The following apply to Subsections (1)(i) and (l):
- 638 (a) (i) Subject to the other provisions of this Subsection (2), for each taxable year, a
639 taxpayer shall determine whether the taxpayer is a sales factor weighted taxpayer.
- 640 (ii) A taxpayer shall make the determination required by Subsection (2)(a)(i) before the
641 due date for filing the taxpayer's return under this chapter for the taxable year, including
642 extensions.
- 643 (iii) For purposes of making the determination required by Subsection (2)(a)(i), total

644 sales everywhere include only the total sales everywhere:

645 (A) as determined in accordance with this part; and

646 (B) made during the taxable year for which a taxpayer makes the determination
647 required by Subsection (2)(a)(i).

648 (b) (i) (A) Subject to other provisions of this Subsection (2), for each taxable year, a
649 taxpayer that is not a sales factor weighted taxpayer may determine whether the taxpayer is an
650 optional sales factor weighted taxpayer.

651 (B) A taxpayer that is not a sales factor weighted taxpayer shall determine that the
652 taxpayer is an optional sales factor weighted taxpayer before the taxpayer may use the
653 apportionment options described in Subsection 59-7-311(4).

654 (ii) A taxpayer making the determination described in Subsection (2)(b)(i) shall make
655 the determination before the due date for filing the taxpayer's return under this chapter for the
656 taxable year, including extensions.

657 (iii) For purposes of making the determination described in Subsection (2)(b)(i), total
658 sales everywhere include only the total sales everywhere:

659 (A) as determined in accordance with this part; and

660 (B) made during the taxable year for which a taxpayer makes a determination described
661 in Subsection (2)(b)(i).

662 (c) A taxpayer that files a return as a unitary group for a taxable year is considered to
663 be a unitary group for that taxable year.

664 (d) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
665 commission may define the term "economic activity" consistent with the use of the term
666 "activity" in the 2007 North American Industry Classification System of the federal Executive
667 Office of the President, Office of Management and Budget.

668 Section 6. **Effective date.**

669 This bill takes effect on January 1, 2019.