

Senator Daniel McCay proposes the following substitute bill:

TANGIBLE PERSONAL PROPERTY AMENDMENTS

2019 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Daniel McCay

House Sponsor: Karianne Lisonbee

LONG TITLE

General Description:

This bill provides for the exemption of tangible personal property from property tax, except for certain tangible personal property.

Highlighted Provisions:

This bill:

- ▶ provides for the exemption of tangible personal property from property tax, except for certain tangible personal property;
- ▶ repeals existing provisions relating to the exemption of certain tangible personal property from property tax; and
- ▶ makes technical and conforming 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 2018, Chapters 415 and 456

59-2-103.5, as last amended by Laws of Utah 2014, Chapter 65



26 [59-2-108](#), as last amended by Laws of Utah 2013, Chapter 248

27 [59-2-1115](#), as last amended by Laws of Utah 2013, Chapters 19 and 147

28

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

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

31 **59-2-102. Definitions.**

32 As used in this chapter and title:

33 (1) "Aerial applicator" means aircraft or rotorcraft used exclusively for the purpose of
34 engaging in dispensing activities directly affecting agriculture or horticulture with an
35 airworthiness certificate from the Federal Aviation Administration certifying the aircraft or
36 rotorcraft's use for agricultural and pest control purposes.

37 (2) "Air charter service" means an air carrier operation that requires the customer to
38 hire an entire aircraft rather than book passage in whatever capacity is available on a scheduled
39 trip.

40 (3) "Air contract service" means an air carrier operation available only to customers
41 that engage the services of the carrier through a contractual agreement and excess capacity on
42 any trip and is not available to the public at large.

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

44 (5) (a) Except as provided in Subsection (5)(b), "airline" means an air carrier that:

45 (i) operates:

46 (A) on an interstate route; and

47 (B) on a scheduled basis; and

48 (ii) offers to fly one or more passengers or cargo on the basis of available capacity on a
49 regularly scheduled route.

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

51 (i) air charter service; or

52 (ii) air contract service.

53 (6) "Assessment roll" means a permanent record of the assessment of property as
54 assessed by the county assessor and the commission and may be maintained manually or as a
55 computerized file as a consolidated record or as multiple records by type, classification, or
56 categories.

- 57 (7) "Base parcel" means a parcel of property that was legally:
58 (a) subdivided into two or more lots, parcels, or other divisions of land; or
59 (b) (i) combined with one or more other parcels of property; and
60 (ii) subdivided into two or more lots, parcels, or other divisions of land.
61 (8) (a) "Certified revenue levy" means a property tax levy that provides an amount of
62 ad valorem property tax revenue equal to the sum of:
63 (i) the amount of ad valorem property tax revenue to be generated statewide in the
64 previous year from imposing a multicounty assessing and collecting levy, as specified in
65 Section 59-2-1602; and
66 (ii) the product of:
67 (A) eligible new growth, as defined in Section 59-2-924; and
68 (B) the multicounty assessing and collecting levy certified by the commission for the
69 previous year.
70 (b) For purposes of this Subsection (8), "ad valorem property tax revenue" does not
71 include property tax revenue received by a taxing entity from personal property that is:
72 (i) assessed by a county assessor in accordance with Part 3, County Assessment; and
73 (ii) semiconductor manufacturing equipment.
74 (c) For purposes of calculating the certified revenue levy described in this Subsection
75 (8), the commission shall use:
76 (i) the taxable value of real property assessed by a county assessor contained on the
77 assessment roll;
78 (ii) the taxable value of real and personal property assessed by the commission; and
79 (iii) the taxable year end value of personal property assessed by a county assessor
80 contained on the prior year's assessment roll.
81 (9) "County-assessed commercial vehicle" means:
82 (a) any commercial vehicle, trailer, or semitrailer that is not apportioned under Section
83 41-1a-301 and is not operated interstate to transport the vehicle owner's goods or property in
84 furtherance of the owner's commercial enterprise;
85 (b) any passenger vehicle owned by a business and used by its employees for
86 transportation as a company car or vanpool vehicle; and
87 (c) vehicles that are:

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

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

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

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

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

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

96 (10) (a) Except as provided in Subsection (10)(b), for purposes of Section 59-2-801,
97 "designated tax area" means a tax area created by the overlapping boundaries of only the
98 following taxing entities:

99 (i) a county; and

100 (ii) a school district.

101 (b) "Designated tax area" includes a tax area created by the overlapping boundaries of
102 the taxing entities described in Subsection (10)(a) and:

103 (i) a city or town if the boundaries of the school district under Subsection (10)(a) and
104 the boundaries of the city or town are identical; or

105 (ii) a special service district if the boundaries of the school district under Subsection
106 (10)(a) are located entirely within the special service district.

107 (11) "Eligible judgment" means a final and unappealable judgment or order under
108 Section 59-2-1330:

109 (a) that became a final and unappealable judgment or order no more than 14 months
110 before the day on which the notice described in Section 59-2-919.1 is required to be provided;
111 and

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

114 (i) \$5,000; or

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

117 (12) (a) "Escaped property" means any property, whether personal, land, or any
118 improvements to the property, that is subject to taxation and is:

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

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

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

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

128 (13) "Fair market value" means the amount at which property would change hands
129 between a willing buyer and a willing seller, neither being under any compulsion to buy or sell
130 and both having reasonable knowledge of the relevant facts. For purposes of taxation, "fair
131 market value" shall be determined using the current zoning laws applicable to the property in
132 question, except in cases where there is a reasonable probability of a change in the zoning laws
133 affecting that property in the tax year in question and the change would have an appreciable
134 influence upon the value.

135 (14) (a) "Farm machinery and equipment," for purposes of the exemption provided
136 under Section 59-2-1101, means tractors, milking equipment and storage and cooling facilities,
137 feed handling equipment, irrigation equipment, harvesters, choppers, grain drills and planters,
138 tillage tools, scales, combines, spreaders, sprayers, haying equipment, including balers and
139 cubers, and any other machinery or equipment used primarily for agricultural purposes.

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

143 (15) "Geothermal fluid" means water in any form at temperatures greater than 120
144 degrees centigrade naturally present in a geothermal system.

145 (16) "Geothermal resource" means:

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

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

- 150 (17) (a) "Goodwill" means:
- 151 (i) acquired goodwill that is reported as goodwill on the books and records that a
- 152 taxpayer maintains for financial reporting purposes; or
- 153 (ii) the ability of a business to:
- 154 (A) generate income that exceeds a normal rate of return on assets and that results from
- 155 a factor described in Subsection (17)(b); or
- 156 (B) obtain an economic or competitive advantage resulting from a factor described in
- 157 Subsection (17)(b).
- 158 (b) The following factors apply to Subsection (17)(a)(ii):
- 159 (i) superior management skills;
- 160 (ii) reputation;
- 161 (iii) customer relationships;
- 162 (iv) patronage; or
- 163 (v) a factor similar to Subsections (17)(b)(i) through (iv).
- 164 (c) "Goodwill" does not include:
- 165 (i) the intangible property described in Subsection (21)(a) or (b);
- 166 (ii) locational attributes of real property, including:
- 167 (A) zoning;
- 168 (B) location;
- 169 (C) view;
- 170 (D) a geographic feature;
- 171 (E) an easement;
- 172 (F) a covenant;
- 173 (G) proximity to raw materials;
- 174 (H) the condition of surrounding property; or
- 175 (I) proximity to markets;
- 176 (iii) value attributable to the identification of an improvement to real property,
- 177 including:
- 178 (A) reputation of the designer, builder, or architect of the improvement;
- 179 (B) a name given to, or associated with, the improvement; or
- 180 (C) the historic significance of an improvement; or

181 (iv) the enhancement or assemblage value specifically attributable to the interrelation
182 of the existing tangible property in place working together as a unit.

183 (18) "Governing body" means:

184 (a) for a county, city, or town, the legislative body of the county, city, or town;

185 (b) for a local district under Title 17B, Limited Purpose Local Government Entities -
186 Local Districts, the local district's board of trustees;

187 (c) for a school district, the local board of education; or

188 (d) for a special service district under Title 17D, Chapter 1, Special Service District

189 Act:

190 (i) the legislative body of the county or municipality that created the special service
191 district, to the extent that the county or municipal legislative body has not delegated authority
192 to an administrative control board established under Section 17D-1-301; or

193 (ii) the administrative control board, to the extent that the county or municipal
194 legislative body has delegated authority to an administrative control board established under
195 Section 17D-1-301.

196 (19) (a) For purposes of Section 59-2-103:

197 (i) "household" means the association of individuals who live in the same dwelling,
198 sharing its furnishings, facilities, accommodations, and expenses; and

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

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

203 (20) (a) Except as provided in Subsection (20)(c), "improvement" means a building,
204 structure, fixture, fence, or other item that is permanently attached to land, regardless of
205 whether the title has been acquired to the land, if:

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

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

209 (ii) removal of the item would:

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

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

212 (b) "Improvement" includes:
213 (i) an accessory to an item described in Subsection (20)(a) if the accessory is:
214 (A) essential to the operation of the item described in Subsection (20)(a); and
215 (B) installed solely to serve the operation of the item described in Subsection (20)(a);
216 and
217 (ii) an item described in Subsection (20)(a) that is temporarily detached from the land
218 for repairs and remains located on the land.
219 (c) "Improvement" does not include:
220 (i) an item considered to be personal property pursuant to rules made in accordance
221 with Section 59-2-107;
222 (ii) a moveable item that is attached to land for stability only or for an obvious
223 temporary purpose;
224 (iii) (A) manufacturing equipment and machinery; or
225 (B) essential accessories to manufacturing equipment and machinery;
226 (iv) an item attached to the land in a manner that facilitates removal without substantial
227 damage to the land or the item; or
228 (v) a transportable factory-built housing unit as defined in Section 59-2-1502 if that
229 transportable factory-built housing unit is considered to be personal property under Section
230 59-2-1503.
231 (21) "Intangible property" means:
232 (a) property that is capable of private ownership separate from tangible property,
233 including:
234 (i) money;
235 (ii) credits;
236 (iii) bonds;
237 (iv) stocks;
238 (v) representative property;
239 (vi) franchises;
240 (vii) licenses;
241 (viii) trade names;
242 (ix) copyrights; and

- 243 (x) patents;
- 244 (b) a low-income housing tax credit;
- 245 (c) goodwill; or
- 246 (d) a renewable energy tax credit or incentive, including:
 - 247 (i) a federal renewable energy production tax credit under Section 45, Internal Revenue
 - 248 Code;
 - 249 (ii) a federal energy credit for qualified renewable electricity production facilities under
 - 250 Section 48, Internal Revenue Code;
 - 251 (iii) a federal grant for a renewable energy property under American Recovery and
 - 252 Reinvestment Act of 2009, Pub. L. No. 111-5, Section 1603; and
 - 253 (iv) a tax credit under Subsection 59-7-614(5).
- 254 (22) "Livestock" means:
 - 255 (a) a domestic animal;
 - 256 (b) a fish;
 - 257 (c) a fur-bearing animal;
 - 258 (d) a honeybee; or
 - 259 (e) poultry.
- 260 (23) "Low-income housing tax credit" means:
 - 261 (a) a federal low-income housing tax credit under Section 42, Internal Revenue Code;
 - 262 or
 - 263 (b) a low-income housing tax credit under Section 59-7-607 or Section 59-10-1010.
- 264 (24) "Metalliferous minerals" includes gold, silver, copper, lead, zinc, and uranium.
- 265 (25) "Mine" means a natural deposit of either metalliferous or nonmetalliferous
- 266 valuable mineral.
- 267 (26) "Mining" means the process of producing, extracting, leaching, evaporating, or
- 268 otherwise removing a mineral from a mine.
- 269 (27) (a) "Mobile flight equipment" means tangible personal property that is owned or
- 270 operated by an air charter service, air contract service, or airline and:
 - 271 (i) is capable of flight or is attached to an aircraft that is capable of flight; or
 - 272 (ii) is contained in an aircraft that is capable of flight if the tangible personal property
 - 273 is intended to be used:

274 (A) during multiple flights;
275 (B) during a takeoff, flight, or landing; and
276 (C) as a service provided by an air charter service, air contract service, or airline.
277 (b) (i) "Mobile flight equipment" does not include a spare part other than a spare
278 engine that is rotated at regular intervals with an engine that is attached to the aircraft.
279 (ii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
280 commission may make rules defining the term "regular intervals."
281 (28) "Nonmetalliferous minerals" includes, but is not limited to, oil, gas, coal, salts,
282 sand, rock, gravel, and all carboniferous materials.
283 (29) "Part-year residential property" means property that is not residential property on
284 January 1 of a calendar year but becomes residential property after January 1 of the calendar
285 year.
286 (30) "Personal property" includes:
287 (a) every class of property as defined in Subsection (31) that is the subject of
288 ownership and is not real estate or an improvement;
289 (b) any pipe laid in or affixed to land whether or not the ownership of the pipe is
290 separate from the ownership of the underlying land, even if the pipe meets the definition of an
291 improvement;
292 (c) bridges and ferries;
293 (d) livestock; and
294 (e) outdoor advertising structures as defined in Section [72-7-502](#).
295 (31) (a) "Property" means property that is subject to assessment and taxation according
296 to its value.
297 (b) "Property" does not include intangible property as defined in this section.
298 (32) "Public utility" means:
299 (a) for purposes of this chapter, the operating property of a railroad, gas corporation, oil
300 or gas transportation or pipeline company, coal slurry pipeline company, electrical corporation,
301 telephone corporation, sewerage corporation, or heat corporation where the company performs
302 the service for, or delivers the commodity to, the public generally or companies serving the
303 public generally, or in the case of a gas corporation or an electrical corporation, where the gas
304 or electricity is sold or furnished to any member or consumers within the state for domestic,

305 commercial, or industrial use; and

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

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

310 [(i) are used exclusively within a dwelling unit that is the primary residence of a
311 tenant;]

312 [(ii) are owned by the owner of the dwelling unit that is the primary residence of a
313 tenant; and]

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

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

319 [~~(34)~~ (33) "Real estate" or "real property" includes:

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

321 (b) all mines, minerals, and quarries in and under the land, all timber belonging to
322 individuals or corporations growing or being on the lands of this state or the United States, and
323 all rights and privileges appertaining to these; and

324 (c) improvements.

325 [~~(35)~~ (34) (a) "Relationship with an owner of the property's land surface rights" means
326 a relationship described in Subsection 267(b), Internal Revenue Code, except that the term
327 25% shall be substituted for the term 50% in Subsection 267(b), Internal Revenue Code.

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

331 [~~(36)~~ (35) (a) Subject to Subsection [~~(36)~~ (35)(b), "residential property," for purposes
332 of the reductions and adjustments under this chapter, means any property used for residential
333 purposes as a primary residence.

334 (b) Subject to Subsection [~~(36)~~ (35)(c), "residential property":

335 (i) except as provided in Subsection [~~(36)~~ (35)(b)(ii), includes household furnishings,

336 furniture, and equipment if the household furnishings, furniture, and equipment are:

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

338 and

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

340 and

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

342 (c) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the

343 commission may by rule define the term "dwelling unit" for purposes of [~~Subsection (33) and~~]

344 this Subsection [~~(36)~~] (35).

345 [~~(37)~~] (36) "Split estate mineral rights owner" means a person that:

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

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

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

349 (ii) an entity with an ownership interest in the land surface rights of the property where

350 the wellhead is located;

351 (c) is not an entity in which the owner of the land surface rights of the property where

352 the wellhead is located holds more than a 25% interest; and

353 (d) does not have a relationship with an owner of the land surface rights of the property

354 where the wellhead is located.

355 [~~(38)~~] (37) (a) "State-assessed commercial vehicle" means:

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

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

360 (b) "State-assessed commercial vehicle" does not include vehicles used for hire that are
361 specified in Subsection (9)(c) as county-assessed commercial vehicles.

362 [~~(39)~~] (38) "Subdivided lot" means a lot, parcel, or other division of land, that is a
363 division of a base parcel.

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

366 [~~(41)~~] (39) "Tax area" means a geographic area created by the overlapping boundaries

367 of one or more taxing entities.

368 (40) "Taxable value" means fair market value less any applicable reduction allowed for
369 residential property under Section 59-2-103.

370 [~~42~~] (41) "Taxing entity" means any county, city, town, school district, special taxing
371 district, local district under Title 17B, Limited Purpose Local Government Entities - Local
372 Districts, or other political subdivision of the state with the authority to levy a tax on property.

373 [~~43~~] (42) (a) "Tax roll" means a permanent record of the taxes charged on property,
374 as extended on the assessment roll, and may be maintained on the same record or records as the
375 assessment roll or may be maintained on a separate record properly indexed to the assessment
376 roll.

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

378 Section 2. Section 59-2-103.5 is amended to read:

379 **59-2-103.5. Procedures to obtain an exemption for residential property --**

380 **Procedure if property owner or property no longer qualifies to receive a residential**
381 **exemption.**

382 (1) For residential property other than part-year residential property, a county
383 legislative body may adopt an ordinance that requires an owner to file an application with the
384 county board of equalization before a residential exemption under Section 59-2-103 may be
385 applied to the value of the residential property if:

386 (a) the residential property was ineligible for the residential exemption during the
387 calendar year immediately preceding the calendar year for which the owner is seeking to have
388 the residential exemption applied to the value of the residential property;

389 (b) an ownership interest in the residential property changes; or

390 (c) the county board of equalization determines that there is reason to believe that the
391 residential property no longer qualifies for the residential exemption.

392 (2) (a) The application described in Subsection (1) shall:

393 (i) be on a form the commission prescribes by rule and makes available to the counties;

394 (ii) be signed by all of the owners of the residential property;

395 (iii) certify that the residential property is residential property; and

396 (iv) contain other information as the commission requires by rule.

397 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the

398 commission may make rules prescribing the contents of the form described in Subsection
399 (2)(a).

400 (3) (a) Regardless of whether a county legislative body adopts an ordinance described
401 in Subsection (1), before a residential exemption may be applied to the value of part-year
402 residential property, an owner of the property shall:

403 (i) file the application described in Subsection (2)(a) with the county board of
404 equalization; and

405 (ii) include as part of the application described in Subsection (2)(a) a statement that
406 certifies:

407 (A) the date the part-year residential property became residential property;

408 (B) that the part-year residential property will be used as residential property for 183 or
409 more consecutive calendar days during the calendar year for which the owner seeks to obtain
410 the residential exemption; and

411 (C) that the owner, or a member of the owner's household, may not claim a residential
412 exemption for any property for the calendar year for which the owner seeks to obtain the
413 residential exemption, other than the part-year residential property, or as allowed under Section
414 59-2-103 with respect to the primary residence or household furnishings, furniture, and
415 equipment of the owner's tenant.

416 (b) An owner may not obtain a residential exemption for part-year residential property
417 unless the owner files an application under this Subsection (3) on or before November 30 of the
418 calendar year for which the owner seeks to obtain the residential exemption.

419 (c) If an owner files an application under this Subsection (3) on or after May 1 of the
420 calendar year for which the owner seeks to obtain the residential exemption, the county board
421 of equalization may require the owner to pay an application fee of not to exceed \$50.

422 (4) Except as provided in Subsection (5), if a property owner no longer qualifies to
423 receive a residential exemption authorized under Section 59-2-103 for the property owner's
424 primary residence, the property owner shall:

425 (a) file a written statement with the county board of equalization of the county in which
426 the property is located:

427 (i) on a form provided by the county board of equalization; and

428 (ii) notifying the county board of equalization that the property owner no longer

429 qualifies to receive a residential exemption authorized under Section 59-2-103 for the property
430 owner's primary residence; and

431 (b) declare on the property owner's individual income tax return under Chapter 10,
432 Individual Income Tax Act, for the taxable year for which the property owner no longer
433 qualifies to receive a residential exemption authorized under Section 59-2-103 for the property
434 owner's primary residence, that the property owner no longer qualifies to receive a residential
435 exemption authorized under Section 59-2-103 for the property owner's primary residence.

436 (5) A property owner is not required to file a written statement or make the declaration
437 described in Subsection (4) if the property owner:

438 (a) changes primary residences;

439 (b) qualified to receive a residential exemption authorized under Section 59-2-103 for
440 the residence that was the property owner's former primary residence; and

441 (c) qualifies to receive a residential exemption authorized under Section 59-2-103 for
442 the residence that is the property owner's current primary residence.

443 [~~(6) Subsections (2) through (5) do not apply to qualifying exempt primary residential
444 rental personal property.~~]

445 [~~(7)(a)~~] (6) For the first calendar year in which a property owner qualifies to receive a
446 residential exemption under Section 59-2-103, a county assessor may require the property
447 owner to file a signed statement described in Section 59-2-306.

448 [~~(b) Notwithstanding Section 59-2-306, for a calendar year after the calendar year
449 described in Subsection (7)(a) in which a property owner qualifies for an exemption described
450 in Subsection 59-2-1115(2) for qualifying exempt primary residential rental personal property,
451 a signed statement described in Section 59-2-306 with respect to the qualifying exempt primary
452 residential rental personal property may only require the property owner to certify, under
453 penalty of perjury, that the property owner qualifies for the exemption under Subsection
454 59-2-1115(2).~~]

455 Section 3. Section 59-2-108 is amended to read:

456 **59-2-108. Tangible personal property -- Election for assessment and taxation of**
457 **noncapitalized personal property according to a schedule -- Determination of taxable**
458 **value.**

459 (1) As used in this section:

460 (a) (i) "Acquisition cost" means all costs required to put an item of tangible personal
461 property into service; and

462 (ii) includes:

463 (A) the purchase price for a new or used item;

464 (B) the cost of freight and shipping;

465 (C) the cost of installation, engineering, erection, or assembly; and

466 (D) sales and use taxes.

467 (b) (i) "Item of taxable tangible personal property" does not include an improvement to
468 real property or a part that will become an improvement.

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

471 (c) "Noncapitalized personal property" means an item of tangible personal property:

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

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

476 (d) "Taxable tangible personal property" means tangible personal property that is
477 subject to taxation under this chapter.

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

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

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

484 (ii) track noncapitalized personal property.

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

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

489 (b) Except as provided in Subsection (3)(d), if a person makes an election under this
490 section with respect to noncapitalized personal property, the person shall pay taxes on the

491 noncapitalized personal property according to the schedule described in Subsection (4).

492 (c) If a person sells or otherwise disposes of an item of noncapitalized personal
493 property for which the person makes an election under this section prior to the fourth year after
494 acquisition, the person shall continue to pay taxes according to the schedule described in
495 Subsection (4).

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

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

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

505 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%

511 (5) The commission shall use acquisition cost, as defined in this section, to determine
512 the taxable value of tangible personal property.

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

514 **59-2-1115. Tangible personal property exemption.**

515 [~~(1) For purposes of this section:~~]

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

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

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

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

521 ~~[(C) the cost of installation, engineering, erection, or assembly; and]~~
522 ~~[(D) sales and use taxes.]~~
523 ~~[(b) (i) "Item of taxable tangible personal property" does not include an improvement~~
524 ~~to real property or a part that will become an improvement.]~~
525 ~~[(ii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,~~
526 ~~the commission may make rules defining the term "item of taxable tangible personal~~
527 ~~property."]~~
528 ~~[(c) (i) "Taxable tangible personal property" means tangible personal property that is~~
529 ~~subject to taxation under this chapter.]~~
530 ~~[(ii) "Taxable tangible personal property" does not include:]~~
531 (1) For purposes of this section, "Tangible personal property" does not include:
532 ~~[(A)]~~ (a) tangible personal property required by law to be registered with the state
533 before it is used:
534 ~~[(F)]~~ (i) on a public highway;
535 ~~[(H)]~~ (ii) on a public waterway;
536 ~~[(HH)]~~ (iii) on public land; or
537 ~~[(IV)]~~ (iv) in the air;
538 ~~[(B)]~~ (b) a mobile home as defined in Section 41-1a-102; [or]
539 ~~[(C)]~~ (c) a manufactured home as defined in Section 41-1a-102[-]; or
540 (d) an improvement to real property or a part that will become an improvement.
541 ~~[(2) (a) The taxable tangible personal property of a taxpayer is exempt from taxation if~~
542 ~~the taxable tangible personal property has a total aggregate taxable value per county of \$10,000~~
543 ~~or less.]~~
544 ~~[(b) In addition to the exemption under Subsection (2)(a), an item of taxable tangible~~
545 ~~personal property, except for an item of noncapitalized personal property as defined in Section~~
546 ~~59-2-108, is exempt from taxation if the item of taxable tangible personal property:]~~
547 ~~[(i) has an acquisition cost of \$1,000 or less;]~~
548 ~~[(ii) has reached a percent good of 15% or less according to a personal property~~
549 ~~schedule published by the commission pursuant to Section 59-2-107; and]~~
550 ~~[(iii) is in a personal property schedule with a residual value of 15% or less.]~~
551 ~~[(3) (a) For calendar years beginning on or after January 1, 2015, the commission shall~~

552 increase the dollar amount described in Subsection (2)(a):]

553 ~~[(i) by a percentage equal to the percentage difference between the consumer price~~
 554 ~~index for the preceding calendar year and the consumer price index for calendar year 2013;~~
 555 ~~and]~~

556 ~~[(ii) up to the nearest \$100 increment.]~~

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

559 ~~[(c) If the percentage difference under Subsection (3)(a)(i) is zero or a negative~~
 560 ~~percentage, the consumer price index increase for the year is zero.]~~

561 ~~[(4) (a) For the first calendar year in which a taxpayer qualifies for an exemption~~
 562 ~~described in Subsection (2), a county assessor may require the taxpayer to file a signed~~
 563 ~~statement described in Section 59-2-306.]~~

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

570 ~~[(5) A signed statement with respect to qualifying exempt primary residential rental~~
 571 ~~personal property is as provided in Section 59-2-103.5.]~~

572 (2) All tangible personal property that is subject to taxation under this chapter is
 573 exempt from property taxation except:

574 (a) a power transmission line or other tangible personal property used for generating or
 575 delivering electrical power;

576 (b) tangible personal property used to carry out activities associated with the
 577 exploitation of a petroleum or natural gas deposit;

578 (c) a petroleum or natural gas pipeline or other tangible personal property used to
 579 maintain and facilitate a petroleum or natural gas pipeline; and

580 (d) tangible personal property obtained by the owner in a sale where the circumstances
 581 of the sale qualify the tangible personal property for exemption from sales tax under Subsection
 582 59-12-104(5), (11), (14), (15), (18), (29), (31), (33), (38), (44), (54), (55), (56), (57), (61), (62),

583 (63), (70), (73), (74), (76), (79), (80), (84), (86), or (88).

584 ~~[(6)]~~ (3) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking
585 Act, the commission may make rules to administer this section and provide for uniform
586 implementation.

587 Section 5. **Contingent effective date.**

588 This bill takes effect on January 1, 2021, if the amendment to the Utah Constitution
589 proposed by S.J.R. 3, Proposal to Amend Utah Constitution - Tangible Personal Property Tax
590 Amendments, 2019 General Session, passes the Legislature and is approved by a majority of
591 those voting on it at the next regular general election.