

1 **RURAL ECONOMIC DEVELOPMENT MODIFICATIONS**

2 2019 GENERAL SESSION

3 STATE OF UTAH

4 **Chief Sponsor: Scott D. Sandall**

5 House Sponsor: Carl R. Albrecht

7 **LONG TITLE**

8 **General Description:**

9 This bill modifies provisions related to economic development.

10 **Highlighted Provisions:**

11 This bill:

- 12 ▶ modifies enterprise zone provisions overseen by the Governor's Office of Economic
- 13 Development (GOED);
- 14 ▶ modifies provisions related to economic development tax increment financing;
- 15 ▶ repeals provisions related to certain GOED administered economic development
- 16 programs;
- 17 ▶ defines terms, including "rural county";
- 18 ▶ creates the Rural County Economic Development Grant Program (grant program);
- 19 ▶ describes the requirements and purposes of the grant program;
- 20 ▶ describes the requirements for a rural county to apply for a grant under the grant
- 21 program;
- 22 ▶ describes the requirements of GOED in administering the grant program; and
- 23 ▶ makes technical changes.

24 **Money Appropriated in this Bill:**

25 This bill appropriates in fiscal year 2020:

- 26 ▶ to the Governor's Office of Economic Development -- Rural County Economic
- 27 Development Grant Program, as a one-time appropriation



28 • from the General Fund, \$2,000,000.

29 This bill appropriates in fiscal year 2021:

30 ▶ to the Governor's Office of Economic Development -- Rural County Economic
31 Development Grant Program, as an ongoing appropriation

32 • from the General Fund, \$10,000,000.

33 **Other Special Clauses:**

34 This bill provides retrospective operation.

35 **Utah Code Sections Affected:**

36 AMENDS:

37 **59-7-610**, as last amended by Laws of Utah 2015, Chapter 283

38 **59-7-614.10**, as last amended by Laws of Utah 2016, Third Special Session, Chapter 1

39 **59-10-210**, as last amended by Laws of Utah 2015, Chapter 283

40 **59-10-1007**, as last amended by Laws of Utah 2015, Chapter 283

41 **59-10-1037**, as last amended by Laws of Utah 2016, Third Special Session, Chapter 1

42 **63C-10-103**, as last amended by Laws of Utah 2018, Chapter 204

43 **63N-2-103**, as last amended by Laws of Utah 2016, Chapter 350

44 **63N-2-203**, as last amended by Laws of Utah 2017, Chapter 252

45 **63N-2-204**, as last amended by Laws of Utah 2016, Chapter 11

46 **63N-2-208**, as renumbered and amended by Laws of Utah 2015, Chapter 283

47 **63N-2-213**, as last amended by Laws of Utah 2016, Third Special Session, Chapter 1

48 **63N-2-403**, as renumbered and amended by Laws of Utah 2015, Chapter 283

49 **63N-2-705**, as renumbered and amended by Laws of Utah 2015, Chapter 283

50 ENACTS:

51 **63N-4-501**, Utah Code Annotated 1953

52 **63N-4-502**, Utah Code Annotated 1953

53 **63N-4-503**, Utah Code Annotated 1953

54 **63N-4-504**, Utah Code Annotated 1953

55 **63N-4-505**, Utah Code Annotated 1953

56 **63N-4-506**, Utah Code Annotated 1953

57 REPEALS:

58 **63N-2-213.5**, as enacted by Laws of Utah 2017, Chapter 252

- 59 **63N-2-301**, as enacted by Laws of Utah 2015, Chapter 283
- 60 **63N-2-302**, as last amended by Laws of Utah 2017, Chapter 352
- 61 **63N-2-303**, as last amended by Laws of Utah 2017, Chapter 352
- 62 **63N-2-304**, as last amended by Laws of Utah 2017, Chapter 352
- 63 **63N-2-305**, as last amended by Laws of Utah 2017, Chapter 352
- 64 **63N-3-104**, as last amended by Laws of Utah 2018, Chapter 204
- 65 **63N-3-104.5**, as enacted by Laws of Utah 2018, Chapter 204

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

68 Section 1. Section **59-7-610** is amended to read:

69 **59-7-610. Recycling market development zones tax credit.**

70 (1) For taxable years beginning on or after January 1, 1996, a business operating in a
 71 recycling market development zone as defined in Section **63N-2-402** may claim a tax credit as
 72 provided in this section.

73 (a) (i) There shall be allowed a nonrefundable tax credit of 5% of the purchase price
 74 paid for machinery and equipment used directly in:

75 (A) commercial composting; or

76 (B) manufacturing facilities or plant units that:

77 (I) manufacture, process, compound, or produce recycled items of tangible personal
 78 property for sale; or

79 (II) reduce or reuse postconsumer waste material.

80 (ii) The Governor's Office of Economic Development shall certify that the machinery
 81 and equipment described in Subsection (1)(a)(i) are integral to the composting or recycling
 82 process:

83 (A) on a form provided by the commission; and

84 (B) before a taxpayer is allowed a tax credit under this section.

85 (iii) The Governor's Office of Economic Development shall provide a taxpayer seeking
 86 to claim a tax credit under this section with a copy of the form described in Subsection
 87 (1)(a)(ii).

88 (iv) The taxpayer described in Subsection (1)(a)(iii) shall retain a copy of the form
 89 received under Subsection (1)(a)(iii).

90 (b) There shall be allowed a nonrefundable tax credit equal to 20% of net expenditures
91 up to \$10,000 to third parties for rent, wages, supplies, tools, test inventory, and utilities made
92 by the taxpayer for establishing and operating recycling or composting technology in Utah,
93 with an annual maximum tax credit of \$2,000.

94 (2) The total nonrefundable tax credit allowed under this section may not exceed 40%
95 of the Utah income tax liability of the taxpayer prior to any tax credits in the taxable year of
96 purchase prior to claiming the tax credit authorized by this section.

97 (3) (a) Any tax credit not used for the taxable year in which the purchase price on
98 composting or recycling machinery and equipment was paid may be carried over for credit
99 against the business' income taxes in the three succeeding taxable years until the total tax credit
100 amount is used.

101 (b) Tax credits not claimed by a business on the business' state income tax return
102 within three years are forfeited.

103 (4) The commission shall make rules governing what information shall be filed with
104 the commission to verify the entitlement to and amount of a tax credit.

105 (5) (a) Notwithstanding Subsection (1)(a), for taxable years beginning on or after
106 January 1, 2001, a taxpayer may not claim or carry forward a tax credit described in Subsection
107 (1)(a) in a taxable year during which the taxpayer claims or carries forward a tax credit under
108 Section [63N-2-213](#).

109 (b) For a taxable year other than a taxable year during which the taxpayer may not
110 claim or carry forward a tax credit in accordance with Subsection (5)(a), a taxpayer may claim
111 or carry forward a tax credit described in Subsection (1)(a):

112 (i) if the taxpayer may claim or carry forward the tax credit in accordance with
113 Subsections (1) and (2); and

114 (ii) subject to Subsections (3) and (4).

115 (6) Notwithstanding Subsection (1)(b), for taxable years beginning on or after January
116 1, 2001, a taxpayer may not claim a tax credit described in Subsection (1)(b) in a taxable year
117 during which the taxpayer claims or carries forward a tax credit under Section [63N-2-213](#).

118 ~~[(7) A taxpayer may not claim or carry forward a tax credit available under this section
119 for a taxable year during which the taxpayer has claimed the targeted business income tax
120 credit available under Section [63N-2-305](#).]~~

121 Section 2. Section **59-7-614.10** is amended to read:

122 **59-7-614.10. Nonrefundable enterprise zone tax credit.**

123 (1) As used in this section:

124 (a) "Business entity" means a corporation that meets the definition of "business entity"

125 as that term is defined in Section [63N-2-202](#).

126 (b) "Office" means the Governor's Office of Economic Development created in Section

127 [63N-1-201](#).

128 (2) ~~[Subject]~~ For a taxable year ending on or before December 31, 2019, and subject to

129 the provisions of this section, a business entity may claim a nonrefundable enterprise zone tax

130 credit as described in Section [63N-2-213](#).

131 (3) The enterprise zone tax credit under this section is the amount listed as the tax

132 credit amount on the tax credit certificate that the office issues to the business entity for the

133 taxable year.

134 (4) A business entity may carry forward a tax credit under this section for a period that

135 does not exceed the next three taxable years, if the amount of the tax credit exceeds the

136 business entity's tax liability under this chapter for that taxable year.

137 ~~[(5) A business entity may not claim or carry forward a tax credit available under this~~

138 ~~part for a taxable year during which the business entity has claimed the targeted business~~

139 ~~income tax credit available under Section [63N-2-305](#).]~~

140 ~~[(6) (5)~~ (a) In accordance with Section [59-7-159](#), the Revenue and Taxation Interim

141 Committee shall study the tax credit allowed by this section and make recommendations

142 concerning whether the tax credit should be continued, modified, or repealed.

143 (b) (i) Except as provided in Subsection ~~[(6) (5)~~(b)(ii), for purposes of the study

144 required by this Subsection ~~[(6) (5)~~, the office shall provide by electronic means the following

145 information for each calendar year to the Office of the Legislative Fiscal Analyst:

146 (A) the amount of tax credits provided in each development zone;

147 (B) the number of new full-time employee positions reported to obtain tax credits in

148 each development zone;

149 (C) the amount of tax credits awarded for rehabilitating a building in each development

150 zone;

151 (D) the amount of tax credits awarded for investing in a plant, equipment, or other

152 depreciable property in each development zone;

153 (E) the information related to the tax credit contained in the office's latest report under
154 Section [63N-1-301](#); and

155 (F) any other information that the Office of the Legislative Fiscal Analyst requests.

156 (ii) (A) In providing the information described in Subsection ~~[(6)]~~ [\(5\)\(b\)\(i\)](#), the office
157 shall redact information that identifies a recipient of a tax credit under this section.

158 (B) If, notwithstanding the redactions made under Subsection ~~[(6)]~~ [\(5\)\(b\)\(ii\)\(A\)](#),
159 reporting the information described in Subsection ~~[(6)]~~ [\(5\)\(b\)\(i\)](#) might disclose the identity of a
160 recipient of a tax credit, the office may file a request with the Revenue and Taxation Interim
161 Committee to provide the information described in Subsection ~~[(6)]~~ [\(5\)\(b\)\(i\)](#) in the aggregate
162 for all development zones that receive the tax credit under this section.

163 (c) As part of the study required by this Subsection ~~[(6)]~~ [\(5\)](#), the Office of the
164 Legislative Fiscal Analyst shall report to the Revenue and Taxation Interim Committee a
165 summary and analysis of the information provided to the Office of the Legislative Fiscal
166 Analyst by the office under Subsection ~~[(6)]~~ [\(5\)\(b\)](#).

167 (d) The Revenue and Taxation Interim Committee shall ensure that the
168 recommendations described in Subsection ~~[(6)]~~ [\(5\)\(a\)](#) include an evaluation of:

- 169 (i) the cost of the tax credit to the state;
170 (ii) the purpose and effectiveness of the tax credit; and
171 (iii) the extent to which the state benefits from the tax credit.

172 Section 3. Section **59-10-210** is amended to read:

173 **59-10-210. Fiduciary adjustments.**

174 (1) A share of the fiduciary adjustments described in Subsection (2) shall be added to
175 or subtracted from unadjusted income:

176 (a) of:

- 177 (i) a resident or nonresident estate or trust; or
178 (ii) a resident or nonresident beneficiary of a resident or nonresident estate or trust; and
179 (b) as provided in this section.

180 (2) For purposes of Subsection (1), the fiduciary adjustments are the following
181 amounts:

182 (a) the additions to and subtractions from unadjusted income of a resident or

183 nonresident estate or trust required by Section 59-10-202; and

184 (b) a tax credit claimed by a resident or nonresident estate or trust as allowed by:

185 (i) Section 59-6-102;

186 (ii) Part 10, Nonrefundable Tax Credit Act;

187 (iii) Part 11, Refundable Tax Credit Act;

188 (iv) Section 59-13-202; or

189 (v) Section 63N-2-213~~[-or]~~.

190 [~~(vi) Section 63N-2-305.~~]

191 (3) (a) The respective shares of an estate or trust and its beneficiaries, including for the
192 purpose of this allocation a nonresident beneficiary, in the state fiduciary adjustments, shall be
193 allocated in proportion to their respective shares of federal distributable net income of the
194 estate or trust.

195 (b) If the estate or trust described in Subsection (3)(a) has no federal distributable net
196 income for the taxable year, the share of each beneficiary in the fiduciary adjustments shall be
197 allocated in proportion to that beneficiary's share of the estate or trust income for the taxable
198 year that is, under state law or the governing instrument, required to be distributed currently
199 plus any other amounts of that income distributed in that taxable year.

200 (c) After making the allocations required by Subsections (3)(a) and (b), any balance of
201 the fiduciary adjustments shall be allocated to the estate or trust.

202 (4) (a) The commission shall allow a fiduciary to use a method for determining the
203 allocation of the fiduciary adjustments described in Subsection (2) other than the method
204 described in Subsection (3) if using the method described in Subsection (3) results in an
205 inequity:

206 (i) in allocating the fiduciary adjustments described in Subsection (2); and

207 (ii) if the inequity is substantial:

208 (A) in amount; and

209 (B) in relation to the total amount of the fiduciary adjustments described in Subsection
210 (2).

211 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
212 commission may make rules authorizing a fiduciary to use a method for determining the
213 allocation of the fiduciary adjustments described in Subsection (2) other than the method

214 described in Subsection (3) if using the method described in Subsection (3) results in an
215 inequity:

- 216 (i) in allocating the fiduciary adjustments described in Subsection (2); and
- 217 (ii) if the inequity is substantial:
 - 218 (A) in amount; and
 - 219 (B) in relation to the total amount of the fiduciary adjustments described in Subsection
 - 220 (2).

221 Section 4. Section **59-10-1007** is amended to read:

222 **59-10-1007. Recycling market development zones tax credit.**

223 (1) For taxable years beginning on or after January 1, 1996, a claimant, estate, or trust
224 in a recycling market development zone as defined in Section [63N-2-402](#) may claim a
225 nonrefundable tax credit as provided in this section.

226 (a) (i) There shall be allowed a tax credit of 5% of the purchase price paid for
227 machinery and equipment used directly in:

- 228 (A) commercial composting; or
- 229 (B) manufacturing facilities or plant units that:
 - 230 (I) manufacture, process, compound, or produce recycled items of tangible personal
 - 231 property for sale; or
 - 232 (II) reduce or reuse postconsumer waste material.

233 (ii) The Governor's Office of Economic Development shall certify that the machinery
234 and equipment described in Subsection (1)(a)(i) are integral to the composting or recycling
235 process:

- 236 (A) on a form provided by the commission; and
- 237 (B) before a claimant, estate, or trust is allowed a tax credit under this section.
- 238 (iii) The Governor's Office of Economic Development shall provide a claimant, estate,
239 or trust seeking to claim a tax credit under this section with a copy of the form described in
240 Subsection (1)(a)(ii).

241 (iv) The claimant, estate, or trust described in Subsection (1)(a)(iii) shall retain a copy
242 of the form received under Subsection (1)(a)(iii).

243 (b) There shall be allowed a tax credit equal to 20% of net expenditures up to \$10,000
244 to third parties for rent, wages, supplies, tools, test inventory, and utilities made by the

245 claimant, estate, or trust for establishing and operating recycling or composting technology in
246 Utah, with an annual maximum tax credit of \$2,000.

247 (2) The total tax credit allowed under this section may not exceed 40% of the Utah
248 income tax liability of the claimant, estate, or trust prior to any tax credits in the taxable year of
249 purchase prior to claiming the tax credit authorized by this section.

250 (3) (a) Any tax credit not used for the taxable year in which the purchase price on
251 composting or recycling machinery and equipment was paid may be carried forward against the
252 claimant's, estate's, or trusts's tax liability under this chapter in the three succeeding taxable
253 years until the total tax credit amount is used.

254 (b) Tax credits not claimed by a claimant, estate, or trust on the claimant's, estate's, or
255 trust's tax return under this chapter within three years are forfeited.

256 (4) The commission shall make rules governing what information shall be filed with
257 the commission to verify the entitlement to and amount of a tax credit.

258 (5) (a) Notwithstanding Subsection (1)(a), for taxable years beginning on or after
259 January 1, 2001, a claimant, estate, or trust may not claim or carry forward a tax credit
260 described in Subsection (1)(a) in a taxable year during which the claimant, estate, or trust
261 claims or carries forward a tax credit under Section 63N-2-213.

262 (b) For a taxable year other than a taxable year during which the claimant, estate, or
263 trust may not claim or carry forward a tax credit in accordance with Subsection (5)(a), a
264 claimant, estate, or trust may claim or carry forward a tax credit described in Subsection (1)(a):

265 (i) if the claimant, estate, or trust may claim or carry forward the tax credit in
266 accordance with Subsections (1) and (2); and

267 (ii) subject to Subsections (3) and (4).

268 (6) Notwithstanding Subsection (1)(b), for taxable years beginning on or after January
269 1, 2001, a claimant, estate, or trust may not claim a tax credit described in Subsection (1)(b) in
270 a taxable year during which the claimant, estate, or trust claims or carries forward a tax credit
271 under Section 63N-2-213.

272 ~~[(7) A claimant, estate, or trust may not claim or carry forward a tax credit available~~
273 ~~under this section for a taxable year during which the claimant, estate, or trust has claimed the~~
274 ~~targeted business income tax credit available under Section 63N-2-305.]~~

275 Section 5. Section 59-10-1037 is amended to read:

276 **59-10-1037. Nonrefundable enterprise zone tax credit.**

277 (1) As used in this section:

278 (a) "Business entity" means a claimant, estate, or trust that meets the definition of
279 "business entity" as that term is defined in Section [63N-2-202](#).

280 (b) "Office" means the Governor's Office of Economic Development created in Section
281 [63N-1-201](#).

282 (2) (a) ~~[Subject]~~ For a taxable year beginning on or before December 31, 2019, and
283 subject to the provisions of this section, a business entity may claim a nonrefundable enterprise
284 zone tax credit as described in Section [63N-2-213](#).

285 (b) A business entity may not receive a tax credit under this section for a taxable year
286 beginning on or after January 1, 2020.

287 (3) The enterprise zone tax credit under this section is the amount listed as the tax
288 credit amount on the tax credit certificate that the office issues to the business entity for the
289 taxable year.

290 (4) A business entity may carry forward a tax credit under this section for a period that
291 does not exceed the next three taxable years, if the amount of the tax credit exceeds the
292 business entity's tax liability under this chapter for that taxable year.

293 ~~[(5) A business entity may not claim or carry forward a tax credit available under this~~
294 ~~part for a taxable year during which the business entity has claimed the targeted business~~
295 ~~income tax credit available under Section [63N-2-305](#).]~~

296 ~~[(6)]~~ (5) (a) In accordance with Section [59-10-137](#), the Revenue and Taxation Interim
297 Committee shall study the tax credit allowed by this section and make recommendations
298 concerning whether the tax credit should be continued, modified, or repealed.

299 (b) (i) Except as provided in Subsection ~~[(6)]~~ (5)(b)(ii), for purposes of the study
300 required by this Subsection ~~[(6)]~~ (5), the office shall provide by electronic means the following
301 information, if available to the office, for each calendar year to the Office of the Legislative
302 Fiscal Analyst:

303 (A) the amount of tax credits provided in each development zone;

304 (B) the number of new full-time employee positions reported to obtain tax credits in
305 each development zone;

306 (C) the amount of tax credits awarded for rehabilitating a building in each development

307 zone;

308 (D) the amount of tax credits awarded for investing in a plant, equipment, or other
309 depreciable property in each development zone;

310 (E) the information related to the tax credit contained in the office's latest report under
311 Section [63N-1-301](#); and

312 (F) other information that the Office of the Legislative Fiscal Analyst requests.

313 (ii) (A) In providing the information described in Subsection ~~[(6)]~~ [\(5\)\(b\)\(i\)](#), the office
314 shall redact information that identifies a recipient of a tax credit under this section.

315 (B) If, notwithstanding the redactions made under Subsection ~~[(6)]~~ [\(5\)\(b\)\(ii\)\(A\)](#),
316 reporting the information described in Subsection ~~[(6)]~~ [\(5\)\(b\)\(i\)](#) might disclose the identity of a
317 recipient of a tax credit, the office may file a request with the Revenue and Taxation Interim
318 Committee to provide the information described in Subsection ~~[(6)]~~ [\(5\)\(b\)\(i\)](#) in the aggregate
319 for all development zones that receive the tax credit under this section.

320 (c) As part of the study required by this Subsection ~~[(6)]~~ [\(5\)](#), the Office of the
321 Legislative Fiscal Analyst shall report to the Revenue and Taxation Interim Committee a
322 summary and analysis of the information provided to the Office of the Legislative Fiscal
323 Analyst by the office under Subsection ~~[(6)]~~ [\(5\)\(b\)](#).

324 (d) The Revenue and Taxation Interim Committee shall ensure that the
325 recommendations described in Subsection ~~[(6)]~~ [\(5\)\(a\)](#) include an evaluation of:

- 326 (i) the cost of the tax credit to the state;
327 (ii) the purpose and effectiveness of the tax credit; and
328 (iii) the extent to which the state benefits from the tax credit.

329 Section 6. Section **63C-10-103** is amended to read:

330 **63C-10-103. Duties.**

331 (1) The board shall:

332 (a) serve as an advisory board to:

- 333 (i) the governor on rural economic and planning issues; and
334 (ii) the Governor's Office of Economic Development on rural economic development
335 issues;

336 (b) prepare an annual strategic plan that:

- 337 (i) identifies rural economic development, planning, and leadership training challenges,

338 opportunities, priorities, and objectives; and

339 (ii) includes a work plan for accomplishing the objectives referred to in Subsection
340 (1)(b)(i);

341 (c) identify local, regional, and statewide rural economic development and planning
342 priorities;

343 (d) study and take input on issues relating to local, regional, and statewide rural
344 economic development, including challenges, opportunities, best practices, policy, planning,
345 and collaboration;

346 (e) advocate for rural needs, programs, policies, opportunities, and other issues relating
347 to rural economic development and planning; and

348 ~~[(f) review projects in enterprise zones proposed by nonprofit corporations
349 headquartered in enterprise zones as described in Subsection 63N-2-213.5(6);]~~

350 ~~[(g) review applications for cash awards, grants, loans, or other financial assistance
351 under:]~~

352 ~~[(i) the Rural Fast Track Program described in Section 63N-3-104; and]~~

353 ~~[(ii) the Business Expansion and Retention Initiative described in Section
354 63N-3-104.5; and]~~

355 ~~[(h)]~~ (f) no later than October 1 of each year, submit to the governor, the Legislature,
356 and the Economic Development and Workforce Services Interim Committee an annual report,
357 in accordance with Section 68-3-14, that provides:

358 (i) an overview of the rural economy in the state;

359 (ii) a summary of current issues and policy matters relating to rural economic
360 development; and

361 (iii) a statement of the board's initiatives, programs, and economic development
362 priorities.

363 (2) The board may engage in activities necessary to fulfill the board's duties, including:

364 (a) propose or support rural economic development legislation; and

365 (b) create one or more subcommittees.

366 Section 7. Section 63N-2-103 is amended to read:

367 **63N-2-103. Definitions.**

368 As used in this part:

369 (1) "Business entity" means a person that enters into an agreement with the office to
370 initiate a new commercial project in Utah that will qualify the person to receive a tax credit
371 under Section [59-7-614.2](#) or [59-10-1107](#).

372 (2) "Community reinvestment agency" has the same meaning as that term is defined in
373 Section [17C-1-102](#).

374 (3) "Development zone" means an economic development zone created under Section
375 [63N-2-104](#).

376 (4) "High paying jobs" means~~[:]~~ newly created full-time employment positions where
377 the aggregate average annual gross wages of the employment positions, not including health
378 care or other paid or unpaid benefits, are at least:

379 (a) 110% of the average wage of the county in which the employment positions exist
380 for a county of the first or second class; or

381 (b) 100% of the average wage of the county in which the employment positions exist
382 for a county of the third, fourth, fifth, or sixth class.

383 ~~[(a) with respect to a business entity, the aggregate average annual gross wages, not~~
384 ~~including healthcare or other paid or unpaid benefits, of newly created full-time employment~~
385 ~~positions in a business entity that are at least 110% of the average wage of a community in~~
386 ~~which the employment positions will exist;]~~

387 ~~[(b) with respect to a county, the aggregate average annual gross wages, not including~~
388 ~~healthcare or other paid or unpaid benefits, of newly created full-time employment positions in~~
389 ~~a new commercial project within the county that are at least 110% of the average wage of the~~
390 ~~county in which the employment positions will exist; or]~~

391 ~~[(c) with respect to a city or town, the aggregate average annual gross wages, not~~
392 ~~including healthcare or other paid or unpaid benefits of newly created full-time employment~~
393 ~~positions in a new commercial project within the city or town that are at least 110% of the~~
394 ~~average wages of the city or town in which the employment positions will exist.]~~

395 (5) "Local government entity" means a county, city, or town that enters into an
396 agreement with the office to have a new commercial project that:

397 (a) is initiated within the county's, city's, or town's boundaries; and

398 (b) qualifies the county, city, or town to receive a tax credit under Section [59-7-614.2](#).

399 (6) (a) "New commercial project" means an economic development opportunity that

400 involves new or expanded industrial, manufacturing, distribution, or business services in Utah.

401 (b) "New commercial project" does not include retail business.

402 (7) (a) "New incremental jobs" means full-time employment positions that are filled by
403 employees who work at least 30 hours per week and that are:

404 (i) with respect to a business entity, created in addition to the baseline count of
405 employment positions that existed within the business entity before the new commercial
406 project;

407 (ii) with respect to a county, created as a result of a new commercial project with
408 respect to which the county or a community development and renewal agency seeks to claim a
409 tax credit under Section 59-7-614.2; or

410 (iii) with respect to a city or town, created as a result of a new commercial project with
411 respect to which the city, town, or a community development and renewal agency seeks to
412 claim a tax credit under Section 59-7-614.2.

413 (b) "New incremental jobs" may include full-time equivalent positions that are filled by
414 more than one employee, if each employee who works less than 30 hours per week is provided
415 benefits comparable to a full-time employee.

416 (c) "New incremental jobs" does not include jobs that are shifted from one jurisdiction
417 in the state to another jurisdiction in the state.

418 (8) "New state revenues" means:

419 (a) with respect to a business entity:

420 (i) incremental new state sales and use tax revenues that a business entity pays under
421 Title 59, Chapter 12, Sales and Use Tax Act, as a result of a new commercial project in a
422 development zone;

423 (ii) incremental new state tax revenues that a business entity pays as a result of a new
424 commercial project in a development zone under:

425 (A) Title 59, Chapter 7, Corporate Franchise and Income Taxes;

426 (B) Title 59, Chapter 10, Part 1, Determination and Reporting of Tax Liability and
427 Information;

428 (C) Title 59, Chapter 10, Part 2, Trusts and Estates;

429 (D) Title 59, Chapter 10, Part 4, Withholding of Tax; or

430 (E) a combination of Subsections (8)(a)(ii)(A) through (D);

431 (iii) incremental new state tax revenues paid as individual income taxes under Title 59,
432 Chapter 10, Part 1, Determination and Reporting of Tax Liability and Information, by
433 employees of a new or expanded industrial, manufacturing, distribution, or business service
434 within a new commercial project as evidenced by payroll records that indicate the amount of
435 employee income taxes withheld and transmitted to the State Tax Commission by the new or
436 expanded industrial, manufacturing, distribution, or business service within the new
437 commercial project; or

438 (iv) a combination of Subsections (8)(a)(i) through (iii); or

439 (b) with respect to a local government entity:

440 (i) incremental new state sales and use tax revenues that are collected under Title 59,
441 Chapter 12, Sales and Use Tax Act, as a result of a new commercial project in a development
442 zone;

443 (ii) incremental new state tax revenues that are collected as a result of a new
444 commercial project in a development zone under:

445 (A) Title 59, Chapter 7, Corporate Franchise and Income Taxes;

446 (B) Title 59, Chapter 10, Part 1, Determination and Reporting of Tax Liability and
447 Information;

448 (C) Title 59, Chapter 10, Part 2, Trusts and Estates;

449 (D) Title 59, Chapter 10, Part 4, Withholding of Tax; or

450 (E) a combination of Subsections (8)(b)(ii)(A) through (D);

451 (iii) incremental new state tax revenues paid as individual income taxes under Title 59,
452 Chapter 10, Part 1, Determination and Reporting of Tax Liability and Information, by
453 employees of a new or expanded industrial, manufacturing, distribution, or business service
454 within a new commercial project as evidenced by payroll records that indicate the amount of
455 employee income taxes withheld and transmitted to the State Tax Commission by the new or
456 expanded industrial, manufacturing, distribution, or business service within the new
457 commercial project; or

458 (iv) a combination of Subsections (8)(b)(i) through (iii).

459 (9) "Significant capital investment" means an amount of at least \$10,000,000 to
460 purchase capital or fixed assets, which may include real property, personal property, and other
461 fixtures related to a new commercial project:

462 (a) that represents an expansion of existing operations in the state; or
463 (b) that maintains or increases the business entity's existing work force in the state.

464 (10) "Tax credit" means an economic development tax credit created by Section
465 59-7-614.2 or 59-10-1107.

466 (11) "Tax credit amount" means the amount the office lists as a tax credit on a tax
467 credit certificate for a taxable year.

468 (12) "Tax credit certificate" means a certificate issued by the office that:

469 (a) lists the name of the business entity, local government entity, or community
470 development and renewal agency to which the office authorizes a tax credit;

471 (b) lists the business entity's, local government entity's, or community development and
472 renewal agency's taxpayer identification number;

473 (c) lists the amount of tax credit that the office authorizes the business entity, local
474 government entity, or community development and renewal agency for the taxable year; and

475 (d) may include other information as determined by the office.

476 Section 8. Section 63N-2-203 is amended to read:

477 **63N-2-203. Powers of the office.**

478 The office shall:

479 (1) monitor the implementation and operation of this part and conduct a continuing
480 evaluation of the progress made in the enterprise zones;

481 (2) evaluate an application for designation as an enterprise zone from a county
482 applicant or a municipal applicant and determine if the applicant qualifies for that designation;

483 (3) provide technical assistance to county applicants and municipal applicants in
484 developing applications for designation as enterprise zones;

485 (4) assist county applicants and municipal applicants designated as enterprise zones in
486 obtaining assistance from the federal government and agencies of the state;

487 (5) assist a qualified business entity in obtaining the benefits of an incentive or
488 inducement program authorized by this part; and

489 (6) as part of the annual written report described in Section 63N-1-301, prepare an
490 annual evaluation that provides:

491 (a) based on data from the State Tax Commission, the total amount of tax credits
492 claimed under this part;

- 493 (b) the total amount awarded in tax credits for each development zone;
- 494 (c) the number of new full-time employee positions reported to obtain tax credits in
495 each development zone;
- 496 (d) the amount of tax credits awarded for rehabilitating a building in each development
497 zone;
- 498 (e) the amount of tax credits awarded for investing in a plant, equipment, or other
499 depreciable property in each development zone; and
- 500 ~~[(f) the list of approved projects under Section 63N-2-213.5 and the aggregate value of~~
501 ~~the tax credit certificates issued related to contributions to those approved projects; and]~~
502 ~~[(g)]~~ (f) recommendations regarding the effectiveness of the program and any
503 suggestions for legislation.

504 Section 9. Section 63N-2-204 is amended to read:

505 **63N-2-204. Criteria for designation of enterprise zones -- Application.**

506 (1) A county applicant seeking designation as an enterprise zone shall file an
507 application with the office that, in addition to complying with the other requirements of this
508 part:

- 509 (a) verifies that the county has a population of not more than 70,000; and
510 (b) provides clear evidence of the need for development in the county.

511 (2) A municipal applicant seeking designation as an enterprise zone shall file an
512 application with the office that, in addition to complying with other requirements of this part:

- 513 (a) verifies that the municipality has a population that does not exceed 20,000;
514 (b) verifies that the municipality is within a county that has a population of not more
515 than 70,000; and
516 (c) provides clear evidence of the need for development in the municipality.

517 (3) An application filed under Subsection (1) or (2) shall be in a form and in
518 accordance with procedures approved by the office, and shall include the following
519 information:

- 520 (a) a plan developed by the county applicant or municipal applicant that identifies local
521 contributions meeting the requirements of Section 63N-2-205;
- 522 (b) the county applicant or municipal applicant has a development plan that outlines:
- 523 (i) the types of investment and development within the zone that the county applicant

524 or municipal applicant expects to take place if the incentives specified in this part are provided;

525 (ii) the specific investment or development reasonably expected to take place;

526 (iii) any commitments obtained from businesses;

527 (iv) the projected number of jobs that will be created and the anticipated wage level of

528 those jobs;

529 (v) any proposed emphasis on the type of jobs created, including any affirmative action

530 plans; and

531 (vi) a copy of the county applicant's or municipal applicant's economic development

532 plan to demonstrate coordination between the zone and overall county or municipal goals;

533 (c) the county applicant's or municipal applicant's proposed means of assessing the

534 effectiveness of the development plan or other programs within the zone once they have been

535 implemented within the zone;

536 (d) any additional information required by the office; and

537 (e) any additional information the county applicant or municipal applicant considers

538 relevant to its designation as an enterprise zone.

539 (4) On or after January 1, 2019, no new enterprise zones shall be designated.

540 Section 10. Section **63N-2-208** is amended to read:

541 **63N-2-208. Duration of designation.**

542 (1) Each enterprise zone has a duration of five years~~[; at the end of which the county~~
543 ~~may reapply for the designation]~~.

544 (2) On or after January 1, 2019, a county may not reapply for an enterprise zone
545 designation for an enterprise zone that has reached the end of the enterprise zone's five-year
546 duration.

547 Section 11. Section **63N-2-213** is amended to read:

548 **63N-2-213. State tax credits.**

549 (1) (a) The office shall certify a business entity's eligibility for a tax credit described in
550 this section.

551 (b) A business entity may not receive a tax credit under this section for a taxable year
552 beginning on or after January 1, 2020.

553 (2) A business entity seeking to receive a tax credit as provided in this section shall
554 provide the office with:

555 (a) an application for a tax credit certificate in a form approved by the office, including
556 a certification, by an officer of the business entity, of a signature on the application; and

557 (b) documentation that demonstrates the business entity has met the requirements to
558 receive the tax credit.

559 (3) If, after review of an application and documentation provided by a business entity
560 as described in Subsection (2), the office determines that the application and documentation are
561 inadequate to provide a reasonable justification for authorizing the tax credit, the office shall:

562 (a) deny the tax credit; or

563 (b) inform the business entity that the application or documentation was inadequate
564 and ask the business entity to submit additional documentation.

565 (4) If, after review of an application and documentation provided by a business entity
566 as described in Subsection (2), the office determines that the application and documentation
567 provide reasonable justification for authorizing a tax credit, the office shall:

568 (a) determine the amount of the tax credit to be granted to the business entity;

569 (b) issue a tax credit certificate to the business entity; and

570 (c) provide a duplicate copy of the tax credit certificate to the State Tax Commission.

571 (5) A business entity may not claim a tax credit under this section unless the business
572 entity has a tax credit certificate issued by the office.

573 (6) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
574 office shall make rules describing:

575 (a) the form and content of an application for a tax credit under this section;

576 (b) the documentation requirements for a business entity to receive a tax credit
577 certificate under this section; and

578 (c) administration of the program, including relevant timelines and deadlines.

579 (7) [~~Subject~~] For a taxable year that ends on or before December 31, 2019, and subject
580 to the limitations of Subsections (8) through (10), [and] if the requirements of this part are met,
581 the following nonrefundable tax credits against a tax under Title 59, Chapter 7, Corporate
582 Franchise and Income Taxes, or Title 59, Chapter 10, Individual Income Tax Act, are
583 applicable in an enterprise zone:

584 (a) a tax credit of \$750 may be claimed by a business entity for each new full-time
585 employee position created within the enterprise zone;

586 (b) an additional \$500 tax credit may be claimed if the new full-time employee position
587 created within the enterprise zone pays at least 125% of:

588 (i) the county average monthly nonagricultural payroll wage for the respective industry
589 as determined by the Department of Workforce Services; or

590 (ii) if the county average monthly nonagricultural payroll wage is not available for the
591 respective industry, the total average monthly nonagricultural payroll wage in the respective
592 county where the enterprise zone is located;

593 (c) an additional tax credit of \$750 may be claimed if the new full-time employee
594 position created within the enterprise zone is in a business entity that adds value to agricultural
595 commodities through manufacturing or processing;

596 (d) an additional tax credit of \$200 may be claimed for two consecutive years for each
597 new full-time employee position created within the enterprise zone that is filled by an
598 employee who is insured under an employer-sponsored health insurance program if the
599 employer pays at least 50% of the premium cost for the year for which the credit is claimed;

600 (e) a tax credit of 25% of the first \$200,000 spent on rehabilitating a building in the
601 enterprise zone that has been vacant for two years or more; and

602 (f) an annual investment tax credit of 10% of the first \$250,000 in investment, and 5%
603 of the next \$1,000,000 qualifying investment in plant, equipment, or other depreciable
604 property.

605 (8) (a) Subject to the limitations of Subsection (8)(b), a business entity claiming a tax
606 credit under Subsections (7)(a) through (d) may claim the tax credit for no more than 30
607 full-time employee positions in a taxable year.

608 (b) A business entity that received a tax credit for one or more new full-time employee
609 positions under Subsections (7)(a) through (d) in a prior taxable year may claim a tax credit for
610 a new full-time employee position in a subsequent taxable year under Subsections (7)(a)
611 through (d) if:

612 (i) the business entity has created a new full-time position within the enterprise zone;
613 and

614 (ii) the total number of full-time employee positions at the business entity at any point
615 during the tax year for which the tax credit is being claimed is greater than the highest number
616 of full-time employee positions that existed at the business entity in the previous three taxable

617 years.

618 (c) Construction jobs are not eligible for the tax credits under Subsections (7)(a)
619 through (d).

620 (9) If the amount of a tax credit under this section exceeds a business entity's tax
621 liability under this chapter for a taxable year, the business entity may carry forward the amount
622 of the tax credit exceeding the liability for a period that does not exceed the next three taxable
623 years.

624 (10) Tax credits under Subsections (7)(a) through (f) may not be claimed by a business
625 entity primarily engaged in retail trade or by a public utilities business.

626 (11) A business entity that has no employees:

627 (a) may not claim tax credits under Subsections (7)(a) through (d); and

628 (b) may claim tax credits under Subsections (7)(e) through (f).

629 ~~[(12) A business entity may not claim or carry forward a tax credit available under this~~
630 ~~part for a taxable year during which the business entity has claimed the targeted business~~
631 ~~income tax credit available under Section 63N-2-305.]~~

632 ~~[(13)]~~ (12) (a) On or before November 30, 2018, and every three years after 2018, the
633 Revenue and Taxation Interim Committee shall review the tax credits provided by this section
634 and make recommendations concerning whether the tax credits should be continued, modified,
635 or repealed.

636 (b) In conducting the review required by Subsection ~~[(13)]~~ (12)(a), the Revenue and
637 Taxation Interim Committee shall:

638 (i) schedule time on at least one committee agenda to conduct the review;

639 (ii) invite state agencies, individuals, and organizations concerned with the credits
640 under review to provide testimony;

641 (iii) ensure that the recommendations described in this section include an evaluation of:

642 (A) the cost of the tax credits to the state;

643 (B) the purpose and effectiveness of the tax credits; and

644 (C) the extent to which the state benefits from the tax credits; and

645 (iv) undertake other review efforts as determined by the chairs of the Revenue and
646 Taxation Interim Committee.

647 Section 12. Section 63N-2-403 is amended to read:

648 **63N-2-403. Duties of the office.**

649 The office shall:

650 (1) facilitate recycling development zones through state support of county incentives
651 which encourage development of manufacturing enterprises that use recycling materials
652 currently collected;

653 (2) evaluate an application from a county or municipality executive authority to be
654 designated as a recycling market development zone and determine if the county or municipality
655 qualifies for that designation;

656 (3) provide technical assistance to municipalities and counties in developing
657 applications for designation as a recycling market development zone;

658 (4) assist counties and municipalities designated as recycling market development
659 zones in obtaining assistance from the federal government and agencies of the state;

660 (5) assist a qualified business in obtaining the benefits of an incentive or inducement
661 program authorized by this part;

662 (6) monitor the implementation and operation of this part and conduct a continuing
663 evaluation of the progress made in the recycling market development zone; and

664 (7) include in the annual written report described in Section [~~63N-2-301~~] [63N-1-301](#),
665 an evaluation of the effectiveness of the program and recommendations for legislation.

666 Section 13. Section **63N-2-705** is amended to read:

667 **63N-2-705. Reporting.**

668 The office shall provide the following information in the annual written report
669 described in Section [~~63N-2-301~~] [63N-1-301](#):

670 (1) the office's success in attracting alternative energy manufacturing projects to the
671 state and the resulting increase in new state revenues under this part;

672 (2) the amount of tax credits the office has granted or will grant and the time period
673 during which the tax credits have been or will be granted; and

674 (3) the economic impact on the state by comparing new state revenues to tax credits
675 that have been or will be granted under this part.

676 Section 14. Section **63N-4-501** is enacted to read:

677 **Part 5. Rural County Economic Development Grant Program**

678 **63N-4-501. Title.**

679 This part is known as the "Rural County Economic Development Grant Program."

680 Section 15. Section **63N-4-502** is enacted to read:

681 **63N-4-502. Definitions.**

682 As used in this part:

683 (1) "Grant" means a grant available under the Rural County Economic Development
684 Grant Program created in this part.

685 (2) "Grant program" means the Rural County Economic Development Grant Program
686 created in Section [63N-4-503](#).

687 (3) "Rural county" means a county of the third class, fourth class, fifth class, or sixth
688 class.

689 (4) "Rural partnership board" means the Governor's Rural Partnership Board created in
690 Section [63C-10-102](#).

691 (5) "Qualifying strategic economic development plan" means a rural county economic
692 development plan created by a rural county, or by a rural county with the assistance of the
693 Office of Rural Development, to address the economic development needs of the rural county
694 and which has been reviewed and approved by GOED.

695 Section 16. Section **63N-4-503** is enacted to read:

696 **63N-4-503. Creation and purpose of the Rural County Economic Development**
697 **Grant Program.**

698 (1) There is created the Rural County Economic Development Grant Program.

699 (2) The grant program shall be administered by GOED and the Office of Rural
700 Development.

701 (3) In administering the grant program, GOED and the Office of Rural Development
702 shall award grants to rural counties to address the economic development needs of rural
703 counties in accordance with the provisions of this part, which needs may include:

704 (a) training and technical assistance, such as project planning, business counseling and
705 training, market research, professional and technical reports, or product or service
706 improvements;

707 (b) economic development funding for specific communities within a rural county;

708 (c) technology-based economic development;

709 (d) feasibility studies and business plans;

- 710 (e) the creation or support of business incubators;
711 (f) long-term strategic planning for specific business sectors; and
712 (g) creating or improving a rural county's qualifying strategic economic development
713 plan.

714 Section 17. Section **63N-4-504** is enacted to read:

715 **63N-4-504. Requirements for awarding a grant.**

716 (1) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
717 GOED shall make rules establishing the eligibility and reporting criteria for a rural county to
718 receive a grant under this part, including:

719 (a) the form and process for a rural county submitting an application to the Office of
720 Rural Development for a grant;

721 (b) the method of scoring and prioritizing grant program applications from rural
722 counties;

723 (c) the reporting, auditing, and post-performance requirements for a rural county that
724 receives a grant under the grant program; and

725 (d) any deadlines that shall be met by a rural county when applying for a grant under
726 the grant program.

727 (2) In determining the award of a grant, GOED and the Office of Rural Development
728 may prioritize applications that demonstrate any combination of the following:

729 (a) that the county has or is actively pursuing the creation of an effective qualifying
730 strategic economic development plan;

731 (b) consistency with local economic development priorities;

732 (c) an effective plan to measure and report results;

733 (d) economic need;

734 (e) utilization of local financial or in-kind resources in combination with a grant;

735 (f) evidence that jobs will be created; and

736 (g) evidence that there will be a positive return on investment.

737 (3) Subject to legislative appropriation, a grant may only be awarded to a rural county
738 by the executive director after the following requirements have been met:

739 (a) the Office of Rural Development has scored and prioritized one or more grant
740 applications from rural counties in accordance with this part and rules made by the office as

741 described in Subsection (1);

742 (b) the results of the scoring and prioritization of one or more grant applications are
743 provided to the rural partnership board for the rural partnership board's review and
744 recommendations related to awarding grants under the grant program;

745 (c) the rural partnership board may reject an application for a grant if the rural
746 partnership board determines that the proposed use of the grant would lack positive economic
747 impact, is inconsistent with the state economic development strategy, or would negatively
748 impact municipalities within the rural county; and

749 (d) after the rural partnership board provides a positive recommendation for one or
750 more grant applications, the grant applications are provided for final approval to the Board of
751 Business and Economic Development.

752 Section 18. Section **63N-4-505** is enacted to read:

753 **63N-4-505. Indian tribes -- Application.**

754 (1) For purposes of this section:

755 (a) "Indian tribe" has the same meaning as defined in Subsection [9-9-402\(6\)](#).

756 (b) "Tribal applicant" means the governing authority of an Indian tribe that applies for
757 a grant in accordance with Subsection (2) and the grant program created in Section [63N-4-503](#).

758 (2) (a) An Indian tribe may apply for a grant under the grant program.

759 (b) A tribal applicant shall follow the application procedure for a rural county as
760 described in this part.

761 Section 19. Section **63N-4-506** is enacted to read:

762 **63N-4-506. Reporting.**

763 GOED shall include in the annual written report described in Section [63N-1-301](#), a
764 report describing:

765 (1) grant recipients and the amounts of grant money received by each grant recipient;

766 (2) an evaluation of the effectiveness of awarded grants in improving economic
767 development in rural counties receiving grants; and

768 (3) any recommendations to improve or modify the grant program.

769 Section 20. **Repealer.**

770 This bill repeals:

771 Section **[63N-2-213.5](#), State tax credits for contributions to a nonprofit corporation.**

772 Section **63N-2-301, Title.**
 773 Section **63N-2-302, Definitions.**
 774 Section **63N-2-303, Duties of the office.**
 775 Section **63N-2-304, Application for targeted business income tax credit.**
 776 Section **63N-2-305, Targeted business income tax credit structure -- Revenue and**
 777 **Taxation Interim Committee study.**

778 Section **63N-3-104, Rural Fast Track Program -- Creation -- Funding --**
 779 **Qualifications for program participation -- Awards -- Reports.**

780 Section **63N-3-104.5, Business Expansion and Retention Initiative -- Creation --**
 781 **Funding -- Qualifications for program participation -- Awards -- Reports.**

782 Section 21. **Appropriations.**

783 Subsection (13)(a). **Fiscal Year 2020 Appropriations.**

784 The following sums of money are appropriated for the fiscal year beginning July 1,
 785 2019, and ending June 30, 2020. These are additions to amounts previously appropriated for
 786 fiscal year 2020. Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures
 787 Act, the Legislature appropriates the following sums of money from the funds or accounts
 788 indicated for the use and support of the government of the state of Utah.

789 ITEM 1

790 To the Governor's Office of Economic Development -- Rural County Economic
 791 Development Grant Program

792 From General Fund, One-time \$2,000,000

793 Schedule of Programs:

794 Rural County Economic Development Grant
 795 Program \$2,000,000

796 Subsection (13)(b). **Fiscal Year 2021 Appropriations.**

797 The following sums of money are appropriated for the fiscal year beginning July 1,
 798 2020, and ending June 30, 2021. These are additions to amounts previously appropriated for
 799 fiscal year 2021. Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures
 800 Act, the Legislature appropriates the following sums of money from the funds or accounts
 801 indicated for the use and support of the government of the state of Utah.

802 ITEM 2

803 To the Governor's Office of Economic Development -- Rural County Economic
804 Development Grant Program
805 From General Fund \$10,000,000
806 Schedule of Programs:
807 Rural County Economic Development Grant
808 Program \$10,000,000
809 Section 22. **Retrospective operation.**
810 The repeal of Sections [59-7-614.11](#), [59-10-1039](#), [63N-2-213.5](#), [63N-2-301](#), [63N-2-302](#),
811 [63N-2-303](#), [63N-2-304](#), and [63N-2-305](#) in this bill have retrospective operation for a taxable
812 year beginning on or after January 1, 2019.