

**TAX EXEMPTION FOR CONSTRUCTION OR UNOCCUPIED  
PROPERTY**

2020 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Douglas V. Sagers**

Senate Sponsor: Lincoln Fillmore

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**LONG TITLE**

**General Description:**

This bill modifies provisions of the Property Tax Act related to the taxation of residential property.

**Highlighted Provisions:**

This bill:

- ▶ modifies the definition of "residential property" for purposes of the Property Tax Act to include certain property that is under construction or unoccupied;
- ▶ provides that before the owner of residential property that is under construction or unoccupied may receive a residential exemption for the property, the owner shall file a declaration stating that the property will be used for residential purposes as a primary residence upon completion or occupancy; and
- ▶ makes technical and conforming changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:**

AMENDS:

[59-2-102](#), as last amended by Laws of Utah 2018, Chapters 415 and 456

[59-2-103](#), as last amended by Laws of Utah 2014, Chapter 65

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

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

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

As used in this chapter [~~and title~~]:

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

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

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

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

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

(i) operates:

(A) on an interstate route; and

(B) on a scheduled basis; and

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

(b) "Airline" does not include an:

(i) air charter service; or

(ii) air contract service.

(6) "Assessment roll" means a permanent record of the assessment of property as assessed by the county assessor and the commission and may be maintained manually or as a

56 computerized file as a consolidated record or as multiple records by type, classification, or  
57 categories.

58 (7) "Base parcel" means a parcel of property that was legally:

59 (a) subdivided into two or more lots, parcels, or other divisions of land; or

60 (b) (i) combined with one or more other parcels of property; and

61 (ii) subdivided into two or more lots, parcels, or other divisions of land.

62 (8) (a) "Certified revenue levy" means a property tax levy that provides an amount of  
63 ad valorem property tax revenue equal to the sum of:

64 (i) the amount of ad valorem property tax revenue to be generated statewide in the  
65 previous year from imposing a multicounty assessing and collecting levy, as specified in  
66 Section [59-2-1602](#); and

67 (ii) the product of:

68 (A) eligible new growth, as defined in Section [59-2-924](#); and

69 (B) the multicounty assessing and collecting levy certified by the commission for the  
70 previous year.

71 (b) For purposes of this Subsection (8), "ad valorem property tax revenue" does not  
72 include property tax revenue received by a taxing entity from personal property that is:

73 (i) assessed by a county assessor in accordance with Part 3, County Assessment; and

74 (ii) semiconductor manufacturing equipment.

75 (c) For purposes of calculating the certified revenue levy described in this Subsection  
76 (8), the commission shall use:

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

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

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

82 (9) "County-assessed commercial vehicle" means:

83 (a) any commercial vehicle, trailer, or semitrailer that is not apportioned under Section  
84 [41-1a-301](#) and is not operated interstate to transport the vehicle owner's goods or property in  
85 furtherance of the owner's commercial enterprise;

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

88 (c) vehicles that are:

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

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

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

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

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

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

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

100 (i) a county; and

101 (ii) a school district.

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

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

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

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

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

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

115 (i) \$5,000; or

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

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

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

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

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

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

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

136 (14) (a) "Farm machinery and equipment," for purposes of the exemption provided

137 under Section 59-2-1101, means tractors, milking equipment and storage and cooling facilities,  
138 feed handling equipment, irrigation equipment, harvesters, choppers, grain drills and planters,  
139 tillage tools, scales, combines, spreaders, sprayers, haying equipment, including balers and  
140 cubers, and any other machinery or equipment used primarily for agricultural purposes.

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

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

146 (16) "Geothermal resource" means:

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

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

151 (17) (a) "Goodwill" means:

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

154 (ii) the ability of a business to:

155 (A) generate income that exceeds a normal rate of return on assets and that results from  
156 a factor described in Subsection (17)(b); or

157 (B) obtain an economic or competitive advantage resulting from a factor described in  
158 Subsection (17)(b).

159 (b) The following factors apply to Subsection (17)(a)(ii):

160 (i) superior management skills;

161 (ii) reputation;

162 (iii) customer relationships;

163 (iv) patronage; or

- 164 (v) a factor similar to Subsections (17)(b)(i) through (iv).
- 165 (c) "Goodwill" does not include:
- 166 (i) the intangible property described in Subsection (21)(a) or (b);
- 167 (ii) locational attributes of real property, including:
- 168 (A) zoning;
- 169 (B) location;
- 170 (C) view;
- 171 (D) a geographic feature;
- 172 (E) an easement;
- 173 (F) a covenant;
- 174 (G) proximity to raw materials;
- 175 (H) the condition of surrounding property; or
- 176 (I) proximity to markets;
- 177 (iii) value attributable to the identification of an improvement to real property,
- 178 including:
- 179 (A) reputation of the designer, builder, or architect of the improvement;
- 180 (B) a name given to, or associated with, the improvement; or
- 181 (C) the historic significance of an improvement; or
- 182 (iv) the enhancement or assemblage value specifically attributable to the interrelation
- 183 of the existing tangible property in place working together as a unit.
- 184 (18) "Governing body" means:
- 185 (a) for a county, city, or town, the legislative body of the county, city, or town;
- 186 (b) for a local district under Title 17B, Limited Purpose Local Government Entities -
- 187 Local Districts, the local district's board of trustees;
- 188 (c) for a school district, the local board of education; or
- 189 (d) for a special service district under Title 17D, Chapter 1, Special Service District
- 190 Act:

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

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

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

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

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

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

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

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

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

210 (ii) removal of the item would:

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

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

213 (b) "Improvement" includes:

214 (i) an accessory to an item described in Subsection (20)(a) if the accessory is:

215 (A) essential to the operation of the item described in Subsection (20)(a); and

216 (B) installed solely to serve the operation of the item described in Subsection (20)(a);

217 and

218 (ii) an item described in Subsection (20)(a) that is temporarily detached from the land  
219 for repairs and remains located on the land.

220 (c) "Improvement" does not include:

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

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

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

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

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

229 (v) a transportable factory-built housing unit as defined in Section 59-2-1502 if that  
230 transportable factory-built housing unit is considered to be personal property under Section  
231 59-2-1503.

232 (21) "Intangible property" means:

233 (a) property that is capable of private ownership separate from tangible property,  
234 including:

235 (i) money;

236 (ii) credits;

237 (iii) bonds;

238 (iv) stocks;

239 (v) representative property;

240 (vi) franchises;

241 (vii) licenses;

242 (viii) trade names;

243 (ix) copyrights; and

244 (x) patents;

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

272 (i) is capable of flight or is attached to an aircraft that is capable of flight; or  
273 (ii) is contained in an aircraft that is capable of flight if the tangible personal property  
274 is intended to be used:

- 275 (A) during multiple flights;
- 276 (B) during a takeoff, flight, or landing; and
- 277 (C) as a service provided by an air charter service, air contract service, or airline.

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

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

282 (28) "Nonmetalliferous minerals" includes, but is not limited to, oil, gas, coal, salts,  
283 sand, rock, gravel, and all carboniferous materials.

284 (29) "Part-year residential property" means property that is not residential property on  
285 January 1 of a calendar year but becomes residential property after January 1 of the calendar  
286 year.

287 (30) "Personal property" includes:

288 (a) every class of property as defined in Subsection (31) that is the subject of  
289 ownership and is not real estate or an improvement;

290 (b) any pipe laid in or affixed to land whether or not the ownership of the pipe is  
291 separate from the ownership of the underlying land, even if the pipe meets the definition of an  
292 improvement;

293 (c) bridges and ferries;

294 (d) livestock; and

295 (e) outdoor advertising structures as defined in Section [72-7-502](#).

296 (31) (a) "Property" means property that is subject to assessment and taxation according  
297 to its value.

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

299 (32) "Public utility" means:

300 (a) for purposes of this chapter, the operating property of a railroad, gas corporation, oil  
301 or gas transportation or pipeline company, coal slurry pipeline company, electrical corporation,  
302 telephone corporation, sewerage corporation, or heat corporation where the company performs  
303 the service for, or delivers the commodity to, the public generally or companies serving the  
304 public generally, or in the case of a gas corporation or an electrical corporation, where the gas  
305 or electricity is sold or furnished to any member or consumers within the state for domestic,  
306 commercial, or industrial use; and

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

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

311 (i) are used exclusively within a dwelling unit that is the primary residence of a 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 exempt  
315 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, the  
317 commission may by rule define the term "dwelling unit" for purposes of this Subsection (33)  
318 and Subsection (36).

319 (34) "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) (a) "Relationship with an owner of the property's land surface rights" means a

326 relationship described in Subsection 267(b), Internal Revenue Code, except that the term 25%  
 327 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) (a) [~~Subject to Subsection (36)(b), "residential"~~] "Residential property," for  
 332 purposes of the reductions and adjustments under this chapter, means any property used for  
 333 residential purposes as a primary residence.

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

335 (i) except as provided in Subsection (36)(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) if the county assessor determines that the property will be used for residential  
 342 purposes as a primary residence:

343 (A) property under construction; or

344 (B) unoccupied property.

345 (c) "Residential property" does not include property used for transient residential use.

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

349 (37) "Split estate mineral rights owner" means a person that:

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

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

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

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

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

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

359 (38) (a) "State-assessed commercial vehicle" means:

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

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

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

366 (39) "Subdivided lot" means a lot, parcel, or other division of land, that is a division of  
367 a base parcel.

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

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

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

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

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

380 Section 2. Section **59-2-103** is amended to read:

381 **59-2-103. Rate of assessment of property -- Residential property.**

382 (1) All tangible taxable property located within the state shall be assessed and taxed at  
383 a uniform and equal rate on the basis of its fair market value, as valued on January 1, unless  
384 otherwise provided by law.

385 (2) Subject to Subsections (3) through ~~[(5)]~~ (6) and Section **59-2-103.5**, for a calendar  
386 year, the fair market value of residential property located within the state is allowed a  
387 residential exemption equal to a 45% reduction in the value of the property.

388 (3) Part-year residential property located within the state is allowed the residential  
389 exemption described in Subsection (2) if the part-year residential property is used as residential  
390 property for 183 or more consecutive calendar days during the calendar year for which the  
391 owner seeks to obtain the residential exemption.

392 (4) No more than one acre of land per residential unit may qualify for the residential  
393 exemption described in Subsection (2).

394 (5) (a) Except as provided in ~~[Subsection]~~ Subsections (5)(b)(ii) and (iii), a residential  
395 exemption described in Subsection (2) is limited to one primary residence per household.

396 (b) An owner of multiple primary residences located within the state is allowed a  
397 residential exemption under Subsection (2) for:

398 (i) subject to Subsection (5)(a), the primary residence of the owner; ~~[and]~~

399 (ii) each residential property that is the primary residence of a tenant[-]; and

400 (iii) subject to Subsection (6), each residential property described in Subsection  
401 59-2-102(36)(b)(ii).

402 (6) Before residential property described in Subsection 59-2-102(36)(b)(ii) is allowed a  
403 residential exemption described in Subsection (2), an owner of the residential property shall  
404 file with the county assessor a written declaration that:

405 (a) states under penalty of perjury that, to the best of each owner's knowledge, upon  
406 completion of construction or occupancy of the residential property, the residential property

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407 will be used for residential purposes as a primary residence;  
408 (b) is signed by each owner of the residential property; and  
409 (c) is on a form prescribed by the commission.