Representative Brady Brammer proposes the following substitute bill:

{PRECIOUS METAL}SALES AND INCOME TAX{EXEMPTION}

AMENDMENTS

2022 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Brady Brammer

Senate Sponsor: ____________

LONG TITLE

General Description:

This bill modifies \{the\} provisions related to corporate income tax and sales and use tax exemptions.

Highlighted Provisions:

This bill:

\> modifies the definition of business income;

\> allows a taxpayer to elect to treat all income from the sales of intangible property as business income;

\> enacts a sales and use tax exemption for sales of certain items that:

\> contain a minimum amount of precious metal; and
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- are used as currency but do not constitute legal tender;
- enacts a sales and use tax exemption for amounts paid or charged for admission to an indoor skydiving, rock climbing, or surfing facility, provided a trained instructor actively instructs the participant; and
- makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides a special effective date.
This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

59-7-302, as last amended by Laws of Utah 2020, Chapter 38
59-7-303, as repealed and reenacted by Laws of Utah 1993, Chapter 169
59-12-104, as last amended by Laws of Utah 2021, Chapters 280 and 367

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

Section 1. Section 59-7-302 is amended to read:

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

(1) As used in this part, unless the context otherwise requires:
(a) "Aircraft type" means a particular model of aircraft as designated by the manufacturer of the aircraft.
(b) "Airline" means the same as that term is defined in Section 59-2-102.
(c) "Airline revenue ton miles" means, for an airline, the total revenue ton miles during the airline's tax period.

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

(d) "Business income" means income that:
(i) is apportionable under the United States Constitution and is not allocated under the
laws of this state, including income arising from:

(A) a transaction or activity in the regular course of the taxpayer's trade or business;

and

(B) tangible and intangible property, if the acquisition, management, employment, development, or disposition of the property is or was related to the operation of the taxpayer's trade or business; or

(ii) would be allocable to this state under the United States Constitution, but is apportioned rather than allocated in accordance with the laws of this state.

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

(f) "Compensation" means wages, salaries, commissions, and any other form of remuneration paid to employees for personal services.

(g) "Excluded NAICS code" means a NAICS code of the 2017 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget, within:

(i) NAICS Code 211120, Crude Petroleum Extraction;
(ii) NAICS Industry Group 2121, Coal Mining;
(iii) NAICS Industry Group 2212, Natural Gas Distribution;
(iv) NAICS Subsector 311, Food Manufacturing;
(v) NAICS Industry Group 3121, Beverage Manufacturing;
(vi) NAICS Code 327310, Cement Manufacturing;
(vii) NAICS Subsector 482, Rail Transportation;
(viii) NAICS Code 512110, Motion Picture and Video Production;
(ix) NAICS Subsection 515, Broadcasting (except Internet); or
(x) NAICS Code 522110, Commercial Banking.

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

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

(A) a spare engine; or

(B) tangible personal property described in Subsection 59-2-102(25) owned by an air charter service or an air contract service.
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(i) "Nonbusiness income" means all income other than business income.
(j) "Optional apportionment taxpayer" means a taxpayer described in Subsection (3).
(k) "Phased-in sales factor weighted taxpayer" means a taxpayer that:
   (i) is not a sales factor weighted taxpayer;
   (ii) does not meet the definition of an optional apportionment taxpayer; or
   (iii) for a taxable year beginning on or after January 1, 2020:
       (A) meets the definition of an optional apportionment taxpayer; and
       (B) apportioned business income using the method described in Subsection 59-7-311(4) during the previous taxable year.
(l) "Revenue ton miles" is determined in accordance with 14 C.F.R. Part 241.
(m) "Sales" means all gross receipts of the taxpayer not allocated under Sections 59-7-306 through 59-7-310.
(n) "Sales factor weighted taxpayer" means a taxpayer described in Subsection (2).
(o) "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.
(p) "Transportation revenue" means revenue an airline earns from:
   (i) transporting a passenger or cargo; or
   (ii) from miscellaneous sales of merchandise as part of providing transportation services.
(q) "Utah revenue ton miles" means, for an airline, the total revenue ton miles within the borders of this state:
   (i) during the airline's tax period; and
   (ii) from flight stages that originate or terminate in this state.
(2) (a) A taxpayer is a sales factor weighted taxpayer if the taxpayer apportioned business income using the method described in Subsection 59-7-311(2) during the previous taxable year or if, regardless of the number of economic activities the taxpayer performs, the taxpayer generates greater than 50% of the taxpayer's total sales everywhere from economic activities that are classified in a NAICS code of the 2002 or 2007 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget, other than:
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(i) a NAICS code within NAICS Sector 21, Mining;
(ii) a NAICS code within NAICS Industry Group 2212, Natural Gas Distribution;
(iii) a NAICS code within NAICS Sector 31-33, Manufacturing, except:
   (A) NAICS Industry Group 3254, Pharmaceutical and Medicine Manufacturing;
   (B) NAICS Industry Group 3333, Commercial and Service Industry Machinery Manufacturing;
   (C) NAICS Subsector 334, Computer and Electronic Product Manufacturing; and
   (D) NAICS Code 336111, Automobile Manufacturing;
(iv) a NAICS code within NAICS Sector 48-49, Transportation and Warehousing;
(v) a NAICS code within NAICS Sector 51, Information, except NAICS Subsector 519, Other Information Services; or
   (vi) a NAICS code within NAICS Sector 52, Finance and Insurance.

(b) A taxpayer shall determine if the taxpayer is a sales factor weighted taxpayer each year before the due date for filing the taxpayer's return under this chapter for the taxable year, including extensions.

(c) For purposes of making the determination required by Subsection (2)(a), total sales everywhere include only the total sales everywhere:

(i) as determined in accordance with this part; and
(ii) made during the taxable year for which a taxpayer makes the determination required by Subsection (2)(a).

(3) (a) A taxpayer is an optional apportionment taxpayer if the average calculated in accordance with Subsection (3)(b) is greater than .50.

(b) To calculate the average described in Subsection (3)(a), a taxpayer shall:

(i) calculate the following two fractions:
   (A) the property factor fraction as described in Subsection 59-7-312(3); and
   (B) the payroll factor fraction as described in Subsection 59-7-315(3);
(ii) add together the fractions described in Subsection (3)(b)(i); and
(iii) divide the sum calculated in Subsection (3)(b)(ii):
   (A) except as provided in Subsection (3)(b)(iii)(B), by two; or
   (B) if either the property factor fraction or the payroll factor fraction has a denominator of zero or is excluded in accordance with Subsection 59-7-312(3)(b) or 59-7-315(3)(b), by one.
A taxpayer shall determine if the taxpayer is an optional apportionment taxpayer before the due date for filing the taxpayer's return under this chapter for the taxable year, including extensions.

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

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

Section 2. Section 59-7-303 is amended to read:

59-7-303. Apportionable income.

(1) Any taxpayer having income from business activity which is taxable both within and without this state shall allocate and apportion the taxpayer's adjusted income as provided in this part.

(2) Any taxpayer having income solely from business activity taxable within this state shall allocate or apportion the taxpayer's entire adjusted income to this state.

(3) (a) Notwithstanding Subsections (1) and (2), for a taxable year beginning on or after January 1, 2022, a taxpayer may elect to treat all of the taxpayer's income from sales of intangible property as business income.

(b) A taxpayer shall make the election described in Subsection (3)(a) on or before the deadline for filing a return under an extension of time described in Section 59-7-505.

(c) An election under this Subsection (3) is irrevocable.

Section 3. Section 59-12-104 is amended to read:

59-12-104. Exemptions.

Exemptions from the taxes imposed by this chapter are as follows:

(1) sales of aviation fuel, motor fuel, and special fuel subject to a Utah state excise tax under Chapter 13, Motor and Special Fuel Tax Act;

(2) subject to Section 59-12-104.6, sales to the state, its institutions, and its political subdivisions; however, this exemption does not apply to sales of:

(a) construction materials except:

(i) construction materials purchased by or on behalf of institutions of the public

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education system as defined in Utah Constitution, Article X, Section 2, provided the
construction materials are clearly identified and segregated and installed or converted to real
property which is owned by institutions of the public education system; and

(ii) construction materials purchased by the state, its institutions, or its political
subdivisions which are installed or converted to real property by employees of the state, its
institutions, or its political subdivisions; or

(b) tangible personal property in connection with the construction, operation,
maintenance, repair, or replacement of a project, as defined in Section 11-13-103, or facilities
providing additional project capacity, as defined in Section 11-13-103;

(3) (a) sales of an item described in Subsection (3)(b) from a vending machine if:
(i) the proceeds of each sale do not exceed $1; and
(ii) the seller or operator of the vending machine reports an amount equal to 150% of
the cost of the item described in Subsection (3)(b) as goods consumed; and

(b) Subsection (3)(a) applies to:
(i) food and food ingredients; or
(ii) prepared food;

(4) (a) sales of the following to a commercial airline carrier for in-flight consumption:
(i) alcoholic beverages;
(ii) food and food ingredients; or
(iii) prepared food;
(b) sales of tangible personal property or a product transferred electronically:
(i) to a passenger;
(ii) by a commercial airline carrier; and
(iii) during a flight for in-flight consumption or in-flight use by the passenger; or
(c) services related to Subsection (4)(a) or (b);

(5) sales of parts and equipment for installation in an aircraft operated by a common
carrier in interstate or foreign commerce;

(6) sales of commercials, motion picture films, prerecorded audio program tapes or
records, and prerecorded video tapes by a producer, distributor, or studio to a motion picture
exhibitor, distributor, or commercial television or radio broadcaster;

(7) (a) except as provided in Subsection (85) and subject to Subsection (7)(b), sales of
cleaning or washing of tangible personal property if the cleaning or washing of the tangible personal property is not assisted cleaning or washing of tangible personal property;

(b) if a seller that sells at the same business location assisted cleaning or washing of tangible personal property and cleaning or washing of tangible personal property that is not assisted cleaning or washing of tangible personal property, the exemption described in Subsection (7)(a) applies if the seller separately accounts for the sales of the assisted cleaning or washing of the tangible personal property; and

(c) for purposes of Subsection (7)(b) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules:

(i) governing the circumstances under which sales are at the same business location; and

(ii) establishing the procedures and requirements for a seller to separately account for sales of assisted cleaning or washing of tangible personal property;

(8) sales made to or by religious or charitable institutions in the conduct of their regular religious or charitable functions and activities, if the requirements of Section 59-12-104.1 are fulfilled;

(9) sales of a vehicle of a type required to be registered under the motor vehicle laws of this state if the vehicle is:

(a) not registered in this state; and

(b) (i) not used in this state; or

(ii) used in this state:

(A) if the vehicle is not used to conduct business, for a time period that does not exceed the longer of:

(I) 30 days in any calendar year; or

(II) the time period necessary to transport the vehicle to the borders of this state; or

(B) if the vehicle is used to conduct business, for the time period necessary to transport the vehicle to the borders of this state;

(10) (a) amounts paid for an item described in Subsection (10)(b) if:

(i) the item is intended for human use; and

(ii) (A) a prescription was issued for the item; or

(B) the item was purchased by a hospital or other medical facility; and
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(b) (i) Subsection (10)(a) applies to:
   (A) a drug;
   (B) a syringe; or
   (C) a stoma supply; and

   (ii) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may by rule define the terms:
   (A) "syringe"; or
   (B) "stoma supply";

   (11) purchases or leases exempt under Section 19-12-201;

   (12) (a) sales of an item described in Subsection (12)(c) served by:

   (i) the following if the item described in Subsection (12)(c) is not available to the general public:
   (A) a church; or
   (B) a charitable institution; or

   (ii) an institution of higher education if:

   (A) the item described in Subsection (12)(c) is not available to the general public; or
   (B) the item described in Subsection (12)(c) is prepaid as part of a student meal plan offered by the institution of higher education; or

   (b) sales of an item described in Subsection (12)(c) provided for a patient by:

   (i) a medical facility; or
   (ii) a nursing facility; and

   (c) Subsections (12)(a) and (b) apply to:

   (i) food and food ingredients;
   (ii) prepared food; or

   (iii) alcoholic beverages;

   (13) (a) except as provided in Subsection (13)(b), the sale of tangible personal property or a product transferred electronically by a person:

   (i) regardless of the number of transactions involving the sale of that tangible personal property or product transferred electronically by that person; and

   (ii) not regularly engaged in the business of selling that type of tangible personal property or product transferred electronically;
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(b) this Subsection (13) does not apply if:

(i) the sale is one of a series of sales of a character to indicate that the person is regularly engaged in the business of selling that type of tangible personal property or product transferred electronically;

(ii) the person holds that person out as regularly engaged in the business of selling that type of tangible personal property or product transferred electronically;

(iii) the person sells an item of tangible personal property or product transferred electronically that the person purchased as a sale that is exempt under Subsection (25); or

(iv) the sale is of a vehicle or vessel required to be titled or registered under the laws of this state in which case the tax is based upon:

(A) the bill of sale or other written evidence of value of the vehicle or vessel being sold; or

(B) in the absence of a bill of sale or other written evidence of value, the fair market value of the vehicle or vessel being sold at the time of the sale as determined by the commission; and

(c) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission shall make rules establishing the circumstances under which:

(i) a person is regularly engaged in the business of selling a type of tangible personal property or product transferred electronically;

(ii) a sale of tangible personal property or a product transferred electronically is one of a series of sales of a character to indicate that a person is regularly engaged in the business of selling that type of tangible personal property or product transferred electronically; or

(iii) a person holds that person out as regularly engaged in the business of selling a type of tangible personal property or product transferred electronically;

(14) amounts paid or charged for a purchase or lease of machinery, equipment, normal operating repair or replacement parts, or materials, except for office equipment or office supplies, by:

(a) a manufacturing facility that:

(i) is located in the state; and

(ii) uses or consumes the machinery, equipment, normal operating repair or replacement parts, or materials:
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(A) in the manufacturing process to manufacture an item sold as tangible personal property, as the commission may define that phrase in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act; or

(B) for a scrap recycler, to process an item sold as tangible personal property, as the commission may define that phrase in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act;

(b) an establishment, as the commission defines that term in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, that:

(i) is described in NAICS Subsector 212, Mining (except Oil and Gas), or NAICS Code 213113, Support Activities for Coal Mining, 213114, Support Activities for Metal Mining, or 213115, Support Activities for Nonmetallic Minerals (except Fuels) Mining, of the 2002 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget;

(ii) is located in the state; and

(iii) uses or consumes the machinery, equipment, normal operating repair or replacement parts, or materials in:

(A) the production process to produce an item sold as tangible personal property, as the commission may define that phrase in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act;

(B) research and development, as the commission may define that phrase in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act;

(C) transporting, storing, or managing tailings, overburden, or similar waste materials produced from mining;

(D) developing or maintaining a road, tunnel, excavation, or similar feature used in mining; or

(E) preventing, controlling, or reducing dust or other pollutants from mining; or

(c) an establishment, as the commission defines that term in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, that:

(i) is described in NAICS Code 518112, Web Search Portals, of the 2002 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget;
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(ii) is located in the state; and
(iii) uses or consumes the machinery, equipment, normal operating repair or replacement parts, or materials in the operation of the web search portal;

(15) (a) sales of the following if the requirements of Subsection (15)(b) are met:
   (i) tooling;
   (ii) special tooling;
   (iii) support equipment;
   (iv) special test equipment; or
   (v) parts used in the repairs or renovations of tooling or equipment described in Subsections (15)(a)(i) through (iv); and

   (b) sales of tooling, equipment, or parts described in Subsection (15)(a) are exempt if:
       (i) the tooling, equipment, or parts are used or consumed exclusively in the performance of any aerospace or electronics industry contract with the United States government or any subcontract under that contract; and
       (ii) under the terms of the contract or subcontract described in Subsection (15)(b)(i), title to the tooling, equipment, or parts is vested in the United States government as evidenced by:
           (A) a government identification tag placed on the tooling, equipment, or parts; or
           (B) listing on a government-approved property record if placing a government identification tag on the tooling, equipment, or parts is impractical;

(16) sales of newspapers or newspaper subscriptions;

(17) (a) except as provided in Subsection (17)(b), tangible personal property or a product transferred electronically traded in as full or part payment of the purchase price, except that for purposes of calculating sales or use tax upon vehicles not sold by a vehicle dealer, trade-ins are limited to other vehicles only, and the tax is based upon:
       (i) the bill of sale or other written evidence of value of the vehicle being sold and the vehicle being traded in; or
       (ii) in the absence of a bill of sale or other written evidence of value, the then existing fair market value of the vehicle being sold and the vehicle being traded in, as determined by the commission; and

   (b) Subsection (17)(a) does not apply to the following items of tangible personal
property or products transferred electronically traded in as full or part payment of the purchase price:

(i) money;
(ii) electricity;
(iii) water;
(iv) gas; or
(v) steam;

(18) (a) (i) except as provided in Subsection (18)(b), sales of tangible personal property or a product transferred electronically used or consumed primarily and directly in farming operations, regardless of whether the tangible personal property or product transferred electronically:

(A) becomes part of real estate; or
(B) is installed by a farmer, contractor, or subcontractor; or

(ii) sales of parts used in the repairs or renovations of tangible personal property or a product transferred electronically if the tangible personal property or product transferred electronically is exempt under Subsection (18)(a)(i); and

(b) amounts paid or charged for the following are subject to the taxes imposed by this chapter:

(i) (A) subject to Subsection (18)(b)(i)(B), machinery, equipment, materials, or supplies if used in a manner that is incidental to farming; and

(B) tangible personal property that is considered to be used in a manner that is incidental to farming includes:

(I) hand tools; or

(II) maintenance and janitorial equipment and supplies;

(ii) (A) subject to Subsection (18)(b)(ii)(B), tangible personal property or a product transferred electronically if the tangible personal property or product transferred electronically is used in an activity other than farming; and

(B) tangible personal property or a product transferred electronically that is considered to be used in an activity other than farming includes:

(I) office equipment and supplies; or

(II) equipment and supplies used in:
(Aa) the sale or distribution of farm products;
(Bb) research; or
(Cc) transportation; or
(iii) a vehicle required to be registered by the laws of this state during the period ending two years after the date of the vehicle's purchase;
(19) sales of hay;
(20) exclusive sale during the harvest season of seasonal crops, seedling plants, or garden, farm, or other agricultural produce if the seasonal crops are, seedling plants are, or garden, farm, or other agricultural produce is sold by:
(a) the producer of the seasonal crops, seedling plants, or garden, farm, or other agricultural produce;
(b) an employee of the producer described in Subsection (20)(a); or
(c) a member of the immediate family of the producer described in Subsection (20)(a);
(21) purchases made using a coupon as defined in 7 U.S.C. Sec. 2012 that is issued under the Food Stamp Program, 7 U.S.C. Sec. 2011 et seq.;
(22) sales of nonreturnable containers, nonreturnable labels, nonreturnable bags, nonreturnable shipping cases, and nonreturnable casings to a manufacturer, processor, wholesaler, or retailer for use in packaging tangible personal property to be sold by that manufacturer, processor, wholesaler, or retailer;
(23) a product stored in the state for resale;
(24) (a) purchases of a product if:
(i) the product is:
(A) purchased outside of this state;
(B) brought into this state:
(I) at any time after the purchase described in Subsection (24)(a)(i)(A); and
(II) by a nonresident person who is not living or working in this state at the time of the purchase;
(C) used for the personal use or enjoyment of the nonresident person described in Subsection (24)(a)(i)(B)(II) while that nonresident person is within the state; and
(D) not used in conducting business in this state; and
(ii) for:
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(A) a product other than a boat described in Subsection (24)(a)(ii)(B), the first use of the product for a purpose for which the product is designed occurs outside of this state;

(B) a boat, the boat is registered outside of this state; or

(C) a vehicle other than a vehicle sold to an authorized carrier, the vehicle is registered outside of this state;

(b) the exemption provided for in Subsection (24)(a) does not apply to:

(i) a lease or rental of a product; or

(ii) a sale of a vehicle exempt under Subsection (33); and

(c) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, for purposes of Subsection (24)(a), the commission may by rule define what constitutes the following:

(i) conducting business in this state if that phrase has the same meaning in this Subsection (24) as in Subsection (63);

(ii) the first use of a product if that phrase has the same meaning in this Subsection (24) as in Subsection (63); or

(iii) a purpose for which a product is designed if that phrase has the same meaning in this Subsection (24) as in Subsection (63);

(25) a product purchased for resale in the regular course of business, either in its original form or as an ingredient or component part of a manufactured or compounded product;

(26) a product upon which a sales or use tax was paid to some other state, or one of its subdivisions, except that the state shall be paid any difference between the tax paid and the tax imposed by this part and Part 2, Local Sales and Use Tax Act, and no adjustment is allowed if the tax paid was greater than the tax imposed by this part and Part 2, Local Sales and Use Tax Act;

(27) any sale of a service described in Subsections 59-12-103(1)(b), (c), and (d) to a person for use in compounding a service taxable under the subsections;

(28) purchases made in accordance with the special supplemental nutrition program for women, infants, and children established in 42 U.S.C. Sec. 1786;

(29) sales or leases of rolls, rollers, refractory brick, electric motors, or other replacement parts used in the furnaces, mills, or ovens of a steel mill described in SIC Code 3312 of the 1987 Standard Industrial Classification Manual of the federal Executive Office of
the President, Office of Management and Budget;

(30) sales of a boat of a type required to be registered under Title 73, Chapter 18, State Boating Act, a boat trailer, or an outboard motor if the boat, boat trailer, or outboard motor is:

(a) not registered in this state; and

(b) (i) not used in this state; or

(ii) used in this state:

(A) if the boat, boat trailer, or outboard motor is not used to conduct business, for a time period that does not exceed the longer of:

(I) 30 days in any calendar year; or

(II) the time period necessary to transport the boat, boat trailer, or outboard motor to the borders of this state; or

(B) if the boat, boat trailer, or outboard motor is used to conduct business, for the time period necessary to transport the boat, boat trailer, or outboard motor to the borders of this state;

(31) sales of aircraft manufactured in Utah;

(32) amounts paid for the purchase of telecommunications service for purposes of providing telecommunications service;

(33) sales, leases, or uses of the following:

(a) a vehicle by an authorized carrier; or

(b) tangible personal property that is installed on a vehicle:

(i) sold or leased to or used by an authorized carrier; and

(ii) before the vehicle is placed in service for the first time;

(34) (a) 45% of the sales price of any new manufactured home; and

(b) 100% of the sales price of any used manufactured home;

(35) sales relating to schools and fundraising sales;

(36) sales or rentals of durable medical equipment if:

(a) a person presents a prescription for the durable medical equipment; and

(b) the durable medical equipment is used for home use only;

(37) (a) sales to a ski resort of electricity to operate a passenger ropeway as defined in Section 72-11-102; and

(b) the commission shall by rule determine the method for calculating sales exempt
under Subsection (37)(a) that are not separately metered and accounted for in utility billings;

(38) sales to a ski resort of:
(a) snowmaking equipment;
(b) ski slope grooming equipment;
(c) passenger ropeways as defined in Section 72-11-102; or
(d) parts used in the repairs or renovations of equipment or passenger ropeways described in Subsections (38)(a) through (c);

(39) subject to Subsection 59-12-103(2)(j), sales of natural gas, electricity, heat, coal, fuel oil, or other fuels for industrial use;

(40) (a) subject to Subsection (40)(b), sales or rentals of the right to use or operate for amusement, entertainment, or recreation an unassisted amusement device as defined in Section 59-12-102;
(b) if a seller that sells or rents at the same business location the right to use or operate for amusement, entertainment, or recreation one or more unassisted amusement devices and one or more assisted amusement devices, the exemption described in Subsection (40)(a) applies if the seller separately accounts for the sales or rentals of the right to use or operate for amusement, entertainment, or recreation for the assisted amusement devices; and
(c) for purposes of Subsection (40)(b) and in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules:
   (i) governing the circumstances under which sales are at the same business location; and
   (ii) establishing the procedures and requirements for a seller to separately account for the sales or rentals of the right to use or operate for amusement, entertainment, or recreation for assisted amusement devices;

(41) (a) sales of photocopies by:
   (i) a governmental entity; or
   (ii) an entity within the state system of public education, including:
      (A) a school; or
      (B) the State Board of Education; or
   (b) sales of publications by a governmental entity;

(42) amounts paid for admission to an athletic event at an institution of higher
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education that is subject to the provisions of Title IX of the Education Amendments of 1972, 20 U.S.C. Sec. 1681 et seq.;

(43) (a) sales made to or by:
   (i) an area agency on aging; or
   (ii) a senior citizen center owned by a county, city, or town; or
   (b) sales made by a senior citizen center that contracts with an area agency on aging;

(44) sales or leases of semiconductor fabricating, processing, research, or development materials regardless of whether the semiconductor fabricating, processing, research, or development materials:
   (a) actually come into contact with a semiconductor; or
   (b) ultimately become incorporated into real property;

(45) an amount paid by or charged to a purchaser for accommodations and services described in Subsection 59-12-103(1)(i) to the extent the amount is exempt under Section 59-12-104.2;

(46) the lease or use of a vehicle issued a temporary sports event registration certificate in accordance with Section 41-3-306 for the event period specified on the temporary sports event registration certificate;

(47) (a) sales or uses of electricity, if the sales or uses are made under a retail tariff adopted by the Public Service Commission only for purchase of electricity produced from a new alternative energy source built after January 1, 2016, as designated in the tariff by the Public Service Commission; and

   (b) for a residential use customer only, the exemption under Subsection (47)(a) applies only to the portion of the tariff rate a customer pays under the tariff described in Subsection (47)(a) that exceeds the tariff rate under the tariff described in Subsection (47)(a) that the customer would have paid absent the tariff;

(48) sales or rentals of mobility enhancing equipment if a person presents a prescription for the mobility enhancing equipment;

(49) sales of water in a:
   (a) pipe;
   (b) conduit;
   (c) ditch; or
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(d) reservoir;

(50) sales of currency or coins that constitute legal tender of a state, the United States, or a foreign nation;

(51) (a) sales of an item described in Subsection (51)(b) if the item:
   (i) does not constitute legal tender of a state, the United States, or a foreign nation; and
   (ii) has a gold, silver, or platinum content of 50% or more; and
(b) Subsection (51)(a) applies to a gold, silver, or platinum:
   (i) ingot;
   (ii) bar;
   (iii) medallion; or
   (iv) decorative coin;

(52) amounts paid on a sale-leaseback transaction;

(53) sales of a prosthetic device:
   (a) for use on or in a human; and
   (b) (i) for which a prescription is required; or
   (ii) if the prosthetic device is purchased by a hospital or other medical facility;

(54) (a) except as provided in Subsection (54)(b), purchases, leases, or rentals of machinery or equipment by an establishment described in Subsection (54)(c) if the machinery or equipment is primarily used in the production or postproduction of the following media for commercial distribution:
   (i) a motion picture;
   (ii) a television program;
   (iii) a movie made for television;
   (iv) a music video;
   (v) a commercial;
   (vi) a documentary; or
   (vii) a medium similar to Subsections (54)(a)(i) through (vi) as determined by the commission by administrative rule made in accordance with Subsection (54)(d); or
(b) purchases, leases, or rentals of machinery or equipment by an establishment described in Subsection (54)(c) that is used for the production or postproduction of the following are subject to the taxes imposed by this chapter:
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(i) a live musical performance;
(ii) a live news program; or
(iii) a live sporting event;
(c) the following establishments listed in the 1997 North American Industry
Classification System of the federal Executive Office of the President, Office of Management
and Budget, apply to Subsections (54)(a) and (b):
   (i) NAICS Code 512110; or
   (ii) NAICS Code 51219; and
(d) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
commission may by rule:
   (i) prescribe what constitutes a medium similar to Subsections (54)(a)(i) through (vi); or
   (ii) define:
      (A) "commercial distribution";
      (B) "live musical performance";
      (C) "live news program"; or
      (D) "live sporting event";
(55) (a) leases of seven or more years or purchases made on or after July 1, 2004, but
on or before June 30, 2027, of tangible personal property that:
   (i) is leased or purchased for or by a facility that:
      (A) is an alternative energy electricity production facility;
      (B) is located in the state; and
      (C) (I) becomes operational on or after July 1, 2004; or
      (II) has its generation capacity increased by one or more megawatts on or after July 1,
2004, as a result of the use of the tangible personal property;
   (ii) has an economic life of five or more years; and
   (iii) is used to make the facility or the increase in capacity of the facility described in
Subsection (55)(a)(i) operational up to the point of interconnection with an existing
transmission grid including:
      (A) a wind turbine;
      (B) generating equipment;
(C) a control and monitoring system;
(D) a power line;
(E) substation equipment;
(F) lighting;
(G) fencing;
(H) pipes; or
(I) other equipment used for locating a power line or pole; and
(b) this Subsection (55) does not apply to:
(i) tangible personal property used in construction of:
(A) a new alternative energy electricity production facility; or
(B) the increase in the capacity of an alternative energy electricity production facility;
(ii) contracted services required for construction and routine maintenance activities;
and
(iii) unless the tangible personal property is used or acquired for an increase in capacity of the facility described in Subsection (55)(a)(i)(C)(II), tangible personal property used or acquired after:
(A) the alternative energy electricity production facility described in Subsection (55)(a)(i) is operational as described in Subsection (55)(a)(iii); or
(B) the increased capacity described in Subsection (55)(a)(i) is operational as described in Subsection (55)(a)(iii);
(56) (a) leases of seven or more years or purchases made on or after July 1, 2004, but on or before June 30, 2027, of tangible personal property that:
(i) is leased or purchased for or by a facility that:
(A) is a waste energy production facility;
(B) is located in the state; and
(C) (I) becomes operational on or after July 1, 2004; or
(II) has its generation capacity increased by one or more megawatts on or after July 1, 2004, as a result of the use of the tangible personal property;
(ii) has an economic life of five or more years; and
(iii) is used to make the facility or the increase in capacity of the facility described in Subsection (56)(a)(i) operational up to the point of interconnection with an existing
transmission grid including:
   (A) generating equipment;
   (B) a control and monitoring system;
   (C) a power line;
   (D) substation equipment;
   (E) lighting;
   (F) fencing;
   (G) pipes; or
   (H) other equipment used for locating a power line or pole; and
(b) this Subsection (56) does not apply to:
   (i) tangible personal property used in construction of:
       (A) a new waste energy facility; or
       (B) the increase in the capacity of a waste energy facility;
   (ii) contracted services required for construction and routine maintenance activities;
and
   (iii) unless the tangible personal property is used or acquired for an increase in capacity described in Subsection (56)(a)(i)(C)(II), tangible personal property used or acquired after:
       (A) the waste energy facility described in Subsection (56)(a)(i) is operational as described in Subsection (56)(a)(iii); or
       (B) the increased capacity described in Subsection (56)(a)(i) is operational as described in Subsection (56)(a)(iii);

(57) (a) leases of five or more years or purchases made on or after July 1, 2004, but on or before June 30, 2027, of tangible personal property that:
   (i) is leased or purchased for or by a facility that:
       (A) is located in the state;
       (B) produces fuel from alternative energy, including:
           (I) methanol; or
           (II) ethanol; and
       (C) (I) becomes operational on or after July 1, 2004; or
           (II) has its capacity to produce fuel increase by 25% or more on or after July 1, 2004, as a result of the installation of the tangible personal property;
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(ii) has an economic life of five or more years; and
(iii) is installed on the facility described in Subsection (57)(a)(i);

(b) this Subsection (57) does not apply to:
(i) tangible personal property used in construction of:
(A) a new facility described in Subsection (57)(a)(i); or
(B) the increase in capacity of the facility described in Subsection (57)(a)(i); or
(ii) contracted services required for construction and routine maintenance activities;

and

(iii) unless the tangible personal property is used or acquired for an increase in capacity described in Subsection (57)(a)(i)(C)(II), tangible personal property used or acquired after:
(A) the facility described in Subsection (57)(a)(i) is operational; or
(B) the increased capacity described in Subsection (57)(a)(i) is operational;

(58) (a) subject to Subsection (58)(b), sales of tangible personal property or a product transferred electronically to a person within this state if that tangible personal property or product transferred electronically is subsequently shipped outside the state and incorporated pursuant to contract into and becomes a part of real property located outside of this state; and

(b) the exemption under Subsection (58)(a) is not allowed to the extent that the other state or political entity to which the tangible personal property is shipped imposes a sales, use, gross receipts, or other similar transaction excise tax on the transaction against which the other state or political entity allows a credit for sales and use taxes imposed by this chapter;

(59) purchases:
(a) of one or more of the following items in printed or electronic format:
(i) a list containing information that includes one or more:
(A) names; or
(B) addresses; or
(ii) a database containing information that includes one or more:
(A) names; or
(B) addresses; and
(b) used to send direct mail;

(60) redemptions or repurchases of a product by a person if that product was:
(a) delivered to a pawnbroker as part of a pawn transaction; and
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(b) redeemed or repurchased within the time period established in a written agreement between the person and the pawnbroker for redeeming or repurchasing the product;

(61) (a) purchases or leases of an item described in Subsection (61)(b) if the item:
(i) is purchased or leased by, or on behalf of, a telecommunications service provider; and
(ii) has a useful economic life of one or more years; and
(b) the following apply to Subsection (61)(a):
(i) telecommunications enabling or facilitating equipment, machinery, or software;
(ii) telecommunications equipment, machinery, or software required for 911 service;
(iii) telecommunications maintenance or repair equipment, machinery, or software;
(iv) telecommunications switching or routing equipment, machinery, or software; or
(v) telecommunications transmission equipment, machinery, or software;

(62) (a) beginning on July 1, 2006, and ending on June 30, 2027, purchases of tangible personal property or a product transferred electronically that are used in the research and development of alternative energy technology; and
(b) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may, for purposes of Subsection (62)(a), make rules defining what constitutes purchases of tangible personal property or a product transferred electronically that are used in the research and development of alternative energy technology;

(63) (a) purchases of tangible personal property or a product transferred electronically if:
(i) the tangible personal property or product transferred electronically is:
(A) purchased outside of this state;
(B) brought into this state at any time after the purchase described in Subsection (63)(a)(i)(A); and
(C) used in conducting business in this state; and
(ii) for:
(A) tangible personal property or a product transferred electronically other than the tangible personal property described in Subsection (63)(a)(ii)(B), the first use of the property for a purpose for which the property is designed occurs outside of this state; or
(B) a vehicle other than a vehicle sold to an authorized carrier, the vehicle is registered
outside of this state and not required to be registered in this state under Section 41-1a-202 or 73-18-9 based on residency;

(b) the exemption provided for in Subsection (63)(a) does not apply to:

(i) a lease or rental of tangible personal property or a product transferred electronically; or

(ii) a sale of a vehicle exempt under Subsection (33); and

(c) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, for purposes of Subsection (63)(a), the commission may by rule define what constitutes the following:

(i) conducting business in this state if that phrase has the same meaning in this Subsection (63) as in Subsection (24);

(ii) the first use of tangible personal property or a product transferred electronically if that phrase has the same meaning in this Subsection (63) as in Subsection (24); or

(iii) a purpose for which tangible personal property or a product transferred electronically is designed if that phrase has the same meaning in this Subsection (63) as in Subsection (24);

(64) sales of disposable home medical equipment or supplies if:

(a) a person presents a prescription for the disposable home medical equipment or supplies;

(b) the disposable home medical equipment or supplies are used exclusively by the person to whom the prescription described in Subsection (64)(a) is issued; and

(c) the disposable home medical equipment and supplies are listed as eligible for payment under:

(i) Title XVIII, federal Social Security Act; or

(ii) the state plan for medical assistance under Title XIX, federal Social Security Act;

(65) sales:

(a) to a public transit district under Title 17B, Chapter 2a, Part 8, Public Transit District Act; or

(b) of tangible personal property to a subcontractor of a public transit district, if the tangible personal property is:

(i) clearly identified; and
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(ii) installed or converted to real property owned by the public transit district;

(66) sales of construction materials:
(a) purchased on or after July 1, 2010;
(b) purchased by, on behalf of, or for the benefit of an international airport:
   (i) located within a county of the first class; and
   (ii) that has a United States customs office on its premises; and
(c) if the construction materials are:
   (i) clearly identified;
   (ii) segregated; and
   (iii) installed or converted to real property:
      (A) owned or operated by the international airport described in Subsection (66)(b); and
      (B) located at the international airport described in Subsection (66)(b);

(67) sales of construction materials:
(a) purchased on or after July 1, 2008;
(b) purchased by, on behalf of, or for the benefit of a new airport:
   (i) located within a county of the second class; and
   (ii) that is owned or operated by a city in which an airline as defined in Section 59-2-102 is headquartered; and
(c) if the construction materials are:
   (i) clearly identified;
   (ii) segregated; and
   (iii) installed or converted to real property:
      (A) owned or operated by the new airport described in Subsection (67)(b);
      (B) located at the new airport described in Subsection (67)(b);
      (C) as part of the construction of the new airport described in Subsection (67)(b);

(68) except for the tax imposed by Subsection 59-12-103(2)(d), sales of fuel to a common carrier that is a railroad for use in a locomotive engine;

(69) purchases and sales described in Section 63H-4-111;

(70) (a) sales of tangible personal property to an aircraft maintenance, repair, and overhaul provider for use in the maintenance, repair, overhaul, or refurbishment in this state of a fixed wing turbine powered aircraft if that fixed wing turbine powered aircraft's registration
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lists a state or country other than this state as the location of registry of the fixed wing turbine powered aircraft; or

(b) sales of tangible personal property by an aircraft maintenance, repair, and overhaul provider in connection with the maintenance, repair, overhaul, or refurbishment in this state of a fixed wing turbine powered aircraft if that fixed wing turbine powered aircraft's registration lists a state or country other than this state as the location of registry of the fixed wing turbine powered aircraft;

(71) subject to Section 59-12-104.4, sales of a textbook for a higher education course:
(a) to a person admitted to an institution of higher education; and
(b) by a seller, other than a bookstore owned by an institution of higher education, if 51% or more of that seller's sales revenue for the previous calendar quarter are sales of a textbook for a higher education course;

(72) a license fee or tax a municipality imposes in accordance with Subsection 10-1-203(5) on a purchaser from a business for which the municipality provides an enhanced level of municipal services;

(73) amounts paid or charged for construction materials used in the construction of a new or expanding life science research and development facility in the state, if the construction materials are:
(a) clearly identified;
(b) segregated; and
(c) installed or converted to real property;

(74) amounts paid or charged for:
(a) a purchase or lease of machinery and equipment that:
(i) are used in performing qualified research:
(A) as defined in Section 41(d), Internal Revenue Code; and
(B) in the state; and
(ii) have an economic life of three or more years; and
(b) normal operating repair or replacement parts:
(i) for the machinery and equipment described in Subsection (74)(a); and
(ii) that have an economic life of three or more years;

(75) a sale or lease of tangible personal property used in the preparation of prepared
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food if:

(a) for a sale:
   (i) the ownership of the seller and the ownership of the purchaser are identical; and
   (ii) the seller or the purchaser paid a tax under this chapter on the purchase of that tangible personal property prior to making the sale; or

(b) for a lease:
   (i) the ownership of the lessor and the ownership of the lessee are identical; and
   (ii) the lessor or the lessee paid a tax under this chapter on the purchase of that tangible personal property prior to making the lease;

(76) (a) purchases of machinery or equipment if:
   (i) the purchaser is an establishment described in NAICS Subsector 713, Amusement, Gambling, and Recreation Industries, of the 2012 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget;
   (ii) the machinery or equipment:
      (A) has an economic life of three or more years; and
      (B) is used by one or more persons who pay admission or user fees described in Subsection 59-12-103(1)(f) to the purchaser of the machinery and equipment; and
   (iii) 51% or more of the purchaser's sales revenue for the previous calendar quarter is:
      (A) amounts paid or charged as admission or user fees described in Subsection 59-12-103(1)(f); and
      (B) subject to taxation under this chapter; and
   (b) in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules for verifying that 51% of a purchaser's sales revenue for the previous calendar quarter is:
      (i) amounts paid or charged as admission or user fees described in Subsection 59-12-103(1)(f); and
      (ii) subject to taxation under this chapter;

(77) purchases of a short-term lodging consumable by a business that provides accommodations and services described in Subsection 59-12-103(1)(i);

(78) amounts paid or charged to access a database:

(a) if the primary purpose for accessing the database is to view or retrieve information
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from the database; and

(b) not including amounts paid or charged for a:

(i) digital audio work;

(ii) digital audio-visual work; or

(iii) digital book;

(79) amounts paid or charged for a purchase or lease made by an electronic financial payment service, of:

(a) machinery and equipment that:

(i) are used in the operation of the electronic financial payment service; and

(ii) have an economic life of three or more years; and

(b) normal operating repair or replacement parts that:

(i) are used in the operation of the electronic financial payment service; and

(ii) have an economic life of three or more years;

(80) sales of a fuel cell as defined in Section 54-15-102;

(81) amounts paid or charged for a purchase or lease of tangible personal property or a product transferred electronically if the tangible personal property or product transferred electronically:

(a) is stored, used, or consumed in the state; and

(b) is temporarily brought into the state from another state:

(i) during a disaster period as defined in Section 53-2a-1202;

(ii) by an out-of-state business as defined in Section 53-2a-1202;

(iii) for a declared state disaster or emergency as defined in Section 53-2a-1202; and

(iv) for disaster- or emergency-related work as defined in Section 53-2a-1202;

(82) sales of goods and services at a morale, welfare, and recreation facility, as defined in Section 39-9-102, made pursuant to Title 39, Chapter 9, State Morale, Welfare, and Recreation Program;

(83) amounts paid or charged for a purchase or lease of molten magnesium;

(84) amounts paid or charged for a purchase or lease made by a qualifying data center or an occupant of a qualifying data center of machinery, equipment, or normal operating repair or replacement parts, if the machinery, equipment, or normal operating repair or replacement parts:
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(a) are used in:
(i) the operation of the qualifying data center; or
(ii) the occupant's operations in the qualifying data center; and
(b) have an economic life of one or more years;

(85) sales of cleaning or washing of a vehicle, except for cleaning or washing of a vehicle that includes cleaning or washing of the interior of the vehicle;

(86) amounts paid or charged for a purchase or lease of machinery, equipment, normal operating repair or replacement parts, catalysts, chemicals, reagents, solutions, or supplies used or consumed:
    (a) by a refiner who owns, leases, operates, controls, or supervises a refinery as defined in Section 79-6-701 located in the state;
    (b) if the machinery, equipment, normal operating repair or replacement parts, catalysts, chemicals, reagents, solutions, or supplies are used or consumed in:
        (i) the production process to produce gasoline or diesel fuel, or at which blendstock is added to gasoline or diesel fuel;
        (ii) research and development;
        (iii) transporting, storing, or managing raw materials, work in process, finished products, and waste materials produced from refining gasoline or diesel fuel, or adding blendstock to gasoline or diesel fuel;
        (iv) developing or maintaining a road, tunnel, excavation, or similar feature used in refining; or
        (v) preventing, controlling, or reducing pollutants from refining; and
    (c) if the person holds a valid refiner tax exemption certification as defined in Section 79-6-701;

(87) amounts paid to or charged by a proprietor for accommodations and services, as defined in Section 63H-1-205, if the proprietor is subject to the MIDA accommodations tax imposed under Section 63H-1-205;

(88) amounts paid or charged for a purchase or lease of machinery, equipment, normal operating repair or replacement parts, or materials, except for office equipment or office supplies, by an establishment, as the commission defines that term in accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, that:
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(a) is described in NAICS Code 621511, Medical Laboratories, of the 2017 North American Industry Classification System of the federal Executive Office of the President, Office of Management and Budget;

(b) is located in this state; and

(c) uses the machinery, equipment, normal operating repair or replacement parts, or materials in the operation of the establishment; [and]

(89) amounts paid or charged for an item exempt under Section 59-12-104.10[;]+ and[;]

(90) sales of a note, leaf, foil, or film, if the item:

(a) is used as currency;

(b) does not constitute legal tender of a state, the United States, or a foreign nation; and

(c) has a gold, silver, or platinum metallic content of 50% or more, exclusive of any transparent polymer holder, coating, or encasement[;]

Section 2[;] and

(91) amounts paid or charged for admission to an indoor skydiving, rock climbing, or surfing facility, if a trained instructor:

(a) is present with the participant, in person or by video, for the duration of the activity; and

(b) actively instructs the participant, including providing observation or feedback.

Section 4. Effective date.

(This) (1) Except as provided in Subsection (2), this bill takes effect on May 4, 2022.

(2) The changes to Section 59-12-104 take effect on July 1, 2022.

Section 5. Retrospective operation.

The changes to Sections 59-7-302 and 59-7-303 have retrospective operation to a taxable year beginning on or after January 1, 2022.