

Property Tax Exemptions

Standards of Practice

2

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Section II.I

General Information

Purpose

These standards provide a reference to accepted procedures for the exemption of real and personal property from property taxation. They are intended to assist county officials in the successful administration of exemption procedures.

NOTE: Forms associated with these standards are listed in Appendix E – Referenced Forms and can be found at the following location: <http://propertytax.utah.gov/formswithstandards.html>.

Scope

All questions of exemption cannot be addressed and answered here. These standards are to serve as a ready reference to commonly encountered problems.

Articles III and XIII of the Utah State Constitution specifically define the property to be exempted and empower the state legislature to enact the necessary laws. This power ranges from exempting the property of a person to exempting an entire class of property.

The assessor should begin with the premise that all property, both real and personal, is taxable. The only exceptions to this premise are the specific exemptions provided by the U.S. and Utah Constitutions and statutes. Three considerations determine whether a property may be exempt.

Property may be specifically exempted due to:

- ownership of the property,
- use of the property, and/or
- taxable situs of the property.
- Tangible personal property generating an inconsequential amount of revenue

Sometimes property that is exempt from property tax may be taxed by special methods such as uniform fees or privilege taxes.

Two property tax exemptions types will not be discussed in these standards, but are included in the *Tax Relief and Abatement Standards of Practice*. These are the blind exemption, based on the physical disability of the applicant, and the veteran's exemption, based on a combination of physical disability and military service. Also, the tangible personal property generating an inconsequential amount of revenue exemption is included in the *Personal Property Valuation Standards of Practice*.

Burden of Proof

It is the obligation of the party requesting the exemption to prove that the property meets exemption requirements. Determination of exempt status requires signed statements on the ownership and/or use of the property.

Determination of Exempt Status

The county assessor is responsible for determining if the ownership of a certain property permits a property tax exemption. Determinations made by the assessor may be appealed to the county board of equalization.

The county board of equalization (BOE) determines the exempt status of properties owned by a nonprofit organization and used for religious, charitable, or educational purposes. BOE decisions may be appealed by the property owner or the assessor to the State Tax Commission.

Section II.II

Public Property

Standard 2.1 Records of Public Ownership

2.1.0 Records

The county assessor should develop a system to identify all public property and any changes in ownership, use, or other factors affecting the exempt status of such properties.

Guideline

Each year the county assessor provides all public entities with a list of property owned and requires them to report all acquisitions, dispositions, changes in use, and other relevant information.

2.1.1 Proportional Property Tax Payments

When a government agency acquires private property after the lien date it must collect and pay proportional property taxes from January 1st to the date of acquisition. (Section 59-2-1101) If the purchase of private property is made pursuant to a uniform real estate contract, the government is considered to have acquired all rights of ownership and the property is treated as if owned in fee simple title.

If a property that is allowed a government exemption ceases to qualify for the exemption because of a change in ownership, the new owner is to pay a proportional property tax based on the period of time beginning on the day that the new owner acquired the property and ending on the last day of the calendar year in which the property was acquired. Also, the new owner and the previous owner of the property are required to report the acquisition of the property to the county assessor within 30 days from the day that the new owner acquired the property. [Section 59-2-1101(4)]

2.1.2 Contract Property

The owner of a property, which is under an installment contract or capitalized lease, is the purchaser/lessee. See *Standard 2.7* "Privilege Tax."

Standard 2.2 Federal Government

2.2.0 Constitutional Provisions

All federal property is exempt from taxation, except those properties that the laws of the United States allow to be taxed. Federal agencies are held accountable for taxes, penalties and interest that accrued before the agency took title. (Article XIII Utah State Constitution and Section 59-2-1101)

2.2.1 U.S. Postal Service

Property owned by the U.S. Postal Service is exempt from taxation. It is considered an independent branch of the federal government, and is therefore included under the supremacy clause. (39 USC 201) Property leased or rented to the U.S. Postal Service is taxable. Post Office property used in conjunction with a business for profit is taxable under the privilege tax law.

2.2.2 Internal Revenue Service

All administrative property of the IRS is exempt. Property seized by the Internal Revenue Service, and then declared purchased by the United States or redeemed from foreclosure, pursuant to Title 26, U.S. Code 6331, by the United States is exempt from property tax only where such property is titled either in the name of the United States or the District Director of the Internal Revenue Service.

2.2.3 Small Business Administration (SBA)

State and local taxes may not be levied against property, real or personal, acquired in the name of the Small Business Administration in the liquidation of an SBA loan. However, such property is not exempt from the liens for taxes assessed before the agency acquired title. (15 USC 646)

2.2.4 Environmental Protection Agency and The Environmental Financing Authority

All real and tangible personal property of the Environmental Financing Authority shall be subject to local taxation to the same extent as other such property is taxed. (33 USC 1281)

2.2.5 Farm Credit Administration

All property held for administrative use or in receivership under one of the following programs of the Farm Credit Administration is subject to real and personal property taxation:

- Production Credit Association (12 USC 2098)
- Banks for Cooperatives (12 USC 2134)
- Administrative and receivership property of the following are subject to real property taxation only:
 - Federal Land Banks and Associations (12 USC 2055)
 - Farm Credit Banks (12 USC 2023)
 - Financial Assistance Corporation (12 USC 2278b-10)
 - Farm Credit System Insurance Corporation (12 USC 2277a-12)

2.2.6 Federal Deposit Insurance Corporation (FDIC)

All real property held for administrative use or in receivership by the FDIC is subject to taxation. (12 USC 1825)

2.2.7 Federal Home Loan Bank Board

All real property held for administrative use or in receivership under one of the following programs of the Federal Home Loan Bank Board is subject to real property taxation:

- Federal Home Loan Bank (12 USC 1433)
- Federal Home Loan Mortgage Corporation (Freddie Mac) [12 USC 1452(e)]
- Resolution Trust Corporation [12 USC 1441a(g)]

2.2.8 Housing and Urban Development (HUD)

The Secretary of HUD **may** enter into an agreement to pay annual sums in lieu of taxes to any state or local taxing authority for property owned by HUD. [42 USC 3535(l)(2)]

All real property held for administrative use or in receivership under the following programs is subject to taxation:

- Federal Housing Administration (FHA) (12 USC 1706b) Title I (12 USC 1714) Title II;
- Government National Mortgage Association (Ginnie Mae) [12 USC 1723a (c-1)] Title III;
- Federal National Mortgage Association (Fannie Mae) [12 USC 1723a (c-2)];
- Armed Services Housing. Housing provided for servicemen off base will be taxed, as would any private housing. [12 USC 1748b (Section 222)]

2.2.9 National Credit Union Administration

All property held for administrative use or in receivership by Federal Credit Unions and the Federal Credit Union Share Insurance Fund is subject to taxation. (12 USC 1768)

2.2.10 U.S. Department of Agriculture

- Federal Crop Insurance Corporation. All property of the Federal Crop Insurance Corporation is exempt from all taxation. (7 USC 1513)
- Farmers Home Administration. All property is subject to taxation except that used for administrative purposes of the FHA. (42 USC 490h)
- Farm Security Administration. Farmers Home Administration is the successor to the Farm Security Administration and the same procedures apply.
- The Commodity Credit Corporation of the Agriculture Stabilization Conservation Service. All property held for administrative use or in receivership by the CCC is subject to taxation. (15 USC 713a-5)

2.2.11 U.S. Department of Treasury Federal Reserve Bank

All real property owned by the Federal Reserve Bank is taxable. (12 USC 531)

2.2.12 Veterans Administration (VA)

A private residence of a veteran is taxable but may be eligible for an exemption or abatement. When the VA takes into receivership by title any real, personal, or mixed property, the VA is held liable for all back and current taxes. [38 USC 1820(5)(6)]

2.2.13 American Red Cross

The American Red Cross is an instrumentality of the United States and therefore, all its property is tax exempt. Local Red Cross chapters **are not** required to apply for exemption based on use for religious, charitable, or educational purposes. [*Department of Employment v. U.S.* (87 SCT 464), 1966 and *U.S. v. City of Spokane* (734 FSupp 919), 1989]

2.2.14 Railroad Property

Lands granted by Congress to any railroad corporation are not exempt from taxation by states, territories and municipal corporations because of a lien by the United States for costs of surveying, selecting, and conveyance or because a patent has not been issued. (43 USC 882)

2.2.15 Indian Property

The United States Supreme Court has ruled that property owned by Indians who are registered with their tribe and living on their reservation is not subject to state taxes, unless the state has acquired the authority to tax pursuant to an act of Congress.

This property is under the absolute jurisdiction and control of the Congress of the United States. The State of Utah has not acquired such jurisdiction; therefore, none of the on-reservation property of a registered member of the tribe living on the reservation is subject to state or local taxation. Off-reservation property is generally subject to state taxation. (Utah State Constitution Article III, Utah Attorney General Opinion No. 84-79)

- There may be some instances where the United States holds off-reservation real property in trust for the benefit of an individual Indian or has subjected his or her off-reservation real property to restrictions against alienation. In such a case, the property and improvements thereon are tax exempt.
 - Off-reservation property purchased with income from tax-exempt real property is subject to state taxation unless Congress has specifically exempted the purchased property from taxation.
 - The property of reservation Indians residing on another tribe's reservation is subject to state taxation. (Utah Attorney General Opinion No. 84-79)
 - Ute Indians, Uintah and Ouray Reservation. All property owned by mixed blood members of the tribe shall be subject to taxation. (25 USC 677p)
 - Paiute Indians of Utah. Real property taken by the Secretary and held in trust as Indian reservation land is exempt. (25 USC 766)
 - Fee Simple Title. Real property on a reservation that is acquired and held in fee simple title by an Indian or tribe through the General Allotment Act of 1887 (25 USC 331, et. seq.) is taxable. [*County of Yakima v. Yakima Indian Nation* (112 SCt 683) 1992]
- Note:** When Congress passed the Indian Reorganization Act of 1934 (25 USC 461), it effectively stopped the allotments and allowed the Secretary of the Interior to reacquire reservation and off-reservation lands on behalf of the Indians. These lands are exempt.
- Rights-of-Way. Companies who obtain rights-of-way in the nature of easements, for the construction, operation and maintenance of telephone and telegraph lines, their offices, and pipelines through any lands held by an Indian tribe, shall be taxed as provided by laws of the state, territory, or municipality. If no taxes are paid, the company will pay the Secretary of the Interior a tax no more than \$5.00 per ten miles of line. [(25 USC 319) and (25 USC 321)]

2.2.16 Military Property

Any property of the United States authorized by an Act of Congress used for military purposes is exempt from property taxes. Property used for military purposes includes needful buildings such as military housing. [(63-8-1) and (UAGO 76-001)]

Standard 2.3 State Government

2.3.0 State Owned Property

Property of the state government is exempt from taxation except as identified in the Utah State Constitution, Article XIII Section 3 and Section 59-2-1101.

2.3.1 Utah State Tax Commission (Commission)

Property seized by the Commission is exempt from taxation only when declared purchased by the state of Utah by title. Any pre-existing liens, including property taxes, must be paid in full.

2.3.2 Department of Natural Resources, State Lands Division

Lands held or occupied by any person under a contract of sale or lease from the state are exempt from taxation when the state holds title to the lands. (Section 59-2-1103) “This section does not exempt the taxation of:

- Improvements on state lands (Section 59-2-1103).
- Any private interest in state lands to the extent of the equity, regardless of whether an extension of payment was granted prior to the levying of this tax (Section 59-2-1103).
- Land subject to the privilege tax under Section 59-4-101.” (Section 59-2-1103)

Example 1

Private residences or any improvements of a commercial enterprise, such as a ski resort, that are not owned by the state are subject to property tax when located on state lands.

Example 2

Any land, which is being purchased by a non-exempt owner, is subject to property tax on the purchase price of the property (owner equity), as well as a privilege tax on the amount of the purchase price which remains outstanding. In other words, the entire property is subject to taxation. An owner defaulting on the contract is still responsible for the taxes when due even though the state may have granted a payment extension.

Example 3

State lands used by a for-profit business, such as a boat marina, may be subject to privilege tax. (See *Standard 2.7*, “Privilege Tax”)

2.3.3 Utah State Retirement Fund Property

The Utah State Retirement Office is an independent state agency and all administrative properties are exempt. (Section 49-11-201). Property acquired by the Utah State Retirement Fund for investment purposes is also exempt. [*Utah State Retirement v. Salt Lake County* (780 P2d 813)]

Standard 2.4 County, City, Political Subdivisions

2.4.0 Local Government Property

The property of counties, cities, towns, special districts, and all other political subdivisions of the state are exempt. (Section 59-2-1101)

The Legislature may provide that property located outside geographic boundaries of political subdivisions, as defined by law, may be subject to property tax. (Utah State Constitution Article XIII, Section 3).

2.4.1 Housing Authority

A housing authority is a federally funded quasi-governmental program, providing rent subsidies and affordable housing to lower income individuals and families. Property and funds of an authority are “public property used for essential public, governmental, and charitable purposes. The property and authority are exempt from all taxes and special assessments of any public body. This tax exemption does not apply to any portion of a project used for a profit-making enterprise. In taxing these portions, appropriate allowance shall be made for any expenditure by

an authority for utilities or other public services it provides to serve the property. “(Section 9-4-616)

Federal and state statutes allow housing authorities the option of paying a fee in lieu of taxes. (Sections 9-4-616 and 628) The fee amount is negotiated between the authority and the taxing entities, and may equal the amount the authority would have paid, had it not been tax exempt. A taxing entity may choose to refund all or a portion of the fee back to the housing authority in order to help maintain the low-rent character of public housing projects.

2.4.2 Municipal Building Authority

“All property owned, held, or acquired by a building authority and all rentals becoming due under leasing contracts . . . shall be exempt from all taxation...” (Section 17A-3-913)

2.4.3 Community Development and Renewal Agencies

CDRA property acquired or held for purposes of the Community Development and Renewal Agencies Act is exempt from property tax as well as all other taxes of a public entity. However, this exemption does not apply to property that the agency leases to a lessee not entitled to a tax exemption with respect to the property. (Section 17C-1-301)

All CDRA property, including funds the agency owns or holds, is exempt from levy and execution sale, and no execution or judicial process may issue against agency property. A judgment against an agency may not be a charge or lien upon agency property. A judgment against the community that created the agency may not be a charge or lien upon agency property. Also, a judgment against an agency may not be a charge or lien upon the property of the community creating the agency. (Section 17C-1-302)

2.4.4 Public Schools, Charter Schools and Libraries

Property of school districts, charter schools and public libraries is exempt from taxation. (Section 59-2-1101 and Article XIII Section 3) A charter school under Title 53A, Chapter 1a, Part 5 of the Utah Charter School Act is to be treated like a school district for purposes of a property tax exemption. Charter schools are exempt from property tax. (Section 59-2-1101)

Example

A house owned by a public school as a result of construction by students in industrial arts classes is exempt until it is sold.

Standard 2.5 Industrial Facilities Development

2.5.0 Industrial Facilities Development

All property held by a county or municipality for industrial facilities development is considered public property used for essential public and governmental purposes and therefore exempt from property taxation. This exemption does not extend to other property used in connection with any project that is owned by any private person, association, or business entity. (Section 11-17-10)

Standard 2.6 Utah Public Transit District Act

2.6.0 Utah Public Transit Authority Act

Property acquired and titled in the transit district’s corporate name is exempt from property taxes. [(Section 17A-2-1055) and *Salt Lake County v. Tax Commission* (780 P2d 1231)]

Standard 2.7 Privilege Tax

2.7.0 Privilege Tax Defined

Privilege tax is a tax which is imposed on the possession or use of any real or personal property which for any reason is exempt from taxation, if that property is used in connection with a business conducted for profit. Exempt organizations that lease property to a for-profit organization are subject to this tax. (Section 59-4-101)

“The tax imposed is the same amount that the ad valorem property tax would be if the possessor or user were the owner of the property. The amount of any payments which are made in lieu of taxes is credited against the tax imposed on the beneficial use of property owned by the federal government.” (Section 59-4-101) (See Appendix 2A)

A tax imposed under this chapter is assessed to the possessors or users of the property on the same forms, and collected and distributed at the same time and in the same manner as taxes assessed owners, possessors, or other claimants of property, which is subject to ad valorem property taxation. The tax is not a lien against the property and no tax-exempt property may be attached, encumbered, sold, or otherwise affected for collection of the tax.

Note: County assessors should develop systems to identify and monitor properties that are subject to privilege tax.

2.7.1 Privilege Tax Exemption

No privilege tax is imposed on:

- The use of property which is a concession in, or relative to, the use of a public airport, park, fairground, or similar property which is available as a matter of right to be used by the general public. (Section 59-4-101).

Example: The city land at the airport is leased to a private company but exempt from privilege tax. Improvements that were constructed, maintained, depreciated from income taxes, and used by a for profit business but not rented from the city, are considered privately owned and assessed a property tax. This applies even when the land lease provides that the title to the improvements vests in the city at the end of the lease. [*Interwest Aviation v. County Board of Equalization of Salt Lake County* (743 P2d 1222)]

- The use or possession of property by a religious, educational, or charitable organization; (Section 59-4-101)
- The use or possession of property if the revenue generated by the possessor or user of the property through its possession or use of the property inures only to the benefit of a religious, educational, or charitable organization and not to the benefit of any other person; (Section 59-4-101)
- The possession or other beneficial use of public land occupied under the terms of an agriculture lease or permit issued by the United States or this state; (Section 59-4-101)
- Guideline: A land lease shall be determined to be an agricultural lease if the leased land is actively used for the production of forage, crops or livestock.
- The use or possession of any lease, permit, or easement on state lands unless it entitles the lessee or permitted to exclusive possession of the premises . . . Every lessee, permittee, or other holder of a right to remove or extract the mineral . . . except from brines of the Great Salt Lake, is considered to be in possession of the premises,

notwithstanding the fact that other parties may have a similar right to remove or extract another mineral from the same lands or estates. (Section 59-4-101)

- The property that qualifies for the inventory exemption specified in Section 59-2-1114.

2.7.2 Equity Tax on State Lands

Effective 1/1/97, state land purchases are subject to privilege tax on the amount of the purchase price which remains outstanding after subtracting amounts paid for those lands under a contract of sale, as well as property tax on amounts paid on the purchase price of the property (owner's equity). Prior to 1/1/97, taxpayers purchasing land from the state were only liable for property tax on the owner's equity.

(Section 59-2-1103 and Section 59-4-101).

Section II.III

Private Property

Standard 2.8 Agricultural and Irrigation Property

2.8.0 Livestock Exempt

“Livestock in Utah, as defined in Section 59-2-102, under the definition of “Personal Property” is exempt from ad valorem property taxation.” (Section 59-2-1112)

2.8.1 Farm Machinery Exempt

Farm machinery and equipment as defined in Section 59-2-102, is exempt from ad valorem property taxation. Section 59-2-1101 and Utah State Constitution (Article XIII Section 3)

- Machinery and equipment used in the production of agriculture is exempt but is not exempt if used in the processing of agricultural products. The county assessor may audit the use of the equipment.

Example: *In Moroni Feed Company v. County Board of Equalization of Sanpete County* (UTC Appeal No. 87-1633), the Commission found that the cooperative’s hatchery equipment is used in the production phase of agriculture and is therefore exempt. The mill, which is used for mixing grain to be sold as feed, is used in the processing phase and is taxable.

- Leased farm machinery and equipment may qualify for exemption. The use of the machinery and equipment, whether by the owner or the lessee, shall determine the exemption. Farm machinery and equipment used primarily for agricultural production or harvesting is exempt. Machinery and equipment used for value-added processing of agricultural products or other non-production activities are not exempt.

2.8.2 Irrigation Water

“Water rights, ditches, canals, reservoirs, power plants, pumping plants, transmission lines, pipes, and flumes owned and used by individuals or corporations for irrigating land within the state owned by individuals, corporations, or individual members of the corporation, are exempt from taxation to the extent that they are owned and used for irrigation purposes.”(Section 59-2-1111 and Utah State Constitution, Article XIII)

Land in excess of that needed for delivering irrigation water, personal property (such as vehicles), office buildings and other property not specifically exempted by the constitution is taxable. For example land bordering an irrigation ditch which is necessary for access to, and maintenance of the ditch would be considered part of the ditch and exempt.

- Property owned or used by either private or non-profit culinary water companies is not specifically exempted by the constitution and is therefore taxable.
- Culinary or irrigation property owned and operated by governmental entities such as cities, towns and special service districts, is exempt by ownership.

2.8.3 Electrical Power

“Power plants, power transmission lines, and other property used for generating and delivering electrical power, a portion of which is used for furnishing power for pumping water for irrigation purposes on lands in this state, are exempt from taxation, subject to the conditions of this

section.” (Section 59-2-1110 and Utah State Constitution, Article XIII Section 3). The Commission determines the amount of exemption based on kilowatt-hours used for irrigation purposes.

Standard 2.9 Cemeteries

2.9.0 Cemeteries

“Places of burial not held or used for private or corporate benefit” are exempt from taxation. (Section 59-2-1101 (3)(e) and Utah State Constitution, Article XIII Section 3)

The county assessor should develop a system to determine the value of the remaining unsold land held in possession for private or corporate benefit. An annual statement should be sent from the assessor’s office for verification of properties sold as of January 1.

Standard 2.10 Registered Vehicles

2.10.0 Uniform Fee in Lieu

Motor vehicles, watercraft, recreational vehicles, and all other tangible personal property required to be registered with the state are exempt from ad valorem taxation and are subject to a statewide uniform fee. Motor vehicles weighing 12,000 lbs. or less are subject to an aged based uniform fee. (Section 59-2-405)

Age of Vehicle	Uniform Fee
12 or more years	\$10
9 or more years but less than 12 years	\$50
6 or more years but less than 9 years	\$80
3 or more years but less than 6 years	\$110
Less than 3 years	\$150

Watercraft, recreational vehicles and other tangible personal property are subject to a uniform fee. Refer to *Uniform Fees on Registered Motor Vehicles and Aircraft Standards of Practice* for further information.

2.10.1 Property Exempt From Uniform Fee

The following personal property is exempt from the statewide uniform fee: vintage vehicles; state assessed commercial vehicles that weigh 12,001 pounds or more, mobile and manufactured homes, attached equipment and any personal property not required to be registered and also not exempt. (R884-24P-60 and R884-14P-61)

2.10.2 Uniform Fee on Aircraft

A uniform fee is levied on all aircraft required to be registered with the state. Registered aircraft are subject to a uniform fee of \$25 which is to be distributed to taxing entities (Section 59-2-404 and R873-22M-20)

Note: Crop-duster planes are not considered as exempt machinery and equipment used in the production of agricultural products but rather as a support service to agriculture. (*Parowan Crop Dusting Service v. Utah State Tax Commission* UTC Appeal No. 85-0341)

2.10.3 Public Safety Vehicles

“ . . . [A]mbulances, peace officer patrol vehicles, fire engines, passenger cars, and trucks owned and used by the United States government or by the State of Utah or any of its political subdivisions, are exempt from the uniform fees and property tax. (Section 41-1a-206)

2.10.4 Emergency Service Vehicles

“Equipment, aircraft, and vehicles owned by the civil air patrol and used for the emergency service needs of the state of Utah are tax-exempt.” (Section 72-10-131)

2.10.5 Vehicles Owned by Members of the Armed Forces

Full-time members of the United States armed forces are protected from personal property tax in some instances by the Federal Soldiers and Sailors Relief Act. The exemption applies only when the vehicles are used for non-commercial purposes. The exemption depends on where the service member is stationed, falling into one of three categories:

- **Vehicles of Utah Residents Stationed in Utah.** Vehicles owned by Utah members of the armed forces stationed under military orders in Utah are not exempt from the uniform fee.
- **Vehicles of Utah Residents Stationed out of Utah.** Vehicles owned by Utah members of the armed forces stationed under military orders out of Utah are exempt from the uniform fee. The assessor may rely on a copy of the “leave and earnings statement” or other acceptable documentation to verify the permanent station of the service member. The vehicle must be registered in the name of the service member, and the vehicle must have been out of Utah on the lien date (January 1). If the service member is stationed out of Utah, but the vehicle remains in Utah, the vehicle is not exempt from the uniform tax.
- **Vehicles of Non-Utah Residents Stationed in Utah.** When a military service member is transferred from home to live in another state, federal law allows that the service member neither loses nor acquires a domicile for purposes of personal property taxation by reason of being in Utah solely in compliance with military orders. A recent change to that law extends the same benefit to the military service member’s spouse; however, the nonresident spouse **MUST** have had the same domicile as the nonresident service member prior to moving to Utah. For Utah personal property tax purposes, the spouse of a nonresident military service member is treated in the same manner as the nonresident service member. If the owner of a vehicle is a nonresident service member stationed in Utah under military orders and the vehicle is not registered in the owner’s state of domicile, the vehicle must be registered in Utah but the owner is excluded from having to pay the statewide uniform fee on the vehicle; this procedure would also apply to the service member’s spouse. Evidence must be presented to the county assessor when the nonresident service member/spouse applies for tax clearance, such as a letter from the commanding officer or a Leave and Earnings Statement (LES), to establish that the nonresident is in military service in Utah. Also, the spouse must provide evidence that he or she is married to a nonresident military service member. (R884-24P-60 and R884-24P-61)

2.10.6 Student Vehicles

Vehicles owned or used by full-time (7 quarter hours or more) non-resident students are exempt from the uniform fee, whether or not the student is also employed. (Section 41-1a-202)

Standard 2.11 Personal Property Owned by Military Personnel

2.11.0 Personal Property Owned by Military Personnel

Full-time members of the United States Armed Forces are protected from personal property tax in some instances by the Federal Soldiers and Sailors Relief Act. The exemption applies only when the personal property is used for non-commercial purposes. The exemption depends on where the service member is stationed, falling into one of three categories.

2.11.1 Personal Property of Utah Residents Stationed in Utah

Personal property owned by Utah members of the armed forces stationed under military orders in Utah is not exempt from property tax.

2.11.2 Personal Property of Utah Residents Stationed out of Utah

Personal property owned by Utah members of the armed forces stationed under military orders out of Utah is exempt from property tax. The assessor may rely on a copy of the “leave and earnings statement” or other acceptable documentation to verify the permanent station of the service member. The personal property must have been out of Utah on the lien date (January 1). If the service member is stationed out of Utah, but the personal property remains in Utah, the property is not exempt from property tax.

2.11.3 Personal Property of Non-Utah Residents Stationed in Utah

Personal property owned by non-Utah residents who are members of the armed forces and stationed under military orders in Utah is exempt from property tax. The assessor may rely on a letter from the commanding officer or other documentation verifying out-of-state residency and military orders assigning the service member to Utah. For example, if the non-Utah resident service member owned a non-commercial mobile home in Utah, the property would be exempt. (50 USC 574)

Standard 2.12 Primary Residential Exemption

2.12.0 Primary Residential Exemption

Utah law requires assessors to exempt from taxation 45% of the fair market value of residential property. Section 59-2-102 and rule R884-24P-52 define residential property, for purposes of the exemption, to be a primary residence. A primary residence does not include property used for transient residential use, or condominiums used in rental pools. [Utah State Constitution, Article XIII, Section 3, (Section 59-2-103)]

To qualify, a property need not be owner occupied. Apartments and other rental housing used as a primary residence qualify for the exemption. The assessor shall grant the residential exemption to the first one-acre of land, if listed in the same parcel description. The property owner has the burden of proving that property qualifies for the exemption.

Guidelines

- A “primary residence” is the principal place where one actually lives as distinguished from a place of temporary sojourn. Though motel and other transient properties would

not meet this definition, typical student housing, used by renters during the school year (more than six months), would qualify for the exemption.

- If a person requests a property be designated as a primary residence, the exemption should not be granted without conclusive evidence that the property serves as the person's primary residence. If the person's address on the Utah driver's license and/or voter registration is in a county different from that of the property location address, the county where the application is made should notify the other county assessor.

Further instruction has been provided by the Commission in an Advisory Opinion dated September 17, 1997. This advisory opinion states:

- "Property that is eligible for the primary residential exemption on the lien date is entitled to the exemption, even if the property is temporarily unoccupied. For example, assume that a home was sold prior to the lien and the seller moved out prior to the lien date. Assume also that the new owner does not move in until after January 1st. So long as the property use meets the criteria for the primary residential exemption, the fact that it was temporarily unoccupied on the January 1st is irrelevant. The situation may also arise with rental property that serves as the primary residence of the tenants. The fact that the property may be temporarily vacant on the lien date should not defeat the exemption.
- Another example of a primary residential property that may be unoccupied on the lien date is a home under construction. It is our position that when property is committed to a qualifying use, that property is eligible for the exemption if (1) the dwelling is under construction on the lien date, (2) the assessor has evidence that the house is being constructed for use as a qualifying residential dwelling, and (3) the property is actually put to use as a primary residential property upon completion during the tax year. If all of those conditions are met, the exemption relates back to the lien date. This is true even if the owner is living in another primary residence during construction. The primary exemption is based on the intended use of the two residences, not the occupants."

"The only distinction that we have drawn with regard to a property owner who owns two homes in Utah is as follows:

- If the property owner is not a Utah resident, but owns residential property in Utah, we assume that the owner is using the Utah property as secondary property unless the owner shows that it is being used as a primary residence." (*Dennis v. Summit county*, 933 P.2d 387)
- The residential exemption is limited to one primary residence per household. (Section 59-2-103) "Household" is defined in Section 59-2-102 as: "the association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, and expenses; and includes married individuals, who are not legally separated, that have established domiciles at separate locations within the state." Spouses who are legally separated can claim a primary residential property tax exemption individually

Standard 2.13 General Personal Property Exemptions

2.13.0 General Exemptions

"Household furnishings, furniture, and equipment used exclusively by the owner at the owner's residence in maintaining a home for the owner and the owner's family are exempt from property taxation." (Section 59-2-1113 and Utah State Constitution, Article XIII, Section 3)

Exception

If the owner of any residence commonly receives payment for its use, whether in the form of rent, exchange, lease payments, etc., or the residence is held out as available for rent, lease or use by others, the furniture, furnishings and equipment are subject to personal property tax. (R884-24P-29)

2.13.1 Intangible Personal Property

Article XIII, Section 2 of the Utah Constitution states the “the Legislature may by statute determine the manner and extent of taxing or exempting intangible property, except that any property tax on intangible property may not exceed .005 of its fair market value.” Utah Code Section 59-2-1101 exempts intangible personal property from the property tax.

The 2006 Legislature passed a House Joint Resolution that was subsequently approved by voters, which amended the Utah Constitution authorizing the legislature to provide a property tax exemption for tangible personal property that would generate an inconsequential amount of revenue. [Constitution of Utah, Article XIII, Section 3 (2) (a) (vi)]. Accompanying the resolution to amend the Constitution was legislation (effective January 1, 2007) exempting a taxpayer’s taxable tangible personal property from personal property assessment and taxation if the total aggregate fair market value of the taxpayer’s taxable tangible personal property is \$3,500 or less. Each year, beginning January 1, 2008, the \$3,500 is to be increased by the percentage increase in the consumer price index; for 2010 the amount is \$3,800. “Taxable tangible personal property” does not include personal property required to be registered with the state before it is used on a public highway, waterway, public land or in the air as well as mobile and manufactured homes. (Section 59-2-1115).

Total aggregate fair market value is determined by aggregating the fair market value of all taxable tangible personal property owned by a taxpayer within a county. If this personal property is required to be apportioned among more than one county, the determination of the total aggregate fair market value is to be made after the apportionment to the counties. In addition, the taxpayer must apply for the exemption; the exemption is not automatically granted. (R884-2P-68)

In addition, under Section 59-2-1115 an item of taxable personal property is exempt from property taxation if that personal property item has:

1. an acquisition cost of \$1,000 or less
2. reached a percent good of %15 or less, or
3. reached a residual value of %15 or less in a personal property schedule.

2.13.2 Property Held for Sale

“Tangible personal property present in Utah on January 1, noon, held for sale in the ordinary course of business or for shipping to a final out-of-state destination within 12 months and which constitutes the inventory of any retailer, wholesaler, distributor, processor, warehouseman, manufacturer, farmer, or livestock raiser, is exempt from property taxation.” (Section 59-2-1114 and Utah State Constitution, Article XIII Section 3)

This exemption does not apply to inventory, which is not otherwise exempt from personal property taxation, mines or natural deposits. It also does not apply to a manufactured home or mobile home, which is sited at a location where occupancy could take place. In the case where the dealer’s lot happens also to be a site where the manufactured home is sited for occupancy, the unoccupied manufactured home is not considered to be in inventory and is not exempt from taxation.

Standard 2.14 Consulate and Diplomatic Property Exemptions

The foreign consulate's office, residence, and personal property is exempt from any fees or property taxes if registered with the Office of Foreign Missions, 555 Battery St. Rm. 313, San Francisco, CA 94111. A diplomat's motor vehicles must be registered through the Office of Foreign Mission, Diplomatic Motor Vehicles Office, 3507 International Place N.W., Washington D.C. 20008. These exemptions were adopted by the Vienna Convention on Consular Relations and the Vienna Convention on Diplomatic Relations.

Section II.IV

Non-Profit Use Exemptions

Standard 2.15 Non-Profit Entities: Religious, Charitable and Educational

2.15.0 Religious, Charitable and Educational

“Property owned by a nonprofit entity which is used exclusively for religious, charitable, or educational purposes” is exempt (59-2-1101 and Utah State Constitution, Article XIII, Section 3). The exemption extends to property used for parking, landscaping, and other property improvements, which are used for the operation of such purposes. Qualification under federal tax law as a “501 (c)(3)” organization however, does not automatically qualify the organization’s real or personal property for exemption from property tax.

2.15.1 Exclusive Use

“The constitutional exemption is to be strictly construed and the charitable use of the property must be exclusive; however, a use of true minor import or a de minimus use will not defeat an exemption. If there is any separate part of the building occupied and used exclusively for charitable purposes, that part qualifies for exemption.” [*Loyal Order of Moose 259 v. Salt Lake County Board of Equalization* (657 P2d 257), 1982]

2.15.2 Partial Exemption

A partial exemption may be granted only where a separately identifiable portion of a property is exclusively used for qualified purposes. A partial exemption may not be granted based upon percentage use of shared or common space or facilities.

Example

When part of a building is devoted to charitable purposes and part is rented out to individual private concerns for substantial consideration, only the part of the property that is used for charitable purposes is exempt from taxation, not the part of the building rented out for revenue. [*Parker v. Quinn*, (23 Utah 332)(64P 961), 1901] [*Odd Fellows’ Bldg. Ass’n v. Naylor*, 53 Utah 111, 177 P. 214 (1918)]

2.15.3 Proportional Property Tax Payments

When a nonprofit entity acquires property after the lien date and that property is to be used exclusively for religious, charitable, or educational purposes, it must collect and pay proportional property taxes from January 1st to the date of acquisition. (Section 59-2-1101)

If a property that is allowed the exclusive use exemption ceases to qualify for the exemption because of a change in ownership, the new owner is to pay a proportional tax based on the period of time beginning on the day that the new owner acquired the property and ending on the last day of the calendar year in which the property was acquired. [Section 59-2-1101 (4)]

When the property ceased to qualify for the exclusive use exemption because of an ownership change, the new owner and previous owner of the property are required to report the acquisition of the property to the county assessor within 30 days from the day that the new owner acquired the property. [Section 59-2-1101 (4)]

2.15.4 Initial Application

A written application for exemption must be filed by March 1. The board of equalization may question the applicant under oath and subpoena witnesses regarding the submitted evidence. No exemption can be granted unless the applicant attends and answers the board's questions. The board may adopt rules to administer the exemptions. The board may waive the application or personal appearance requirements. (Section 59-2-1101 and 1102)

When a person acquires property on or after January 1 that qualifies for an exclusive use exemption, that person may apply for the exclusive use exemption on or before the later of: (1) March 1st or (2) 30 days after the day in which the property is acquired. [Section 59-2-1102 (10)]

- The board, upon written application, should request the following information:
- Owner of record and the date the property was acquired;
- Description of the property;
- Internal Revenue Service 501(c)(3) not-for-profit authorization;
- Federal income tax returns for previous years;
- All financial statements that reflect the use of the property, the source of all funds and the way they were expended including a list of all paid staff, how they are paid, and the nature of their services;
- A description of use including percentage of time the property is used for various purposes and the degree that such purposes are carried out by volunteer staff;
- Copies of leases or rental agreements for the property and descriptions of how the rents are determined;
- A copy of the Articles of Incorporation, by-laws and other organizational information;
- Depending on the use of the property, additional information should also be considered.

2.15.5 Charitable Purpose

The following criteria for determining charitable purpose were identified by the Utah Supreme Court in *Utah County v. Intermountain Health Care Inc.*, (709 P2d 265), 1985:

- Whether the stated purpose of the entity is to provide a significant service to others without immediate expectation of material reward.
- Whether the entity is supported, and to what extent, by donations and gifts.
- Whether the recipients of the charity are required to pay for the assistance received, in whole or in part.
- Whether the income received from all sources (gifts, donations, and payment from recipients) produces a profit to the entity in the sense that the income exceeds operating and long-term maintenance expenses.
- Whether the beneficiaries of the charity are restricted or unrestricted and, if restricted, whether the restriction bears a reasonable relationship to the entity's charitable objectives.

- Whether dividends or some other form of financial benefit, or assets upon dissolution, are available to private interests, and whether the entity is organized and operated so that any commercial activities are subordinate or incidental to charitable ones.

These criteria may be used to determine charitable use. Specific criteria for hospitals, nursing homes, and other health care related organizations have been established by the Commission and are included in Appendix 2D.

2.15.6 Religious Purpose

“Religion” has not been defined by legislative or judicial action. The board has no authority or responsibility to define religious use. If the applicant has a religious exemption under IRS 501(c)(3), then an exemption should be granted unless available information indicates that use of the facility is contrary to the organization’s purpose.

2.15.7 Exemption for Related Use

“Parsonages, rectories, monasteries, homes and residences of the clergy, if used exclusively for religious purposes, are exempt from property taxes if they meet all of the following requirements:

- The land and building are owned by a religious organization which has qualified with the Internal Revenue Service as a Section 501 (C)(3) organization and the organization continues to meet the requirements of that section.
- The building is occupied by persons whose full-time efforts are devoted to the religious organization and the immediate families of such persons.
- The religious organization, and not the individuals who occupy the premises, pay all payments, utilities, insurance, repairs, and all other costs and expenses related to the care and maintenance of the premises and facilities.” [R884-24P-40(A)]

2.15.8 Homes of Clergy

“The exemption for one person and the family of such person is limited to the real estate that is reasonable for the residence of the family and which remains actively devoted exclusively to the religious purposes. The exemption for more than one person, such as a monastery, is limited to that amount of real estate actually devoted exclusively to religious purposes.” [R884-24P-40(B)]

2.15.9 Land Held for Future Development

Vacant land, which is not actively used by the religious, charitable, or educational organization, is not deemed to be devoted exclusively to religious purposes, and therefore not exempt from property taxes. Vacant land which is held for future development or utilization by a religious, charitable, or educational organization may not be deemed to be devoted exclusively to exempt purposes, and therefore not tax exempt, until either construction commences or a building permit is issued for construction of improvements that are intended for exclusive use. [R884-24P-40(C)]

2.15.10 Educational Purpose

Property owned by private nonprofit educational institutions and used exclusively to provide services equivalent to traditional public education has been held to be exempt. Educational purposes includes the physical or mental teaching, training or conditioning (or an activity in support of or incidental to these activities), of competitive athletes by a national governing body of sport recognized by the US Olympic Committee that qualifies as being tax exempt under

Section 501 (c) (3) of the Internal Revenue Code. (Section 59-2-1101) Utah courts have not further defined “educational purposes.”

2.15.11 Board Decision

The county board of equalization is to hold a hearing and make its decision on or before the later of May 1 or 30 days after the day on which the application for exemption is filed.

The county board of equalization must send a copy of its decision to the person applying for the exemption on or before the later of May 15 or 45 days after the day on which the application is filed. [Section 59-2-1102(11)]

2.15.12 Appealing the Board’s Decision

Any property owner dissatisfied with the Board of Equalization decision has 30 days to appeal to the commission through the county auditor. [Sections 59-2-1102(7) and 59-2-1006]

Standard 2.16 Filing Annual Signed Statement

2.16.0 Annual Signed Statement

The owner of certain tax-exempt property must file a signed statement, on or before March 1 each year, certifying the use of the property during the past year. This is a requirement for all properties that are granted exemptions based on exclusive use for religious, charitable, or educational purposes. (Section 59-2-1102 and R884-24P-35)

The annual application and statement (see form PT-21 in Appendix 2E), is to contain the following information for each specific property for which an exemption is sought:

- The owner of record of the property;
- The property parcel, account, or serial number;
- The location of the property;
- The tax year in which the exemption was originally granted;
- A description of any change in the use of the real or personal property since January 1 of the prior year;
- The name and address of any person or organization conducting a business for profit on the property;
- The name and address of any organization the uses the real or personal property and pays a fee for that use that is greater than the cost of maintenance and utilities associated with the property;
- A description of any personal property leased by the owner of record for which an exemption is claimed;
- The name and address of the lessor of property described in B.8.;
- The signature of the owner of record or the owner’s authorized representative; and
- Any other information the county may require.
- The annual application and statement is to be filed with the county legislative body in which the property is located on or before March 1 and using Tax Commission Form [PT-21, “Annual Application and Statement for Continued Property Tax Exemption”](#) or a form that contains the information outlined above. (R884-24P-35)

- The county board of equalization is to notify an owner of exempt property that has previously received an exemption but failed to file annual statement of the board's intent to revoke the exemption on or before April 1. [Section 59-2-1102 (2)]

Standard 2.17 Non-Profit Exemption Records

2.17.0 Non-Profit Exemption Records

All records pertaining to the granting of exemptions based on exclusive use for charitable, religious or educational purposes should be retained as outlined in the *Board of Equalization Standards of Practice*.

Appendix 2A

Payments in Lieu of Tax

Revenue Sharing

Technically, the federal government cannot make payments “in lieu of taxes” because the federal government cannot be taxed. Generally, these programs are construed by the courts to be as grants to local governments, or revenue sharing.

Privilege taxation of private possessor interests and use of federal lands is permissible.

The Secretary of the Interior shall make a payment for each fiscal year to each unit of general local government in which entitlement land is located. Each unit of general local government may use the payment for any governmental purpose. (31 USC 6902)

Note: For provisions disallowing payments refer to 31 USC 6902(b-d).

Entitlement Land

“Entitlement land” means land owned by the United States Government that:

- Is in the National Park System or the National Forest System, including wilderness areas and lands described in Section 2 of the Act of June 22, 1948 (16 USC 577d), and Section 1 of the Act of June 22, 1956 (16 USC 577d-1).
- The Secretary of the Interior administers through the Bureau of Land Management.
- Is dedicated to the use of the government for water resource development projects.
- Has semi-active or inactive installations (except industrial installations) that the Secretary of the Army keeps for mobilization and for reserve component training.
- Is a dredge disposal area under the jurisdiction of the Secretary of the Army.
- Is a reserve area as defined in Section 401 (g)(3) of the Act of June 15, 1935. [16 USC 715s(g)(3) and 31 USC 6901(1)]

Unit of General Local Government

“Unit of general local government” means a city where the city is independent of any other unit of general local government, that:

- Is within the class or classes of such political subdivisions in a state that the Secretary of Interior, in his discretion, determines to be the principal provider or providers of governmental services within the state.
- Is a unit of general government as determined by the Secretary of the Interior on the basis of the same principles as were used on January 1, 1983, by the Secretary of Commerce for general statistical purposes.” [31 USC 6901(2)(A)]

Payment Distribution

Payments will be calculated and made to the state to be distributed to local governments as prescribed by 31 USC 6903. Those payments are to be reduced, but not less than \$0, by the amount the governmental unit received in the prior fiscal year under a payment law. (Refer to the acts for complete details.)

Payment Law

“Payment law” means:

- **The Bankhead-Jones Farm Tenant Act.** After the end of each calendar year, the Secretary of Agriculture shall pay to the county in which any land is held under this law, 25% of the net revenues received from the use of the land. When the land is situated in more than one county, the amount to be paid shall be divided equitably among the respective counties. Payments must be used for school or road purposes, or both. (7 USC 1012)
- **The Department of Agriculture Appropriation Act.** At the end of the fiscal year, the Secretary of the Treasury pays each state 25% of all monies received from each national forest. These monies are to be expended for the benefit of the public schools and roads of the county or counties in which the national forest is situated. When any national forest is in more than one state or county, the distributive share to each from the proceeds of such forest shall be proportional to its area. (16 USC 500) This does not affect the distribution of livestock grazing revenues. (Pub.L. 94-579) These revenues are not in lieu of taxes but are trusts for the benefit of the counties in which national forests are located.

Note: This section does not bar imposition of taxes upon possessor interests, held by private individuals or corporations, on improvements located in national forests. [*U.S. v. Fresno County*, (123 Cal.Rptr. 548), (50 C.A. 3d 633), affirmed (97 S.Ct. 699), 1975]

- **The Refuge Revenue Sharing Act.** The Secretary of the Interior shall pay whichever of the following amounts is greater to each county where there is any fee area:
 - i) An amount equal to the product of 75 cents multiplied by the total acreage of that portion of the fee area which is located within the county.
 - ii) An amount equal to three-fourths of 1% of the fair market value, as determined by the Secretary (appraisal process as noted in 16 USC 715s(4)), of that portion of the fee area which is located in the county. The value of improvements made after the date of federal acquisition are not included.
 - iii) An amount equal to 25% of the net receipts collected by the Secretary in connection with the operation and management of the fee area during the fiscal year; but if the fee area is located in two or more counties, each county is entitled to the proportional amount of its fee area acreage to the total fee acreage. [16 USC 715s(1)]

The Secretary of Interior shall pay to each county in which any reserve is situated, an amount equal to 25% of the net receipts in connection with the operation and management. [16 USC 715s(2)]

Each county that receives payments from any fee area or reserve shall distribute, under guidelines set by the Secretary, such payments on a proportional basis to those units of government (including, but not limited to, school districts and the county itself in appropriate cases), which have incurred the loss or reduction of real property tax revenues by reason of the existence of such area. [16 USC 715s(5)]

- **The Federal Power Act.** The Federal Energy Regulatory Commission shall distribute to the state 37.5% of all charges arising from licenses, except charges fixed by the Energy Regulatory Commission, for the purpose of reimbursing the United States for the costs of administration, for the occupancy and use of national forests and public lands from development within the boundaries of the state. (16 USC 810)

- **The Mineral Lands Leasing Act.** The Secretary of the Treasury shall pay 50% of the money received under the Federal Oil and Gas Royalty Management Act of 1982 (30 USC 1701, etc.) and rentals of the public lands under the provisions of this chapter (3A) and the Geothermal Steam Act of 1970 (30 USC 1001 et seq.), notwithstanding the provisions of section 20 (30 USC 1019), to the state where the leased lands or deposits are located. They are to be used as the legislature of the state may direct giving priority to those subdivisions of the state which are socially or economically impacted by the development of minerals leased under this chapter, for (i) planning, (ii) construction and maintenance of public facilities, and (iii) provision of public service. (30 USC 191)

This does not preclude states' rights to levy and collect taxes upon improvements, output of mines, or other rights, property, or assets of any lessee of the United States. (30 USC 189)

- **The Mineral Leasing Act for Acquired Lands.** Same distribution of receipts as the Mineral Lands Leasing Act. (30 USC 355)
- **The Material Disposal Act.** Same as distribution of money from the sale of public lands under this subchapter except for that under the Department of Agriculture. (30 USC 603)
- **The Taylor Grazing Act.** "Except for as provided in sections 315(h) and 315(j) of this title, the Secretary of the Treasury shall pay 12.5% of the monies collected as grazing fees under section 315(b) of this title shall be paid at the end of the fiscal year to the state for the benefit of the counties in which grazing districts are located and proportionately divided. If a district is located in more than one state or county the monies are to be proportionally divided." [43 USC 315(i)]

Additional Federal Payments

"In addition to the payments the Secretary of the Interior makes under Section 6902 of this title, the Secretary shall make a payment for each fiscal year to a unit of general local government collecting and distributing real property taxes in which is located an interest in land that the United States Government acquires for:

- a. The National Park System, or
- b. The National Forest Wilderness Areas, and
- c. Was subject to local real property taxes within the five year period before the interest is acquired." [31 USC 6904(a)]

Payment Period

The payments will be made for only the five fiscal years after the fiscal year in which the interest in land is acquired. Payments will be equal to 1 percent of the fair market value of the interest in land on the date the government acquires the interest. However, a payment may not be more than the amount of real property taxes levied on the property during the last fiscal year before the fiscal year in which the interest is acquired.

Fair Market Value

Fair market value may not include an increase in the value of an interest because the land is rezoned when the rezoning causes the increase after the date of enactment of law authorizing the acquisition of an interest under 31 USC 6904(a).

Payment Distribution

Local governments shall distribute the payments proportionally to the units and school districts that lost real property taxes because of the acquisition of the interest. A unit receiving a distribution may use a payment for any governmental purpose. [31 USC 6904(b-c)]

Atomic Energy Commission

The Atomic Energy Commission is authorized to make payments in lieu of taxes to state and local governments affected by the Commission's acquisition of land that was subject to property taxes. (42 USC 2208)

State Payments for Trust Lands

The Division of Wildlife Resources

The Division of Wildlife Resources shall contractually agree to pay the county annually an amount of money in lieu of wildlife resource fine money, previously paid to the county, for any property previously acquired from private ownership and now owned by the division.

Payments

Payments in this section will not exceed what the regularly assessed real property taxes would be if the land had remained in private ownership. These payments shall not include any amount for buildings, installations, fixtures, improvements or personal property located upon the land or for those acquired, constructed or placed by the division after it acquires the land. (Section 23-21-2)

Mineral Lease Funds

Payments

To the extent funds are available from the remaining unallocated portion of the Mineral Lease Account, each county in which are located school or institutional trust lands, lands owned by the Division of Parks and Recreation, or lands owned by the Division of Wildlife Resources that are not under an in-lieu-of-taxes contract, shall receive an amount equal to the number of acres of those lands in the county multiplied by 52 cents. [Section 59-21-2(2)(h)(i)] Beginning in the fiscal year 1994-95 and in each year thereafter, the amount per acre shall be adjusted to reflect changes in the rate of inflation as measured by the consumer price index. [Section 59-21-2(5)(b)]

When school or institutional trust lands are transferred to the federal government after December 31, 1992, the state will pay the difference between the most recent federal payment in lieu of taxes and 52 cents per acre. If the federal payment (31 USC 6901), was equal to or exceeded the 52 cents per acre, no payment shall be made for the transferred lands. [Section 59-21-2(2)(h)(ii)]

When federal entitlement lands under the federal in lieu of taxes program (PILOT), are transferred to the school or institutional trust, the state will pay the difference between the most recent per acre payment made under the federal Pilot program (31 USC 6901), and 52 cents per acre. If the federal payment was equal to or less than 52 cents per acre, no payment shall be made for transferred land. [Section 59-21-2(2)(h)(iii)]

Appendix 2B

Exemptions Chronology

Exemption	Constitutional Enactment	Legislative Enactment
1 Property exempt under U.S. law	1896	1896
2 Property of the state, school district, public libraries	1896	1898
3 Property owned by non-profit entity and used exclusively for religious, charitable, and educational purposes.	1896/1983	1898-1986
4 Places of burial not used for private or corporate benefits	1896	1898
5 Farm equipment and machinery	1987	1987
6 Intangible property	1900*	1898
7 State lands	1896	1898
8 Power plant used for irrigation	1931*	1931
9 Water used for irrigation	1896	1898
10 Livestock	1900	1983
11 Household furnishings	1918	1939
12 Inventory	1965*	1965
13 Residential exemption	1982*	1983
14 Special districts and political subdivisions	1983	1986
15 Aircraft	1984*	1987
16 Registered vehicles	1984*	1987
17 Personal Property generating inconsequential amount of revenue	2007	2007
18 US Olympic Training facilities		2011
19 Charter Schools		2011

*The Constitution provides for the Legislature to tax or exempt as desired.

Appendix 2C

Applicable Statutes and Administrative Rules

Statutes

9-4-616	Housing Authorities, Exemption from Taxes, and Payments In-lieu of Taxes (see also Sections 9-4-616 & 628)
11-17-10	Industrial Facilities and Development, Tax Exemption for Property.
17A-2-201	Cemetery Maintenance Districts, Assessments.
17B-2a-403	County Improvement Districts for Water, Sewerage, Flood Control, Electric and Gas.
17A-2-403	County Service Areas.
17A-2-601	Fire Protection Districts.
17A-2-701.1	Irrigation Districts.
17A-2-801	Metropolitan Water Districts.
17A-2-1055	Public Transit Districts, Property Exempt from Taxation.
17B-4-301	RDA Property Exempt from Taxation.
17B-4-1208	RDA Bonds Exempt from Taxes.
17A-2-1301	Special Service Districts.
17A-2-1401	Water Conservancy Districts.
17A-3-913	Municipal Building Authorities, Property Exempt from Taxation.
17A-3-1301	Historic Districts.
41-1A-206	Payment of Property Taxes or In-lieu Fees Before Vehicle Registration.
49-11-201	Utah State Retirement State Agency.
59-2-404	Uniform Tax on Aircraft.
59-2-405	Uniform Fee on Tangible Personal Property.
59-2-1001	County Board of Equalization.
59-2-1006	Appeal to Commission.
59-2-1101	Exemption of Property Devoted to Public Religious, or Charitable Uses.
59-2-1102	Determination of Exemptions by Board of Equalization.
59-2-1103	State Lands Exemption.
59-2-1110	Exemption of Property Used to Furnish Power for Irrigation Purposes.
59-2-1111	Exemption of Property Used for Irrigation Purposes.
59-2-1112	Livestock Exemption.
59-2-1113	Exemption of Household Furnishings.

- 59-2-1114** Exemption of Inventory or Other Tangible Personal Property Held for Sale.
- 59-2-1115** Exemption of Certain Tangible Personal Property
- 59-4-101** Privilege Tax.
- 72-10-131** Tax Exempt Status of Civil Air Patrol Equipment

Administrative Rules

- R884-24P-29** Taxable Household Furnishings.
- R884-24P-32** Leasehold (Tenant) Improvements.
- R884-24P-35** Annual Statement of Exempt Use.
- R884-24P-40** Exemption of Parsonages, Rectories, Monasteries, Homes and Residence - Vacant Land.
- R884-24P-44** Farm Equipment and Machinery Exemption.
- R884-24P-52** Criteria for Determining Primary Residential.
- R884-24P-68** Property Tax Exemption for Taxable Tangible Personal Property

Appendix 2D

Nonprofit Hospital and Nursing Home

Charitable Property Tax Exemption Standards

Standard I

The institution owning the property for which the exemptions is sought must establish that it is organized on a non-profit basis to (a) provide hospital or nursing home care, (b) promote health care, or (c) provide health related assistance to the general public. The institution's property must be dedicated to its charitable purpose, and upon dissolution its assets must be distributable only for exempt purposes under Utah law, or to the government for a public purpose.

Comments

An institution needs to show that it is properly organized and operating in good standing under appropriate Utah law governing non-profit organizations. Instruments of organization and operation should reflect the health care-related purpose for which the institution is organized and contain the appropriate limitations on asset distribution.

Standard II

The institution owning the property for which the exemption is sought must establish that none of its net earnings and no donations made to it inures to the benefit of private shareholders or other individuals, as the private inurement standard has been interpreted under Section 501(c)(3) of the Internal Revenue Code.

Comments

Compliance with and operation under the provisions of Section 501(c)(3) creates a rebuttable presumption that an institution's operations are reasonable. An institution is required to provide the following: (a) signed statements and financial statements showing all revenue and expenditures and describing the uses to which revenue has been put, and the amount, nature and uses of donated funds; (b) proof of federal tax exempt status under section 501(c)(3) of the Internal Revenue Code; (c) signed statement or other evidence that payments made to officers, employees, contractors and suppliers are reasonable and not a covert means of making payments to private persons.

Standard III

The institution owning the property for which the exemption is sought must establish: (a) that it admits and treats members of the public without regard to race, religion or gender, (b) that hospital or nursing home service, including admission to the institution, is based on the clinical judgment of the physician and not upon the patient's financial ability or inability to pay for services, and (c) that indigent persons who, in the judgment of the admitting physician, require the service generally available at the hospital or nursing home, receive those services for no charge or for a reduced charge, in accordance with their ability to pay. The institution must also provide evidence of its efforts to affirmatively inform the public of its open access policy and the availability of services for the indigent.

Comments

The open access requirements outlined in this standard must be established as a formalized policy of the institution. More importantly, however, are the efforts of the institution to inform the public of the open-access policy. This requirement is particularly important with regard to services for the indigent. The exempt institution must provide evidence of its efforts to affirmatively inform the public of the availability of these services.

Standard IV

The institution owning the property for which the exemption is sought must establish that its policies integrate and reflect the public interest. A rebuttable presumption of compliance with this standard is assumed if it is shown that (a) the institution's governing board has a broad based membership from the community served by the institution, as required by federal tax law, (b) the institution confers at least annually with the county board of equalization or its designee concerning the community's clinical hospital needs that might be appropriately addressed by the institution, and (c) the institution establishes and maintains a "charity plan" to ensure compliance with Standard III and Standard IV. However all policy decisions relating to the institution's governance and operations shall remain under the direction of the institution's governing body.

Comments

Judicial decisions on property tax exemptions highlight the importance of charitable institutions contributing to the common good. In addition, the courts have indicated that charitableness must require an element of "gift" and has stated that such a gift may be met through the lessening of a governmental responsibility. In meeting this standard, the membership and operation of governing boards is important. Governing boards should have a broad based membership and function in a generally open atmosphere. Where governing boards of individual institutions are part of a larger corporate structure, there must also be evidence that the corporate board incorporates the interest of individual governing boards into its policies. There should also be a showing that exempt institutions seek to address the health care needs of the community. The standard imposes a requirement that the institution confer at least annually with county officials to assess the clinical hospital needs of the community, which might be addressed by the institution. In addition, the institution must develop a "charity plan" to ensure compliance with Standard III (the open-access requirement) and Standard IV (the public interest requirement). Two important points of caution: First, the term "community" may well be narrower or broader than an individual county's geographic boundaries. Efforts to meet charitable standards are not disqualified simply because they involve rendering services outside a specific county's boundaries or to non-residents of a specific county. Second, all policy decisions relating to the governance and operation of the institution are ultimately under the direction of the institution's governing board. For example, a county may not require as a condition of exemption that a nonprofit hospital fund specific programs.

Standard V

The institution owning the property for which exemption is sought must establish that its total gift to the community exceeds on an annual basis its property tax liability for that year. The Utah Supreme Court has defined "gift to the community" as follows: "A gift to the community can be identified either by a substantial imbalance in the exchange between the charity and the recipient of its services or in the lessening of a government burden through the charity's operation." [Utah County v. Intermountain Health Care, Inc., 709 P. 2d 265, 269 (Utah 1985)]

The following quantifiable activities and services are to be counted towards the nonprofit entity's total gift to the community:

- **Indigent care** – The reasonable value of the hospital’s unreimbursed care to medically indigent patients. The term “medically indigent” refers generally to patients who are financially unable to pay for the cost of the care they receive. Measurement: The value of the institution’s unreimbursed care to patients, as measured by standard charges, reduced by the average of reductions afforded to all patients who are not covered by government entitlement programs, plus expenses directly associated with special indigent clinics.
- **Community education and service** – The reasonable value of volunteer and community service (including education and research) rendered for and by the hospital or nursing home. Measurement: unreimbursed expense. “Unreimbursed expense” is defined as the identifiable costs and expenses incurred by an institution in performing a specific service, including any overhead attributable to the service, less any reimbursement for the service from recipients, government or any other source. Overhead does include any capital costs for buildings or equipment unless purchased or built solely for the activity in question. Community education does not include in-house training for employees.
- **Medical discounts** – The reasonable value of unreimbursed care for patients covered by Medicare, Medicaid, or other similar government entitlement programs. Measurement: The difference between (a) standard charges, as reduced by the average of reductions afforded to all patients who are not covered by government entitlement programs, and (b) actual reimbursement.
- **Donations of time** – The reasonable value of volunteer assistance donated by individuals to a nonprofit hospital or nursing home. Measurement: Volunteer hours times a reasonable rate for services performed.
- **Donations of money** – The value of monetary donations given to a nonprofit hospital or nursing home. Measurement: Where donations are spent on depreciable items, the value of the gift should be amortized over the useful life of facilities purchased; where donations are spent on patient care and non-depreciable items, the full amount of the donations should be counted in the year of donation; and where donations are retained and invested, annual capital appreciation from the donation should be counted towards the gift.

The institution’s charitable gift to the community also includes the community value, whether or not precisely quantifiable, of (a) the operation of tertiary care units or other critical services or programs that may not otherwise be offered to the community, or (b) the continued operation of hospitals where revenues are insufficient to cover costs, such as a primary care hospital in a rural community.

Comments

Standard V outlines general categories of qualifying activities. It is not meant as an exhaustive listing. Institutions seeking exemption are required to show: (a) accounting data establishing the amount and value of unreimbursed care to medically indigent persons, and subsidized patients; (b) accounting data establishing the unreimbursed value of community education and service programs, including research and professional education programs; (c) accounting data establishing the amount and uses of volunteer time and donated funds; and (d) descriptions of intangible or unquantifiable community gifts. Standard V does not specify how those activities classified as intangible or unquantifiable are to be measured. That issue will be examined on a case-by-case basis.

Standard VI

Satellite health-care facilities and centralized support facilities are entitled to property tax exemption if it is shown that such facilities enhance and improve the governing hospital's mission. These facilities should be tested as part of the hospital or nursing home that operates the support facility.

Comments

Property tax exemption standards should not mandate operational inefficiencies. Where it is shown that a nonprofit facility better meets its stated mission through the existence of these facilities they may be included in the governing hospital or nursing home's exemption. The exemption does not apply to off-site facilities, which are not directly related to the specific mission of the institution, such as individual physicians' offices.

Appendix 2E

Referenced Forms

Forms referenced in this document can be viewed by clicking on the form titles listed below or by visiting <http://propertytax.utah.gov/formswithstandards.html>.

[PT-020 Application for Property Tax Exemption](#)

[PT-020A Application for Exemption Schedule A – Real Property](#)

[PT-020B Application for Exemption Schedule B – Personal Property](#)

[PT-020C Application for Exemption Schedule C – Benefactors](#)

[PT-021 Annual Application and Statement for Continued Property Tax Exemption](#)