

(S.J.R. 8)

CONSTITUTIONAL AMENDMENT B

JOINT RESOLUTION ON PROPERTY TAX EXEMPTION FOR MILITARY PERSONNEL
2012 GENERAL SESSION

SENATE: 25-1-3

HOUSE: 64-6-5

BALLOT TITLE

FOR

AGAINST

Shall the Utah Constitution be amended to allow real property to be exempt from property tax if:

- the real property is owned by a person in the military, or the person's spouse, or both;
- the real property is the military person's primary residence; and
- the military person serves in federal active duty out of state for at least 200 days in a calendar year or 200 consecutive days?

IMPARTIAL ANALYSIS

Constitutional Amendment B authorizes the creation, in statute, of a property tax exemption for property that is owned by a person in the military, or the person's spouse, or both, if the property is the person's primary residence and the person serves in federal active duty out of state for at least 200 days in a calendar year or 200 consecutive days.

CURRENT PROVISIONS OF THE UTAH CONSTITUTION

The Utah Constitution requires that all persons and corporations pay a property tax on tangible property. However, the Constitution also provides for exemptions from property tax for certain kinds of property, such as government-owned property, inventory, and property owned by a disabled veteran. Property may not be statutorily exempted from property tax unless the Utah Constitution authorizes the exemption.

EFFECT OF CONSTITUTIONAL AMENDMENT B

Constitutional Amendment B authorizes the creation, in statute, of a property tax exemption for real property that is owned by a person in the military, or the person's spouse, or both, if two other conditions are met. First, the property must be the military person's primary residence. Second, the military person must serve in federal active duty outside Utah for at least 200 days in a calendar year or 200 consecutive days. The Amendment does not require the creation of the property tax exemption, but instead allows for the creation of the exemption by statute.

IMPLEMENTING LEGISLATION

If Constitutional Amendment B is approved by voters, S.B. 116, Armed Forces Property Tax Exemption, 2012 General Session, will become law on January 1, 2013. This bill creates a property tax exemption for property owned by a person who is a member of an active or reserve component of the United States Armed Forces if the property is used as the person's primary residence. After serving in federal active duty military service out of state for at least 200 days in a calendar year or 200 consecutive days, the person may claim the exemption for the year after the year when the service was completed. The exemption may not be claimed by the military person's spouse, and the military person may not claim the exemption for property owned exclusively by the military person's spouse.

EFFECTIVE DATE

If approved by voters, Constitutional Amendment B takes effect January 1, 2013.

FISCAL IMPACT

While Constitutional Amendment B alone has no fiscal impact, the implementing legislation discussed above will result in a decrease in revenue for any local government taxing entity that contains property for which an exemption is allowed under the implementing legislation. The decrease in revenue will occur each year any exemptions are allowed. The local government taxing entity will be able to recover any year's decrease in revenue over a period of five years after each year the exemptions are allowed by raising the tax rate on the property of all other property taxpayers over that five-year period.

CONSTITUTIONAL AMENDMENT B (CONTINUED)

In addition, exemptions allowed for property within any school district will result in an increase in the statewide property tax rate for all school districts.

The amount of the decrease in revenue in any year for any particular local government taxing entity will depend on the combined value of all properties within that taxing entity for which exemptions are allowed for that year. Generally, as the combined value of the exempted properties increases, the local government taxing entity's revenue decreases. Similarly, as the combined value of exempted properties increases, generally the tax rate for other property taxpayers increases.

Using 2014 as an example, the Office of the Legislative Fiscal Analyst estimates that local government taxing entities statewide will experience a combined decrease in property tax revenue of about \$2 million due to exemptions allowed military persons that year. To compensate for the 2014 revenue decrease, local governments experiencing a revenue decrease will be able to increase property tax rates over the following five years. Averaged among all other property taxpayers in the state, those property tax rate increases will result in an owner of a \$250,000 home paying on average about \$1 more per year in property tax for five years, and an owner of a \$1 million business property paying on average about \$8 more per year for five years. However, the actual amount of any property tax increase for an individual property taxpayer will vary depending on the number and location of military persons who are allowed an exemption. This cycle of a decrease in revenue followed by a property tax increase for five years will be repeated for each year exemptions are allowed.

ARGUMENT FOR

This Constitutional Amendment is about shared sacrifice. We live in an age that depends on our volunteer force to defend our country. It is one of the few enumerated powers outlined in the U.S. Constitution. In an ever increasing world of conflict and chaos we will depend on this force again and again. For Utah to maintain a balance of contributing to the common defense we must each do our part to support those who are willing to give all for our freedoms and liberties. This measure is but a small token of thanks to those Utah families.

If a soldier, sailor, airman, or marine is called to federal active duty and spends more than 200 days in support of war efforts in a calendar year, or 200 days consecutively deployed, the citizens of Utah will share the burden of their property taxes. This tax shift amounts to a small \$1.03 per household of a \$250,000 home or \$7.68 per \$1,000,000 business during our current levels of deployment. This is not a lifetime benefit. It will cover only the service member's primary residence property taxes for the year following the year they are deployed.

This benefit is well targeted, intelligently designed, and long overdue. We urge your support of this amendment.

Senator Luz Robles
Sponsor

ARGUMENT AGAINST

No argument submitted.

CONSTITUTIONAL AMENDMENT B (CONTINUED)

COMPLETE TEXT CONSTITUTIONAL AMENDMENT B

JOINT RESOLUTION ON PROPERTY TAX EXEMPTION FOR MILITARY PERSONELL 2012 GENERAL SESSION

UTAH CONSTITUTION SECTIONS AFFECTED:

AMENDS:

ARTICLE XIII, SECTION 3

Be it resolved by the Legislature of the state of Utah, two-thirds of all members elected to each of the two houses voting in favor thereof:

Section 1. It is proposed to amend Utah Constitution Article XIII, Section 3, to read:

Article XIII, Section 3. [Property tax exemptions.]

(1) The following are exempt from property tax:

- (a) property owned by the State;
- (b) property owned by a public library;
- (c) property owned by a school district;
- (d) property owned by a political subdivision of the State, other than a school district, and located within the political subdivision;
- (e) property owned by a political subdivision of the State, other than a school district, and located outside the political subdivision unless the Legislature by statute authorizes the property tax on that property;
- (f) property owned by a nonprofit entity used exclusively for religious, charitable, or educational purposes;
- (g) places of burial not held or used for private or corporate benefit;
- (h) farm equipment and farm machinery as defined by statute;
- (i) water rights, reservoirs, pumping plants, ditches, canals, pipes, flumes, power plants, and transmission lines to the extent owned and used by an individual or corporation to irrigate land that is:
 - (i) within the State; and
 - (ii) owned by the individual or corporation, or by an individual member of the corporation; and
 - (j) (i) if owned by a nonprofit entity and used within the State to irrigate land, provide domestic water, as defined by statute, or provide water to a public water supplier:
 - (A) water rights; and
 - (B) reservoirs, pumping plants, ditches, canals, pipes, flumes, and, as defined by statute, other water infrastructure;
 - (ii) land occupied by a reservoir, ditch, canal, or pipe that is exempt under Subsection (1)(j)(i)(B) if the land is owned by the nonprofit entity that owns the reservoir, ditch, canal, or pipe; and
 - (iii) land immediately adjacent to a reservoir, ditch, canal, or pipe that is exempt under Subsection (1)(j)(i)(B) if the land is:
 - (A) owned by the nonprofit entity that owns the adjacent reservoir, ditch, canal, or pipe; and
 - (B) reasonably necessary for the maintenance or for otherwise supporting the operation of the reservoir, ditch, canal, or pipe.

(2) (a) The Legislature may by statute exempt the following from property tax:

- (i) tangible personal property constituting inventory present in the State on January 1 and held for sale in the ordinary course of business;
 - (ii) tangible personal property present in the State on January 1 and held for sale or processing and shipped to a final destination outside the State within 12 months;
 - (iii) subject to Subsection (2)(b), property to the extent used to generate and deliver electrical power for pumping water to irrigate lands in the State;
 - (iv) up to 45% of the fair market value of residential property, as defined by statute;
 - (v) household furnishings, furniture, and equipment used exclusively by the owner of that property in maintaining the owner's home; and
 - (vi) tangible personal property that, if subject to property tax, would generate an inconsequential amount of revenue.
- (b) The exemption under Subsection (2)(a)(iii) shall accrue to the benefit of the users of pumped water as provided by statute.

(3) The following may be exempted from property tax as provided by statute:

- (a) property owned by a disabled person who, during military training or a military conflict, was disabled in the line of duty in the military service of the United States or the State; [and]
- (b) property owned by the unmarried surviving spouse or the minor orphan of a person who:
 - (i) is described in Subsection (3)(a); or

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(ii) during military training or a military conflict, was killed in action or died in the line of duty in the military service of the United States or the State[.]; and
(c) real property owned by a person in the military or the person's spouse, or both, and used as the person's primary residence, if the person serves under an order to federal active duty out of state for at least 200 days in a calendar year or 200 consecutive days.

(4) The Legislature may by statute provide for the remission or abatement of the taxes of the poor.

Section 2. **Submittal to voters.**

The lieutenant governor is directed to submit this proposed amendment to the voters of the state at the next regular general election in the manner provided by law.

Section 3. **Effective date.**

If the amendment proposed by this joint resolution is approved by a majority of those voting on it at the next regular general election, the amendment shall take effect on January 1, 2013.