



## State of Utah

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August 24, 2023

Governor's Office of Economic Opportunity  
c/o Jim Grover  
Managing Director of Incentives and Grants  
60 East South Temple, Suite 300  
Salt Lake City, Utah 84111-1041

Mr. Grover,

On August 4, 2023 the Tax Commission received the Lehi City Thanksgiving Station - Housing and Transit Reinvestment Zone (HTRZ) Application submitted by Marlin Eldred (Applicant ID: APP-080426). Pursuant to Subsection 63N-3-604(3)(c), the Tax Commission is required to review each HTRZ application and provide an evaluation to the Governor's Office of Economic Development describing any challenges it poses to tax administration or indicating that the proposal can be administered as presented.

For purposes of property tax increment, the proposal: adequately identifies the individual parcels subject to inclusion in the HTRZ; indicates the increment collection period; and establishes the base year against which the increment will be calculated during the collection period. The Tax Commission has not identified any challenges that this proposed HTRZ will create for setting the certified tax rate. However, because this proposal involves property that is locally assessed, coordination with the county is necessary to ensure that the affected parcels can be identified, the growth can be accurately valued, and the increment revenue can be properly distributed.

For purposes of sales tax increment, each proposal must:

- clearly and unambiguously identify boundaries of the HTRZ based on state sales and use tax collection boundaries;
- establish a base year against which sales and use tax increment can be measured; and
- indicate a collection period for which increment revenue will be distributed.

Based on a review of the above referenced application, the Tax Commission has identified the following administrative challenges, assumptions, and requirements:

1. We assume that the entire sales tax area will be effective on a single date, which corresponds to the beginning of a calendar quarter after the notice period required in Section 63N-3-610. If this is incorrect and the proposal intends for the sales tax area to be effective on a parcel-by-parcel basis, this could not be administered with the Tax Commission's current resources. Additionally, a sales tax boundary that is implemented on a parcel-by-parcel basis would pose a substantial

burden on businesses as they try to report their sales according to boundaries that shift over time. We ask for confirmation that the entirety of the area within the HTRZ sales tax boundary will be made effective on a single date that corresponds to the beginning of a calendar quarter.

2. The proposal is unclear regarding the applicable base year against which the sales tax increment will be measured. The proposal indicates 2024 as the property tax base year but does not expressly state that 2024 is also the base year for sales tax purposes. If the intent is for the sales tax base year to be calendar year 2024, we would need to receive notice of the creation of the HTRZ by October 1, 2023. Please note: it is already too late for the sales tax base year to be fiscal year 2024 to match the budget year of the TTIF. We ask for confirmation of the specific date that is intended to be the first day of the sales tax base year.
3. We were unable to determine the sales tax increment collection period. It appears that the collection period for property tax purposes is 40 years but it is unclear whether this period is intended to apply for sales tax purposes also. The collection period must run for a specified period of consecutive years beginning one year following the beginning of the base year. We ask for confirmation regarding the collection period during which the sales tax increment diversion will apply.

I am available to answer any questions you may have or to discuss how to address each of the issues raised.

Sincerely,

Jason Gardner  
Director of Policy, Planning, and Public Affairs  
Utah State Tax Commission