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January 10, 2025

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 November 20, 2024 the Tax Commission received the Salt Lake City Central - Housing and Transit Reinvestment Zone (HTRZ) Application dated November 2024. 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 Opportunity describing any challenges it poses to tax administration or indicating that the proposal can be administered as presented.

For purposes of sales tax increment, each proposal must:

- clearly identify a contiguous sales and use tax boundary for 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 can administer the proposed sales and use tax increment distribution subject to the following modifications, conditions, and confirmations.

1. **Adoption of the attached map as the sales and use tax increment collection area** - Subsequent to working with the SLC RDA on the map included in the application, Section 63N-3-610(2)(a)(iii) was changed to require that the HTRZ sales and use tax boundary must capture the entire boundary of the proposed HTRZ. This means that in situations where a HTRZ parcel exists within a 9-digit zip code area, that entire 9-digit zip code area is included in the HTRZ sales and use tax area. Previously a 9-digit zip code would only be included if the parcel represented the dominant portion of the 9-digit zip code. Based on this updated statutory requirement we have adjusted the HTRZ sales and use tax boundary. (See attached)
2. **Confirm that the HTRZ sales and use tax base year will begin on January 1, 2028 as proposed in the application** - Once the HTRZ sales and use tax boundary of the HTRZ is settled by adoption of the attached map, the Tax Commission will require 1 year of collection data to establish the sales

and use tax base amount within that boundary. If the base year is set to begin on January 1, 2028, the tax commission requires confirmation of that start date no later than September 30, 2027. This will allow us to provide impacted businesses with adequate notice of the change in their reporting obligations. The base year calculation period will proceed from January 1, 2028 through December 31, 2028. Under this timeline, increment collection will commence on January 1, 2029.

3. **Confirm the sales and use tax increment collection period** - The commission was unable to determine sales and use tax increment collection period from the application. It appears that the HTRZ is proposed to have a 45 year term but it is unclear if the sales and use tax collection period will proceed 45 years from January 1, 2029. We request clarification on this point.

For purposes of property tax increment, the proposal must:

- adequately identify the individual parcels subject to inclusion in the HTRZ;
- establishes the base year against which the increment will be calculated during the collection period; and
- indicate the increment collection period.

Based on a review of the above referenced application, the commission is capable of performing our administrative role related to the property tax. However, most of the administrative burden related to the calculation of property tax increment will be borne by the offices of the county assessor and auditor.

Please consult with the Salt Lake County assessor and auditor to determine whether the administration of the property tax increment proposed in this application is feasible.

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