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April 9, 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 April 3, 2025 the Tax Commission received the Capital City Convention Center Reinvestment Zone (CCRZ) application proposal. The Tax Commission has been asked to review the CCRZ 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 must:

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

Based on a review of the application, the Tax Commission indicates the following related to the property tax increment:

- The application proposes a 30-year collection period beginning on or after January 1, 2028. It is presumed that pursuant to Subsection 63N-3-603.1(4)(c), there will be a single 30-year collection period applicable to all parcels within the CCRZ boundary.
- The application proposes a property tax base year of 2024.
- The application includes a detailed list of parcels to be included within the CCRZ boundary.
 - **Please note:** All the parcels that are proposed to be included in the CCRZ are also included in existing project areas that are entitled to receive property tax increment for the next 18-25 years: (map attached)
 - i. Project 8001 – Project life end 2042 - Paid \$20,289,101 increment in 2024;
 - ii. Project 8005 – Project life end 2042 – Paid \$2,105,424 increment in 2024;
 - iii. Project 8023 – Project life end 2050 – Paid \$369,941 increment in 2024.
- We recommend that the offices of the county recorder, assessor, and auditor should be consulted to determine their ability to track these parcels across multiple project areas and properly distribute the increment revenue as appropriate. The county will be responsible for

communicating the applicable increment value to the Tax Commission for inclusion in the certified tax rate.

For purposes of sales and use tax increment, each proposal must:

- clearly and unambiguously identify a contiguous boundary 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 application, the Tax Commission indicates the following related to the sales and use tax increment:

- The application clearly indicates a contiguous sales and use tax boundary and does not overlap any preexisting sales and use tax increment collection areas.
- The application proposes a sales and use tax base year of 2023. To determine the base amount, the tax commission will review historically filed returns to identify businesses that reported taxable sales for the 2023 calendar year from business locations within what would become the boundary of the CCRZ. The total of the taxable sales for all identified business will then be multiplied by the applicable tax rates for the state and local taxes described in the definition of "sales and use tax revenue" under Section 63N-3-602. The resulting product will be the sales and use tax base amount.
- The application proposes a 30-year sales and use tax collection period beginning on or after January 1, 2026.
 - **Please note:** while the proposal indicates that the increment collection period will not begin before January 1, 2026, it does not specify a specific start date.
 - Pursuant to Section 63N-3-610.1, increment distribution will not begin until the first day of a calendar quarter after a 90-day waiting period that begins on the date the tax commission receives written notice from the Governor's Office of Economic Opportunity directing the tax commission to begin increment distribution.

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

Sincerely,

Jason Gardner
Deputy Executive Director
Utah State Tax Commission
801-702-9201