

Senator Scott D. Sandall proposes the following substitute bill:

RURAL ECONOMIC DEVELOPMENT MODIFICATIONS

2019 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Scott D. Sandall

House Sponsor: Carl R. Albrecht

LONG TITLE

General Description:

This bill modifies provisions related to economic development.

Highlighted Provisions:

This bill:

- ▶ modifies enterprise zone provisions overseen by the Governor's Office of Economic Development (GOED);
- ▶ modifies provisions related to economic development tax increment financing;
- ▶ repeals provisions related to certain GOED administered economic development programs;
- ▶ defines terms, including "rural county";
- ▶ creates the Rural County Economic Development Grant Program (grant program);
- ▶ describes the requirements and purposes of the grant program;
- ▶ describes the requirements for a rural county to apply for a grant under the grant program;
- ▶ describes the requirements of GOED in administering the grant program; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

This bill appropriates in fiscal year 2020:



26 ▶ to the Governor’s Office of Economic Development -- Rural County Economic
27 Development Grant Program, as an ongoing appropriation:

- 28 • from the General Fund, \$8,000,000; and

29 ▶ to the Governor’s Office of Economic Development -- Rural County Economic
30 Development Grant Program, as a one-time appropriation:

- 31 • from the General Fund, One-time, (\$6,000,000).

32 **Other Special Clauses:**

33 This bill provides retrospective operation.

34 **Utah Code Sections Affected:**

35 AMENDS:

- 36 **59-7-610**, as last amended by Laws of Utah 2015, Chapter 283
- 37 **59-7-614.10**, as last amended by Laws of Utah 2016, Third Special Session, Chapter 1
- 38 **59-10-210**, as last amended by Laws of Utah 2015, Chapter 283
- 39 **59-10-1007**, as last amended by Laws of Utah 2015, Chapter 283
- 40 **59-10-1037**, as last amended by Laws of Utah 2016, Third Special Session, Chapter 1
- 41 **63C-10-103**, as last amended by Laws of Utah 2018, Chapter 204
- 42 **63N-2-103**, as last amended by Laws of Utah 2016, Chapter 350
- 43 **63N-2-203**, as last amended by Laws of Utah 2017, Chapter 252
- 44 **63N-2-204**, as last amended by Laws of Utah 2016, Chapter 11
- 45 **63N-2-208**, as renumbered and amended by Laws of Utah 2015, Chapter 283
- 46 **63N-2-213**, as last amended by Laws of Utah 2016, Third Special Session, Chapter 1
- 47 **63N-2-403**, as renumbered and amended by Laws of Utah 2015, Chapter 283
- 48 **63N-2-705**, as renumbered and amended by Laws of Utah 2015, Chapter 283

49 ENACTS:

- 50 **63N-4-501**, Utah Code Annotated 1953
- 51 **63N-4-502**, Utah Code Annotated 1953
- 52 **63N-4-503**, Utah Code Annotated 1953
- 53 **63N-4-504**, Utah Code Annotated 1953
- 54 **63N-4-505**, Utah Code Annotated 1953
- 55 **63N-4-506**, Utah Code Annotated 1953

56 REPEALS:

- 57 [59-7-614.11](#), as enacted by Laws of Utah 2017, Chapter 252
- 58 [59-10-1039](#), as enacted by Laws of Utah 2017, Chapter 252
- 59 [63N-2-213.5](#), as enacted by Laws of Utah 2017, Chapter 252
- 60 [63N-2-301](#), as enacted by Laws of Utah 2015, Chapter 283
- 61 [63N-2-302](#), as last amended by Laws of Utah 2017, Chapter 352
- 62 [63N-2-303](#), as last amended by Laws of Utah 2017, Chapter 352
- 63 [63N-2-304](#), as last amended by Laws of Utah 2017, Chapter 352
- 64 [63N-2-305](#), as last amended by Laws of Utah 2017, Chapter 352
- 65 [63N-3-104](#), as last amended by Laws of Utah 2018, Chapter 204
- 66 [63N-3-104.5](#), as enacted by Laws of Utah 2018, Chapter 204



67
68 *Be it enacted by the Legislature of the state of Utah:*

69 Section 1. Section **59-7-610** is amended to read:

70 **59-7-610. Recycling market development zones tax credit.**

71 (1) For taxable years beginning on or after January 1, 1996, a business operating in a
72 recycling market development zone as defined in Section [63N-2-402](#) may claim a tax credit as
73 provided in this section.

74 (a) (i) There shall be allowed a nonrefundable tax credit of 5% of the purchase price
75 paid for machinery and equipment used directly in:

76 (A) commercial composting; or

77 (B) manufacturing facilities or plant units that:

78 (I) manufacture, process, compound, or produce recycled items of tangible personal
79 property for sale; or

80 (II) reduce or reuse postconsumer waste material.

81 (ii) The Governor's Office of Economic Development shall certify that the machinery
82 and equipment described in Subsection (1)(a)(i) are integral to the composting or recycling
83 process:

84 (A) on a form provided by the commission; and

85 (B) before a taxpayer is allowed a tax credit under this section.

86 (iii) The Governor's Office of Economic Development shall provide a taxpayer seeking
87 to claim a tax credit under this section with a copy of the form described in Subsection

88 (1)(a)(ii).

89 (iv) The taxpayer described in Subsection (1)(a)(iii) shall retain a copy of the form
90 received under Subsection (1)(a)(iii).

91 (b) There shall be allowed a nonrefundable tax credit equal to 20% of net expenditures
92 up to \$10,000 to third parties for rent, wages, supplies, tools, test inventory, and utilities made
93 by the taxpayer for establishing and operating recycling or composting technology in Utah,
94 with an annual maximum tax credit of \$2,000.

95 (2) The total nonrefundable tax credit allowed under this section may not exceed 40%
96 of the Utah income tax liability of the taxpayer prior to any tax credits in the taxable year of
97 purchase prior to claiming the tax credit authorized by this section.

98 (3) (a) Any tax credit not used for the taxable year in which the purchase price on
99 composting or recycling machinery and equipment was paid may be carried over for credit
100 against the business' income taxes in the three succeeding taxable years until the total tax credit
101 amount is used.

102 (b) Tax credits not claimed by a business on the business' state income tax return
103 within three years are forfeited.

104 (4) The commission shall make rules governing what information shall be filed with
105 the commission to verify the entitlement to and amount of a tax credit.

106 (5) (a) Notwithstanding Subsection (1)(a), for taxable years beginning on or after
107 January 1, 2001, a taxpayer may not claim or carry forward a tax credit described in Subsection
108 (1)(a) in a taxable year during which the taxpayer claims or carries forward a tax credit under
109 Section 63N-2-213.

110 (b) For a taxable year other than a taxable year during which the taxpayer may not
111 claim or carry forward a tax credit in accordance with Subsection (5)(a), a taxpayer may claim
112 or carry forward a tax credit described in Subsection (1)(a):

113 (i) if the taxpayer may claim or carry forward the tax credit in accordance with
114 Subsections (1) and (2); and

115 (ii) subject to Subsections (3) and (4).

116 (6) Notwithstanding Subsection (1)(b), for taxable years beginning on or after January
117 1, 2001, a taxpayer may not claim a tax credit described in Subsection (1)(b) in a taxable year
118 during which the taxpayer claims or carries forward a tax credit under Section 63N-2-213.

119 ~~[(7) A taxpayer may not claim or carry forward a tax credit available under this section~~
 120 ~~for a taxable year during which the taxpayer has claimed the targeted business income tax~~
 121 ~~credit available under Section 63N-2-305.]~~

122 Section 2. Section **59-7-614.10** is amended to read:

123 **59-7-614.10. Nonrefundable enterprise zone tax credit.**

124 (1) As used in this section:

125 (a) "Business entity" means a corporation that meets the definition of "business entity"
 126 as that term is defined in Section 63N-2-202.

127 (b) "Office" means the Governor's Office of Economic Development created in Section
 128 63N-1-201.

129 (2) Subject to the provisions of this section, a business entity may claim a
 130 nonrefundable enterprise zone tax credit as described in Section 63N-2-213.

131 (3) The enterprise zone tax credit under this section is the amount listed as the tax
 132 credit amount on the tax credit certificate that the office issues to the business entity for ~~[the]~~ a
 133 taxable year ending on or before December 31, 2019.

134 (4) A business entity may carry forward a tax credit under this section for a period that
 135 does not exceed the next three taxable years, if the amount of the tax credit exceeds the
 136 business entity's tax liability under this chapter for that taxable year.

137 ~~[(5) A business entity may not claim or carry forward a tax credit available under this~~
 138 ~~part for a taxable year during which the business entity has claimed the targeted business~~
 139 ~~income tax credit available under Section 63N-2-305.]~~

140 ~~[(6)]~~ (5) (a) In accordance with Section 59-7-159, the Revenue and Taxation Interim
 141 Committee shall study the tax credit allowed by this section and make recommendations
 142 concerning whether the tax credit should be continued, modified, or repealed.

143 (b) (i) Except as provided in Subsection ~~[(6)]~~ (5)(b)(ii), for purposes of the study
 144 required by this Subsection ~~[(6)]~~ (5), the office shall provide by electronic means the following
 145 information for each calendar year to the Office of the Legislative Fiscal Analyst:

146 (A) the amount of tax credits provided in each development zone;

147 (B) the number of new full-time employee positions reported to obtain tax credits in
 148 each development zone;

149 (C) the amount of tax credits awarded for rehabilitating a building in each development

150 zone;

151 (D) the amount of tax credits awarded for investing in a plant, equipment, or other
152 depreciable property in each development zone;

153 (E) the information related to the tax credit contained in the office's latest report under
154 Section 63N-1-301; and

155 (F) any other information that the Office of the Legislative Fiscal Analyst requests.

156 (ii) (A) In providing the information described in Subsection ~~[(6)]~~ (5)(b)(i), the office
157 shall redact information that identifies a recipient of a tax credit under this section.

158 (B) If, notwithstanding the redactions made under Subsection ~~[(6)]~~ (5)(b)(ii)(A),
159 reporting the information described in Subsection ~~[(6)]~~ (5)(b)(i) might disclose the identity of a
160 recipient of a tax credit, the office may file a request with the Revenue and Taxation Interim
161 Committee to provide the information described in Subsection ~~[(6)]~~ (5)(b)(i) in the aggregate
162 for all development zones that receive the tax credit under this section.

163 (c) As part of the study required by this Subsection ~~[(6)]~~ (5), the Office of the
164 Legislative Fiscal Analyst shall report to the Revenue and Taxation Interim Committee a
165 summary and analysis of the information provided to the Office of the Legislative Fiscal
166 Analyst by the office under Subsection ~~[(6)]~~ (5)(b).

167 (d) The Revenue and Taxation Interim Committee shall ensure that the
168 recommendations described in Subsection ~~[(6)]~~ (5)(a) include an evaluation of:

- 169 (i) the cost of the tax credit to the state;
- 170 (ii) the purpose and effectiveness of the tax credit; and
- 171 (iii) the extent to which the state benefits from the tax credit.

172 Section 3. Section 59-10-210 is amended to read:

173 **59-10-210. Fiduciary adjustments.**

174 (1) A share of the fiduciary adjustments described in Subsection (2) shall be added to
175 or subtracted from unadjusted income:

176 (a) of:

- 177 (i) a resident or nonresident estate or trust; or
- 178 (ii) a resident or nonresident beneficiary of a resident or nonresident estate or trust; and
- 179 (b) as provided in this section.

180 (2) For purposes of Subsection (1), the fiduciary adjustments are the following

181 amounts:

182 (a) the additions to and subtractions from unadjusted income of a resident or
183 nonresident estate or trust required by Section 59-10-202; and

184 (b) a tax credit claimed by a resident or nonresident estate or trust as allowed by:

185 (i) Section 59-6-102;

186 (ii) Part 10, Nonrefundable Tax Credit Act;

187 (iii) Part 11, Refundable Tax Credit Act;

188 (iv) Section 59-13-202; or

189 (v) Section 63N-2-213~~[, or]~~.

190 [~~(vi) Section 63N-2-305.~~]

191 (3) (a) The respective shares of an estate or trust and its beneficiaries, including for the
192 purpose of this allocation a nonresident beneficiary, in the state fiduciary adjustments, shall be
193 allocated in proportion to their respective shares of federal distributable net income of the
194 estate or trust.

195 (b) If the estate or trust described in Subsection (3)(a) has no federal distributable net
196 income for the taxable year, the share of each beneficiary in the fiduciary adjustments shall be
197 allocated in proportion to that beneficiary's share of the estate or trust income for the taxable
198 year that is, under state law or the governing instrument, required to be distributed currently
199 plus any other amounts of that income distributed in that taxable year.

200 (c) After making the allocations required by Subsections (3)(a) and (b), any balance of
201 the fiduciary adjustments shall be allocated to the estate or trust.

202 (4) (a) The commission shall allow a fiduciary to use a method for determining the
203 allocation of the fiduciary adjustments described in Subsection (2) other than the method
204 described in Subsection (3) if using the method described in Subsection (3) results in an
205 inequity:

206 (i) in allocating the fiduciary adjustments described in Subsection (2); and

207 (ii) if the inequity is substantial:

208 (A) in amount; and

209 (B) in relation to the total amount of the fiduciary adjustments described in Subsection

210 (2).

211 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the

212 commission may make rules authorizing a fiduciary to use a method for determining the
213 allocation of the fiduciary adjustments described in Subsection (2) other than the method
214 described in Subsection (3) if using the method described in Subsection (3) results in an
215 inequity:

- 216 (i) in allocating the fiduciary adjustments described in Subsection (2); and
- 217 (ii) if the inequity is substantial:
 - 218 (A) in amount; and
 - 219 (B) in relation to the total amount of the fiduciary adjustments described in Subsection
220 (2).

221 Section 4. Section **59-10-1007** is amended to read:

222 **59-10-1007. Recycling market development zones tax credit.**

223 (1) For taxable years beginning on or after January 1, 1996, a claimant, estate, or trust
224 in a recycling market development zone as defined in Section [63N-2-402](#) may claim a
225 nonrefundable tax credit as provided in this section.

226 (a) (i) There shall be allowed a tax credit of 5% of the purchase price paid for
227 machinery and equipment used directly in:

- 228 (A) commercial composting; or
- 229 (B) manufacturing facilities or plant units that:
 - 230 (I) manufacture, process, compound, or produce recycled items of tangible personal
231 property for sale; or
 - 232 (II) reduce or reuse postconsumer waste material.

233 (ii) The Governor's Office of Economic Development shall certify that the machinery
234 and equipment described in Subsection (1)(a)(i) are integral to the composting or recycling
235 process:

- 236 (A) on a form provided by the commission; and
- 237 (B) before a claimant, estate, or trust is allowed a tax credit under this section.
- 238 (iii) The Governor's Office of Economic Development shall provide a claimant, estate,
239 or trust seeking to claim a tax credit under this section with a copy of the form described in
240 Subsection (1)(a)(ii).

241 (iv) The claimant, estate, or trust described in Subsection (1)(a)(iii) shall retain a copy
242 of the form received under Subsection (1)(a)(iii).

243 (b) There shall be allowed a tax credit equal to 20% of net expenditures up to \$10,000
244 to third parties for rent, wages, supplies, tools, test inventory, and utilities made by the
245 claimant, estate, or trust for establishing and operating recycling or composting technology in
246 Utah, with an annual maximum tax credit of \$2,000.

247 (2) The total tax credit allowed under this section may not exceed 40% of the Utah
248 income tax liability of the claimant, estate, or trust prior to any tax credits in the taxable year of
249 purchase prior to claiming the tax credit authorized by this section.

250 (3) (a) Any tax credit not used for the taxable year in which the purchase price on
251 composting or recycling machinery and equipment was paid may be carried forward against the
252 claimant's, estate's, or trusts's tax liability under this chapter in the three succeeding taxable
253 years until the total tax credit amount is used.

254 (b) Tax credits not claimed by a claimant, estate, or trust on the claimant's, estate's, or
255 trust's tax return under this chapter within three years are forfeited.

256 (4) The commission shall make rules governing what information shall be filed with
257 the commission to verify the entitlement to and amount of a tax credit.

258 (5) (a) Notwithstanding Subsection (1)(a), for taxable years beginning on or after
259 January 1, 2001, a claimant, estate, or trust may not claim or carry forward a tax credit
260 described in Subsection (1)(a) in a taxable year during which the claimant, estate, or trust
261 claims or carries forward a tax credit under Section 63N-2-213.

262 (b) For a taxable year other than a taxable year during which the claimant, estate, or
263 trust may not claim or carry forward a tax credit in accordance with Subsection (5)(a), a
264 claimant, estate, or trust may claim or carry forward a tax credit described in Subsection (1)(a):

265 (i) if the claimant, estate, or trust may claim or carry forward the tax credit in
266 accordance with Subsections (1) and (2); and

267 (ii) subject to Subsections (3) and (4).

268 (6) Notwithstanding Subsection (1)(b), for taxable years beginning on or after January
269 1, 2001, a claimant, estate, or trust may not claim a tax credit described in Subsection (1)(b) in
270 a taxable year during which the claimant, estate, or trust claims or carries forward a tax credit
271 under Section 63N-2-213.

272 ~~[(7) A claimant, estate, or trust may not claim or carry forward a tax credit available~~
273 ~~under this section for a taxable year during which the claimant, estate, or trust has claimed the~~

274 ~~targeted business income tax credit available under Section 63N-2-305.]~~

275 Section 5. Section 59-10-1037 is amended to read:

276 **59-10-1037. Nonrefundable enterprise zone tax credit.**

277 (1) As used in this section:

278 (a) "Business entity" means a claimant, estate, or trust that meets the definition of
279 "business entity" as that term is defined in Section 63N-2-202.

280 (b) "Office" means the Governor's Office of Economic Development created in Section
281 63N-1-201.

282 (2) Subject to the provisions of this section, a business entity may claim a
283 nonrefundable enterprise zone tax credit as described in Section 63N-2-213.

284 (3) The enterprise zone tax credit under this section is the amount listed as the tax
285 credit amount on the tax credit certificate that the office issues to the business entity for ~~[the]~~ a
286 taxable year ending on or before December 31, 2019.

287 (4) A business entity may carry forward a tax credit under this section for a period that
288 does not exceed the next three taxable years, if the amount of the tax credit exceeds the
289 business entity's tax liability under this chapter for that taxable year.

290 ~~[(5) A business entity may not claim or carry forward a tax credit available under this
291 part for a taxable year during which the business entity has claimed the targeted business
292 income tax credit available under Section 63N-2-305.]~~

293 ~~[(6)]~~ (5) (a) In accordance with Section 59-10-137, the Revenue and Taxation Interim
294 Committee shall study the tax credit allowed by this section and make recommendations
295 concerning whether the tax credit should be continued, modified, or repealed.

296 (b) (i) Except as provided in Subsection ~~[(6)]~~ (5)(b)(ii), for purposes of the study
297 required by this Subsection ~~[(6)]~~ (5), the office shall provide by electronic means the following
298 information, if available to the office, for each calendar year to the Office of the Legislative
299 Fiscal Analyst:

300 (A) the amount of tax credits provided in each development zone;

301 (B) the number of new full-time employee positions reported to obtain tax credits in
302 each development zone;

303 (C) the amount of tax credits awarded for rehabilitating a building in each development
304 zone;

305 (D) the amount of tax credits awarded for investing in a plant, equipment, or other
306 depreciable property in each development zone;

307 (E) the information related to the tax credit contained in the office's latest report under
308 Section [63N-1-301](#); and

309 (F) other information that the Office of the Legislative Fiscal Analyst requests.

310 (ii) (A) In providing the information described in Subsection ~~[(6)]~~ [\(5\)\(b\)\(i\)](#), the office
311 shall redact information that identifies a recipient of a tax credit under this section.

312 (B) If, notwithstanding the redactions made under Subsection ~~[(6)]~~ [\(5\)\(b\)\(ii\)\(A\)](#),
313 reporting the information described in Subsection ~~[(6)]~~ [\(5\)\(b\)\(i\)](#) might disclose the identity of a
314 recipient of a tax credit, the office may file a request with the Revenue and Taxation Interim
315 Committee to provide the information described in Subsection ~~[(6)]~~ [\(5\)\(b\)\(i\)](#) in the aggregate
316 for all development zones that receive the tax credit under this section.

317 (c) As part of the study required by this Subsection ~~[(6)]~~ [\(5\)](#), the Office of the
318 Legislative Fiscal Analyst shall report to the Revenue and Taxation Interim Committee a
319 summary and analysis of the information provided to the Office of the Legislative Fiscal
320 Analyst by the office under Subsection ~~[(6)]~~ [\(5\)\(b\)](#).

321 (d) The Revenue and Taxation Interim Committee shall ensure that the
322 recommendations described in Subsection ~~[(6)]~~ [\(5\)\(a\)](#) include an evaluation of:

- 323 (i) the cost of the tax credit to the state;
- 324 (ii) the purpose and effectiveness of the tax credit; and
- 325 (iii) the extent to which the state benefits from the tax credit.

326 Section 6. Section **63C-10-103** is amended to read:

327 **63C-10-103. Duties.**

328 (1) The board shall:

329 (a) serve as an advisory board to:

- 330 (i) the governor on rural economic and planning issues; and
- 331 (ii) the Governor's Office of Economic Development on rural economic development
332 issues;

333 (b) prepare an annual strategic plan that:

- 334 (i) identifies rural economic development, planning, and leadership training challenges,
335 opportunities, priorities, and objectives; and

336 (ii) includes a work plan for accomplishing the objectives referred to in Subsection
337 (1)(b)(i);

338 (c) identify local, regional, and statewide rural economic development and planning
339 priorities;

340 (d) study and take input on issues relating to local, regional, and statewide rural
341 economic development, including challenges, opportunities, best practices, policy, planning,
342 and collaboration;

343 (e) advocate for rural needs, programs, policies, opportunities, and other issues relating
344 to rural economic development and planning; and

345 ~~[(f) review projects in enterprise zones proposed by nonprofit corporations~~
346 ~~headquartered in enterprise zones as described in Subsection 63N-2-213.5(6);]~~

347 ~~[(g) review applications for cash awards, grants, loans, or other financial assistance~~
348 ~~under:]~~

349 ~~[(i) the Rural Fast Track Program described in Section 63N-3-104; and]~~

350 ~~[(ii) the Business Expansion and Retention Initiative described in Section~~
351 ~~63N-3-104.5; and]~~

352 ~~[(h)]~~ (f) no later than October 1 of each year, submit to the governor, the Legislature,
353 and the Economic Development and Workforce Services Interim Committee an annual report,
354 in accordance with Section 68-3-14, that provides:

355 (i) an overview of the rural economy in the state;

356 (ii) a summary of current issues and policy matters relating to rural economic
357 development; and

358 (iii) a statement of the board's initiatives, programs, and economic development
359 priorities.

360 (2) The board may engage in activities necessary to fulfill the board's duties, including:
361 (a) propose or support rural economic development legislation; and
362 (b) create one or more subcommittees.

363 Section 7. Section 63N-2-103 is amended to read:

364 **63N-2-103. Definitions.**

365 As used in this part:

366 (1) "Business entity" means a person that enters into an agreement with the office to

367 initiate a new commercial project in Utah that will qualify the person to receive a tax credit
368 under Section 59-7-614.2 or 59-10-1107.

369 (2) "Community reinvestment agency" has the same meaning as that term is defined in
370 Section 17C-1-102.

371 (3) "Development zone" means an economic development zone created under Section
372 63N-2-104.

373 (4) "High paying jobs" means[:] newly created full-time employment positions where
374 the aggregate average annual gross wages of the employment positions, not including health
375 care or other paid or unpaid benefits, are at least:

376 (a) 110% of the average wage of the county in which the employment positions exist
377 for a county of the first or second class; or

378 (b) 100% of the average wage of the county in which the employment positions exist
379 for a county of the third, fourth, fifth, or sixth class.

380 [~~(a) with respect to a business entity, the aggregate average annual gross wages, not~~
381 ~~including healthcare or other paid or unpaid benefits, of newly created full-time employment~~
382 ~~positions in a business entity that are at least 110% of the average wage of a community in~~
383 ~~which the employment positions will exist;]~~

384 [~~(b) with respect to a county, the aggregate average annual gross wages, not including~~
385 ~~healthcare or other paid or unpaid benefits, of newly created full-time employment positions in~~
386 ~~a new commercial project within the county that are at least 110% of the average wage of the~~
387 ~~county in which the employment positions will exist; or]~~

388 [~~(c) with respect to a city or town, the aggregate average annual gross wages, not~~
389 ~~including healthcare or other paid or unpaid benefits of newly created full-time employment~~
390 ~~positions in a new commercial project within the city or town that are at least 110% of the~~
391 ~~average wages of the city or town in which the employment positions will exist.]~~

392 (5) "Local government entity" means a county, city, or town that enters into an
393 agreement with the office to have a new commercial project that:

394 (a) is initiated within the county's, city's, or town's boundaries; and

395 (b) qualifies the county, city, or town to receive a tax credit under Section 59-7-614.2.

396 (6) (a) "New commercial project" means an economic development opportunity that
397 involves new or expanded industrial, manufacturing, distribution, or business services in Utah.

398 (b) "New commercial project" does not include retail business.

399 (7) (a) "New incremental jobs" means full-time employment positions that are filled by
400 employees who work at least 30 hours per week and that are:

401 (i) with respect to a business entity, created in addition to the baseline count of
402 employment positions that existed within the business entity before the new commercial
403 project;

404 (ii) with respect to a county, created as a result of a new commercial project with
405 respect to which the county or a community development and renewal agency seeks to claim a
406 tax credit under Section 59-7-614.2; or

407 (iii) with respect to a city or town, created as a result of a new commercial project with
408 respect to which the city, town, or a community development and renewal agency seeks to
409 claim a tax credit under Section 59-7-614.2.

410 (b) "New incremental jobs" may include full-time equivalent positions that are filled by
411 more than one employee, if each employee who works less than 30 hours per week is provided
412 benefits comparable to a full-time employee.

413 (c) "New incremental jobs" does not include jobs that are shifted from one jurisdiction
414 in the state to another jurisdiction in the state.

415 (8) "New state revenues" means:

416 (a) with respect to a business entity:

417 (i) incremental new state sales and use tax revenues that a business entity pays under
418 Title 59, Chapter 12, Sales and Use Tax Act, as a result of a new commercial project in a
419 development zone;

420 (ii) incremental new state tax revenues that a business entity pays as a result of a new
421 commercial project in a development zone under:

422 (A) Title 59, Chapter 7, Corporate Franchise and Income Taxes;

423 (B) Title 59, Chapter 10, Part 1, Determination and Reporting of Tax Liability and
424 Information;

425 (C) Title 59, Chapter 10, Part 2, Trusts and Estates;

426 (D) Title 59, Chapter 10, Part 4, Withholding of Tax; or

427 (E) a combination of Subsections (8)(a)(ii)(A) through (D);

428 (iii) incremental new state tax revenues paid as individual income taxes under Title 59,

429 Chapter 10, Part 1, Determination and Reporting of Tax Liability and Information, by
430 employees of a new or expanded industrial, manufacturing, distribution, or business service
431 within a new commercial project as evidenced by payroll records that indicate the amount of
432 employee income taxes withheld and transmitted to the State Tax Commission by the new or
433 expanded industrial, manufacturing, distribution, or business service within the new
434 commercial project; or

435 (iv) a combination of Subsections (8)(a)(i) through (iii); or

436 (b) with respect to a local government entity:

437 (i) incremental new state sales and use tax revenues that are collected under Title 59,
438 Chapter 12, Sales and Use Tax Act, as a result of a new commercial project in a development
439 zone;

440 (ii) incremental new state tax revenues that are collected as a result of a new
441 commercial project in a development zone under:

442 (A) Title 59, Chapter 7, Corporate Franchise and Income Taxes;

443 (B) Title 59, Chapter 10, Part 1, Determination and Reporting of Tax Liability and
444 Information;

445 (C) Title 59, Chapter 10, Part 2, Trusts and Estates;

446 (D) Title 59, Chapter 10, Part 4, Withholding of Tax; or

447 (E) a combination of Subsections (8)(b)(ii)(A) through (D);

448 (iii) incremental new state tax revenues paid as individual income taxes under Title 59,
449 Chapter 10, Part 1, Determination and Reporting of Tax Liability and Information, by
450 employees of a new or expanded industrial, manufacturing, distribution, or business service
451 within a new commercial project as evidenced by payroll records that indicate the amount of
452 employee income taxes withheld and transmitted to the State Tax Commission by the new or
453 expanded industrial, manufacturing, distribution, or business service within the new
454 commercial project; or

455 (iv) a combination of Subsections (8)(b)(i) through (iii).

456 (9) "Significant capital investment" means an amount of at least \$10,000,000 to
457 purchase capital or fixed assets, which may include real property, personal property, and other
458 fixtures related to a new commercial project:

459 (a) that represents an expansion of existing operations in the state; or

460 (b) that maintains or increases the business entity's existing work force in the state.

461 (10) "Tax credit" means an economic development tax credit created by Section
462 59-7-614.2 or 59-10-1107.

463 (11) "Tax credit amount" means the amount the office lists as a tax credit on a tax
464 credit certificate for a taxable year.

465 (12) "Tax credit certificate" means a certificate issued by the office that:

466 (a) lists the name of the business entity, local government entity, or community
467 development and renewal agency to which the office authorizes a tax credit;

468 (b) lists the business entity's, local government entity's, or community development and
469 renewal agency's taxpayer identification number;

470 (c) lists the amount of tax credit that the office authorizes the business entity, local
471 government entity, or community development and renewal agency for the taxable year; and

472 (d) may include other information as determined by the office.

473 Section 8. Section 63N-2-203 is amended to read:

474 **63N-2-203. Powers of the office.**

475 The office shall:

476 (1) monitor the implementation and operation of this part and conduct a continuing
477 evaluation of the progress made in the enterprise zones;

478 (2) evaluate an application for designation as an enterprise zone from a county
479 applicant or a municipal applicant and determine if the applicant qualifies for that designation;

480 (3) provide technical assistance to county applicants and municipal applicants in
481 developing applications for designation as enterprise zones;

482 (4) assist county applicants and municipal applicants designated as enterprise zones in
483 obtaining assistance from the federal government and agencies of the state;

484 (5) assist a qualified business entity in obtaining the benefits of an incentive or
485 inducement program authorized by this part; and

486 (6) as part of the annual written report described in Section 63N-1-301, prepare an
487 annual evaluation that provides:

488 (a) based on data from the State Tax Commission, the total amount of tax credits
489 claimed under this part;

490 (b) the total amount awarded in tax credits for each development zone;

- 491 (c) the number of new full-time employee positions reported to obtain tax credits in
- 492 each development zone;
- 493 (d) the amount of tax credits awarded for rehabilitating a building in each development
- 494 zone;
- 495 (e) the amount of tax credits awarded for investing in a plant, equipment, or other
- 496 depreciable property in each development zone; and
- 497 ~~[(f) the list of approved projects under Section 63N-2-213.5 and the aggregate value of~~
- 498 ~~the tax credit certificates issued related to contributions to those approved projects; and]~~
- 499 [(g)] (f) recommendations regarding the effectiveness of the program and any
- 500 suggestions for legislation.

501 Section 9. Section 63N-2-204 is amended to read:

502 **63N-2-204. Criteria for designation of enterprise zones -- Application.**

503 (1) A county applicant seeking designation as an enterprise zone shall file an

504 application with the office that, in addition to complying with the other requirements of this

505 part:

- 506 (a) verifies that the county has a population of not more than 70,000; and
- 507 (b) provides clear evidence of the need for development in the county.

508 (2) A municipal applicant seeking designation as an enterprise zone shall file an

509 application with the office that, in addition to complying with other requirements of this part:

- 510 (a) verifies that the municipality has a population that does not exceed 20,000;
- 511 (b) verifies that the municipality is within a county that has a population of not more
- 512 than 70,000; and
- 513 (c) provides clear evidence of the need for development in the municipality.

514 (3) An application filed under Subsection (1) or (2) shall be in a form and in

515 accordance with procedures approved by the office, and shall include the following

516 information:

- 517 (a) a plan developed by the county applicant or municipal applicant that identifies local
- 518 contributions meeting the requirements of Section 63N-2-205;
- 519 (b) the county applicant or municipal applicant has a development plan that outlines:
- 520 (i) the types of investment and development within the zone that the county applicant
- 521 or municipal applicant expects to take place if the incentives specified in this part are provided;

- 522 (ii) the specific investment or development reasonably expected to take place;
- 523 (iii) any commitments obtained from businesses;
- 524 (iv) the projected number of jobs that will be created and the anticipated wage level of
525 those jobs;
- 526 (v) any proposed emphasis on the type of jobs created, including any affirmative action
527 plans; and
- 528 (vi) a copy of the county applicant's or municipal applicant's economic development
529 plan to demonstrate coordination between the zone and overall county or municipal goals;
- 530 (c) the county applicant's or municipal applicant's proposed means of assessing the
531 effectiveness of the development plan or other programs within the zone once they have been
532 implemented within the zone;
- 533 (d) any additional information required by the office; and
- 534 (e) any additional information the county applicant or municipal applicant considers
535 relevant to its designation as an enterprise zone.

536 (4) On or after January 1, 2019, no new enterprise zones shall be designated.

537 Section 10. Section **63N-2-208** is amended to read:

538 **63N-2-208. Duration of designation.**

539 (1) Each enterprise zone has a duration of five years~~[, at the end of which the county~~
540 ~~may reapply for the designation].~~

541 (2) On or after January 1, 2019, a county may not reapply for an enterprise zone
542 designation for an enterprise zone that has reached the end of the enterprise zone's five-year
543 duration.

544 Section 11. Section **63N-2-213** is amended to read:

545 **63N-2-213. State tax credits.**

546 (1) (a) The office shall certify a business entity's eligibility for a tax credit described in
547 this section.

548 (b) A business entity may not receive a tax credit under this section for a taxable year
549 beginning on or after January 1, 2020.

550 (2) A business entity seeking to receive a tax credit as provided in this section shall
551 provide the office with:

552 (a) an application for a tax credit certificate in a form approved by the office, including

553 a certification, by an officer of the business entity, of a signature on the application; and

554 (b) documentation that demonstrates the business entity has met the requirements to
555 receive the tax credit.

556 (3) If, after review of an application and documentation provided by a business entity
557 as described in Subsection (2), the office determines that the application and documentation are
558 inadequate to provide a reasonable justification for authorizing the tax credit, the office shall:

559 (a) deny the tax credit; or

560 (b) inform the business entity that the application or documentation was inadequate
561 and ask the business entity to submit additional documentation.

562 (4) If, after review of an application and documentation provided by a business entity
563 as described in Subsection (2), the office determines that the application and documentation
564 provide reasonable justification for authorizing a tax credit, the office shall:

565 (a) determine the amount of the tax credit to be granted to the business entity;

566 (b) issue a tax credit certificate to the business entity; and

567 (c) provide a duplicate copy of the tax credit certificate to the State Tax Commission.

568 (5) A business entity may not claim a tax credit under this section unless the business
569 entity has a tax credit certificate issued by the office.

570 (6) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
571 office shall make rules describing:

572 (a) the form and content of an application for a tax credit under this section;

573 (b) the documentation requirements for a business entity to receive a tax credit
574 certificate under this section; and

575 (c) administration of the program, including relevant timelines and deadlines.

576 (7) [~~Subject~~] For a taxable year that ends on or before December 31, 2019, and subject
577 to the limitations of Subsections (8) through (10), [~~and~~] if the requirements of this part are met,
578 the following nonrefundable tax credits against a tax under Title 59, Chapter 7, Corporate
579 Franchise and Income Taxes, or Title 59, Chapter 10, Individual Income Tax Act, are
580 applicable in an enterprise zone:

581 (a) a tax credit of \$750 may be claimed by a business entity for each new full-time
582 employee position created within the enterprise zone;

583 (b) an additional \$500 tax credit may be claimed if the new full-time employee position

584 created within the enterprise zone pays at least 125% of:

585 (i) the county average monthly nonagricultural payroll wage for the respective industry
586 as determined by the Department of Workforce Services; or

587 (ii) if the county average monthly nonagricultural payroll wage is not available for the
588 respective industry, the total average monthly nonagricultural payroll wage in the respective
589 county where the enterprise zone is located;

590 (c) an additional tax credit of \$750 may be claimed if the new full-time employee
591 position created within the enterprise zone is in a business entity that adds value to agricultural
592 commodities through manufacturing or processing;

593 (d) an additional tax credit of \$200 may be claimed for two consecutive years for each
594 new full-time employee position created within the enterprise zone that is filled by an
595 employee who is insured under an employer-sponsored health insurance program if the
596 employer pays at least 50% of the premium cost for the year for which the credit is claimed;

597 (e) a tax credit of 25% of the first \$200,000 spent on rehabilitating a building in the
598 enterprise zone that has been vacant for two years or more; and

599 (f) an annual investment tax credit of 10% of the first \$250,000 in investment, and 5%
600 of the next \$1,000,000 qualifying investment in plant, equipment, or other depreciable
601 property.

602 (8) (a) Subject to the limitations of Subsection (8)(b), a business entity claiming a tax
603 credit under Subsections (7)(a) through (d) may claim the tax credit for no more than 30
604 full-time employee positions in a taxable year.

605 (b) A business entity that received a tax credit for one or more new full-time employee
606 positions under Subsections (7)(a) through (d) in a prior taxable year may claim a tax credit for
607 a new full-time employee position in a subsequent taxable year under Subsections (7)(a)
608 through (d) if:

609 (i) the business entity has created a new full-time position within the enterprise zone;
610 and

611 (ii) the total number of full-time employee positions at the business entity at any point
612 during the tax year for which the tax credit is being claimed is greater than the highest number
613 of full-time employee positions that existed at the business entity in the previous three taxable
614 years.

615 (c) Construction jobs are not eligible for the tax credits under Subsections (7)(a)
616 through (d).

617 (9) If the amount of a tax credit under this section exceeds a business entity's tax
618 liability under this chapter for a taxable year, the business entity may carry forward the amount
619 of the tax credit exceeding the liability for a period that does not exceed the next three taxable
620 years.

621 (10) Tax credits under Subsections (7)(a) through (f) may not be claimed by a business
622 entity primarily engaged in retail trade or by a public utilities business.

623 (11) A business entity that has no employees:

624 (a) may not claim tax credits under Subsections (7)(a) through (d); and

625 (b) may claim tax credits under Subsections (7)(e) through (f).

626 ~~[(12) A business entity may not claim or carry forward a tax credit available under this~~
627 ~~part for a taxable year during which the business entity has claimed the targeted business~~
628 ~~income tax credit available under Section 63N-2-305.]~~

629 ~~[(13)]~~ (12) (a) On or before November 30, 2018, and every three years after 2018, the
630 Revenue and Taxation Interim Committee shall review the tax credits provided by this section
631 and make recommendations concerning whether the tax credits should be continued, modified,
632 or repealed.

633 (b) In conducting the review required by Subsection ~~[(13)]~~ (12)(a), the Revenue and
634 Taxation Interim Committee shall:

635 (i) schedule time on at least one committee agenda to conduct the review;

636 (ii) invite state agencies, individuals, and organizations concerned with the credits
637 under review to provide testimony;

638 (iii) ensure that the recommendations described in this section include an evaluation of:

639 (A) the cost of the tax credits to the state;

640 (B) the purpose and effectiveness of the tax credits; and

641 (C) the extent to which the state benefits from the tax credits; and

642 (iv) undertake other review efforts as determined by the chairs of the Revenue and
643 Taxation Interim Committee.

644 Section 12. Section 63N-2-403 is amended to read:

645 **63N-2-403. Duties of the office.**

646 The office shall:

647 (1) facilitate recycling development zones through state support of county incentives
648 which encourage development of manufacturing enterprises that use recycling materials
649 currently collected;

650 (2) evaluate an application from a county or municipality executive authority to be
651 designated as a recycling market development zone and determine if the county or municipality
652 qualifies for that designation;

653 (3) provide technical assistance to municipalities and counties in developing
654 applications for designation as a recycling market development zone;

655 (4) assist counties and municipalities designated as recycling market development
656 zones in obtaining assistance from the federal government and agencies of the state;

657 (5) assist a qualified business in obtaining the benefits of an incentive or inducement
658 program authorized by this part;

659 (6) monitor the implementation and operation of this part and conduct a continuing
660 evaluation of the progress made in the recycling market development zone; and

661 (7) include in the annual written report described in Section [~~63N-2-301~~] 63N-1-301,
662 an evaluation of the effectiveness of the program and recommendations for legislation.

663 Section 13. Section **63N-2-705** is amended to read:

664 **63N-2-705. Reporting.**

665 The office shall provide the following information in the annual written report
666 described in Section [~~63N-2-301~~] 63N-1-301:

667 (1) the office's success in attracting alternative energy manufacturing projects to the
668 state and the resulting increase in new state revenues under this part;

669 (2) the amount of tax credits the office has granted or will grant and the time period
670 during which the tax credits have been or will be granted; and

671 (3) the economic impact on the state by comparing new state revenues to tax credits
672 that have been or will be granted under this part.

673 Section 14. Section **63N-4-501** is enacted to read:

674 **Part 5. Rural County Economic Development Grant Program**

675 **63N-4-501. Title.**

676 This part is known as the "Rural County Economic Development Grant Program."

677 Section 15. Section **63N-4-502** is enacted to read:

678 **63N-4-502. Definitions.**

679 As used in this part:

680 (1) "Grant" means a grant available under the Rural County Economic Development
681 Grant Program created in this part.

682 (2) "Grant program" means the Rural County Economic Development Grant Program
683 created in Section [63N-4-503](#).

684 (3) "Rural county" means a county of the third class, fourth class, fifth class, or sixth
685 class.

686 (4) "Rural partnership board" means the Governor's Rural Partnership Board created in
687 Section [63C-10-102](#).

688 (5) "Qualifying strategic economic development plan" means a rural county economic
689 development plan created by a rural county, or by a rural county with the assistance of the
690 Office of Rural Development, to address the economic development needs of the rural county
691 and which has been reviewed and approved by GOED.

692 Section 16. Section **63N-4-503** is enacted to read:

693 **63N-4-503. Creation and purpose of the Rural County Economic Development**
694 **Grant Program.**

695 (1) There is created the Rural County Economic Development Grant Program.

696 (2) The grant program shall be administered by GOED and the Office of Rural
697 Development.

698 (3) In administering the grant program, GOED and the Office of Rural Development
699 shall award grants to rural counties to address the economic development needs of rural
700 counties in accordance with the provisions of this part, which needs may include:

701 (a) training and technical assistance, such as project planning, business counseling and
702 training, market research, professional and technical reports, or product or service
703 improvements;

704 (b) economic development funding for specific communities within a rural county;

705 (c) technology-based economic development;

706 (d) feasibility studies and business plans;

707 (e) the creation or support of business incubators;

708 (f) long-term strategic planning for specific business sectors; and
709 (g) creating or improving a rural county's qualifying strategic economic development
710 plan.

711 Section 17. Section **63N-4-504** is enacted to read:

712 **63N-4-504. Requirements for awarding a grant.**

713 (1) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
714 GOED shall make rules establishing the eligibility and reporting criteria for a rural county to
715 receive a grant under this part, including:

716 (a) the form and process for a rural county submitting an application to the Office of
717 Rural Development for a grant;

718 (b) the method of scoring and prioritizing grant program applications from rural
719 counties;

720 (c) the reporting, auditing, and post-performance requirements for a rural county that
721 receives a grant under the grant program; and

722 (d) any deadlines that shall be met by a rural county when applying for a grant under
723 the grant program.

724 (2) In determining the award of a grant, GOED and the Office of Rural Development
725 may prioritize applications that demonstrate any combination of the following:

726 (a) that the county has or is actively pursuing the creation of an effective qualifying
727 strategic economic development plan;

728 (b) consistency with local economic development priorities;

729 (c) an effective plan to measure and report results;

730 (d) economic need;

731 (e) utilization of local financial or in-kind resources in combination with a grant;

732 (f) evidence that jobs will be created; and

733 (g) evidence that there will be a positive return on investment.

734 (3) Subject to legislative appropriation, a grant may only be awarded to a rural county
735 by the executive director after the following requirements have been met:

736 (a) the Office of Rural Development has scored and prioritized one or more grant
737 applications from rural counties in accordance with this part and rules made by the office as
738 described in Subsection (1);

739 (b) the results of the scoring and prioritization of one or more grant applications are
740 provided to the rural partnership board for the rural partnership board's review and
741 recommendations related to awarding grants under the grant program;

742 (c) the rural partnership board may reject an application for a grant if the rural
743 partnership board determines that the proposed use of the grant would lack positive economic
744 impact, is inconsistent with the state economic development strategy, or would negatively
745 impact municipalities within the rural county; and

746 (d) after the rural partnership board provides a positive recommendation for one or
747 more grant applications, the grant applications are provided for final approval to the Board of
748 Business and Economic Development.

749 Section 18. Section **63N-4-505** is enacted to read:

750 **63N-4-505. Indian tribes -- Application.**

751 (1) For purposes of this section:

752 (a) "Indian tribe" has the same meaning as defined in Subsection [9-9-402\(6\)](#).

753 (b) "Tribal applicant" means the governing authority of an Indian tribe that applies for
754 a grant in accordance with Subsection (2) and the grant program created in Section [63N-4-503](#).

755 (2) (a) An Indian tribe may apply for a grant under the grant program.

756 (b) A tribal applicant shall follow the application procedure for a rural county as
757 described in this part.

758 Section 19. Section **63N-4-506** is enacted to read:

759 **63N-4-506. Reporting.**

760 GOED shall include in the annual written report described in Section [63N-1-301](#), a
761 report describing:

762 (1) grant recipients and the amounts of grant money received by each grant recipient;

763 (2) an evaluation of the effectiveness of awarded grants in improving economic
764 development in rural counties receiving grants; and

765 (3) any recommendations to improve or modify the grant program.

766 Section 20. **Repealer.**

767 This bill repeals:

768 Section [59-7-614.11](#), **Nonrefundable nonprofit contribution tax credit.**

769 Section [59-10-1039](#), **Nonrefundable nonprofit contribution tax credit.**

770 Section [63N-2-213.5](#), **State tax credits for contributions to a nonprofit corporation.**
 771 Section [63N-2-301](#), **Title.**
 772 Section [63N-2-302](#), **Definitions.**
 773 Section [63N-2-303](#), **Duties of the office.**
 774 Section [63N-2-304](#), **Application for targeted business income tax credit.**
 775 Section [63N-2-305](#), **Targeted business income tax credit structure -- Revenue and**

776 **Taxation Interim Committee study.**

777 Section [63N-3-104](#), **Rural Fast Track Program -- Creation -- Funding --**
 778 **Qualifications for program participation -- Awards -- Reports.**

779 Section [63N-3-104.5](#), **Business Expansion and Retention Initiative -- Creation --**
 780 **Funding -- Qualifications for program participation -- Awards -- Reports.**

781 Section 21. **Appropriations.**

782 The following sums of money are appropriated for the fiscal year beginning July 1,
 783 2019, and ending June 30, 2020. These are additions to amounts previously appropriated for
 784 fiscal year 2020. Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures
 785 Act, the Legislature appropriates the following sums of money from the funds or accounts
 786 indicated for the use and support of the government of the state of Utah.

787 ITEM 1

788 To the Governor’s Office of Economic Development -- Rural County Economic
 789 Development Grant Program

790 <u>From General Fund</u>	<u>\$8,000,000</u>
791 <u>From General Fund, One-time</u>	<u>(\$6,000,000)</u>
792 <u>Schedule of Programs:</u>	
793 <u>Rural County Economic Development</u>	
794 <u>Grant Program</u>	<u>\$2,000,000</u>

795 Section 22. **Retrospective operation.**

796 The repeal of Sections [59-7-614.11](#), [59-10-1039](#), [63N-2-213.5](#), [63N-2-301](#), [63N-2-302](#),
 797 [63N-2-303](#), [63N-2-304](#), and [63N-2-305](#) in this bill have retrospective operation for a taxable
 798 year beginning on or after January 1, 2019.