

Sales and Use Tax General Information

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Introduction

This publication provides basic sales and use tax information. It includes Utah tax law and Tax Commission rules, but is not all-inclusive. Future law or rule changes may change this publication.

Utah Tax Code

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Starting a New Business

If you are starting a new business, see Publication 38, *Doing Business in Utah*, at tax.utah.gov/forms.

Buying a Business — Liability

Check the status of all taxes before you buy a business. Keep enough of the purchase money to cover any unpaid taxes until the former owner gives you a Tax Commission receipt showing that all taxes have been paid, or a certificate showing no taxes are due.

If taxes are still due 30 days after you purchase the business, you will be personally liable for the former owner's unpaid sales taxes. See Utah Code §59-12-112.

What is Sales and Use Tax?

Sales and use taxes are transaction taxes. This means the *transaction* is taxed, not the actual goods or services. The buyer is the actual taxpayer.

Sales and use taxes are trust fund taxes because the seller holds the tax in trust for Utah until paid to the Tax Commission. The funds may not be used for any other purpose.

Sales tax and use tax have the same exemptions and tax rates. Either sales tax or use tax applies to any transaction — not both.

Sales Tax

Sales tax is applied to retail sales and leases of tangible personal property, products transferred electronically, and certain services. The seller collects sales tax from the buyer and pays it to the Tax Commission monthly, quarterly or annually using form TC-62PC, *Sales Tax Payment Coupon*. See Utah Code §59-12-103 and Rules R865-12L, R865-19S and R865-21U.

Use Tax

Use tax is applied to purchases of tangible personal property, products transferred electronically, and certain services when sales tax is due but not collected by the seller. A buyer without a sales tax account pays use tax to the Tax Commission on form TC-40, *Individual Income Tax Return*. Examples of use tax due include:

- using items from resale inventories;
- buying goods or services tax-free for personal or business use (advertising supplies, office or shop equipment, computer hardware and software, office supplies, etc.); and
- buying products from unlicensed, out-of-state sellers.

Sales Tax License

Every seller with an established presence in Utah (see *Nexus Filers*, below) must have a *Utah Sales Tax License*. You can apply for a license online at tap.utah.gov (Tax Commission only) or osbr.utah.gov (multiple Utah agencies), or by submitting form TC-69, *Utah State Business and Tax Registration* (Tax Commission only). Sales tax licenses are not transferable.

Businesses that typically must register for a sales tax license include:

- retailers selling tangible goods, products transferred electronically or services

- wholesalers purchasing resale inventory
- manufacturers
- leasing companies
- consumers such as professional firms and construction contractors

Nexus Filers

Nexus means a business has established a ~~direct physical~~ or ~~representational economic~~ presence in Utah, or is related to a certain state-business with a physical presence in Utah.

You have a physical presence in Utah ~~nexus~~ if you:

1. have or use an office, distribution house, sales house, warehouse, service enterprise or other place of business in Utah;
2. maintain a stock of goods or inventory in Utah;
3. regularly solicit orders in Utah, even if the orders are not accepted in Utah;

~~—Exception: Your (unless your~~ Utah activity is only advertising or solicitation by mail, e-mail, the Internet, telephone ~~or similar means-etc.);~~

4. regularly deliver property in Utah other than by common carrier or U.S. mail; ~~or~~
5. regularly lease or service property located in Utah.

You have an economic presence in Utah if during the year or the prior year you:

1. have more than \$100,000 of sales in Utah; or
2. have more than 200 sales in Utah.

A seller also has nexus in Utah if:

1. a. the seller has more than 10 percent interest in a related seller, or
b. a related seller has more than 10 percent interest in the seller, or
c. a related seller wholly owns the seller; and
2. a. the seller sells the same or very similar line of products as the related seller under the same or a very similar business name, or
b. the related seller's place of business ~~of the related seller~~ or one of its in-state employees is used to advertise, promote or assist sales by the seller ~~to a buyer~~.

See Publication 37, *Business Activity and Nexus in Utah*.

Having Sellers with a physical presence, economic presence, or a related business in Utah ~~nexus requires a seller to must~~ collect and pay sales ~~taxes tax~~ and file returns. ~~If you have Utah nexus, you~~ You must file sales tax returns every period, even when you have no tax liability.

Non-Nexus Voluntary Sellers

Non-nexus sellers do not have to register or collect Utah sales ~~and use~~ tax. However, they may voluntarily register to collect Utah sales tax ~~voluntarily~~ at the combined sales tax rate for the delivery location.

~~Non-nexus sellers who register for the first time on or after Jan. 1, 2014 may keep 18 percent of the Utah sales tax they collect. To receive this discount, a seller must file electronically using the Tax Commission website or the Streamlined Sales and Use Tax Agreement's simplified electronic return (SER). Sellers that take the 18 percent seller discount may not take the 1.31 percent seller discount for filing monthly.~~

Note: ~~The 18 percent seller discount will expire for a non-nexus seller if Congress or the U.S. Supreme Court takes action that requires the seller to collect and pay state sales taxes.~~

When a ~~non-nexus~~ seller does not collect sales ~~and use~~ tax on taxable sales, the buyer must pay use tax on purchases brought into Utah for storage, use or consumption.

How to Add an Outlet

Notify the Tax Commission immediately if you add an outlet to an existing account. You can add an outlet at tap.utah.gov, or use form TC-69B, *Additional Business Location for a Sales Tax Account*.

How to Close an Outlet

Notify the Tax Commission immediately if you close a Utah outlet. You can close an outlet at **tap.utah.gov**, or use form TC-69C, *Notice of Change for a Tax Account*. The closed outlet will no longer appear on your pre-printed sales tax return.

How to Close a Sales Tax Account

Notify the Tax Commission immediately if you stop doing business in Utah (see Rule R865-19S-25). Use form TC-69C, *Notice of Change for a Tax Account*.

If you need help closing your account, call Taxpayer Services at 801-297-2200 or 1-800-662-4335 ext. 2200.

If you do not inform the Tax Commission that you closed your business, we may assess an estimated tax, including late penalties and interest.

Definitions (Utah Code §59-12-102)

Delivery Charges

Charges for preparation and delivery to a location chosen by a buyer of tangible personal property, products transferred electronically or services. Delivery charges include (but are not limited to): transportation, shipping, postage, handling, crating and packing.

Purchase price and sales price of tangible personal property do not include delivery charges if stated separately. The delivery charge does not include the cost of transportation to the seller (typically called “freight-in”).

Fabrication Charges

Charges to fabricate tangible personal property. Fabrication charges are taxable and must be included in the sale price before tax is calculated.

See Tax Commission Rule R865-19S-51

Grocery Food

Substances sold for ingestion or chewing by humans for taste or nutrition. Grocery food does not include alcoholic beverages, tobacco or prepared food.

Grocery food includes items sold without eating utensils by a food maker (other than a bakery and tortilla maker), items sold singly and unheated by weight or volume, and bakery items (bagel, bar, biscuit, bread, bun, cake, cookie, croissant, danish, donut, muffin, pastry, pie, roll, tart, torte or tortilla). A container or packaging used to transport food is not considered an eating utensil provided by the seller.

Note: The term “grocery food” used in Tax Commission forms and publications means “food and food ingredients” as defined by Utah Code §59-12-102.

See also the *Prepared Food* definition below.

Installation Charges

Charges for permanently installing tangible personal property to real property.

Purchase price and sales price of tangible personal property do not include an installation charge if stated separately.

Installation charges do not include labor charges for repair, renovation, manufacturing or fabrication. Real property sales are nontaxable. When tangible personal property or products transferred electronically become part of the underlying realty upon installation, the purchase and install transaction is considered a real property transaction. The contractor is the final consumer and must pay sales and use tax on the purchase of materials converted to real property.

Prepared Food

1. Food sold in a heated state or heated by a seller.
2. Two or more food ingredients mixed or combined by a seller for a single sale.
3. Food sold with an eating utensil provided by the seller (plate, knife, fork, spoon, glass, cup, napkin, straw, etc.).

Prepared food **does not include**:

- food that a seller only cuts, repackages or pasteurizes; or
- raw eggs, raw fish, raw meat or raw poultry, or a food containing these items if the Food and Drug Administration advises buyers to cook the items to prevent food borne illness.

Products Transferred Electronically

Audio, video and data that are not delivered on physical storage media (CD, DVD, diskette, tape, etc.).

Examples include:

- Music

- Reading material
- Ring tones
- Movies

Purchase Price and Sales Price

The total value for which tangible personal property, products transferred electronically or services are sold, leased or rented. Purchase price and sales price include:

- the seller's cost of the tangible personal property, products transferred electronically or services;
- the seller's expenses, including:
 - the cost of materials,
 - labor cost,
 - service cost,
 - interest,
 - a loss,
 - the cost of transportation to the seller, and
 - tax (including federal excise tax) imposed on the seller; and
- charges by the seller for any service necessary to complete the sale.

Purchase price and sales price do not include:

- delivery charges;
- installation charges;
- cash discounts or discount terms offered to buyers;
- coupons that are not reimbursed by a third party; or
- the following, if separately stated on an invoice, bill of sale or similar document given to the buyer:
 - a. the amount of a trade-in;
 - b. interest, financing and carrying charges for credit extended on the sale of tangible personal property, products transferred electronically or services; and
 - c. a tax or fee legally imposed directly on the buyer.

Real Property

Any right, title, estate or interest in land, including all structures on the land.

Real property includes construction materials that lose their separate identity as personal property once incorporated into the real property. These include lumber, bricks, nails and cement used to build structures on the land, as well as fixtures such as furnaces and built-in air conditioning systems.

Repair Charges

Charges for labor and parts to repair, renovate or clean tangible personal property or to repair products transferred electronically. Repairs or renovations of tangible personal property do not include installing or removing prewritten computer software.

Repair charges for parts are subject to sales tax unless the part is exempt under Utah Code §59-12-104. Repair charges for labor are subject to sales tax unless the personal property being repaired is exempt under §59-12-104. The determination of whether repair labor is exempt from sales tax is based on the personal property being repaired, not on whether the parts used in the repair are exempt.

For charges to repair, renovate or clean real property or tangible personal property permanently attached to real property, see Publication 42.

Restaurant

A retail establishment whose business is the sale of food and beverages for immediate consumption. The definition of *restaurant* does not include theaters, but does include dinner theaters. See Utah Code §59-12-602.

Exception: In counties that impose the tourism tax, it does not apply to food sales from deli areas, pizza take-out counters or salad bars within a grocery store or convenience store whose primary business is the sale of food or food not prepared for immediate consumption. These sales are exempt from the tourism tax even if the store has seats or stools for customers. However, if a grocery or convenience store has a full-service restaurant, the tourism tax is due on sales in that restaurant.

Tangible Personal Property

Property that can be seen, weighed, measured, felt or touched, or is perceptible to the senses in any manner. Tangible personal property includes electricity, water, gas, steam and prewritten software.

Tangible Personal Property Permanently Attached to Real Property

A special classification of tangible personal property.

Tangible personal property is considered permanently attached to real property if:

1. the attachment is essential to use the tangible personal property, and
2. the tangible personal property will remain attached over its useful life.

This includes an accessory attached to tangible personal property, if it is needed to operate the tangible personal property and is attached solely for that purpose.

The classification is further supported if removal would largely damage either the tangible personal property or the real property.

The permanently attached tangible personal property keeps its classification even if it is temporarily detached for onsite repair or renovation.

The permanently-attached classification does not include:

1. movable tangible personal property attached for convenience, stability, or for an obviously temporary purpose;
2. tangible personal property that is detached for offsite repair or renovation; or
3. a dishwasher, refrigerator, freezer, microwave, stove, washer, dryer or similar appliance.

Transient Room

Accommodations in hotels, motels, inns, trailer courts, campgrounds, tourist homes and similar stays of less than 30 consecutive days. *Transient room* does not include meeting rooms.

Sales-based Tax Rates and Types

Tax rates vary from one community to another, depending on the taxes each community imposes. Find tax rates online at tax.utah.gov/sales/rates.

Determining Tax Rate (Point-of-Sale Sourcing)

Sourcing means assigning a sale to a taxing jurisdiction to determine the sales tax rate. Sales are sourced by transaction type.

Chart 1: General Sourcing Rules

Transaction Type

Source to:

Exceptions

Retail sale of tangible personal property in Utah (including vending machine operators and sellers who sell from mobile inventory)*

Seller's fixed place of business (whether or not the goods or services are delivered)

Location where inventory is warehoused for vending machine operators and sellers who sell from mobile inventory

Sales at special events (fairs, swap meets, races, etc.) are sourced to the event location.

Retail sale of taxable services in Utah when seller also sells tangible personal property*

**Seller's fixed place of business OR customer's location
(seller's preference)**

If the seller sells tangible personal property on the same invoice as the service, the transaction must be sourced to the seller's fixed place of business.

Sales at special events (fairs, swap meets, etc.) are sourced to the event location.

Retail sale of taxable services in Utah when seller does not sell any tangible personal property*

Customer's location

Retail sale of tangible personal property or taxable services from outside Utah*

Buyer's location (the place the buyer receives the service or property)

Retail sale of admissions

Location of activity or event (regardless of ticket purchase location)

Retail sale of prewritten computer software where there is no transfer of a copy of the software to the buyer

See Publication 64

Lease or rental of tangible personal property* (other than motor vehicles, semi-trailers, trailers 10,000 pounds or less, and aircraft)

Location the customer receives the goods or services for down payment and first payment

Location of the item for subsequent payments

If there are no recurring payments:

- source to the location the customer receives the goods or services.
- source to the customer's location if shipped from outside the state to a Utah customer.

Lease or rental of motor vehicles, semitrailers, trailers 10,000 pounds or less, and aircraft

Customer's location (address) for all payments, including down and first payments

If there are no recurring payments, source to the seller's fixed place of business.

*Including products transferred electronically.

See Utah Code §§59-12-211, 59-12-212, 59-12-213 and 59-12-214.

Tax Rate Changes

Tax rates and jurisdictional boundaries can change quarterly. The Tax Commission posts these changes 60 days before the effective date. Check tax rates regularly at tax.utah.gov/sales/rates.

Rate Changes During Billing Cycles

When the sales tax rate changes during a billing cycle, it is applied differently depending on whether the rate increases or decreases:

- If the tax rate **increases**, the new rate applies to the **first billing period** starting on or after the effective date.
- If the tax rate **decreases**, the new rate applies to the **first billing statement payment** rendered (sent) on or after the effective date.

Example 1: Rate INCREASE

Payments for a 36-month vehicle lease are due on the 15th day of each month. After the lease went into effect, the sales tax rate **increased**, effective October 1. The October 15 payment is for the **billing period** beginning September 16, which was before the new rate went into effect. The October 15 payment is taxed at the old (lower) rate, even though the payment is made after the new rate went into effect. The November 15 payment will be for the period beginning October 16 and will be taxed at the new (higher) rate.

Example 2: Rate DECREASE

Using Example 1 above, instead of an increase there was a tax rate **decrease** effective October 1. The billing statement for the October 15 payment is sent on September 16. Although the payment is due October 15, it is taxed at the old (higher) rate because the **billing statement** was sent before the new (lower) rate went into effect. All future bills will be taxed at the new rate.

Combined Sales Tax Rate

The taxes listed in Chart 2 are included in the combined sales tax rate and are filed on the sales tax return (TC-62S or TC-62M). The combined sales tax rate is applied to all taxable transactions, except as noted in the chart.

Chart 2: Taxes in the Combined Rate

Tax

Imposed By

Rate

Exemptions

State Sales and Use

State

4.70%

The state sales tax rate for grocery food is 1.75 percent. These transactions are also subject to local option and county option and results in a total combined rate on grocery food of 3 percent throughout Utah.

The state sales tax rate for residential fuel is 2 percent which results in a combined rate 2.7 percent less throughout Utah.

Local Option

County, city or town

1.00%

None

County Option

County

0.25%

None

Resort Communities

City or town

Up to 1.60%

Grocery food sales. Sales of motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes are exempt from resort communities tax, but are subject to the remaining portion of sales and use tax. This exemption does not apply to trailers, off-highway vehicles, snowmobiles, truck-mounted campers, etc.

Rural Health Care	County, city or town	Up to 1.00%	Grocery food sales
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Public Transit

County, city or town

Up to 0.30%

Grocery food sales

Public Transit, Airport Facility or State Highway Projects

County, city or town

0.25%

Grocery food sales

Highways

City or town	Up to 0.30%
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Grocery food sales

Recreational Facilities and Botanical, Cultural and Zoological Organizations

County, city or town

0.10%

Grocery food sales

Town Option

Town		
Up to 1.00%		
Grocery food sales		
City or Town Option	City or town	Up to .20%
Grocery food sales		
Mass Transit Fixed Guideway		
County		
Up to 0.30%		
Grocery food sales		
County Option Transportation		
County		
Up to 0.25%		
Grocery food sales		
State Correctional Facility Sales and Use Tax		
City or town		
Up to 0.50%		
Grocery food sales. Sales of motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes are exempt from the state correctional facility tax. This exemption does not apply to trailers, off-highway vehicles, snowmobiles, truck-mounted campers, etc.		
Supplemental State Sales and Use		
State		
Up to 0.05%		
Grocery food sales		
County of the Second Class Airport, Highway and Public Transit		
County, city or town		
Up to 0.25%		
Grocery food sales		
County Option Highways and Public Transit		
County		
0.25%		
Grocery food sales		

Related Taxes and Fees

The following sales-related taxes and fees are filed on separate returns or electronically:

Chart 3: Related Taxes and Fees

Tax
Imposed By
Rate
Applies To
Discount
Reported On
State Transient Room
State
0.32%

Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days

6%

TC-62T

County Transient Room

County

Up to 4.25%

Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days

None

TC-62T

Municipal Transient Room

City or town

Up to 1.5%

Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days

Cities and towns that meet certain requirements may impose an additional transient room tax

None

TC-62T

Tourism Transient Room

Salt Lake County

Up to 0.5%

Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days

None

TC-62T

Motor Vehicle Rental

State

2.50%

Short-term leases and rentals (less than 30 days) of motor vehicles, unless the vehicle:

- temporarily replaces a motor vehicle being repaired under a repair or insurance agreement,
- is registered for a gross laden weight of 12,001 or more pounds, or
- is a moving van for personal household goods

None

TC-62L

Short-term Leasing

County

Up to 7.0%

Short-term leases and rentals (less than 30 days) of motor vehicles, unless the vehicle:

- temporarily replaces a motor vehicle being repaired under a repair or insurance agreement,
- is registered for a gross laden weight of 12,001 or more pounds, or
- is a moving van for personal household goods

1%

TC-62L

Restaurant

County

Up to 1.0%

Food, food ingredients and prepared food sold by a restaurant

None

TC-62F

**911 Emergency
Services Charge**

State

\$0.71 per access line

Local exchange service switched access line, radio communication access line, voice-over-Internet-protocol (VoIP)

1.5%

Electronically

Radio Network Charge to fund the public safety communications network

State

\$0.18 per access line

Local exchange service switched access line, radio communication access line, voice-over-Internet-protocol (VoIP)

None

Electronically

Unified statewide 911 Emergency Service Charge

State

\$0.09 per access line

Local exchange service switched access line, radio communication access line, voice-over-Internet-protocol (VoIP)

1.5%

Electronically

Municipal Telecom License Tax

City or town

Up to 3.5%

Charges for telecommunications services

None

Electronically

Municipal Energy Sales and Use Tax

City or town

Up to 6.0%

Sales of natural gas and electricity

1%

TC-62E

Prepaid Disposable Phones and Prepaid Disp. Phone Minutes

State

2.45% of transaction amount

Sales of prepaid disposable cell phones and disposable cell phone minutes.

3%

TC-62W

Waste Tire Fee

State

\$1.00 per tire

Sales of new tires with a rim size up to 24½ inches. Sales tax exemptions do not apply to the fee.

The fee does not apply to used tires, bicycle tires, tires attached to human-propelled devices, or tires sold and delivered out of Utah.

2.50%

TC-62W

Other Information

The following miscellaneous taxes and fees may also apply to certain sellers. Contact the Tax Commission for more information.

- Motor fuel, aviation fuel, and special fuel taxes
- Lubricating oil fee
- Beer, cigarette and tobacco products taxes
- Royalty payment on unprocessed brine shrimp eggs
- Multi-channel audio and video tax
- Sexually explicit business and escort service tax

Sales and Use Tax Exemptions

Utah law provides some exemptions from sales and use tax. See Utah Code §59-12-104 for more information.

Exemption Certificates

When an exemption certificate is required, the buyer must provide the seller with the exemption information in one of two ways:

1. **On a paper exemption certificate:** form TC-721, *Exemption Certificate*; or form TC-721G, *Exemption Certificate for Governments & Schools*.

A buyer needs to provide a signature when using a paper certificate.

2. **Electronically**

If the exemption information is provided electronically, all the information required on the paper form must be included.

A seller can accept exemption certificates at face value. A seller is not liable for improper exemptions unless the seller takes part in claiming a fraudulent exemption.

Sellers must keep exemption certificates in their records as documentation. A seller may use a certificate on file for its customers' future purchases. A buyer must notify the seller if a certificate on file is cancelled, modified or limited.

Types of Exemptions

There are three types of sales tax exemptions, based on:

1. **Entity** (exemption certificate required for sales to an exempt entity)
2. **Use** (exemption certificate required)
3. **Product** (exemption certificate not required)

Entity-Based Exemptions

An entity-based exemption is determined by who buys or sells the product.

Some common exemptions are:

- Sales to a public transit district or a subcontractor of a public transit district, if the tangible personal property is clearly identified and installed or converted to real property owned by the public transit district.
- Sales to United States government agencies.
- Sales to entities exempt from state taxes by federal law.
- Sales to Utah state and local government agencies (see Publication 56 for lodging-related sales).
- Sales of construction materials to most Utah government agencies — only if installed by the agencies' employees.

Construction materials bought by or for public elementary and secondary schools are exempt from sales tax. The construction materials must be clearly identified and segregated, and they must be installed or converted to real property owned by the school. See Rule R865-19S-23.

To qualify for this exemption, the purchase must be made with the government agency's funds. A purchase does not qualify for this exemption if a government employee makes the purchase with personal funds, even if the government agency reimburses the employee.

- Sales to U.S. government employees traveling on official business, if they present one of the following:
 - a complete and signed form TC-721G, *Exemption Certificate for Governments, Foreign Diplomats & Schools*;
 - a check from the government agency;
 - a purchase order; or
 - a voucher.

Sellers must keep proof that the purchase qualifies for the exemption, such as a copy of the government check, purchase order, voucher or signed form TC-721G.

- Sales made to or by:
 - a local agency on aging;
 - a senior citizen center owned by a county, city or town; and
 - a senior citizen center that contracts with a local agency on aging.
- Purchases by certain enrolled members of Native American tribes (including the tribe itself), if:
 - the member has a tribal card showing a Federal Bureau Number;
 - the purchased item is delivered to the enrolled tribal member's own reservation (in the case of the Ute Indian Tribe, the item must be purchased on or delivered to tribal trust lands within the Uintah and Ouray reservations); and
 - in the case of sales to the tribe itself, the buyer must present a purchase order, exemption certificate, or similar evidence of tribal identity.

Sales made off the reservation to enrolled members of the tribe are taxable. They are exempt from tax only if the seller (or a licensed common carrier) delivers the purchased item(s) to the reservation.

- Sales to foreign diplomats. The U.S. State Department and the American Institute in Taiwan grant a tax exemption to eligible foreign officials assigned to the United States. Tax exempt foreign officials and government offices are issued a Tax Exemption Card, valid nationwide. The card lists the person's name, photograph, mission employed by, expiration date and identification number.

The exemption cards are used at point-of-sale for exemption from state and local sales, restaurant and lodging/occupancy taxes. These cards DO NOT exempt taxes on utilities, gasoline or vehicle purchases (see Publication 5 for more information about vehicle purchases and Publication 66 for more information about gasoline purchases). The type of exemption is shown by an eagle, owl, deer or buffalo on the bottom corner of the card. The items exempted are listed on the back of the card.

Sellers must keep a copy of the card or a valid exemption certificate as proof of the exempt sale.

For more information on the Tax Exemption Program, see the Office of Foreign Missions (OFM) web site, state.gov/ofm/tax, or contact the OFM San Francisco regional office at 415-744-2910.

- Sales of feed, seed, baling ties, etc. to commercial farms.
- Sales of tangible personal property and products transferred electronically for primary use in farming operations. Also, charges for labor, parts and supplies to repair and maintain off-road agricultural machinery.
- Sales of electricity and fuel for industrial use as defined in Utah Code §59-12-102.
- Sale or lease of semiconductor fabricating, processing, research or development materials.
- Sales relating to schools and fundraising (see Publication 35).
- Sales to religious or charitable institutions.
 - If the purchase is \$1,000 or more, the buyer takes the exemption at the point of sale.
 - If the purchase is less than \$1,000, the buyer claims the exemption by submitting form TC-62N, *Utah Sales Tax Refund Request*, to the Tax Commission.
 - If a public utility makes the sale to a religious or charitable institution, the exemption must be taken at the point of sale.
 - If a contract exists between the seller and the religious or charitable institution, the buyer may take the exemption at the point of sale regardless of the dollar amount of the sale.

To be eligible for the exemption, the organization must be exempt under IRC Section 501(c)(3) and have a sales tax exemption number from the Tax Commission. Submit form TC-160 to get a tax exemption number.

- Sales of construction materials to a religious or charitable institution, or to a contractor buying for a religious or charitable institution.
- Sales of aircraft, boat and river-running tours.

- Amounts paid for aircraft tours are exempt if the craft enters a federal airway (designated by the Federal Aviation Administration) during the tour.
- Amounts paid for boat tours, scenic cruises, and similar services are exempt from tax if the waters of the tour or cruise are used as highways for interstate commerce.

For more information, see Rule R865-19S-113.

- Sales of grocery food, prepared food or alcoholic beverages by a church or a charitable institution, if the items are not available to the general public.
- Sales of grocery food, prepared food or alcoholic beverages by a higher education institution, if the items are not available to the general public and are prepaid as part of a student meal plan offered by the institution.
- Sales of grocery food, prepared food or alcoholic beverages provided at a medical or nursing facility for inpatient meals. See Rule R865-19S-61.
- Sales to or by a Utah aircraft maintenance, repair and overhaul provider to maintain, repair, overhaul or refurbish a fixed-wing turbine-powered aircraft that is not registered in Utah.

Use-Based Exemptions

A use-based exemption is determined by the buyer's use of the product.

The following are exempt:

- Sales of certain vehicles for exclusive use outside of Utah.
- Products purchased for resale in the regular course of business, either in their original forms or as ingredients or components of a manufactured or compounded product.
- Sales for resale or lease. The lease of tangible personal property and products transferred electronically is also exempt if it meets all of the following conditions:
 - the property is part of a sale-leaseback transaction,
 - sales or use tax was paid on the initial purchase of the property, and
 - the leased property will be capitalized and the lease payments will be accounted for as payments made under a financing arrangement.
- Purchases of tangible personal property and products transferred electronically when sales and use tax is paid to another state, unless the other state's tax rate is lower than Utah's rate. When the tax rate is lower than Utah's rate, the buyer must pay the difference. No adjustment or credit is allowed if the other state's tax rate is greater than Utah's rate.
- Purchases or leases of machinery, equipment ~~and~~ repair or replacement parts ~~with an economic life of three or more years that are materials (except office equipment and supplies) used in a cogeneration facility (see Utah Code §54-2-1), or consumed:~~
 - by a qualified manufacturer manufacturing facility or scrap recycler (see Standard Industrial Classification Manual (SIC) classification 2000-3999 or North American Industrial Classification System (NAICS) codes within sector 31-33) to produce an item sold as tangible personal property.
- ~~Purchases or leases of machinery, equipment and repair or replacement parts that are~~ • used in a Utah facility described in NAICS code 336111, Automobile Manufacturing:
 - ~~Purchases or leases of machinery, equipment or parts with an economic life of three or more years that are used in a mining production process or in research and development, by a business described in NAICS 212, Mining (except Oil and Gas) or NAICS 213113, Support Activities for Coal Mining.~~
- ~~Purchases or leases of machinery, equipment and normal operating repair or replacement parts with an economic life of less than three years used in a Utah facility described in NAICS code 325120, Industrial Gas Manufacturing, for the manufacturing of hydrogen.~~
- ~~Purchases or leases of machinery, equipment, normal operating repair or replacement parts, catalysts, chemicals, reagents, solutions and supplies used in a Utah refinery to produce gasoline, diesel fuel, or their blendstocks or for other activities described in Utah Code §59-12-104(89).~~
- ~~Purchases or leases of machinery, equipment, materials and repair or replacement parts, and materials that are used or consumed exclusively in the manufacturing process of a Utah drilling equipment manufacturing facility.~~
- ~~Purchases or leases of machinery, equipment and repair or replacement parts with an economic life of three or more years used to operate a new or expanding web search portal in Utah. Web search portal is described in 2002 NAICS 518112.~~
 - by a qualified web search portal facility or medical laboratory for the operation of the establishment.

- Purchases or leases of machinery, equipment and normal operating repair or replacement parts, with an economic life of three or more years, used in Utah to perform qualified research.
- Purchases of construction materials used to construct a new or expanding life science research and development facility in Utah. The facility must be owned, leased or rented by a life science establishment, and research and development must take place in at least 51 percent of the total area of the facility. The construction materials must be clearly identified, segregated and installed or converted to real property. Life science establishments are described in NAICS 33911, 334510 and 334517.
- Charges for labor to repair or renovate tangible personal property or products transferred electronically, if the personal property being repaired is exempt under Utah Code §59-12-104.
- Sales of parts used in the repair or renovation of the following exempt tangible personal property:
 - tools or equipment used exclusively under an aerospace or electronics industry contract with the United States government;
 - tangible personal property and products transferred electronically used or consumed primarily and directly in farming operations;
 - snow-making equipment, ski slope grooming equipment, and passenger ropeways;
- Sales of non-returnable containers, labels, bags, shipping cases and casing to a manufacturer, processor, wholesaler or retailer for use in packaging tangible personal property for resale.
- Purchases of lists or databases used to address direct mail.
- Purchases or leases by a telephone service provider of equipment, machinery or software that have a useful economic life of one or more years and are used for the following telecommunication purposes:
 - enabling or facilitating,
 - 911 service,
 - maintenance or repair,
 - switching or routing, or
 - transmission.
- Purchases of property from another state that is brought into Utah, only if the property is:
 1. used for business,
 2. first used outside Utah,
 3. not a vehicle, and
 4. not rented or leased.
- Purchases of certain consumable items by short-term lodging providers, only if the items are:
 1. used by guests,
 2. included in the full sales price of the lodging, and
 3. not listed separately on the invoice.

See Publication 56.
- Purchases or leases of items used to create prepared food, only if:
 1. the ownership of both the seller and the buyer are the same, and
 2. either the seller or the buyer paid Utah sales tax prior to making the sale.
- Purchases of machinery and equipment by amusement, gambling and recreation industries (NAICS Subsector 713), only if:
 1. the machinery or equipment has an economic life of three or more years,
 2. the machinery or equipment will be used by payers of admissions or user fees, and
 3. at least 51 percent of the buyer's sales revenue for the previous calendar quarter came from admissions or user fees.
- Purchases of machinery and equipment, or normal operating repair or replacement parts, only if the machinery:
 1. is used by an electronic financial payment service (NAICS Code 522320), and
 2. has an economic life of three or more years.

Product-Based Exemptions

A product-based exemption is determined by the type of product. An exemption certificate is not required.

The following are exempt:

- Isolated or occasional sales, if the sale is made by a person who does not typically sell that type of product. This exemption does not apply to sales of products for resale or to the sale of a vehicle or vessel that must be titled or registered in Utah.
- Purchases of prescription drugs. A drug is defined as a compound, substance or preparation that is used to diagnose, cure, mitigate, treat or prevent disease, or to affect the structure or function of the human body. Food, dietary supplements, alcoholic beverages and prosthetic devices are not considered drugs. Sales of drugs are exempt from sales and use tax only if the buyer presents a prescription.
- Sales or rentals of durable medical equipment, including replacement and repair parts. Sales or rentals of durable medical equipment are exempt from sales and use tax only if the buyer presents a prescription for the equipment.
- Sales or rentals of mobility-enhancing equipment to help a person with limited mobility move from one place to another. Sales or rentals of mobility-enhancing equipment are exempt from sales and use tax only if the buyer presents a prescription for the equipment.
- Sales of prosthetic devices, including repair and replacement parts. Eyeglasses and contact lenses are not prosthetic devices. Sales or rentals of prosthetic devices are exempt from sales and use tax only if a prescription is required for the device or it is purchased by a hospital or medical facility.
- Sales of disposable home medical equipment or supplies that cannot withstand repeated use. Sales of disposable home medical equipment or supplies are exempt from sales and use tax only if the buyer presents a prescription for the equipment or supplies. The equipment and supplies must be eligible for payment under Title XVIII, federal Social Security Act or the state plan for medical assistance under Title XIX, federal Social Security Act.
- Forty-five percent of the sales price of a new manufactured home, and 100 percent of the sales price of a used manufactured home.
- Fees for unassisted amusement devices, such as arcade games.
- Sales of unassisted carwashes, and unassisted dry cleaning and laundry services.
- Interstate sales delivered by common carrier or by the seller to a place outside Utah. The licensed seller or retailer must keep a copy of the bill of lading, freight bill, form TC-757 or other proof of out-of-Utah delivery. If the property is delivered within Utah to a buyer, the tax applies, even if the buyer takes the property out of Utah. See Rule R865-19S-44.
- Sales of motor fuels and special fuels subject to Utah fuel excise tax.
- Sales of hay.
- Exclusive sale of seedling plants, or garden, farm or other agricultural produce, if sold during the harvest season by the producer, an employee of the producer, or by a member of the producer's immediate family. If the producer sells any other product, tax is due on all sales.
- Sales of telephone service charged to a prepaid telephone calling card.
- Sales of newspapers or newspaper subscriptions.
- Sales of water in a pipe, conduit, ditch or reservoir.
- Room and trailer space rentals for 30 consecutive days or more.
- Sales of currency or coinage that is legal tender of the United States or of a foreign nation.
- Sales of an ingot, bar, medallion or decorative coin containing at least 50 percent gold, silver or platinum that is not legal tender of any nation.
- Admissions to higher education athletic events.
- Sales of textbooks, if:
 1. the textbook is required for a higher education course,
 2. the seller is not a bookstore owned by an institution of higher education,
 3. the buyer is enrolled in a course offered by an institution of higher education, and
 4. at least 51 percent of the seller's sales for the previous calendar quarter are sales of textbooks for a higher education course.

A Utah institution of higher education means: Dixie State University, Salt Lake Community College, Snow College, Southern Utah University, University of Utah, Utah System of Technical Colleges, Utah State University, Utah Valley University, Utah State University Eastern, Weber State University.

Sellers must keep records to verify these conditions for each sale. Additionally, a seller's records must include exemption certificates (TC-721) showing the buyer is enrolled in courses offered by an institution of higher education.

- Sales of fuel cells (see Utah Code §54-15-102).

- Charges for database access if the primary purpose is to access information from the database. The exemption does not include purchases of digital audioworks, digital audio-visual works or digital books.

Calculating Sales Tax

Taxable Transactions

Sales and leases of tangible personal property, products transferred electronically, and certain services are taxable to the final consumer. The following transactions are taxable unless an exemption applies:

- Retail sales or purchases of tangible personal property and products transferred electronically within Utah.
- The storage, use or consumption in Utah of tangible personal property and products transferred electronically.
- Rentals and leases of tangible personal property and products transferred electronically, if:
 - the location of the product is in Utah;
 - the lessee took possession of the product in Utah; or
 - the product is stored, used or otherwise consumed in Utah.
- Labor to repair, renovate and clean tangible personal property and products transferred electronically. This includes maintenance agreements.
- Labor to repair, upgrade or maintain products transferred electronically. This includes maintenance agreements.
- Laundry and dry cleaning services when the labor is not performed by the buyer.
- Admission or user fees for theaters, movies, operas, museums, planetariums, shows, exhibitions, concerts, carnivals, amusement parks, amusement rides, circuses, menageries, fairs, races, contests, sporting events, dances, boxing matches, wrestling matches, closed circuit television broadcasts, billiard parlors, pool parlors, bowling lanes, golf, miniature golf, golf driving ranges, batting cages, skating rinks, ski lifts, ski runs, ski trails, snowmobile trails, tennis courts, swimming pools, water slides, jeep tours, horseback rides, sports activities, or any other amusement, entertainment, recreation, exhibition, cultural, or athletic activity. User fees include access charges for videos, video games, television programs and cable or satellite broadcasts, if that access occurs anywhere other than the buyer's home.
- Use of assisted amusement devices when the device or ride is not operated by the buyer.
- Assisted cleaning or washing of tangible personal property if the cleaning or washing labor is not performed by the buyer.
- Stays at tourist homes, hotels, motels, campgrounds, trailer courts and similar accommodations usually rented for less than 30 consecutive days.
- In-state telecom services.
- Meals (prepared food) at restaurants or other eating places.
- Sales for commercial use of gas, electricity, heat, coal, fuel-oil or other fuels. (Sales of these items for industrial use may qualify for an entity-based exemption.)
- Sales for residential use of gas, electricity, heat, coal, fuel-oil or other fuels. These products are taxed at the state rate of 2 percent plus any applicable local and/or public transit tax.
- Sales of grocery food. Taxed statewide at the rate of 3 percent. (Sales of prepared food are taxed at the full combined rate.)
- Sales of prepaid telephone calling cards, including vending machine sales of prepaid telephone calling cards, if the card can be used for in-state calls.
- Sales of memberships that entitle the buyer to discounted or free merchandise or services that are subject to sales tax. For example:
 1. Memberships that let card holders enter a warehouse and buy merchandise free of additional markup.
 2. Video memberships that let members rent videos at a reduced price.

All purchases made with these membership cards are subject to sales tax at the time of purchase unless an exemption applies.
- Sales of products transferred electronically, if a physical copy of the product would be taxable. For example, the purchase of a music CD is taxable, so downloaded music is also taxable. For more information, see the *Additional Information* section.

Taxes and Fees Imposed on the Seller

Municipalities may impose and collect a license fee or tax, other than taxes imposed under the *Utah Sales and Use Tax Act*, as allowed by law. You must include city-imposed taxes (other than taxes imposed under the *Utah Sales and Use Tax Act*) in the taxable sales you report on your *Utah Sales and Use Tax Return*.

Example: A seller makes a \$100 sale in a city that has imposed a 2 percent gross receipts tax on revenues. City and state taxes are calculated as follows:

Taxable sales	\$100.00
City-imposed tax @ 2%	2.00
Amount subject to state and local taxes	\$102.00
Combined sales tax rate @ 6.125%	x.06125
State and local sales taxes paid to the state	\$6.25
Transaction total (cost of item plus taxes)	\$108.25

Payments by Gold or Silver Coin

If you agree to accept gold or silver coin in payment for a purchase, you must state in your books and records and on any invoice all of the following:

1. The purchase price of the item in gold or silver coin and in dollars.
2. The amount of sales tax due in gold or silver coin and in dollars.
3. The tax rate that applies to the purchase.
4. The date of the purchase.

You must use the most current London fixing price for the type of coin used to determine the tax due in dollars.

Filing and Reporting Requirements

Accounting Methods

Sellers must use accrual basis accounting to report sales and use tax (see exceptions below). Report all sales and use tax on goods sold and consumed during a filing period on the return for that filing period (see Filing Frequency).

You may only use cash basis reporting if one of the following circumstances applies:

- a sale includes delivery or installation of tangible personal property at a location OTHER than the seller's place of business (the seller must state the delivery or installation on the invoice), or
- a buyer who converts tangible personal property into real property chooses to report use tax on a cash basis — only if the buyer is not required to pay use tax on a monthly basis.

Returns

Every sales and use tax account must file a *Sales and Use Tax Return* for each filing period. Depending on the nature of your business, your return is either form TC-62S or form TC-62M. If you file TC-62M, you must also file schedules with your return (see *Forms and Schedules*, below).

If you are liable for sales-related taxes (transient room, restaurant, motor vehicle rental, waste tire, etc.), you must file a separate return for each separate type of tax or fee.

Only file once for each filing period.

Returns are due the last day of the month following each filing period. When a due date falls on a weekend or legal holiday, the return is due the next business day.

Paper Returns

The Tax Commission mails personalized returns to every seller (unless a seller asks not to receive paper returns). However, you must file returns and pay taxes by the due date, even if you don't receive a return. Get blank forms and schedules online at tax.utah.gov/forms.

Online Sales Tax Return

You may file your *Sales and Use Tax Returns* and schedules online at tap.utah.gov.

Filing Frequency

Your filing frequency depends on your yearly sales tax liability:

- If your sales tax liability is less than \$1,000 per year, you may file annually.
- If your sales tax liability is between \$1,000 and \$50,000 per year, you may file quarterly.

- If your sales tax liability is \$50,000 or more, you must file monthly.

The Tax Commission will set your filing frequency and notify you if it changes.

You will file the following at the same time you file your sales tax return:

- Municipal energy sales and use tax
- Municipal telecom license tax
- Lubricating oil recycling fee
- Waste tire recycling fee
- Multi-channel video and audio service tax
- 911 emergency services charge
- Radio network charge to fund the public safety communications network
- Unified statewide 911 emergency service charge
- Disposable cell phone fee

Forms and Schedules

What to File

TC-62S, Sales and Use Tax Return, Single Place of Business — For sellers with one fixed Utah location. TC-62S filers do not need to file schedules.

TC-62M, Sales and Use Tax Return, Multiple Places of Business — For all other sellers, including those with multiple Utah business locations, no Utah location, or no fixed place of business. Sellers file TC-62M if they need to report:

- vending machine sales with multiple inventory locations,
- sales in Utah from a non-fixed place of business,
- sales exempt from the resort tax in a resort community,
- sales exempt from the state correctional facility tax in Salt Lake City,
- sales of tangible personal property or products transferred electronically that are sent into Utah by sellers with outside of Utah ~~nexus~~.

TC-62M filers must also file one or more of the following schedules:

- **Schedule A**, for sales of non-food and prepared food from multiple fixed Utah business locations, based on the seller's location.
- **Schedule AG**, for sales of grocery food from multiple fixed Utah business locations, based on the seller's location.
- **Schedule J**, for sales of non-food and prepared food reported based on the customer's location, or consumption of products shipped to customers in Utah, or tangible personal property or products transferred electronically at a location other than a fixed place of business.
- **Schedule JG** for sales of grocery food reported based on the customer's location.
- **Schedule X** for sales exempt from the resort communities tax or the state correctional facility tax.

Seller Discount

Monthly sales tax filers may take a seller discount equal to 1.31 percent of the combined sales tax. Monthly tourism tax filers may take a seller discount equal to 1 percent of the tourism short-term leasing tax adopted by the county. Sellers of grocery food may take the seller discount of 1.31 percent as if they had collected tax at the full combined rate. Quarterly and annual filers may not take the seller discount.

Goods Consumed by the Seller

Items consumed by the seller are subject to use tax on the amount of the seller's cost, not the potential sales price. Items consumed by the seller include:

- items taken from inventory and used by the seller,
- samples given away for advertising, and
- products consumed by employees without payment.

When you buy products from local businesses for storage or use, you must pay tax at the time of purchase. For example, office supplies and equipment (such as cash register tapes, returnable containers and furniture) are taxable at the point of sale.

A seller may purchase tax-free grocery bags, sacks and other non-returnable packaging material that go out the door with the customer.

No tax is due on items discarded because of spoilage, broken packaging and similar incidents, because they are not consumed by the seller.

The purchase of printed advertising inserts is taxable unless the inserts contain the name and publication date of the newspaper distributing the inserts and are included in and distributed with the newspaper. See Rule R865-19S-65.

Report use tax on your *Sales and Use Tax Return*.

Employee Incentives and Discounts

If a seller's employees earn credit (dollars or points) toward purchases of its goods or services as part of an incentive program, the dollar value of the credit is included in the total sales price. Employee incentive program credit is not an employee discount.

Employee discounts that are not reimbursed by third parties are discounts that are not included in the sales price.

Bad Debts

Only a seller may claim bad debts. A seller may take a sales tax adjustment for bad debts. You must deduct nontaxable amounts (such as cash back to the customer and exempt charges) from the total amount of the bad debt amount to arrive at the net write-off amount.

To find the amount of the adjustment you may claim on your *Sales and Use Tax Return*, divide the net write-off (W) by one (1) plus the local combined sales tax rate (R) at the time of sale.

$$W \div (1 + R) = \text{adjustment}$$

Example: A retailer has a net write-off of \$100. The combined sales tax rate in the retailer's community is 6.5 percent. The retailer divides \$100 by 1.065 to arrive at an adjustment claim of \$93.90.

You may not take a credit for repossessed items other than motor vehicles. See Publication 5, *Sales Tax Information for Motor Vehicle/Marine Dealer/Body & Repair Shops*.

Online Payments

You can pay sales tax online at tap.utah.gov. You may use this service whether you file electronically or on paper. Online payments can be made by credit card (American Express, Discover or MasterCard) or electronic check (direct debit to a checking or savings account).

A convenience fee is applied to some payment methods to cover service costs. If a convenience fee is required, it is clearly listed before you complete the transaction. If you pay online, you must still file a separate return if one is due.

Electronic Funds Transfer (EFT)

If your annual sales tax liability is \$96,000 or more, you must pay by Electronic Funds Transfer (EFT). Pay online by ACH debit at tap.utah.gov.

You can schedule EFT payments up to 130 days before the due date and the payment can be withdrawn from your account on the day you select.

You may also pay with ACH credit. See *Electronic Funds Transfer - EFT* at tax.utah.gov/billing/payments.

Caution: Do not use other payment methods, such as credit cards, to pay **current returns** if you must pay by EFT. Other payment methods do not meet EFT filing requirements and you will lose your seller discount.

EFT filers may pay **past-due liabilities** with other payment methods.

Penalties

The penalty for failure to file a tax-due return by the due date is the greater of \$20 or up to 10 percent of the unpaid tax, based on the date the return is filed. Failure to file a tax return includes filing a tax return without enough information for us to correctly distribute local tax revenues. We will add another failure-to-pay penalty, the greater of \$20 or up to 10 percent of the tax balance, if the tax balance remains unpaid 90 days after the due date.

The penalty for failure to pay the full amount of tax due on a timely-filed return, or within 30 days of a notice of deficiency, is the greater of \$20 or up to 10 percent of the tax due, based on the payment date. **Unpaid tax includes tax paid without a tax return.**

You will also lose the seller discount if you file your monthly return late or underpay the tax due.

Penalties are imposed at a graduated rate, based on the time period of the delinquency.

See Publication 58, *Utah Interest and Penalties*, online at tax.utah.gov/forms.

Interest

Interest is assessed from the original due date until the tax liability is paid in full. See Publication 58, *Utah Interest and Penalties*, online at tax.utah.gov/forms.

Overpayments and Refunds

You may file a claim for a credit or an overpayment refund within either three years from the return due date or two years of paying the tax to the Tax Commission, whichever is later. However, you may not file a claim for a credit or a refund on a tax deficiency that has been legally settled. If we deny your claim, you may file a *Petition for Redetermination*.

Purchaser Refunds

If you pay Utah sales tax to a seller and later find the purchase was taxed incorrectly, ask the seller to credit or refund the overpaid tax. If the seller is no longer in business or does not provide a credit or refund, you may request a refund directly from the Tax Commission using form TC-62PR, *Application for Purchaser Refund of Utah Sales Tax*. For more information, see tax.utah.gov/sales/refund-request.

Use Tax and Bad Debts

To claim a refund or credit for use tax and bad debts, amend the sales tax return the tax was reported on, or make an adjustment on your next sales tax return.

You must explain the legal basis for your refund. If amending by paper return, include your legal explanation plus supporting documents that verify the transaction(s) is not subject to sales tax. If amending electronically, explain your legal basis as prompted and provide supporting documents upon request.

If you have multiple business locations and/or a non-fixed location you must amend or adjust the appropriate return schedules for the location(s) where you originally reported the tax.

Seller Amendments and Adjustments

If you are a seller who has credited or refunded previously reported sales taxes, you may either amend the return(s) the taxes were originally reported on or claim an adjustment on your next sales tax return. If amending or adjusting on paper, include the following with your return:

1. Explanation of the changes
2. Documentation provided by the purchaser proving they were exempt from the tax (such as an Exemption Certificate)
3. Proof that you credited or refunded the tax to the purchaser
4. Adjustments only: calculation of adjustment amount (refunded tax divided by current period's tax rate)
5. Adjustments only: schedule showing which period(s) the taxes were originally reported to the Tax Commission and, if multiple locations, the locations being adjusted

If amending or adjusting electronically, explain your basis as prompted and provide the above documents upon request.

If you have multiple business locations and/or a non-fixed location you must also amend or adjust the appropriate return schedules for the location(s) where you originally reported the tax.

Do not adjust your sales and use tax return to claim a credit for taxes paid to another seller. Instead, you must seek a refund from the seller or apply for a refund from the Tax Commission using form TC-62PR, *Application for Purchaser Refund of Utah Sales Tax*. (See *Purchaser Refunds*.)

Record Keeping Requirements

From Rule R865-19S-22

Every retailer, lessor or person doing business in Utah must keep complete records used to determine their sales and use tax liabilities. You must keep records for three years from the date you file your tax return. Your records must be available to the Tax Commission in their original format (paper or electronic).

Your records should:

- show all gross receipts from Utah sales or leases of tangible personal property, products transferred electronically, or services.
- show deductions and exemptions claimed on sales tax returns.
- show bills, invoices and similar proof of all tangible personal property and products transferred electronically bought for sale, consumption or lease in Utah.
- include original supporting documents (bills, receipts, invoices, cash register tapes, etc.) and all schedules or working papers used to prepare tax returns.

Note: It is a third degree felony to knowingly sell, buy, install, transfer, use or possess any automated sales suppression device or phantomware with the intent to defraud.

See additional record keeping requirements in Rule R861-1A-35.

Reminders

The information in this publication is only a summary and does not include all sales or use tax laws and rules.

1. You must collect sales tax on all taxable sales of tangible personal property, products transferred electronically and services to the final consumer.
2. You must file a *Sales and Use Tax Return* for every period, even when no tax is due.
3. You must notify the Tax Commission in writing if you change business locations or add or close sales outlets.
4. If you stop doing business, you must notify the Tax Commission in writing within 30 days of the final date you were required to collect sales tax.
5. You must keep your records for three years from the filing date of a return.
6. Records are subject to audit by the Tax Commission.
7. Sales tax licenses are not transferable.
8. Goods purchased tax-free but used or consumed by you or your company must be reported on the *Sales and Use Tax Return*. You must pay use tax on goods you or your company consume.
9. You must keep exemption certificates from your exempt customers to prove nontaxable sales.
10. You must document out-of-state sales with a bill of lading or other proof of shipment. The terms of the sale must require shipment of the property across Utah's borders by the seller.
11. Round tax up to the next whole cent whenever the third decimal place is greater than four.

Additional Information

Bundled Transactions

A bundled transaction is the retail sale of two or more separate products that are sold for one combined price. If any part of the bundled transaction is subject to tax, the entire transaction is taxed unless the seller keeps separate records of the tax-exempt portion of the transaction.

Carwashes

Assisted carwashes are subject to sales and use tax. A carwash is assisted if the labor to clean or wash is primarily performed by a carwash employee. Assisted carwashes that only include the cleaning or washing of a vehicle's exterior are exempt from sales tax.

A business location that sells both assisted (including washing or cleaning of the vehicle interior) and unassisted carwashes must collect tax on all its sales unless those assisted and unassisted sales are recorded separately.

Example 1

A customer buys a carwash and the car is washed by machines. This is an unassisted carwash and is not subject to sales tax.

Example 2

A customer buys a machine carwash, but a carwash employee vacuums the interior and cleans the inside windows. This is a taxable assisted carwash and is subject to sales tax.

Example 3

As a fundraising activity, a scout troop offers to dry cars coming out of a carwash. The scouts are not paid by the carwash, so their labor is not a factor in whether the carwashes are assisted or unassisted.

Cigarette, Tobacco and E-Cigarette Products

A business selling cigarettes and/or tobacco products or e-cigarette products must be licensed for each selling location. Apply on form TC-69. See more information in Pub 65, *Tax Information for Cigarettes, Tobacco Products and Electronic Cigarette Products*. Get forms and pubs online at tax.utah.gov/forms.

Cigarette tax is paid by buying stamps from the Tax Commission. Only registered and bonded businesses may buy, receive and affix stamps. Cigarette stamps must be affixed to each package within 72 hours of receipt of the package. Any cigarette pack without a Utah stamp is subject to a \$25 penalty and confiscation.

Tobacco products tax is due from the first buyer within Utah. A retail store must be registered and bonded if it buys directly from an out-of-Utah source not collecting the tax. Pay the tobacco products tax with form TC-553, due the last day of the month following each calendar quarter.

Consumers buying cigarettes or tobacco products online must pay the sales tax and cigarette or tobacco products tax on form TC-720C.

The sale of cigarettes and/or tobacco products is subject to state and local sales tax. The amount subject to sales tax includes the cigarette tax or the tobacco products tax.

Coupons

Coupons for which a seller is reimbursed by a third party (such as a manufacturer or distributor) do not reduce the sales amount subject to tax. The taxable amount is the sales price of the item before the value of the coupon is deducted.

An in-store coupon issued by the seller is considered a reduction in the sales price. The taxable amount is the amount paid for an item after deducting the value of the in-store coupon.

Coupon Books, Gift Cards and Gift Certificates

The sale of coupon books is taxable. Collect sales tax on the sales price when the books are sold. Buying paper for the books and the printing of the books are resale purchases exempt from tax.

The sale of gift cards and gift certificates is not taxable. Treat the cards and certificates like cash and collect sales tax on taxable transactions. Buying card stock or paper to make the card or certificate is taxable.

Direct Mail

A direct mailer may either pay sales tax directly to the printer or give the printer a signed exemption certificate (form TC-721).

Direct mail is not exempt from sales tax. An exemption certificate simply shifts who is responsible to report and pay the tax. By using an exemption certificate, the direct mailer reports the tax on its *Sales and Use Tax Return* rather than the printer collecting the tax.

Food Stamps and WIC

Sales of food paid with federal food stamps or Women, Infants and Children (WIC) coupons are exempt from sales and use tax.

Money Order, Fax and Photocopy Charges

Money order fees and charges to send a fax are not subject to sales tax. Photocopy charges and charges to receive a fax are taxable.

Newspapers and Postage

Sales of newspapers and postage stamps are exempt from sales tax.

To qualify as a newspaper, a publication must:

- be published daily or weekly,

- be printed for circulation among the general public,
- contain matters of general interest,
- report on current events, and
- not create a book when multiple issues are put together.

Sales of tabloids (e.g., *Enquirer*, *Star*, *Globe*) and magazines (e.g., *Newsweek*, *Ladies Home Journal*, *Time*) are taxable.

Premiums and Gifts

A premium or gift given away with the sale of a taxable product is part of that sale, and the purchase of the premium or gift by the seller is not taxable.

Items given away without requiring a special purchase and items given away as advertising are consumed by the seller. The seller must pay tax on the seller's cost of those items.

Returnable Containers

Deposits on returnable containers, bottles, pallets and drums are subject to tax. When containers are returned for refund of the deposit, sales tax should be refunded. Bottle deposits are exempt from tax when purchased with food stamps or Women, Infants and Children (WIC) coupons.

Returned Merchandise

A customer who receives credit for returned merchandise is entitled to a refund of the sales tax. If a customer is given a partial refund or allowance, the customer is entitled to a refund of sales tax on the portion of the original sales price refunded.

Special Events

A special event is a one-time event or an event that runs for six months or less where taxable sales occur. Sales tax is collected on taxable transactions at special events. A seller who participates in a special event must register for a temporary sales tax license, even if the seller has a current sales tax license.

For more information or to get a temporary sales tax license, call 801-297-6303 or toll free 1-800-662-4335, ext. 6303, or email specialevent@utah.gov.

Third-party Drop Shipping

In third-party drop shipping, a customer buys tangible personal property or products transferred electronically from a business that does not have the item in stock. The business buys the items from a wholesaler who sends it directly to the customer.

There are two separate transactions in third-party drop shipping. The first transaction, between the customer and the business, is subject to tax. The second transaction, between the business and the wholesaler, is exempt from tax as a purchase for resale.

If the business has a Utah sales tax license, it must collect and pay the sales tax. If the business is not required to have a Utah sales tax license, it does not have to collect the tax. However, the customer must report and pay the tax directly to the Tax Commission.

Trade-in on Manufactured Homes

Utah Code §59-12-104 provides an exemption of 45 percent of the sales price of a new manufactured home and 100 percent of the sales price of a used manufactured home.

When there is a trade-in, calculate the sales price subject to the exemption as follows:

1. Subtract the trade-in amount from the full sales price. The difference is the net sales price.
2. Multiply the net sales price by the allowed exemption (45 or 100 percent) to determine the exempt amount.
3. Subtract the exempt amount from the net sales price. This is the portion of the net sales price subject to sales tax.

Example: A dealer accepts a trade-in at a value of \$8,000 against the purchase of a new manufactured home valued at \$60,000. The calculation is:

Original sales price	\$60,000		
Less trade-in amount	- 8,000	Net sales price	\$52,000
Portion of net sales price exempt from sales tax (\$52,000 x .45)	\$23,400	Portion of net sales price subject to sales tax (\$52,000 - \$23,400)	\$28,600

Vending Machine Sales

Sales of tangible personal property from vending machines are taxable. Vending machine sales of items that cannot be ingested, such as cigarettes or novelty toys, are taxed at the full combined rate.

Vending machine sales of prepared food, such as sandwiches or slices of pizza, are also taxed at the full combined rate. For vending machine sales of grocery food, such as packs of gum or bags of pretzels, the statewide combined rate is 3.0 percent.

Tax is included in the vended price. To find the dollar amount of sales without tax, divide the sales by one (1) plus the combined tax rate in the community where the vending machine is located. For example:

- Where the combined rate is 6.0 percent, divide by 1.060.
- Where the combined rate is 6.125 percent, divide by 1.06125.
- Where the combined rate on grocery food is 3.0 percent, divide by 1.030.

A seller of food, beverage and dairy products for \$1 or less may choose to pay tax on 150 percent of the seller's cost (including incoming freight costs) rather than on the sales price. When this option is taken, the taxable amount (150 percent of cost) must be reported on the *Sales and Use Tax Return* as goods consumed.

If the vending machine is owned and serviced by a vending machine company, the vending machine company is responsible for the tax.

Videos and DVDs

Rentals of videotapes and DVDs are taxed as sales of tangible personal property.

Sales tax publications provide general guidance only. They do not contain all sales or use tax laws or rules. If you need additional information, call 801-297-7705 or 1-800-662-4335, ext. 7705 (outside the Salt Lake area), or email taxmaster@utah.gov.

Forms

The following forms are available at tax.utah.gov/forms/ or by calling the Tax Commission automated forms order hot-line at 801-297-6700 or toll free 1-800-662-4335 ext. 6700.

- TC-51 – Nexus Questionnaire
- TC-55A – Claim for Refund of MV Fees or Sales Tax
- TC-62S – Utah Sales and Use Tax Return, Single Place of Business
- TC-62M – Sales and Use Tax Return, Multiple Places of Business
- TC-62M Schedule A – Sales of Non-Food and Prepared Food from Fixed Utah Locations
- TC-62M Schedule AG – Sales of Grocery Food from Fixed Utah Locations
- TC-62M Schedule J – Sales of Non-Food and Prepared Food from Places Other Than Fixed Utah Locations
- TC-62M Schedule JG – Sales of Grocery Food from Places Other Than Fixed Utah Locations
- TC-62E – Municipal Energy Sales and Use Tax
- TC-62F – Restaurant Tax Return
- TC-62L – Motor Vehicle Rental Tax Return
- TC-62N – Sales Tax Refund Request for Religious or Charitable Organizations

- TC-62P – Instructions for Filing Refund Claims for Sales Tax Paid on Pollution Control Facilities
- TC-62Q – Utah Sales Tax Sourcing Schedule
- TC-62X – Sales Exempt from Impacted Communities Taxes
- TC-62T – Transient Room Tax Return
- TC-62W – Waste Tire Recycling Fee Return
- TC-69 – Utah State Business and Tax Registration Application
- TC-69B – Additional Business Locations for a Sales Tax Account
- TC-73 – Sales Tax Exemption Contract
- TC-85 – Agreement for Remitting through Electronic Funds Transfer (EFT)
- TC-160 – Application for Sales Tax Exemption for Religious and Charitable Institutions
- TC-553 – Tobacco Products Tax Return
- TC-719 – Sales Tax Exemption Affidavit for Authorized Interstate Carriers
- TC-720 – Order for Cigarette Revenue Stamps, or TAX for Products Imported for Use, Storage or Consumption
- TC-721 – Exemption Certificate
- TC-721A – Sales and Use Tax Exemption Affidavit for Exclusive Use Outside Utah
- TC-721G – Exemption Certificate for Governments, Foreign Diplomats & Schools
- TC-721NR – Sales Tax Exemption Certificate for Non-Utah Retailers Accepting Delivery of Merchandise in Utah
- TC-738 – Petition for Redetermination
- TC-757 – Affidavit of Out-of-State Delivery
- TC-762 – Lease/Rental Sales Tax Affidavit

Sales Tax Publications

The following publications are available at tax.utah.gov/forms/ or by calling the Tax Commission forms order hot-line at (801) 297-6700 or 1-800-662-4335 ext. 6700.

- Pub 5 – Sales Tax Information for Motor Vehicle/Marine Dealer/Body & Repair Shops
- Pub 25 – Sales and Use Tax General Information
- Pub 35 – Sales Tax Guidelines for Public and Private Elementary and Secondary Schools
- Pub 37 – Business Activity and Nexus in Utah
- Pub 38 – Doing Business in Utah
- Pub 40 – Personal Liability for Unpaid Sales, Fuel and Withholding Taxes
- Pub 42 – Sales Tax Information for Sales, Installation and Repair of Tangible Personal Property Attached to Real Property
- Pub 45 – Sales Tax Information for Nurseries, Florists, Landscapers and Related Industries
- Pub 53 – Sales Tax Information for Health Care
- Pub 54 – Sales Tax Information for Public Utilities
- Pub 55 – Sales Tax Information for Restaurants
- Pub 56 – Sales Tax Information for Lodging Providers
- Pub 58 – Utah Interest and Penalties
- Pub 62 – Sales Tax Information for Telecommunications Service Providers
- Pub 64 – Sales Tax Information for Computer Services Providers

Information Online

Utah State Tax Commission Website
tax.utah.gov

This site has links to:

- Forms and publications

- Current and past sales tax rates
- Internal Revenue Service
- Utah Counties (business license, property tax)
- Multistate Tax Compact
- Other States' Revenue Departments

State of Utah Website

utah.gov

This site has links to:

- Workforce Services (unemployment)
- Labor (worker's compensation)
- Commerce (corporations, DBA registration)

Sales and Use Tax General Information

REVISED

9:31 am, Oct 17, 2018

Introduction

This publication provides basic sales and use tax information. It includes Utah tax law and Tax Commission rules, but is not all-inclusive. Future law or rule changes may change this publication.

Utah Tax Code

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Matthew Bender & Co., Inc.
Attn: Customer Support
1275 Broadway
Albany, NY 12204-2694
1-800-562-1197

You can get Utah Code, Title 59, *Revenue and Taxation*, at no charge at le.utah.gov/UtahCode/title.jsp. Utah tries to keep current information online; however, code published at LexisNexis may be more current.

Starting a New Business

If you are starting a new business, see Publication 38, *Doing Business in Utah*, at tax.utah.gov/forms.

Buying a Business — Liability

Check the status of all taxes before you buy a business. Keep enough of the purchase money to cover any unpaid taxes until the former owner gives you a Tax Commission receipt showing that all taxes have been paid, or a certificate showing no taxes are due.

If taxes are still due 30 days after you purchase the business, you will be personally liable for the former owner's unpaid sales taxes. See Utah Code §59-12-112.

What is Sales and Use Tax?

Sales and use taxes are transaction taxes. This means the *transaction* is taxed, not the actual goods or services. The buyer is the actual taxpayer.

Sales and use taxes are trust fund taxes because the seller holds the tax in trust for Utah until paid to the Tax Commission. The funds may not be used for any other purpose.

Sales tax and use tax have the same exemptions and tax rates. Either sales tax or use tax applies to any transaction — not both.

Sales Tax

Sales tax is applied to retail sales and leases of tangible personal property, products transferred electronically, and certain services. The seller collects sales tax from the buyer and pays it to the Tax Commission monthly, quarterly or annually using form TC-62PC, *Sales Tax Payment Coupon*. See Utah Code §59-12-103 and Rules R865-12L, R865-19S and R865-21U.

Use Tax

Use tax is applied to purchases of tangible personal property, products transferred electronically, and certain services when sales tax is due but not collected by the seller. A buyer without a sales tax account pays use tax to the Tax Commission on form TC-40, *Individual Income Tax Return*. Examples of use tax due include:

- using items from resale inventories;
- buying goods or services tax-free for personal or business use (advertising supplies, office or shop equipment, computer hardware and software, office supplies, etc.); and
- buying products from unlicensed, out-of-state sellers.

Sales Tax License

Every seller with an established presence in Utah (see *Nexus Filers*, below) must have a *Utah Sales Tax License*. You can apply for a license online at tap.utah.gov (Tax Commission only) or osbr.utah.gov (multiple Utah agencies), or by submitting form TC-69, *Utah State Business and Tax Registration* (Tax Commission only). Sales tax licenses are not transferable.

Businesses that typically must register for a sales tax license include:

- retailers selling tangible goods, products transferred electronically or services

- wholesalers purchasing resale inventory
- manufacturers
- leasing companies
- consumers such as professional firms and construction contractors

Nexus Filers

Nexus means a business has established a ~~direct physical~~ or ~~representational economic~~ presence in Utah, or is related to a certain state-business with a physical presence in Utah.

You have a physical presence in Utah ~~nexus~~ if you:

1. have or use an office, distribution house, sales house, warehouse, service enterprise or other place of business in Utah;
2. maintain a stock of goods or inventory in Utah;
3. regularly solicit orders in Utah, even if the orders are not accepted in Utah;

~~—Exception: Your (unless your~~ Utah activity is only advertising or solicitation by mail, e-mail, the Internet, telephone ~~or similar means-etc.);~~

4. regularly deliver property in Utah other than by common carrier or U.S. mail; ~~or~~
5. regularly lease or service property located in Utah.

You have an economic presence in Utah if during the year or the prior year you:

1. have more than \$100,000 of sales in Utah; or
2. have more than 200 sales in Utah.

A seller also has nexus in Utah if:

1. a. the seller has more than 10 percent interest in a related seller, or
b. a related seller has more than 10 percent interest in the seller, or
c. a related seller wholly owns the seller; and
2. a. the seller sells the same or very similar line of products as the related seller under the same or a very similar business name, or
b. the related seller's place of business ~~of the related seller~~ or one of its in-state employees is used to advertise, promote or assist sales by the seller ~~to a buyer~~.

See Publication 37, *Business Activity and Nexus in Utah*.

Having Sellers with a physical presence, economic presence, or a related business in Utah ~~nexus requires a seller to must~~ collect and pay sales ~~taxes~~ tax and file returns. ~~If you have Utah nexus, you~~ You must file sales tax returns every period, even when you have no tax liability.

Non-Nexus Voluntary Sellers

Non-nexus sellers do not have to register or collect Utah sales ~~and use~~ tax. However, they may voluntarily register to collect Utah sales tax ~~voluntarily~~ at the combined sales tax rate for the delivery location.

~~Non-nexus sellers who register for the first time on or after Jan. 1, 2014 may keep 18 percent of the Utah sales tax they collect. To receive this discount, a seller must file electronically using the Tax Commission website or the Streamlined Sales and Use Tax Agreement's simplified electronic return (SER). Sellers that take the 18 percent seller discount may not take the 1.31 percent seller discount for filing monthly.~~

Note: ~~The 18 percent seller discount will expire for a non-nexus seller if Congress or the U.S. Supreme Court takes action that requires the seller to collect and pay state sales taxes.~~

When a ~~non-nexus~~ seller does not collect sales ~~and use~~ tax on taxable sales, the buyer must pay use tax on purchases brought into Utah for storage, use or consumption.

How to Add an Outlet

Notify the Tax Commission immediately if you add an outlet to an existing account. You can add an outlet at tap.utah.gov, or use form TC-69B, *Additional Business Location for a Sales Tax Account*.

How to Close an Outlet

Notify the Tax Commission immediately if you close a Utah outlet. You can close an outlet at **tap.utah.gov**, or use form TC-69C, *Notice of Change for a Tax Account*. The closed outlet will no longer appear on your pre-printed sales tax return.

How to Close a Sales Tax Account

Notify the Tax Commission immediately if you stop doing business in Utah (see Rule R865-19S-25). Use form TC-69C, *Notice of Change for a Tax Account*.

If you need help closing your account, call Taxpayer Services at 801-297-2200 or 1-800-662-4335 ext. 2200.

If you do not inform the Tax Commission that you closed your business, we may assess an estimated tax, including late penalties and interest.

Definitions (Utah Code §59-12-102)

Delivery Charges

Charges for preparation and delivery to a location chosen by a buyer of tangible personal property, products transferred electronically or services. Delivery charges include (but are not limited to): transportation, shipping, postage, handling, crating and packing.

Purchase price and sales price of tangible personal property do not include delivery charges if stated separately. The delivery charge does not include the cost of transportation to the seller (typically called “freight-in”).

Fabrication Charges

Charges to fabricate tangible personal property. Fabrication charges are taxable and must be included in the sale price before tax is calculated.

See Tax Commission Rule R865-19S-51

Grocery Food

Substances sold for ingestion or chewing by humans for taste or nutrition. Grocery food does not include alcoholic beverages, tobacco or prepared food.

Grocery food includes items sold without eating utensils by a food maker (other than a bakery and tortilla maker), items sold singly and unheated by weight or volume, and bakery items (bagel, bar, biscuit, bread, bun, cake, cookie, croissant, danish, donut, muffin, pastry, pie, roll, tart, torte or tortilla). A container or packaging used to transport food is not considered an eating utensil provided by the seller.

Note: The term “grocery food” used in Tax Commission forms and publications means “food and food ingredients” as defined by Utah Code §59-12-102.

See also the *Prepared Food* definition below.

Installation Charges

Charges for permanently installing tangible personal property to real property.

Purchase price and sales price of tangible personal property do not include an installation charge if stated separately.

Installation charges do not include labor charges for repair, renovation, manufacturing or fabrication. Real property sales are nontaxable. When tangible personal property or products transferred electronically become part of the underlying realty upon installation, the purchase and install transaction is considered a real property transaction. The contractor is the final consumer and must pay sales and use tax on the purchase of materials converted to real property.

Prepared Food

1. Food sold in a heated state or heated by a seller.
2. Two or more food ingredients mixed or combined by a seller for a single sale.
3. Food sold with an eating utensil provided by the seller (plate, knife, fork, spoon, glass, cup, napkin, straw, etc.).

Prepared food **does not include**:

- food that a seller only cuts, repackages or pasteurizes; or
- raw eggs, raw fish, raw meat or raw poultry, or a food containing these items if the Food and Drug Administration advises buyers to cook the items to prevent food borne illness.

Products Transferred Electronically

Audio, video and data that are not delivered on physical storage media (CD, DVD, diskette, tape, etc.).

Examples include:

- Music

- Reading material
- Ring tones
- Movies

Purchase Price and Sales Price

The total value for which tangible personal property, products transferred electronically or services are sold, leased or rented. Purchase price and sales price include:

- the seller's cost of the tangible personal property, products transferred electronically or services;
- the seller's expenses, including:
 - the cost of materials,
 - labor cost,
 - service cost,
 - interest,
 - a loss,
 - the cost of transportation to the seller, and
 - tax (including federal excise tax) imposed on the seller; and
- charges by the seller for any service necessary to complete the sale.

Purchase price and sales price do not include:

- delivery charges;
- installation charges;
- cash discounts or discount terms offered to buyers;
- coupons that are not reimbursed by a third party; or
- the following, if separately stated on an invoice, bill of sale or similar document given to the buyer:
 - a. the amount of a trade-in;
 - b. interest, financing and carrying charges for credit extended on the sale of tangible personal property, products transferred electronically or services; and
 - c. a tax or fee legally imposed directly on the buyer.

Real Property

Any right, title, estate or interest in land, including all structures on the land.

Real property includes construction materials that lose their separate identity as personal property once incorporated into the real property. These include lumber, bricks, nails and cement used to build structures on the land, as well as fixtures such as furnaces and built-in air conditioning systems.

Repair Charges

Charges for labor and parts to repair, renovate or clean tangible personal property or to repair products transferred electronically. Repairs or renovations of tangible personal property do not include installing or removing prewritten computer software.

Repair charges for parts are subject to sales tax unless the part is exempt under Utah Code §59-12-104. Repair charges for labor are subject to sales tax unless the personal property being repaired is exempt under §59-12-104. The determination of whether repair labor is exempt from sales tax is based on the personal property being repaired, not on whether the parts used in the repair are exempt.

For charges to repair, renovate or clean real property or tangible personal property permanently attached to real property, see Publication 42.

Restaurant

A retail establishment whose business is the sale of food and beverages for immediate consumption. The definition of *restaurant* does not include theaters, but does include dinner theaters. See Utah Code §59-12-602.

Exception: In counties that impose the tourism tax, it does not apply to food sales from deli areas, pizza take-out counters or salad bars within a grocery store or convenience store whose primary business is the sale of food not prepared for immediate consumption. These sales are exempt from the tourism tax even if the store has seats or stools for customers. However, if a grocery or convenience store has a full-service restaurant, the tourism tax is due on sales in that restaurant.

Tangible Personal Property

Property that can be seen, weighed, measured, felt or touched, or is perceptible to the senses in any manner. Tangible personal property includes electricity, water, gas, steam and prewritten software.

Tangible Personal Property Permanently Attached to Real Property

A special classification of tangible personal property.

Tangible personal property is considered permanently attached to real property if:

1. the attachment is essential to use the tangible personal property, and
2. the tangible personal property will remain attached over its useful life.

This includes an accessory attached to tangible personal property, if it is needed to operate the tangible personal property and is attached solely for that purpose.

The classification is further supported if removal would largely damage either the tangible personal property or the real property.

The permanently attached tangible personal property keeps its classification even if it is temporarily detached for onsite repair or renovation.

The permanently-attached classification does not include:

1. movable tangible personal property attached for convenience, stability, or for an obviously temporary purpose;
2. tangible personal property that is detached for offsite repair or renovation; or
3. a dishwasher, refrigerator, freezer, microwave, stove, washer, dryer or similar appliance.

Transient Room

Accommodations in hotels, motels, inns, trailer courts, campgrounds, tourist homes and similar stays of less than 30 consecutive days. *Transient room* does not include meeting rooms.

Sales-based Tax Rates and Types

Tax rates vary from one community to another, depending on the taxes each community imposes. Find tax rates online at tax.utah.gov/sales/rates.

Determining Tax Rate (Point-of-Sale Sourcing)

Sourcing means assigning a sale to a taxing jurisdiction to determine the sales tax rate. Sales are sourced by transaction type.

Chart 1: General Sourcing Rules

Transaction Type

Source to:

Exceptions

Retail sale of tangible personal property in Utah (including vending machine operators and sellers who sell from mobile inventory)*

Seller's fixed place of business (whether or not the goods or services are delivered)

Location where inventory is warehoused for vending machine operators and sellers who sell from mobile inventory

Sales at special events (fairs, swap meets, races, etc.) are sourced to the event location.

Retail sale of taxable services in Utah when seller also sells tangible personal property*

**Seller's fixed place of business OR customer's location
(seller's preference)**

If the seller sells tangible personal property on the same invoice as the service, the transaction must be sourced to the seller's fixed place of business.

Sales at special events (fairs, swap meets, etc.) are sourced to the event location.

Retail sale of taxable services in Utah when seller does not sell any tangible personal property*

Customer's location

Retail sale of tangible personal property or taxable services from outside Utah*

Buyer's location (the place the buyer receives the service or property)

Retail sale of admissions

Location of activity or event (regardless of ticket purchase location)

Retail sale of prewritten computer software where there is no transfer of a copy of the software to the buyer

See Publication 64

Lease or rental of tangible personal property* (other than motor vehicles, semi-trailers, trailers 10,000 pounds or less, and aircraft)

Location the customer receives the goods or services for down payment and first payment

Location of the item for subsequent payments

If there are no recurring payments:

- source to the location the customer receives the goods or services.
- source to the customer's location if shipped from outside the state to a Utah customer.

Lease or rental of motor vehicles, semitrailers, trailers 10,000 pounds or less, and aircraft

Customer's location (address) for all payments, including down and first payments

If there are no recurring payments, source to the seller's fixed place of business.

*Including products transferred electronically.

See Utah Code §§59-12-211, 59-12-212, 59-12-213 and 59-12-214.

Tax Rate Changes

Tax rates and jurisdictional boundaries can change quarterly. The Tax Commission posts these changes 60 days before the effective date. Check tax rates regularly at tax.utah.gov/sales/rates.

Rate Changes During Billing Cycles

When the sales tax rate changes during a billing cycle, it is applied differently depending on whether the rate increases or decreases:

- If the tax rate **increases**, the new rate applies to the **first billing period** starting on or after the effective date.
- If the tax rate **decreases**, the new rate applies to the **first billing statement payment** rendered (sent) on or after the effective date.

Example 1: Rate INCREASE

Payments for a 36-month vehicle lease are due on the 15th day of each month. After the lease went into effect, the sales tax rate **increased**, effective October 1. The October 15 payment is for the **billing period** beginning September 16, which was before the new rate went into effect. The October 15 payment is taxed at the old (lower) rate, even though the payment is made after the new rate went into effect. The November 15 payment will be for the period beginning October 16 and will be taxed at the new (higher) rate.

Example 2: Rate DECREASE

Using Example 1 above, instead of an increase there was a tax rate **decrease** effective October 1. The billing statement for the October 15 payment is sent on September 16. Although the payment is due October 15, it is taxed at the old (higher) rate because the **billing statement** was sent before the new (lower) rate went into effect. All future bills will be taxed at the new rate.

Combined Sales Tax Rate

The taxes listed in Chart 2 are included in the combined sales tax rate and are filed on the sales tax return (TC-62S or TC-62M). The combined sales tax rate is applied to all taxable transactions, except as noted in the chart.

Chart 2: Taxes in the Combined Rate

Tax

Imposed By

Rate

Exemptions

State Sales and Use

State

4.70%

The state sales tax rate for grocery food is 1.75 percent. These transactions are also subject to local option and county option and results in a total combined rate on grocery food of 3 percent throughout Utah.

The state sales tax rate for residential fuel is 2 percent which results in a combined rate 2.7 percent less throughout Utah.

Local Option

County, city or town

1.00%

None

County Option

County

0.25%

None

Resort Communities

City or town

Up to 1.60%

Grocery food sales. Sales of motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes are exempt from resort communities tax, but are subject to the remaining portion of sales and use tax. This exemption does not apply to trailers, off-highway vehicles, snowmobiles, truck-mounted campers, etc.

Rural Health Care	County, city or town	Up to 1.00%	Grocery food sales
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Public Transit

County, city or town

Up to 0.30%

Grocery food sales

Public Transit, Airport Facility or State Highway Projects

County, city or town

0.25%

Grocery food sales

Highways

City or town	Up to 0.30%
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Grocery food sales

Recreational Facilities and Botanical, Cultural and Zoological Organizations

County, city or town

0.10%

Grocery food sales

Town Option

Town		
Up to 1.00%		
Grocery food sales		
City or Town Option	City or town	Up to .20%
Grocery food sales		
Mass Transit Fixed Guideway		
County		
Up to 0.30%		
Grocery food sales		
County Option Transportation		
County		
Up to 0.25%		
Grocery food sales		
State Correctional Facility Sales and Use Tax		
City or town		
Up to 0.50%		
Grocery food sales. Sales of motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes are exempt from the state correctional facility tax. This exemption does not apply to trailers, off-highway vehicles, snowmobiles, truck-mounted campers, etc.		
Supplemental State Sales and Use		
State		
Up to 0.05%		
Grocery food sales		
County of the Second Class Airport, Highway and Public Transit		
County, city or town		
Up to 0.25%		
Grocery food sales		
County Option Highways and Public Transit		
County		
0.25%		
Grocery food sales		

Related Taxes and Fees

The following sales-related taxes and fees are filed on separate returns or electronically:

Chart 3: Related Taxes and Fees

Tax
Imposed By
Rate
Applies To
Discount
Reported On
State Transient Room
State
0.32%

Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days

6%

TC-62T

County Transient Room

County

Up to 4.25%

Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days

None

TC-62T

Municipal Transient Room

City or town

Up to 1.5%

Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days

Cities and towns that meet certain requirements may impose an additional transient room tax

None

TC-62T

Tourism Transient Room

Salt Lake County

Up to 0.5%

Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days

None

TC-62T

Motor Vehicle Rental

State

2.50%

Short-term leases and rentals (less than 30 days) of motor vehicles, unless the vehicle:

- temporarily replaces a motor vehicle being repaired under a repair or insurance agreement,
- is registered for a gross laden weight of 12,001 or more pounds, or
- is a moving van for personal household goods

None

TC-62L

Short-term Leasing

County

Up to 7.0%

Short-term leases and rentals (less than 30 days) of motor vehicles, unless the vehicle:

- temporarily replaces a motor vehicle being repaired under a repair or insurance agreement,
- is registered for a gross laden weight of 12,001 or more pounds, or
- is a moving van for personal household goods

1%

TC-62L

Restaurant

County

Up to 1.0%

Food, food ingredients and prepared food sold by a restaurant

None

TC-62F

**911 Emergency
Services Charge**

State

\$0.71 per access line

Local exchange service switched access line, radio communication access line, voice-over-Internet-protocol (VoIP)

1.5%

Electronically

Radio Network Charge to fund the public safety communications network

State

\$0.18 per access line

Local exchange service switched access line, radio communication access line, voice-over-Internet-protocol (VoIP)

None

Electronically

Unified statewide 911 Emergency Service Charge

State

\$0.09 per access line

Local exchange service switched access line, radio communication access line, voice-over-Internet-protocol (VoIP)

1.5%

Electronically

Municipal Telecom License Tax

City or town

Up to 3.5%

Charges for telecommunications services

None

Electronically

Municipal Energy Sales and Use Tax

City or town

Up to 6.0%

Sales of natural gas and electricity

1%

TC-62E

Prepaid Disposable Phones and Prepaid Disp. Phone Minutes

State

2.45% of transaction amount

Sales of prepaid disposable cell phones and disposable cell phone minutes.

3%

TC-62W

Waste Tire Fee

State

\$1.00 per tire

Sales of new tires with a rim size up to 24½ inches. Sales tax exemptions do not apply to the fee.

The fee does not apply to used tires, bicycle tires, tires attached to human-propelled devices, or tires sold and delivered out of Utah.

2.50%

TC-62W

Other Information

The following miscellaneous taxes and fees may also apply to certain sellers. Contact the Tax Commission for more information.

- Motor fuel, aviation fuel, and special fuel taxes
- Lubricating oil fee
- Beer, cigarette and tobacco products taxes
- Royalty payment on unprocessed brine shrimp eggs
- Multi-channel audio and video tax
- Sexually explicit business and escort service tax

Sales and Use Tax Exemptions

Utah law provides some exemptions from sales and use tax. See Utah Code §59-12-104 for more information.

Exemption Certificates

When an exemption certificate is required, the buyer must provide the seller with the exemption information in one of two ways:

1. **On a paper exemption certificate:** form TC-721, *Exemption Certificate*; or form TC-721G, *Exemption Certificate for Governments & Schools*.

A buyer needs to provide a signature when using a paper certificate.

2. **Electronically**

If the exemption information is provided electronically, all the information required on the paper form must be included.

A seller can accept exemption certificates at face value. A seller is not liable for improper exemptions unless the seller takes part in claiming a fraudulent exemption.

Sellers must keep exemption certificates in their records as documentation. A seller may use a certificate on file for its customers' future purchases. A buyer must notify the seller if a certificate on file is cancelled, modified or limited.

Types of Exemptions

There are three types of sales tax exemptions, based on:

1. **Entity** (exemption certificate required for sales to an exempt entity)
2. **Use** (exemption certificate required)
3. **Product** (exemption certificate not required)

Entity-Based Exemptions

An entity-based exemption is determined by who buys or sells the product.

Some common exemptions are:

- Sales to a public transit district or a subcontractor of a public transit district, if the tangible personal property is clearly identified and installed or converted to real property owned by the public transit district.
- Sales to United States government agencies.
- Sales to entities exempt from state taxes by federal law.
- Sales to Utah state and local government agencies (see Publication 56 for lodging-related sales).
- Sales of construction materials to most Utah government agencies — only if installed by the agencies' employees.

Construction materials bought by or for public elementary and secondary schools are exempt from sales tax. The construction materials must be clearly identified and segregated, and they must be installed or converted to real property owned by the school. See Rule R865-19S-23.

To qualify for this exemption, the purchase must be made with the government agency's funds. A purchase does not qualify for this exemption if a government employee makes the purchase with personal funds, even if the government agency reimburses the employee.

- Sales to U.S. government employees traveling on official business, if they present one of the following:
 - a complete and signed form TC-721G, *Exemption Certificate for Governments, Foreign Diplomats & Schools*;
 - a check from the government agency;
 - a purchase order; or
 - a voucher.

Sellers must keep proof that the purchase qualifies for the exemption, such as a copy of the government check, purchase order, voucher or signed form TC-721G.

- Sales made to or by:
 - a local agency on aging;
 - a senior citizen center owned by a county, city or town; and
 - a senior citizen center that contracts with a local agency on aging.
- Purchases by certain enrolled members of Native American tribes (including the tribe itself), if:
 - the member has a tribal card showing a Federal Bureau Number;
 - the purchased item is delivered to the enrolled tribal member's own reservation (in the case of the Ute Indian Tribe, the item must be purchased on or delivered to tribal trust lands within the Uintah and Ouray reservations); and
 - in the case of sales to the tribe itself, the buyer must present a purchase order, exemption certificate, or similar evidence of tribal identity.

Sales made off the reservation to enrolled members of the tribe are taxable. They are exempt from tax only if the seller (or a licensed common carrier) delivers the purchased item(s) to the reservation.

- Sales to foreign diplomats. The U.S. State Department and the American Institute in Taiwan grant a tax exemption to eligible foreign officials assigned to the United States. Tax exempt foreign officials and government offices are issued a Tax Exemption Card, valid nationwide. The card lists the person's name, photograph, mission employed by, expiration date and identification number.

The exemption cards are used at point-of-sale for exemption from state and local sales, restaurant and lodging/occupancy taxes. These cards DO NOT exempt taxes on utilities, gasoline or vehicle purchases (see Publication 5 for more information about vehicle purchases and Publication 66 for more information about gasoline purchases). The type of exemption is shown by an eagle, owl, deer or buffalo on the bottom corner of the card. The items exempted are listed on the back of the card.

Sellers must keep a copy of the card or a valid exemption certificate as proof of the exempt sale.

For more information on the Tax Exemption Program, see the Office of Foreign Missions (OFM) web site, state.gov/ofm/tax, or contact the OFM San Francisco regional office at 415-744-2910.

- Sales of feed, seed, baling ties, etc. to commercial farms.
- Sales of tangible personal property and products transferred electronically for primary use in farming operations. Also, charges for labor, parts and supplies to repair and maintain off-road agricultural machinery.
- Sales of electricity and fuel for industrial use as defined in Utah Code §59-12-102.
- Sale or lease of semiconductor fabricating, processing, research or development materials.
- Sales relating to schools and fundraising (see Publication 35).
- Sales to religious or charitable institutions.
 - If the purchase is \$1,000 or more, the buyer takes the exemption at the point of sale.
 - If the purchase is less than \$1,000, the buyer claims the exemption by submitting form TC-62N, *Utah Sales Tax Refund Request*, to the Tax Commission.
 - If a public utility makes the sale to a religious or charitable institution, the exemption must be taken at the point of sale.
 - If a contract exists between the seller and the religious or charitable institution, the buyer may take the exemption at the point of sale regardless of the dollar amount of the sale.

To be eligible for the exemption, the organization must be exempt under IRC Section 501(c)(3) and have a sales tax exemption number from the Tax Commission. Submit form TC-160 to get a tax exemption number.

- Sales of construction materials to a religious or charitable institution, or to a contractor buying for a religious or charitable institution.
- Sales of aircraft, boat and river-running tours.

- Amounts paid for aircraft tours are exempt if the craft enters a federal airway (designated by the Federal Aviation Administration) during the tour.
- Amounts paid for boat tours, scenic cruises, and similar services are exempt from tax if the waters of the tour or cruise are used as highways for interstate commerce.

For more information, see Rule R865-19S-113.

- Sales of grocery food, prepared food or alcoholic beverages by a church or a charitable institution, if the items are not available to the general public.
- Sales of grocery food, prepared food or alcoholic beverages by a higher education institution, if the items are not available to the general public and are prepaid as part of a student meal plan offered by the institution.
- Sales of grocery food, prepared food or alcoholic beverages provided at a medical or nursing facility for inpatient meals. See Rule R865-19S-61.
- Sales to or by a Utah aircraft maintenance, repair and overhaul provider to maintain, repair, overhaul or refurbish a fixed-wing turbine-powered aircraft that is not registered in Utah.

Use-Based Exemptions

A use-based exemption is determined by the buyer's use of the product.

The following are exempt:

- Sales of certain vehicles for exclusive use outside of Utah.
- Products purchased for resale in the regular course of business, either in their original forms or as ingredients or components of a manufactured or compounded product.
- Sales for resale or lease. The lease of tangible personal property and products transferred electronically is also exempt if it meets all of the following conditions:
 - the property is part of a sale-leaseback transaction,
 - sales or use tax was paid on the initial purchase of the property, and
 - the leased property will be capitalized and the lease payments will be accounted for as payments made under a financing arrangement.
- Purchases of tangible personal property and products transferred electronically when sales and use tax is paid to another state, unless the other state's tax rate is lower than Utah's rate. When the tax rate is lower than Utah's rate, the buyer must pay the difference. No adjustment or credit is allowed if the other state's tax rate is greater than Utah's rate.
- Purchases or leases of machinery, equipment ~~and~~ repair or replacement parts ~~with an economic life of three or more years that are materials (except office equipment and supplies) used in a cogeneration facility (see Utah Code §54-2-1), or consumed:~~
 - by a qualified manufacturer manufacturing facility or scrap recycler (see Standard Industrial Classification Manual (SIC) classification 2000-3999 or North American Industrial Classification System (NAICS) codes within sector 31-33) to produce an item sold as tangible personal property.
- ~~Purchases or leases of machinery, equipment and repair or replacement parts that are~~ • used in a Utah facility described in NAICS code 336111, Automobile Manufacturing:
 - ~~Purchases or leases of machinery, equipment or parts with an economic life of three or more years that are used in a mining production process or in research and development, by a business described in NAICS 212, Mining (except Oil and Gas) or NAICS 213113, Support Activities for Coal Mining.~~
- ~~Purchases or leases of machinery, equipment and normal operating repair or replacement parts with an economic life of less than three years used in a Utah facility described in NAICS code 325120, Industrial Gas Manufacturing, for the manufacturing of hydrogen.~~
- ~~Purchases or leases of machinery, equipment, normal operating repair or replacement parts, catalysts, chemicals, reagents, solutions and supplies used in a Utah refinery to produce gasoline, diesel fuel, or their blendstocks or for other activities described in Utah Code §59-12-104(89).~~
- ~~Purchases or leases of machinery, equipment, materials and repair or replacement parts, and materials that are used or consumed exclusively in the manufacturing process of a Utah drilling equipment manufacturing facility.~~
- ~~Purchases or leases of machinery, equipment and repair or replacement parts with an economic life of three or more years used to operate a new or expanding web search portal in Utah. Web search portal is described in 2002 NAICS 518112.~~
 - by a qualified web search portal facility or medical laboratory for the operation of the establishment.

- Purchases or leases of machinery, equipment and normal operating repair or replacement parts, with an economic life of three or more years, used in Utah to perform qualified research.
- Purchases of construction materials used to construct a new or expanding life science research and development facility in Utah. The facility must be owned, leased or rented by a life science establishment, and research and development must take place in at least 51 percent of the total area of the facility. The construction materials must be clearly identified, segregated and installed or converted to real property. Life science establishments are described in NAICS 33911, 334510 and 334517.
- Charges for labor to repair or renovate tangible personal property or products transferred electronically, if the personal property being repaired is exempt under Utah Code §59-12-104.
- Sales of parts used in the repair or renovation of the following exempt tangible personal property:
 - tools or equipment used exclusively under an aerospace or electronics industry contract with the United States government;
 - tangible personal property and products transferred electronically used or consumed primarily and directly in farming operations;
 - snow-making equipment, ski slope grooming equipment, and passenger ropeways;
- Sales of non-returnable containers, labels, bags, shipping cases and casing to a manufacturer, processor, wholesaler or retailer for use in packaging tangible personal property for resale.
- Purchases of lists or databases used to address direct mail.
- Purchases or leases by a telephone service provider of equipment, machinery or software that have a useful economic life of one or more years and are used for the following telecommunication purposes:
 - enabling or facilitating,
 - 911 service,
 - maintenance or repair,
 - switching or routing, or
 - transmission.
- Purchases of property from another state that is brought into Utah, only if the property is:
 1. used for business,
 2. first used outside Utah,
 3. not a vehicle, and
 4. not rented or leased.
- Purchases of certain consumable items by short-term lodging providers, only if the items are:
 1. used by guests,
 2. included in the full sales price of the lodging, and
 3. not listed separately on the invoice.

See Publication 56.
- Purchases or leases of items used to create prepared food, only if:
 1. the ownership of both the seller and the buyer are the same, and
 2. either the seller or the buyer paid Utah sales tax prior to making the sale.
- Purchases of machinery and equipment by amusement, gambling and recreation industries (NAICS Subsector 713), only if:
 1. the machinery or equipment has an economic life of three or more years,
 2. the machinery or equipment will be used by payers of admissions or user fees, and
 3. at least 51 percent of the buyer's sales revenue for the previous calendar quarter came from admissions or user fees.
- Purchases of machinery and equipment, or normal operating repair or replacement parts, only if the machinery:
 1. is used by an electronic financial payment service (NAICS Code 522320), and
 2. has an economic life of three or more years.

Product-Based Exemptions

A product-based exemption is determined by the type of product. An exemption certificate is not required.

The following are exempt:

- Isolated or occasional sales, if the sale is made by a person who does not typically sell that type of product. This exemption does not apply to sales of products for resale or to the sale of a vehicle or vessel that must be titled or registered in Utah.
- Purchases of prescription drugs. A drug is defined as a compound, substance or preparation that is used to diagnose, cure, mitigate, treat or prevent disease, or to affect the structure or function of the human body. Food, dietary supplements, alcoholic beverages and prosthetic devices are not considered drugs. Sales of drugs are exempt from sales and use tax only if the buyer presents a prescription.
- Sales or rentals of durable medical equipment, including replacement and repair parts. Sales or rentals of durable medical equipment are exempt from sales and use tax only if the buyer presents a prescription for the equipment.
- Sales or rentals of mobility-enhancing equipment to help a person with limited mobility move from one place to another. Sales or rentals of mobility-enhancing equipment are exempt from sales and use tax only if the buyer presents a prescription for the equipment.
- Sales of prosthetic devices, including repair and replacement parts. Eyeglasses and contact lenses are not prosthetic devices. Sales or rentals of prosthetic devices are exempt from sales and use tax only if a prescription is required for the device or it is purchased by a hospital or medical facility.
- Sales of disposable home medical equipment or supplies that cannot withstand repeated use. Sales of disposable home medical equipment or supplies are exempt from sales and use tax only if the buyer presents a prescription for the equipment or supplies. The equipment and supplies must be eligible for payment under Title XVIII, federal Social Security Act or the state plan for medical assistance under Title XIX, federal Social Security Act.
- Forty-five percent of the sales price of a new manufactured home, and 100 percent of the sales price of a used manufactured home.
- Fees for unassisted amusement devices, such as arcade games.
- Sales of unassisted carwashes, and unassisted dry cleaning and laundry services.
- Interstate sales delivered by common carrier or by the seller to a place outside Utah. The licensed seller or retailer must keep a copy of the bill of lading, freight bill, form TC-757 or other proof of out-of-Utah delivery. If the property is delivered within Utah to a buyer, the tax applies, even if the buyer takes the property out of Utah. See Rule R865-19S-44.
- Sales of motor fuels and special fuels subject to Utah fuel excise tax.
- Sales of hay.
- Exclusive sale of seedling plants, or garden, farm or other agricultural produce, if sold during the harvest season by the producer, an employee of the producer, or by a member of the producer's immediate family. If the producer sells any other product, tax is due on all sales.
- Sales of telephone service charged to a prepaid telephone calling card.
- Sales of newspapers or newspaper subscriptions.
- Sales of water in a pipe, conduit, ditch or reservoir.
- Room and trailer space rentals for 30 consecutive days or more.
- Sales of currency or coinage that is legal tender of the United States or of a foreign nation.
- Sales of an ingot, bar, medallion or decorative coin containing at least 50 percent gold, silver or platinum that is not legal tender of any nation.
- Admissions to higher education athletic events.
- Sales of textbooks, if:
 1. the textbook is required for a higher education course,
 2. the seller is not a bookstore owned by an institution of higher education,
 3. the buyer is enrolled in a course offered by an institution of higher education, and
 4. at least 51 percent of the seller's sales for the previous calendar quarter are sales of textbooks for a higher education course.

A Utah institution of higher education means: Dixie State University, Salt Lake Community College, Snow College, Southern Utah University, University of Utah, Utah System of Technical Colleges, Utah State University, Utah Valley University, Utah State University Eastern, Weber State University.

Sellers must keep records to verify these conditions for each sale. Additionally, a seller's records must include exemption certificates (TC-721) showing the buyer is enrolled in courses offered by an institution of higher education.

- Sales of fuel cells (see Utah Code §54-15-102).

- Charges for database access if the primary purpose is to access information from the database. The exemption does not include purchases of digital audioworks, digital audio-visual works or digital books.

Calculating Sales Tax

Taxable Transactions

Sales and leases of tangible personal property, products transferred electronically, and certain services are taxable to the final consumer. The following transactions are taxable unless an exemption applies:

- Retail sales or purchases of tangible personal property and products transferred electronically within Utah.
- The storage, use or consumption in Utah of tangible personal property and products transferred electronically.
- Rentals and leases of tangible personal property and products transferred electronically, if:
 - the location of the product is in Utah;
 - the lessee took possession of the product in Utah; or
 - the product is stored, used or otherwise consumed in Utah.
- Labor to repair, renovate and clean tangible personal property and products transferred electronically. This includes maintenance agreements.
- Labor to repair, upgrade or maintain products transferred electronically. This includes maintenance agreements.
- Laundry and dry cleaning services when the labor is not performed by the buyer.
- Admission or user fees for theaters, movies, operas, museums, planetariums, shows, exhibitions, concerts, carnivals, amusement parks, amusement rides, circuses, menageries, fairs, races, contests, sporting events, dances, boxing matches, wrestling matches, closed circuit television broadcasts, billiard parlors, pool parlors, bowling lanes, golf, miniature golf, golf driving ranges, batting cages, skating rinks, ski lifts, ski runs, ski trails, snowmobile trails, tennis courts, swimming pools, water slides, jeep tours, horseback rides, sports activities, or any other amusement, entertainment, recreation, exhibition, cultural, or athletic activity. User fees include access charges for videos, video games, television programs and cable or satellite broadcasts, if that access occurs anywhere other than the buyer's home.
- Use of assisted amusement devices when the device or ride is not operated by the buyer.
- Assisted cleaning or washing of tangible personal property if the cleaning or washing labor is not performed by the buyer.
- Stays at tourist homes, hotels, motels, campgrounds, trailer courts and similar accommodations usually rented for less than 30 consecutive days.
- In-state telecom services.
- Meals (prepared food) at restaurants or other eating places.
- Sales for commercial use of gas, electricity, heat, coal, fuel-oil or other fuels. (Sales of these items for industrial use may qualify for an entity-based exemption.)
- Sales for residential use of gas, electricity, heat, coal, fuel-oil or other fuels. These products are taxed at the state rate of 2 percent plus any applicable local and/or public transit tax.
- Sales of grocery food. Taxed statewide at the rate of 3 percent. (Sales of prepared food are taxed at the full combined rate.)
- Sales of prepaid telephone calling cards, including vending machine sales of prepaid telephone calling cards, if the card can be used for in-state calls.
- Sales of memberships that entitle the buyer to discounted or free merchandise or services that are subject to sales tax. For example:
 1. Memberships that let card holders enter a warehouse and buy merchandise free of additional markup.
 2. Video memberships that let members rent videos at a reduced price.

All purchases made with these membership cards are subject to sales tax at the time of purchase unless an exemption applies.
- Sales of products transferred electronically, if a physical copy of the product would be taxable. For example, the purchase of a music CD is taxable, so downloaded music is also taxable. For more information, see the *Additional Information* section.

Taxes and Fees Imposed on the Seller

Municipalities may impose and collect a license fee or tax, other than taxes imposed under the *Utah Sales and Use Tax Act*, as allowed by law. You must include city-imposed taxes (other than taxes imposed under the *Utah Sales and Use Tax Act*) in the taxable sales you report on your *Utah Sales and Use Tax Return*.

Example: A seller makes a \$100 sale in a city that has imposed a 2 percent gross receipts tax on revenues. City and state taxes are calculated as follows:

Taxable sales	\$100.00
City-imposed tax @ 2%	2.00
Amount subject to state and local taxes	\$102.00
Combined sales tax rate @ 6.125%	x.06125
State and local sales taxes paid to the state	\$6.25
Transaction total (cost of item plus taxes)	\$108.25

Payments by Gold or Silver Coin

If you agree to accept gold or silver coin in payment for a purchase, you must state in your books and records and on any invoice all of the following:

1. The purchase price of the item in gold or silver coin and in dollars.
2. The amount of sales tax due in gold or silver coin and in dollars.
3. The tax rate that applies to the purchase.
4. The date of the purchase.

You must use the most current London fixing price for the type of coin used to determine the tax due in dollars.

Filing and Reporting Requirements

Accounting Methods

Sellers must use accrual basis accounting to report sales and use tax (see exceptions below). Report all sales and use tax on goods sold and consumed during a filing period on the return for that filing period (see Filing Frequency).

You may only use cash basis reporting if one of the following circumstances applies:

- a sale includes delivery or installation of tangible personal property at a location OTHER than the seller's place of business (the seller must state the delivery or installation on the invoice), or
- a buyer who converts tangible personal property into real property chooses to report use tax on a cash basis — only if the buyer is not required to pay use tax on a monthly basis.

Returns

Every sales and use tax account must file a *Sales and Use Tax Return* for each filing period. Depending on the nature of your business, your return is either form TC-62S or form TC-62M. If you file TC-62M, you must also file schedules with your return (see *Forms and Schedules*, below).

If you are liable for sales-related taxes (transient room, restaurant, motor vehicle rental, waste tire, etc.), you must file a separate return for each separate type of tax or fee.

Only file once for each filing period.

Returns are due the last day of the month following each filing period. When a due date falls on a weekend or legal holiday, the return is due the next business day.

Paper Returns

The Tax Commission mails personalized returns to every seller (unless a seller asks not to receive paper returns). However, you must file returns and pay taxes by the due date, even if you don't receive a return. Get blank forms and schedules online at tax.utah.gov/forms.

Online Sales Tax Return

You may file your *Sales and Use Tax Returns* and schedules online at tap.utah.gov.

Filing Frequency

Your filing frequency depends on your yearly sales tax liability:

- If your sales tax liability is less than \$1,000 per year, you may file annually.
- If your sales tax liability is between \$1,000 and \$50,000 per year, you may file quarterly.

- If your sales tax liability is \$50,000 or more, you must file monthly.

The Tax Commission will set your filing frequency and notify you if it changes.

You will file the following at the same time you file your sales tax return:

- Municipal energy sales and use tax
- Municipal telecom license tax
- Lubricating oil recycling fee
- Waste tire recycling fee
- Multi-channel video and audio service tax
- 911 emergency services charge
- Radio network charge to fund the public safety communications network
- Unified statewide 911 emergency service charge
- Disposable cell phone fee

Forms and Schedules

What to File

TC-62S, Sales and Use Tax Return, Single Place of Business — For sellers with one fixed Utah location. TC-62S filers do not need to file schedules.

TC-62M, Sales and Use Tax Return, Multiple Places of Business — For all other sellers, including those with multiple Utah business locations, no Utah location, or no fixed place of business. Sellers file TC-62M if they need to report:

- vending machine sales with multiple inventory locations,
- sales in Utah from a non-fixed place of business,
- sales exempt from the resort tax in a resort community,
- sales exempt from the state correctional facility tax in Salt Lake City,
- sales of tangible personal property or products transferred electronically that are sent into Utah by sellers with outside of Utah ~~nexus~~.

TC-62M filers must also file one or more of the following schedules:

- **Schedule A**, for sales of non-food and prepared food from multiple fixed Utah business locations, based on the seller's location.
- **Schedule AG**, for sales of grocery food from multiple fixed Utah business locations, based on the seller's location.
- **Schedule J**, for sales of non-food and prepared food reported based on the customer's location, or consumption of products shipped to customers in Utah, or tangible personal property or products transferred electronically at a location other than a fixed place of business.
- **Schedule JG** for sales of grocery food reported based on the customer's location.
- **Schedule X** for sales exempt from the resort communities tax or the state correctional facility tax.

Seller Discount

Monthly sales tax filers may take a seller discount equal to 1.31 percent of the combined sales tax. Monthly tourism tax filers may take a seller discount equal to 1 percent of the tourism short-term leasing tax adopted by the county. Sellers of grocery food may take the seller discount of 1.31 percent as if they had collected tax at the full combined rate. Quarterly and annual filers may not take the seller discount.

Goods Consumed by the Seller

Items consumed by the seller are subject to use tax on the amount of the seller's cost, not the potential sales price. Items consumed by the seller include:

- items taken from inventory and used by the seller,
- samples given away for advertising, and
- products consumed by employees without payment.

When you buy products from local businesses for storage or use, you must pay tax at the time of purchase. For example, office supplies and equipment (such as cash register tapes, returnable containers and furniture) are taxable at the point of sale.

A seller may purchase tax-free grocery bags, sacks and other non-returnable packaging material that go out the door with the customer.

No tax is due on items discarded because of spoilage, broken packaging and similar incidents, because they are not consumed by the seller.

The purchase of printed advertising inserts is taxable unless the inserts contain the name and publication date of the newspaper distributing the inserts and are included in and distributed with the newspaper. See Rule R865-19S-65.

Report use tax on your *Sales and Use Tax Return*.

Employee Incentives and Discounts

If a seller's employees earn credit (dollars or points) toward purchases of its goods or services as part of an incentive program, the dollar value of the credit is included in the total sales price. Employee incentive program credit is not an employee discount.

Employee discounts that are not reimbursed by third parties are discounts that are not included in the sales price.

Bad Debts

Only a seller may claim bad debts. A seller may take a sales tax adjustment for bad debts. You must deduct nontaxable amounts (such as cash back to the customer and exempt charges) from the total amount of the bad debt amount to arrive at the net write-off amount.

To find the amount of the adjustment you may claim on your *Sales and Use Tax Return*, divide the net write-off (W) by one (1) plus the local combined sales tax rate (R) at the time of sale.

$$W \div (1 + R) = \text{adjustment}$$

Example: A retailer has a net write-off of \$100. The combined sales tax rate in the retailer's community is 6.5 percent. The retailer divides \$100 by 1.065 to arrive at an adjustment claim of \$93.90.

You may not take a credit for repossessed items other than motor vehicles. See Publication 5, *Sales Tax Information for Motor Vehicle/Marine Dealer/Body & Repair Shops*.

Online Payments

You can pay sales tax online at tap.utah.gov. You may use this service whether you file electronically or on paper. Online payments can be made by credit card (American Express, Discover or MasterCard) or electronic check (direct debit to a checking or savings account).

A convenience fee is applied to some payment methods to cover service costs. If a convenience fee is required, it is clearly listed before you complete the transaction. If you pay online, you must still file a separate return if one is due.

Electronic Funds Transfer (EFT)

If your annual sales tax liability is \$96,000 or more, you must pay by Electronic Funds Transfer (EFT). Pay online by ACH debit at tap.utah.gov.

You can schedule EFT payments up to 130 days before the due date and the payment can be withdrawn from your account on the day you select.

You may also pay with ACH credit. See *Electronic Funds Transfer - EFT* at tax.utah.gov/billing/payments.

Caution: Do not use other payment methods, such as credit cards, to pay **current returns** if you must pay by EFT. Other payment methods do not meet EFT filing requirements and you will lose your seller discount.

EFT filers may pay **past-due liabilities** with other payment methods.

Penalties

The penalty for failure to file a tax-due return by the due date is the greater of \$20 or up to 10 percent of the unpaid tax, based on the date the return is filed. Failure to file a tax return includes filing a tax return without enough information for us to correctly distribute local tax revenues. We will add another failure-to-pay penalty, the greater of \$20 or up to 10 percent of the tax balance, if the tax balance remains unpaid 90 days after the due date.

The penalty for failure to pay the full amount of tax due on a timely-filed return, or within 30 days of a notice of deficiency, is the greater of \$20 or up to 10 percent of the tax due, based on the payment date. **Unpaid tax includes tax paid without a tax return.**

You will also lose the seller discount if you file your monthly return late or underpay the tax due.

Penalties are imposed at a graduated rate, based on the time period of the delinquency.

See Publication 58, *Utah Interest and Penalties*, online at tax.utah.gov/forms.

Interest

Interest is assessed from the original due date until the tax liability is paid in full. See Publication 58, *Utah Interest and Penalties*, online at tax.utah.gov/forms.

Overpayments and Refunds

You may file a claim for a credit or an overpayment refund within either three years from the return due date or two years of paying the tax to the Tax Commission, whichever is later. However, you may not file a claim for a credit or a refund on a tax deficiency that has been legally settled. If we deny your claim, you may file a *Petition for Redetermination*.

Purchaser Refunds

If you pay Utah sales tax to a seller and later find the purchase was taxed incorrectly, ask the seller to credit or refund the overpaid tax. If the seller is no longer in business or does not provide a credit or refund, you may request a refund directly from the Tax Commission using form TC-62PR, *Application for Purchaser Refund of Utah Sales Tax*. For more information, see tax.utah.gov/sales/refund-request.

Use Tax and Bad Debts

To claim a refund or credit for use tax and bad debts, amend the sales tax return the tax was reported on, or make an adjustment on your next sales tax return.

You must explain the legal basis for your refund. If amending by paper return, include your legal explanation plus supporting documents that verify the transaction(s) is not subject to sales tax. If amending electronically, explain your legal basis as prompted and provide supporting documents upon request.

If you have multiple business locations and/or a non-fixed location you must amend or adjust the appropriate return schedules for the location(s) where you originally reported the tax.

Seller Amendments and Adjustments

If you are a seller who has credited or refunded previously reported sales taxes, you may either amend the return(s) the taxes were originally reported on or claim an adjustment on your next sales tax return. If amending or adjusting on paper, include the following with your return:

1. Explanation of the changes
2. Documentation provided by the purchaser proving they were exempt from the tax (such as an Exemption Certificate)
3. Proof that you credited or refunded the tax to the purchaser
4. Adjustments only: calculation of adjustment amount (refunded tax divided by current period's tax rate)
5. Adjustments only: schedule showing which period(s) the taxes were originally reported to the Tax Commission and, if multiple locations, the locations being adjusted

If amending or adjusting electronically, explain your basis as prompted and provide the above documents upon request.

If you have multiple business locations and/or a non-fixed location you must also amend or adjust the appropriate return schedules for the location(s) where you originally reported the tax.

Do not adjust your sales and use tax return to claim a credit for taxes paid to another seller. Instead, you must seek a refund from the seller or apply for a refund from the Tax Commission using form TC-62PR, *Application for Purchaser Refund of Utah Sales Tax*. (See *Purchaser Refunds*.)

Record Keeping Requirements

From Rule R865-19S-22

Every retailer, lessor or person doing business in Utah must keep complete records used to determine their sales and use tax liabilities. You must keep records for three years from the date you file your tax return. Your records must be available to the Tax Commission in their original format (paper or electronic).

Your records should:

- show all gross receipts from Utah sales or leases of tangible personal property, products transferred electronically, or services.
- show deductions and exemptions claimed on sales tax returns.
- show bills, invoices and similar proof of all tangible personal property and products transferred electronically bought for sale, consumption or lease in Utah.
- include original supporting documents (bills, receipts, invoices, cash register tapes, etc.) and all schedules or working papers used to prepare tax returns.

Note: It is a third degree felony to knowingly sell, buy, install, transfer, use or possess any automated sales suppression device or phantomware with the intent to defraud.

See additional record keeping requirements in Rule R861-1A-35.

Reminders

The information in this publication is only a summary and does not include all sales or use tax laws and rules.

1. You must collect sales tax on all taxable sales of tangible personal property, products transferred electronically and services to the final consumer.
2. You must file a *Sales and Use Tax Return* for every period, even when no tax is due.
3. You must notify the Tax Commission in writing if you change business locations or add or close sales outlets.
4. If you stop doing business, you must notify the Tax Commission in writing within 30 days of the final date you were required to collect sales tax.
5. You must keep your records for three years from the filing date of a return.
6. Records are subject to audit by the Tax Commission.
7. Sales tax licenses are not transferable.
8. Goods purchased tax-free but used or consumed by you or your company must be reported on the *Sales and Use Tax Return*. You must pay use tax on goods you or your company consume.
9. You must keep exemption certificates from your exempt customers to prove nontaxable sales.
10. You must document out-of-state sales with a bill of lading or other proof of shipment. The terms of the sale must require shipment of the property across Utah's borders by the seller.
11. Round tax up to the next whole cent whenever the third decimal place is greater than four.

Additional Information

Bundled Transactions

A bundled transaction is the retail sale of two or more separate products that are sold for one combined price. If any part of the bundled transaction is subject to tax, the entire transaction is taxed unless the seller keeps separate records of the tax-exempt portion of the transaction.

Carwashes

Assisted carwashes are subject to sales and use tax. A carwash is assisted if the labor to clean or wash is primarily performed by a carwash employee. Assisted carwashes that only include the cleaning or washing of a vehicle's exterior are exempt from sales tax.

A business location that sells both assisted (including washing or cleaning of the vehicle interior) and unassisted carwashes must collect tax on all its sales unless those assisted and unassisted sales are recorded separately.

Example 1

A customer buys a carwash and the car is washed by machines. This is an unassisted carwash and is not subject to sales tax.

Example 2

A customer buys a machine carwash, but a carwash employee vacuums the interior and cleans the inside windows. This is a taxable assisted carwash and is subject to sales tax.

Example 3

As a fundraising activity, a scout troop offers to dry cars coming out of a carwash. The scouts are not paid by the carwash, so their labor is not a factor in whether the carwashes are assisted or unassisted.

Cigarette, Tobacco and E-Cigarette Products

A business selling cigarettes and/or tobacco products or e-cigarette products must be licensed for each selling location. Apply on form TC-69. See more information in Pub 65, *Tax Information for Cigarettes, Tobacco Products and Electronic Cigarette Products*. Get forms and pubs online at tax.utah.gov/forms.

Cigarette tax is paid by buying stamps from the Tax Commission. Only registered and bonded businesses may buy, receive and affix stamps. Cigarette stamps must be affixed to each package within 72 hours of receipt of the package. Any cigarette pack without a Utah stamp is subject to a \$25 penalty and confiscation.

Tobacco products tax is due from the first buyer within Utah. A retail store must be registered and bonded if it buys directly from an out-of-Utah source not collecting the tax. Pay the tobacco products tax with form TC-553, due the last day of the month following each calendar quarter.

Consumers buying cigarettes or tobacco products online must pay the sales tax and cigarette or tobacco products tax on form TC-720C.

The sale of cigarettes and/or tobacco products is subject to state and local sales tax. The amount subject to sales tax includes the cigarette tax or the tobacco products tax.

Coupons

Coupons for which a seller is reimbursed by a third party (such as a manufacturer or distributor) do not reduce the sales amount subject to tax. The taxable amount is the sales price of the item before the value of the coupon is deducted.

An in-store coupon issued by the seller is considered a reduction in the sales price. The taxable amount is the amount paid for an item after deducting the value of the in-store coupon.

Coupon Books, Gift Cards and Gift Certificates

The sale of coupon books is taxable. Collect sales tax on the sales price when the books are sold. Buying paper for the books and the printing of the books are resale purchases exempt from tax.

The sale of gift cards and gift certificates is not taxable. Treat the cards and certificates like cash and collect sales tax on taxable transactions. Buying card stock or paper to make the card or certificate is taxable.

Direct Mail

A direct mailer may either pay sales tax directly to the printer or give the printer a signed exemption certificate (form TC-721).

Direct mail is not exempt from sales tax. An exemption certificate simply shifts who is responsible to report and pay the tax. By using an exemption certificate, the direct mailer reports the tax on its *Sales and Use Tax Return* rather than the printer collecting the tax.

Food Stamps and WIC

Sales of food paid with federal food stamps or Women, Infants and Children (WIC) coupons are exempt from sales and use tax.

Money Order, Fax and Photocopy Charges

Money order fees and charges to send a fax are not subject to sales tax. Photocopy charges and charges to receive a fax are taxable.

Newspapers and Postage

Sales of newspapers and postage stamps are exempt from sales tax.

To qualify as a newspaper, a publication must:

- be published daily or weekly,

- be printed for circulation among the general public,
- contain matters of general interest,
- report on current events, and
- not create a book when multiple issues are put together.

Sales of tabloids (e.g., *Enquirer*, *Star*, *Globe*) and magazines (e.g., *Newsweek*, *Ladies Home Journal*, *Time*) are taxable.

Premiums and Gifts

A premium or gift given away with the sale of a taxable product is part of that sale, and the purchase of the premium or gift by the seller is not taxable.

Items given away without requiring a special purchase and items given away as advertising are consumed by the seller. The seller must pay tax on the seller's cost of those items.

Returnable Containers

Deposits on returnable containers, bottles, pallets and drums are subject to tax. When containers are returned for refund of the deposit, sales tax should be refunded. Bottle deposits are exempt from tax when purchased with food stamps or Women, Infants and Children (WIC) coupons.

Returned Merchandise

A customer who receives credit for returned merchandise is entitled to a refund of the sales tax. If a customer is given a partial refund or allowance, the customer is entitled to a refund of sales tax on the portion of the original sales price refunded.

Special Events

A special event is a one-time event or an event that runs for six months or less where taxable sales occur. Sales tax is collected on taxable transactions at special events. A seller who participates in a special event must register for a temporary sales tax license, even if the seller has a current sales tax license.

For more information or to get a temporary sales tax license, call 801-297-6303 or toll free 1-800-662-4335, ext. 6303, or email specialevent@utah.gov.

Third-party Drop Shipping

In third-party drop shipping, a customer buys tangible personal property or products transferred electronically from a business that does not have the item in stock. The business buys the items from a wholesaler who sends it directly to the customer.

There are two separate transactions in third-party drop shipping. The first transaction, between the customer and the business, is subject to tax. The second transaction, between the business and the wholesaler, is exempt from tax as a purchase for resale.

If the business has a Utah sales tax license, it must collect and pay the sales tax. If the business is not required to have a Utah sales tax license, it does not have to collect the tax. However, the customer must report and pay the tax directly to the Tax Commission.

Trade-in on Manufactured Homes

Utah Code §59-12-104 provides an exemption of 45 percent of the sales price of a new manufactured home and 100 percent of the sales price of a used manufactured home.

When there is a trade-in, calculate the sales price subject to the exemption as follows:

1. Subtract the trade-in amount from the full sales price. The difference is the net sales price.
2. Multiply the net sales price by the allowed exemption (45 or 100 percent) to determine the exempt amount.
3. Subtract the exempt amount from the net sales price. This is the portion of the net sales price subject to sales tax.

Example: A dealer accepts a trade-in at a value of \$8,000 against the purchase of a new manufactured home valued at \$60,000. The calculation is:

Original sales price	\$60,000		
Less trade-in amount	- 8,000	Net sales price	\$52,000
Portion of net sales price exempt from sales tax (\$52,000 x .45)	\$23,400	Portion of net sales price subject to sales tax (\$52,000 - \$23,400)	\$28,600

Vending Machine Sales

Sales of tangible personal property from vending machines are taxable. Vending machine sales of items that cannot be ingested, such as cigarettes or novelty toys, are taxed at the full combined rate.

Vending machine sales of prepared food, such as sandwiches or slices of pizza, are also taxed at the full combined rate. For vending machine sales of grocery food, such as packs of gum or bags of pretzels, the statewide combined rate is 3.0 percent.

Tax is included in the vended price. To find the dollar amount of sales without tax, divide the sales by one (1) plus the combined tax rate in the community where the vending machine is located. For example:

- Where the combined rate is 6.0 percent, divide by 1.060.
- Where the combined rate is 6.125 percent, divide by 1.06125.
- Where the combined rate on grocery food is 3.0 percent, divide by 1.030.

A seller of food, beverage and dairy products for \$1 or less may choose to pay tax on 150 percent of the seller's cost (including incoming freight costs) rather than on the sales price. When this option is taken, the taxable amount (150 percent of cost) must be reported on the *Sales and Use Tax Return* as goods consumed.

If the vending machine is owned and serviced by a vending machine company, the vending machine company is responsible for the tax.

Videos and DVDs

Rentals of videotapes and DVDs are taxed as sales of tangible personal property.

Sales tax publications provide general guidance only. They do not contain all sales or use tax laws or rules. If you need additional information, call 801-297-7705 or 1-800-662-4335, ext. 7705 (outside the Salt Lake area), or email taxmaster@utah.gov.

Forms

The following forms are available at tax.utah.gov/forms/ or by calling the Tax Commission automated forms order hot-line at 801-297-6700 or toll free 1-800-662-4335 ext. 6700.

- TC-51 – Nexus Questionnaire
- TC-55A – Claim for Refund of MV Fees or Sales Tax
- TC-62S – Utah Sales and Use Tax Return, Single Place of Business
- TC-62M – Sales and Use Tax Return, Multiple Places of Business
- TC-62M Schedule A – Sales of Non-Food and Prepared Food from Fixed Utah Locations
- TC-62M Schedule AG – Sales of Grocery Food from Fixed Utah Locations
- TC-62M Schedule J – Sales of Non-Food and Prepared Food from Places Other Than Fixed Utah Locations
- TC-62M Schedule JG – Sales of Grocery Food from Places Other Than Fixed Utah Locations
- TC-62E – Municipal Energy Sales and Use Tax
- TC-62F – Restaurant Tax Return
- TC-62L – Motor Vehicle Rental Tax Return
- TC-62N – Sales Tax Refund Request for Religious or Charitable Organizations

- TC-62P – Instructions for Filing Refund Claims for Sales Tax Paid on Pollution Control Facilities
- TC-62Q – Utah Sales Tax Sourcing Schedule
- TC-62X – Sales Exempt from Impacted Communities Taxes
- TC-62T – Transient Room Tax Return
- TC-62W – Waste Tire Recycling Fee Return
- TC-69 – Utah State Business and Tax Registration Application
- TC-69B – Additional Business Locations for a Sales Tax Account
- TC-73 – Sales Tax Exemption Contract
- TC-85 – Agreement for Remitting through Electronic Funds Transfer (EFT)
- TC-160 – Application for Sales Tax Exemption for Religious and Charitable Institutions
- TC-553 – Tobacco Products Tax Return
- TC-719 – Sales Tax Exemption Affidavit for Authorized Interstate Carriers
- TC-720 – Order for Cigarette Revenue Stamps, or TAX for Products Imported for Use, Storage or Consumption
- TC-721 – Exemption Certificate
- TC-721A – Sales and Use Tax Exemption Affidavit for Exclusive Use Outside Utah
- TC-721G – Exemption Certificate for Governments, Foreign Diplomats & Schools
- TC-721NR – Sales Tax Exemption Certificate for Non-Utah Retailers Accepting Delivery of Merchandise in Utah
- TC-738 – Petition for Redetermination
- TC-757 – Affidavit of Out-of-State Delivery
- TC-762 – Lease/Rental Sales Tax Affidavit

Sales Tax Publications

The following publications are available at tax.utah.gov/forms/ or by calling the Tax Commission forms order hot-line at (801) 297-6700 or 1-800-662-4335 ext. 6700.

- Pub 5 – Sales Tax Information for Motor Vehicle/Marine Dealer/Body & Repair Shops
- Pub 25 – Sales and Use Tax General Information
- Pub 35 – Sales Tax Guidelines for Public and Private Elementary and Secondary Schools
- Pub 37 – Business Activity and Nexus in Utah
- Pub 38 – Doing Business in Utah
- Pub 40 – Personal Liability for Unpaid Sales, Fuel and Withholding Taxes
- Pub 42 – Sales Tax Information for Sales, Installation and Repair of Tangible Personal Property Attached to Real Property
- Pub 45 – Sales Tax Information for Nurseries, Florists, Landscapers and Related Industries
- Pub 53 – Sales Tax Information for Health Care
- Pub 54 – Sales Tax Information for Public Utilities
- Pub 55 – Sales Tax Information for Restaurants
- Pub 56 – Sales Tax Information for Lodging Providers
- Pub 58 – Utah Interest and Penalties
- Pub 62 – Sales Tax Information for Telecommunications Service Providers
- Pub 64 – Sales Tax Information for Computer Services Providers

Information Online

Utah State Tax Commission Website
tax.utah.gov

This site has links to:

- Forms and publications

- Current and past sales tax rates
- Internal Revenue Service
- Utah Counties (business license, property tax)
- Multistate Tax Compact
- Other States' Revenue Departments

State of Utah Website

utah.gov

This site has links to:

- Workforce Services (unemployment)
- Labor (worker's compensation)
- Commerce (corporations, DBA registration)

Sales and Use Tax General Information

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If you need an accommodation under the Americans with Disabilities Act, email taxada@utah.gov, or call 801-297-3811 or TDD 801-297-2020. Please allow three working days for a response.

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Sales and Use Tax

General Information

Introduction

This publication provides basic sales and use tax information. It includes Utah tax law and Tax Commission rules, but is not all-inclusive. Future law or rule changes may change this publication.

Utah Tax Code

Utah Tax Code is published by Matthew Bender & Co., Inc. under the trademark LexisNexis. You must pay a subscription fee to access the online site. To order a hardcopy, contact the publisher at:

Matthew Bender & Co., Inc.
Attn: Customer Support
1275 Broadway
Albany, NY 12204-2694
1-800-562-1197

You can get Utah Code, Title 59, *Revenue and Taxation*, at no charge at le.utah.gov/UtahCode/title.jsp. Utah tries to keep current information online; however, code published at LexisNexis may be more current.

Starting a New Business

If you are starting a new business, see Publication 38, *Doing Business in Utah*, at tax.utah.gov/forms.

Buying a Business — Liability

Check the status of all taxes before you buy a business. Keep enough of the purchase money to cover any unpaid taxes until the former owner gives you a Tax Commission receipt showing that all taxes have been paid, or a certificate showing no taxes are due.

If taxes are still due 30 days after you purchase the business, you will be personally liable for the former owner's unpaid sales taxes. See Utah Code §59-12-112.

What is Sales and Use Tax?

Sales and use taxes are transaction taxes. This means the *transaction* is taxed, not the actual goods or services. The buyer is the actual taxpayer.

Sales and use taxes are trust fund taxes because the seller holds the tax in trust for Utah until paid to the Tax Commission. The funds may not be used for any other purpose.

Sales tax and use tax have the same exemptions and tax rates. Either sales tax or use tax applies to any transaction — not both.

Sales Tax

Sales tax is applied to retail sales and leases of tangible personal property, products transferred electronically, and certain services. The seller collects sales tax from the buyer and pays it to the Tax Commission monthly, quarterly or annually using form TC-62PC, *Sales Tax Payment Coupon*. See Utah Code §59-12-103 and Rules R865-12L, R865-19S and R865-21U.

Use Tax

Use tax is applied to purchases of tangible personal property, products transferred electronically, and certain services when sales tax is due but not collected by the seller. A buyer

without a sales tax account pays use tax to the Tax Commission on form TC-40, *Individual Income Tax Return*. Examples of use tax due include:

- using items from resale inventories;
- buying goods or services tax-free for personal or business use (advertising supplies, office or shop equipment, computer hardware and software, office supplies, etc.); and
- buying products from unlicensed, out-of-state sellers.

Sales Tax License

Every seller with an established presence in Utah (see *Nexus Filers*, below) must have a *Utah Sales Tax License*. You can apply for a license online at tap.utah.gov (Tax Commission only) or osbr.utah.gov (multiple Utah agencies), or by submitting form TC-69, *Utah State Business and Tax Registration* (Tax Commission only). Sales tax licenses are not transferable.

Businesses that typically must register for a sales tax license include:

- retailers selling tangible goods, products transferred electronically or services
- wholesalers purchasing resale inventory
- manufacturers
- leasing companies
- consumers such as professional firms and construction contractors

Nexus Filers

Nexus means a business has established a physical or economic presence in Utah, or is related to a business with a physical presence in Utah.

You have a physical presence in Utah if you:

1. have or use an office, distribution house, sales house, warehouse, service enterprise or other place of business in Utah;
2. maintain a stock of goods or inventory in Utah;
3. regularly solicit orders in Utah, even if the orders are not accepted in Utah (unless your Utah activity is only advertising or solicitation by mail, e-mail, the Internet, telephone etc.);
4. regularly deliver property in Utah other than by common carrier or U.S. mail; or
5. regularly lease or service property located in Utah.

You have an economic presence in Utah if during the year or the prior year you:

1. have more than \$100,000 of sales in Utah; or
2. have more than 200 sales in Utah.

A seller also has nexus in Utah if:

1. a. the seller has more than 10 percent interest in a related seller, or
b. a related seller has more than 10 percent interest in the seller, or
c. a related seller wholly owns the seller; and
2. a. the seller sells the same or very similar line of products as the related seller under the same or a very similar business name, or

- b. the related seller's place of business or one of its in-state employees is used to advertise, promote or assist sales by the seller.

See Publication 37, *Business Activity and Nexus in Utah*.

Sellers with a physical presence, economic presence, or a related business in Utah must collect and pay sales tax and file returns. You must file sales tax returns every period, even when you have no tax liability.

Voluntary Sellers

Non-nexus sellers do not have to register or collect Utah sales tax. However, they may voluntarily register to collect Utah sales tax at the combined sales tax rate for the delivery location.

When a seller does not collect sales tax on taxable sales, the buyer must pay use tax on purchases brought into Utah for storage, use or consumption.

How to Add an Outlet

Notify the Tax Commission immediately if you add an outlet to an existing account. You can add an outlet at **tap.utah.gov**, or use form TC-69B, *Additional Business Location for a Sales Tax Account*.

How to Close an Outlet

Notify the Tax Commission immediately if you close a Utah outlet. You can close an outlet at **tap.utah.gov**, or use form TC-69C, *Notice of Change for a Tax Account*. The closed outlet will no longer appear on your pre-printed sales tax return.

How to Close a Sales Tax Account

Notify the Tax Commission immediately if you stop doing business in Utah (see Rule R865-19S-25). Use form TC-69C, *Notice of Change for a Tax Account*.

If you need help closing your account, call Taxpayer Services at 801-297-2200 or 1-800-662-4335 ext. 2200.

If you do not inform the Tax Commission that you closed your business, we may assess an estimated tax, including late penalties and interest.

Definitions (Utah Code §59-12-102)

Delivery Charges

Charges for preparation and delivery to a location chosen by a buyer of tangible personal property, products transferred electronically or services. Delivery charges include (but are not limited to): transportation, shipping, postage, handling, crating and packing.

Purchase price and sales price of tangible personal property do not include delivery charges if stated separately. The delivery charge does not include the cost of transportation to the seller (typically called "freight-in").

Fabrication Charges

Charges to fabricate tangible personal property. Fabrication charges are taxable and must be included in the sale price before tax is calculated.

See Tax Commission Rule R865-19S-51

Grocery Food

Substances sold for ingestion or chewing by humans for taste or nutrition. Grocery food does not include alcoholic beverages, tobacco or prepared food.

Grocery food includes items sold without eating utensils by a food maker (other than a bakery and tortilla maker), items sold singly and unheated by weight or volume, and bakery items (bagel, bar, biscuit, bread, bun, cake, cookie, croissant, danish, donut, muffin, pastry, pie, roll, tart, torte or tortilla). A container or packaging used to transport food is not considered an eating utensil provided by the seller.

Note: The term "grocery food" used in Tax Commission forms and publications means "food and food ingredients" as defined by Utah Code §59-12-102.

See also the *Prepared Food* definition below.

Installation Charges

Charges for permanently installing tangible personal property to real property.

Purchase price and sales price of tangible personal property do not include an installation charge if stated separately.

Installation charges do not include labor charges for repair, renovation, manufacturing or fabrication. Real property sales are nontaxable. When tangible personal property or products transferred electronically become part of the underlying realty upon installation, the purchase and install transaction is considered a real property transaction. The contractor is the final consumer and must pay sales and use tax on the purchase of materials converted to real property.

Prepared Food

1. Food sold in a heated state or heated by a seller.
2. Two or more food ingredients mixed or combined by a seller for a single sale.
3. Food sold with an eating utensil provided by the seller (plate, knife, fork, spoon, glass, cup, napkin, straw, etc.).

Prepared food **does not include**:

- food that a seller only cuts, repackages or pasteurizes; or
- raw eggs, raw fish, raw meat or raw poultry, or a food containing these items if the Food and Drug Administration advises buyers to cook the items to prevent food borne illness.

Products Transferred Electronically

Audio, video and data that are not delivered on physical storage media (CD, DVD, diskette, tape, etc.).

Examples include:

- Music
- Reading material
- Ring tones
- Movies

Purchase Price and Sales Price

The total value for which tangible personal property, products transferred electronically or services are sold, leased or rented. Purchase price and sales price include:

- the seller's cost of the tangible personal property, products transferred electronically or services;
- the seller's expenses, including:
 - the cost of materials,

- labor cost,
 - service cost,
 - interest,
 - a loss,
 - the cost of transportation to the seller, and
 - tax (including federal excise tax) imposed on the seller; and
- charges by the seller for any service necessary to complete the sale.

Purchase price and sales price do not include:

- delivery charges;
- installation charges;
- cash discounts or discount terms offered to buyers;
- coupons that are not reimbursed by a third party; or
- the following, if separately stated on an invoice, bill of sale or similar document given to the buyer:
 - a. the amount of a trade-in;
 - b. interest, financing and carrying charges for credit extended on the sale of tangible personal property, products transferred electronically or services; and
 - c. a tax or fee legally imposed directly on the buyer.

Real Property

Any right, title, estate or interest in land, including all structures on the land.

Real property includes construction materials that lose their separate identity as personal property once incorporated into the real property. These include lumber, bricks, nails and cement used to build structures on the land, as well as fixtures such as furnaces and built-in air conditioning systems.

Repair Charges

Charges for labor and parts to repair, renovate or clean tangible personal property or to repair products transferred electronically. Repairs or renovations of tangible personal property do not include installing or removing prewritten computer software.

Repair charges for parts are subject to sales tax unless the part is exempt under Utah Code §59-12-104. Repair charges for labor are subject to sales tax unless the personal property being repaired is exempt under §59-12-104. The determination of whether repair labor is exempt from sales tax is based on the personal property being repaired, not on whether the parts used in the repair are exempt.

For charges to repair, renovate or clean real property or tangible personal property permanently attached to real property, see Publication 42.

Restaurant

A retail establishment whose business is the sale of food and beverages for immediate consumption. The definition of *restaurant* does not include theaters, but does include dinner theaters. See Utah Code §59-12-602.

Exception: In counties that impose the tourism tax, it does not apply to food sales from deli areas, pizza take-out counters or salad bars within a grocery store or convenience store whose primary business is the sale of fuel or food not prepared for immediate consumption. These sales are exempt from the tourism tax even if the store has seats or

stools for customers. However, if a grocery or convenience store has a full-service restaurant, the tourism tax is due on sales in that restaurant.

Tangible Personal Property

Property that can be seen, weighed, measured, felt or touched, or is perceptible to the senses in any manner. Tangible personal property includes electricity, water, gas, steam and prewritten software.

Tangible Personal Property Permanently Attached to Real Property

A special classification of tangible personal property.

Tangible personal property is considered permanently attached to real property if:

1. the attachment is essential to use the tangible personal property, and
2. the tangible personal property will remain attached over its useful life.

This includes an accessory attached to tangible personal property, if it is needed to operate the tangible personal property and is attached solely for that purpose.

The classification is further supported if removal would largely damage either the tangible personal property or the real property.

The permanently attached tangible personal property keeps its classification even if it is temporarily detached for onsite repair or renovation.

The permanently-attached classification does not include:

1. movable tangible personal property attached for convenience, stability, or for an obviously temporary purpose;
2. tangible personal property that is detached for offsite repair or renovation; or
3. a dishwasher, refrigerator, freezer, microwave, stove, washer, dryer or similar appliance.

Transient Room

Accommodations in hotels, motels, inns, trailer courts, campgrounds, tourist homes and similar stays of less than 30 consecutive days. *Transient room* does not include meeting rooms.

Sales-based Tax Rates and Types

Tax rates vary from one community to another, depending on the taxes each community imposes. Find tax rates online at tax.utah.gov/sales/rates.

Determining Tax Rate (Point-of-Sale Sourcing)

Sourcing means assigning a sale to a taxing jurisdiction to determine the sales tax rate. Sales are sourced by transaction type.

Chart 1: General Sourcing Rules

Transaction Type	Source to:	Exceptions
Retail sale of tangible personal property in Utah (including vending machine operators and sellers who sell from mobile inventory)*	Seller's fixed place of business (whether or not the goods or services are delivered) Location where inventory is warehoused for vending machine operators and sellers who sell from mobile inventory	Sales at special events (fairs, swap meets, races, etc.) are sourced to the event location .
Retail sale of taxable services in Utah when seller also sells tangible personal property*	Seller's fixed place of business OR customer's location (seller's preference)	If the seller sells tangible personal property on the same invoice as the service, the transaction must be sourced to the seller's fixed place of business . Sales at special events (fairs, swap meets, etc.) are sourced to the event location .
Retail sale of taxable services in Utah when seller does not sell any tangible personal property*	Customer's location	
Retail sale of tangible personal property or taxable services from outside Utah *	Buyer's location (the place the buyer receives the service or property)	
Retail sale of admissions	Location of activity or event (regardless of ticket purchase location)	
Retail sale of prewritten computer software where there is no transfer of a copy of the software to the buyer	See Publication 64	
Lease or rental of tangible personal property* (other than motor vehicles, semi-trailers, trailers 10,000 pounds or less, and aircraft)	Location the customer receives the goods or services for down payment and first payment Location of the item for subsequent payments	If there are no recurring payments: <ul style="list-style-type: none"> • source to the location the customer receives the goods or services. • source to the customer's location if shipped from outside the state to a Utah customer.
Lease or rental of motor vehicles, semitrailers, trailers 10,000 pounds or less, and aircraft	Customer's location (address) for all payments, including down and first payments	If there are no recurring payments, source to the seller's fixed place of business.

*Including products transferred electronically.

See Utah Code §§59-12-211, 59-12-212, 59-12-213 and 59-12-214.

Tax Rate Changes

Tax rates and jurisdictional boundaries can change quarterly. The Tax Commission posts these changes 60 days before the effective date. Check tax rates regularly at tax.utah.gov/sales/rates.

- If the tax rate **increases**, the new rate applies to the **first billing period** starting on or after the effective date.
- If the tax rate **decreases**, the new rate applies to the **first billing statement payment** rendered (sent) on or after the effective date.

Rate Changes During Billing Cycles

When the sales tax rate changes during a billing cycle, it is applied differently depending on whether the rate increases or decreases:

Example 1: Rate INCREASE

Payments for a 36-month vehicle lease are due on the 15th day of each month. After the lease went into effect, the sales tax rate **increased**, effective October 1. The October 15 payment is for the **billing period** beginning September 16, which was before the new rate went into effect. The October 15 payment is taxed at the old (lower) rate, even though the payment is made after the new rate went into effect. The November 15 payment will be for the period beginning October 16 and will be taxed at the new (higher) rate.

Example 2: Rate DECREASE

Using Example 1 above, instead of an increase there was a tax rate **decrease** effective October 1. The billing statement for the October 15 payment is sent on September 16. Although the payment is due October 15, it is taxed at the old (higher) rate because the **billing statement** was sent before the new (lower) rate went into effect. All future bills will be taxed at the new rate.

Combined Sales Tax Rate

The taxes listed in Chart 2 are included in the combined sales tax rate and are filed on the sales tax return (TC-62S or TC-62M). The combined sales tax rate is applied to all taxable transactions, except as noted in the chart.

Chart 2: Taxes in the Combined Rate

Tax	Imposed By	Rate	Exemptions
State Sales and Use	State	4.70%	The state sales tax rate for grocery food is 1.75 percent. These transactions are also subject to local option and county option and results in a total combined rate on grocery food of 3 percent throughout Utah. The state sales tax rate for residential fuel is 2 percent which results in a combined rate 2.7 percent less throughout Utah.
Local Option	County, city or town	1.00%	None
County Option	County	0.25%	None
Resort Communities	City or town	Up to 1.60%	Grocery food sales. Sales of motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes are exempt from resort communities tax, but are subject to the remaining portion of sales and use tax. This exemption does not apply to trailers, off-highway vehicles, snowmobiles, truck-mounted campers, etc.
Rural Health Care	County, city or town	Up to 1.00%	Grocery food sales
Public Transit	County, city or town	Up to 0.30%	Grocery food sales
Public Transit, Airport Facility or State Highway Projects	County, city or town	0.25%	Grocery food sales
Highways	City or town	Up to 0.30%	Grocery food sales
Recreational Facilities and Botanical, Cultural and Zoological Organizations	County, city or town	0.10%	Grocery food sales
Town Option	Town	Up to 1.00%	Grocery food sales
City or Town Option	City or town	Up to .20%	Grocery food sales
Mass Transit Fixed Guideway	County	Up to 0.30%	Grocery food sales
County Option Transportation	County	Up to 0.25%	Grocery food sales
State Correctional Facility Sales and Use Tax	City or town	Up to 0.50%	Grocery food sales. Sales of motor vehicles, aircraft, watercraft, modular homes, manufactured homes or mobile homes are exempt from the state correctional facility tax. This exemption does not apply to trailers, off-highway vehicles, snowmobiles, truck-mounted campers, etc.

Tax	Imposed By	Rate	Exemptions
Supplemental State Sales and Use	State	Up to 0.05%	Grocery food sales
County of the Second Class Airport, Highway and Public Transit	County, city or town	Up to 0.25%	Grocery food sales
County Option Highways and Public Transit	County	0.25%	Grocery food sales

Related Taxes and Fees

The following sales-related taxes and fees are filed on separate returns or electronically:

Chart 3: Related Taxes and Fees

Tax	Imposed By	Rate	Applies To	Discount	Reported On
State Transient Room	State	0.32%	Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days	6%	TC-62T
County Transient Room	County	Up to 4.25%	Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days	None	TC-62T
Municipal Transient Room	City or town	Up to 1.5%	Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days Cities and towns that meet certain requirements may impose an additional transient room tax	None	TC-62T
Tourism Transient Room	Salt Lake County	Up to 0.5%	Tourist home, hotel, motel or trailer court rental for less than 30 consecutive days	None	TC-62T
Motor Vehicle Rental	State	2.50%	Short-term leases and rentals (less than 30 days) of motor vehicles, unless the vehicle: <ul style="list-style-type: none"> temporarily replaces a motor vehicle being repaired under a repair or insurance agreement, is registered for a gross laden weight of 12,001 or more pounds, or is a moving van for personal household goods 	None	TC-62L
Short-term Leasing	County	Up to 7.0%	Short-term leases and rentals (less than 30 days) of motor vehicles, unless the vehicle: <ul style="list-style-type: none"> temporarily replaces a motor vehicle being repaired under a repair or insurance agreement, is registered for a gross laden weight of 12,001 or more pounds, or is a moving van for personal household goods 	1%	TC-62L
Restaurant	County	Up to 1.0%	Food, food ingredients and prepared food sold by a restaurant	None	TC-62F
911 Emergency Services Charge	State	\$0.71 per access line	Local exchange service switched access line, radio communication access line, voice-over-Internet-protocol (VoIP)	1.5%	Electronically

Tax	Imposed By	Rate	Applies To	Discount	Reported On
Radio Network Charge to fund the public safety communications network	State	\$0.18 per access line	Local exchange service switched access line, radio communication access line, voice-over-Internet-protocol (VoIP)	None	Electronically
Unified statewide 911 Emergency Service Charge	State	\$0.09 per access line	Local exchange service switched access line, radio communication access line, voice-over-Internet-protocol (VoIP)	1.5%	Electronically
Municipal Telecom License Tax	City or town	Up to 3.5%	Charges for telecommunications services	None	Electronically
Municipal Energy Sales and Use Tax	City or town	Up to 6.0%	Sales of natural gas and electricity	1%	TC-62E
Prepaid Disposable Phones and Prepaid Disp. Phone Minutes	State	2.45% of transaction amount	Sales of prepaid disposable cell phones and disposable cell phone minutes.	3%	TC-62W
Waste Tire Fee	State	\$1.00 per tire	Sales of new tires with a rim size up to 24½ inches. Sales tax exemptions do not apply to the fee. The fee does not apply to used tires, bicycle tires, tires attached to human-propelled devices, or tires sold and delivered out of Utah.	2.50%	TC-62W

Other Information

The following miscellaneous taxes and fees may also apply to certain sellers. Contact the Tax Commission for more information.

- Motor fuel, aviation fuel, and special fuel taxes
- Lubricating oil fee
- Beer, cigarette and tobacco products taxes
- Royalty payment on unprocessed brine shrimp eggs
- Multi-channel audio and video tax
- Sexually explicit business and escort service tax

Sellers must keep exemption certificates in their records as documentation. A seller may use a certificate on file for its customers' future purchases. A buyer must notify the seller if a certificate on file is cancelled, modified or limited.

Types of Exemptions

There are three types of sales tax exemptions, based on:

1. **Entity** (exemption certificate required for sales to an exempt entity)
2. **Use** (exemption certificate required)
3. **Product** (exemption certificate not required)

Entity-Based Exemptions

An entity-based exemption is determined by who buys or sells the product.

Some common exemptions are:

- Sales to a public transit district or a subcontractor of a public transit district, if the tangible personal property is clearly identified and installed or converted to real property owned by the public transit district.
- Sales to United States government agencies.
- Sales to entities exempt from state taxes by federal law.
- Sales to Utah state and local government agencies (see Publication 56 for lodging-related sales).
- Sales of construction materials to most Utah government agencies — only if installed by the agencies' employees.

Construction materials bought by or for public elementary and secondary schools are exempt from sales tax. The construction materials must be clearly identified and segregated, and they must be installed or converted to real property owned by the school. See Rule R865-19S-23.

Sales and Use Tax Exemptions

Utah law provides some exemptions from sales and use tax. See Utah Code §59-12-104 for more information.

Exemption Certificates

When an exemption certificate is required, the buyer must provide the seller with the exemption information in one of two ways:

1. **On a paper exemption certificate:** form TC-721, *Exemption Certificate*; or form TC-721G, *Exemption Certificate for Governments & Schools*.

A buyer needs to provide a signature when using a paper certificate.

2. **Electronically**

If the exemption information is provided electronically, all the information required on the paper form must be included.

A seller can accept exemption certificates at face value. A seller is not liable for improper exemptions unless the seller takes part in claiming a fraudulent exemption.

To qualify for this exemption, the purchase must be made with the government agency's funds. A purchase does not qualify for this exemption if a government employee makes the purchase with personal funds, even if the government agency reimburses the employee.

- Sales to U.S. government employees traveling on official business, if they present one of the following:
 - a complete and signed form TC-721G, *Exemption Certificate for Governments, Foreign Diplomats & Schools*;
 - a check from the government agency;
 - a purchase order; or
 - a voucher.

Sellers must keep proof that the purchase qualifies for the exemption, such as a copy of the government check, purchase order, voucher or signed form TC-721G.

- Sales made to or by:
 - a local agency on aging;
 - a senior citizen center owned by a county, city or town; and
 - a senior citizen center that contracts with a local agency on aging.
- Purchases by certain enrolled members of Native American tribes (including the tribe itself), if:
 - the member has a tribal card showing a Federal Bureau Number;
 - the purchased item is delivered to the enrolled tribal member's own reservation (in the case of the Ute Indian Tribe, the item must be purchased on or delivered to tribal trust lands within the Uintah and Ouray reservations); and
 - in the case of sales to the tribe itself, the buyer must present a purchase order, exemption certificate, or similar evidence of tribal identity.

Sales made off the reservation to enrolled members of the tribe are taxable. They are exempt from tax only if the seller (or a licensed common carrier) delivers the purchased item(s) to the reservation.

- Sales to foreign diplomats. The U.S. State Department and the American Institute in Taiwan grant a tax exemption to eligible foreign officials assigned to the United States. Tax exempt foreign officials and government offices are issued a Tax Exemption Card, valid nationwide. The card lists the person's name, photograph, mission employed by, expiration date and identification number.

The exemption cards are used at point-of-sale for exemption from state and local sales, restaurant and lodging/occupancy taxes. These cards DO NOT exempt taxes on utilities, gasoline or vehicle purchases (see Publication 5 for more information about vehicle purchases and Publication 66 for more information about gasoline purchases). The type of exemption is shown by an eagle, owl, deer or buffalo on the bottom corner of the card. The items exempted are listed on the back of the card.

Sellers must keep a copy of the card or a valid exemption certificate as proof of the exempt sale.

For more information on the Tax Exemption Program, see the Office of Foreign Missions (OFM) web site, state.gov/ofm/tax, or contact the OFM San Francisco regional office at 415-744-2910.

- Sales of feed, seed, baling ties, etc. to commercial farms.

- Sales of tangible personal property and products transferred electronically for primary use in farming operations. Also, charges for labor, parts and supplies to repair and maintain off-road agricultural machinery.
- Sales of electricity and fuel for industrial use as defined in Utah Code §59-12-102.
- Sale or lease of semiconductor fabricating, processing, research or development materials.
- Sales relating to schools and fundraising (see Publication 35).
- Sales to religious or charitable institutions.
 - If the purchase is \$1,000 or more, the buyer takes the exemption at the point of sale.
 - If the purchase is less than \$1,000, the buyer claims the exemption by submitting form TC-62N, *Utah Sales Tax Refund Request*, to the Tax Commission.
 - If a public utility makes the sale to a religious or charitable institution, the exemption must be taken at the point of sale.
 - If a contract exists between the seller and the religious or charitable institution, the buyer may take the exemption at the point of sale regardless of the dollar amount of the sale.

To be eligible for the exemption, the organization must be exempt under IRC Section 501(c)(3) and have a sales tax exemption number from the Tax Commission. Submit form TC-160 to get a tax exemption number.

- Sales of construction materials to a religious or charitable institution, or to a contractor buying for a religious or charitable institution.
- Sales of aircraft, boat and river-running tours.
 - Amounts paid for aircraft tours are exempt if the craft enters a federal airway (designated by the Federal Aviation Administration) during the tour.
 - Amounts paid for boat tours, scenic cruises, and similar services are exempt from tax if the waters of the tour or cruise are used as highways for interstate commerce.

For more information, see Rule R865-19S-113.

- Sales of grocery food, prepared food or alcoholic beverages by a church or a charitable institution, if the items are not available to the general public.
- Sales of grocery food, prepared food or alcoholic beverages by a higher education institution, if the items are not available to the general public and are prepaid as part of a student meal plan offered by the institution.
- Sales of grocery food, prepared food or alcoholic beverages provided at a medical or nursing facility for inpatient meals. See Rule R865-19S-61.
- Sales to or by a Utah aircraft maintenance, repair and overhaul provider to maintain, repair, overhaul or refurbish a fixed-wing turbine-powered aircraft that is not registered in Utah.

Use-Based Exemptions

A use-based exemption is determined by the buyer's use of the product.

The following are exempt:

- Sales of certain vehicles for exclusive use outside of Utah.

- Products purchased for resale in the regular course of business, either in their original forms or as ingredients or components of a manufactured or compounded product.
- Sales for resale or lease. The lease of tangible personal property and products transferred electronically is also exempt if it meets all of the following conditions:
 - the property is part of a sale-leaseback transaction,
 - sales or use tax was paid on the initial purchase of the property, and
 - the leased property will be capitalized and the lease payments will be accounted for as payments made under a financing arrangement.
- Purchases of tangible personal property and products transferred electronically when sales and use tax is paid to another state, unless the other state's tax rate is lower than Utah's rate. When the tax rate is lower than Utah's rate, the buyer must pay the difference. No adjustment or credit is allowed if the other state's tax rate is greater than Utah's rate.
- Purchases or leases of machinery, equipment, repair or replacement parts or materials (except office equipment and supplies) used or consumed:
 - by a qualified manufacturing facility or scrap recycler to produce an item sold as tangible personal property.
 - used in a Utah mining production process or research and development, by a business described in NAICS 212, Mining (except Oil and Gas) or NAICS 213113, Support Activities for Coal Mining.
 - by a qualified web search portal facility or medical laboratory for the operation of the establishment.
- Purchases or leases of machinery, equipment and normal operating repair or replacement parts, with an economic life of three or more years, used in Utah to perform qualified research.
- Purchases of construction materials used to construct a new or expanding life science research and development facility in Utah. The facility must be owned, leased or rented by a life science establishment, and research and development must take place in at least 51 percent of the total area of the facility. The construction materials must be clearly identified, segregated and installed or converted to real property. Life science establishments are described in NAICS 33911, 334510 and 334517.
- Charges for labor to repair or renovate tangible personal property or products transferred electronically, if the personal property being repaired is exempt under Utah Code §59-12-104.
- Sales of parts used in the repair or renovation of the following exempt tangible personal property:
 - tools or equipment used exclusively under an aerospace or electronics industry contract with the United States government;
 - tangible personal property and products transferred electronically used or consumed primarily and directly in farming operations;
 - snow-making equipment, ski slope grooming equipment, and passenger ropeways;
- Sales of non-returnable containers, labels, bags, shipping cases and casing to a manufacturer, processor, wholesaler or retailer for use in packaging tangible personal property for resale.
- Purchases of lists or databases used to address direct mail.
- Purchases or leases by a telephone service provider of equipment, machinery or software that have a useful economic life of one or more years and are used for the following telecommunication purposes:
 - enabling or facilitating,
 - 911 service,
 - maintenance or repair,
 - switching or routing, or
 - transmission.
- Purchases of property from another state that is brought into Utah, only if the property is:
 1. used for business,
 2. first used outside Utah,
 3. not a vehicle, and
 4. not rented or leased.
- Purchases of certain consumable items by short-term lodging providers, only if the items are:
 1. used by guests,
 2. included in the full sales price of the lodging, and
 3. not listed separately on the invoice.
 See Publication 56.
- Purchases or leases of items used to create prepared food, only if:
 1. the ownership of both the seller and the buyer are the same, and
 2. either the seller or the buyer paid Utah sales tax prior to making the sale.
- Purchases of machinery and equipment by amusement, gambling and recreation industries (NAICS Subsector 713), only if:
 1. the machinery or equipment has an economic life of three or more years,
 2. the machinery or equipment will be used by payers of admissions or user fees, and
 3. at least 51 percent of the buyer's sales revenue for the previous calendar quarter came from admissions or user fees.
- Purchases of machinery and equipment, or normal operating repair or replacement parts, only if the machinery:
 1. is used by an electronic financial payment service (NAICS Code 522320), and
 2. has an economic life of three or more years.

Product-Based Exemptions

A product-based exemption is determined by the type of product. An exemption certificate is not required.

The following are exempt:

- Isolated or occasional sales, if the sale is made by a person who does not typically sell that type of product. This exemption does not apply to sales of products for resale or to the sale of a vehicle or vessel that must be titled or registered in Utah.
- Purchases of prescription drugs. A drug is defined as a compound, substance or preparation that is used to diagnose, cure, mitigate, treat or prevent disease, or to affect the structure or function of the human body. Food, dietary supplements, alcoholic beverages and prosthetic devices

are not considered drugs. Sales of drugs are exempt from sales and use tax only if the buyer presents a prescription.

- Sales or rentals of durable medical equipment, including replacement and repair parts. Sales or rentals of durable medical equipment are exempt from sales and use tax only if the buyer presents a prescription for the equipment.
- Sales or rentals of mobility-enhancing equipment to help a person with limited mobility move from one place to another. Sales or rentals of mobility-enhancing equipment are exempt from sales and use tax only if the buyer presents a prescription for the equipment.
- Sales of prosthetic devices, including repair and replacement parts. Eyeglasses and contact lenses are not prosthetic devices. Sales or rentals of prosthetic devices are exempt from sales and use tax only if a prescription is required for the device or it is purchased by a hospital or medical facility.
- Sales of disposable home medical equipment or supplies that cannot withstand repeated use. Sales of disposable home medical equipment or supplies are exempt from sales and use tax only if the buyer presents a prescription for the equipment or supplies. The equipment and supplies must be eligible for payment under Title XVIII, federal Social Security Act or the state plan for medical assistance under Title XIX, federal Social Security Act.
- Forty-five percent of the sales price of a new manufactured home, and 100 percent of the sales price of a used manufactured home.
- Fees for unassisted amusement devices, such as arcade games.
- Sales of unassisted carwashes, and unassisted dry cleaning and laundry services.
- Interstate sales delivered by common carrier or by the seller to a place outside Utah. The licensed seller or retailer must keep a copy of the bill of lading, freight bill, form TC-757 or other proof of out-of-Utah delivery. If the property is delivered within Utah to a buyer, the tax applies, even if the buyer takes the property out of Utah. See Rule R865-19S-44.
- Sales of motor fuels and special fuels subject to Utah fuel excise tax.
- Sales of hay.
- Exclusive sale of seedling plants, or garden, farm or other agricultural produce, if sold during the harvest season by the producer, an employee of the producer, or by a member of the producer's immediate family. If the producer sells any other product, tax is due on all sales.
- Sales of telephone service charged to a prepaid telephone calling card.
- Sales of newspapers or newspaper subscriptions.
- Sales of water in a pipe, conduit, ditch or reservoir.
- Room and trailer space rentals for 30 consecutive days or more.
- Sales of currency or coinage that is legal tender of the United States or of a foreign nation.
- Sales of an ingot, bar, medallion or decorative coin containing at least 50 percent gold, silver or platinum that is not legal tender of any nation.
- Admissions to higher education athletic events.

- Sales of textbooks, if:

1. the textbook is required for a higher education course,
2. the seller is not a bookstore owned by an institution of higher education,
3. the buyer is enrolled in a course offered by an institution of higher education, and
4. at least 51 percent of the seller's sales for the previous calendar quarter are sales of textbooks for a higher education course.

A Utah institution of higher education means: Dixie State University, Salt Lake Community College, Snow College, Southern Utah University, University of Utah, Utah System of Technical Colleges, Utah State University, Utah Valley University, Utah State University Eastern, Weber State University.

Sellers must keep records to verify these conditions for each sale. Additionally, a seller's records must include exemption certificates (TC-721) showing the buyer is enrolled in courses offered by an institution of higher education.

- Sales of fuel cells (see Utah Code §54-15-102).
- Charges for database access if the primary purpose is to access information from the database. The exemption does not include purchases of digital audioworks, digital audio-visual works or digital books.

Calculating Sales Tax

Taxable Transactions

Sales and leases of tangible personal property, products transferred electronically, and certain services are taxable to the final consumer. The following transactions are taxable unless an exemption applies:

- Retail sales or purchases of tangible personal property and products transferred electronically within Utah.
- The storage, use or consumption in Utah of tangible personal property and products transferred electronically.
- Rentals and leases of tangible personal property and products transferred electronically, if:
 - the location of the product is in Utah;
 - the lessee took possession of the product in Utah; or
 - the product is stored, used or otherwise consumed in Utah.
- Labor to repair, renovate and clean tangible personal property and products transferred electronically. This includes maintenance agreements.
- Labor to repair, upgrade or maintain products transferred electronically. This includes maintenance agreements.
- Laundry and dry cleaning services when the labor is not performed by the buyer.
- Admission or user fees for theaters, movies, operas, museums, planetariums, shows, exhibitions, concerts, carnivals, amusement parks, amusement rides, circuses, menageries, fairs, races, contests, sporting events, dances, boxing matches, wrestling matches, closed circuit television broadcasts, billiard parlors, pool parlors, bowling lanes, golf, miniature golf, golf driving ranges, batting cages, skating rinks, ski lifts, ski runs, ski trails, snowmobile trails,

tennis courts, swimming pools, water slides, jeep tours, horseback rides, sports activities, or any other amusement, entertainment, recreation, exhibition, cultural, or athletic activity. User fees include access charges for videos, video games, television programs and cable or satellite broadcasts, if that access occurs anywhere other than the buyer's home.

- Use of assisted amusement devices when the device or ride is not operated by the buyer.
- Assisted cleaning or washing of tangible personal property if the cleaning or washing labor is not performed by the buyer.
- Stays at tourist homes, hotels, motels, campgrounds, trailer courts and similar accommodations usually rented for less than 30 consecutive days.
- In-state telecom services.
- Meals (prepared food) at restaurants or other eating places.
- Sales for commercial use of gas, electricity, heat, coal, fuel-oil or other fuels. (Sales of these items for industrial use may qualify for an entity-based exemption.)
- Sales for residential use of gas, electricity, heat, coal, fuel-oil or other fuels. These products are taxed at the state rate of 2 percent plus any applicable local and/or public transit tax.
- Sales of grocery food. Taxed statewide at the rate of 3 percent. (Sales of prepared food are taxed at the full combined rate.)
- Sales of prepaid telephone calling cards, including vending machine sales of prepaid telephone calling cards, if the card can be used for in-state calls.
- Sales of memberships that entitle the buyer to discounted or free merchandise or services that are subject to sales tax. For example:
 1. Memberships that let card holders enter a warehouse and buy merchandise free of additional markup.
 2. Video memberships that let members rent videos at a reduced price.All purchases made with these membership cards are subject to sales tax at the time of purchase unless an exemption applies.
- Sales of products transferred electronically, if a physical copy of the product would be taxable. For example, the purchase of a music CD is taxable, so downloaded music is also taxable. For more information, see the *Additional Information* section.

Taxes and Fees Imposed on the Seller

Municipalities may impose and collect a license fee or tax, other than taxes imposed under the *Utah Sales and Use Tax Act*, as allowed by law. You must include city-imposed taxes (other than taxes imposed under the *Utah Sales and Use Tax Act*) in the taxable sales you report on your *Utah Sales and Use Tax Return*.

Example: A seller makes a \$100 sale in a city that has imposed a 2 percent gross receipts tax on revenues. City and state taxes are calculated as follows:

Taxable sales	\$100.00
City-imposed tax @ 2%	2.00
Amount subject to state and local taxes	\$102.00
Combined sales tax rate @ 6.125%	x.06125
State and local sales taxes paid to the state	\$6.25
Transaction total (cost of item plus taxes)	\$108.25

Payments by Gold or Silver Coin

If you agree to accept gold or silver coin in payment for a purchase, you must state in your books and records and on any invoice all of the following:

1. The purchase price of the item in gold or silver coin and in dollars.
2. The amount of sales tax due in gold or silver coin and in dollars.
3. The tax rate that applies to the purchase.
4. The date of the purchase.

You must use the most current London fixing price for the type of coin used to determine the tax due in dollars.

Filing and Reporting Requirements

Accounting Methods

Sellers must use accrual basis accounting to report sales and use tax (see exceptions below). Report all sales and use tax on goods sold and consumed during a filing period on the return for that filing period (see *Filing Frequency*).

You may only use cash basis reporting if one of the following circumstances applies:

- a sale includes delivery or installation of tangible personal property at a location OTHER than the seller's place of business (the seller must state the delivery or installation on the invoice), or
- a buyer who converts tangible personal property into real property chooses to report use tax on a cash basis — only if the buyer is not required to pay use tax on a monthly basis.

Returns

Every sales and use tax account must file a *Sales and Use Tax Return* for each filing period. Depending on the nature of your business, your return is either form TC-62S or form TC-62M. If you file TC-62M, you must also file schedules with your return (see *Forms and Schedules*, below).

If you are liable for sales-related taxes (transient room, restaurant, motor vehicle rental, waste tire, etc.), you must file a separate return for each separate type of tax or fee.

Only file once for each filing period.

Returns are due the last day of the month following each filing period. When a due date falls on a weekend or legal holiday, the return is due the next business day.

Paper Returns

The Tax Commission mails personalized returns to every seller (unless a seller asks not to receive paper returns). However, you must file returns and pay taxes by the due date, even if you don't receive a return. Get blank forms and schedules online at tax.utah.gov/forms.

Online Sales Tax Return

You may file your *Sales and Use Tax Returns* and schedules online at tap.utah.gov.

Filing Frequency

Your filing frequency depends on your yearly sales tax liability:

- If your sales tax liability is less than \$1,000 per year, you may file annually.
- If your sales tax liability is between \$1,000 and \$50,000 per year, you may file quarterly.
- If your sales tax liability is \$50,000 or more, you must file monthly.

The Tax Commission will set your filing frequency and notify you if it changes.

You will file the following at the same time you file your sales tax return:

- Municipal energy sales and use tax
- Municipal telecom license tax
- Lubricating oil recycling fee
- Waste tire recycling fee
- Multi-channel video and audio service tax
- 911 emergency services charge
- Radio network charge to fund the public safety communications network
- Unified statewide 911 emergency service charge
- Disposable cell phone fee

Forms and Schedules

What to File

TC-62S, *Sales and Use Tax Return, Single Place of Business* — For sellers with one fixed Utah location. TC-62S filers do not need to file schedules.

TC-62M, *Sales and Use Tax Return, Multiple Places of Business* — For all other sellers, including those with multiple Utah business locations, no Utah location, or no fixed place of business. Sellers file TC-62M if they need to report:

- vending machine sales with multiple inventory locations,
- sales in Utah from a non-fixed place of business,
- sales exempt from the resort tax in a resort community,
- sales exempt from the state correctional facility tax in Salt Lake City,
- sales of tangible personal property or products transferred electronically that are sent into Utah by sellers outside of Utah.

TC-62M filers must also file one or more of the following schedules:

- **Schedule A**, for sales of non-food and prepared food from multiple fixed Utah business locations, based on the seller's location.
- **Schedule AG**, for sales of grocery food from multiple fixed Utah business locations, based on the seller's location.
- **Schedule J**, for sales of non-food and prepared food reported based on the customer's location, products shipped to customers in Utah, or tangible personal property or products transferred electronically at a location other than a fixed place of business.
- **Schedule JG** for sales of grocery food reported based on the customer's location.

- **Schedule X** for sales exempt from the resort communities tax or the state correctional facility tax.

Seller Discount

Monthly sales tax filers may take a seller discount equal to 1.31 percent of the combined sales tax. Monthly tourism tax filers may take a seller discount equal to 1 percent of the tourism short-term leasing tax adopted by the county. Sellers of grocery food may take the seller discount of 1.31 percent as if they had collected tax at the full combined rate. Quarterly and annual filers may not take the seller discount.

Goods Consumed by the Seller

Items consumed by the seller are subject to use tax on the amount of the seller's cost, not the potential sales price. Items consumed by the seller include:

- items taken from inventory and used by the seller,
- samples given away for advertising, and
- products consumed by employees without payment.

When you buy products from local businesses for storage or use, you must pay tax at the time of purchase. For example, office supplies and equipment (such as cash register tapes, returnable containers and furniture) are taxable at the point of sale.

A seller may purchase tax-free grocery bags, sacks and other non-returnable packaging material that go out the door with the customer.

No tax is due on items discarded because of spoilage, broken packaging and similar incidents, because they are not consumed by the seller.

The purchase of printed advertising inserts is taxable unless the inserts contain the name and publication date of the newspaper distributing the inserts and are included in and distributed with the newspaper. See Rule R865-19S-65.

Report use tax on your *Sales and Use Tax Return*.

Employee Incentives and Discounts

If a seller's employees earn credit (dollars or points) toward purchases of its goods or services as part of an incentive program, the dollar value of the credit is included in the total sales price. Employee incentive program credit is not an employee discount.

Employee discounts that are not reimbursed by third parties are discounts that are not included in the sales price.

Bad Debts

Only a seller may claim bad debts. A seller may take a sales tax adjustment for bad debts. You must deduct nontaxable amounts (such as cash back to the customer and exempt charges) from the total amount of the bad debt amount to arrive at the net write-off amount.

To find the amount of the adjustment you may claim on your *Sales and Use Tax Return*, divide the net write-off (W) by one (1) plus the local combined sales tax rate (R) at the time of sale.

$$W \div (1 + R) = \text{adjustment}$$

Example: A retailer has a net write-off of \$100. The combined sales tax rate in the retailer's community is 6.5 percent. The retailer divides \$100 by 1.065 to arrive at an adjustment claim of \$93.90.

You may not take a credit for repossessed items other than motor vehicles. See Publication 5, *Sales Tax Information for Motor Vehicle/Marine Dealer/Body & Repair Shops*.

Online Payments

You can pay sales tax online at tap.utah.gov. You may use this service whether you file electronically or on paper. Online payments can be made by credit card (American Express, Discover or MasterCard) or electronic check (direct debit to a checking or savings account).

A convenience fee is applied to some payment methods to cover service costs. If a convenience fee is required, it is clearly listed before you complete the transaction. If you pay online, you must still file a separate return if one is due.

Electronic Funds Transfer (EFT)

If your annual sales tax liability is \$96,000 or more, you must pay by Electronic Funds Transfer (EFT). Pay online by ACH debit at tap.utah.gov.

You can schedule EFT payments up to 130 days before the due date and the payment can be withdrawn from your account on the day you select.

You may also pay with ACH credit. See *Electronic Funds Transfer - EFT* at tax.utah.gov/billing/payments.

Caution: Do not use other payment methods, such as credit cards, to pay **current returns** if you must pay by EFT. Other payment methods do not meet EFT filing requirements and you will lose your seller discount.

EFT filers may pay **past-due liabilities** with other payment methods.

Penalties

The penalty for failure to file a tax-due return by the due date is the greater of \$20 or up to 10 percent of the unpaid tax, based on the date the return is filed. Failure to file a tax return includes filing a tax return without enough information for us to correctly distribute local tax revenues. We will add another failure-to-pay penalty, the greater of \$20 or up to 10 percent of the tax balance, if the tax balance remains unpaid 90 days after the due date.

The penalty for failure to pay the full amount of tax due on a timely-filed return, or within 30 days of a notice of deficiency, is the greater of \$20 or up to 10 percent of the tax due, based on the payment date. **Unpaid tax includes tax paid without a tax return.**

You will also lose the seller discount if you file your monthly return late or underpay the tax due.

Penalties are imposed at a graduated rate, based on the time period of the delinquency.

See Publication 58, *Utah Interest and Penalties*, online at tax.utah.gov/forms.

Interest

Interest is assessed from the original due date until the tax liability is paid in full. See Publication 58, *Utah Interest and Penalties*, online at tax.utah.gov/forms.

Overpayments and Refunds

You may file a claim for a credit or an overpayment refund within either three years from the return due date or two years of paying the tax to the Tax Commission, whichever is later. However, you may not file a claim for a credit or a refund on a tax deficiency that has been legally settled. If we deny your claim, you may file a *Petition for Redetermination*.

Purchaser Refunds

If you pay Utah sales tax to a seller and later find the purchase was taxed incorrectly, ask the seller to credit or refund the overpaid tax. If the seller is no longer in business or does not provide a credit or refund, you may request a refund directly from the Tax Commission using form TC-62PR, *Application for Purchaser Refund of Utah Sales Tax*. For more information, see tax.utah.gov/sales/refund-request.

Use Tax and Bad Debts

To claim a refund or credit for use tax and bad debts, amend the sales tax return the tax was reported on, or make an adjustment on your next sales tax return.

You must explain the legal basis for your refund. If amending by paper return, include your legal explanation plus supporting documents that verify the transaction(s) is not subject to sales tax. If amending electronically, explain your legal basis as prompted and provide supporting documents upon request.

If you have multiple business locations and/or a non-fixed location you must amend or adjust the appropriate return schedules for the location(s) where you originally reported the tax.

Seller Amendments and Adjustments

If you are a seller who has credited or refunded previously reported sales taxes, you may either amend the return(s) the taxes were originally reported on or claim an adjustment on your next sales tax return. If amending or adjusting on paper, include the following with your return:

1. Explanation of the changes
2. Documentation provided by the purchaser proving they were exempt from the tax (such as an Exemption Certificate)
3. Proof that you credited or refunded the tax to the purchaser
4. Adjustments only: calculation of adjustment amount (refunded tax divided by current period's tax rate)
5. Adjustments only: schedule showing which period(s) the taxes were originally reported to the Tax Commission and, if multiple locations, the locations being adjusted

If amending or adjusting electronically, explain your basis as prompted and provide the above documents upon request.

If you have multiple business locations and/or a non-fixed location you must also amend or adjust the appropriate return schedules for the location(s) where you originally reported the tax.

Do not adjust your sales and use tax return to claim a credit for taxes paid to another seller. Instead, you must seek a refund from the seller or apply for a refund from the Tax Commission using form TC-62PR, *Application for Purchaser Refund of Utah Sales Tax*. (See *Purchaser Refunds*.)

Record Keeping Requirements

From Rule R865-19S-22

Every retailer, lessor or person doing business in Utah must keep complete records used to determine their sales and use tax liabilities. You must keep records for three years from the date you file your tax return. Your records must be available to the Tax Commission in their original format (paper or electronic).

Your records should:

- show all gross receipts from Utah sales or leases of tangible personal property, products transferred electronically, or services.
- show deductions and exemptions claimed on sales tax returns.
- show bills, invoices and similar proof of all tangible personal property and products transferred electronically bought for sale, consumption or lease in Utah.
- include original supporting documents (bills, receipts, invoices, cash register tapes, etc.) and all schedules or working papers used to prepare tax returns.

→ **Note:** It is a third degree felony to knowingly sell, buy, install, transfer, use or possess any automated sales suppression device or phantomware with the intent to defraud.

See additional record keeping requirements in Rule R861-1A-35.

Reminders

The information in this publication is only a summary and does not include all sales or use tax laws and rules.

1. You must collect sales tax on all taxable sales of tangible personal property, products transferred electronically and services to the final consumer.
2. You must file a *Sales and Use Tax Return* for every period, even when no tax is due.
3. You must notify the Tax Commission in writing if you change business locations or add or close sales outlets.
4. If you stop doing business, you must notify the Tax Commission in writing within 30 days of the final date you were required to collect sales tax.
5. You must keep your records for three years from the filing date of a return.
6. Records are subject to audit by the Tax Commission.
7. Sales tax licenses are not transferable.
8. Goods purchased tax-free but used or consumed by you or your company must be reported on the *Sales and Use Tax Return*. You must pay use tax on goods you or your company consume.
9. You must keep exemption certificates from your exempt customers to prove nontaxable sales.
10. You must document out-of-state sales with a bill of lading or other proof of shipment. The terms of the sale must require shipment of the property across Utah's borders by the seller.
11. Round tax up to the next whole cent whenever the third decimal place is greater than four.

Additional Information

Bundled Transactions

A bundled transaction is the retail sale of two or more separate products that are sold for one combined price. If any part of the bundled transaction is subject to tax, the entire transaction is taxed unless the seller keeps separate records of the tax-exempt portion of the transaction.

Carwashes

Assisted carwashes are subject to sales and use tax. A carwash is assisted if the labor to clean or wash is primarily performed by a carwash employee. Assisted carwashes that only include the cleaning or washing of a vehicle's exterior are exempt from sales tax.

A business location that sells both assisted (including washing or cleaning of the vehicle interior) and unassisted carwashes must collect tax on all its sales unless those assisted and unassisted sales are recorded separately.

Example 1

A customer buys a carwash and the car is washed by machines. This is an unassisted carwash and is not subject to sales tax.

Example 2

A customer buys a machine carwash, but a carwash employee vacuums the interior and cleans the inside windows. This is a taxable assisted carwash and is subject to sales tax.

Example 3

As a fundraising activity, a scout troop offers to dry cars coming out of a carwash. The scouts are not paid by the carwash, so their labor is not a factor in whether the carwashes are assisted or unassisted.

Cigarette, Tobacco and E-Cigarette Products

A business selling cigarettes and/or tobacco products or e-cigarette products must be licensed for each selling location. Apply on form TC-69. See more information in Pub 65, *Tax Information for Cigarettes, Tobacco Products and Electronic Cigarette Products*. Get forms and pubs online at tax.utah.gov/forms.

Cigarette tax is paid by buying stamps from the Tax Commission. Only registered and bonded businesses may buy, receive and affix stamps. Cigarette stamps must be affixed to each package within 72 hours of receipt of the package. Any cigarette pack without a Utah stamp is subject to a \$25 penalty and confiscation.

Tobacco products tax is due from the first buyer within Utah. A retail store must be registered and bonded if it buys directly from an out-of-Utah source not collecting the tax. Pay the tobacco products tax with form TC-553, due the last day of the month following each calendar quarter.

Consumers buying cigarettes or tobacco products online must pay the sales tax and cigarette or tobacco products tax on form TC-720C.

The sale of cigarettes and/or tobacco products is subject to state and local sales tax. The amount subject to sales tax includes the cigarette tax or the tobacco products tax.

Coupons

Coupons for which a seller is reimbursed by a third party (such as a manufacturer or distributor) do not reduce the sales amount subject to tax. The taxable amount is the sales price of the item before the value of the coupon is deducted.

An in-store coupon issued by the seller is considered a reduction in the sales price. The taxable amount is the amount paid for an item after deducting the value of the in-store coupon.

Coupon Books, Gift Cards and Gift Certificates

The sale of coupon books is taxable. Collect sales tax on the sales price when the books are sold. Buying paper for the books and the printing of the books are resale purchases exempt from tax.

The sale of gift cards and gift certificates is not taxable. Treat the cards and certificates like cash and collect sales tax on taxable transactions. Buying card stock or paper to make the card or certificate is taxable.

Direct Mail

A direct mailer may either pay sales tax directly to the printer or give the printer a signed exemption certificate (form TC-721). Direct mail is not exempt from sales tax. An exemption certificate simply shifts who is responsible to report and pay the tax. By using an exemption certificate, the direct mailer reports the tax on its *Sales and Use Tax Return* rather than the printer collecting the tax.

Food Stamps and WIC

Sales of food paid with federal food stamps or Women, Infants and Children (WIC) coupons are exempt from sales and use tax.

Money Order, Fax and Photocopy Charges

Money order fees and charges to send a fax are not subject to sales tax. Photocopy charges and charges to receive a fax are taxable.

Newspapers and Postage

Sales of newspapers and postage stamps are exempt from sales tax.

To qualify as a newspaper, a publication must:

- be published daily or weekly,
- be printed for circulation among the general public,
- contain matters of general interest,
- report on current events, and
- not create a book when multiple issues are put together.

Sales of tabloids (e.g., *Enquirer*, *Star*, *Globe*) and magazines (e.g., *Newsweek*, *Ladies Home Journal*, *Time*) are taxable.

Premiums and Gifts

A premium or gift given away with the sale of a taxable product is part of that sale, and the purchase of the premium or gift by the seller is not taxable.

Items given away without requiring a special purchase and items given away as advertising are consumed by the seller. The seller must pay tax on the seller's cost of those items.

Returnable Containers

Deposits on returnable containers, bottles, pallets and drums are subject to tax. When containers are returned for refund of the deposit, sales tax should be refunded. Bottle deposits are exempt from tax when purchased with food stamps or Women, Infants and Children (WIC) coupons.

Returned Merchandise

A customer who receives credit for returned merchandise is entitled to a refund of the sales tax. If a customer is given a partial refund or allowance, the customer is entitled to a refund of sales tax on the portion of the original sales price refunded.

Special Events

A special event is a one-time event or an event that runs for six months or less where taxable sales occur. Sales tax is collected on taxable transactions at special events. A seller who participates in a special event must register for a temporary sales tax license, even if the seller has a current sales tax license.

For more information or to get a temporary sales tax license, call 801-297-6303 or toll free 1-800-662-4335, ext. 6303, or email specialevent@utah.gov.

Third-party Drop Shipping

In third-party drop shipping, a customer buys tangible personal property or products transferred electronically from a business that does not have the item in stock. The business buys the items from a wholesaler who sends it directly to the customer.

There are two separate transactions in third-party drop shipping. The first transaction, between the customer and the business, is subject to tax. The second transaction, between the business and the wholesaler, is exempt from tax as a purchase for resale.

If the business has a Utah sales tax license, it must collect and pay the sales tax. If the business is not required to have a Utah sales tax license, it does not have to collect the tax. However, the customer must report and pay the tax directly to the Tax Commission.

Trade-in on Manufactured Homes

Utah Code §59-12-104 provides an exemption of 45 percent of the sales price of a new manufactured home and 100 percent of the sales price of a used manufactured home.

When there is a trade-in, calculate the sales price subject to the exemption as follows:

1. Subtract the trade-in amount from the full sales price. The difference is the net sales price.
2. Multiply the net sales price by the allowed exemption (45 or 100 percent) to determine the exempt amount.
3. Subtract the exempt amount from the net sales price. This is the portion of the net sales price subject to sales tax.

Example: A dealer accepts a trade-in at a value of \$8,000 against the purchase of a new manufactured home valued at \$60,000. The calculation is:

Original sales price	\$60,000
Less trade-in amount	- 8,000
Net sales price	\$52,000
Portion of net sales price exempt from sales tax (\$52,000 x .45)	\$23,400
Portion of net sales price subject to sales tax (\$52,000 - \$23,400)	\$28,600

Vending Machine Sales

Sales of tangible personal property from vending machines are taxable. Vending machine sales of items that cannot be ingested, such as cigarettes or novelty toys, are taxed at the full combined rate.

Vending machine sales of prepared food, such as sandwiches or slices of pizza, are also taxed at the full combined rate. For vending machine sales of grocery food, such as packs of gum or bags of pretzels, the statewide combined rate is 3.0 percent.

Tax is included in the vended price. To find the dollar amount of sales without tax, divide the sales by one (1) plus the combined tax rate in the community where the vending machine is located. For example:

- Where the combined rate is 6.0 percent, divide by 1.060.
- Where the combined rate is 6.125 percent, divide by 1.06125.
- Where the combined rate on grocery food is 3.0 percent, divide by 1.030.

A seller of food, beverage and dairy products for \$1 or less may choose to pay tax on 150 percent of the seller's cost (including incoming freight costs) rather than on the sales price. When this option is taken, the taxable amount (150 percent of cost) must be reported on the *Sales and Use Tax Return* as goods consumed.

If the vending machine is owned and serviced by a vending machine company, the vending machine company is responsible for the tax.

Videos and DVDs

Rentals of videotapes and DVDs are taxed as sales of tangible personal property.

Sales tax publications provide general guidance only. They do not contain all sales or use tax laws or rules. If you need additional information, call 801-297-7705 or 1-800-662-4335, ext. 7705 (outside the Salt Lake area), or email taxmaster@utah.gov.

Forms

The following forms are available at tax.utah.gov/forms/ or by calling the Tax Commission automated forms order hotline at 801-297-6700 or toll free 1-800-662-4335 ext. 6700.

TC-51	– Nexus Questionnaire
TC-55A	– Claim for Refund of MV Fees or Sales Tax
TC-62S	– Utah Sales and Use Tax Return, Single Place of Business
TC-62M	– Sales and Use Tax Return, Multiple Places of Business
TC-62M Schedule A	– Sales of Non-Food and Prepared Food from Fixed Utah Locations
TC-62M Schedule AG	– Sales of Grocery Food from Fixed Utah Locations
TC-62M Schedule J	– Sales of Non-Food and Prepared Food from Places Other Than Fixed Utah Locations
TC-62M Schedule JG	– Sales of Grocery Food from Places Other Than Fixed Utah Locations
TC-62E	– Municipal Energy Sales and Use Tax
TC-62F	– Restaurant Tax Return
TC-62L	– Motor Vehicle Rental Tax Return
TC-62N	– Sales Tax Refund Request for Religious or Charitable Organizations
TC-62P	– Instructions for Filing Refund Claims for Sales Tax Paid on Pollution Control Facilities
TC-62Q	– Utah Sales Tax Sourcing Schedule
TC-62X	– Sales Exempt from Impacted Communities Taxes
TC-62T	– Transient Room Tax Return
TC-62W	– Waste Tire Recycling Fee Return
TC-69	– Utah State Business and Tax Registration Application
TC-69B	– Additional Business Locations for a Sales Tax Account
TC-73	– Sales Tax Exemption Contract
TC-85	– Agreement for Remitting through Electronic Funds Transfer (EFT)
TC-160	– Application for Sales Tax Exemption for Religious and Charitable Institutions
TC-553	– Tobacco Products Tax Return
TC-719	– Sales Tax Exemption Affidavit for Authorized Interstate Carriers
TC-720	– Order for Cigarette Revenue Stamps, or TAX for Products Imported for Use, Storage or Consumption
TC-721	– Exemption Certificate
TC-721A	– Sales and Use Tax Exemption Affidavit for Exclusive Use Outside Utah
TC-721G	– Exemption Certificate for Governments, Foreign Diplomats & Schools
TC-721NR	– Sales Tax Exemption Certificate for Non-Utah Retailers Accepting Delivery of Merchandise in Utah
TC-738	– Petition for Redetermination
TC-757	– Affidavit of Out-of-State Delivery
TC-762	– Lease/Rental Sales Tax Affidavit

Sales Tax Publications

The following publications are available at tax.utah.gov/forms/ or by calling the Tax Commission forms order hot-line at (801) 297-6700 or 1-800-662-4335 ext. 6700.

- Pub 5 – Sales Tax Information for Motor Vehicle/Marine Dealer/Body & Repair Shops
- Pub 25 – Sales and Use Tax General Information
- Pub 35 – Sales Tax Guidelines for Public and Private Elementary and Secondary Schools
- Pub 37 – Business Activity and Nexus in Utah
- Pub 38 – Doing Business in Utah
- Pub 40 – Personal Liability for Unpaid Sales, Fuel and Withholding Taxes
- Pub 42 – Sales Tax Information for Sales, Installation and Repair of Tangible Personal Property Attached to Real Property
- Pub 45 – Sales Tax Information for Nurseries, Florists, Landscapers and Related Industries
- Pub 53 – Sales Tax Information for Health Care
- Pub 54 – Sales Tax Information for Public Utilities
- Pub 55 – Sales Tax Information for Restaurants
- Pub 56 – Sales Tax Information for Lodging Providers
- Pub 58 – Utah Interest and Penalties
- Pub 62 – Sales Tax Information for Telecommunications Service Providers
- Pub 64 – Sales Tax Information for Computer Services Providers

Information Online

Utah State Tax Commission Website tax.utah.gov

This site has links to:

- Forms and publications
- Current and past sales tax rates
- Internal Revenue Service
- Utah Counties (business license, property tax)
- Multistate Tax Compact
- Other States' Revenue Departments

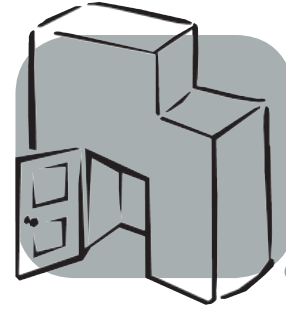
State of Utah Website utah.gov

This site has links to:

- Workforce Services (unemployment)
- Labor (worker's compensation)
- Commerce (corporations, DBA registration)

Business Activity and Nexus in Utah

DRAFT



Utah State Tax Commission

210 North 1950 West
Salt Lake City, Utah 84134
801-297-2200
1-800-662-4335
nexus@utah.gov
tax.utah.gov

If you need an accommodation under the Americans with Disabilities Act, email taxada@utah.gov, or call 801-297-3811 or TDD at 801-297-2020. Please allow three working days for a response.

Purpose

The purpose of this publication is to define nexus and provide general guidelines for determining whether a business entity's activities create nexus with the state of Utah.

Definitions

Nexus

Nexus means a business entity has established a direct or representational presence within a state or jurisdiction. This presence allows the state to require the business to collect and pay certain taxes.

The standards are different for determining whether a business has nexus for purposes of sales tax or corporate franchise/income tax.

Retailer

Utah law defines a retailer as any person regularly engaged in regular solicitation of a consumer market in Utah. A retailer includes commission merchants, auctioneers, salespersons, representatives, distributors, supervisors and employers.

Sales Tax

The United States Constitution requires a business to have sufficient nexus with Utah in order for Utah to require that business to collect and pay sales tax.

A business that engages in the following activities exceeds the minimum threshold of nexus, subjecting it to Utah's sales and use tax requirements.

Retailers must collect and pay sales and use tax if they:

1. sell tangible personal property, products transferred electronically, or services for storage, use, or consumption in the state; in either the previous calendar year or the current calendar year, that result in either:
 - a. gross revenues of more than \$100,000; or
 - b. 200 or more separate transactions.
2. have or use an office, distribution house, sales house, warehouse, service enterprise or other place of business;

3. maintain a stock of goods in Utah;
4. regularly solicit orders (whether or not those orders are accepted in Utah), unless the activity in Utah is only advertising or solicitation by direct mail, email, the Internet, telephone or similar means;
5. regularly deliver property in Utah other than by common carrier or U.S. mail; or
6. regularly engage in any activity related to the leasing or servicing of property located in Utah.

A seller also has nexus in Utah if:

1. a. the seller has more than 10 percent interest in a related seller, or
 - b. a related seller has more than 10 percent interest in the seller, or
 - c. a related seller wholly owns the seller, and
2. a. the seller sells the same or very similar line of products as the related seller under the same or a very similar business name, or
 - b. the place of business of the related seller or one of its in-state employees is used to advertise, promote or assist sales by the seller to a buyer.

Corporate Tax

Public Law 86-272 restricts a state from imposing a net income tax on income earned within its borders from interstate commerce if the company's only business activity within the state is the solicitation of orders for sales of tangible personal property. **Only the solicitation to sell tangible personal property has immunity under P.L. 86-272.**

Businesses that earn income from Utah sources, other than from merely soliciting sales of tangible personal property, are required to file a Utah corporation franchise and income tax return. For example, a corporation has Utah nexus and is subject to this tax if it:

1. sells or performs services in Utah in which the customer receives the greater benefit of the service in Utah, or
2. earns income from the use of intangible property in Utah.

Corporations that make loans or issue credit cards to Utah customers (e.g., banks) are subject to the Utah corporate franchise or income tax whether or not they have a business location in Utah.

For the sale of tangible personal property to be protected under P.L. 86-272, it must be limited solely to solicitation, except for de minimis activities and activities conducted by independent contractors. "De minimis" means those activities that, when taken together, establish only a trivial connection with the taxing state.

The following activities establish nexus in Utah (See Utah Administrative Rule R865-6F-6):

1. Repairing, maintaining or servicing the property.
2. Collecting current or delinquent accounts, whether directly or by third parties, through assignment or otherwise.
3. Investigating credit worthiness.
4. Installing or supervising installation at or after shipment or delivery.
5. Conducting training courses, seminars or lectures for personnel (other than personnel involved only in solicitation).
6. Providing any kind of technical assistance or service beyond the solicitation of orders.
7. Investigating, handling or otherwise helping to resolve customer complaints, other than mediating direct customer complaints, when the sole purpose is to ingratiate the sales personnel with the customer.
8. Approving or accepting orders.
9. Repossessing property.
10. Securing deposits on sales.
11. Picking up or replacing damaged or returned property.
12. Hiring, training or supervising personnel (except personnel involved only in solicitation).
13. Using agency stock checks or any other instrument or process by which employees make sales in Utah.
14. Maintaining a sample or display room for longer than two weeks (14 days) at any one location within Utah during the tax year.
15. Carrying samples for sale or exchange for anything of value.
16. Owning, leasing, using or maintaining in Utah:
 - a. a repair shop;
 - b. a parts department;
 - c. any kind of office other than an in-home office;
 - d. a warehouse;
 - e. a meeting place for directors, officers, or employees;
 - f. stock of goods other than samples for sales personnel or that are used entirely ancillary to solicitation;
 - g. a telephone answering service that is publicly attributed to the company or to employees or agents of the company in their representative status;
 - h. mobile stores, such as vehicles driven by employees who make sales from the vehicles;
 - i. real property or fixtures to real property of any kind.

17. Consigning tangible personal property to any person, including an independent contractor, for sale.
18. Maintaining an office or place of business (in-home or otherwise) of any kind other than an in-home office.
 - Any office or other place of business in Utah that does not strictly qualify as an in-home office does not have protection under this rule.
 - It doesn't matter whether the company pays directly, indirectly or not at all for the cost of maintaining the in-home office.
19. Entering into or selling/disposing of franchising or licensing agreements, or selling/transferring tangible personal property associated with a franchise or license by the franchise or licensor to its franchisee or licensee in Utah.
20. Conducting any activity that serves an independent business function apart from the solicitation of orders, even if the activity increases sales.

If you have any questions about business activity or nexus that are not answered above, please contact the Tax Commission at the address in the heading of this publication.

To request an agreement to resolve prior business tax liabilities from the Auditing Division's Voluntary Disclosure Program, the following written information is required.

1. A description of the company's activities, including:
 - a. the number of years doing business in Utah,
 - b. a list of the type of property owned and/or leased in Utah,
 - c. a description of equipment leased for use in Utah,
 - d. the number and length of time representatives acting on your behalf or employees have been in Utah, and
 - e. how Utah business is solicited.
2. The type of tax being offered and a statement why the company is not offering other tax types.
3. A declaration of estimated tax liability for the disclosure period, by tax type.
4. A declaration of the estimated tax liability for periods prior to the disclosure period, by tax type.
5. Disclosure as to whether the company has collected or withheld tax.
6. A statement indicating whether the Utah State Tax Commission or the Multistate Tax Commission has contacted the company, and the nature of the contacts.
7. The voluntary disclosure agreement terms proposed by the company.

See Pub 4 for more information regarding the Voluntary Disclosure Program, or visit the Tax Commission website at tax.utah.gov.

This publication is provided for general guidance only. It does not contain all sales or use tax laws or rules. If you need additional information, call (801) 297-2200 or 1-800-662-4335.

Purpose

The purpose of this publication is to define nexus and provide general guidelines for determining whether a business entity's activities create nexus with the state of Utah.

REVISED

8:35 am, Oct 25, 2018

Definitions

Nexus

Nexus means a business entity has established a direct or representational presence within a state or jurisdiction. This presence allows the state to require the business to collect and pay certain taxes.

The standards are different for determining whether a business has nexus for purposes of sales tax or corporate franchise/income tax.

Retailer

Utah law defines a retailer as any person regularly engaged in regular solicitation of a consumer market in Utah. A retailer includes commission merchants, auctioneers, salespersons, representatives, distributors, supervisors and employers.

Sales Tax

The United States Constitution requires a business to have sufficient nexus with Utah in order for Utah to require that business to collect and pay sales tax.

A business that engages in the following activities exceeds the minimum threshold of nexus, subjecting it to Utah's sales and use tax requirements.

Retailers must collect and pay sales and use tax if they:

~~1.~~ sell tangible personal property, products transferred electronically, or services for storage, use, or consumption in the state; in either the previous calendar year or the current calendar year, that result in either:

a. gross revenues of more than \$100,000; or

b. 200 or more separate transactions.

~~2.~~ have or use an office, distribution house, sales house, warehouse, service enterprise or other place of business;

~~3.~~ maintain a stock of goods in Utah;

~~4.~~ regularly solicit orders (whether or not those orders are accepted in Utah), unless the activity in Utah is only advertising or solicitation by direct mail, email, the Internet, telephone or similar means;

~~5.~~ regularly deliver property in Utah other than by common carrier or U.S. mail; or

~~6.~~ regularly engage in any activity related to the leasing or servicing of property located in Utah.

A seller also has nexus in Utah if:

1. a. the seller has more than 10 percent interest in a related seller, or

b. a related seller has more than 10 percent interest in the seller, or

c. a related seller wholly owns the seller, and

2. a. the seller sells the same or very similar line of products as the related seller under the same or a very similar business name, or

b. the place of business of the related seller or one of its in-state employees is used to advertise, promote or assist sales by the seller to a buyer.

Corporate Tax

Public Law 86-272 restricts a state from imposing a net income tax on income earned within its borders from interstate commerce if the company's only business activity within the state is the solicitation of orders for sales of tangible personal property. **Only the solicitation to sell tangible personal property has immunity under P.L. 86-272.**

Businesses that earn income from Utah sources, other than from merely soliciting sales of tangible personal property, are required to file a Utah corporation franchise and income tax return. For example, a corporation has Utah nexus and is subject to this tax if it:

1. sells or performs services in Utah in which the customer receives the greater benefit of the service in Utah, or

2. earns income from the use of intangible property in Utah.

Corporations that make loans or issue credit cards to Utah customers (e.g., banks) are subject to the Utah corporate franchise or income tax whether or not they have a business location in Utah.

For the sale of tangible personal property to be protected under P.L. 86-272, it must be limited solely to solicitation, except for de minimis activities and activities conducted by independent contractors. "De minimis" means those activities that, when taken together, establish only a trivial connection with the taxing state.

The following activities establish nexus in Utah (See Utah Administrative Rule R865-6F-6):

1. Repairing, maintaining or servicing the property.
2. Collecting current or delinquent accounts, whether directly or by third parties, through assignment or otherwise.
3. Investigating credit worthiness.
4. Installing or supervising installation at or after shipment or delivery.
5. Conducting training courses, seminars or lectures for personnel (other than personnel involved only in solicitation).
6. Providing any kind of technical assistance or service beyond the solicitation of orders.
7. Investigating, handling or otherwise helping to resolve customer complaints, other than mediating direct customer complaints, when the sole purpose is to ingratiate the sales personnel with the customer.
8. Approving or accepting orders.
9. Repossessing property.
10. Securing deposits on sales.
11. Picking up or replacing damaged or returned property.
12. Hiring, training or supervising personnel (except personnel involved only in solicitation).
13. Using agency stock checks or any other instrument or process by which employees make sales in Utah.
14. Maintaining a sample or display room for longer than two weeks (14 days) at any one location within Utah during the tax year.
15. Carrying samples for sale or exchange for anything of value.
16. Owning, leasing, using or maintaining in Utah:
 - a. a repair shop;
 - b. a parts department;
 - c. any kind of office other than an in-home office;
 - d. a warehouse;
 - e. a meeting place for directors, officers, or employees;
 - f. stock of goods other than samples for sales personnel or that are used entirely ancillary to solicitation;
 - g. a telephone answering service that is publicly attributed to the company or to employees or agents of the company in their representative status;
 - h. mobile stores, such as vehicles driven by employees who make sales from the vehicles;
 - i. real property or fixtures to real property of any kind.
17. Consigning tangible personal property to any person, including an independent contractor, for sale.
18. Maintaining an office or place of business (in-home or otherwise) of any kind other than an in-home office.
 - Any office or other place of business in Utah that does not strictly qualify as an in-home office does not have protection under this rule.
 - It doesn't matter whether the company pays directly, indirectly or not at all for the cost of maintaining the in-home office.
19. Entering into or selling/disposing of franchising or licensing agreements, or selling/transferring tangible personal property associated with a franchise or license by the franchise or licensor to its franchisee or licensee in Utah.
20. Conducting any activity that serves an independent business function apart from the solicitation of orders, even if the activity increases sales.

If you have any questions about business activity or nexus that are not answered above, please contact the Tax Commission at the address in the heading of this publication.

To request an agreement to resolve prior business tax liabilities from the Auditing Division's Voluntary Disclosure Program, the following written information is required.

1. A description of the company's activities, including:

- a. the number of years doing business in Utah,
 - b. a list of the type of property owned and/or leased in Utah,
 - c. a description of equipment leased for use in Utah,
 - d. the number and length of time representatives acting on your behalf or employees have been in Utah, and
 - e. how Utah business is solicited.
2. The type of tax being offered and a statement why the company is not offering other tax types.
3. A declaration of estimated tax liability for the disclosure period, by tax type.
4. A declaration of the estimated tax liability for periods prior to the disclosure period, by tax type.
5. Disclosure as to whether the company has collected or withheld tax.
6. A statement indicating whether the Utah State Tax Commission or the Multistate Tax Commission has contacted the company, and the nature of the contacts.
7. The voluntary disclosure agreement terms proposed by the company.

See Pub 4 for more information regarding the Voluntary Disclosure Program, or visit the Tax Commission website at **tax.utah.gov**.

R884-24P-27. Standards for Assessment Level and Uniformity of Performance Pursuant to Utah Code Ann. Sections 59-2-704 and 59-2-704.5.

(1) Definitions.

(a) "Coefficient of dispersion (COD)" means the average deviation of a group of assessment ratios taken around the median and expressed as a percent of that measure.

(b) "Coefficient of variation (COV)" means the standard deviation expressed as a percentage of the mean.

(c) "Division" means the Property Tax Division of the commission.

(d) "Nonparametric" means data samples that are not normally distributed.

(e) "Parametric" means data samples that are normally distributed.

(f) "Urban counties" means counties classified as first or second class counties pursuant to Section 17-50-501.

(2) The commission adopts the following standards of assessment performance.

(a) For assessment level in each property class, subclass, and geographical area in each county, the measure of central tendency shall meet one of the following measures[-];

(i) ~~[The]~~ For a county of the first, second, third or fourth class, the measure of central tendency shall be within:

(A) [40]5 percent of the legal level of assessment for county-wide residential property[-];
or

(B) 10 percent of the legal level of assessment for all other classes of property.

(ii) For a county of the fifth or sixth class, the measure of central tendency shall be within 10 percent of the legal level of assessment for all property.

(iii) The 95 percent confidence interval of the measure of central tendency shall contain the legal level of assessment.

(b) For uniformity of the property assessments in each class of property for which a detailed review is conducted during the current year, the measure of dispersion shall be within the following limits.

(i) In urban counties:

(A) a COD of 15 percent or less for primary residential property, and 20 percent or less for commercial property, vacant land, and secondary residential property; and

(B) a COV of 19 percent or less for primary residential property, and 25 percent or less for commercial property, vacant land, and secondary residential property.

(ii) In rural counties:

(A) a COD of 20 percent or less for primary residential property, and 25 percent or less for commercial property, vacant land, and secondary residential property; and

(B) a COV of 25 percent or less for primary residential property, and 31 percent or less for commercial property, vacant land, and secondary residential property.

(iii) For a rural or small jurisdiction with limited development, or for a jurisdiction with a depressed market, the county assessor may petition the division for a five percentage point increase in the COD or COV for one year only. After sufficient examination, the division may determine that a one-year expansion of the COD or COV is appropriate.

(c) Statistical measures.

(i) The measure of central tendency shall be the mean for parametric samples and the median for nonparametric samples.

(ii) The measure of dispersion shall be the COV for parametric samples and the COD for nonparametric samples.

(iii) To achieve statistical accuracy in determining assessment level under Subsection (2)(a) and uniformity under Subsection (2)(b) for any property class, subclass, or geographical area, the minimum sample size shall consist of 10 or more ratios.

(3) Each year the division shall conduct and publish an assessment-to-sale ratio study to determine if each county complies with the standards in Subsection (2).

(a) To meet the minimum sample size, the study period may be extended.

(b) A smaller sample size may be used if:

(i) that sample size is at least 10 percent of the class or subclass population; or

(ii) both the division and the county agree that the sample may produce statistics that imply corrective action appropriate to the class or subclass of property.

(c) If the division, after consultation with the counties, determines that the sample size does not produce reliable statistical data, an alternate performance evaluation may be conducted, which may result in corrective action. The alternate performance evaluation shall include review and analysis of the following:

(i) the county's procedures for collection and use of market data, including sales, income, rental, expense, vacancy rates, and capitalization rates;

(ii) the county-wide land, residential, and commercial valuation guidelines and their associated procedures for maintaining current market values;

(iii) the accuracy and uniformity of the county's individual property data through a field audit of randomly selected properties; and

(iv) the county's level of personnel training, ratio of appraisers to parcels, level of funding, and other workload and resource considerations.

(d) All input to the sample used to measure performance shall be completed by March 31 of each study year.

(e) The division shall conduct a preliminary annual assessment-to-sale ratio study by April 30 of the study year, allowing counties to apply adjustments to their tax roll prior to the May 22 deadline.

(f) The division shall complete the final study immediately following the closing of the tax roll on May 22.

(4) The division shall order corrective action if the results of the final study do not meet the standards set forth in Subsection (2).

(a) Assessment level adjustments, or factor orders, shall be calculated by dividing the legal level of assessment by one of the following:

(i) the measure of central tendency, if the uniformity of the ratios meets the standards outlined in Subsection (2)(b); or

(ii) the 95 percent confidence interval limit nearest the legal level of assessment, if the uniformity of the ratios does not meet the standards outlined in Subsection (2)(b).

(b) Uniformity adjustments or other corrective action shall be ordered if the property fails to meet the standards outlined in ~~Subsection~~ Subsections (2)(b)[-] and (c). A corrective action order may contain language requiring a county to create, modify, or follow its five-year plan for a detailed review of property characteristics.

88 (d) All corrective action orders shall be issued by June 10 of the study year, or within
89 five working days after the completion of the final study, whichever is later.

90 (5) The commission adopts the following procedures to insure compliance and facilitate
91 implementation of ordered corrective action.

92 (a) Prior to the filing of an appeal, the division shall retain authority to correct errors and,
93 with agreement of the affected county, issue amended orders or stipulate with the affected county
94 to any appropriate alternative action without commission approval. Any stipulation by the
95 division subsequent to an appeal is subject to commission approval.

96 (b) A county receiving a corrective action order resulting from this rule may file and
97 appeal with the commission pursuant to rule R861-1A-11.

98 (c) A corrective action order will become the final commission order if the county does
99 not appeal in a timely manner, or does not prevail in the appeals process.

100 (d) The division may assist local jurisdictions to ensure implementation of any corrective
101 action orders by the following deadlines.

102 (i) Factor orders shall be implemented in the current study year prior to the mailing of
103 valuation notices.

104 (ii) Other corrective action shall be implemented prior to May 22 of the year following
105 the study year.

106 (e) The division shall complete audits to determine compliance with corrective action
107 orders as soon after the deadlines set forth in Subsection (5)(d) as practical. The division shall
108 review the results of the compliance audit with the county and make any necessary adjustments
109 to the compliance audit within 15 days of initiating the audit. These adjustments shall be limited
110 to the analysis performed during the compliance audit and may not include review of the data
111 used to arrive at the underlying factor order. After any adjustments, the compliance audit will
112 then be given to the commission for any necessary action.

R884-24P-33. [2018]2019 Personal Property Valuation Guides and Schedules Pursuant to Utah Code Ann. Section 59-2-301.

(1) Definitions.

(a)(i) "Acquisition cost" does not include indirect costs such as debugging, licensing fees and permits, insurance, or security.

(ii) Acquisition cost may correspond to the cost new for new property, or cost used for used property.

(b)(i) "Actual cost" includes the value of components necessary to complete the vehicle, such as tanks, mixers, special containers, passenger compartments, special axles, installation, engineering, erection, or assembly costs.

(ii) Actual cost does not include sales or excise taxes, maintenance contracts, registration and license fees, dealer charges, tire tax, freight, or shipping costs.

(c) "Cost new" means the actual cost of the property when purchased new.

(i) Except as otherwise provided in this rule, the Tax Commission and assessors shall rely on the following sources to determine cost new:

(A) documented actual cost of the new or used vehicle; or

(B) recognized publications that provide a method for approximating cost new for new or used vehicles.

(ii) For the following property purchased used, the taxing authority may determine cost new by dividing the property's actual cost by the percent good factor for that class:

(A) class 6 heavy and medium duty trucks;

(B) class 13 heavy equipment;

(C) class 14 motor homes;

(D) class 17 vessels equal to or greater than 31 feet in length; and

(E) class 21 commercial trailers.

(d) For purposes of Sections 59-2-108 and 59-2-1115, "item of taxable tangible personal property" means a piece of equipment, machinery, furniture, or other piece of tangible personal property that is functioning at its highest and best use for the purpose it was designed and constructed and is generally capable of performing that function without being combined with other items of personal property. An item of taxable tangible personal property is not an individual component part of a piece of machinery or equipment, but the piece of machinery or equipment. For example, a fully functioning computer is an item of taxable tangible personal property, but the motherboard, hard drive, tower, or sound card are not.

(e) "Percent good" means an estimate of value, expressed as a percentage, based on a property's acquisition cost or cost new, adjusted for depreciation and appreciation of all kinds.

(i) The percent good factor is applied against the acquisition cost or the cost new to derive taxable value for the property.

(ii) Percent good schedules are derived from an analysis of the Internal Revenue Service Class Life, the Marshall and Swift Cost index, other data sources or research, and vehicle valuation guides such as Penton Price Digests.

(2) Each year the Property Tax Division shall update and publish percent good schedules for use in computing personal property valuation.

(a) Proposed schedules shall be transmitted to county assessors and interested parties for comment before adoption.

(b) A public comment period will be scheduled each year and a public hearing will be scheduled if requested by ten or more interested parties or at the discretion of the Commission.

(c) County assessors may deviate from the schedules when warranted by specific conditions affecting an item of personal property. When a deviation will affect an entire class or type of personal property, a written report, substantiating the changes with verifiable data, must be presented to the Commission. Alternative schedules may not be used without prior written approval of the Commission.

(d) A party may request a deviation from the value established by the schedule for a specific item of property if the use of the schedule does not result in the fair market value for the property at the retail level of trade on the lien date, including any relevant installation and assemblage value.

(3) The provisions of this rule do not apply to:

(a) a vehicle subject to the age-based uniform fee under Section 59-2-405.1;

(b) the following personal property subject to the age-based uniform fee under Section 59-2-405.2:

(i) an all-terrain vehicle;

(ii) a camper;

(iii) an other motorcycle;

(iv) an other trailer;

(v) a personal watercraft;

(vi) a small motor vehicle;

(vii) a snowmobile;

(viii) a street motorcycle;

(ix) a tent trailer;

(x) a travel trailer; and

(xi) a vessel, including an outboard motor of the vessel, that is less than 31 feet in length;

(c) a motorhome subject to the uniform statewide fee under Section 59-2-405.3;

and

(d) an aircraft subject to the uniform statewide fee under Section [59-2-404]72-10-110.5.

(4) Other taxable personal property that is not included in the listed classes includes:

(a) Supplies on hand as of January 1 at 12:00 noon, including office supplies, shipping supplies, maintenance supplies, replacement parts, lubricating oils, fuel and consumable items not held for sale in the ordinary course of business. Supplies are assessed at total cost, including freight-in.

(b) Equipment leased or rented from inventory is subject to ad valorem tax. Refer to the appropriate property class schedule to determine taxable value.

(c) Property held for rent or lease is taxable, and is not exempt as inventory. For entities primarily engaged in rent-to-own, inventory on hand at January 1 is exempt and property out on rent-to-own contracts is taxable.

(5) Personal property valuation schedules may not be appealed to, or amended by, county boards of equalization.

(6) All taxable personal property, other than personal property subject to an age-based uniform fee under Section 59-2-405.1 or 59-2-405.2, or a uniform statewide fee under Section 59-2-

404, is classified by expected economic life as follows:

(a) Class 1 - Short Life Property. Property in this class has a typical life of more than one year and less than four years. It is fungible in that it is difficult to determine the age of an item retired from service.

(i) Examples of property in the class include:

(A) barricades/warning signs;

(B) library materials;

(C) patterns, jigs and dies;

(D) pots, pans, and utensils;

(E) canned computer software;

(F) hotel linen;

(G) wood and pallets;

(H) video tapes, compact discs, and DVDs; and

(I) uniforms.

(ii) With the exception of video tapes, compact discs, and DVDs, taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

(iii) A licensee of canned computer software shall use one of the following substitutes for acquisition cost of canned computer software if no acquisition cost for the canned computer software is stated:

(A) retail price of the canned computer software;

(B) if a retail price is unavailable, and the license is a nonrenewable single year license agreement, the total sum of expected payments during that 12-month period; or

(C) if the licensing agreement is a renewable agreement or is a multiple year agreement, the present value of all expected licensing fees paid pursuant to the agreement.

(iv) Video tapes, compact discs, and DVDs are valued at \$15.00 per tape or disc for the first year and \$3.00 per tape or disc thereafter.

TABLE 1

Year of Acquisition	Percent Good of Acquisition Cost
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[17]18	[70]72%
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[16]17	[41]42%
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[15]16 and prior	[10]11%
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(b) Class 2 - Computer Integrated Machinery.

(i) Machinery shall be classified as computer integrated machinery if all of the following conditions are met:

(A) The equipment is sold as a single unit. If the invoice breaks out the computer separately from the machine, the computer must be valued as Class 12 property and the machine as Class 8 property.

(B) The machine cannot operate without the computer and the computer cannot perform functions outside the machine.

(C) The machine can perform multiple functions and is controlled by a programmable central processing unit.

- (D) The total cost of the machine and computer combined is depreciated as a unit for income tax purposes.
- (E) The capabilities of the machine cannot be expanded by substituting a more complex computer for the original.
- (ii) Examples of property in this class include:
- (A) CNC mills;
- (B) CNC lathes;
- (C) high-tech medical and dental equipment such as MRI equipment, CAT scanners, and mammography units.
- (iii) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

TABLE 2

Year of Acquisition	Percent Good of Acquisition Cost
[17] 18	[89] 91%
[16] 17	[80] 81%
[15] 16	[69] 70%
[14] 15	[58] 59%
[13] 14	[47] 48%
[12] 13	[37] 38%
[11] 12	[24] 25%
[10] 11 and prior	[12] 13%

(c) Class 3 - Short Life Trade Fixtures. Property in this class generally consists of electronic types of equipment and includes property subject to rapid functional and economic obsolescence or severe wear and tear.

- (i) Examples of property in this class include:
- (A) office machines;
- (B) alarm systems;
- (C) shopping carts;
- (D) ATM machines;
- (E) small equipment rentals;
- (F) rent-to-own merchandise;
- (G) telephone equipment and systems;
- (H) music systems;
- (I) vending machines;
- (J) video game machines; and
- (K) cash registers.
- (ii) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

TABLE 3

Year of Acquisition	Percent Good of Acquisition Cost
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[17]18	[84]86%
[16]17	[68]70%
[15]16	[54]53%
[14]15	35%
[13]14 and prior	18%

(d) Class 5 - Long Life Trade Fixtures. Class 5 property is subject to functional obsolescence in the form of style changes.

(i) Examples of property in this class include:

- (A) furniture;
- (B) bars and sinks;
- (C) booths, tables and chairs;
- (D) beauty and barber shop fixtures;
- (E) cabinets and shelves;
- (F) displays, cases and racks;
- (G) office furniture;
- (H) theater seats;
- (I) water slides;
- (J) signs, mechanical and electrical; and
- (K) LED component of a billboard.

(ii) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

TABLE 5

Year of Acquisition	Percent Good of Acquisition Cost
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[17]18	[90]92%
[16]17	[82]84%
[15]16	[72]74%
[14]15	[62]64%
[13]14	[53]55%
[12]13	[44]45%
[11]12	[33]34%
[10]11	[22]23%
[09]10 and prior	12%

(e) Class 6 - Heavy and Medium Duty Trucks.

(i) Examples of property in this class include:

- (A) heavy duty trucks;
- (B) medium duty trucks;
- (C) crane trucks;

- (D) concrete pump trucks; and
 (E) trucks with well-boring rigs.
 (ii) Taxable value is calculated by applying the percent good factor against the cost new.
 (iii) Cost new of vehicles in this class is defined as follows:
 (A) the documented actual cost of the vehicle for new vehicles; or
 (B) 75 percent of the manufacturer's suggested retail price.
 (iv) For state assessed vehicles, cost new shall include the value of attached equipment.
 (v) The ~~[2018]~~2019 percent good applies to ~~[2018]~~2019 models purchased in ~~[2017]~~2018.
 (vi) Trucks weighing two tons or more have a residual taxable value of \$1,750.

TABLE 6

Model Year	Percent Good of Cost New
[18] 19	90%
[17] 18	[73] 71%
[16] 17	[67] 66%
[15] 16	[62] 61%
[14] 15	56%
[13] 14	51%
[12] 13	45%
[11] 12	40%
[10] 11	35%
[09] 10	[29] 30%
[08] 09	20%
[07] 08	15%
[06] 07	10%
[05] 06 and prior	4%

- (f) Class 7 - Medical and Dental Equipment. Class 7 has been merged into Class 8.
~~[property is subject to a high degree of technological development by the health industry.~~
 (i) ~~Examples of property in this class include:~~
 (A) ~~medical and dental equipment and instruments;~~
 (B) ~~exam tables and chairs;~~
 (C) ~~microscopes; and~~
 (D) ~~optical equipment.~~
 (ii) ~~Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.~~

TABLE 7

Year of Acquisition	Percent Good of Acquisition Cost
17	92%

271	16	85%
272	15	77%
273	14	69%
274	13	62%
275	12	55%
276	11	46%
277	10	37%
278	09	29%
279	08	21%
280	07 and prior	11%]

(g) Class 8 - Machinery and Equipment and Medical and Dental Equipment.

(i) ~~[Property in this class]~~ Machinery and equipment is subject to considerable functional and economic obsolescence created by competition as technologically advanced and more efficient equipment becomes available. ~~(i)~~ Examples of ~~[property in this class]~~ machinery and equipment include:

- (A) manufacturing machinery;
- (B) amusement rides;
- (C) bakery equipment;
- (D) distillery equipment;
- (E) refrigeration equipment;
- (F) laundry and dry cleaning equipment;
- (G) machine shop equipment;
- (H) processing equipment;
- (I) auto service and repair equipment;
- (J) mining equipment;
- (K) ski lift machinery;
- (L) printing equipment;
- (M) bottling or cannery equipment;
- (N) packaging equipment; and
- (O) pollution control equipment.

(ii) Medical and dental equipment is subject to a high degree of technological development by the health industry. Examples of medical and dental equipment include:

- (A) medical and dental equipment and instruments;
- (B) exam tables and chairs;
- (C) microscopes; and
- (D) optical equipment.

~~(iii)~~ Except as provided in Subsection (6)(g)~~(iii)~~(iv), taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

~~(iii)~~(iv)(A) Notwithstanding Subsection (6)(g)~~(iii)~~(iii), the taxable value of the following oil refinery pollution control equipment required by the federal Clean Air Act shall be calculated pursuant to Subsection (6)(g)~~(iii)~~(iv)(B):

- (I) VGO (Vacuum Gas Oil) reactor;
- (II) HDS (Diesel Hydrotreater) reactor;
- (III) VGO compressor;
- (IV) VGO furnace;

(V) VGO and HDS high pressure exchangers;
 (VI) VGO, SRU (Sulfur Recovery Unit), SWS (Sour Water Stripper), and TGU; (Tail Gas Unit) low pressure exchangers;
 (VII) VGO, amine, SWS, and HDS separators and drums;
 (VIII) VGO and tank pumps;
 (IX) TGU modules; and
 (X) VGO tank and VGO tank air coolers.
 (B) The taxable value of the oil refinery pollution control equipment described in Subsection (6)(g)(iii)(iv)(A) shall be calculated by:
 (I) applying the percent good factor in Table 8 against the acquisition cost of the property;
 and
 (II) multiplying the product described in Subsection (6)(g)(iii)(iv)(B)(I) by 50%.

TABLE 8

Year of Acquisition	Percent Good of Acquisition Cost
[17]18	[92]94%
[16]17	[85]87%
[15]16	[77]79%
[14]15	[69]71%
[13]14	[62]64%
[12]13	[55]56%
[11]12	[46]47%
[10]11	[37]38%
[09]10	[29]30%
[08]09	21%
[07]08 and prior	11%

(h) Class 9 - Off-Highway Vehicles.
 (i) Because Section 59-2-405.2 subjects off-highway vehicles to an age-based uniform fee, a percent good schedule is not necessary.
 (i) Class 10 - Railroad Cars. The Class 10 schedule was developed to value the property of railroad car companies. Functional and economic obsolescence is recognized in the developing technology of the shipping industry. Heavy wear and tear is also a factor in valuing this class of property.
 (i) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

TABLE 10

Year of Acquisition	Percent Good of Acquisition Cost
[17]18	[94]96%

363	[16] <u>17</u>	[89] <u>91</u> %
364	[15] <u>16</u>	[82] <u>84</u> %
365	[14] <u>15</u>	[76] <u>78</u> %
366	[13] <u>14</u>	[71] <u>73</u> %
367	[12] <u>13</u>	[66] <u>68</u> %
368	[11] <u>12</u>	[58] <u>60</u> %
369	[10] <u>11</u>	[52] <u>54</u> %
370	[09] <u>10</u>	[47] <u>48</u> %
371	[08] <u>09</u>	[41] <u>42</u> %
372	[07] <u>08</u>	[34] <u>35</u> %
373	[06] <u>07</u>	28%
374	[05] <u>06</u>	[19] <u>20</u> %
375	[04] <u>05</u> and prior	9%

(j) Class 11 - Street Motorcycles.

(i) Because Section 59-2-405.2 subjects street motorcycles to an age-based uniform fee, a percent good schedule is not necessary.

(k) Class 12 - Computer Hardware.

(i) Examples of property in this class include:

(A) data processing equipment;

(B) personal computers;

(C) main frame computers;

(D) computer equipment peripherals;

(E) cad/cam systems; and

(F) copiers.

(ii) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

TABLE 12

Year of Acquisition	Percent Good of Acquisition Cost
[17] <u>18</u>	62%
[16] <u>17</u>	46%
[15] <u>16</u>	21%
[14] <u>15</u>	9%
[13] <u>14</u> and prior	7%

(l) Class 13 - Heavy Equipment.

(i) Examples of property in this class include:

(A) construction equipment;

(B) excavation equipment;

(C) loaders;

(D) batch plants;

(E) snow cats; and

- (F) pavement sweepers.
- (ii) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.
- (iii) ~~[2018]~~2019 model equipment purchased in ~~[2017]~~2018 is valued at 100 percent of acquisition cost.

TABLE 13

Year of Acquisition	Percent Good of Acquisition Cost
[17] 18	[48] 49%
[16] 17	[45] 47%
[15] 16	[42] 44%
[14] 15	[40] 42%
[13] 14	[37] 39%
[12] 13	[34] 37%
[11] 12	[32] 35%
[10] 11	[29] 32%
[09] 10	[26] 30%
[08] 09	[23] 28%
[07] 08	[21] 25%
[06] 07	[18] 23%
[05] 06	[15] 20%
[04] 05 and prior	13%

- (m) Class 14 - Motor Homes.
- (i) Because Section 59-2-405.3 subjects motor homes to an age-based uniform fee, a percent good schedule is not necessary. ~~[Taxable value is calculated by applying the percent good against the cost new.~~
- (ii) ~~The 2018 percent good applies to 2018 models purchased in 2017.~~
- (iii) ~~Motor homes have a residual taxable value of \$1,000.~~

TABLE 14

Model Year	Percent Good of Cost New
18	90%
17	69%
16	65%
15	61%
14	58%
13	54%
12	50%
11	47%

455	10	43%
456	09	39%
457	08	35%
458	07	32%
459	06	28%
460	05	24%
461	04	21%
462	03	17%
463	02 and prior	15%
464		

(n) Class 15 - Semiconductor Manufacturing Equipment. Class 15 applies only to equipment used in the production of semiconductor products. Equipment used in the semiconductor manufacturing industry is subject to significant economic and functional obsolescence due to rapidly changing technology and economic conditions.

(i) Examples of property in this class include:

(A) crystal growing equipment;

(B) die assembly equipment;

(C) wire bonding equipment;

(D) encapsulation equipment;

(E) semiconductor test equipment;

(F) clean room equipment;

(G) chemical and gas systems related to semiconductor manufacturing;

(H) deionized water systems;

(I) electrical systems; and

(J) photo mask and wafer manufacturing dedicated to semiconductor production.

(ii) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

TABLE 15

Year of Acquisition	Percent Good of Acquisition Cost
[17] 18	47%
[16] 17	34%
[15] 16	24%
[14] 15	15%
[13] 14 and prior	6%

(o) Class 16 - Long-Life Property. Class 16 property has a long physical life with little obsolescence.

(i) Examples of property in this class include:

(A) billboard (excluding LED component);

(B) sign towers;

(C) radio towers;

(D) ski lift and tram towers;

(E) non-farm grain elevators;
(F) bulk storage tanks;
(G) underground fiber optic cable;
(H) solar panels and supporting equipment; and
(I) pipe laid in or affixed to land.
(ii) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

TABLE 16

Year of Acquisition	Percent Good of Acquisition Cost
[17] 18	[95] 96%
[16] 17	[92] 94%
[15] 16	[87] 89%
[14] 15	[83] 85%
[13] 14	[80] 82%
[12] 13	[77] 79%
[11] 12	[74] 73%
[10] 11	[67] 69%
[09] 10	64%
[08] 09	[62] 63%
[07] 08	59%
[06] 07	[55] 57%
[05] 06	[50] 51%
[04] 05	[44] 45%
[03] 04	[37] 38%
[02] 03	30%
[01] 02	23%
[00] 01	15%
[99] 00 and prior	8%

(p) Class 17 - Vessels Equal to or Greater Than 31 Feet in Length.
(i) Examples of property in this class include:
(A) houseboats equal to or greater than 31 feet in length;
(B) sailboats equal to or greater than 31 feet in length; and
(C) yachts equal to or greater than 31 feet in length.
(ii) A vessel, including an outboard motor of the vessel, under 31 feet in length:
(A) is not included in Class 17;
(B) may not be valued using Table 17; and
(C) is subject to an age-based uniform fee under Section 59-2-405.2.
(iii) Taxable value is calculated by applying the percent good factor against the cost new of the property.
(iv) The Tax Commission and assessors shall rely on the following sources to determine cost new for property in this class:

- (A) the following publications or valuation methods:
- (I) the manufacturer's suggested retail price listed in the ABOS Marine Blue Book;
 - (II) for property not listed in the ABOS Marine Blue Book but listed in the NADA Marine Appraisal Guide, the NADA average value for the property divided by the percent good factor; or
 - (III) for property not listed in the ABOS Marine Blue Book or the NADA Appraisal Guide:
 - (aa) the manufacturer's suggested retail price for comparable property; or
 - (bb) the cost new established for that property by a documented valuation source; or
 - (B) the documented actual cost of new or used property in this class.
 - (v) The ~~[2018]~~2019 percent good applies to ~~[2018]~~2019 models purchased in ~~[2017]~~2018.
 - (vi) Property in this class has a residual taxable value of \$1,000.

TABLE 17

Model Year	Percent Good of Cost New
[18] 19	90%
[17] 18	[65] 67%
[16] 17	[63] 64%
[15] 16	[61] 62%
[14] 15	[58] 60%
[13] 14	[56] 57%
[12] 13	[54] 55%
[11] 12	[52] 53%
[10] 11	[49] 50%
[09] 10	[47] 48%
[08] 09	[45] 46%
[07] 08	43%
[06] 07	41%
[05] 06	[38] 39%
[04] 05	36%
[03] 04	34%
[02] 03	32%
[01] 02	[30] 29%
[00] 01	27%
[99] 00	25%
[98] 99	21%
[97] 98 and prior	17%

- (q) Class 17a - Vessels Less Than 31 Feet in Length
- (i) Because Section 59-2-405.2 subjects vessels less than 31 feet in length to an age-based uniform fee, a percent good schedule is not necessary.
- (r) Class 18 - Travel Trailers and Class 18a - Tent Trailers/Truck Campers.
- (i) Because Section 59-2-405.2 subjects travel trailers and tent trailers/truck campers to an age-based uniform fee, a percent good schedule is not necessary.
- (s) Class 20 - Petroleum and Natural Gas Exploration and Production Equipment. Class 20 property is subject to significant functional and economic obsolescence due to the volatile nature of

the petroleum industry.

(i) Examples of property in this class include:

(A) oil and gas exploration equipment;

(B) distillation equipment;

(C) wellhead assemblies;

(D) holding and storage facilities;

(E) drill rigs;

(F) reinjection equipment;

(G) metering devices;

(H) cracking equipment;

(I) well-site generators, transformers, and power lines;

(J) equipment sheds;

(K) pumps;

(L) radio telemetry units; and

(M) support and control equipment.

(ii) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

TABLE 20

Year of Acquisition	Percent Good of Acquisition Cost
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[17] 18	[93] 95%
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[16] 17	[85] 87%
--------------------	---------------------

[15] 16	[80] 81%
--------------------	---------------------

[14] 15	[73] 74%
--------------------	---------------------

[13] 14	[66] 67%
--------------------	---------------------

[12] 13	[60] 61%
--------------------	---------------------

[11] 12	[54] 55%
--------------------	---------------------

[10] 11	46%
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[09] 10	40%
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[08] 09	[33] 34%
--------------------	---------------------

[07] 08	[26] 27%
--------------------	---------------------

[06] 07	19%
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[05] 06 and prior	10%
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(t) Class 21 - Commercial Trailers.

(i) Examples of property in this class include:

(A) dry freight van trailers;

(B) refrigerated van trailers;

(C) flat bed trailers;

(D) dump trailers;

(E) livestock trailers; and

(F) tank trailers.

(ii) Taxable value is calculated by applying the percent good factor against the cost new of

the property. For state assessed vehicles, cost new shall include the value of attached equipment.
 (iii) The ~~2018~~2019 percent good applies to ~~2018~~2019 models purchased in ~~2017~~2018.
 (iv) Commercial trailers have a residual taxable value of \$1,000.

TABLE 21

Model Year	Percent Good of Cost New
18 19	95%
17 18	86 85%
16 17	82%
15 16	78%
14 15	74%
13 14	70 69%
12 13	66 65%
11 12	62 61%
10 11	58 57%
09 10	54 53%
08 09	51 50%
07 08	47 46%
06 07	41%
05 06	36%
04 05	30%
03 04	25%
02 03 and prior	17%

(u) Class 21a - Other Trailers (Non-Commercial).

(i) Because Section 59-2-405.2 subjects this class of trailers to an age-based uniform fee, a percent good schedule is not necessary.

(v) Class 22 - Passenger Cars, Light Trucks/Utility Vehicles, and Vans.

(i) Class 22 vehicles fall within four subcategories: domestic passenger cars, foreign passenger cars, light trucks, including utility vehicles, and vans.

(ii) Because Section 59-2-405.1 subjects Class 22 property to an age-based uniform fee, a percent good schedule is not necessary.

(w) Class 22a - Small Motor Vehicles.

(i) Because Section 59-2-405.2 subjects small motor vehicles to an age-based uniform fee, a percent good schedule is not necessary.

(x) Class 23 - Aircraft Required to be Registered With the State.

(i) Because Section 59-2-404 subjects aircraft required to be registered with the state to a statewide uniform fee, a percent good schedule is not necessary.

(y) Class 24 - Leasehold Improvements on Exempt Real Property.

(i) The Class 24 schedule is to be used only for those leasehold improvements where the underlying real property is owned by an entity exempt from property tax under Section 59-2-1101. See Tax Commission rule R884-24P-32. Leasehold improvements include:

(A) walls and partitions;

- (B) plumbing and roughed-in fixtures;
 (C) floor coverings other than carpet;
 (D) store fronts;
 (E) decoration;
 (F) wiring;
 (G) suspended or acoustical ceilings;
 (H) heating and cooling systems; and
 (I) iron or millwork trim.
 (ii) Taxable value is calculated by applying the percent good factor against the cost of acquisition, including installation.
 (iii) The Class 3 schedule is used to value short life leasehold improvements.

TABLE 24

Year of Installation	Percent of Installation Cost
[17] 18	94%
[16] 17	88%
[15] 16	82%
[14] 15	77%
[13] 14	71%
[12] 13	65%
[11] 12	59%
[10] 11	54%
[09] 10	48%
[08] 09	42%
[07] 08	36%
[06] 07 and prior	30%

(z) Class 25 - Aircraft Parts Manufacturing Tools and Dies. Property in this class is generally subject to rapid physical, functional, and economic obsolescence due to rapid technological and economic shifts in the airline parts manufacturing industry. Heavy wear and tear is also a factor in valuing this class of property.

- (i) Examples of property in this class include:
 (A) aircraft parts manufacturing jigs and dies;
 (B) aircraft parts manufacturing molds;
 (C) aircraft parts manufacturing patterns;
 (D) aircraft parts manufacturing taps and gauges; and
 (E) aircraft parts manufacturing test equipment.
 (ii) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

TABLE 25

Year of	Percent Good
---------	--------------

Acquisition of Acquisition Cost

[17]18	[84]86%
[16]17	[69]70%
[15]16	[52]53%
[14]15	36%
[13]14	19%
[12]13 and prior	4%

(aa) Class 26 - Personal Watercraft.

(i) Because Section 59-2-405.2 subjects personal watercraft to an age-based uniform fee, a percent good schedule is not necessary.

(bb) Class 27 - Electrical Power Generating Equipment and Fixtures

(i) Examples of property in this class include:

(A) electrical power generators; and

(B) control equipment.

(ii) Taxable value is calculated by applying the percent good factor against the acquisition cost of the property.

TABLE 27

Year of Acquisition Percent Good of Acquisition Cost

[17]18	97%
[16]17	95%
[15]16	92%
[14]15	90%
[13]14	87%
[12]13	84%
[11]12	82%
[10]11	79%
[09]10	77%
[08]09	74%
[07]08	71%
[06]07	69%
[05]06	66%
[04]05	64%
[03]04	61%
[02]03	58%
[01]02	56%
[00]01	53%
[99]00	51%
[98]99	48%
[97]98	45%
[96]97	43%

777	[95] 96	40%
778	[94] 95	38%
779	[93] 94	35%
780	[92] 93	32%
781	[91] 92	30%
782	[90] 91	27%
783	[89] 90	25%
784	[88] 89	22%
785	[87] 88	19%
786	[86] 87	17%
787	[85] 86	14%
788	[84] 85	12%
789	[83] 84 and prior	9%

790

791 (cc) Class 28 - Noncapitalized Personal Property. Property shall be classified as

792 noncapitalized personal property if the following conditions are met:

793 (i) the property is an item of taxable tangible personal property with an acquisition cost of

794 \$1,000 or less; and

795 (ii) the property is eligible as a deductible expense under Section 162 or Section 179,

796 Internal Revenue Code, in the year of acquisition, regardless of whether the deduction is actually

797 claimed.

798

799 TABLE 28

800		
801	Year of	Percent Good
802	Acquisition	of Acquisition Cost
803		
804	[17] 18	75%
805	[16] 17	50%
806	[15] 16	25%
807	[14] 15 and prior	0%

808

809 The provisions of this rule shall be implemented and become binding on taxpayers

810 beginning January 1, ~~[2018]~~2019.

811

DRAFT

R865-9I-2. Determination of Utah Resident Individual Status Pursuant to Utah Code Ann. Sections 59-10-103 and 59-10-136.

[~~(1)~~]For purposes of determining whether an individual spends in the aggregate 183 or more days of the taxable year in this state, a “day” means a day in which the individual spends more time in this state than in any other state.

~~[(2) Determination of resident individual status for military servicepersons.~~

~~(a) The status of a military serviceperson as a resident individual or a nonresident individual is determined as follows.~~

~~(i) A resident individual in active military service does not lose his status as a resident individual if the resident individual’s absence from the state is a result of military orders.~~

~~(ii) A nonresident individual in active military service who is stationed in Utah does not become a resident individual for income tax purposes if the nonresident individual’s presence in Utah is due solely to military orders.~~

~~(b) Subject to federal law, an individual in active military service may change from a resident individual to a nonresident individual or from a nonresident individual to a resident individual if he establishes that he satisfies the conditions of Section 59-10-136.~~

~~(c) A nonresident individual serviceperson is exempt from Utah income tax only on his active service pay. All other Utah source income received by the nonresident individual serviceperson is subject to Utah income tax as provided by Section 59-10-116.]~~

DRAFT

R865-19S-32. Leases and Rentals Pursuant to Utah Code Ann. Section 59-12-103.

(1)~~[(a) Subject to Subsection (1)(b), a lessor shall compute sales or use tax on all amounts received or charged in connection with a lease or rental of tangible personal property.]~~

~~[(b)]~~ Fuel charges in a transaction for the lease or rental of a motor vehicle are not subject to sales tax pursuant to Subsection 59-12-104(1) if the fuel charges are:

~~[(i)]~~(a) optional; and

~~[(ii)]~~(b) separately stated on the invoice.

(2) When a lessee has the right to possession, operation, or use of tangible personal property, the tax applies to the amount paid pursuant to the lease agreement, regardless of the duration of the agreement.

(3) Lessors of tangible personal property shall furnish an exemption certificate when purchasing tangible personal property subject to the sales or use tax on rental receipts. Costs of repairs and renovations to tangible personal property are exempt if paid for by the lessor since it is assumed that those costs are recovered by the lessor in his rental receipts.

(4) A person that furnishes tangible personal property along with an operator, as described in the definition of lease or rental in Section 59-12-102, provides a service and shall:

(a) pay sales and use tax at the time that person purchases the tangible personal property that is furnished under this Subsection (4); and

(b) collect sales and use tax at the time that person provides the service if the service is subject to sales and use tax.