

R884. Tax Commission, Property Tax.

R884-24P. Property Tax.

R884-24P-20. Construction Work in Progress Pursuant to Utah Constitution Art. XIII, Section 2 and Utah Code Ann. Sections 59-2-201 and 59-2-301.

~~[A.](1)~~ For purposes of this ~~[rule]section~~:

~~[1.](a)~~ “Construction work in progress” means improvements as defined in Section 59-2-102, and personal property as defined in Section 59-2-102, that are not functionally complete. ~~[as defined in A.6.]~~

~~[2.](b)~~ “Project” means any undertaking involving construction, expansion or modernization.

~~[3.](c)~~ “Construction” means:

~~[a.](i)~~ creation of a new facility;

~~[b.](ii)~~ acquisition of personal property; or

~~[c.](iii)~~ any alteration to the real property of an existing facility other than normal repairs or maintenance.

~~[4.](d)~~ “Expansion” means an increase in production or capacity as a result of the project.

~~[5.](e)~~ “Modernization” means a change or contrast in character or quality resulting from the introduction of improved techniques, methods or products.

~~[6.](f)~~ “Functionally complete” or “functional completion” means capable of providing economic benefit to the owner through fulfillment of the purpose for which it was constructed. In the case of a cost-regulated utility, a project shall be deemed to be functionally complete when the operating property associated with the project has been capitalized on the books and is part of the rate base of that utility.

~~[7.](g)~~ “Allocable preconstruction costs” means expenditures associated with the planning and preparation for the construction of a project. To be classified as an allocable preconstruction cost, an expenditure must be capitalized.

~~[8.](h)~~ “Cost regulated utility” means a power company, oil and gas pipeline company, gas distribution company or telecommunication company whose earnings are determined by a rate of return applied to rate base. Rate of return and rate base are set and approved by a state or federal regulatory commission.

~~(i)~~ “Centrally assessed property” means property that is required to be assessed under Section 59-2-201.

~~(j)~~ “Locally assessed property” means property that is required to be assessed under Section 59-2-301.

~~[9.]~~ Residential means single family residences and duplex apartments.]

~~[10.]~~ Unit method of appraisal means valuation of the various physical components of an integrated enterprise as a single going concern. The unit method may employ one or more of the following approaches to value: the income approach, the cost approach, and the stock and debt approach.]

~~[B.](2)~~ All construction work in progress shall be valued at "full cash value" as described in this ~~[rule.]section~~.

~~[C.](3)(a)~~ Discount Rates

46 (b) For purposes of this rule, discount rates ~~[used in valuing all projects]~~ shall be determined
47 by the Tax Commission, and shall be consistent with market, financial and economic conditions.

48 ~~[D.](4)~~ Appraisal of Allocable Preconstruction Costs.

49 ~~[1.](a)~~ If requested by the taxpayer, preconstruction costs associated with ~~[properties, other~~
50 ~~than residential properties,]~~ centrally assessed property may be allocated to the value of the project in
51 relation to the relative amount of total expenditures made on the project by the lien date. Allocation
52 will be allowed only if the following conditions are satisfied by January 30 of the tax year for which
53 the request is sought:

54 ~~[a)](i)~~ a detailed list of preconstruction cost data is supplied to the ~~[responsible agency]~~ Tax
55 Commission; and

56 ~~[b)](ii)~~ the percent of completion of the project and the preconstruction cost data are certified
57 by the taxpayer as to their accuracy.

58 ~~[2.](b)(i)~~ The preconstruction costs allocated ~~[pursuant to D.1. of this rule]~~ under Subsection
59 (4)(a) shall be discounted using the ~~[appropriate]~~ rate determined ~~[in C.]~~ under Subsection (3).

60 ~~(ii)~~ The discounted allocated value described in Subsection (4)(b)(i), shall ~~[either]~~ be added
61 to ~~[the values of properties other than residential properties determined under E.1. or shall be added~~
62 ~~to]~~ the values determined under the various approaches used in the ~~[unit]~~ method of valuation
63 determined under ~~[E.]~~ Subsection (6).

64 ~~[3.](c)~~ The preconstruction costs allocated under ~~[D.]~~ this Subsection (4) are subject to audit
65 for four years. If adjustments are necessary after examination of the records, those adjustments will
66 be classified as property escaping assessment.

67 ~~[E.](5)~~ Appraisal of Locally Assessed Properties ~~[not Valued under the Unit Method].~~

68 ~~[1. The full cash value, projected upon completion, of all properties valued under this~~
69 ~~section, with the exception of residential properties, shall be reduced by the value of the allocable~~
70 ~~preconstruction costs determined D. This reduced full cash value shall be referred to as the "adjusted~~
71 ~~full cash value."]~~

72 ~~[2.](a)~~ On or before January 1 of each tax year, each county assessor ~~[and the Tax~~
73 ~~Commission]~~ shall determine~~[-, for projects not valued by the unit method and which fall under their~~
74 ~~respective areas of appraisal responsibility,]~~ the following for projects involving locally assessed
75 property:

76 ~~[a)](i)~~ ~~[The]~~ the full cash value of the project expected upon completion[-];

77 ~~[b)](ii)~~ ~~[The]~~ the expected date of functional completion of the project currently under
78 construction[-]; and

79 ~~[(1)]~~ The expected date of functional completion shall be determined by the county assessor for
80 locally assessed properties and by the Tax Commission for centrally assessed properties.]

81 ~~[e)](iii)~~ ~~[The percent of the project completed]~~ the percentage of completion of the project
82 as of the lien date.

83 ~~[(4)](b)~~ Determination of the [percent]percentage of completion of a project for [residential
84 properties] locally assessed property shall be based on the following ~~[percentage]percentages~~ of
85 completion:

86 ~~[(a)](i)~~ 10% - Excavation-foundation

87 ~~[(b)](ii)~~ 30% - Rough lumber, rough labor

88 ~~[(c)](iii)~~ 50% - Roofing, rough plumbing, rough electrical, heating

89 ~~[(d)](iv)~~ 65% - Insulation, drywall, exterior finish

90 ~~[(e)](v)~~ 75% - Finish lumber, finish labor, painting

91 ~~[(f)](vi)~~ 90% - Cabinets, cabinet tops, tile, finish plumbing, finish electrical

92 ~~[(g)]~~(vii) 100% - Floor covering, appliances, exterior concrete, misc.

93 ~~[(2) In the case of all other projects under construction and valued under this section the~~
94 ~~percent of completion shall be determined by the county assessor for locally assessed properties and~~
95 ~~by the Tax Commission for centrally assessed properties.]~~

96 ~~[3. Upon determination of the adjusted full cash value for nonresidential projects under~~
97 ~~construction or the full cash value expected upon completion of residential projects under~~
98 ~~construction, the expected date of completion, and the percent of the project completed, the assessor~~
99 ~~shall do the following:]~~

100 ~~[a] multiply the percent of the residential project completed by the total full cash value of the~~
101 ~~residential project expected upon completion; or in the case of nonresidential projects,]~~

102 ~~[b] multiply the percent of the nonresidential project completed by the adjusted full cash value~~
103 ~~of the nonresidential project;]~~

104 ~~[c] adjust the resulting product of E.3.a) or E.3.b) for the expected time of completion using~~
105 ~~the discount rate determined under C.]~~

106 ~~(c) The value of a project on January 1 shall be determined by multiplying the full cash value~~
107 ~~of the project expected upon completion by the percentage of completion of the project as determined~~
108 ~~under this Subsection (5).~~

109 ~~[F.](6) Appraisal of Centrally Assessed Properties [Valued Under the Unit Method of~~
110 ~~Appraisal].~~

111 ~~[1.](a) No adjustments under this rule shall be made to the income indicator of value for a~~
112 ~~project under construction that is owned by a cost-regulated utility when the project is allowed in rate~~
113 ~~base.~~

114 ~~[2.](b) The full cash value of a project under construction as of January 1 of the tax year,~~
115 ~~shall be determined by adjusting the cost and income approaches as [follows:] provided in this~~
116 ~~Subsection (6)(b).~~

117 ~~[a)](i) Adjustments to reflect the time value of money in appraising construction work in~~
118 ~~progress valued under the cost and income approaches shall be made for each approach as [follows:]~~
119 ~~provided in this Subsection (6)(b)(i).~~

120 ~~[(4)](A)(I) Each company shall report the expected completion dates and costs of the~~
121 ~~projects.~~

122 ~~(II) A project expected to be completed during the tax year for which the valuation is being~~
123 ~~determined shall be considered completed on January 1 or July 1, whichever is closest to the expected~~
124 ~~completion date.~~

125 ~~(III) The Tax Commission shall determine the expected completion date for any project whose~~
126 ~~completion is scheduled during a tax year subsequent to the tax year for which the valuation is being~~
127 ~~made.~~

128 ~~[(2)](B) If requested by the company, the value of allocable preconstruction costs~~
129 ~~determined ~~[in D.]~~ under Subsection (4) shall ~~[then]~~ be subtracted from the total cost of each project.~~
130 ~~The ~~[resulting sum]~~ difference shall be referred to as the adjusted cost value of the project.~~

131 ~~[(3)](C) The adjusted cost value for each of the future years prior to functional completion~~
132 ~~shall be discounted to reflect the present value of the project under construction. The discount rate~~
133 ~~shall be determined under ~~[C.]~~ Subsection (3).~~

134 ~~[(4)](D) The discounted adjusted cost value shall then be added to the values determined~~
135 ~~under the income approach and cost approach.~~

136 ~~[b)](ii) No adjustment will be made to reflect the time value of money for a project valued~~
137 ~~under the stock and debt approach to value.~~

138 [G. ~~This rule shall take effect for the tax year 1985.~~
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140 **KEY: taxation, personal property, property tax, appraisals**

141 **Date of Last Change: February 9, 2023**

142 **Notice of Continuation: November 9, 2021**

143 **Authorizing, and Implemented or Interpreted Law: Art. XIII, Sec 2; 9-2-201; 11-13-302;**
144 **41-1a-202; 41-1a-301; 59-1-210; 59-2-102; 59-2-103; 59-2-103.5; 59-2-104; 59-2-201; 59-2-**
145 **210; 59-2-211; 59-2-301; 59-2-301.3; 59-2-302; 59-2-303; 59-2-303.1; 59-2-305; 59-2-306; 59-**
146 **2-401; 59-2-402; 59-2-404; 59-2-405; 59-2-405.1; 59-2-406; 59-2-508; 59-2-514; 59-2-515; 59-**
147 **2-701; 59-2-702; 59-2-703; 59-2-704; 59-2-704.5; 59-2-705; 59-2-801; 59-2-918 through 59-2-**
148 **924; 59-2-1002; 59-2-1004; 59-2-1005; 59-2-1006; 59-2-1101; 59-2-1102; 59-2-1104; 59-2-**
149 **1106; 59-2-1107 through 59-2-1109; 59-2-1113; 59-2-1115; 59-2-1202; 59-2-1202(5); 59-2-**
150 **1302; 59-2-1303; 59-2-1308.5; 59-2-1317; 59-2-1328; 59-2-1330; 59-2-1347; 59-2-1351; 59-2-**
151 **1365; 59-2-1703**