



State of Utah

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2015 ANNUAL PROPERTY TAX RETURN FOR MINING PROPERTIES INSTRUCTIONS FOR SAND AND GRAVEL PROPERTIES

Section 59-2-207 (1) (a) of the Utah Code states the following: “A person, or an officer or agent of that person, owning or operating property described in Subsection (1)(b) shall file with the commission, on a form prescribed by the commission, a sworn statement on or before **March 1** of each year: (i) showing in detail all real property and tangible personal property located in the state that the person owns or operates; and (ii) containing any other information the commission requires.”

Returns for Assessment (Property Tax Returns or “Annual Returns”) that are received incomplete will be considered as not timely filed and subject to a penalty. For failure to furnish the statement as required, or other information necessary to determine assessed valuation, the statute noted above provides for a penalty of 10% of the estimated tax due but not less than \$100.

The 2015 *Annual Return* is made up of eleven (11) Sections: Some sections may not apply to your company. Underlined forms must be returned, all other reports are returned only if corrections are made to the information on the report.

1. Annual Return form (Taxpayer Statement)
2. Detail By Tax Area report
3. Land Valuation report
4. Improvement Valuation report (If applicable)
5. Personal Property Valuation report
6. Additions / Deletions of Land Parcels form
7. Additions / Deletions of Personal Property form
8. Additions / Deletions of Improvements form
9. Capitalized Net Revenue or Discounted Cash Flow (Separate instructions included)
10. Leased Personal Property & Improvements form
11. Construction Work in Progress CWIP Detail form

The sections of the *Annual Return* that apply to your company must be reviewed, completed and returned to the Property Tax Division. Information can be furnished using the forms provided or may be submitted on a form prepared by the company as long as the necessary data is included and is presented in an understandable format. If there are no corrections made on the Detail by Tax Area report, Land Valuation report, Improvement Valuation report or Personal Property Valuation report, they need not be returned.

Notice: A *Power of Attorney and Declaration of Representative* form must be filled out and returned to the Property Tax Division if the Division is to send the annual return to anyone other than the taxpayer or employee of the taxpayer. Furthermore, the Property Tax Division requires this form to allow discussion of return information with anyone other than the taxpayer or employee of the taxpayer. This form must be signed by an authorized taxpayer representative and notarized to be accepted. This authorization is effective until revoked in writing by the taxpayer. The *Power of Attorney and Declaration of Representative* form and instructions are available online at: <http://propertytax.utah.gov/centrally-assessed-properties/natural-resources-annual-reports/return-documents>

1. Annual Return form (Taxpayer Statement):

This statement **must be signed** by a person who is authorized to file such a return and returned to the Tax Commission. Please make any necessary corrections to company name, contact person, address, telephone number, fax number and e-mail address.

2. Detail By Tax Area report:

Review this report and make any corrections as necessary. If no corrections are made, do not return the Detail by Tax Area report.

3. Land Valuation report:

Review this report to ensure that it contains the correct information (e.g. acres, legal description) for land that is a part of your operations. Additions and/or deletions should be detailed on the Additions / Deletions of Land Parcels form. If no corrections are made, do not return the Land Valuation report.

4. Improvement Valuation report:

Instructions are the same as those for the Personal Property Valuation report (listed below). If your company has not had any improvements in prior years, you will not receive this report.

5. Personal Property Valuation report:

This is a detailed list of all personal property by "State Property Number". Review this information and make corrections to "Make", "Model", "Description", "Serial Number", "Equipment Number", "Purchase Year", and "Cost". Additions and/or deletions should be detailed on the Additions / Deletions of Personal Property & Improvements form. If no corrections are made, do not return the Personal Property Valuation Report.

6. Additions / Deletions of Land Parcels form:

Include all owned and leased land additions and deletions. Also include any existing land parcels utilized in your mining operation that are not included in the Land Valuation report. Include the location description for all parcel additions and deletions. If adding a new land parcel that is leased from another party, indicate on the form the name and contact information of the lessor (e.g. Bureau of Land Management, John Doe, etc). This will help ensure that taxes will be assessed to the correct party.

7 and 8. Additions / Deletions of Personal Property & Improvements forms:

Include all personal property and improvements additions and deletions including any new or existing properties not included in the report. List all licensed vehicles utilized in the mining operation. Please provide requested data in each column of the form. Acquisition cost must include purchase price, transportation cost, installation cost and sales tax. Also include the value of materials and supplies as a line item on the form. If equipment is moved from one property to another it should be reported here also. If you do not have any additions or deletions of personal property or improvements, write N/A on the form and include it with your return.

Include all capital repairs to existing equipment (i.e., rebuilds, refurbishments, etc). Identify the equipment as listed on the Return for Assessment Improvement Valuation and Personal Property Valuation forms. Include Serial Numbers and /or Equipment Numbers and the total cost of the repairs. Only include costs that are capitalized to the property, plant and equipment accounts.

9. Capitalized Net Revenue form (separate instructions included)

10. Leased Personal Property & Improvements form:

List all of these leased assets utilized in your mining operation on the form provided. The Property Tax Division reports these items to the county assessor to be locally assessed to the lessor. Please provide requested data in each column of the form. If you do not have any of these leased assets please write N/A on the form and include it with your return.

11. Construction Work in Progress CWIP Detail form:

Major construction projects (compressor stations, processing plants, etc) that are partially complete on January 1 must be reported on the Construction Work In Progress CWIP Detail form at account balance (expended cost) as of January 1. Only include costs that are to be capitalized to property, plant, and equipment accounts. Only include amounts that are for expansion and not merely for existing plant replacement. An estimate of the completion date of the project is also needed. If you have no CWIP as of January 1, mark "N/A" on the form and include it with your return.

If we can be of assistance in preparing your return, please contact:

Curtis Williams at (801) 297-3633

Ian Simmons at (801) 297-3605

Please submit your return by e-mail to the Property Tax Division at natres-proptax@utah.gov

**UTAH STATE TAX COMMISSION
PROPERTY TAX DIVISION
2015 CAPITALIZED NET REVENUE (CNR)
INCOME QUESTIONNAIRE INSTRUCTIONS**

The CNR method of valuation utilizes historical income and costs based on the taxpayer's actual operating history for the past five years, or less if operating less than five years.

Please fill in Taxpayer Name, State Taxpayer Number, Unit Name, County and Unit Number (if known) unless previously filled out by the Tax Commission. If the net revenues have been filed for the previous years with the Property Tax Division, only income and costs for the past year (2014) are needed. If this mine has been active in the previous five years and a CNR Questionnaire has not been filed for those years, it is necessary to file a questionnaire for each of those years. Only costs directly related to, and necessary for, the mining operations are allowed. The Taxpayer is required to complete Lines 1 through 20 and attach applicable schedules. Each non-contiguous location is considered to be a separate mine and should be reported separately.

1. **Gross Mineral Sales** - Enter details on Schedule 1: each mineral type sold, number of units sold, unit type (ton, yard, oz., etc.), value per unit and income received. Enter the total from Schedule 1 on Line 1 of the Income Questionnaire. (Please provide a detailed listing of each mineral type sold or consumed as shown on your company's product list. As an example, for aggregates list size of rock, washed and unwashed sand, bank run, etc; for other minerals identify the type of rock or stone, crushed or pallet, etc.)
2. **Self-Consumed Minerals - Using Representative Sales** - Enter details on Schedule 2: each mineral consumed, number of units consumed, unit type (ton, yard, oz., etc.), value per unit and the value for each type of mineral. Enter the total from Schedule 2 on Line 2 of the Income Questionnaire. The unit price should be based on representative unit sales prices of like minerals, determined from actual sales of like minerals sold by the taxpayer, actual sales of like minerals by other taxpayers, and/or posted prices of like minerals. (Please list same detail as in Gross Mineral Sales.)
3. **Premiums, Bonuses and Subsidies** - The total amount received for premiums, bonuses and subsidies, etc., from the federal government or any other source, concerning settlement payment, whether paid for the mineral or the production thereof. If an exemption is claimed for any amount, such claim may be stated on the return or in a letter accompanying the return.
4. **Interest Income** - All interest received relating to the mining operation should be reported.
5. **Other Income** - Include all income received relating to the mining operation which is not listed on Lines 1 through 4 above. Examples would include transportation reimbursements and royalties received. Show royalty details on Schedule 5. Gains on the sale of assets should not be included.
6. **Total Gross Income** - Total of lines 1 through 5.
7. **Salaries and Wages** - Only the portion of management salaries and employee wage that pertains to the mining operation can be used as an allowable cost (As reported on IRS W-2 wage and tax statements).
8. **Payroll Taxes and Employee Benefits** - Include all fringe benefits and taxes associated with allowable labor costs.
9. **Workers Compensation Insurance** - The amount paid for workers compensation insurance, or in lieu of that compensation insurance the actual amount of compensation for injured employees, and the compensation paid to the dependents of employees, required to be paid under the Worker's Compensation law of Utah.

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10. **General Insurance** - General insurance policy premiums paid are allowed. Do not include self-insurance amounts that may be listed on company records.
11. **Sales and Use Taxes** - Actual sales tax paid, if included in reported income.
12. **Supplies and Tools** - Cost of supplies and tools purchased.
13. **Utilities** - Cost of utilities paid, directly pertaining to the mining operation.
14. **Maintenance and Repairs** - Maintenance and repair costs should be listed here. Major repair costs, such as engine replacement, that are capitalized should be included on the additions and deletions of personal property and improvements form.
15. **Office and Accounting** - Only the portion of the office and accounting cost pertaining to the mining operation is allowed.
16. **Legal Fees** - Legal fees pertaining to the mining operation.
17. **Exempt Royalties** - Federal, State, City, Local Governments, and Indian Nations royalty payments are allowed. List recipient's name, address and telephone number. (Schedule 17) Royalties paid to individuals or corporations are not deductible.
18. **Fuel** - Costs of fuel utilized in the mining operation are allowed. Do not include fuel that is part of Line 19 (Transportation).
19. **Transportation** - Transportation costs are allowed to the point of sale or self-consumption. Match related income and expenses.
20. **Miscellaneous Costs** – All items must be explained on Schedule 20 or they will not be allowed.
Allowed: Other costs identified by Administrative Rule R884-24P-7, which are not listed above, such as, engineering, sampling and assaying, treatment, development, equipment rental and environmental cleanup, or other costs that apply directly to the operation of the mining property.
Not Allowed: Interest expense, Federal and State income taxes and property taxes are included in the capitalization rate and are therefore not allowed as an expense. Losses on the sale of assets, bank charges, depletion, amortization, corporate overhead or other costs not directly related to the mining operation.
21. **Subtotal** – Total of lines 7 through 20.

Deductibles: If assets are used in the mining operation and are taxed to someone else, or the Utah taxes have already been paid/or will be paid on them, such as leased land, improvements, equipment and/or licensed vehicles, the value of these assets will be subtracted from your income valuation.

Note: Depreciation will be calculated by the Property Tax Division using the straight-line method: Seven (7) years for equipment and thirty-nine (39) years for improvements.

**UTAH STATE TAX COMMISSION
PROPERTY TAX DIVISION
2015 MINE DISCOUNTED CASH FLOW (DCF)
INCOME VALUATION INSTRUCTIONS**

A Discounted Cash Flow (DCF) is the present worth of projected future net income. Please use this form as a guideline to project your future income and expenses. Base your future income and expenses on your mine plan. Please complete both the past year's income and expenses and project the future years' income and expenses based on the remaining economic life of the mine. Only expenses directly related to, and necessary for, the mining operations are allowed. Each non-contiguous location is considered to be a separate mine and should be reported separately.

1. **GROSS MINERAL SALES:** Enter details on Schedule 1: Identify the mineral type, number of units sold (tons, oz. etc) and the gross mineral sales received. Gross contract prices should be used to calculate gross income. Expenses commonly deducted from gross prices such as transportation costs should not be deducted from the gross contract price but should be included as separate expenses in the lower portion of the DCF schedule. Enter the total from schedule 1 on line 1 of the DCF form.

The current administrative rule provides two methods for computing the value of self-consumed minerals. Please elect one of the following methods (line 2 or line 3). Do not use both.

2. **SELF-CONSUMED MINERALS - USING REPRESENTATIVE SALES:** Identify the mineral type, number of units sold (tons, oz. etc) and the income received. Enter the total from Schedule 2 on line 2 of the DCF form. The unit price should be based on representative sales of like minerals, determined from actual sales of like minerals sold by the taxpayer, actual sales of like minerals by other taxpayers, or posted prices of like minerals.
3. **SELF-CONSUMED MINERALS - USING ALLOWABLE COSTS:** Divide Total Allowable Costs (line 27) by [one minus (discount rate plus property tax rate)] (line 47).
4. **PREMIUMS, BONUSES, SUBSIDIES:** The total amount received as well as projections for premiums, bonuses and subsidies etc., from the federal government or any other source. If exemption is claimed on any amounts, such claims may be stated on the return or in a letter accompanying the return.
5. **INTEREST INCOME:** All interest received on accounts directly related to the operation of the mine should be reported, i.e., reclamation and sinking funds.
6. **OTHER INCOME:** All income received relating to the mining operation, which is not listed above. Examples would include transportation reimbursements and royalties received (show detail on Royalty Schedule).
7. **TOTAL GROSS INCOME:** Total of lines 1 thru 6.
8. **MANAGEMENT SALARIES:** Only the portion of management salaries that pertains to the mining operation can be used as an allowable cost. (As reported on IRS W-2 Wage and Tax statements.)
9. **LABOR:** All labor costs pertaining to the mining operation are allowed. (As reported on IRS W-2 Wage and Tax statements.)
10. **PAYROLL TAXES AND BENEFITS:** Include all fringe benefits and taxes associated with allowable labor costs.
11. **WORKERS COMPENSATION INSURANCE:** The amount paid for workers compensation insurance, or in lieu of that compensation insurance the actual amount of compensation for injured employees, and the compensation paid to the dependents of employees, required to be paid under the Worker's Compensation law of Utah.
12. **GENERAL INSURANCE:** General insurance policy premiums paid are allowed. Do not include self-insurance amounts that may be listed on company records.
13. **TAXES:** Include only severance and sales/use taxes. Income taxes will be calculated on lines 34 and 36. Property taxes will be included in the discount rate.
14. **SUPPLIES AND TOOLS:** Include only those supply and tool costs that are essential to the operation of the mine.
15. **UTILITIES:** Include power, water and telephone costs essential to the operation of the mine.
16. **MAINTENANCE AND REPAIRS:** Include costs related to maintenance or minor repairs.
17. **OFFICE AND ACCOUNTING:** Only the portion of the office and accounting cost pertaining to the mining operation is allowed.
18. **ENGINEERING:** Include costs necessary to provide engineering services essential to the operation of the mine and/or to maintain and update the mine plan.
19. **SAMPLING AND ASSAYING:** Include non-reimbursed cost for assaying and laboratory sampling of the minerals extracted.

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20. **TREATMENT:** Treatment costs of extracted minerals are allowed.
21. **LEGAL FEES:** Include those legal fee costs that are essential to the mine operation.
22. **EXEMPT ROYALTIES:** Federal, State, City, Local Government and Indian Nation royalty payments are allowed. List recipient's name, address, and telephone number (attach schedule 22). Royalties paid to individuals and corporations are not deductible. Please list them on the "Royalties Paid" schedule.
23. **DEVELOPMENT:** Mine development costs must be deducted in the year they are projected to be incurred. If development costs are reported, associated increases in gross mineral sales must also be reported.
24. **FUEL:** Fuel costs are allowed. Do not include fuel that is part of line 25 (Transportation).
25. **TRANSPORTATION:** Transportation costs are allowed to the point of sale or self-consumption. Include only expenses necessary to produce the income reported.
26. **MISCELLANEOUS COSTS:** This would include other costs necessary to the operation of the mine that are not listed above. (attach schedule 26)
27. **TOTAL ALLOWABLE COSTS:** Total of lines 8 thru 26.
28. **NET REVENUE:** Line 7 less line 27.
30. **DEPLETION:** Depletion should be based on cost. (deduct)
31. **AMORTIZATION:** Amortization should be based on cost. (deduct)
38. **PROJECTED CAPITAL EXPENDITURES:** Projected future capital expenditures not included on line 23. (deduct).
39. **CHANGE IN WORKING CAPITAL:** Do not include those caused by increases or decreases in product inventory or other nontaxable items (may be an addition or deduction).
44. **RESIDUAL VALUE OF PERSONAL PROPERTY:** The value of the personal property at the end of the mine life. Add to the cash flow in the last year of operation. May be computed by applying Tax Commission Depreciation Schedules to the cost of the assets remaining at the mine life.
45. **RESIDUAL VALUE OF REAL PROPERTY:** The value of real estate at the end of the mine life. Add to the cash flow in the last year of operation. You may use the current market value.

The Tax Commission will compute the remainder of the form.

29. **DEPRECIATION:** The Tax Commission will calculate depreciation using the straight-line method. A 7-year life for equipment and a 39-year life for improvements.
32. **INTEREST**
33. **TAXABLE INCOME**
34. **FEDERAL INCOME TAX:** The Tax Commission will use a marginal tax rate of 35%.
35. **TAXABLE INCOME LESS FEDERAL INCOME TAX**
36. **STATE INCOME TAX:** The Tax Commission will use a marginal tax rate of 5%.
37. **TAXABLE INCOME LESS STATE AND FEDERAL INCOME TAX**
40. **DEPRECIATION:** Same as line 29.
41. **DEPLETION:** Same as line 30.
42. **AMORTIZATION:** Same as line 31.
43. **INTEREST:** Same as line 32.
46. **CASH FLOW TO BE DISCOUNTED**
47. **DISCOUNT/CAPITALIZATION RATE:** The current year capitalization rate will be set in late February by the Tax Commission.
48. **PROPERTY TAX RATE:** The Tax Commission will add the prior year's actual property tax rate to the discount rate to obtain the property tax adjusted discount rate. The property tax adjusted discount rate will be used to compute the DCF value.

Note: Lines 49 through 51 will be calculated by the Tax Commission.

"Deductibles" If there are assets used in the mining operation that are taxed to someone else or you have already paid the taxes on them, such as vehicles registered in the State of Utah, please list them on the attached schedule. The book value of licensed vehicles or the taxable value of other assets will be subtracted from your income valuation. These items may include leased land and equipment. For **licensed vehicles** list the make, model, serial number, year of acquisition, original cost and your book value. For **leased land** list owner, serial number, acreage and amount paid on the lease. For **leased equipment** list make, model description and lessor's name and address on the "2015 Leased Asset Schedule".