



The Utah Taxpayer

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Five School Districts Rob Other Districts of State Funding

RDA/EDA Costs To Taxpayers Revealed

School districts lost over \$27 million in property tax revenues in 2000 because of Redevelopment and Economic Development Agency projects (RDA/EDAs) imposed by cities. In addition, 35 school districts received \$2.8 million less in state funding because five other districts divert a large portion of their property taxes to RDA/EDAs. (See Districts Robbing Districts).

Schools aren't the only ones losing property tax revenues to RDAs. Counties lost over \$10.6 million last year, special service districts lost \$4.2 million, and the cities gave up \$12.7 million. Cities argue they make up the difference with increased sales taxes generated from the new businesses RDAs subsidize. But with rare exceptions, the developments would have occurred somewhere without giving up the property taxes if RDAs were not used. The market would have naturally supported the new development. RDAs produce a skewed market by changing the specific location, changing the timing of when a new business opens, and driving out neighboring businesses not receiving RDA financing. (For a more in-depth analysis of RDAs visit

the RDA link at www.utahtaxpayers.org)
Jordan School District Votes Down EDA:

Following months of interaction with your Taxpayers Association, Jordan School district, along with representatives from the county and special service districts, recently voted down an EDA proposal from the city of South Jordan. Your Taxpayers Association views this as a benchmark opposition to RDA/EDAs that has not occurred since 1996. The proposed EDA was to subsidize the construction of the \$200 million, 120 acre RiverPark complex already underway. Had Jordan School district officials voted to approve the EDA, it would have cost the district \$12.9 million in property tax revenues.

This \$12.9 million would purchase one new \$25 textbook annually for all 73,000 students in Jordan School District over the next seven years or \$840 more in classroom supply money annually for each of the district's 3,076 teachers for the next five years.

South Jordan city officials argued that RDAs and EDAs are the only tools the state has provided for cities to attract businesses to their area. School district officials say RDAs only forgo property tax revenue for

several years on development that would have likely occurred somewhere in the district anyway.

Districts Robbing Districts:

Besides hurting local school district budgets, RDAs are also impacting every other district in the state by reducing funding to the state Uniform School Fund in two ways.

First, the overall size of the fund is reduced.

In school year 2000-01, the legislature guaranteed \$2006 per WPU (weighted pupil unit) to school districts. Part of the WPU funding, \$192 million, is made up from property taxes individual districts receive from the state-wide school levy. The remaining portion comes from the Uniform School Fund (income tax revenues). In 2000-01, that amounted to \$1.15 billion.

But since many school districts are giving away property tax revenues to RDAs, they are essentially withholding a combined \$7.8 million from the WPU. If that \$7.8 million were included, the WPU could have been \$2018.

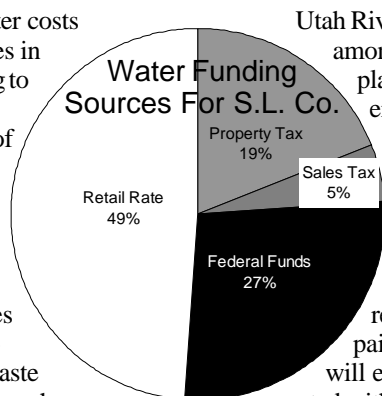
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Association Calls for Removal of Property Taxes on Water

Property Taxes on Water Subsidize Waste

Less than half of all water costs are paid for by user fees in Salt Lake Valley, according to a study conducted by Gail Blattenberger, University of Utah Economic Professor. Property taxes, sales taxes and federal funds make up the remaining 51% percent of water costs.

Subsidizing water rates through property taxes encourages water users to waste water while penalizing those who use it conscientiously. According to the



Utah Rivers Council, Utah is unique among the Western States for placing a property tax on property owners to subsidize water rates. Consequently, Utahns have the lowest water rates of Western States.

The Utah Taxpayers Association is calling for removal of property taxes paid to water deliverers. This will ensure that the costs associated with water are directly borne by those who use it, rather than spread across

all property owners.

Water District Tax Hike:

Jordan Valley Water Conservancy District, one of Utah's largest water agency plans to increase property taxes 2.6% this year to raise \$160,000. Officials say it will be used to cover expenses and preserve the district's favorable bond rating. Total water district property taxes on a \$200,000 property would then be \$42.90 for residential and \$78 for commercial.

In addition to boosting property taxes, the district plans to increase water rates by 4% per year for the next several years.

My Corner

By Howard Stephenson

It's amazing to me to see the inventiveness of local governments in coming up with ways of separating us from our money.

The Los Angeles Times recently reported: "Los Angeles County officials, realizing that there is no tax collector in outer space, hope to fill the void."

"Reaching 22,300 miles above the equator, boldly going where no tax collector has gone before, Los Angeles County Assessor Rick Auerbach is angling to impose property taxes on several satellites," Times reporter Nancy Vogel wrote.

State and county tax attorneys say the county can legally tax the satellites because nobody else is taxing them and because they are valuable property — worth about \$100 million each — owned by a Los Angeles County-based company, Hughes Electronics. Mind you, the satellites have never even been in Los Angeles County and were last on earth at launching pads in Cape Canaveral Florida, and French Guyana, but not California.

The satellites are in orbit over the equator, far away from Los Angeles County, or the United States, for that matter. But it just isn't right that somebody's not taxing them

Fortunately for Hughes, state tax officials recently ruled that Auerbach doesn't have the authority to collect property taxes in outer space. In a 5-0 vote, the State Board of Equalization approved a new rule that protects any artificial satellite permanently located in outer space from being taxed by a government in California.

Assessor Auerbach has been known to tax earth-bound property kept outside the county borders but owned by Los Angeles-based Companies, such as ice skating costumes owned by the Ice Capades.

This mentality for inventing new taxes is also alive and well in Utah. Just a few

How to Appeal Your Property Taxes

If you have not already received your property assessment notice, it's likely in the mail. Taxpayers may be able to lower their taxes. If the market value listed on your Property Valuation notice is higher than what you think your property would sell for, you should appeal to the board of equalization within thirty days or by the date on the notice.

Step One: Obtain a copy of your property file from the county assessor and check it for errors. Make sure the property description is accurate. See that the acreage of the lot and the square footage of the building are correct. Verify the number of rooms and any unfinished space in the building. Errors which would inflate the value of the property should be identified in your appeal.

Step Two: Substantiate the value of your property. This can be done with real estate closing papers, a professional appraisal, or values of recent sales of comparable property obtained through a realtor. Many realtors are willing to provide a computer listing of property sales at no cost in hopes of getting your future business. Those who have had their mortgages refinanced within the last two years can submit the appraisal.

Step Three: Submit any errors found during Step One, and the value established in Step Two along with your appeal to the board of equalization within the time period indicated on the notice. In larger counties you

will be notified of a specific date and time for your appeal after you submit your request. In smaller counties, your appeal may be heard at the same time your request is made.

Some counties allow taxpayers to mail their appeals and some of these may be decided without a formal hearing.

Step Four: The Hearing: There will be three parties at the hearing: A representative of the county assessor, a neutral arbitrator appointed by the county commissioners, and you or someone you select to represent you. It is up to you to show why your property is not worth what the assessor says it is worth.

The assessor's representative will show why he feels the property is worth what is shown on the notice. You will have the opportunity to ask questions or make comments about the assessor's information.

Step Five: If you are unhappy with the decision of the board of equalization, you have 30 days to make an appeal to the State Tax Commission. The Tax Commission will review the record of the hearing. As a general rule, taxpayers will not be able to introduce new evidence.

Step Six: If you are not satisfied with the Tax Commission's decision, you may appeal through the courts.

Members with questions may contact the Utah Taxpayers Association at (801) 972-8814.

weeks ago the Utah State Tax Commission published a new rule clarifying Utah's state sales tax exemption on hearing aids and hearing aid accessories. The state statute says hearing aids and accessories are not taxable but the Commission's new rule says the state can tax parts and labor used to repair the tax-exempt hearing devices. The dollars generated are hardly worth the hassle, but the Tax Commission feels bound to collect the tax.

The Tax Commission's Property Tax Division for years has attempted to collect property taxes on a corporation's value on the stock market, not the value of the real and personal property owned by the corporation. The courts keep ruling that the intangible values represented by stock prices are not subject to property taxes, but the Property Tax Division has had a tough time following the court's direction.

Utah cities and towns last month urged the Legislature's Interim Revenue and Taxa-

tion Committee not to meddle with the cities' claim of authority to charge a dollar per month fee on cell phone services. Cities argue that they ought to be able to collect the tax on wireless phones since they have been collecting a 6% utility franchise tax on land-based phones for years. Many Utah cities have already begun collecting the dollar tax on wireless telephone services, simply based on the fact that the phone bill is mailed to an address within city boundaries. It may be that few or none of the calls were made from a cell phone operating within city boundaries, but since the mailing address is in the city, the dollar fee is required. It seems to me it's not really a cell phone tax, it's a billing address tax, and it doesn't make much sense — unless you're a city in search of new dollars.

There are lots more examples of this tax creativity, but I've run out of space.

It's too bad tax collectors don't run out of new ideas for taxing us.

ASSOCIATION STAFF

- Howard Stephenson President
- Wes Quinton Vice President
- Scott C. Hogensen Research Director
- Stacey Fernelius Executive Secretary

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Taxpayer's Ability to Appeal Property Taxes Diminished

The ability of ordinary property taxpayers to obtain affordable assistance in appealing their property taxes is being threatened by both the Real Estate Division of Utah Department of Commerce and County Boards of Equalization.

The Real Estate Division has issued cease and desist orders against property tax appeal companies who are not licensed appraisers under Utah's real estate statutes. The Division is using the real estate licensing law to reach into the property tax appeal process and prohibit anyone but licensed appraisers from assisting property taxpayers with their appeals.

This has also had a chilling effect on realtors who were free to assist taxpayers in coming up with comparable sales data based on property sold in the neighborhood. Now many realtors are reluctant to provide comparable data for fear of being sanctioned by the Real Estate Division.

In addition, Salt Lake County Council

in its capacity as Board of Equalization is considering an administrative rule which authorizes property tax appeals to be made only by those "with direct ownership or financial or legal interest in the property". This means the current practice of hiring low cost property tax appeal services would not be available to small property owners.

In testimony before the Board of Equalization your Association was told that if comparable property sales figures are provided by anyone other than a certified appraiser (who the county has decided is the only one capable of providing an opinion of value), those comparables are given a lesser weighting and may be discounted entirely. This dramatically increases the cost to taxpayers with a legitimate dispute on their property's value. A certified appraisal costs \$350. A property owner over-assessed by \$50,000 would only expect a \$330 tax reduction with a successful appeal.

The Utah Taxpayers Association be-

lieves language in real estate law prohibiting "consultation services" by anyone but certified appraisers to determine a property's value was intended to regulate the appraisal of property in a purchase or lending transaction, not for property tax appeals. There is a difference in risk between buying a home and appealing property taxes. One requires a certified appraisal for buyer and lender security, the other only requires the provision of comparables to establish an approximated market value.

Your Taxpayers Association is determined to ensure that smaller taxpayers, both residential and commercial, can be represented without having to pay for a full bank appraisal. The Association will continue working with county officials to make the appeals process more taxpayer friendly and will push forward legislation next session to clarify that representatives other than a certified appraiser can represent the value of a disputed property.

Loss of Revenue From RDAs By School District and County

| School District (County) | School Districts | | Counties | Service Dist. | Cities |
|--------------------------|---------------------------|--|---------------------------|---------------------------|---------------------------|
| | Property Tax Lost to RDAs | Additional Revenues from Elimination of RDAs | Property Tax Lost to RDAs | Property Tax Lost to RDAs | Property Tax Lost to RDAs |
| Beaver | 0 | 27,170 | 0 | 0 | 0 |
| Box Elder | 639,756 | 11,724 | 171,797 | 49,262 | 155,277 |
| Cache (Co.) | 72,784 | 192,008 | 170,373 | 0 | 339,425 |
| Logan* (1) | 605,229 | -65,743 | 170,373 | 0 | 339,425 |
| Carbon | 63,749 | 60,795 | 32,580 | 10,674 | 26,651 |
| Daggett | 0 | 6,800 | 0 | 0 | 0 |
| Davis | 1,553,772 | 535,145 | 353,647 | 259,907 | 350,076 |
| Duchesne | 8,668 | 77,736 | 4,630 | 822 | 4,718 |
| Emery | 0 | 48,247 | 0 | 0 | 0 |
| Garfield | 0 | 27,879 | 0 | 0 | 0 |
| Grand | 0 | 28,421 | 0 | 0 | 0 |
| Iron | 302,276 | 46,080 | 69,409 | 3,915 | 120,863 |
| Juab (Co.) | 0 | 31,153 | 0 | 0 | 0 |
| Tintic (1) | 0 | 9,938 | 0 | 0 | 0 |
| Kane | 0 | 28,957 | 0 | 0 | 0 |
| Millard | 0 | 64,517 | 0 | 0 | 0 |
| Morgan | 9,953 | 29,256 | 5,612 | 387 | 2,740 |
| Piute | 0 | 11,137 | 0 | 0 | 0 |
| Rich* | 54,082 | -5,187 | 20,850 | 3,284 | 463 |
| Salt Lake* (Co.) | 7,902,699 | -2,161,600 | 6,478,487 | 2,699,717 | 8,208,870 |
| Murray (1) | 244,703 | 15,974 | 6,478,487 | 2,699,717 | 8,208,870 |
| Granite (1) | 2,218,648 | 519,622 | 6,478,487 | 2,699,717 | 8,208,870 |
| Jordan (1) | 4,196,029 | 277,156 | 6,478,487 | 2,699,717 | 8,208,870 |
| San Juan | 0 | 65,083 | 0 | 0 | 0 |
| No. Sanpete (Co.) | 9,797 | 39,702 | 7,036 | 3,313 | 11,579 |
| South Sanpete | 22,798 | 45,113 | 7,036 | 3,313 | 11,579 |
| Sevier | 82,347 | 61,609 | 34,226 | No Ser. Dist. | 28,655 |
| Park City* (Summit Co.) | 1,514,777 | -428,565 | 423,835 | 313,337 | 596,825 |
| North Summit (1) | 0 | 19,040 | 423,835 | 313,337 | 596,825 |
| South Summit (1) | 58,463 | 4,081 | 423,835 | 313,337 | 596,825 |
| Tooele | 497,972 | 9,033 | 170,850 | 0 | 220,685 |
| Unitah | 9,831 | 102,926 | 5,514 | 6,059 | 1,160 |
| Alpine (Utah Co.) | 2,750,187 | 1,897 | 934,222 | 251,320 | 1,373,828 |
| Provo (1) | 711,577 | 11,281 | 934,222 | 251,320 | 1,373,828 |
| Nebo (1) | 773,291 | 139,838 | 934,222 | 251,320 | 1,373,828 |
| Wasatch | 0 | 60,973 | 0 | 0 | 0 |
| Washington | 800,232 | 80,509 | 194,350 | 101,289 | 242,695 |
| Wayne | 0 | 13,920 | 0 | 0 | 0 |
| Weber (Co.) | 1,154,050 | 76,016 | 1,517,624 | 506,392 | 1,080,426 |
| Ogden* (1) | 1,388,857 | -119,642 | 1,517,624 | 506,392 | 1,080,426 |
| Totals | \$27,646,529 | No Net Change | \$10,595,043 | \$4,209,678 | \$12,764,935 |
| | | In State Funding | | | |

*Receive extra state funding due to RDAs.

(1) These districts are within a county with more than one school district. County figures only counted once in totals.

RDAs Cost Schools

(continued from page 1)

Second, RDAs allow some school districts to rob others of state funding. When some districts give away taxable value to RDAs, they collect less property taxes and thereby get more funding from the state than they otherwise would have. This reduces funding that could have gone to the other districts.

Park City and Salt Lake School District are the worst offenders. In Salt Lake district, the state-wide property tax levy (.001881 in 2000) funded \$691 of the \$2006 WPU. Had Salt Lake School District not given away their property value to RDAs, the district would have funded \$2.6 million more from property taxes, raising Salt Lake's property tax contribution to the WPU to \$762. That would have freed up \$2.6 million for the state to distribute to other school districts.

The Taxpayers Association analysis shows that five school districts, Salt Lake, Park City, Ogden, Logan, and Rich school are being subsidized because of their excessive use of RDAs and that the other 35 districts are suffering because of it.

The accompanying chart shows all the property tax lost to RDAs for each county and how the state money would be redistributed if RDAs were eliminated.

RDA Kickbacks:

The fact that school districts are robbing other school districts isn't the worst of it. Salt Lake School District is receiving money back from some of the RDAs in what they term as an "RDA hold harmless provision". So not only is the school district getting extra money from state funds to make up for the property taxes the district gives away to RDAs, it is also getting an additional \$1.2 million kickback from the RDAs it authorizes. Because this money is not counted toward the WPU, state funding is not lessened, resulting in a windfall for authorizing the RDAs.

2001 Proposed Property Tax Increases

Truth-in-Taxation Public Hearings

| Taxing Entity | Tax Rate Increase | Increase on Increase on | | Date of Hearing | Time of Hearing | Reason |
|----------------------------------|-------------------|-------------------------|----------------------|-----------------|-----------------|-------------------------|
| | | \$200,000 Residential | \$200,000 Commercial | | | |
| School Districts | | | | | | |
| Box Elder School District | 0.000217 | \$ 23.87 | \$ 43.40 | 08/15/01 | 6:30 PM | Tort/Transport |
| Carbon School District | 0.000315 | \$ 34.65 | \$ 63.00 | 08/08/01 | 6:00 PM | Judgement Levy |
| Davis School District | 0.000227 | \$ 24.97 | \$ 45.40 | 08/21/01 | 6:00 PM | Voted Leeway Increase |
| Emery School District | 0.000569 | \$ 62.59 | \$ 113.80 | 08/15/01 | 7:00 PM | Judgement Levy |
| Garfield School District | 0.000443 | \$ 48.73 | \$ 88.60 | 08/23/01 | 7:00 PM | Keep Last Yrs Rate |
| Iron County School District | 0.000519 | \$ 57.09 | \$ 103.80 | 08/14/01 | 7:00 PM | Operations |
| Kane County School District | 0.001076 | \$ 118.36 | \$ 215.20 | 08/15/00 | 6:00 PM | Capital Outlay |
| Logan School District | 0.000143 | \$ 15.73 | \$ 28.60 | 08/14/01 | 7:00 PM | Keep Last Yrs Rate |
| Millard School District | 0.000400 | \$ 44.00 | \$ 80.00 | 08/09/01 | 6:00 PM | Voter Approved Phase-In |
| Park City School District | 0.000071 | \$ 7.81 | \$ 14.20 | 08/21/01 | 7:00 PM | Open New School |
| Rich School District | 0.000282 | \$ 31.02 | \$ 56.40 | 08/29/01 | 6:00 PM | Voted Leeway |
| Weber School District | 0.000214 | \$ 23.54 | \$ 42.80 | 08/22/01 | 6:00 PM | Transport/Utilities |
| Counties | | | | | | |
| Box Elder County | 0.000460 | \$ 50.60 | \$ 92.00 | 08/21/01 | 6:00 PM | |
| Cache County | 0.000344 | \$ 3.19 | \$ 5.80 | 08/14/01 | 6:00 PM | Deficit in Assessing |
| Emery County | 0.000372 | \$ 40.92 | \$ 74.40 | 08/20/01 | 6:00 PM | Judgement Levy |
| Grand County | 0.000249 | \$ 27.39 | \$ 49.80 | 08/06/01 | 7:00 PM | Judgement Levy |
| Salt Lake County | 0.000408 | \$ 44.88 | \$ 81.60 | 08/21/01 | 7:00 PM | Operations |
| Cities | | | | | | |
| Alta Town | 0.000074 | \$ 8.14 | \$ 14.80 | 08/14/01 | 7:00 PM | Slowing sales taxes |
| Brianhead City | 0.001829 | \$ 201.19 | \$ 365.80 | 08/14/01 | 6:00 PM | Infrastructure |
| Brigham City | 0.000555 | \$ 61.05 | \$ 111.00 | 08/16/01 | 7:00 PM | Library |
| Cornish Town | 0.000441 | \$ 48.51 | \$ 88.20 | 08/09/01 | 6:00 PM | Judgement Levy |
| Elk Ridge City | 0.000121 | \$ 13.31 | \$ 24.20 | 08/14/01 | 6:00 PM | Keep Last Yrs Rate |
| Hyde Park City | 0.000250 | \$ 27.50 | \$ 50.00 | 08/14/01 | 9:00 PM | |
| North Logan City | 0.000750 | \$ 82.50 | \$ 150.00 | 08/16/01 | 6:00 PM | Library Tax Increase |
| Special Service Districts | | | | | | |
| Box Elder Co. Mosq. | 0.000140 | \$ 15.40 | \$ 28.00 | 08/07/01 | 7:00 PM | Operations |
| Emery Water Cons. Dist. | 0.000028 | \$ 3.08 | \$ 5.60 | 08/20/01 | 7:30 PM | Judgement Levy |
| Emigration Improvement Dist. | 0.000270 | \$ 29.70 | \$ 54.00 | 08/10/01 | 6:00 PM | Operations |
| Hooper Water District | 0.000149 | \$ 16.39 | \$ 29.80 | 08/14/01 | 6:30 PM | Maximize Tax Rate |
| Salt Lake Co. Mun. Svc. | 0.000825 | \$ 90.75 | \$ 165.00 | 08/21/01 | 7:00 PM | Investigative Services |
| Salt Lake Co. Library | 0.000196 | \$ 21.56 | \$ 39.20 | 08/21/01 | 7:00 PM | Draper Branch |
| Bountiful Water Cons. Dist. | 0.000026 | \$ 2.86 | \$ 5.20 | 08/08/01 | 7:00 PM | Operations/Energy |
| Jordan Valley Water | 0.000010 | \$ 1.10 | \$ 2.00 | 08/22/01 | 6:00 PM | Operations |
| Magna Water Company | 0.000089 | \$ 9.79 | \$ 17.80 | 08/10/01 | 7:00 PM | Construction |
| Plain City Cemetery Dist. | 0.000049 | \$ 5.39 | \$ 9.80 | 08/14/01 | 7:00 PM | Operations |
| Sandy Suburban Imp. Dist. | 0.000197 | \$ 21.67 | \$ 39.40 | 08/10/01 | 7:00 PM | Sewer System Upgrades |
| South Valley Sewer Dist. | 0.000572 | \$ 62.92 | \$ 114.40 | 08/10/01 | 7:00 PM | Increase, UT Co. Only |

Proposed Bond/Leeway Elections

| Taxing Entity | Tax Rate Increase | Increase on Increase on | | Date of Election | Revenue Amount | Reason |
|----------------------------|-------------------|-------------------------|----------------------|------------------|----------------|--------------------------|
| | | \$200,000 Residential | \$200,000 Commercial | | | |
| North Davis Sewer District | 0* | 0* | 0* | 08/07/01 | \$48.5 Mill | Sewer System Upgrades |
| Cache School District | 0.000052 | \$ 5.72 | \$ 10.40 | 08/07/01 | | Max. Matching State \$'s |

* North Davis Sewer District Officials maintain this bond can be financed without a tax or fee increase

Taxing Entities Defeating Purpose of Truth-in-Taxation

Many taxing entities have taken up the practice of continually adopting last year's tax rate instead of this year's certified tax rate. Under Truth-in-Taxation tax rates fall when property values artificially increase due to reappraisal. Taxing entities are supposed to gain new revenue through growth.

However, government officials are portraying the adoption of last year's rate as not being a tax increase. Officials are telling residents that only those properties that have seen an increase in value from reappraisal will pay more in taxes. For the rest of property owners there will be no increase. But in reality, by adopting last year's rate, over the years residents are paying more in property taxes than they otherwise would have.

This practice defeats the purpose of Truth-in-Taxation. The law was created to protect property taxpayers. It ensures taxing entities receive only the same property tax revenues as last year plus an additional amount levied on new construction. Your Taxpayers Association encourages entities to abandon this unique practice of annually increasing property taxes and telling residents it is not a tax increase.