



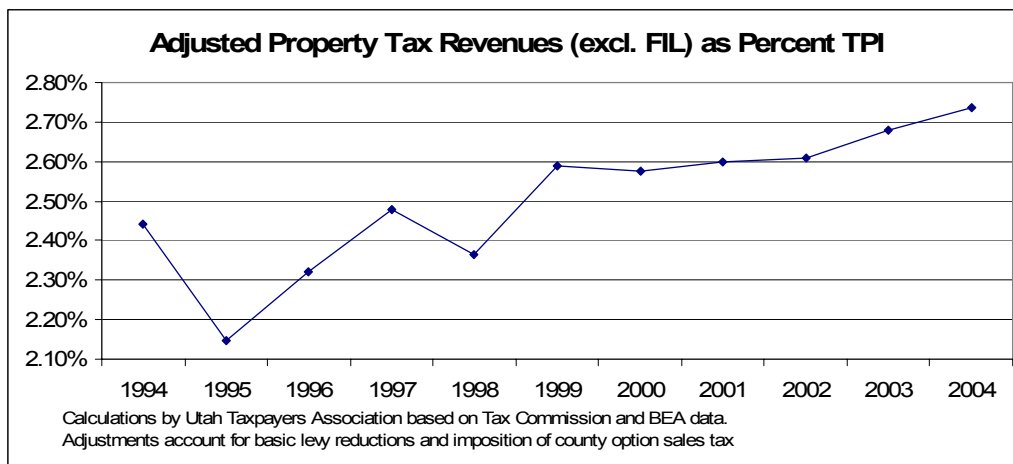
Maintain Current Certified Tax Rate Calculation

The Utah Taxpayers Association opposes proposals to include automatic inflationary adjustments to certified tax rates under Utah's Truth-in-Taxation (TNT) law. Proponents of modifying TNT have noted that tax burden share has shifted from property taxes to sales taxes in recent years. While this is correct, the diagnosis that TNT is responsible for this shift is not correct. Several factors have impacted this shift, and none of these are related to TNT.

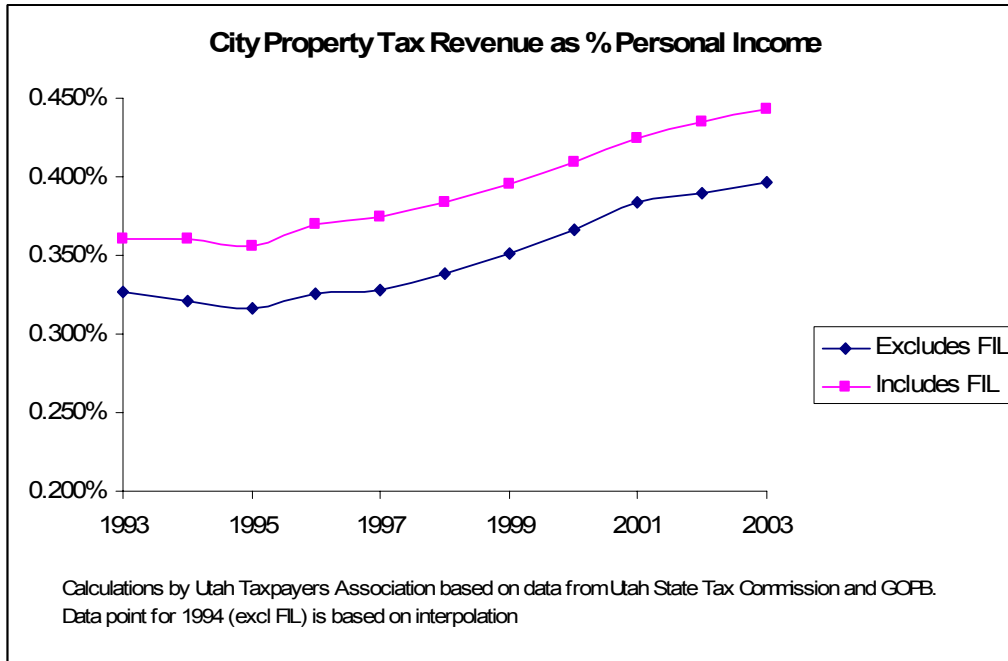
1. Rapid growth in sales tax base due to
 - a. Rapid increase in number of jobs which has lead to rapid increase in disposable income. During the 1990s, employment grew by 49% while overall population increased 30%. During the same period, personal income in nominal dollars increased 102%.
 - b. Decrease in savings rate as percent of personal income (resulting in higher bankruptcy rate).
2. Rapid growth in sales tax revenues due to
 - a. Imposition of county option sales tax which generates about \$83 million per year.
 - b. Imposition of ZAP taxes which generates about \$18 million.
 - c. Increases in mass transit sales tax rates which increased revenues from \$27 million in 1990 to \$121 million in 2004.
3. Reduction in property taxes due to
 - a. Revenue-neutral imposition of county option sales tax (\$83 million in reduced property taxes).
 - b. Reduction in statewide education basic levy rate due to legislative action, which would account for about \$150 million per year (conservative estimate) in reduced property taxes.

An analysis of TNT's impact on property tax revenue growth would have to account for property tax reductions unrelated to TNT, namely item three above. The non-TNT property tax reductions listed above amount to \$233 million, or roughly 13% of current property tax collections.

These two items can be accounted for by excluding basic levy revenues (which are not determined by local governments anyway) from total property tax collections and by adding county option sales tax revenues, which were imposed based on revenue-neutrality with property tax reductions. When these adjustments are included, property tax revenues as a percent of personal income have actually increased in the past ten years.



Since city property tax revenues were not directly impacted by legislative decisions regarding county option sales tax and statewide basic levy for education, an analysis of city property tax revenues provides a clear illustration of the impact of TNT.



City property tax revenues as a percent of personal income have clearly risen in the last ten years. When FIL revenues are excluded, city property tax burdens have increased from 0.326% of personal income to 0.396% of personal income, a 21% increase. When FIL revenues are included, city property tax burdens have increased from 0.361% to 0.444%, a 23% increase.

These property tax revenues include revenues generated by bonds, which are not subject to TNT. However, attributing the city property tax burden increase entirely to increased bonding is not realistic, especially since a large majority of city tax revenues are used for operation, not capital. Even if increased bonding were largely responsible for the increased burden, this would not justify weakening TNT because overall city property tax revenues are clearly not being adversely impacted.

If TNT is unnecessarily restricting property tax revenues, how much faster would city property tax burdens have to increase before opponents of TNT would be satisfied?

Local governments should be more concerned about the impact of RDAs than the impact of Truth-in-Taxation.

Some have attributed these increased property tax revenues due to appreciation of real estate values during the 1990s. However, the following points require consideration:

- Increased valuations impact property tax revenues only marginally since increased valuations of existing property reduce certified tax rates, negating any property tax revenue windfall due to increased valuation of existing property.

- Real estate values tend to increase over time and the increase in the 1993 to 2003 time period is not significantly higher than would be expected in the future. While real estate values increased significantly during the early and mid-1990s, property values did not increase dramatically in later years.