



Utah Taxpayers Association

2009 Property Tax Report

Utah Property Tax Revenues Increase 5% in 2009

Total property tax revenues in Utah will reach \$2.55 billion in 2009, up 5% from 2008, according to calculations by the Utah Taxpayers Association based on data from the Utah State Tax Commission.

Your Taxpayers Association estimates property tax revenues for each year based on Tax Commission data. The official Tax Commission Annual Report is not released until late summer in the following year. The Association's estimates are typically within 1% of the Tax Commission's official figures released in the following year.

If automobile fee-in-lieu (FIL) estimates are excluded and only real and personal property are included, association estimates are usually within 0.5%. These estimates are based on property taxes *charged*, not collected. Over time, property taxes charged and property taxes collected are equal because certified tax rates are increased to offset delinquent payments.

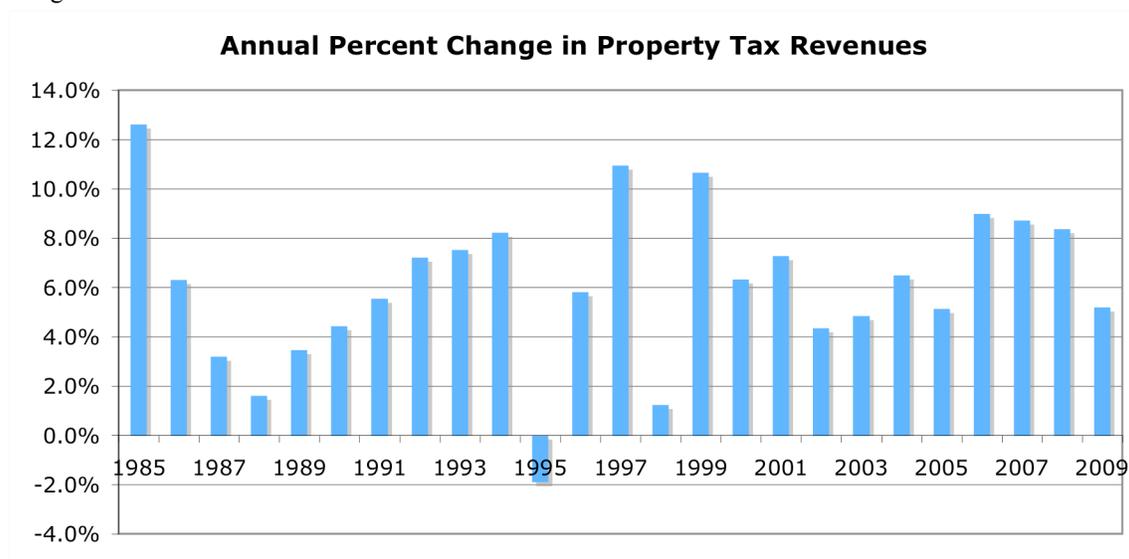
The following table summarizes anticipated property tax revenues for 2009 and actual property taxes for 2008.

2008 Actual and 2009 Estimated Property Taxes

	2008	2009	% Change
Total Property Tax Revenue	\$2.43 billion	\$2.55 billion	5.2%
Total excl FIL	\$2.23 billion	\$2.36 billion	5.7%
Taxable valuation excl FIL	\$211.91 billion	\$202.23 billion	-4.6%
Effective Tax Rate excl FIL	1.05%	1.17%	11.2%

Source: 2009 values are Utah Taxpayers Association estimates based on Tax Commission data. 2008 values are Tax Commission actuals.

Chart 1 shows annual property tax revenue growth including FIL since 1985. In recent years, annual property tax revenue growth has consistently been between 4% and 10%, even during times of volatile changes in the Utah real estate market.



Property tax revenue growth has been in line with personal income growth, particularly since 1998 as the Legislature has made very few changes to property taxes. Over the past ten years, property tax revenues have increased at an annualized rate of 7.1%, compared to annualized personal income growth of 5.8%.

Annualized Property Tax Growth Compared to Inflation, Income, and Population Growth

Measure	Annualized Growth Rates		
	1988 to 2008	1998 to 2008	2003 to 2008
Personal Income	6.8%	5.8%	6.9%
Combined Inflation/population	5.6%	5.5%	6.0%
Property Taxes	6.1%	7.1%	7.5%

Calculations by Utah Taxpayers Association based on Tax Commission, Bureau of Economic Analysis, and Bureau of Labor Statistics data

How can property tax revenues increase so much when local governments do not get automatic inflationary increases?

Under Truth-in-Taxation, property tax rates are reduced as valuations of existing properties increase. This reduced rate – called the certified tax rate (CTR) – is then applied to all properties, including new growth. However, under certain conditions, property tax revenues can increase much faster than combined inflation and population growth.

1. Local governments adopt a tax rate that is higher than the certified tax rate. Local governments can adopt rates that are higher than the certified tax rate if they go through the Truth-in-Taxation notification process. Most local property tax rates have statutory maximum levels. For example, special service district rates cannot exceed 0.0004 and cities cannot exceed 0.007.
2. Local governments issue bonds, which are exempt from CTR calculations. In some cases, local governments – particularly school districts -- issue bonds that were approved by voters up to ten years previously.
3. Property valuations increase rapidly. Even though increased valuations of existing properties do not create additional revenues for local governments, rapid increases in “new growth” valuations can substantially increase property tax revenues. In 2008 and 2009, property valuations actually decreased in some areas, but in previous years rapid property valuation increases allowed local governments to increase revenues above inflation while not exceeding the certified tax rate.

Effective Tax Rates and Taxes Charged by Local Governments

School districts receive about 54% of total property tax revenues, up from 50% ten years ago but down from 56% last year. The very large increase in special service district revenue is attributable largely to the establishment of a debt service area due to the creation of the Canyons School District. If this amount is included as school district property tax, the school district share increases to 56%.

Entity	Effective Tax Rate	Revenues	% Increase	% of Total
School Districts	0.006329	\$1,382,813,264	1.7%	56%*
Counties	0.002093	\$457,251,868	6.6%	18%
Cities/Towns	0.002181	\$346,651,530	-0.7%	14%
Special Districts	0.000407	\$364,434,463	30.7%	12%
Statewide	0.011675	\$2,551,151,126	5.2%	100%

Calculations by Utah Taxpayers Association based on Tax Commission data

1. Effective Tax Rate (ETR) is for real and personal property. FIL is excluded
2. Revenues and percent increase include FIL
3. ETRs for school districts, counties, cities, and special districts add to less than the statewide ETR since special districts have overlapping tax bases and cities' tax base does not cover the entire state.

Highest and Lowest Rates

Every year, your Taxpayers Association lists the five highest and five lowest property tax rates for each type of local government. In addition to local government efficiency, other factors impact property tax rates, particularly property tax bases. Local governments with large assessments of business and secondary residential property generally have lower property tax rates. At the city level, property taxes are impacted

by cities' decisions to impose utility franchise taxes. Most urban cities impose this tax while many rural towns do not.

City property tax rates are also impacted by city sales tax bases, which explains why so many mayors, council members, and city "economic development" directors like to subsidize retail businesses. Also impacting a city's property tax rate is whether services such as library, water, and fire protection are provided by the city or by a special service district. In some cases, a city with municipal power charges electric rates higher than needed to cover power costs and uses the "profit" to reduce property taxes.

School district property tax rates are impacted by enrollment growth rates and assessed valuation per student. Growing districts, in addition to usually having low assessed valuations per student (except for Washington and Wasatch), typically have high property tax rates to cover construction bonds.

The Best/Lowest

Schools	Tax Rate	Counties	Tax Rate	Cities (top 30)	Tax Rate
1. Wayne	0.003656	1. Summit	0.000943	1. Riverton	0.000816
2. Piute	0.003685	2. Tooele	0.001133	2. Kaysville	0.000907
3. Rich	0.003834	3. Utah	0.001203	3. Bountiful	0.000948
4. Kane	0.003949	4. Rich	0.001388	4. Spanish Fork	0.001076
5. Park City	0.004018	5. Garfield	0.001562	5. Sandy	0.001356

Statewide Effective Tax Rate

Schools	Tax Rate	Counties	Tax Rate	Cities (top 30)	Tax Rate
Statewide	0.006329	Statewide	0.002093	Statewide	0.002181

The Worst/Highest

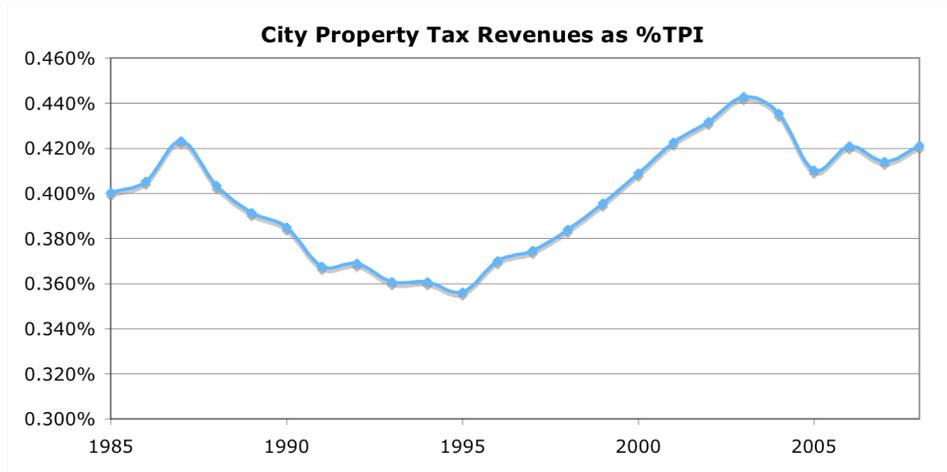
Schools	Tax Rate	Counties	Tax Rate	Cities (top 30)	Tax Rate
37. Box Elder	0.008201	25. Millard	0.003639	26. Cedar	0.002462
38. S. Sanpete	0.008304	26. Piute	0.003770	27. S. Salt Lake	0.002665
39. Tooele	0.008645	27. Daggett	0.003916	28. Ogden	0.003164
40. Nebo	0.008701	28. San Juan	0.004288	29. West Valley	0.003604
41. Tintic	0.009132	29. Emery	0.004525	30. Salt Lake	0.004656

Source: Tax Commission except for statewide effective rate which is calculated by Utah Taxpayers Association based on Tax Commission data

To view the tax rates of all Utah cities, counties and school districts click [HERE](#) or visit www.utahtaxpayers.org.

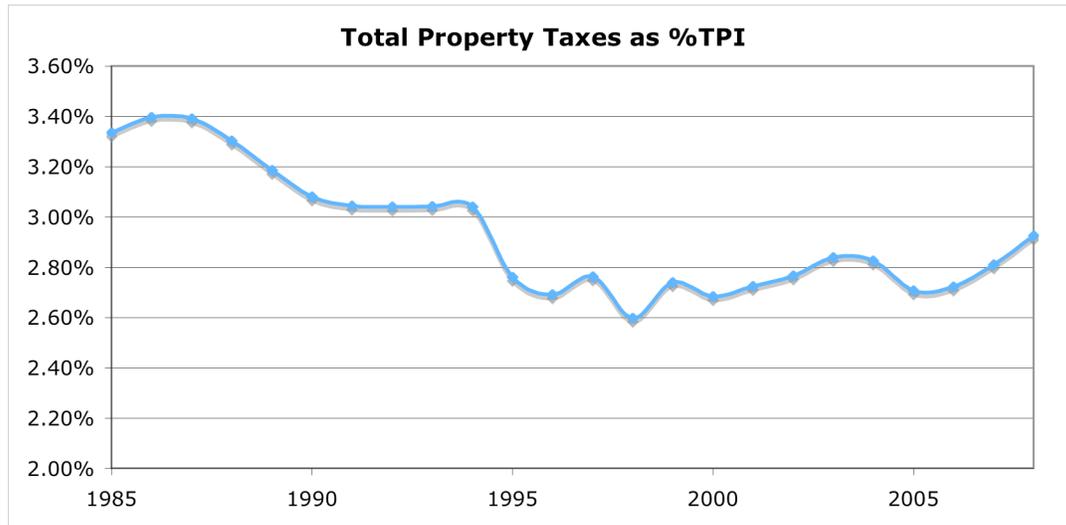
Does Truth-in-Taxation unnecessarily restrict property tax revenue growth?

Over the years, opponents of TNT have argued that TNT does not allow property tax revenues to grow fast enough, although they won't be making that argument too loudly this year since property taxes are faring much better than sales taxes. TNT opponents argue that property tax revenues as a percent of total personal income have decreased since TNT's enactment. However, most or all of this decrease is attributable to property tax reductions unrelated to TNT. During the 1990s, the Legislature reduced the statewide basic levy for education twice, and also allowed counties to impose a sales tax in return for reducing property taxes. Analyzing city property tax revenues as a percent of personal income is a reliable method for determining the impact of TNT on property tax revenues since the Legislature has not enacted any bills in recent years that have impacted city property tax collections. As the following graph shows, city property tax revenues as a percent of total personal income have been very stable since 1985. During good and bad economic times, city property taxes have been 0.40% +/- 0.05% of personal income.



Calculations by Utah Taxpayers Association based on Tax Commission and Bureau of Economic Analysis data.

Since 1995, statewide property tax revenues as a percent of personal income have hovered around 2.75%.



Calculations by Utah Taxpayers Association based on Tax Commission and Bureau of Economic Analysis data

County-wide Effective Tax Rates (ETRs)

County-wide effective tax rates are determined by dividing total real and personal property taxes charged by all tax entities within a county – including school districts, cities, special service districts, and the county itself – by the county’s total assessed valuation. Valuation-weighted tax rates vary dramatically from county to county for several reasons. Some local governments operate more efficiently than others. Some counties have low or high property tax bases per capita. Local governments with low property (and sales) tax bases, which may be due to low property values and/or low population bases, need to provide the same services as counties with high property tax bases.

The accompanying chart shows effective tax rates for all twenty-nine counties, with counties listed in ascending order based on ETR.

County-wide Effective Tax Rates

County	Valuation	Property Taxes	ETR	Rank
Wayne	259,307,515	1,467,494	0.57%	1
Rich	858,079,098	4,974,052	0.58%	2
Summit	16,290,196,795	125,208,073	0.77%	3
Kane	1,581,776,401	13,043,152	0.82%	4
Daggett	253,427,227	2,162,947	0.85%	5
Garfield	565,943,365	4,978,662	0.88%	6
Piute	89,186,483	786,805	0.88%	7
Morgan	907,403,934	8,178,144	0.90%	8
Wasatch	4,542,375,626	42,003,069	0.92%	9
Iron	3,911,823,812	38,360,433	0.98%	10
Beaver	666,826,860	6,564,154	0.98%	11
Grand	1,210,528,110	11,948,440	0.99%	12
Uintah	4,536,693,829	45,848,691	1.01%	13
Millard	1,949,565,415	19,867,854	1.02%	14
Carbon	2,211,993,855	22,805,244	1.03%	15
Cache	5,584,028,611	57,853,164	1.04%	16
Sevier	1,174,645,839	12,178,923	1.04%	17
Washington	11,871,103,133	130,830,966	1.10%	18
Utah	28,468,778,399	318,060,959	1.12%	19
Tooele	3,161,421,796	37,014,567	1.17%	20
Sanpete	1,137,720,611	13,471,416	1.18%	21
Duchesne	1,668,543,270	19,932,860	1.19%	22
Davis	16,784,290,045	202,173,370	1.20%	23
Emery	1,759,979,075	21,481,257	1.22%	24
Juab	780,119,888	9,667,159	1.24%	25
Box Elder	3,152,957,986	40,734,302	1.29%	26
Salt Lake	73,734,383,243	970,629,271	1.32%	27
Weber	12,356,082,608	167,847,787	1.36%	28
San Juan	762,257,872	11,077,909	1.45%	29

Calculations by Utah Taxpayers Association based on Tax Commission data

Value of Primary Residence Exemption (2008)

Primary residences in Utah receive a 45% on property taxes. This is one of the largest tax exemptions in Utah, even though sales tax exemptions for manufacturers receive much more publicity. The largest single exemption is probably the exclusion for items for resale.

The value of the 45% exemption can be calculated two different ways. First, if the exemption were removed and certified tax rates were not reduced, yielding a revenue windfall for local governments, then the value of the 45% exemption would be \$938 million annually. Second, if the exemption were removed and certified tax rates were reduced to maintain revenue neutrality, then the value of the 45% exemption would be \$298 million.

How Does Truth-in-Taxation Work?

Truth-in-Taxation is a revenue-driven system, not a rate-driven system. Generally, as valuations of existing property increase, property tax rates decrease. This automatic reduction in property tax rates prevents local governments from getting a windfall simply because valuations have increased. For example, if valuations of existing property increase by 20%, the property tax rate decreases by 16.7% to maintain revenue neutrality as demonstrated by the following equation:

$$(100\% + 20\%) * (100\% - 16.7\%) = 100\% \text{ of original tax} = \text{no change.}$$

The reduced property tax rate is known as the certified tax rate (CTR). This rate is then applied to all property, including “new growth.” While local governments receive increased revenues due to new growth, TNT includes no automatic adjustment for inflation. Debt service, automobile fee-in-lieu and

semiconductor personal property revenues are excluded from CTR calculation. RDA increments are excluded from CTR calculations (as increment becomes taxable, it is treated as new growth)

If local governments want to adjust for inflation (or more, or less), they go through TNT notification and hearing process. This is a good opportunity for local government officials to explain the proposed budget to their constituents.

The Utah Taxpayers Association does not oppose every proposed increase over the certified tax rate. In many cases, local governments are recouping inflationary losses. Certainly, that is not always the case.

Why did my property taxes increase so much this year?

Generally, when property valuations increase, property tax rates decrease to maintain revenue neutrality (excluding new growth). This revenue-neutral rate is called the certified tax rate. This rate is then applied to all properties, including new residential and commercial developments. Increased valuations due to new developments do not reduce the property tax rate.

Despite Truth-in-Taxation's ratcheting down of property tax rates as valuations of existing properties increase, sometimes property owners see a higher property tax bill. Sometimes, property owners see a decrease. There are several reasons why.

Property valuations increase faster in one area than in other areas

If a given property's valuation increases faster than the average property in a given tax entity, that property will experience a tax increase. Property valuations can increase faster in some areas than in other areas for two reasons. First, properties are periodically reassessed. As a result, properties that were recently reassessed by the county will typically experience larger valuation increases than properties that were not reassessed recently. Second, real estate market demand may push up the value of some properties faster than others.

Using the above example, if existing property valuations increase 20% county-wide, the tax rate is reduced by 16.7% to maintain revenue neutrality (excluding new growth). However, properties that increased faster than the county (and/or school district/city/special service district) average will experience an increase in property taxes while others will experience a decrease. In the end, it all works out because other parts of the county and school district will be reassessed in following years and their taxes will increase while everyone else's decreases. Properties that experience a large increase due to assessment were probably undervalued in previous years.

Local governments issue voter approved general obligation bonds

A local government's property tax rate is a sum of several tax levies. In most cases, one of the property tax levies is used to pay off voter-approved general obligation (GO) bonds. These debt service levies are NOT subject to Truth-in-Taxation. Therefore, if a local government issues a voter approved bond, property taxes may increase even though the local government's other levies were reduced by the Truth-in-Taxation process.

Local government raises taxes

Truth-in-Taxation does not prevent local governments from raising taxes. Once the certified tax rate has been calculated by the Utah State Tax Commission, local governments have the option of exceeding the certified tax rate. When local governments decide to exceed the certified tax rate, they must go through the Truth-in-Taxation notification and hearing process. Annually, about half of school districts increase their rates above the certified tax rate, and about 20% of counties and 5% to 10% of cities increase their rates above the certified tax rate.

Certified tax rates do not include adjustments for inflation. Therefore, local governments occasionally increase property tax rates to recoup inflationary losses. Sometimes, the proposed increases do more than offset inflation, sometimes less.

Local government imposes judgment levy

Occasionally, large taxpayers successfully appeal their property valuations, just as home owners successfully appeal their property valuations. In some cases, these large taxpayer appeals take several years to resolve. When that happens, the local governments must refund the property tax overpayment from previous years. In such situations, local governments have the option of imposing a one-time judgment levy to cover the costs of the tax refund. In these cases, property taxes may increase even though Truth-in-Taxation has reduced other levies. Residential appeals, on the other hand, are generally resolved quickly, which means that refunds of multi-year overpayments are not an issue for residences.

Board of Equalization Adjustments

Just as local governments are allowed to impose one-time judgment levies to cover costs of refunding previous years' overpayments to large taxpayers, tax rates are increased when any property owner (large and small) successfully appeal current-year property taxes. This adjustment is called the board-of-equalization (BOE) adjustment. This increases the certified tax rate.

Delinquent Taxpayers

Every year, some property owners do not pay their property taxes, usually due to financial hardships. (Property owners are required to pay their taxes even when they appeal.) When this happens, tax rates increase to hold local governments harmless.

BOE (3-year moving average) and collection (5-year moving average) adjustments do not change much from year to year, especially in large taxing entities like school districts and counties. However, in small cities/towns and special service districts, a couple of delinquent taxpayers or successful property tax appeals can increase the certified tax rate for all taxpayers.

Centrally Assessed Properties

Centrally assessed properties, such as utilities and mines, are assessed by the Utah State Tax Commission, and their impact on certified tax rates is different than locally assessed properties. When valuations of centrally assessed properties increase, certified tax rates are not reduced. As a result, local governments receive a windfall. When valuations of centrally assessed valuations decrease, these decreases are subtracted from the increases in locally assessed new growth. If the reduction in centrally assessed valuation exceeds the increase in locally assessed new growth, then the certified tax rate is increased to ensure that local governments do not receive less revenue than in the previous year

Utah Property Tax Revenues, 1920 to 2008

The following table shows Utah property tax revenues from 1920 to 2008, including the percent distribution of property tax revenues by entity type.

Utah Property Tax Revenues, 1920 to 2008															
YEAR	STATE GENERAL	%	SCHOOLS	%	CITIES & TOWNS	%	COUNTY	%	ROADS	%	BOUNTY	%	SPECIAL DISTRICTS	%	TOTAL CHARGED
1920	1,722,041	9%	8,566,731	47%	3,773,749	21%	1,701,379	9%	2,431,141	13%	116,939	1%		0%	18,311,967
1930	1,748,067	8%	11,213,115	52%	3,990,640	19%	2,153,884	10%	2,284,085	0%	80,945	0%		0%	21,470,736
1940	483,976	3%	9,770,399	54%	3,719,581	20%	3,533,320	19%	668,323	4%	51,553	0%		0%	18,227,152
1950		0%	22,873,230	60%	7,558,945	20%	6,015,858	16%	1,566,659	4%	153,662	0%		0%	38,168,354
1960		0%	57,793,140	66%	13,398,277	15%	9,300,405	11%	3,241,596	4%	126,761	0%		0%	86,962,502
1970		0%	97,675,397	63%	20,366,055	13%	29,128,751	19%		0%	204,524	0%	3,102,323	4%	154,121,967
1980		0%	221,699,959	58%	43,274,200	11%	79,000,230	21%		0%	168,997	0%	35,221,004	9%	379,364,390
1985		0%	362,814,778	55%	79,243,990	12%	151,260,123	23%		0%		0%	67,008,363	10%	660,327,254
1986		0%	387,668,225	55%	83,761,724	11%	156,463,186	23%		0%		0%	74,064,275	11%	701,957,410
1987		0%	385,378,743	53%	90,417,317	12%	169,904,027	23%		0%		0%	78,662,243	11%	724,363,330
1988		0%	391,647,028	53%	89,902,876	12%	174,710,777	24%		0%		0%	79,909,064	11%	735,969,745
1989		0%	406,329,955	53%	93,511,416	12%	181,230,771	24%		0%		0%	80,334,468	11%	761,416,610
1990		0%	425,102,610	53%	99,376,720	13%	187,341,394	24%		0%		0%	83,319,725	10%	795,140,449
1991		0%	457,147,357	54%	101,382,230	12%	194,002,458	23%		0%		0%	86,642,157	10%	839,174,202
1992		0%	489,630,534	55%	109,212,585	12%	210,435,636	23%		0%		0%	90,488,893	10%	899,767,648
1993		0%	536,408,733	55%	114,743,440	12%	220,591,305	23%		0%		0%	95,813,420	10%	967,556,898
1994		0%	580,527,609	55%	124,223,485	12%	238,800,668	23%		0%		0%	103,691,681	10%	1,047,243,444
1995		0%	535,038,944	52%	132,600,391	13%	251,973,582	24%		0%		0%	108,059,782	11%	1,027,672,699
1996		0%	543,347,388	50%	149,435,036	13%	276,967,611	26%		0%		0%	117,572,882	11%	1,087,322,918
1997		0%	608,294,448	50%	163,617,491	14%	304,456,178	25%		0%		0%	130,097,608	11%	1,206,465,724
1998		0%	645,294,698	53%	180,536,170	15%	258,839,528	21%		0%		0%	136,791,531	11%	1,221,461,927
1999		0%	722,654,771	53%	195,203,189	14%	288,193,173	21%		0%		0%	145,728,353	11%	1,351,779,886
2000		0%	778,355,432	54%	219,059,017	15%	287,057,160	20%		0%		0%	150,637,125	10%	1,435,108,734
2001		0%	824,255,655	53%	239,209,140	16%	305,565,556	20%		0%		0%	172,898,251	11%	1,541,928,601
2002		0%	866,313,867	54%	251,146,857	16%	311,985,061	19%		0%		0%	179,439,114	11%	1,608,884,899
2003		0%	918,524,989	54%	263,157,306	16%	322,528,469	19%		0%		0%	185,238,187	11%	1,686,338,334
2004		0%	986,025,830	55%	276,834,001	15%	338,194,789	19%		0%		0%	195,299,412	11%	1,796,354,032
2005		0%	1,036,436,483	55%	286,204,322	15%	355,078,225	19%		0%		0%	211,016,057	11%	1,888,735,087
2006		0%	1,128,330,358	55%	318,166,382	15%	375,745,488	18%		0%		0%	236,084,510	11%	2,058,326,738
2007		0%	1,255,815,477	56%	329,665,272	15%	400,569,557	18%		0%		0%	251,640,728	11%	2,237,691,034
2008		0%	1,359,338,552	56%	349,122,792	14%	436,866,957	18%		0%		0%	278,759,544	11%	2,424,087,846
2009		0%	1,382,813,264	54%	346,651,530	14%	457,251,868	18%		0%		0%	364,434,463	14%	2,551,151,126

Source: Utah State Tax Commission Reports, 2008 estimate by Utah Taxpayers Association based on Tax Commission data

