



The Utah Taxpayer

A Publication of the Utah Taxpayers Association
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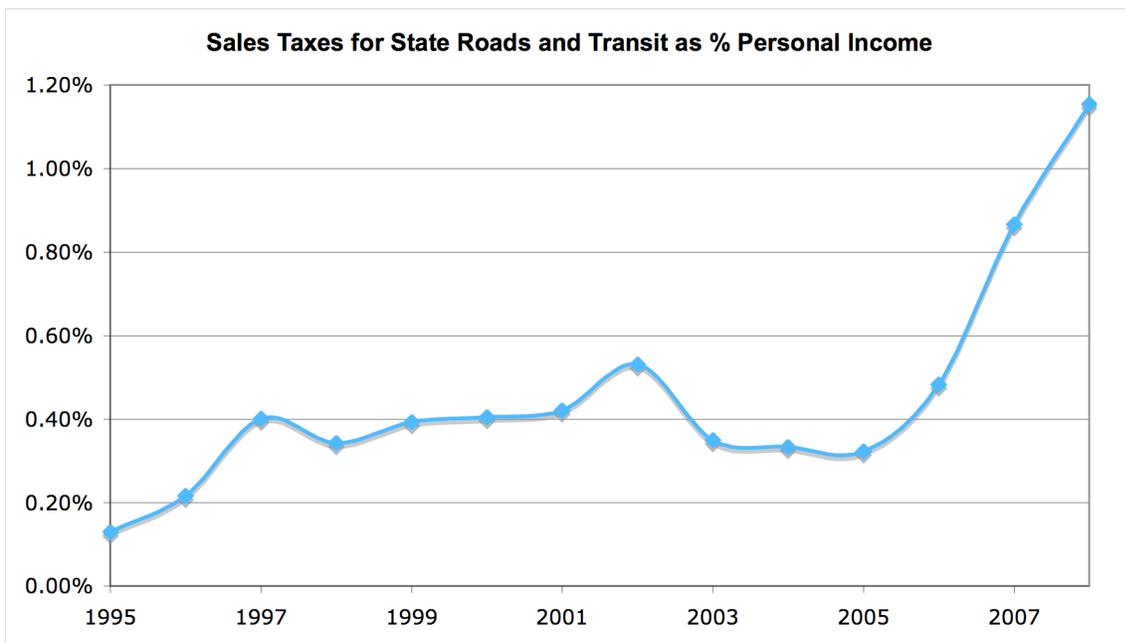
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Why will congestion pricing cost less than general sales tax increases?

The largest single cost in transportation is building enough road capacity to handle rush hour traffic. Congestion pricing exposes this cost to taxpayers and encourages efficient use of the roads. With congestion pricing, discretionary traffic will be diverted to off-peak hours. Additionally, commuters will have an additional financial incentive to carpool, telecommute, live closer to work, and leave earlier or later to avoid peak congestion charges. General tax increases like sales taxes do not encourage efficient use of transportation infrastructure.

Recent trends: increased reliance on general sales taxes for roads and mass transit

Since 1995, Utah has increasingly relied on general sales tax dollars to fund state roads and mass transit. The following chart shows that sales taxes for state roads and mass transit increased from about 0.1% to more than 1.1% of total personal income.



Calculations by Utah Taxpayers Association based on data from the Utah State Tax Commission, Governor’s Office of Planning and Budget, and the Bureau of Economic Analysis.

The trend is painfully obvious and is the biggest single threat to Utah taxpayers for the next several years.

The future: A 1% increase in sales tax rates?

A couple of years ago, transportation experts projected that Utah had more than \$23 billion in unfunded transportation projects (roads and rails) over the next 20 to 25 years. These projections have not been updated so the current amount is probably lower since two counties – Salt Lake and Utah – have raised sales taxes by 0.30% (however food was exempted) and the Legislature has increased sales tax earmarking for transportation. Also, growth in vehicle miles traveled (VMT) has slowed dramatically which reduces the long-term demand for additional transportation capacity. On the other hand, construction costs have increased faster than anticipated, and slower than anticipated VMT growth and increased fuel efficiencies will undoubtedly reduce gas tax revenues, creating pressure for additional funding sources.

Accounting for these recent changes, the unfunded transportation needs are probably at least \$17 billion over the next 20 to 25 years. Given the Legislature’s reluctance to consider gas tax increases, most or all of this will be funded by increased sales taxes. To cover the shortfall entirely with sales

taxes, the increase would need to be about one full percentage point, especially if revenues dedicated to maintenance end up being lower than projected. This would push total Wasatch Front sales tax rates close to 8%.

When asked off the record, most Capitol Hill insiders expect total sales tax rates along the Wasatch Front to eventually reach 8%, and most or all of this increase will be attributable to roads and mass transit.

The impact of a 1% sales tax increase on a 5-person family

The following chart shows the additional tax burden on 5-person families of various incomes. Since the 1% sales tax increase would most likely occur at the local level, the additional sales tax would be imposed on residential energy use. (State sales tax on residential energy use is capped at 2%). If the tax were imposed at the state level and residential energy were exempt from the increased sales tax, the rate increase would have to be higher than 1%. Non-restaurant food purchases would most likely be exempt if the increased sales taxes were imposed at either level.

Impact of 1% Sales Tax Increase on 5-person Families of Various Incomes

| | \$20,000 | \$30,000 | \$40,000 | \$60,000 | \$80,000 | \$100,000 | \$120,000 | \$200,000 |
|---------------|----------|----------|----------|----------|----------|-----------|-----------|-----------|
| Dollar Amount | \$130 | \$155 | \$185 | \$240 | \$285 | \$330 | \$375 | \$500 |
| % of income | 0.65% | 0.52% | 0.46% | 0.40% | 0.36% | 0.33% | 0.31% | 0.25% |

Calculations by Utah Taxpayers Association based on Consumer Expenditure Survey (2006)

As the above chart shows, even if food is exempt, the sales tax is still regressive.

Why does the Legislature support increased sales taxes, especially local sales taxes?

Sales taxes are the path of least political resistance, especially when compared to property, income, and gas taxes.

- Utahns, generally older Utahns, dislike property taxes. This explains the efforts by some elderly Utahns to lobby for acquisition-based property valuations, a scheme designed to shift taxes from the elderly to the young.
- Income taxes aren't particularly liked either. Most taxpayers dread April 15th. Increased income taxes would allow the Legislature to shift general fund dollars from higher education to transportation.
- Due to policy concerns about increasingly fuel-efficient cars and political concerns about already-high gas prices, the Legislature is not seriously considering gas tax increases.

Sales tax increases encounter the least resistance since they are not very visible. Taxpayers do not have to submit sales tax returns to the state every April 15th and do not receive sales tax notices from the county treasurer in the summer and fall. Most taxpayers would be surprised to learn that they pay more sales taxes than they do property taxes. According to the Association's annual tax burden study of a five-

person family, a median income Utah family pays \$1,831 in state individual income taxes, \$1,805 in State & local sales taxes, \$1,437 in local property taxes, and just \$913 vehicle related taxes (including gasoline taxes). State and local sales taxes are the third largest tax burden component and are the second highest when only state and local taxes are considered.

Median Utah Family Average Tax Burden

| Taxes | Amount | Percent of Taxes | Percent of Income |
|--------------------------------------|-----------------|------------------|-------------------|
| Social Security incl. employer match | \$7,155 | 45.1% | 11.4% |
| State individual income tax | \$1,831 | 11.5% | 2.9% |
| State/local sales tax | \$1,805 | 11.4% | 2.9% |
| Medicare including employer match | \$1,673 | 10.5% | 2.7% |
| Property tax | \$1,437 | 9.1% | 2.3% |
| Auto taxes including gas tax | \$913 | 5.7% | 1.5% |
| Employment taxes | \$553 | 3.5% | 0.9% |
| Excise taxes | \$281 | 1.8% | 0.4% |
| Federal individual income tax | \$230 | 1.5% | 0.4% |
| Total | \$15,877 | 100.0% | 25.3% |

Calculations by Utah Taxpayers Association

and are the second highest when only state and local taxes are considered.

The Legislature likes local, voter-approved sales taxes because they can tell their constituents, "I didn't raise your taxes. You did."

Many on the Right prefer sales taxes, because sales taxes are allegedly "voluntary." In other words, no one is compelled by law to purchase clothes, food, cars, utilities, appliances, and other

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Sales taxes are the path of least political resistance, especially when compared to property, income, and gas taxes.

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taxable items. While purchasing these items from a legal standpoint is “voluntary”, from a practical standpoint it is not.

The Left dislikes the regressive nature of sales taxes – even when food is excluded, sales taxes are still regressive – but are willing to support a sales tax, increase because at least it’s a tax increase.

Are roads really “free”?

The main opposition to congestion pricing comes from the mistaken belief that roads are somehow “free” and government should not be charging users for something that should be “free”. Milton Friedman said there is no such thing as a free lunch, and parents teach their children that money doesn’t grow on trees. Similarly, congestion pricing opponents should stop telling people that roads should be “free.” Every year, state and local governments spend more than \$1 billion on roads, and these revenues all come from one place: taxpayers’ wallets.

Congestion pricing: a double tax?

Opponents erroneously argue that congestion pricing is a double tax since road users already pay a gas tax. At least they are acknowledging that roads aren’t “free” when they make this argument. As discussed previously, the only alternative to congestion pricing is a massive sales tax increase. How is congestion pricing a “double tax,” but a sales tax increase is NOT a double tax?

What about the west side?

Residents of Salt Lake County’s west side argue that imposing any type of tolling on the new west side freeway, including congestion pricing, would be unfair since east side roads are not tolled. The Association supports implementing congestion pricing on ALL congested freeways, including I-15 in Davis, Utah, and Salt Lake Counties, and on I-80. If Legacy experiences congestion, then congestion pricing should be implemented there as well. Contrary to some claims, the federal government does allow congestion pricing to be implemented on existing Interstates, but states must first obtain approval from the U.S. Department of Transportation.



My Corner - by Howard Stephenson

Huntsman’s Four Day Work Week Should be Amended to Serve the Public Better

Why is it that when government looks at improving efficiency, streamlining procedures, or modifying schedules, the public is often inconvenienced and customer service is diminished?

Case in point: Governor Huntsman’s four-day work week

Jon Huntsman is green. Anyone who has seen the television ads of Huntsman and California Governor Arnold Schwarzenegger supporting the green energy initiative knows Utah’s popular governor is willing to expend some of his political capital to encourage more environmentally friendly practices.

The four-day workweek for state employees is supposed to be an energy saver. The new schedule will allow many state buildings to close on Fridays, which the administration claims will save taxpayers an estimated \$3 million annually in utility costs, while making state services available both earlier and later in the day on Monday through Thursday.

Critics of the new schedule suggest the new 3-day weekend is more about employee convenience than it is about energy savings. One critic asked why the offices are not closed mid-week, rather than Friday. The answer is obvious: employees would prefer a longer weekend rather than take Wednesdays off.

Cities Experiment with 4-10 Work Weeks

Many Utah cities have experimented with 4-day work weeks, but residents and businesses have been frustrated that they can’t pull a building permit or pay their utility bill on Fridays. Consequently, many cities have dropped 4-day work weeks after the trial period.

Hidden Costs

The claim of \$3 million savings (out of an \$11 billion state budget) has also come under fire. Some have suggested that the \$3 million energy savings by shutting down state offices would be more than offset by increased energy consumption by state workers who have 50 extra days off each year, including more recreation, entertainment and shopping trips and the increased air conditioning and heating of homes and apartments which would normally have their thermostat timers turned to energy-savings mode on Fridays.

Quote of the Month #1

“We also need to get Huntsman’s thumb out of our gashole, because, guess what, all of our cars will run on water. I know. My friend has run his four-stroke Weed Eater completely on water.”

“Super Dell” Schanze’s auto dial message to Utah voters in which he falsely claimed that Huntsman had raised taxes more than any Governor in Utah History when in fact he has cut taxes more than any governor in Utah history

Source: S.L. Tribune August 1, 2008

Critics of the new schedule suggest the new 3-day weekend is more about employee convenience than it is about energy savings.

In the legislature I've been a stickler for dynamic scoring of spending bills instead of the static fiscal notes which have been the tradition. I would suggest the 4-10 workweek undergo a dynamic scoring to consider not only the energy savings from shutting offices one day a week, but also the increased energy consumption from employee activities during 50 extra days off per year.

But doing business with government is not usually a choice: It's a mandate.

Can there be a Win-Win Compromise?

Utah has been a leader in providing online options for conducting business with the state including filing taxes, renewing hunting & fishing licenses and renewing drivers licenses. And more should options should be provided for conducting business with the state without driving to an office, taking a number, and waiting in line.

But doing business with government is not usually a choice: it's a mandate which cannot be ignored without punishment, fines, and in some cases, imprisonment. So shouldn't the citizen who must come to a government office to avoid penalties, be able to do so on a Friday if that's the best time, or only time that is convenient for him?

It's true that the 4-10 work week can save energy by reducing commuting 20% for state workers. This would also help with reduction of traffic congestion, not only by commuting 4 days instead of 5, but commuters on the 4-10 work week would also avoid peak-congestion during their commutes.

But nobody has shown why the 4-10 work week has to include Friday closing. Couldn't we have 4-10 employee workweeks but have 5-10 office work-weeks? Couldn't there be a

Entities Proposing Significant Property Tax Hikes

| Cities | % increase | Hearing Date / location (if available) |
|----------------------------------|------------|---|
| Clarkston | 293% | August 13, 2008, 6pm, 50 S. Main St., Clarkston |
| Riverton City | 204% | August 12, 2008, 7pm, Riverton City Hall, 12830 S. Redwood Rd., Riverton |
| Saratoga Springs | 199% | August 5, 2008, 7 pm, 1307 N. Commerce Dr, Saratoga Springs |
| American Fork | 56% | August 5, 2008, 6 pm, 31 N. Church St., American Fork |
| Perry | 52% | To be announced |
| Rockville | 40% | August 13, 2008, 6pm, Rockville Community Center, 43 E. Main, Rockville |
| Providence | 40% | Aug. 12, 2008, 6pm, 15 S Main St, Clearfield |
| LaVerkin City | 37% | August 13, 2008, 6pm, City Hall, 111 South Main, St. LaVerkin |
| Washington Terrace | 37% | August 19, 2008, 7pm, 5249 S 400 E, Washington Terrace |
| Elk Ridge | 33% | August 12, 2008, 6pm Elk Ridge City Hall, 80 Eat Park Drive, Elk Ridge |
| West Jordan | 31% | August 12, 2008, 6pm, 8000 S. Redwood Rd, West Jordan |
| Woodland Hills | 28% | August 14, 2008, 6:30pm, 412 S 810 E, Woodland Hills |
| Apple Valley | 21% | To be announced |
| Hyrum | 15% | August 7, 2008, 6:30pm, 83 West Main St., Hyrum |
| Mendon | 15% | August 14, 2008, 8pm, 95 N. Main St., Mendon |
| Nibley | 15% | August 17, 2008, 8pm, 625 W 3200 S, Nibley |
| Syracuse City | 14% | Aug. 12, 2008, 7pm, Syracuse City Hall 1979 West 1900 South, Syracuse |
| Midvale | 12% | August 12, 2008, 7pm Midvale City Hall, 655 W. Center Street, Midvale |
| West Valley City | 11% | August 12, 2008, 7pm, 3600 S. Constitution Blvd., West Valley City |
| Clearfield | 11% | Aug. 12, 2008, 7pm, 55 South State St. Third Floor, Clearfield |
| Counties | | |
| Kane County | 60% | To be announced |
| Rich County | 27% | To be announced |
| Garfield County | 24% | To be announced |
| Grand County | 21% | August 19, 2008, 7pm, Grand County 125 East Center Street, Moab |
| Uintah County | 16% | August 11, 2008 at 6pm, Commission Chambers, 147 East Main, Vernal |
| Daggett County | 16% | August 13, 2008, 6pm, 196 West 200 North, Manila |
| West Point City | 16% | August 19, 2008, 7pm, 3200 W 300 N, West Point City |
| Duchesne County | 14% | To be announced |
| Special Service Districts | | |
| North Tooele Fire | 162% | August 21, 2008, 179 Country Club Rd., Tooele |
| Magna Water | 10% | August 13, 2008, 7pm, 2711 S. 5600 West, Salt Lake County |
| Park City Fire | 13% | August 20, 2008, 6:30pm, 736 W. Bitner Rd., Park City |
| Pinon Forest Service Dist | 14% | To be announced |
| Stansburry Recreation | 18% | To be announced |
| Stansburry Greenbelt | 17% | To be announced |
| Salt Lake Valley Fire | 19% | To be announced |
| Kearns Improvement Dist | 18% | August 13, 2008, 7pm, 5350 W 5400 S, Salt Lake County |
| Moab Valley Fire | 26% | To be announced |
| Beaver County SSD Fire #1 | 25% | To be announced |
| North Summit Fire | 31% | To be announced |
| Uintah Water Conservancy | 32% | August 12, 2008, 6pm Uintah Water Conservancy District, 78 W 3325 N, Vernal |
| Emigration Improvement Dist | 52% | August 7, 2008, 7pm, 3350 Emigration Canyon Rd., Salt Lake County |
| Central Weber Water (E) | 54% | To be announced |

Check back at www.utahtaxpayers.org for updates

It's true that the 4-10 work week can save energy by reducing commuting 20% for state workers.

To begin the appeal process, homeowners must notify the county's Board of Equalization that they intend to appeal their valuation.

After notifying the county that you plan to appeal the valuation of your property, the next step is to gather information justifying your belief that the county assessor overvalued your home. If you purchased or sold the home within the past year, the closing or settlement statement for that sale suffices.

5-8 work week option for those employees whose families would be disrupted by 4-10? Wouldn't this create a "win-win" for state workers, energy savings, *and* public convenience?

The city of Eagle Mountain has shown how to do a 4-10 work week right. They use flex schedules, so every employee gets a 3-day weekend, but city offices are open Monday through Friday. Residents, builders and other businesses take care of business, while morale in city hall stays high. And let's face it, if Eagle Mountain can do this, anyone can.

The taxpayers I'm hearing from are hoping Governor Huntsman and the Utah Legislature to re-examine the current 4-10 plan and keep offices open on Friday.

Appealing the county's valuation of your home: How to get comparable sales data

Counties just mailed property tax notices to every Utah property owner. These notices indicate this year's assessed valuation for the parcel, the property tax rate each taxing entity with jurisdiction over the parcel intends to levy, the anticipated total property tax due on the property, and any Truth in Taxation hearings being held in your area.

With property values increasing in some areas and decreasing in other areas, some homeowners are likely unconvinced that the county's assessed value represents the home's fair market value. If you believe the county assessor set your property value too high, state law allows you to appeal the valuation.

To begin the appeal process, homeowners must notify the county's Board of Equalization that they intend to appeal their valuation. Each county accepts notification in different ways. For example, Utah County residents must call 801.851.8228 and make an appointment with the Board of Equalization. In Salt Lake County, property owners must complete form BE-1.2008. A hard copy of that form is available in the County Assessors office, and a soft copy is available online at <http://www.slcoaud.org/pdf/tax/forms/AppealBofE.pdf> or at <http://www.slcoaud.org/appeal>. For information on how to notify the Board of Equalization in your county, call your county assessor's office.

After notifying the county that you plan to appeal the valuation of your property, the next step is to gather information justifying your belief that the county assessor overvalued your home. If you purchased or sold the home within the past year, the closing or settlement statement for that sale suffices. If you choose to share it, that sales price will determine your home's fair market value.

Another option is to hire a professional to conduct an appraisal of your home. You can find an appraiser by looking in the Yellow Pages, or by talking to a realtor. Other useful resources include The Appraisal Institute (www.appraisalinstitute.org) and the American Society of Appraisers (www.appraisers.org). In Utah, a typical residential appraisal costs about \$350, and takes about one week to complete.

If you did not purchase or sell your property within the last year, or cannot afford a separate appraisal, you can also collect comparable sales data. First, identify at least 3 homes or properties similar in style, quality, size, age, location, land area, etc. Second, identify the assessed value or sales price of those 3 homes or properties.

You have several options in identifying similar homes or properties. If several neighboring properties have recently sold, you can probably get the information you need just by talking to your neighbors. If few or no properties have recently sold in your neighborhood, you may want to contact a realtor. Most realtors will provide comparable sales data at no charge.

You will need to describe your home's location, physical characteristics (number of bedrooms and bathrooms), size (acreage, finished and unfinished square feet in the home), age, etc. With that information, they can usually identify several comparable sales in less than 24 hours.

Regardless of how you collect comparable sales data, it's important to collect documents supporting your comparable sales data. These documents may include listings for your comparable sales, county assessments for those homes, or the appraisal you paid for. These documents will make your appeal hearing run smoother, and give you a better chance of winning your appeal.

There is one cautionary note. If your comparable sales data, including your home's closing documents, show the value of your home to be higher than what the county assessed it at, then the county may increase your assessed valuation even higher. You may be frustrated that your assessed valuation went up 30% in one year, but that frustration will fall on deaf ears if you bought your house for even more than what the county assessed it.

Armed with the best comparable sales data, you will be well prepared to have your property value lowered in your appeals hearing with the Board of Equalization. For more information about other elements of Utah's property tax system, or appealing the county's valuation of your home, read the Association's annual "Property Tax Report," available online at www.utahtaxpayers.org, call our office at 801.972.8814, or contact your county assessor.

THE
Utah Taxpayer
Since 1922

THE UTAH TAXPAYERS ASSOCIATION
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Are your property tax rates going up? (Check Page 4)

Even if voters approve the \$65 million bond, the Zoo must raise \$20 million privately in the next 2 years, before they can receive any of the bond money. If they can't meet the \$20 million requirement in the next 2 years, they will not receive the bond funds.

Hogle Zoo Bond: Will it be on the November Ballot?

On July 15, the County Council considered Hogle Zoo's latest bond proposal. As we've documented in previous issues, Hogle Zoo, a private non profit zoo, hopes to pay \$65 million of an \$85 million remodel with bonds backed by property taxes.

Your Taxpayers Association argued that improvements to the zoo simply do not register on any list of the most pressing matters facing the state. Taxes are already expected to rise to mitigate traffic congestion and equalize school building costs are far more important issues than the zoo.

The County Council did approve the Zoo's petition to appear on the November ballot. However, the Council wisely required Hogle Zoo to meet one important condition. Even if voters approve the \$65 million bond, the Zoo must raise \$20 million privately in the next 2 years, before they can receive any of the bond money. If they can't meet the \$20 million requirement in the next 2 years, they will not receive the bond funds.

The County Council approved this condition based on testimony from one Zoo board member who recalled the Zoo's confidence in raising these \$20 million, once the public bonds were available. However, Zoo supporters are apparently no longer as confident in their ability to raise those funds in the time allotted by the Council. Instead, they are asking the County Council to approve one of two different options.

The first option would change the bond's disbursement schedule, assuming the \$65 million bond passes. Once Hogle Zoo raises \$10 million privately, they would receive the first \$35 million of the bond. Hogle Zoo would then have to raise an additional \$10 million privately before they can receive the final \$30 million. The second option Hogle Zoo is contemplating is to pull the bond from the November ballot altogether.

Three weeks have passed, and the importance of the Zoo bond has not changed. The County Council should require the Zoo to accept the conditions the Council has already approved, or remove the bond from the ballot. If the public's money is going to the Zoo, the donating public needs to demonstrate how valuable the Zoo really is. Raising \$20 million before they receive public funds will allow the donating public to do just that.