



# The Utah Taxpayer

A Publication of the Utah Taxpayers Association

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## Oppose the Cache County Open Space Slush Fund; Don't Gild Hogle Zoo

The November elections are coming quickly, and two counties are voting on bond issues. Cache County Council has placed a \$10 million open space bond before the voters; the Salt Lake County Council has placed before the voters a \$33 million bond for Hogle Zoo and a \$19.6 million bond for the Tracy Aviary.

Voters should reject the Cache County open space bond and the Hogle Zoo bond. The Association takes a neutral position on the Tracy Aviary bond.

### Cache County should vote NO on Proposition 1 (Open Space Bond)

Cache County wants \$10 million to preserve open space in Cache Valley. The problems with this proposal are legion. First, the county has given no indication about how this money is going to be spent. Instead, a "citizens advisory committee" must "review" how the money is to be spent. If taxpayers are going to cough up \$10 million, they ought to at least know what they're buying, not subsidize some slush fund.

Second, two-thirds of Cache County is already protected open space. The federal government owns 36.2% of Cache County. The state owns another 4.7%. The zoning for 65.1% of Cache County land prevents no more than one cabin per 40 acres. If two-thirds of the valley is not enough open space, exactly how much is enough? Three-quarters? Four-fifths?

Third, Cache County voters have already voted resoundingly AGAINST an open space initiative. In 2004, Cache County voted 58-42 against a statewide open space initiative. There's no reason to think that the county voters' opinions have changed in just four years ago. Cache County taxpayers should oppose this open space bond.

### Salt Lake County should vote NO on Proposition 2 (Hogle Zoo Bond)

Salt Lake County is blessed with a beautiful and successful zoo. Hundreds of thousands of visitors enjoy the lions, polar bears, snakes and giraffes year round. But with tax increases necessary for "must haves" like Mountain View Corridor and building schools on the west side, and in the midst of a slowing economy, gilding Hogle Zoo with a \$33 million upgrade cannot be justified.

Salt Lake County's west side is growing by leaps and bounds. The sluggish housing market has slowed the growth, but the transportation infrastructure—north south and east west—still hasn't caught up with the explosive growth of the last decade. Mountain View Corridor needs to be built, as do the connectors necessary for people and goods to flow freely from the east to the west side.

However, Utah's transportation needs are so dire that Mountain View Corridor barely appears on the state's 30-year funding lists. And with federal highway monies already gone, the only viable alternative will be a tax increase, like the tax increase the 2009 Legislature will likely impose to rebuild I-15 in Utah County.

Transportation is hardly the only pressing "must have" Salt Lake County faces. The split of the Jordan School District focused attention on the tremendous school building needs the southwest portion of the County faces. To prevent massive property tax increases in the Jordan-west district, the 2008 Legislature equalized a portion of the school district property tax across Salt Lake County. In other words, property owners throughout the county will help pay for the building needs of the Jordan West district. This equalization will likely result in smaller property tax increases in every other Salt Lake County school district.

Education and transportation are just the two highest priorities taxpayers will have to pay for in the coming years. The softening economy will no doubt make it difficult for taxpayers to shoulder just those tax increases. Every Salt Lake County resident can identify several other critical priorities. On no priority list, except perhaps Hogle Zoo's, does gilding Hogle Zoo show up. Now is not the time for taxpayers to pay for a \$33 million facelift on the zoo.

## Utah Property Tax Revenues Increase 9.6% in 2008

Total property tax collections in Utah will reach \$2.45 billion in 2008, up 9.6% from 2007, according to calculations by the Utah Taxpayers Association based on data from the Utah State Tax Commission.

Each year in November, your Taxpayers Association estimates property tax revenues for the current 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 0.5% of the Tax Commission's official figures released in the following year. If automobile fee-in-lieu estimates are excluded and only real and personal property are included, Association estimates are within 0.1%

The following table summarizes anticipated property tax revenues for 2008 and actual property taxes for 2007.

**Property Taxes: 2008 Estimates and 2007 Actuals**

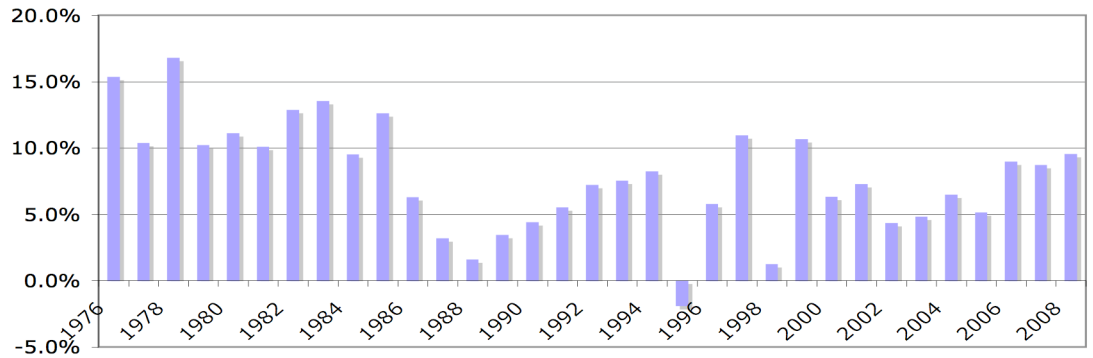
	2007	2008	% Change
Total Property Tax Revenue	\$2.24 billion	\$2.45 billion	9.6%
Total excl FIL	\$2.05 billion	\$2.26 billion	10.2%
Taxable valuation excl FIL	\$189.1 billion	\$213.2 billion	12.8%
Effective Tax Rate excl FIL	1.082%	1.058%	-2.2%

Source: 2008 values are Utah Taxpayers Association estimates based on Tax Commission data. 2007 values are Tax Commission actuals.

**Another large increase in property tax revenues for 2008**

The following chart shows annual property tax revenue growth including FIL since 1976. 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.

**Annual Percent Change in Property Taxes incl FIL**



Calculations by Utah Taxpayers Association based on Tax Commission data.

Property tax revenue growth has been in line with personal income growth, particularly in recent years 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 6.4% compared to annualized personal income growth of 6.2%.

**How can property tax revenues increase so much when local governments don't get automatic inflationary increases?**

Under TNT, 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.

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

Measure	Annualized Growth Rates		
	1987 to 2007	1997 to 2007	2002 to 2007
Personal Income	6.8%	6.2%	6.5%
Combined Inflation/population	5.5%	5.2%	5.7%
Property Taxes	5.8%	6.4%	6.8%

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

1. Local governments adopt a tax rate that is higher than the certified tax rate. If no local governments had exceeded the certified tax rate in 2008, property tax revenues (excluding FIL) would have increased by 7.5% instead of 10.2%. Note: automobile FIL revenues are excluded from certified tax rate calculations.
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.

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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 tax revenues.

**Effective Tax Rates and Taxes Charged by Local Governments**

School districts continue to receive about 56% of total property tax revenues, up from 50% ten years ago.

**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. At the city level, property tax rates are impacted by cities’ decisions to impose utility franchise fees. Most urban cities impose this tax, while many rural towns do not. City property taxes 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. 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.

Entity	Effective Tax Rate	Revenues	% In-crease	% of Total
School Districts	0.005877	\$1,361,508,668	8.4%	56%
Counties	0.001877	\$434,738,010	8.5%	18%
Cities/Towns	0.002058	\$365,806,347	11.0%	15%
Special Districts	0.000367	\$289,467,273	15.0%	12%
Statewide	0.010582	\$2,451,520,299	9.6%	100%

*Calculations by Utah Taxpayers Association based on Tax Commission data  
 1Effective Tax Rate (ETR) is for real and personal property. FIL is excluded  
 2Revenues and percent increase include FIL  
 3ETRs 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.*

*City property taxes 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.*

**The Best/Lowest**

Schools	Tax Rate	Counties	Tax Rate	Cities (top 30)	Tax Rate
1. Rich	0.003273	1. Summit	0.000935	1. Riverton	0.000691
2. Wayne	0.003476	2. Utah	0.001105	2. Kaysville	0.000829
3. Kane	0.003567	3. Tooele	0.001106	3. Bountiful	0.000903
4. Piute	0.003613	4. Washington	0.001379	4. Spanish Fork	0.001033
5. Park City	0.003895	5. Rich	0.001382	5. Sandy	0.001175

**Statewide Effective Tax Rate**

Schools	Tax Rate	Counties	Tax Rate	Cities (top 30)	Tax Rate
Statewide	0.005877	Statewide	0.001877	Statewide	0.002058

**The Worst/Highest**

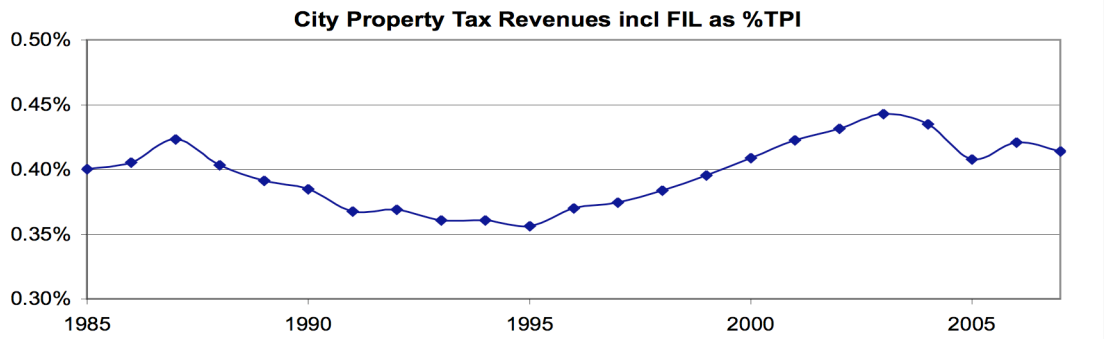
Schools	Tax Rate	Counties	Tax Rate	Cities (top 30)	Tax Rate
36. San Juan	0.007717	25. Millard	0.003701	26. American Fork	0.002426
37. Nebo	0.008150	26. Piute	0.003912	27. Draper	0.003056
38. S. Sanpete	0.008304	27. Daggett	0.003963	28. Ogden	0.003109
39. Tooele	0.008411	28. San Juan	0.004106	29. West Valley	0.003171
40. Tintic	0.009218	29. Emery	0.004545	30. Salt Lake	0.003917

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

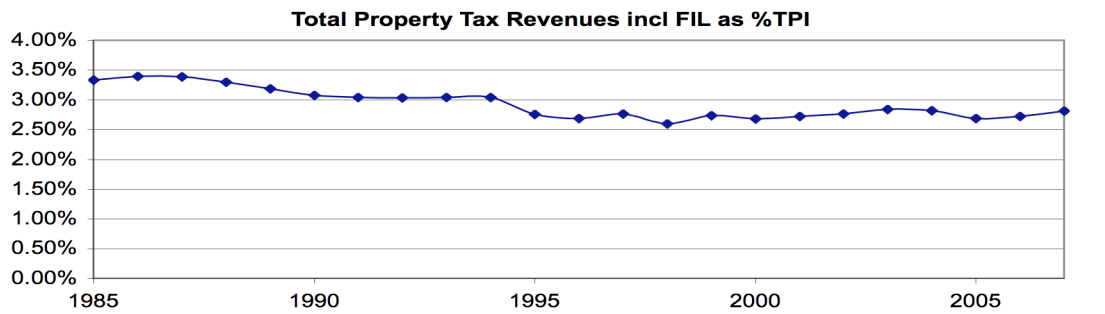
**Does Truth-in-Taxation unnecessarily restrict property tax revenue growth?**

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 due to revenue increases of 9.6% 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 accompanying 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.

*City property tax revenues as a percent of total personal income have been very stable since 1985.*



Calculations by Utah Taxpayers Association based on Tax Commission and Bureau of Economic Analysis data  
 Since 1995, statewide property tax revenues as a % of personal income have hovered around 2.75%.



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**County-wide Effective Tax Rates (ETRs)**

County-wide ETRs 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 (ETRs)**

County	Valuation	Taxes	ETR	Rank
Rich	837,804,737	4,368,618	0.005214	1
Wayne	253,878,124	1,384,526	0.005454	2
Wasatch	4,453,837,479	30,253,698	0.006793	3
Kane	1,564,228,283	11,869,922	0.007588	4
Summit	15,883,601,760	127,158,277	0.008006	5
Morgan	933,861,098	7,733,988	0.008282	6
Daggett	235,722,425	1,960,333	0.008316	7
Garfield	595,873,920	4,970,389	0.008341	8
Washington	14,267,039,632	127,877,351	0.008963	9
Iron	4,312,988,195	38,909,610	0.009021	10
Carbon	2,359,070,316	22,245,850	0.009430	11
Uintah	4,256,794,611	40,614,185	0.009541	12
Beaver	595,769,570	5,722,952	0.009606	13
Piute	80,579,648	781,313	0.009696	14
Millard	1,882,813,790	18,870,967	0.010023	15
Grand	1,136,748,768	11,406,618	0.010034	16
Sevier	1,131,059,975	11,618,022	0.010272	17
Utah	29,170,473,265	299,876,276	0.010280	18
Cache	5,076,774,064	52,599,643	0.010361	19
Sanpete	1,100,725,633	12,227,953	0.011109	20
Tooele	2,980,150,414	33,901,176	0.011376	21
Salt Lake	83,214,737,191	948,746,219	0.011401	22
Davis	17,019,683,493	194,951,026	0.011454	23
Duchesne	1,513,573,209	17,826,135	0.011778	24
Emery	1,714,394,797	20,227,414	0.011799	25
Juab	743,728,070	8,797,171	0.011828	26
Box Elder	3,019,364,884	36,899,926	0.012221	27
Weber	12,108,753,052	151,748,222	0.012532	28
San Juan	790,263,140	10,972,518	0.013885	29
Total	213,234,293,543	2,256,520,299	0.010582	

Calculations by Utah Taxpayers Association based on Tax Commission data

Some Local Governments operate more efficiently than others.



**My Corner - by Howard Stephenson**

## **Wicked arts: Why taxpayers shouldn't subsidize a Broadway style theater**

The world-wide smash hit musical "Wicked" is coming to Salt Lake next spring. Despite its popularity, and Utahns' affection for Broadway musicals, most Utahns still haven't seen the show, because Utah's theaters aren't big enough to attract the first traveling productions of blockbusters like "Wicked" or "The Lion King."

Arts advocates are hoping taxpayers will subsidize a theater large enough to attract these productions. They shouldn't; if a Broadway style theater can succeed in Utah, wonderful. But taxpayers shouldn't help build it.

### **The race to build a Broadway style theater**

For the past year or so, Salt Lake City and Sandy have raced each other to build a theater large enough to attract these first run productions. Sandy wants its proposed theater to anchor the Proscenium project, and last week Salt Lake unveiled a proposal to build its theater at 135 S. Main St.

Details about the Salt Lake project's funding remain sketchy, but reports indicate they are looking for substantial taxpayer subsidies. The Salt Lake City RDA would provide substantial tax rebates, and Salt Lake leaders want Salt Lake County and/or the Legislature to cough up another \$2 million to \$3 million per year.

### **The impact of the proposed theater on Utah's arts community**

The Salt Lake proposal has drawn mixed reviews from the arts community. The Capital Theater and Kingsbury Hall, for example, see another theater as competition, and openly wonder why Salt Lake City isn't simply enlarging and renovating an existing theater.

However, Salt Lake's proposal does sweeten the deal for the performing arts community. Salt Lake leaders hope to get enough money from the County or the Legislature to support other cultural arts projects throughout the region. Unsurprisingly, owners of the other regional theaters see this component of Salt Lake's proposal as another potential revenue stream for themselves.

### **Why should taxpayers subsidize leisure?**

The problems with taxpayer subsidies of this theater are no different from problems with public funding of soccer stadiums. First, why should taxpayers pay for a Broadway theater, but not a shooting range? Every Utahn would like taxpayers to pay for a portion of their favorite leisure activity, but taxpayers don't, nor should they.

Like other retail activities, performing arts succeed based on the willingness of the buying and donating public to take the risks inherent in their production. Some people may want more arts opportunities than they are willing to pay for themselves, but that doesn't mean taxpayers should fill that gap.

### **Taxpayer subsidies won't increase Utah's economic activity**

Second, a taxpayer subsidy will not increase Utah's economic activity. Those who currently spend their recreational dollars at the Hale Center Theater, Kingsbury Hall, the Capital Theater, and so on, will spread the same amount of money attending the theater, whether or not taxpayers subsidize this theater.

Some proponents claim that a Broadway theater would increase the amount of money spent attending performing arts in Utah. That's possible; perhaps some Utahns would see "The Lion King" instead of a soccer game, a movie or a basketball game. However, subsidizing a theater, even a Broadway-style theater, does not increase how much people spend on leisure activities. It just rearranges who gets what.

Proponents assert that this large theater will attract tourists from outside the state. However, several regional cities already have theaters large enough to host these productions, including the Denver Center for the Performing Arts, Tempe's Gammage Auditorium, not to mention Las Vegas, aka "Broadway West." This plethora of economic substitutes makes it highly unlikely that building a competing Utah theater will attract out of state theater-goers.

I count myself among those looking forward to seeing "Wicked." From what I hear, tickets are already selling at triple their face value, which only confirms that Utahns like to see good Broadway productions. However, "Wicked's" popularity shouldn't translate into taxpayer subsidies for a new Broadway theater. If Utah has the population to support that theater, wonderful. And if not, then so be it. It's not the job of taxpayers to subsidize the "Wicked" arts.

*Some people may want more arts opportunities than they are willing to pay for themselves, but that doesn't mean taxpayers should fill that gap.*

*Subsidizing a theater, even a Broadway-style theater, does not increase how much people spend on leisure activities. It just rearranges who gets what.*

### **Quote of the Month #1**

***"Ubiquity is what hurt us."***  
***Rich Woodworth, Tremonton City Manager***

It's nice to see that UTOPIA has finally acknowledged that their basic business model was flawed from the beginning. Unfortunately, taxpayers may have to pay \$503 million to clean up the mess.

Source: UTOPIA Board of Directors, Oct. 27, 2008



*Over the past three years, the Legislature has enacted more than \$400 million in tax cuts; however, they have failed to rein in spending.*

## Report: Governor, Legislature get top marks for fiscal policy

The Cato Institute has released their ninth biennial report card on fiscal policies enacted by Governors and Legislatures. They gave Gov. Huntsman and the Utah Legislature a B, one of the seven highest grades this year.

The Cato report analyzed tax and spending policies. Having lowered income and sales taxes, the Utah Legislature scored highest in the country on the tax side. In addition, Utah managed to buck the national trend, and didn't increase tobacco taxes.

Unfortunately, Utah's spending policies were not as admirable. With a 10.3% average annual per capita increase in spending, Utah's spending rating was 5<sup>th</sup> lowest in the country. Only Wyoming, Oregon, Montana and Iowa scored lower than Utah.

**Fiscal Policy Report Card of Intermountain States**

	Spending (0-100)	Tax (0-100)	Overall Score	Overall Grade
<b>Utah</b>	27	71	60	B
<b>Nevada</b>	68	53	60	B
<b>Arizona</b>	34	64	59	B
<b>New Mexico</b>	36	51	51	C
<b>Wyoming</b>	8	49	41	D
<b>Montana</b>	15	53	40	D
<b>Colorado</b>	63	53	49	D
<b>Idaho</b>	37	53	37	F

Source: Cato Institute

This report confirms what the Utah Taxpayers Association has seen in Utah's tax and spending policy. Over the past three years, the Legislature has enacted more than \$400 million in tax cuts; however, they have failed to rein in spending. Much of that spending increase is a result of the significant investments the Legislature and Governor Huntsman have made in public education.