



2007 Utah Property Tax Report

Utah Taxpayers Association

Utah Property Tax Revenues Increase 10.4% in 2007

Total property tax collections in Utah – including age-based vehicle fee-in-lieu (FIL) – will approach \$2.3 billion in 2007, according to calculations by the Utah Taxpayers Association based on data from the Utah State Tax Commission.

Including vehicle FIL, property taxes will increase 10.4%. Excluding FIL, property taxes will increase 10.8%. Taxable valuation excluding FIL will increase 22.9%. The following table summarizes anticipated property tax revenues for 2007 and actual property taxes for 2006.

Every year in November, the association estimates property tax revenues for the current year based on raw data from the Tax Commission. The official Tax Commission report is not released until late summer in the following year. In previous years, the association November estimate for real and personal property (excluding FIL) is typically within 0.5% of the Tax Commission’s official value released in the following year. FIL revenues are more difficult to predict.

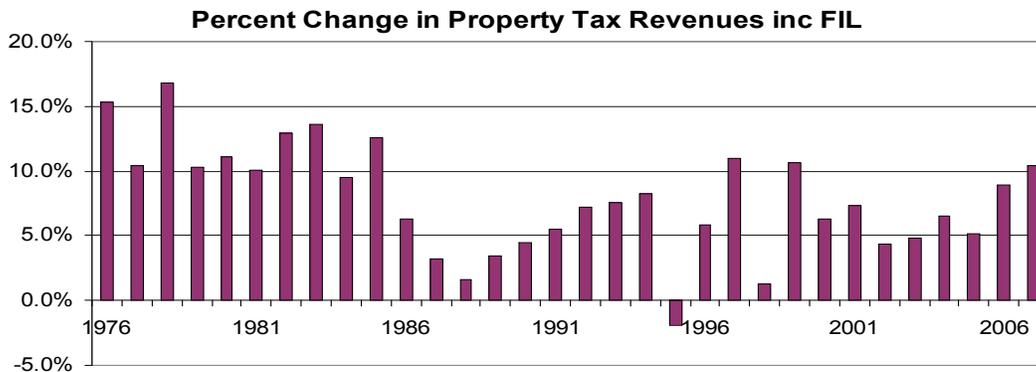
Property Taxes: 2007 Estimates and 2006 Actuals

	2006	2007	% Change
Total Property Taxes	\$2.06 billion	\$2.27 billion	10.4%
Total excl FIL	\$1.85 billion	\$2.05 billion	10.8%
Taxable Valuation excl FIL	\$154.66 billion	\$190.03 billion	22.9%
Effective Tax Rate excl FIL	1.19%	1.08%	-9.8%

2007 values are estimates by the Utah Taxpayers Association. 2006 values are Tax Commission actuals.

2007 Increase is higher than normal

The following chart shows annual property tax revenue growth including FIL since 1976. Since the enactment of Truth-in-Taxation (TNT) in the mid-1980s, property tax revenues have increased by about 6% annually. This year is only the third time since TNT’s enactment that property tax revenues will increase at double-digit rates.



Calculations by Utah Taxpayers Association based on Tax Commission data

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

Under TNT, property tax rates are reduced as valuations of existing property 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 combined inflation and population growth.

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 2007, property tax revenues (excluding FIL) would have increased by 6.4% instead of 10.8%.
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 tax revenues.

Effective Tax Rates and Taxes Charged for Local Governments

School districts continue to increase their share of total property taxes. In 2007, school districts will receive 56.2% of all property taxes, up from 50% ten years ago and higher than any year since the early 1980s.

Entity	Effective Tax Rate	Revenues	% Increase	% of Total
School Districts	0.006051	1,277,655,810	13.2%	56.2%
Counties	0.001926	406,622,279	8.2%	17.9%
Cities/Towns	0.002037	332,685,876	4.6%	14.6%
Special Districts	0.000326	255,548,452	8.2%	11.2%
Statewide	0.010763	2,272,512,417	10.4%	100.0%

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 service districts add to less than the total statewide ETR since special service districts have overlapping tax bases and since cities' tax base does not cover entire state.

4. ETR for cities is slightly overstated since four small cities without property taxes are excluded from numerator and denominator.

Effective Tax Rates and City Size

Effective tax rates correlate strongly with city size. Larger cities generally have higher effective tax rates than smaller cities. The following chart shows the effective tax rates for groups of cities based on population.

City Population	Effective Tax Rate
1 st largest to 10 th largest	0.002621
11 th largest to 30 th largest	0.001688
31 st largest to 50 th largest	0.001517
51 st largest to 100 th largest (incl Park City)	0.001512
51 st largest to 100 th largest (excl Park City)	0.001440
Remaining	0.001436
All cities	0.002037

Calculations by Utah Taxpayers Association based on Tax Commission data

Value of Primary Residence Exemption (2006)

Primary residences in Utah receive a 45% exemption on property taxes. This is one of the largest tax exemptions in Utah. Sales tax exemption on items for resale is probably the largest exemption.

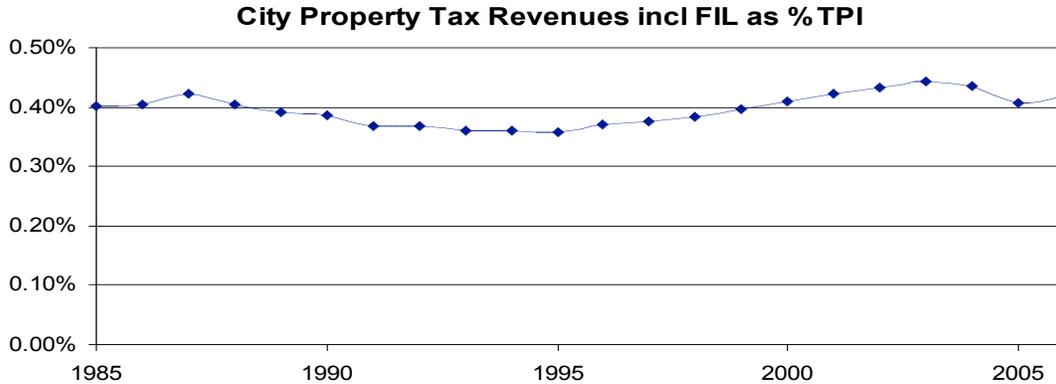
The value of the 45% exemption can be calculated two different ways. First, if the exemption were removed and certified tax rates were not reduced, yielding a revenue windfall for local governments, then the value of the 45% exemption would be \$775 million annually. Second, if the exemption were removed and certified tax rates were reduced to maintain revenue neutrality, then the value of the 45% exemption would be \$238 million.

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 10.4%.

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 increase 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.



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

The following table shows total statewide property tax revenue growth over the past five, ten, and twenty years as well as two typical benchmarks for growth: personal income and combined population growth and inflation.

Annualized Property Tax Growth

	1986 to 2006	1996 to 2006	2001 to 2006
Personal Income	6.72%	6.51%	6.05%
Inflation/population	5.45%	5.10%	5.24%
Property: real and personal	5.53%	6.59%	5.95%
Property: total	N/A	6.78%	5.81%

Calculations by Utah Taxpayers Association based on data from Tax Commission, GOPB, Bureau of Labor Statistics

Property tax revenue growth exceeded combined inflation and population growth for each time period and has matched total personal income growth over the past five years and past ten years.

Highest and Lowest Tax Rates

Every year, the 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. County property tax rates are impacted by county decisions to impose county-option sales taxes. When counties impose the 0.25% sales tax, they must reduce property taxes dollar-for-dollar. Only three counties – Millard, Kane, and Emery – have not imposed the 0.25% sales tax. Millard and Emery have large centrally assessed property taxpayers and would rather tax these taxpayers with property taxes than tax voters with sales taxes. Since Kane already imposes a 1.0% rural hospital sales tax, county officials decided not to raise sales taxes any higher.

The following charts show the five highest and lowest property tax rates.

The Best/Lowest

Schools	Tax Rate	Counties	Tax Rate	Cities (top 30)	Tax Rate
1. Kane	0.003484	1. Summit	0.000846	1. Riverton	0.000237
2. Rich	0.003773	2. Utah	0.001000	2. Bountiful	0.000912
3. Wayne	0.004082	3. Tooele	0.001158	3. Kaysville	0.000925
4. Daggett	0.004091	4. Garfield	0.001234	4. Spanish Fork	0.001144
5. Grand	0.004248	5. Washington	0.001266	5. St. George	0.001217

Statewide Effective Tax Rate

Schools	Tax Rate	Counties	Tax Rate	Cities (top 30)	Tax Rate
Statewide ETR	0.006051	Statewide ETR	0.001926	Statewide ETR	0.002037

The Worst/Highest

Schools	Tax Rate	Counties	Tax Rate	Cities (top 30)	Tax Rate
36. San Juan	0.007739	25. Weber	0.003608	26. Provo	0.002236
37. Nebo	0.008150	26. Millard*	0.003768	27. S. Salt Lake	0.002465
38. Ogden	0.008176	27. Piute	0.004066	28. West Valley	0.003194
39. S. Sanpete	0.008304	28. San Juan	0.004071	29. Ogden	0.003384
40. Tooele	0.008411	29. Emery*	0.004412	30. Salt Lake	0.004040

Source: Tax Commission except for statewide effective tax rate (Utah Taxpayers Association)

*Counties without 0.25% sales tax

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 and Taxes Per Capita

County	Effective Tax Rate	Taxes per Capita	Rank
Rich	0.55%	1,689	4
Wayne	0.64%	496	27
Kane	0.70%	1,585	5
Daggett	0.76%	1,718	3
Grand	0.78%	861	14
Summit	0.80%	2,964	1
Morgan	0.83%	706	18
Iron	0.86%	796	17
Garfield	0.87%	886	13
Washington	0.89%	849	16
Wasatch	0.93%	1,557	6
Uintah	0.95%	1,159	8
Carbon	0.98%	1,071	9
Utah	0.99%	542	24
Beaver	1.01%	850	15
Millard	1.02%	1,420	7
Piute	1.04%	537	26
Cache	1.05%	455	28
Box Elder	1.06%	598	22
Sevier	1.09%	541	25
Tooele	1.14%	548	23
Salt Lake	1.16%	887	12
Emery	1.19%	1,804	2
Sanpete	1.20%	440	29
Duchesne	1.21%	1,000	10
Davis	1.23%	615	21
Juab	1.24%	910	11
Weber	1.35%	667	19
San Juan	1.39%	653	20
Total	1.08%	782	

Calculations by Utah Taxpayers Association based on Tax Commission data and GOPB data

Rich County has the state's lowest county-wide effective tax rate but has the state's 4th highest property tax burden per capita. Wayne County has the state's 2nd lowest ETR and also has the 27th highest property tax burden per capita. Along the Wasatch Front, Utah County has the lowest ETR and the lowest property tax burden per capita.

Property Tax Revenues, 1920 to 2007

The following chart shows property tax collections by entity type, including vehicle fee-in-lieu, from 1920 to 2007.

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%	3,102,323	4%	86,962,502
1970		0%	97,675,397	63%	20,366,055	13%	29,128,751	19%		0%	204,524	0%	6,747,240	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	22%		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%	391,447,028	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%	1,351,779,486
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%	1,277,655,810	56%	332,685,876	15%	406,622,279	18%		0%		0%	255,548,452	11%	2,272,512,417

Calculations by Utah Taxpayers Association based on Tax Commission data

How Does Truth-in-Taxation Work?

Truth-in-Taxation (TNT) 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.

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 to 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.

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)

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.

Other factors: BOE adjustments, delinquent taxpayers, centrally assessed properties

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.

Every year, some property owners do not pay their property taxes, usually due to financial hardships. (Note: property owners are required to pay their taxes even when they appeal.) When this happens, tax rates increase to hold local governments harmless. Local governments actually benefit from delinquent property owners since the tax rate increases when taxes are delinquent but tax rates do not decrease when delinquent taxes are eventually paid (which is always the case since such properties are sold by the county and back taxes are collected at that point.)

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, 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 (excluding FIL, debt service, etc.)