



2008 Utah Taxpayers Property Tax Report

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%

Table 1 summarizes anticipated property tax revenues for 2008 and actual property taxes for 2007.

Another large increase in property tax revenues for 2008

Chart 1 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.

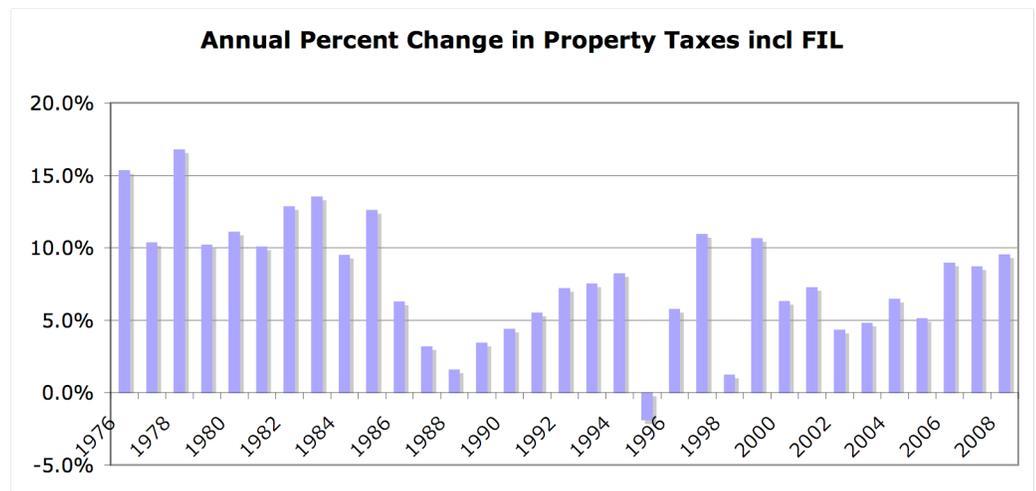
Property tax revenue growth has been in line with personal income growth, particularly in recent years as the Legislature has made very few changes to property taxes. Over the past ten years, property tax revenues have increased at an annualized rate of 6.4%, compared to annualized personal income growth of 6.2%.

Table 1: 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.

Chart 1



Source: Calculations by Utah Taxpayers Association based on Tax Commission data.

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.

Table 2: 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%

Source: 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%. (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.

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.

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. 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 district. In some cases, a city with municipal power charges electric rates higher than needed to cover 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.

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.

Table 3: Effective Tax Rates Charged by Local Governments

Entity	Effective Tax Rate	Revenues	% Increase	% 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%

Source: 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

Table 4: 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

Table 5: Statewide Effective Tax Rate

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

Table 6: 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

*Riverton contracts fire protection with special service district.

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

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 Chart 2 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.

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

County-wide Effective Tax Rates (ETRs)

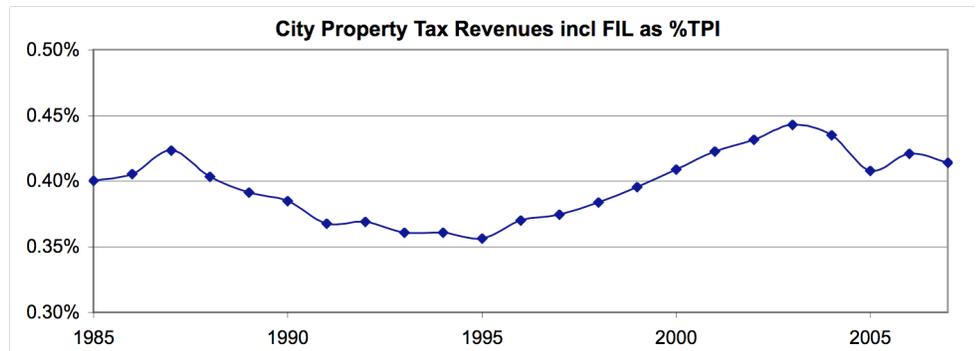
County-wide effective tax rates are determined by dividing total real and personal property taxes charged by all tax entities within a county – including school districts, cities, special service districts, and the county itself – by the county’s total assessed valuation. Valuation-weighted tax rates 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.

Table 7 shows effective tax rates for all twenty-nine counties, with counties listed in ascending order based on ETR.

Value of Primary Residence Exemption (2007)

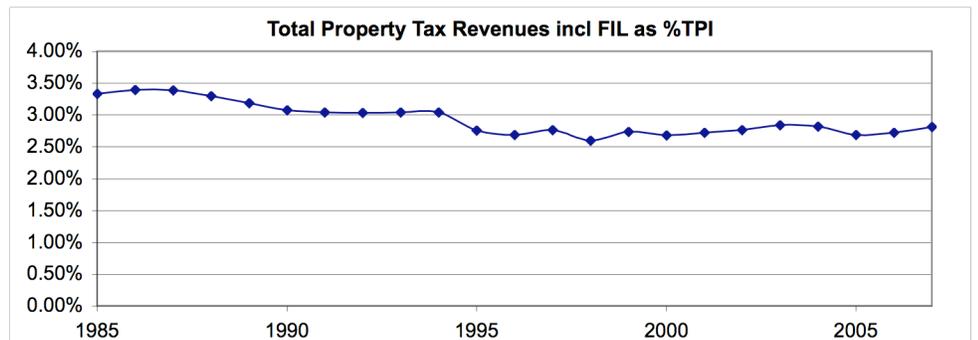
Primary residences in Utah receive a 45% exemption on property taxes. This is one of the largest tax exemptions in Utah. Sales tax exemption on items for resale is probably the largest exemption.

Chart 2:



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

Chart 3:



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

Table 7: 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	

Source: Calculations by Utah Taxpayers Association based on Tax Commission data

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 \$886 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 \$269 million.

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. Table 8 shows the effective tax rates for groups of cities based on population.

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 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.

Table 8: City Population Effective Tax Rate

City Population	Effective Tax Rate
1 st largest to 10 th largest	0.002513
11 th largest to 30 th largest	0.001809
31 st largest to 50 th largest	0.001459
51 st largest to 100 th largest incl Park City	0.001895
51 st largest to 100 th largest excl Park City	0.001460
Remaining cities	0.001441
All cities	0.002058

Source: Calculations by Utah Taxpayers Association based on Tax Commission data

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. 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

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

Table 9 shows Utah property tax revenues from 1920 to 2008, including the percent distribution of property tax revenues by entity type.

Table 9:

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%	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%	1,255,815,477	56%	329,665,272	15%	400,569,557	18%		0%		0%	251,640,728	11%	2,237,691,034
2008		0%	1,361,508,668	56%	365,806,347	15%	434,738,010	18%		0%		0%	289,467,273	12%	2,451,520,299

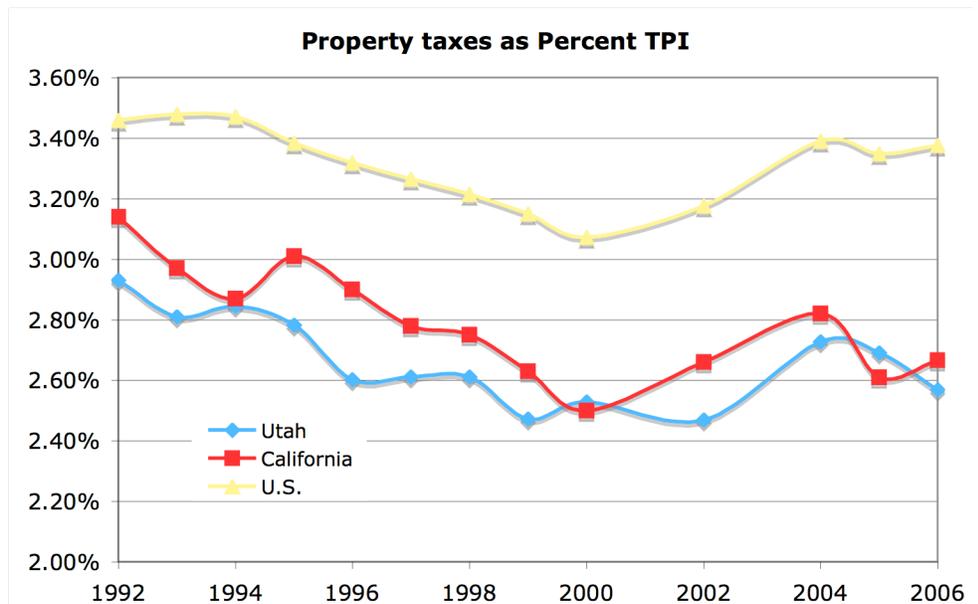
Source: Utah State Tax Commission Reports, 2008 estimate by Utah Taxpayers Association based on Tax Commission data
Special districts prior to 1953 were included under other categories - Roads after 1960 are listed under the county category - Vehicle FIL revenues are included.

Property Taxes: Utah's Fair Market Valuation vs. California's Acquisition-based Valuation

Acquisition-based valuation is a fundamental component of California's Proposition 13, which California voters passed in 1978. Utah currently uses fair market valuation in which property valuations are based on current assessments by the county assessor. The Association has researched acquisition-based valuation and has come to the following conclusions.

Utah property tax burdens are typically lower than California's
Despite the hype about California's property tax system, Utah's property tax burdens as a percent of personal income are consistently lower than California's, Chart 4 demonstrates.

Chart 4:

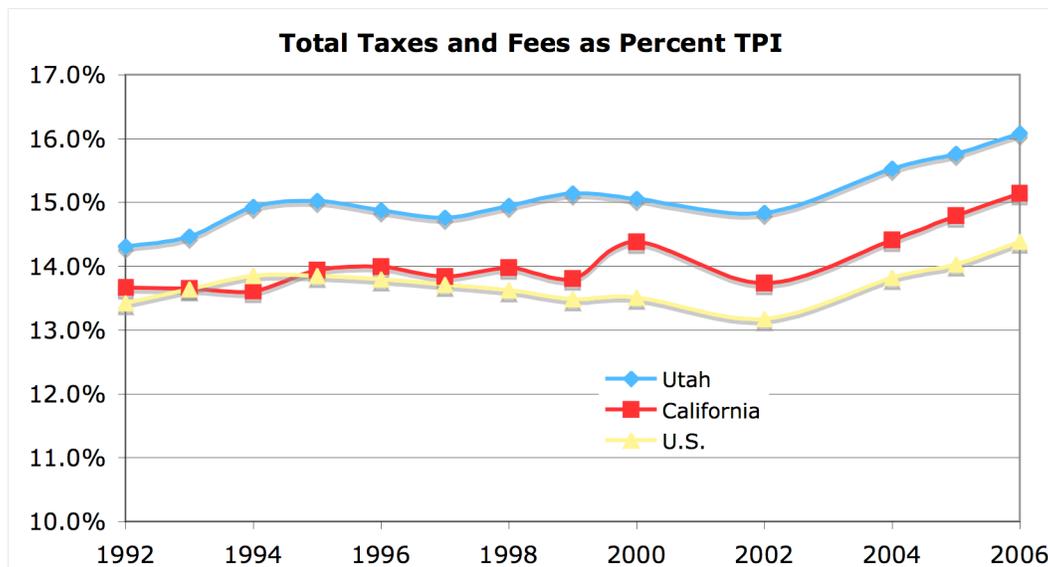


Source: Calculations by Utah Taxpayers Association based on data from Census Bureau and Bureau of Economic Analysis.

While several factors contribute to property tax burdens in both states – legislative decisions to cut property taxes, Truth-in-Taxation, caps on growth, acquisition-based valuation and fair market valuation, government efficiency, total government tax and fee burdens – Utah’s property tax burdens are lower even though Utah’s total tax and fee burdens are higher than California’s. Utah’s ability to keep property tax burdens lower than California’s even though Utah’s total tax and fee burden is higher than California’s is evidence that Utah is doing something right with regards to property taxes.

During the 1990s, the Utah Legislature cut the statewide basic levy for education twice and allowed counties to reduce property taxes in exchange for imposing a 0.25% sales tax. Some of these tax cuts were offset by local governments increasing their property tax levies at the same time because legislative tax cuts and shifts had created additional “headroom” in the property tax.

Chart 5:



Source: Calculations by Utah Taxpayers Association based on data from Census Bureau and Bureau of Economic

Acquisition-based valuation is inequitable to young, working families

Acquisition-based valuation’s largest single flaw is that it treats property owners inequitably. Households who own their property longer pay lower property taxes than those who own their property for a shorter amount of time, all other things being equal. Proponents of acquisition-based valuation cannot adequately explain why a household’s obligation to fund government services such as education, public safety, and transportation should be based on how long they have lived in their current residence. After all, everyone’s property benefits from public services, not just those who have recently purchased a home.

Acquisition-based valuation is especially harmful to young families moving into a new home and those who move because they change jobs. The following example concerning two identical homes - one purchased twenty years ago and one purchased this year -- demonstrates the inequity.

Annual increase in home price, 1990 to 2007: 6.8%
 Acquisition-based valuation, (assuming 6.8% annual increase)
 Home purchased 20 years ago: \$100,000
 Home purchased this year:\$373,000

Property tax, 1.1% effective nominal tax rate and 55% residential exemption
 Home purchased 30 years ago:.....\$605
 Home purchased this year:.....\$2,257

Fair market valuation prevents targeting industries with discriminatory property taxes

Departing from the constitutional protections of fair market value opens the possibility of assessing property taxes based on populism instead of sound tax policy. Currently, the Legislature and local governments cannot impose higher, discriminatory property taxes on specific property owners, such as certain types of businesses, because the state constitution mandates that property taxes be based on fair market value.

Acquisition-based valuation is not economically neutral

Taxes should be economically neutral. An economically neutral tax does not incent or disincent specific economic activity. Acquisition-based valuations discourage home owners from selling their property – just like high capital gains taxes discourage selling of capital assets that have appreciated -- because home owners will experience a huge increase in annual property taxes when they purchase their new home.

Acquisition-based valuation violates “low rate, broad base” principle of taxation.

Tax policy experts nearly universally agree that a tax system with low rates and broad, uniform bases, such as a system based on fair market value, is superior to a system that carves out exemptions for specific groups. Acquisition-based valuation exempts valuation growth that occurs after a property is purchased. Assuming a conservative annualized market value growth rate of 5%, a property that is held for thirty years would have more than 75% of its current fair market value exempt from property taxes.

Acquisition-based valuation doesn’t adequately offset deficiencies in fair market valuation.

Despite errors in fair market valuations, the current system generates more equitable and accurate valuations than a system that bases valuations on transactions that occurred ten, twenty, or thirty years ago.

Utah already has a 45% primary residential exemption

While the 45% primary residential exemption violates several tax policy principals (low rate and broad base, for example), it is still one of the most generous exemptions in the nation. California’s exemption, by comparison, is \$7,000, which would equate to a 2.8% exemption on a \$250,000 home.

Circuit breaker is a targeted, efficient method for helping low-income elderly

Acquisition-based valuation generally benefits the elderly while harming younger, first-time homebuyers, even though elderly households generally have more disposable wealth than young families. However, some older households have difficulty paying property taxes. Targeted tax breaks for low-income elderly households such as circuit breakers are more efficient than giving property tax breaks to large number of homeowners at the expense of taxpayers in general.

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