



Will Taxpayers Get Their Overpaid Property Taxes Back?

In reviewing the budget Salt Lake County Mayor Ben McAdams inherited, he discovered that Salt Lake County has been overcharging taxpayers as much as \$50 million per year. That's right: property taxes in Salt Lake county have been \$50 million higher than they should have been, and have been for quite a while.

This \$50 million per year overpayment happened because administering some parts of the property tax is very complicated, especially when Redevelopment Agency's (RDA) are involved. When tax entities (like Salt Lake County) approve an RDA, they approve a budget describing how much money the RDA will receive each year, and how long that money will flow.

Historically, that budget described a fixed amount per year over a fixed period of time. When a participating taxing entity approved an increase in their tax rate, such as for a voter-approved bond or a property tax hike following Truth In Taxation, the RDA was not supposed to receive more money per year unless the participating taxing entities affirmatively agreed to increase the increase the RDA's budget.

Unfortunately, Mayor McAdams discovered that Salt Lake County has been automatically paying the RDAs more when the tax rates affecting its 91 RDAs went up. Cumulatively, these increases total an estimated \$50 million per year.

The Taxpayers Association, Mayor McAdams, the League of Cities and Towns, the Utah RDA Association and Senator Jerry Stevenson have worked throughout the 2013 legislative session to resolve this problem. Senator Stevenson's solution is simple and elegant: under SB 211 1st Sub, each RDA project's budget must cap the amount of money the RDA can receive. If a tax increase happens, the RDA can still receive the higher amount. However, the tax increment ends as soon as it reaches that cap, even if that date comes before the RDA was scheduled to sunset.

Some observers have worried that RDAs will get around this cap by setting the cap amount too high. Under this scenario, an RDA would never hit the cap. There is some validity to that concern. However, the taxing entities' elected officials can avoid that problem by properly evaluating the RDA's real needs, and approving projects with the lowest possible cap. Based on our analysis, other possibilities don't seem feasible.

Unfortunately, SB 211 1st Sub solves the problem prospectively, but does not guarantee a study on how taxpayers should receive be refunded the tens, if not hundreds of millions of dollars in overcharged property taxes they've paid. Taxpayers have a compelling case that they deserve a refund of the taxes they were overcharged. Exactly how to claw back some or all of those overpaid property taxes is a thorny question. In many cases, that money has already been spent or bonded against. Recovering that money could necessitate another tax increase.

Determining what money taxpayers might be able to claw back is probably the easiest part of solving this problem. A thornier question is who would receive how much money when property ownership has changed. Some properties will have changed hands several times, necessitating that we identify how much money each of those taxpayers should receive.

Despite these complex problems, your Taxpayers Association is urging passage of SB 211 1st Sub. In negotiations with relevant parties, we have received firm commitment that the Interim Revenue and Taxation Committee will study the claw back question. Taxpayers were overcharged hundreds of millions of dollars. The very least they deserve is a serious evaluation of whether they can receive any or all of that back.