



Utah's Truth-in-Taxation Property Tax Law

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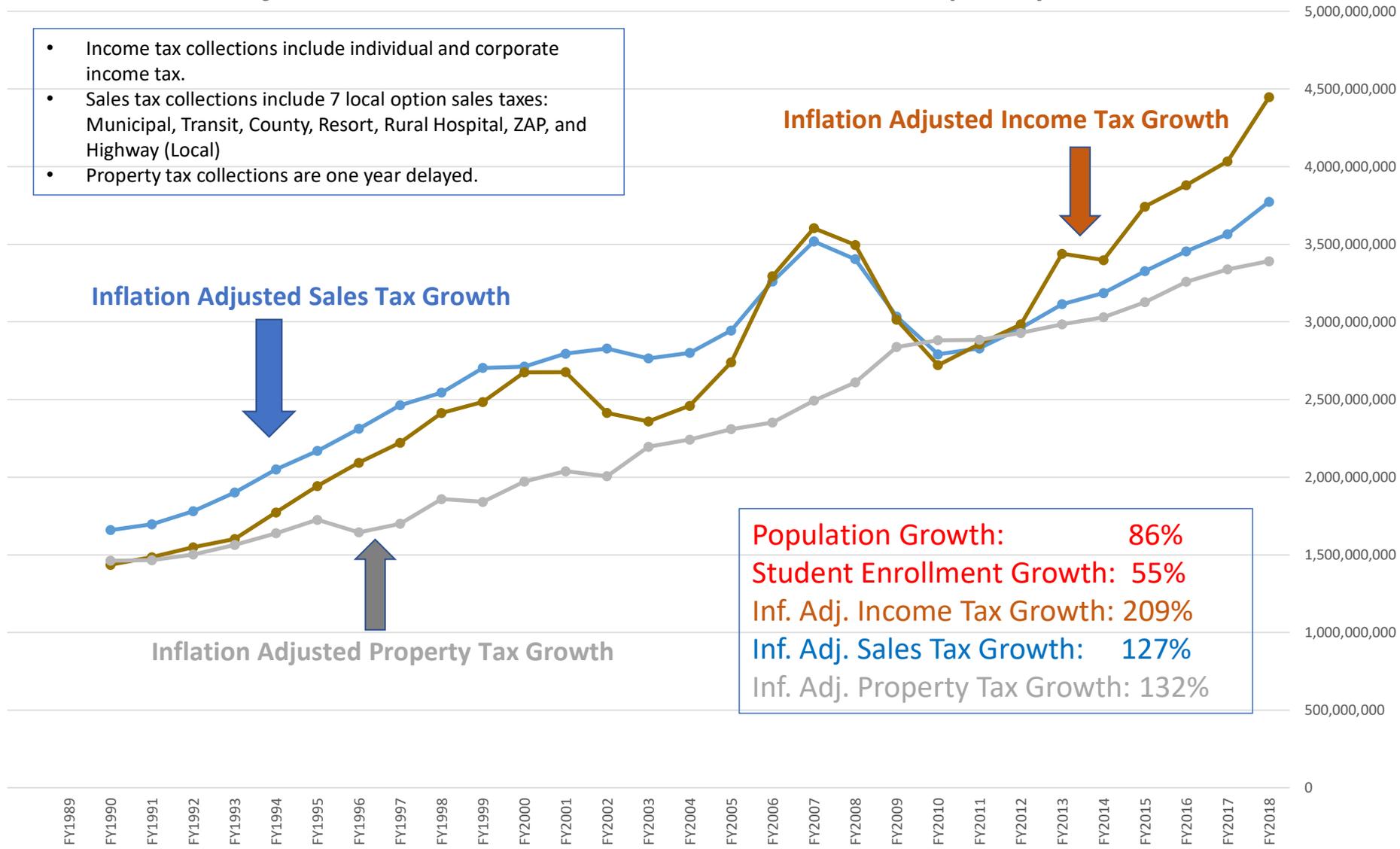
- Passed in 1985, modeled after Florida Law
- Replaced 106% property tax cap which caused rampant tax hikes.
- Collaboration between Utah Taxpayers Association, Utah State Tax Commission, and Utah Association of Counties.
- Taxing entities are guaranteed same property taxes as previous year plus taxes from new growth
- Did not *limit* property taxes but required total transparency through detailed public notice and public hearing requirements
- Defeated multiple attempts to give factor for automatic inflation adjuster.

Taxpayer-friendly

- Fixed revenue, not fixed rate
 - If property values go up, the rate goes down
 - If property values go down, the rate goes up
 - Revenue neutral
 - This annually adjusted rate is called the **CERTIFIED RATE**
- Automatic adjustments in the certified rate guarantee taxing entities the same amount of **REVENUE** each year, regardless of what property values are doing—plus new growth
 - Provides **STABILITY** to local governments
 - Prevents revenue **WINDFALLS**, and the resulting growth in government, from ever-increasing property values

Inflation Adjusted Utah Sales, Income and Property Tax 1989-2018

- Income tax collections include individual and corporate income tax.
- Sales tax collections include 7 local option sales taxes: Municipal, Transit, County, Resort, Rural Hospital, ZAP, and Highway (Local)
- Property tax collections are one year delayed.



Population Growth: 86%
Student Enrollment Growth: 55%
Inf. Adj. Income Tax Growth: 209%
Inf. Adj. Sales Tax Growth: 127%
Inf. Adj. Property Tax Growth: 132%



Pitfalls

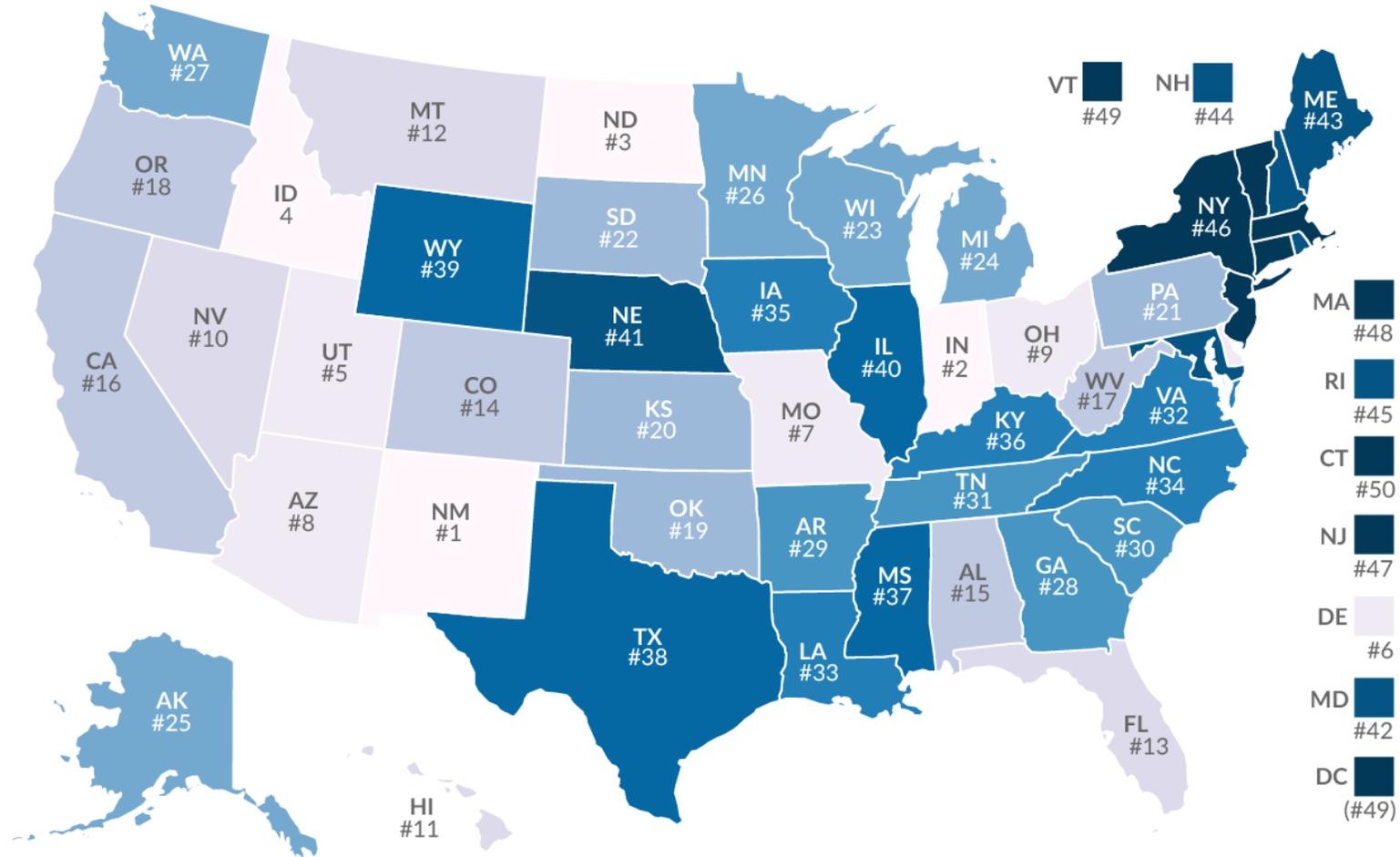
- **Tax Shift**—if large taxpayers leave the area or are given property tax exemptions the remaining taxpayers' rates increase to recoup the loss of revenue
- **Potential to stunt revenue growth** (some people would consider this a benefit—also, Utah's experience does not support this argument)

The Effects of Truth-in-Taxation

- Utah Property Tax Ranking Among the States Relative to Personal Income fell from 24th highest in 1985 to 36th today.
- Property Taxes in Real Dollars Grew 132% over the last 30 years while population grew 86%.
- Property Tax growth would have been even higher had Utah's Statewide Property Tax for Education not been slashed in 1995-96.

How Does Your State Rank on Property Taxes?

Property Tax Component Rankings, 2020 State Business Tax Climate Index



Note: A rank of 1 is best, 50 is worst. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2019 (the beginning of Fiscal Year 2020). Source: Tax Foundation, 2020 State Business Tax Climate Index



STATEMENT OF PRINCIPLES ON TRUTH IN PROPERTY TAXATION

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Statement of Principles on Truth in Property Taxation

Guiding Principles: Utah's Example

Utah enacted its Truth in Taxation law in 1985 to provide a solution to taxpayer unrest from ever-increasing property taxes.

- **Accountability** – While Utah's law does not limit property taxes, it makes local elected officials think twice about increasing property tax rates. Citizens will be notified of any increase and its potential impact on their property. Lawmakers are also required to hold a broadly advertised public hearing about the proposed tax hike.
- **Reliability** – Truth in Taxation is a revenue-driven system, not a rate-driven system. Generally, as valuations of existing property increase from county assessors' annual adjustments of taxable property values to keep pace with market values, property tax rates decrease. This automatic reduction in property tax rates prevents local governments from getting a windfall simply because valuations of existing properties have increased.
- **Competitiveness** – When the law passed in 1985, Utah ranked 24th in the nation in property taxes per \$1,000 of personal income. Utah now ranks 36th. Even still, over the last three decades property tax revenues to the State of Utah have grown faster than inflation and population growth combined.