

Property Tax Insights

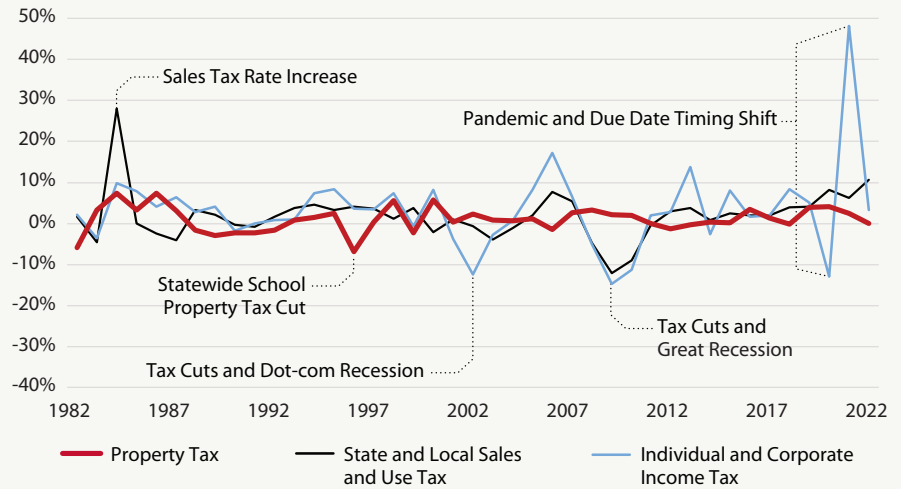
Property tax is the most stable, complex and local tax

STABLE – The property tax is Utah’s most stable tax. This stability comes from both the less volatile nature of property and the design of Utah’s property tax system.

COMPLEX – Utah’s property tax system involves many moving parts, which often take place behind the scenes. Taxpayers often have little to no interaction with the property tax system until the property tax valuation estimate and bill arrives.

LOCAL – Local entities impose all Utah property taxes. However, property taxes interact with state funding, particularly for schools. Local property tax decisions also influence other local fiscal decisions for other taxes, such as sales taxes and fees.

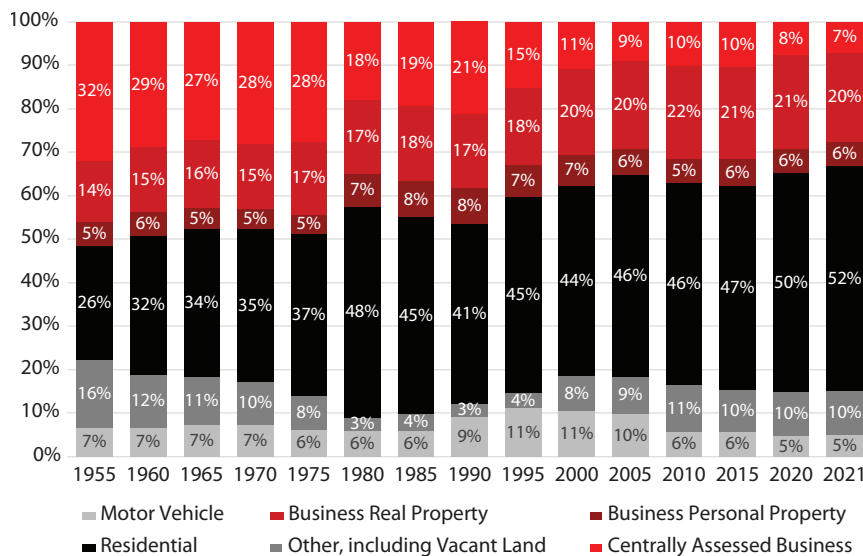
Figure 1: Year-Over Change in Real (Inflation-Adjusted) Tax Revenue per Capita for Major Utah Taxes, FY 1982-2022



Source: Utah State Tax Commission and Kem C. Gardner Policy Institute

Q: How have property taxes shifted among taxpayers?

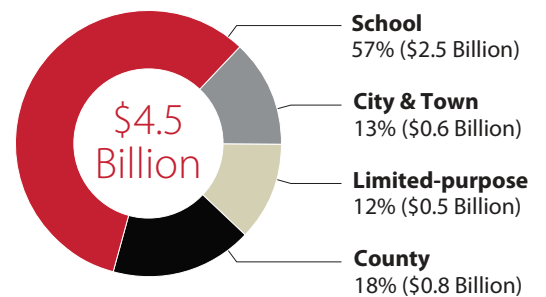
Figure 2: Property Tax Base Composition, 1955-2021



Source: Utah State Tax Commission, Property Tax Division, Annual Statistical Reports

Q: Where does the money go?

Figure 3: Property Tax Recipients, 2021



Note: Includes ad valorem and fee-in-lieu property tax revenue
Source: Utah State Tax Commission

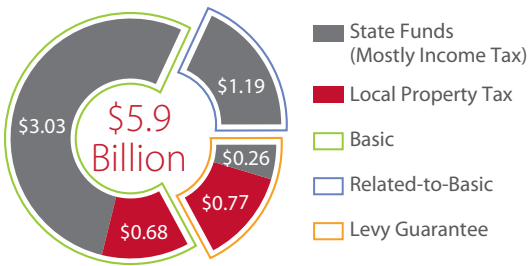
Q: How Do Property Taxes Impact School Funding?

Nearly 60%
of property taxes
fund schools

School property
tax resources are
uneven

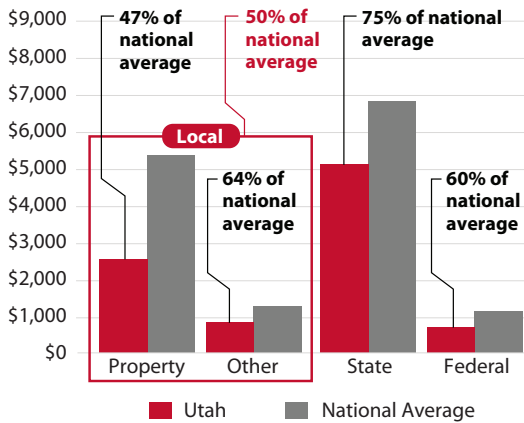
State school funding
closely interacts with
property taxes

Figure 4: Minimum School Program Funding, FY 2022 (\$ in billions)



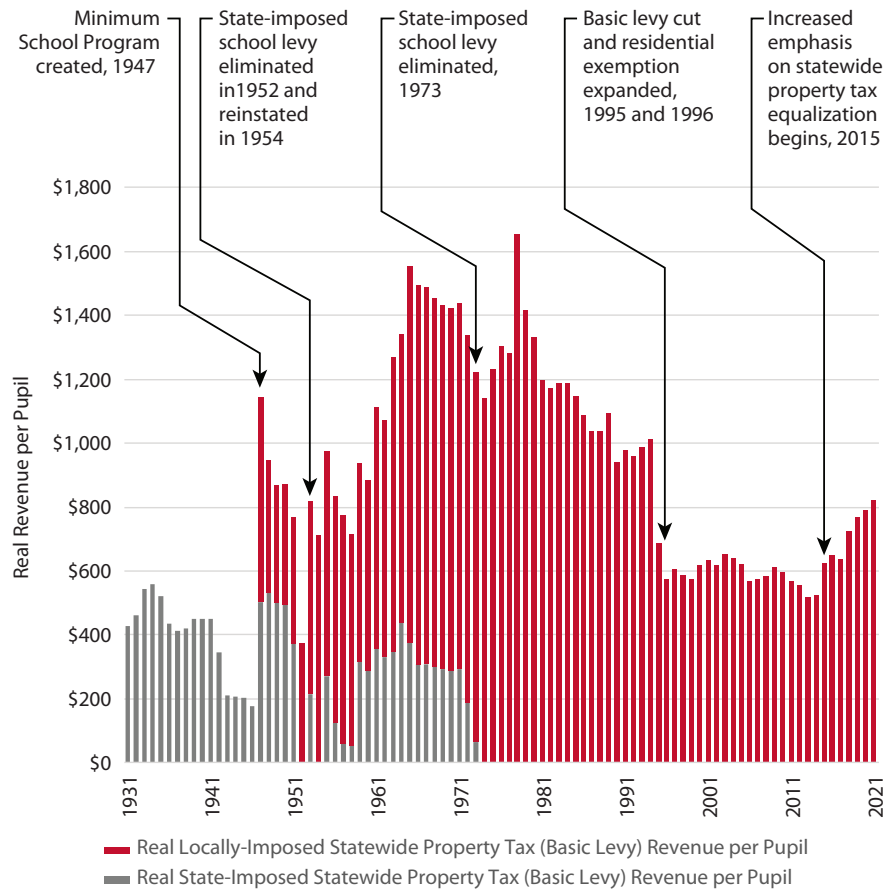
Source: Office of the Legislative Fiscal Analyst

Figure 5: Total Per Pupil Revenues by Funding Source, 2018



Source: National Center for Education Statistics

Figure 6: Real Per Pupil Basic Levy School Property Tax Revenue, 1931–2021



Source: Utah Superintendent's annual reports and Utah Foundation

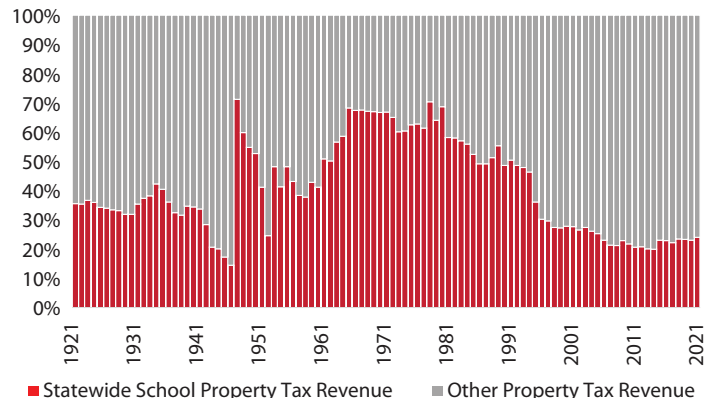
Figure 7: School Property Tax Statewide Basic Levy Rate, 1922–2022



Rate adjusted for changes in statutory assessment levels, which were below 100% from 1947 to 1986.

Source: Utah Superintendent's annual reports

Figure 8: Statewide and Discretionary Local Property Tax Revenue as a Share of Total School Property Tax Revenue, 1921–2021



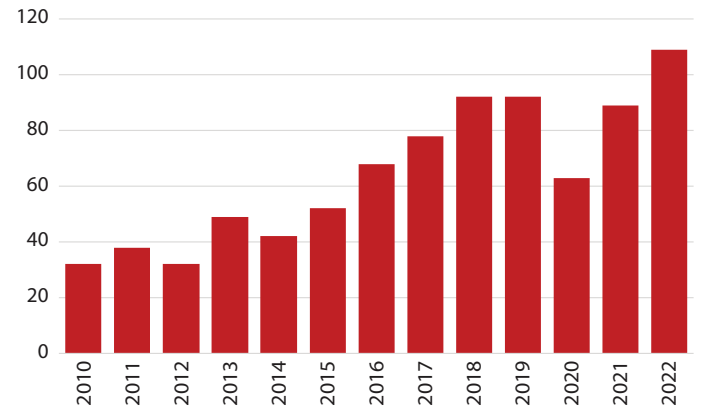
Source: Utah Foundation, Utah State Tax Commission, and Utah Superintendent's annual reports

Q: How Does Utah's Truth in Taxation System Work?

- 1 Local Tax** – Property tax is a local tax, imposed by taxing entities including school districts, cities and towns, counties, and limited-purpose local entities (such as water districts).
- 2 No Automatic Revenue Increase on Existing Properties** – When property values increase, the certified tax rate automatically adjusts down to offset that valuation increase on existing properties, so taxing entities receive a flat revenue amount.
- 3 Truth in Taxation Requires Public Notice of Revenue Increase** – Under Utah’s “Truth in Taxation” system, to increase the revenue dollar amount, taxing entities must follow specified public notice and hearing processes.
- 4 No Automatic Inflation Adjustment** – Utah’s Truth in Taxation system does not provide for any automatic inflationary adjustment. That is, the certified tax rate is set to generate the identical revenue amount as the prior year.
- 5 Newly Created Property Can Generate New Revenue** – New property, such as a new house or commercial building, is subject to the same tax rate as all other property and can generate new revenue for a taxing entity.

- 6 Taxing Entities Set Property Tax Levels** – Taxing entities impose tax rates, within any applicable statutory caps.
- 7 Property Values Distribute Tax Burden** – When taxing entities set tax rates, assessed property values allocate those taxes among property owners.

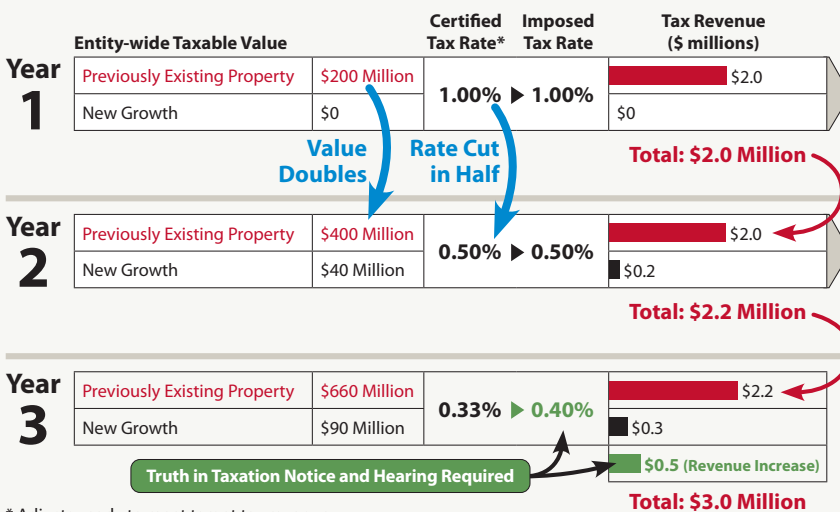
Figure 9: Statewide Count of Entities Holding Truth in Taxation Hearing, 2010–2022



Source: Utah State Tax Commission

Q: How does property tax rate setting work?

Figure 10: Example of Truth in Taxation Certified Tax Rate Process

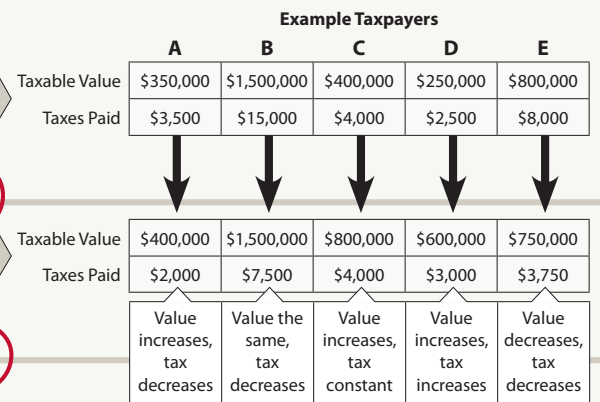


* Adjusts yearly to meet target tax revenue

- Target Tax Revenue from Previously Existing Property
- Tax Revenue from “New Growth” (Newly-created Property)

Source: Kem C. Gardner Policy Institute

Individual property owner's taxes may shift even with no overall total revenue increase on previously existing property

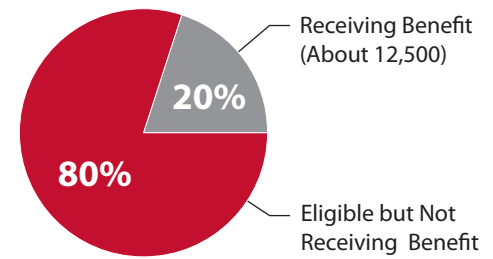


Taxing entity boards establish tax revenue amounts. Assessed property values allocate those tax amounts among taxpayers.

Q: What happened in 2022?

- **School property tax increased**
 - Statewide school property tax basic levy rate remained frozen (final year of 2018-2022 freeze)
 - Some school districts held truth in taxation hearings to increase tax rates
- Cities, counties, and other districts (like water districts) also held truth in taxation hearings to **increase tax rates**
- Taxes shifted from **businesses to households**
 - High home price increases
 - Changing business property markets
 - Assessment practices
- **High inflation** put pressure on government, household, and business costs
- The Legislature passed SB 25 providing **property tax relief** for qualifying individuals

Figure 11: Existing tax relief programs are underutilized



Source: U.S. Census Bureau and Utah State Tax Commission

Q: What tax policy options exist?

If your policy objective is to...	Then consider options to...
Minimize regressivity	<ul style="list-style-type: none"> ■ Ensure circuit breaker for low-income seniors is appropriately sized and easy for eligible taxpayers to access ■ Review alternatives to abate property taxes of the poor who are not seniors ■ Cap primary residential exemption for high-value properties ■ Adjust fee-in-lieu values to reduce regressivity ■ Create income tax credit for low-income households
Ensure market-driven factors drive distribution of property tax burden	<ul style="list-style-type: none"> ■ Disclose property sale prices (could do so as private record or public record) ■ Ensure assessors have sufficient staffing, training, data, and up-to-date assessment tools ■ Cap, reduce, or eliminate various types of preferential tax treatment (such as exemptions and special valuation approaches) ■ Review statute, administrative rules, and assessment practices to determine if any laws, rules, or approaches inhibit fair market value assessment
Adjust local government revenues (up or down) to match core service needs funded with property tax	<ul style="list-style-type: none"> ■ Determine appropriate service levels and change tax rates to generate desired revenue ■ Review tax rate caps to ensure they are designed appropriately in context of Utah's Truth in Taxation system ■ Allocate more income taxes to schools via equalization programs such as voted/board levy guarantee program, and offset increases with local property tax certified tax rate adjustments
Equalize school property taxes statewide <i>(or further localize school property taxes)</i>	<ul style="list-style-type: none"> ■ Re-emphasize the statewide basic levy over local school taxes: <ul style="list-style-type: none"> • Increase, keep constant, or adjust basic levy rate for CPI inflation • If overall revenue neutrality is desired, offset increased allocations from statewide property taxes with local certified tax rate reductions ■ Equalize revenues (all or growth) from second homes, centrally assessed businesses, commercial property, or other non-residential property ■ Focus state income tax funds more on school districts with low property tax base making higher local tax effort <p><i>(or do the opposite to further localize school property taxes)</i></p>
Encourage economic efficiency, including more efficient land use	<ul style="list-style-type: none"> ■ Place greater emphasis on user fees tied to usage levels and property taxes to fund services, especially property taxes on land (note that some approaches to an increased emphasis on land value taxes may require a constitutional change) ■ Cap, reduce, or eliminate various types of preferential tax treatment for real property (such as exemptions and special valuation approaches)