

Property Tax Insights

Newsmaker Breakfast
December 14, 2022



DAVID ECCLES SCHOOL OF BUSINESS

Property Tax

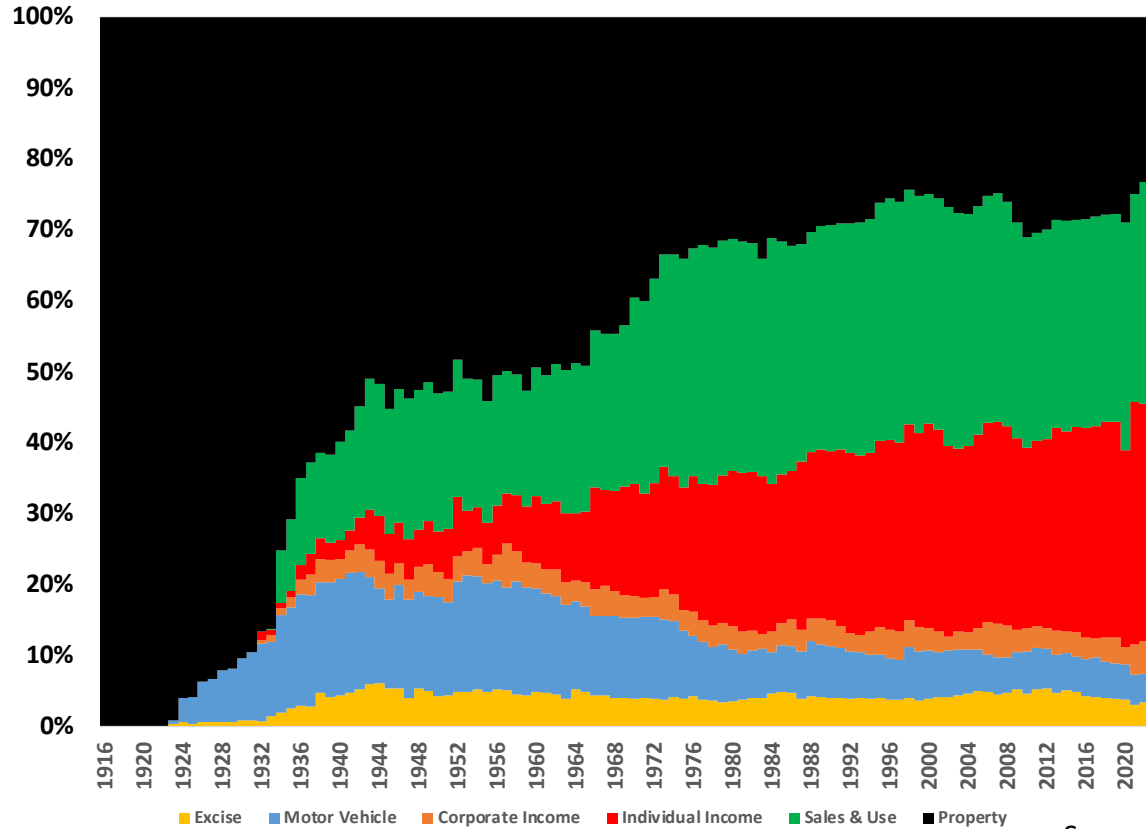
1. Property tax in Utah's overall revenue system

- History
- Contrast with income tax

2. School funding

3. Recent trends

Utah's Tax System Portfolio Over Time



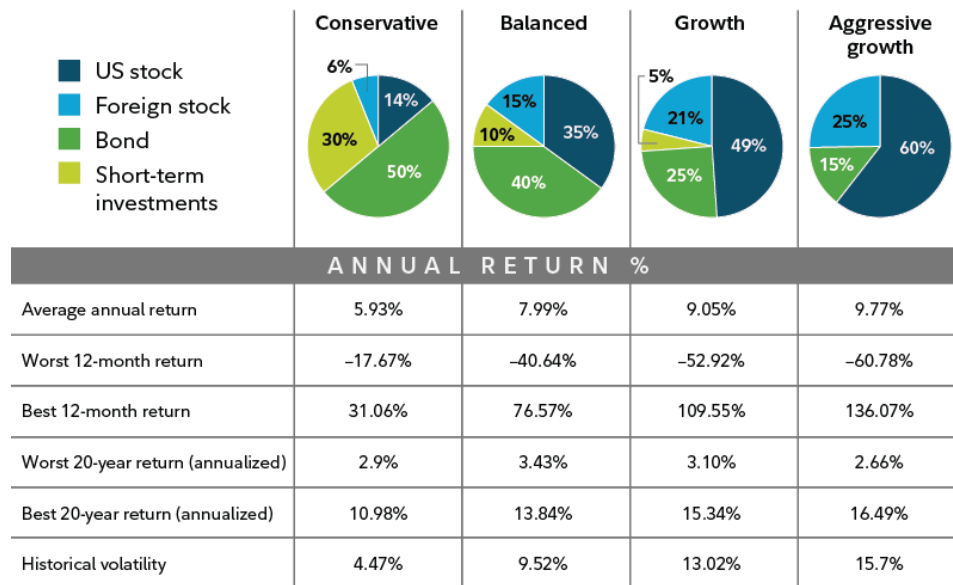
Source: Utah State Tax Commission

Characteristics of Utah's Income Tax

A tax system is like an **investment portfolio**

What does income tax bring to Utah's state and local tax portfolio?

- Growth
- Volatility
- Education funding
- Revenue use constraints
- Tax on economic wellbeing as measured by income flow
- Moderate progressivity

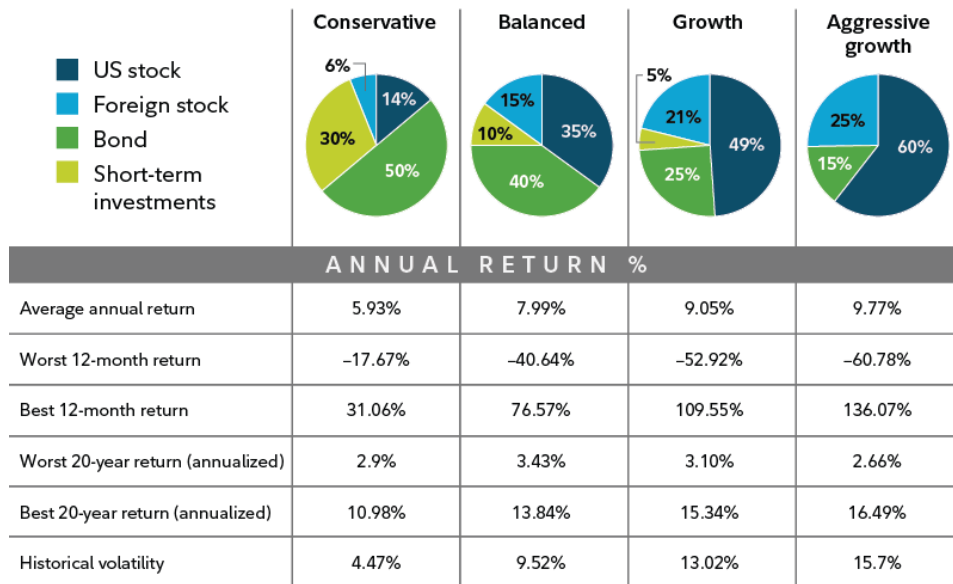


Characteristics of Utah's Property Tax

A tax system is like an **investment portfolio**

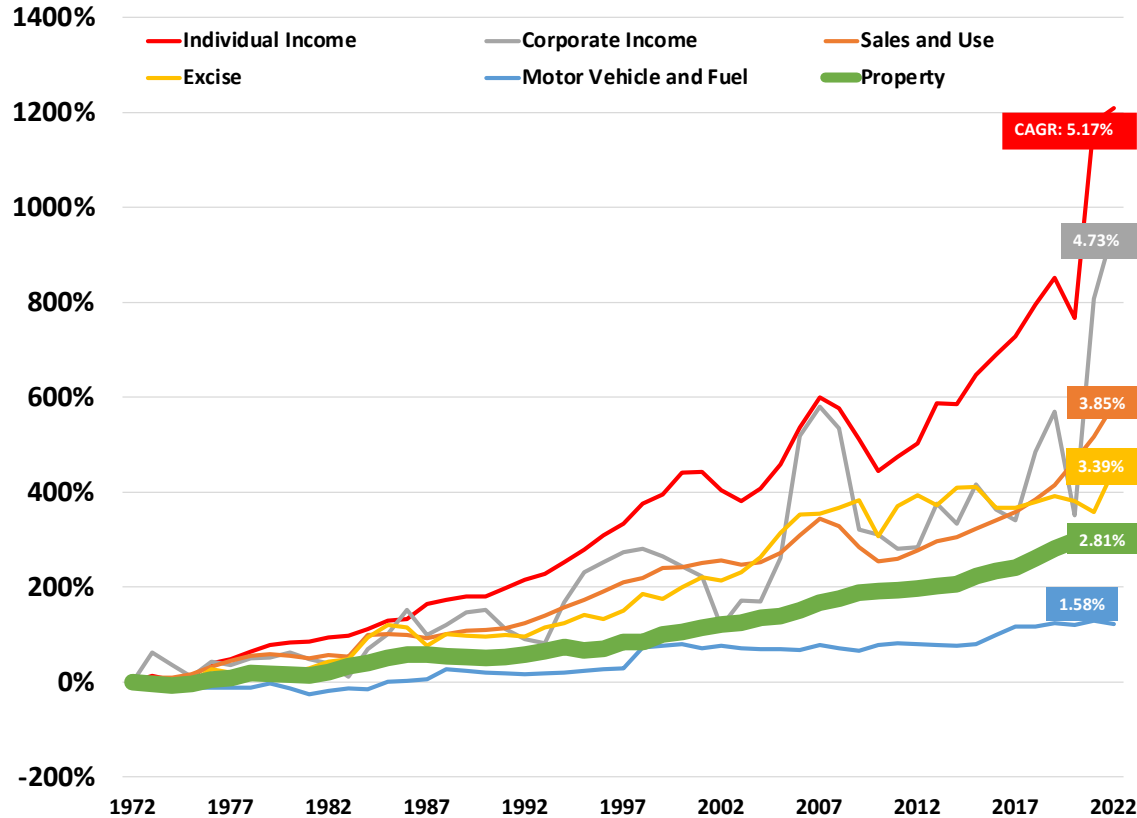
What does property tax bring to Utah's state and local tax portfolio?

- Stable
- Local
- Benefits tax
- Broad base, low rate
- Direct, visible, transparent
- But complex (behind the scenes)
- Tax on asset wealth (certain types)
- Tax on real property economically efficient



Property Tax Utah's Most Stable Major Tax

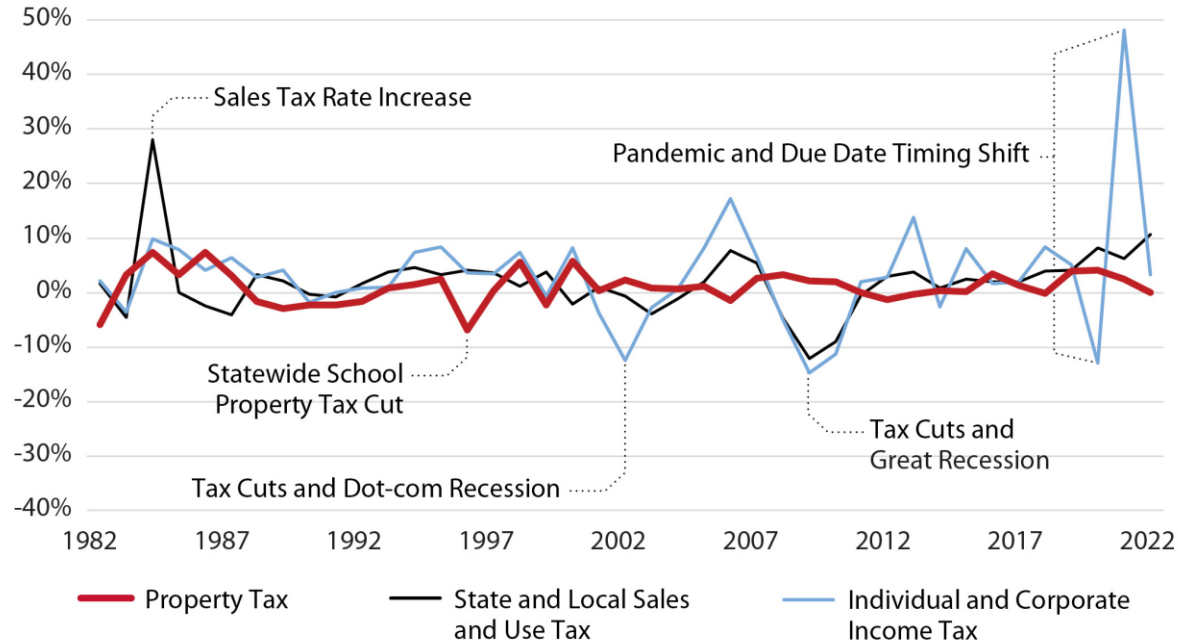
Growth in Inflation-Adjusted Revenues, 1972-2022



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

Property Tax Most Stable Major Tax II

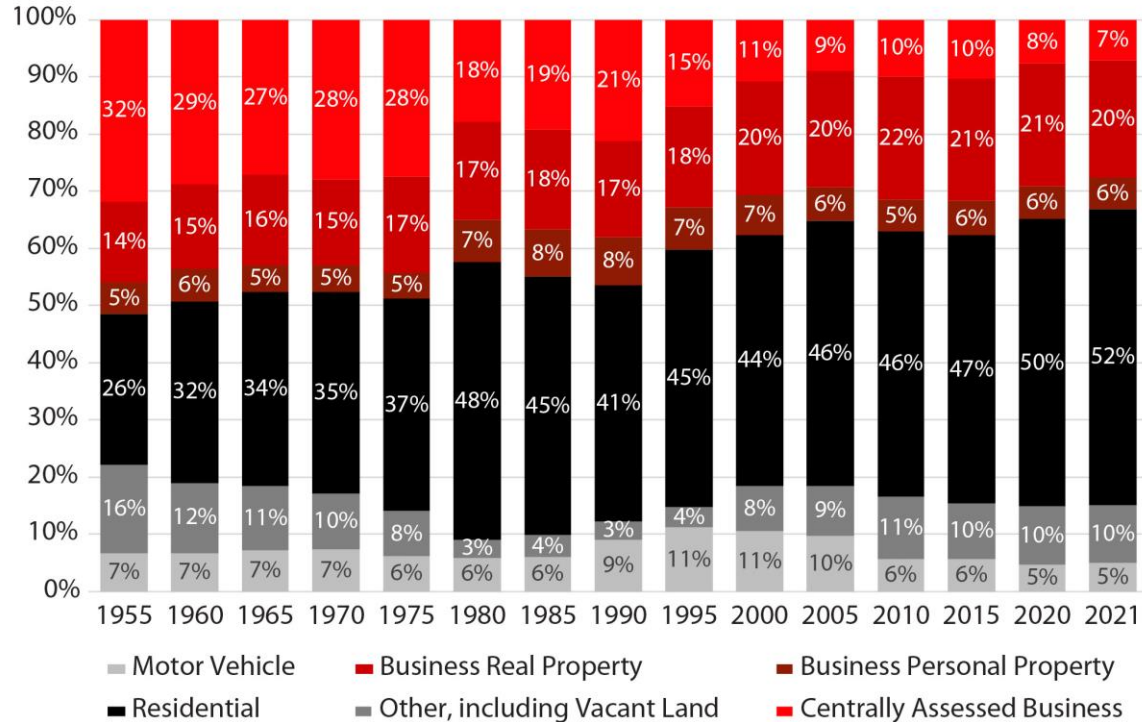
Figure 1: Year-Over Change in Real (Inflation-Adjusted) Tax Revenue per Capita for Major Utah Taxes, FY 1982-2022



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

How Have Property Taxes Shifted Over Time?

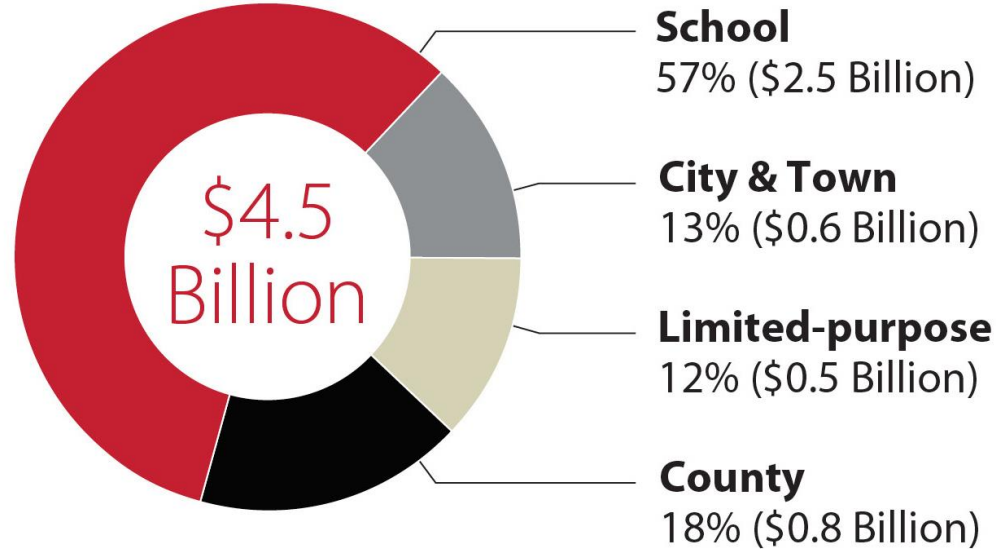
Figure 2: Property Tax Base Composition, 1955-2021



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

Who Receives Property Taxes?

Figure 3: Property Tax Recipients, 2021

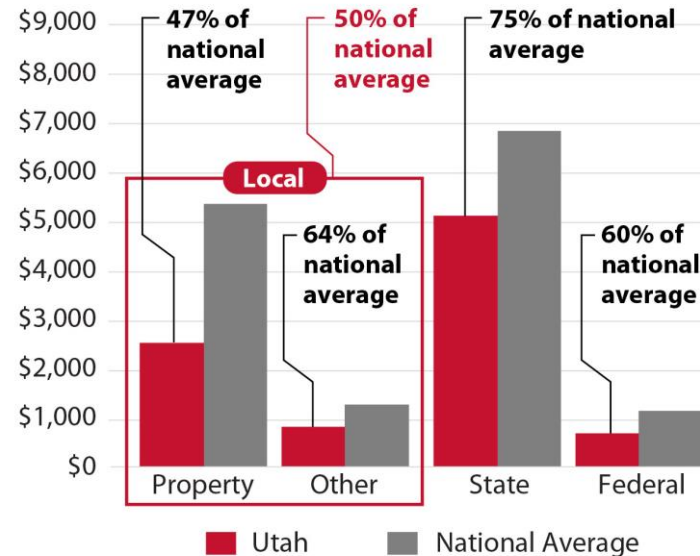


Note: Includes ad valorem and fee-in-lieu property tax revenue

Source: Utah State Tax Commission

Property Tax at Heart of Utah's Comparatively Low Per-Student Funding

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

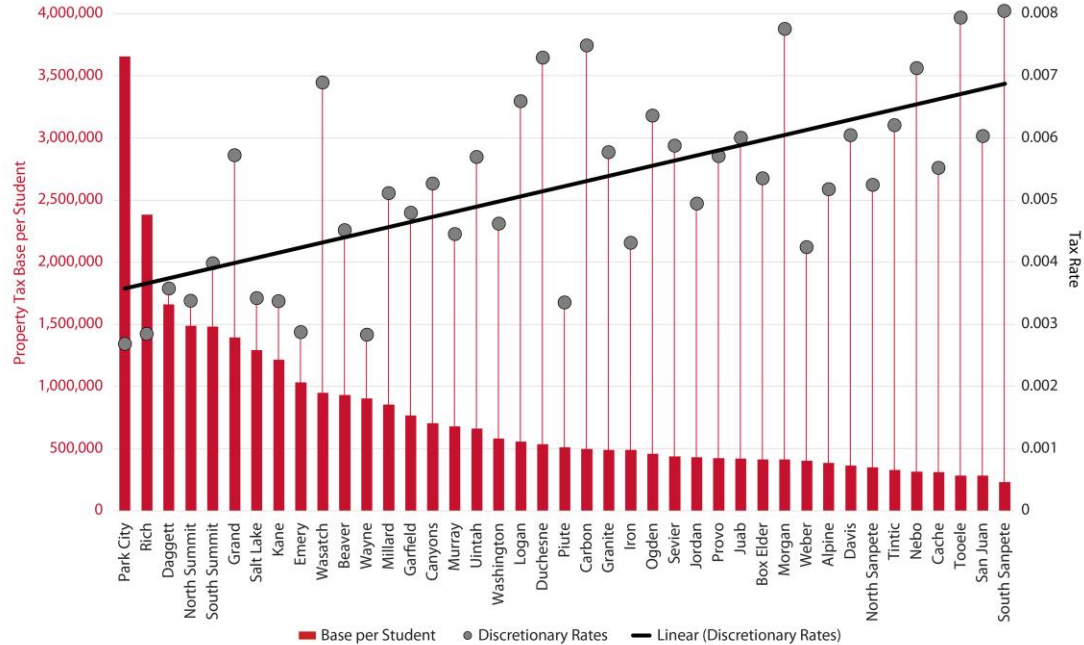


Source: National Center for Education Statistics

School Property Tax Base Highly Unequal Among School Districts

School District Property Tax Base per Student and Discretionary Tax Rates, FY 2020

Massive School Property Tax Base Disparities Influence Tax Rates



Note: Figure 11 is sorted by property tax base per student. Figures 12, 13, and 20 are sorted in the same order to simplify comparison across figures. Discretionary rates exclude the statewide mandated rate (basic levy).

Source: Utah State Board of Education and Utah State Tax Commission

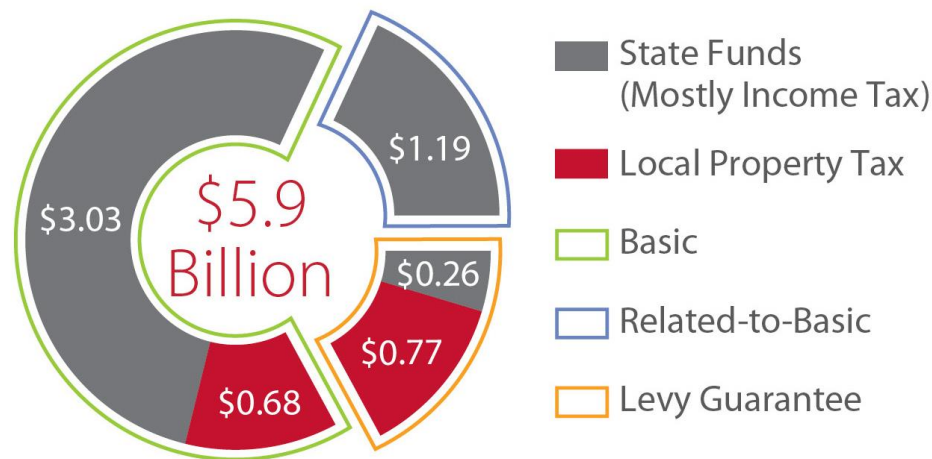
Minimum School Program Partially Offsets Property Tax Inequalities With Income Taxes

- **FY 2022 Minimum School Program (MSP) \$5.9B Total**

- **Components**

- Basic Program \$3.7B
- Levy Guarantee Program \$1.0B
- Related-to-Basic \$1.2B

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

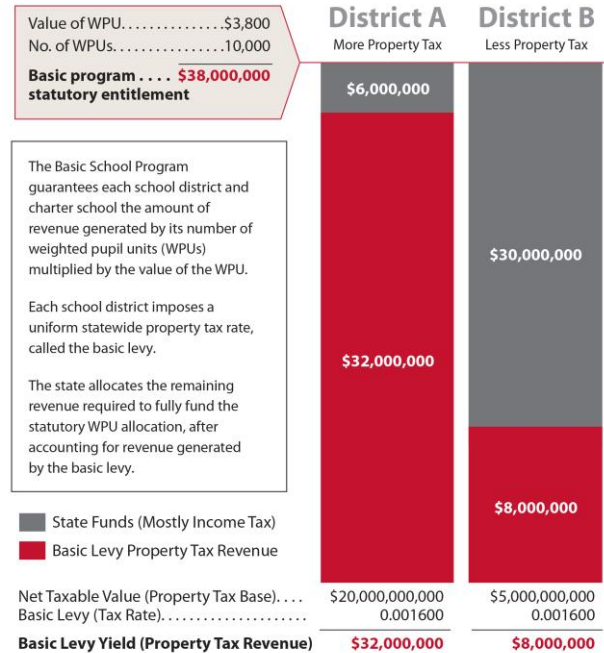


Source: Office of the Legislative Fiscal Analyst

Basic Program Concept – Full Statewide Equalization

Basic School Program for Two Hypothetical School Districts

Basic Program Helps Equalize Property Tax Disparities



Source: Kem C. Gardner Policy Institute

• Revenues Equalized

- Uniform statewide school property tax
- Uniform statewide income tax

• Spending Equalized

- Weighted pupil unit allocation methodology based on student characteristics
- Similar students funded similarly throughout the state

Uniform Statewide School Property Tax

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

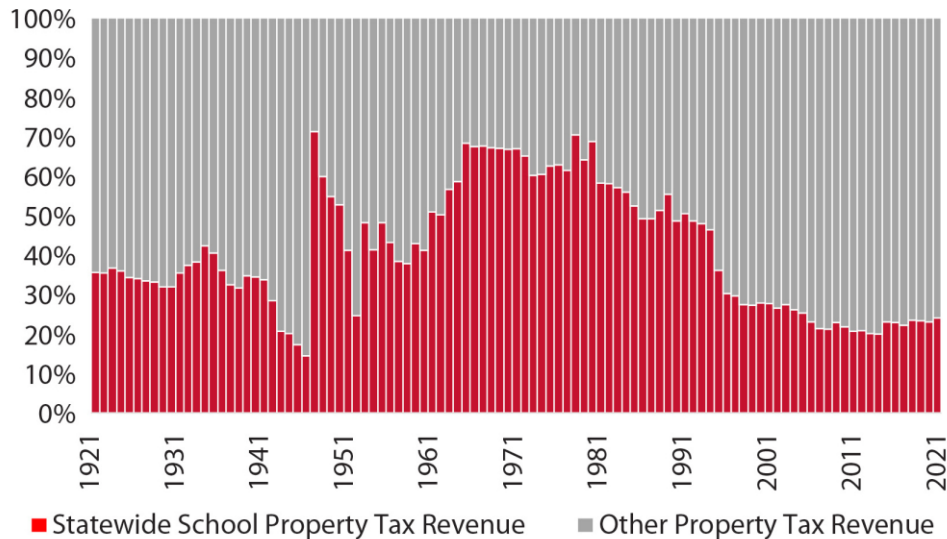


Rate adjusted for changes in statutory assessment levels, which were below 100% from 1947 to 1986.

Source: Utah Superintendent's annual reports

Discretionary Local Taxes Now Make Up Lion's Share of School Property Tax

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



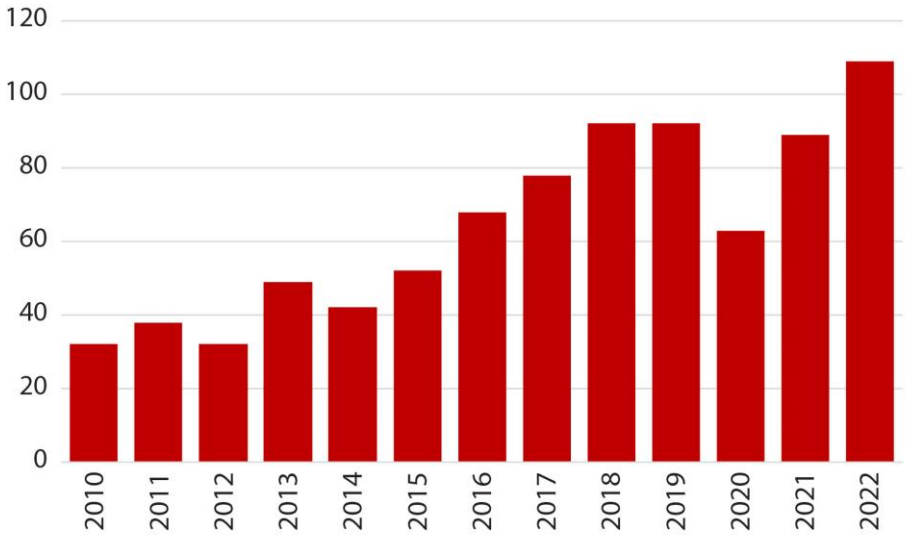
Source: Utah Foundation, Utah State Tax Commission, and Utah Superintendent's annual reports

What Happened in 2022?

- Frozen basic levy (final year)
- Many entities held truth in taxation hearings to increase tax rates
- High inflation
- Property taxes shifted from businesses to households
- Legislature passed SB 25, property tax relief via deferrals for qualifying taxpayers

With Inflation, More Taxing Entities Looking to Exceed Certified Tax Rate

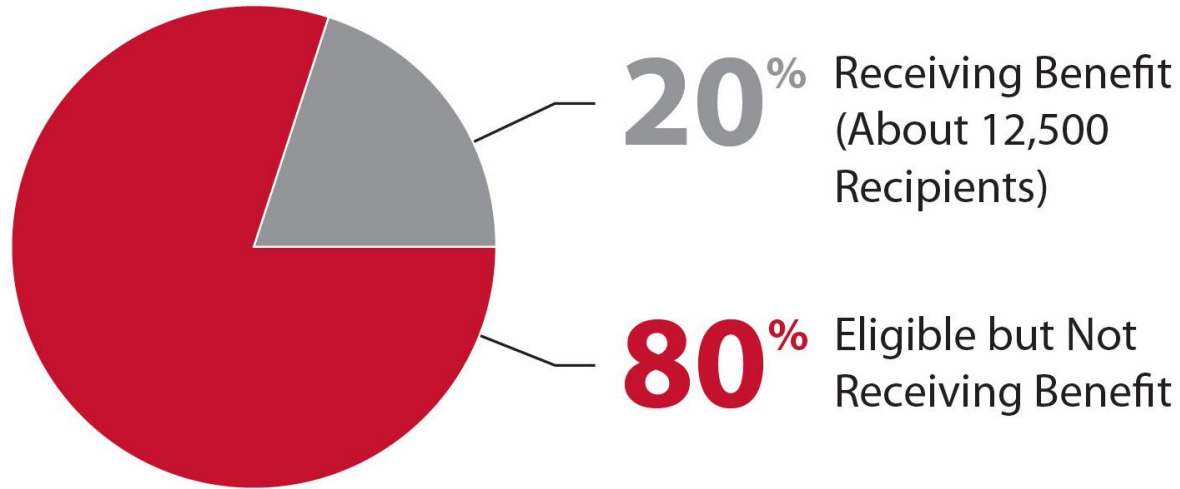
Figure 9: Statewide Number of Entities Holding Truth in Taxation Hearing, 2010–2022



Source: Utah State Tax Commission

Property Tax Relief – Circuit Breaker

Figure 11: Existing tax relief programs are underutilized



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

Conclusion

- **Property tax key revenue source for schools and other local governments**
- **Accurate assessment key to Utah's property tax system**
 - **School funding ramifications**
 - **Assessment challenges**
- **Ongoing property tax policy discussions continue**