

Utah Property Tax Myth Busters

Utah Property Tax: Trends and Choices
January 17, 2024



DAVID ECCLES SCHOOL OF BUSINESS

Our purpose is to help people make

INFORMED DECISIONSTM

A Few Tax Thoughts

“Don’t tax you, don’t tax me, tax that fellow behind the tree.”

Russell Long

“No government can exist without taxation. This money must necessarily be levied on the people; and the grand art consists of levying so as not to oppress.”

Frederick the Great

“The universal truth about taxation is that people want government without paying for it. The history of taxation is the story of a struggle among individuals and groups intent upon achieving that goal for themselves or for their groups.”

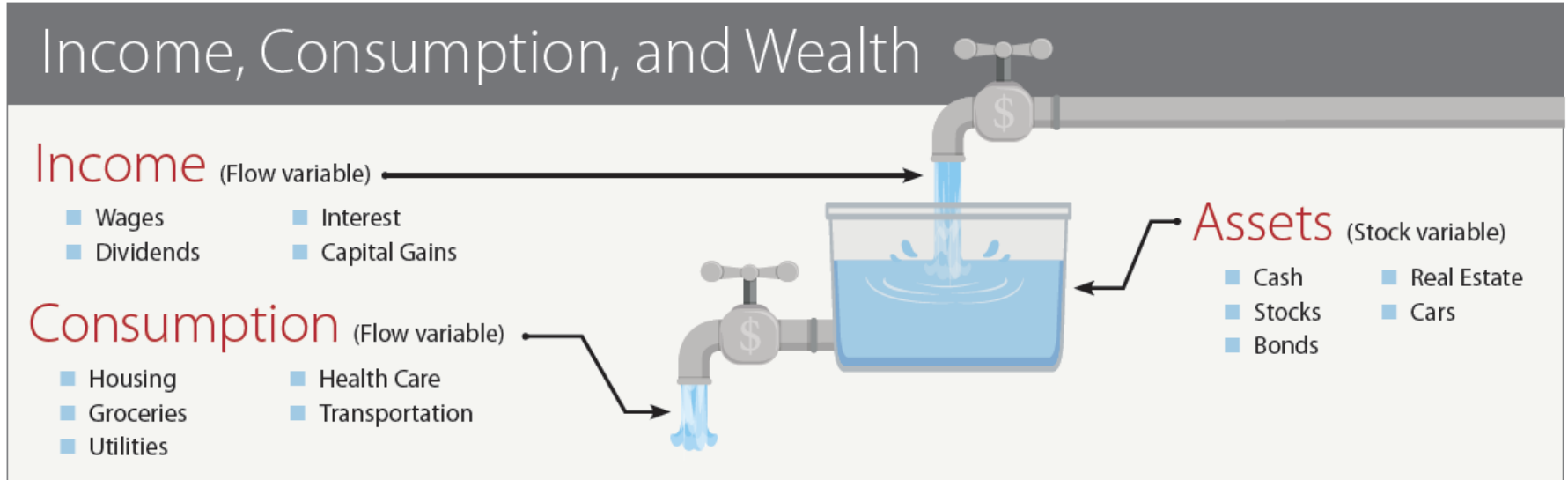
Glenn W. Fisher

Overview of Utah's Property Tax

1. Property Tax in Utah's Tax Portfolio
2. Key Property Tax Features
3. Property Tax Myth Busters

Property Tax in Utah's Tax Portfolio

Taxation of Stocks and Flows



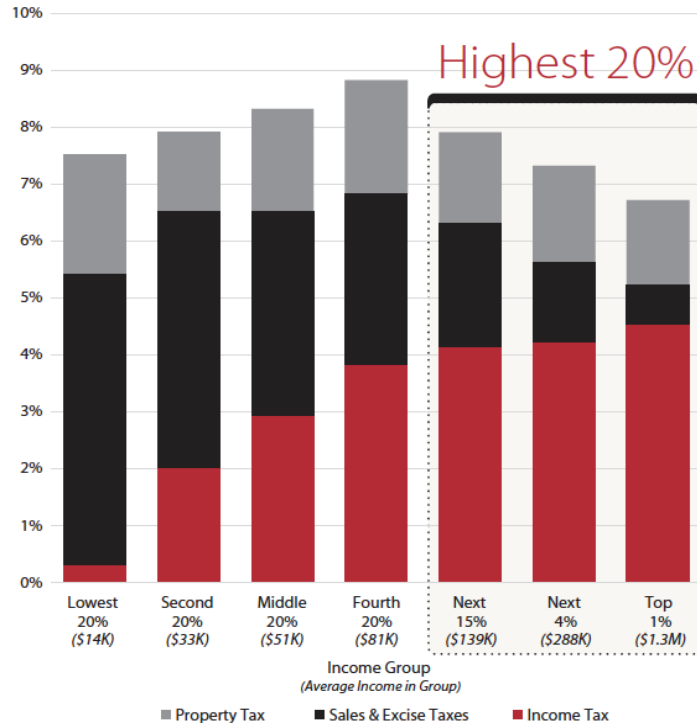
Source: Kem C. Gardner Policy Institute

Tax Policy Tradeoffs

- Each tax exhibits strengths and weaknesses
- Carefully consider and confront tradeoffs among strengths and weaknesses
- Both from a system-wide perspective and on a tax-by-tax basis, work to minimize weaknesses to benefit from strengths

One Tradeoff Example - Who Pays?

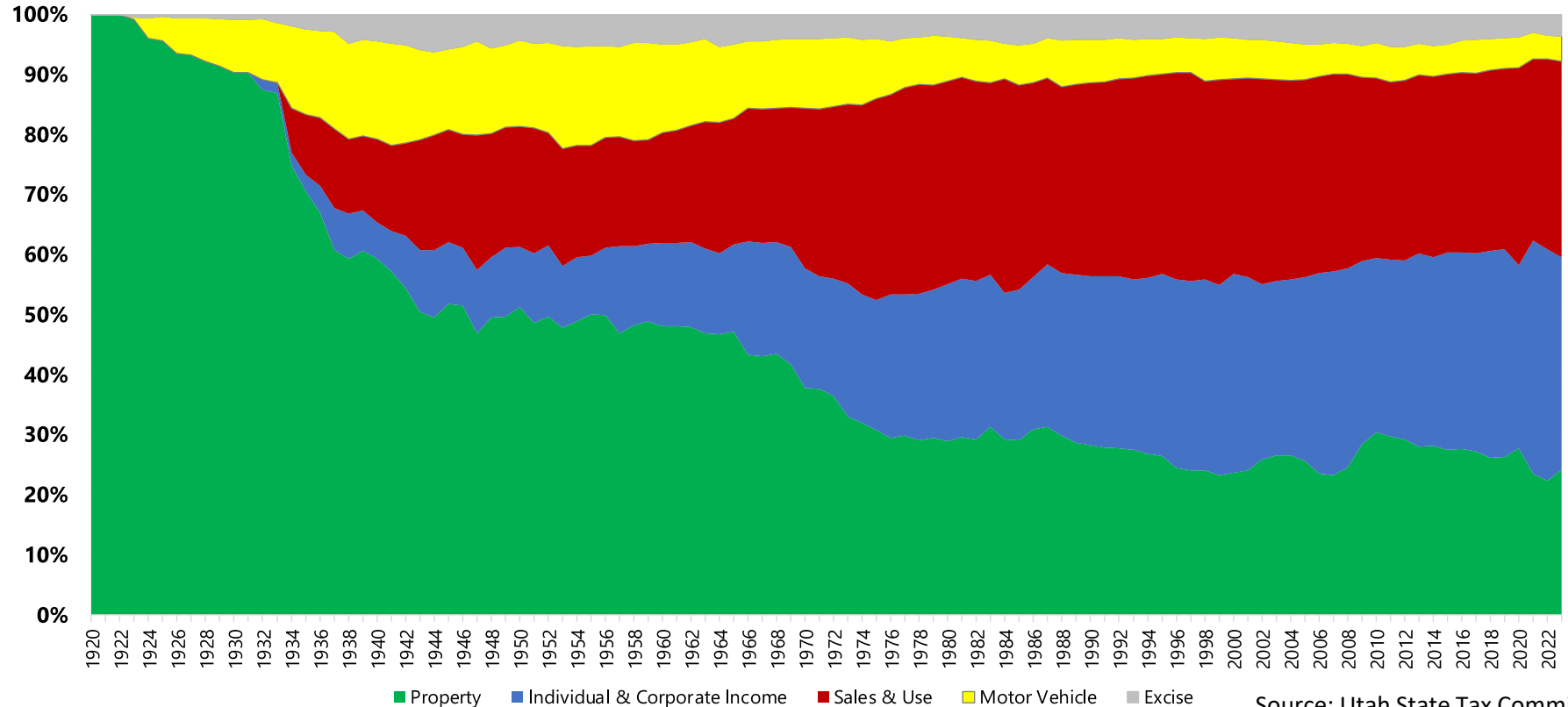
Figure 5: Estimated Utah State and Local Tax Burden as a Percent of Annual Income for Working-Age Households



**Households at different
income levels pay more
or less in different taxes**

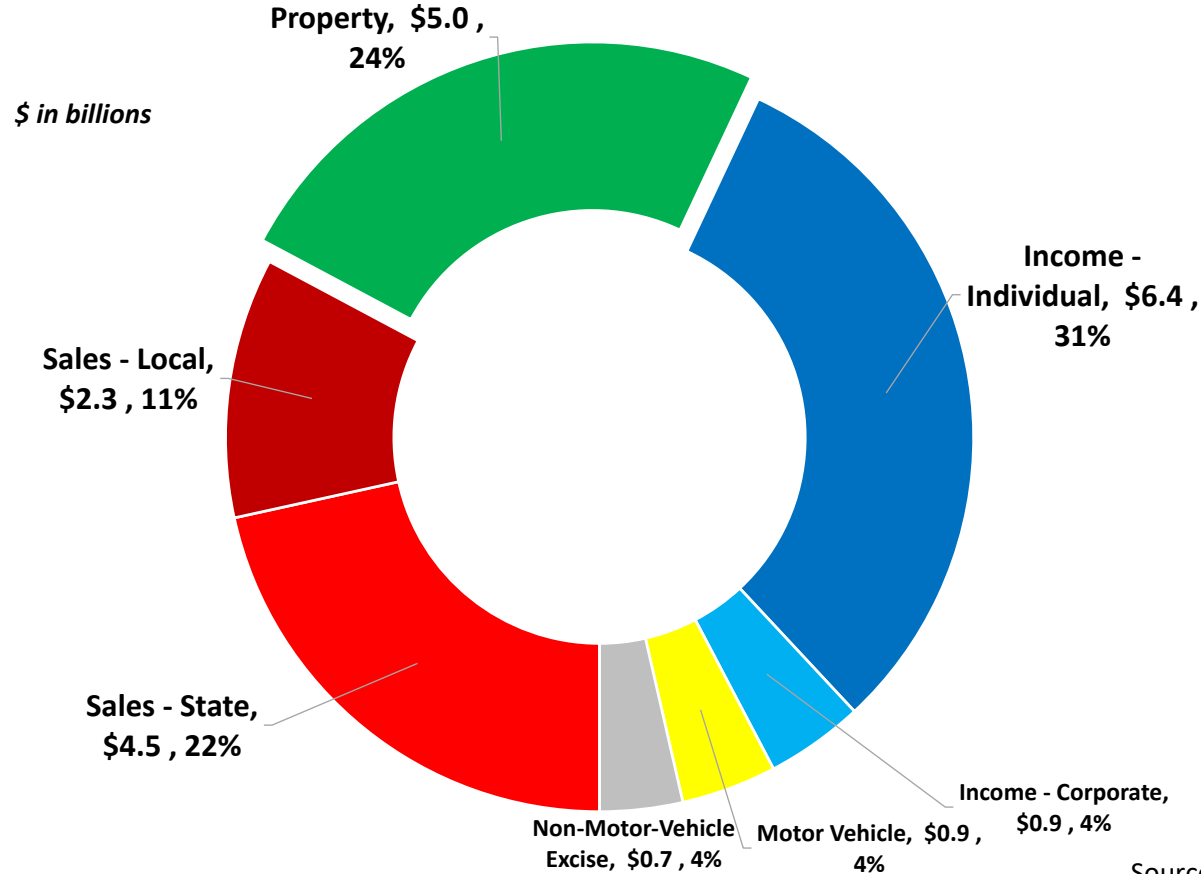
Source: Kem C. Gardner Institute from Institute on Taxation and Economic Policy

Utah's State and Local Tax Portfolio – Tradeoffs and Risk Management



Source: Utah State Tax Commission

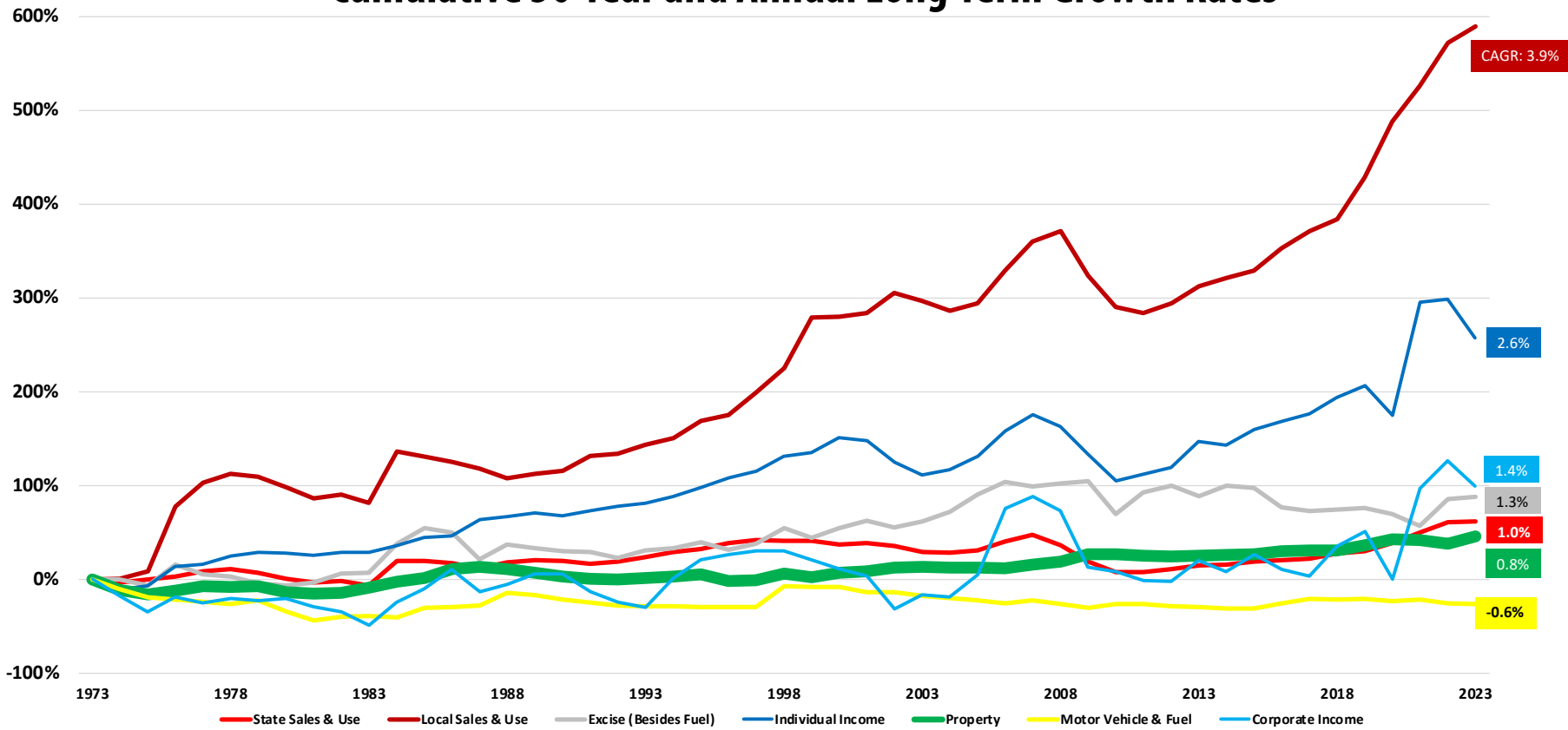
Utah's Tax Portfolio in FY 2023



Source: Utah State Tax Commission

Utah's Tax Portfolio Real Per Capita

Cumulative 50-Year and Annual Long-Term Growth Rates



Source: Utah State Tax Commission

Property Tax Features

Utah Property Tax Features

- Local (schools largest piece of property tax funding)
- Comparatively stable
- Transparent
- Direct
- Complex
- Broadest base of major taxes and paces with economy
- Lowest rate of major taxes
- Many services funded tie closely to property and property values
- Economically efficient
- Govt bears comparatively larger share of administrative burden

Property Tax Myth Busters

Myth 1 – The Utah Constitution is Silent on Property Taxes

Fundamental Provision:

“So that each person and corporation pays a tax in proportion to the fair market value of his, her, or its tangible property, all tangible property in the State that is not exempt under the laws of the United States or under this Constitution shall be:

- (a) assessed at a **uniform and equal rate in proportion to its fair market value**, to be ascertained as provided by law; and*
- (b) taxed at a **uniform and equal** rate.”*

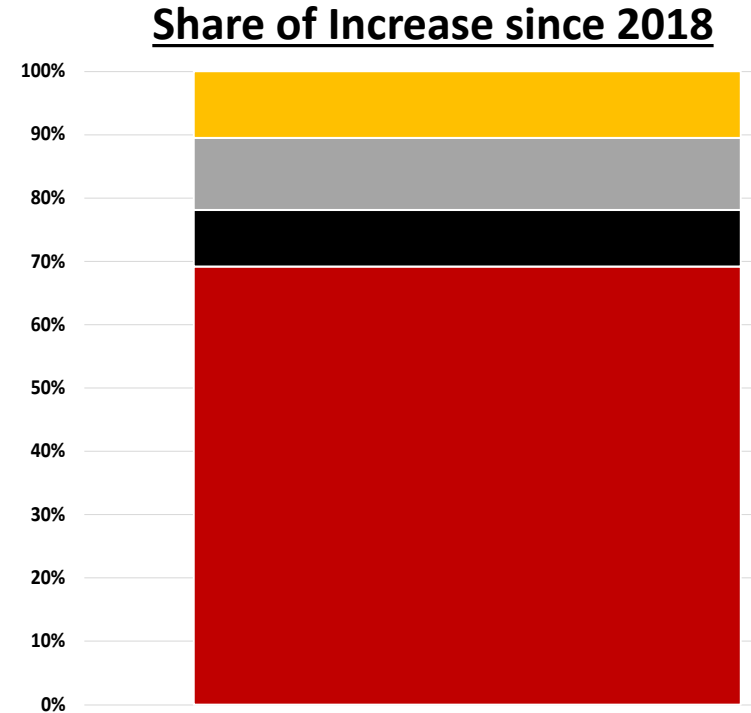
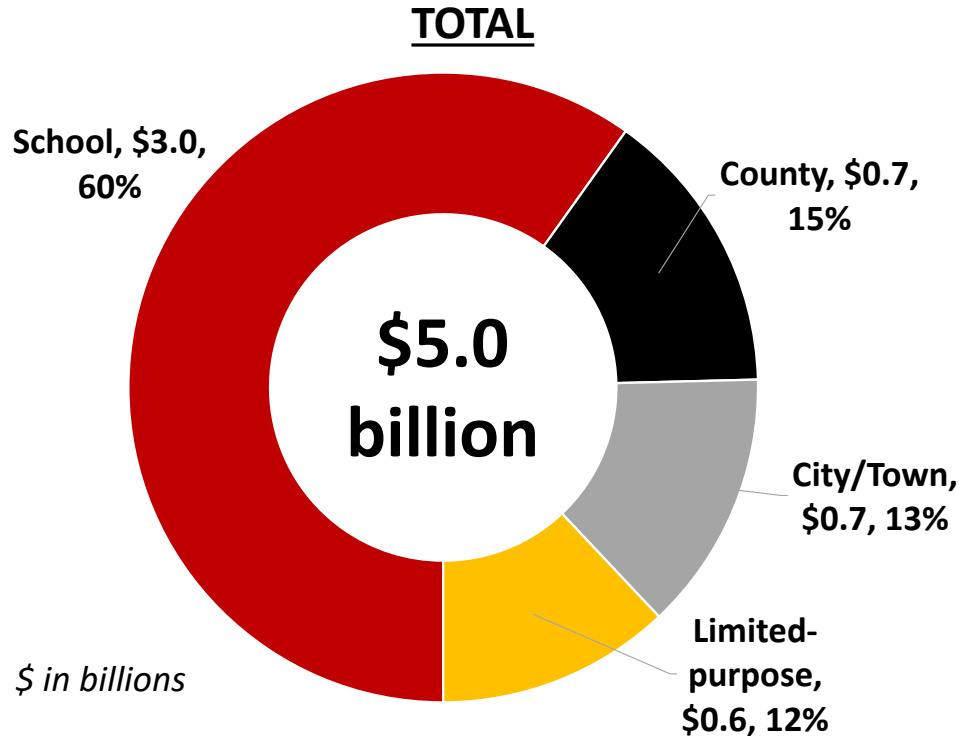
Utah Constitution Article XIII, Section 2 [Property Tax]

Myth 1 – The Utah Constitution is Silent on Property Taxes

Constitutional Exceptions to General Rule:

- Government property
- Religious property
- Up to 45% of fair market value of residential property
- Household furnishing and equipment
- Agricultural land at value for agricultural purposes
- Various others

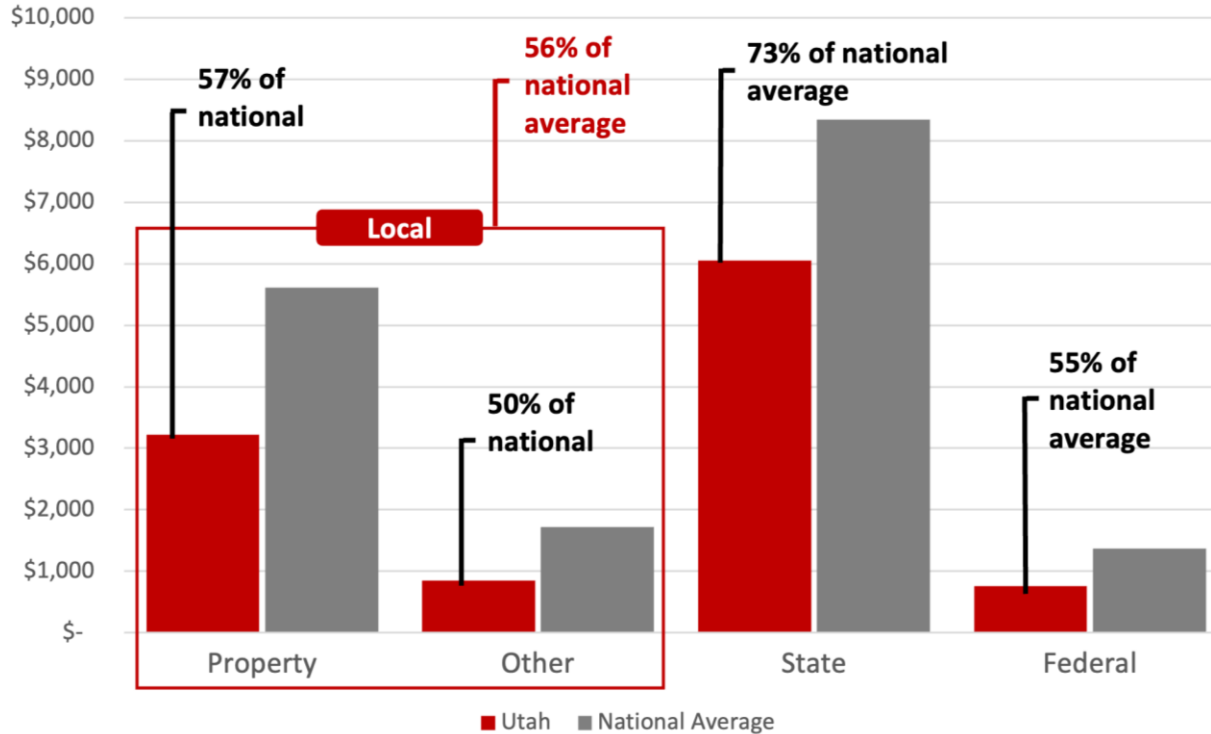
Myth 2 – Property Tax Only Funds Counties Since Counties Collect the Property Tax



Source: Utah State Tax Commission

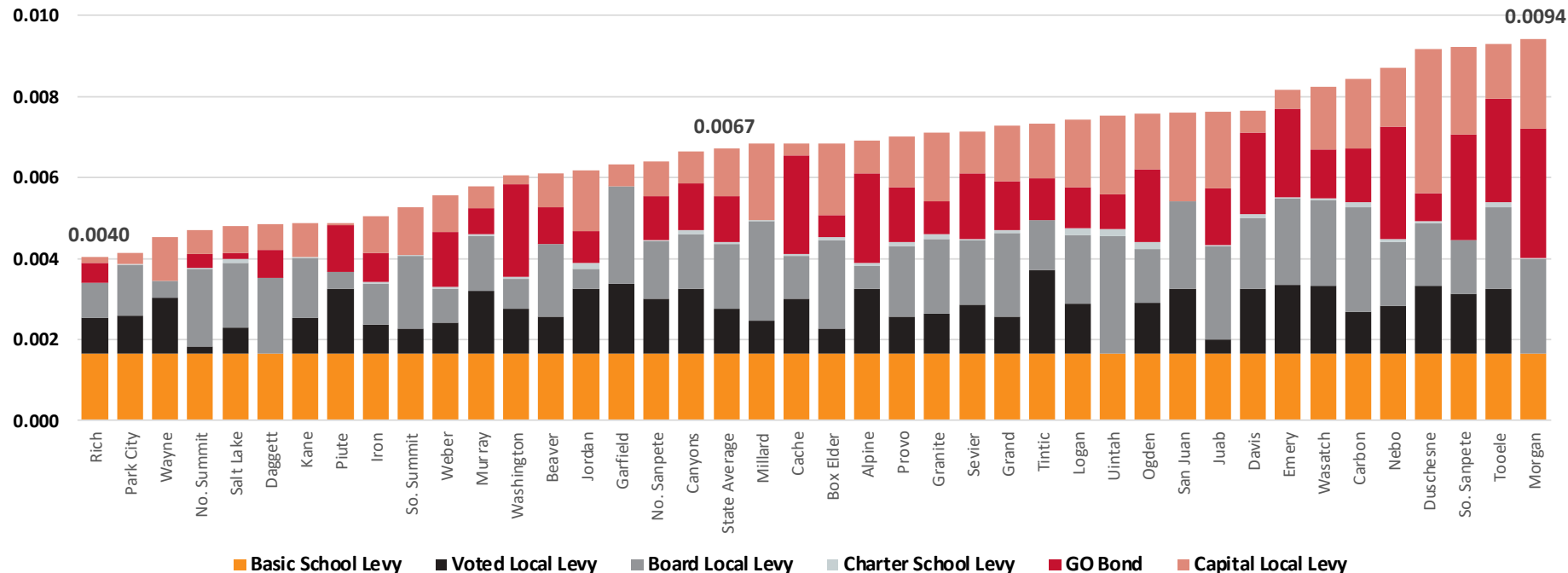
Property Taxes

Intertwine with School Funding



Source: National Center for Education Statistics

About 2/3 of School Property Taxes Fund Operational Expenses (Primarily Salaries), Remainder to Debt Service and Other Capital Expenses

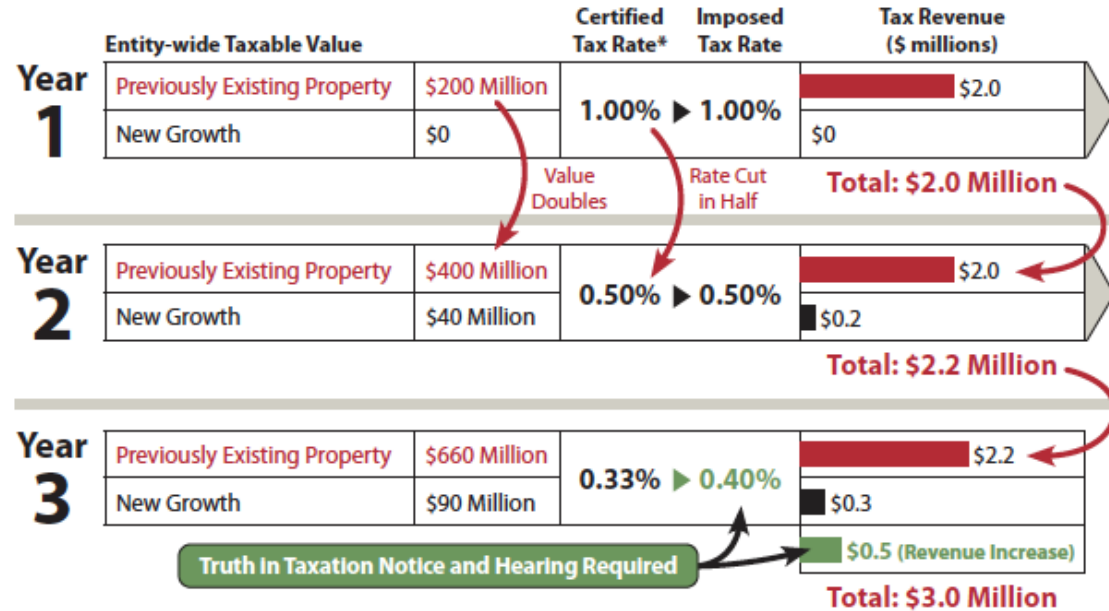


Source: Utah State Tax Commission

Myth 3 – Property Tax Revenues Automatically Go Up With Value Increases

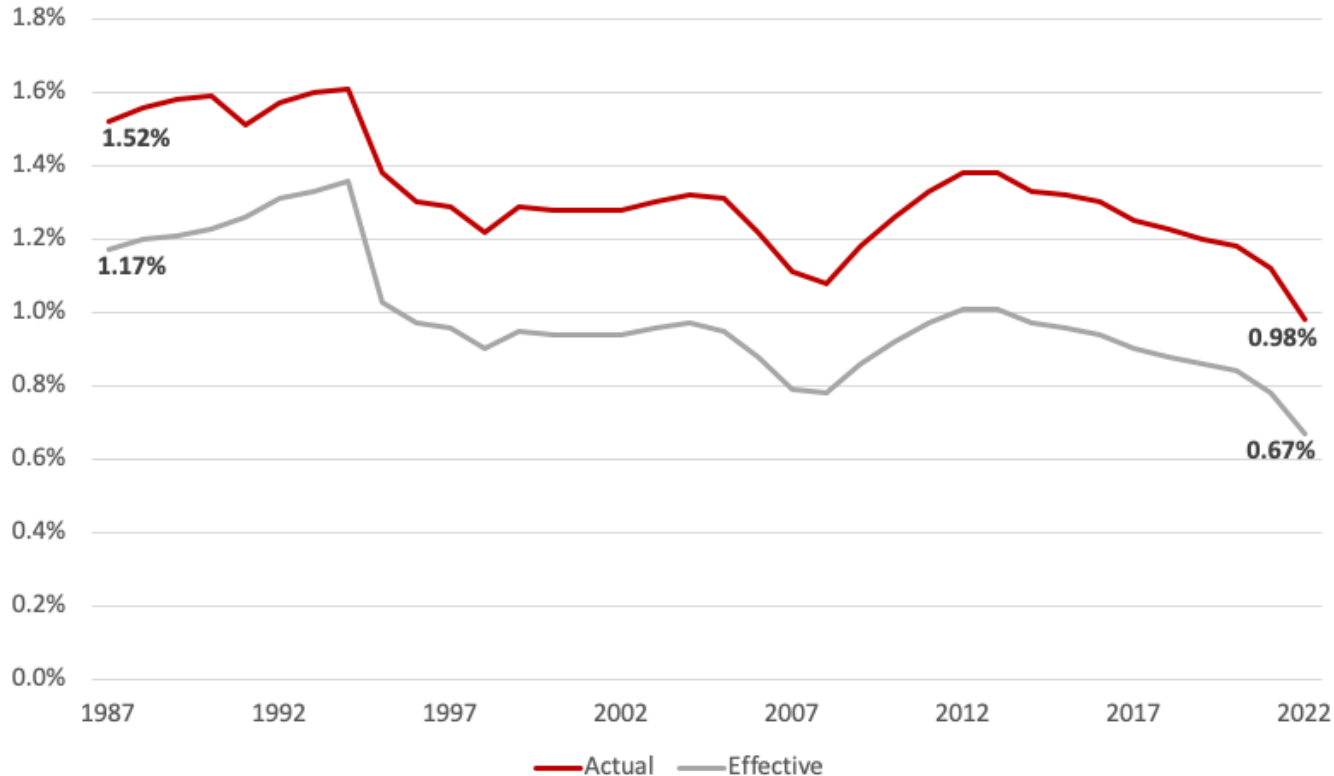
**“Certified Tax Rate”
adjusts down to offset
valuation increases**

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



* Adjusts yearly to meet target tax revenue

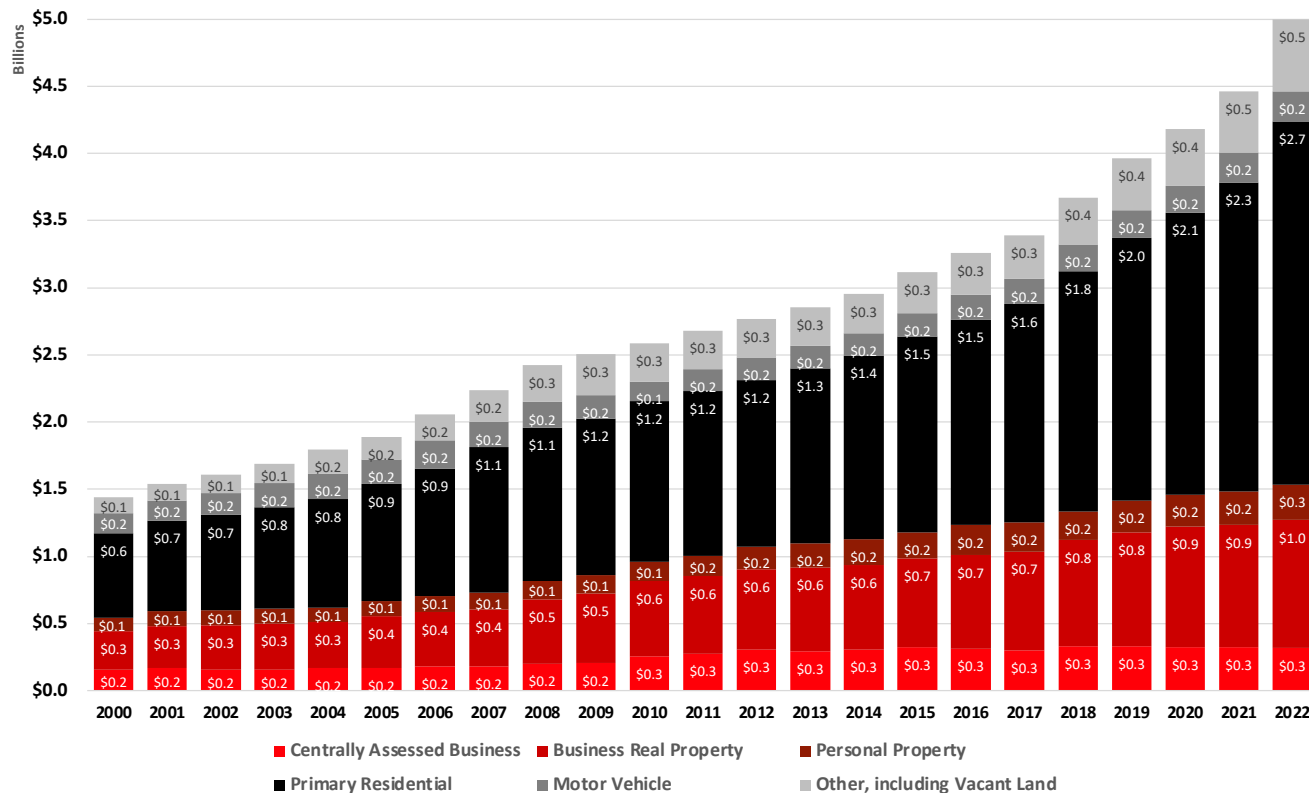
Total Property Tax Rates Decreased Over Past Decade



Source: Utah State
Tax Commission

Myth 4 – Because of Truth in Taxation, Property Tax Revenues Never Increase

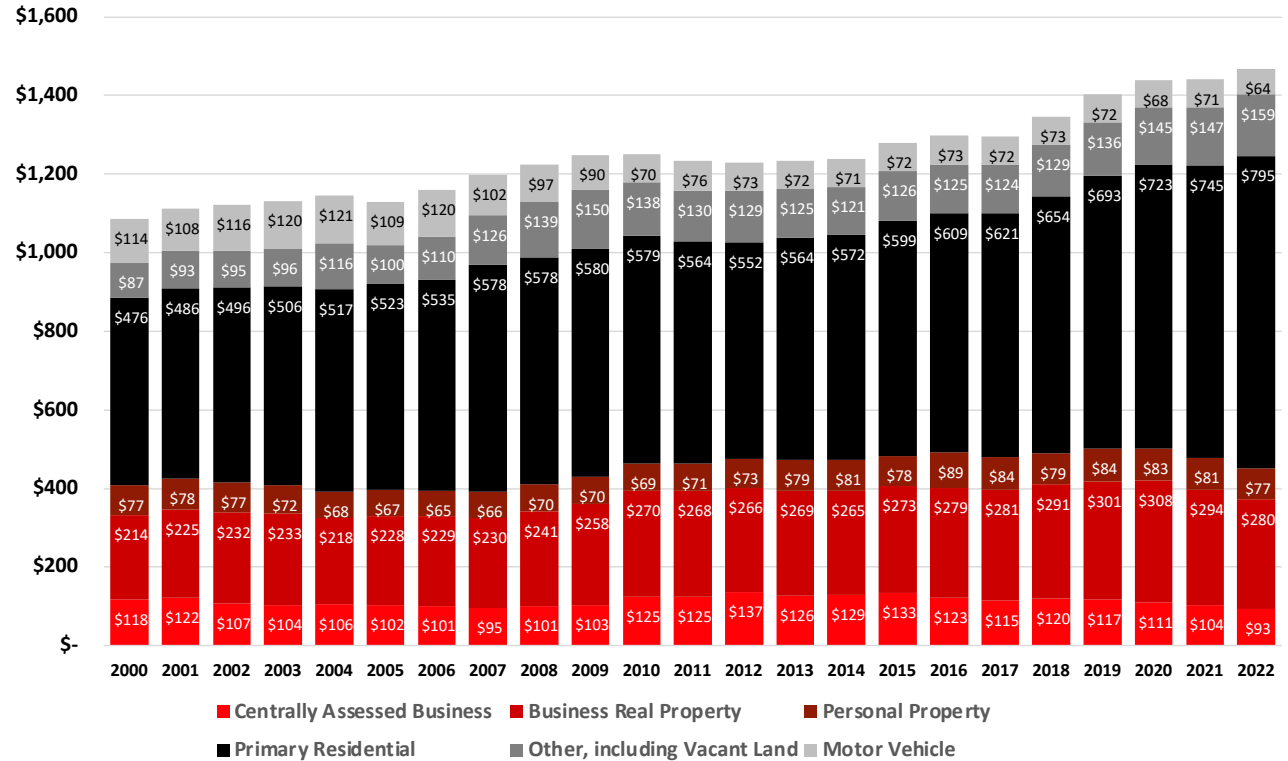
Nominal Property Taxes, 2000 - 2022



Source: Utah State Tax Commission

Real Per Capita Property Taxes Have Also Increased in Recent Years

Real Per Capita Property Taxes, 2000 - 2022



Source: Utah State Tax Commission

How Can Property Tax Revenues Increase?

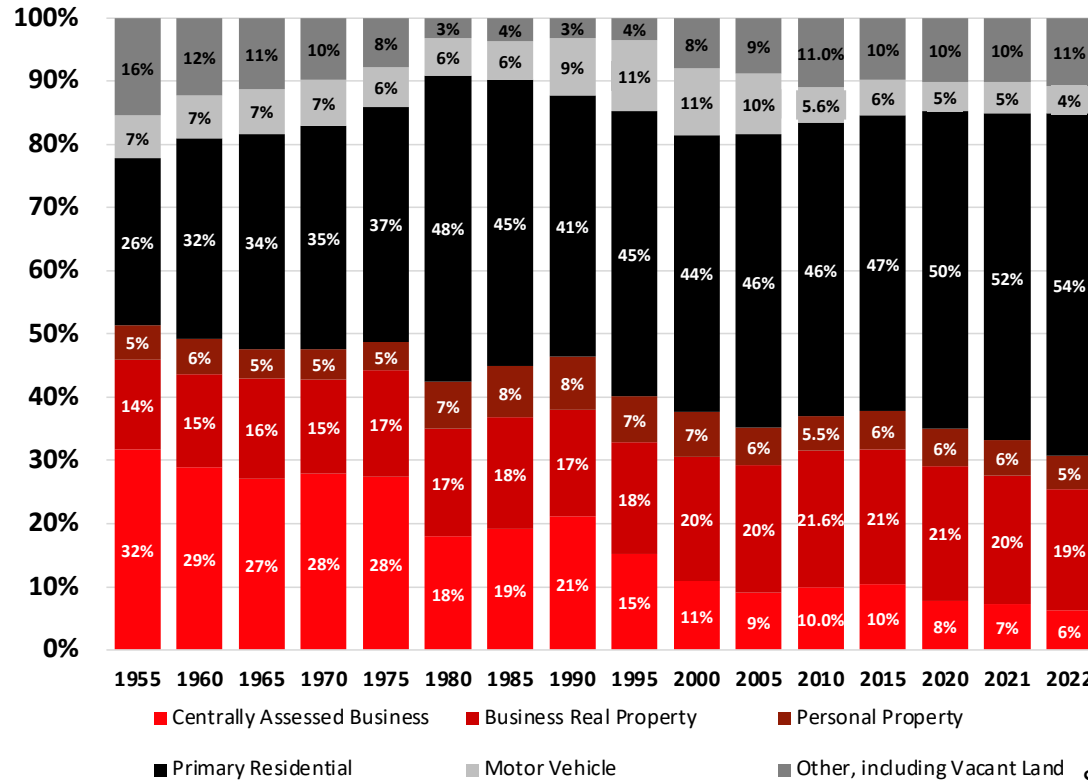
1. **“New Growth”** – Newly built property comes onto tax rolls
2. **Local Policy Decision** – Truth in taxation hearings to increase above certified rate
 - No automatic inflationary increase
 - Increased number of taxing entities held truth in taxation hearings (ex: nearly ½ of school districts in 2023)
 - Voted bond increases
3. **State Policy Decision** – Our Schools Now school funding compromise
 - Statewide school property tax 5-year rate freeze
 - 2018, 2019, 2020, 2021, 2022
 - With high value increases above expected amounts, Legislature cut rate in 2022
 - 2023 forward revert to normal rate adjustment process
 - Other provisions:
 - Income tax rate cut 5.00 to 4.95% (further rate cuts since)
 - Voter opinion question – pay for roads more with gas tax, use freed-up money to fund schools (did not pass)

 **DeseretNews.**

Herbert signs Our Schools Now compromise legislation By [Marjorie Cortez](#)
Apr 16, 2018, 3:27pm MST




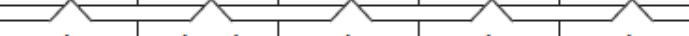
Myth 5 – Tax Changes Are Consistent Among Properties and Property Types



Source: Utah State Tax Commission

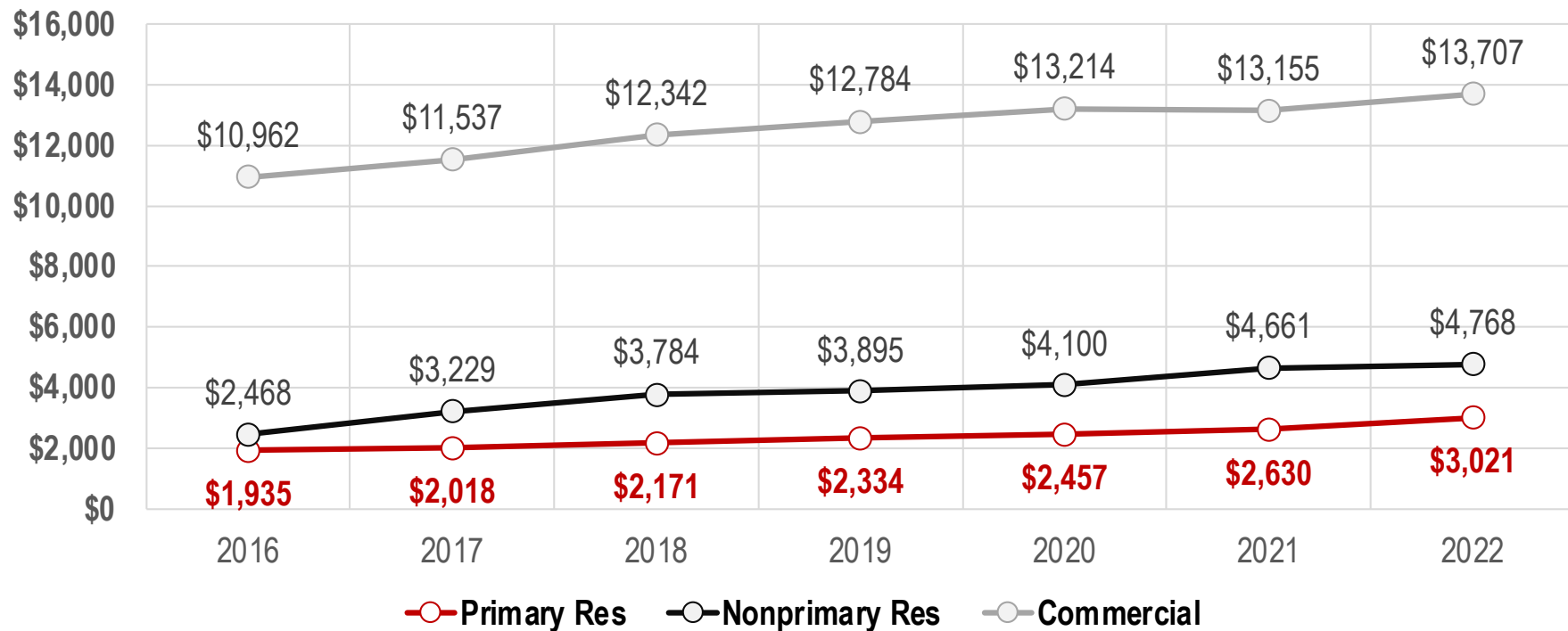
Property Values Shift Imposed Taxes Between Taxpayers

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

Example Taxpayers					
	A	B	C	D	E
Taxable Value	\$350,000	\$1,500,000	\$400,000	\$250,000	\$800,000
Taxes Paid	\$3,500	\$15,000	\$4,000	\$2,500	\$8,000
					
Taxable Value	\$400,000	\$1,500,000	\$800,000	\$600,000	\$750,000
Taxes Paid	\$2,000	\$7,500	\$4,000	\$3,000	\$3,750
					
	Value increases, tax decreases	Value the same, tax decreases	Value increases, tax constant	Value increases, tax increases	Value decreases, tax decreases

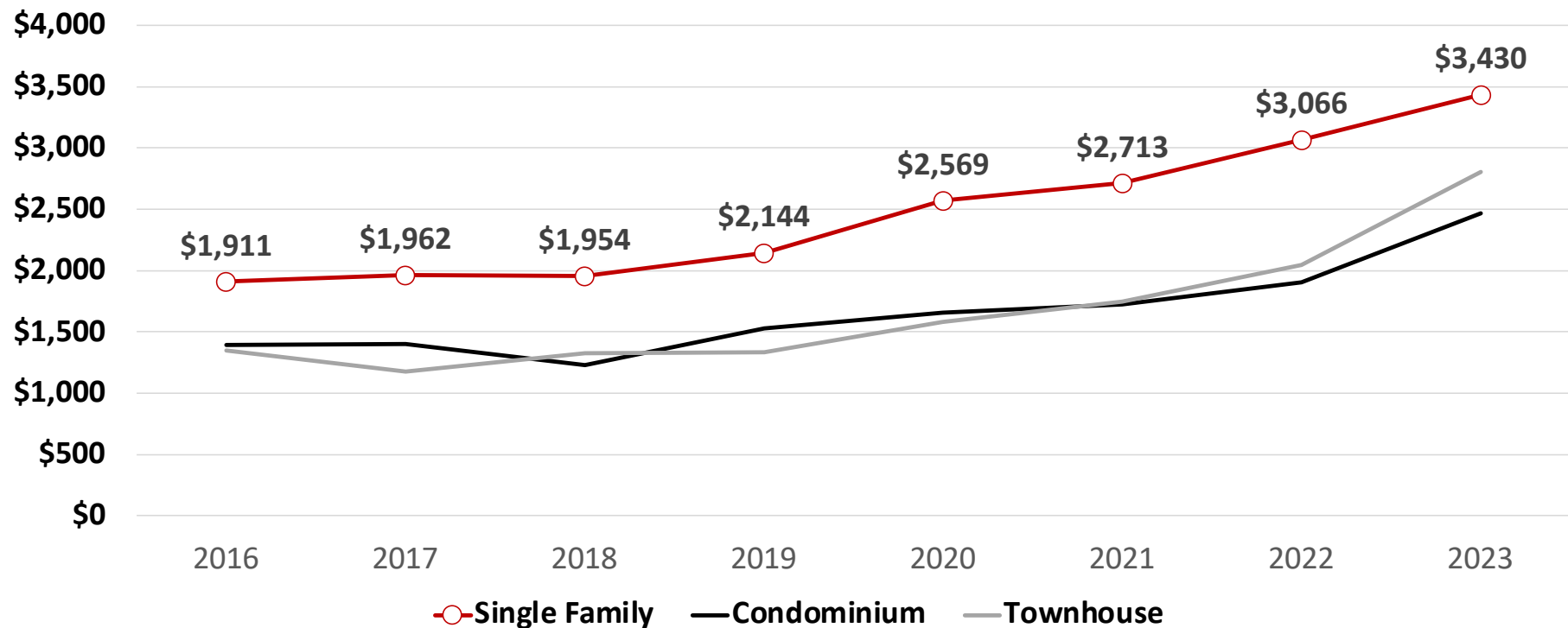
Average Property Tax Collection per Parcel in Utah

2016-2022



Source: Utah State Tax Commission

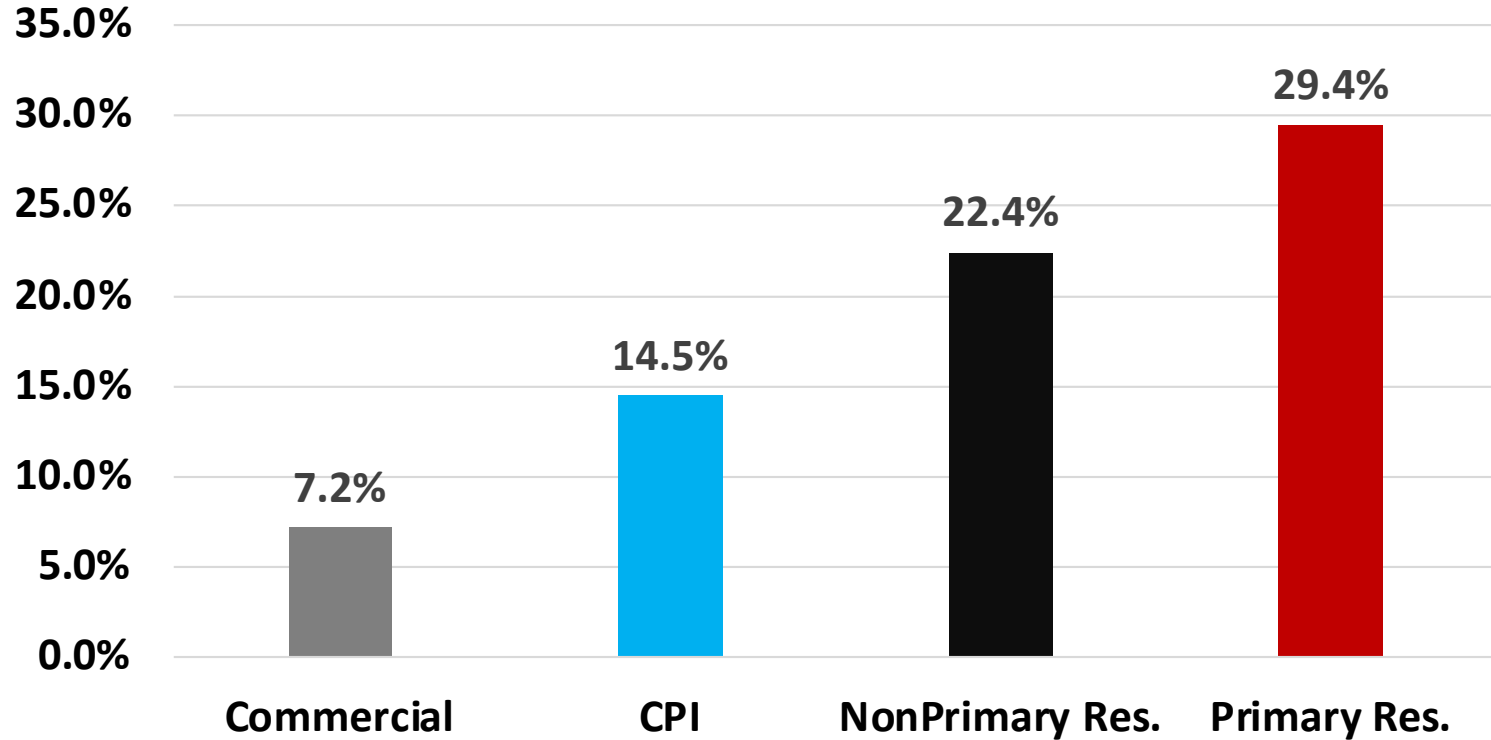
Residential Property Tax Collections by Type, 2016-2022



Source: Utah State Tax Commission

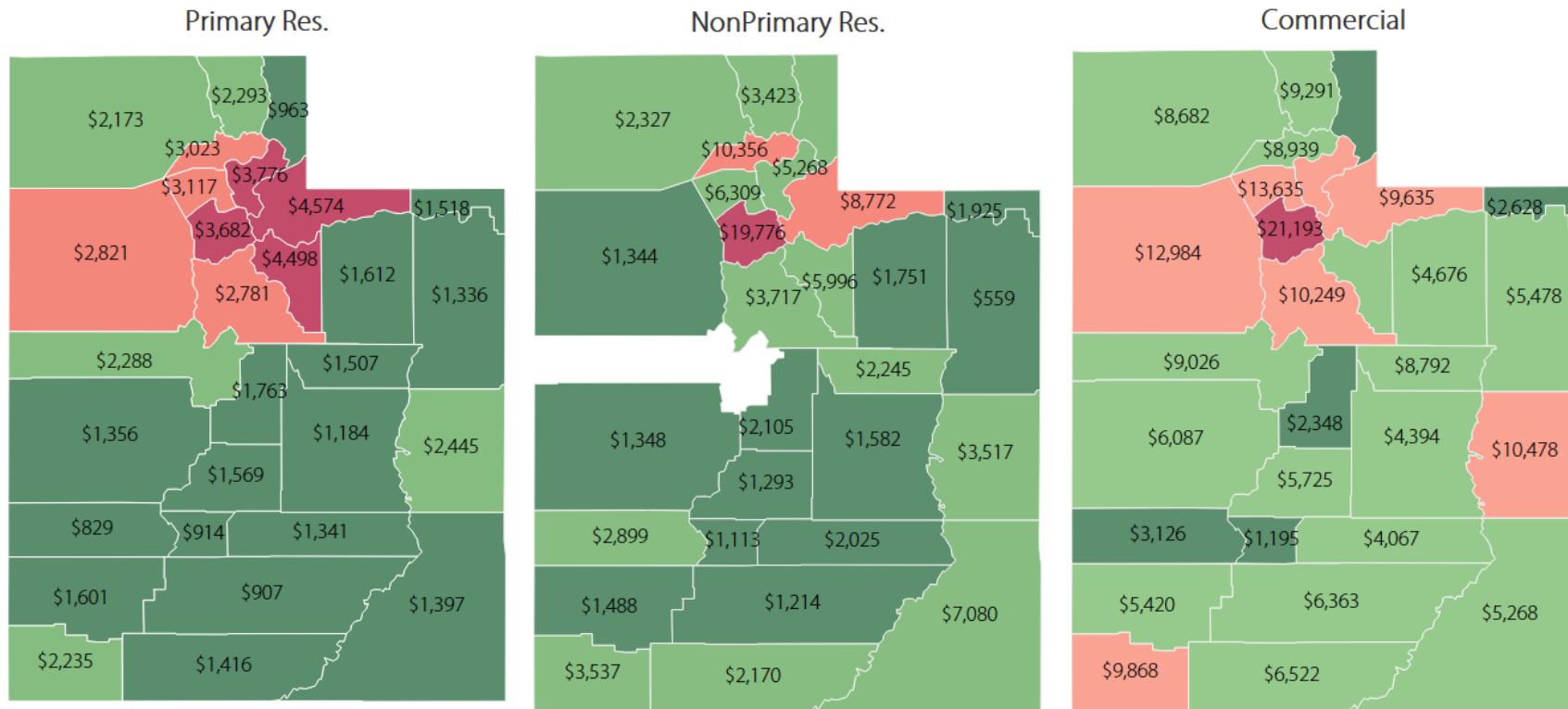
Average % Change in Property Tax Collection per Parcel in Utah

2019-2022



Source: Utah State Tax Commission and U.S. Bureau of Labor Statistics

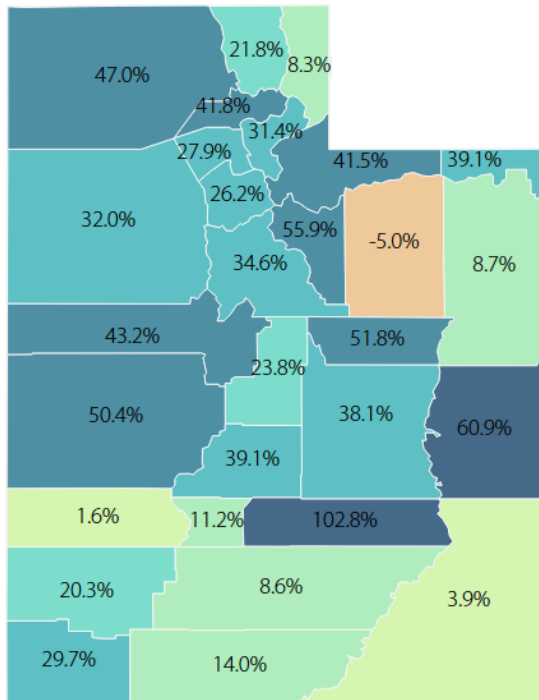
Tax Collection Per Parcel, by Property Type, 2022



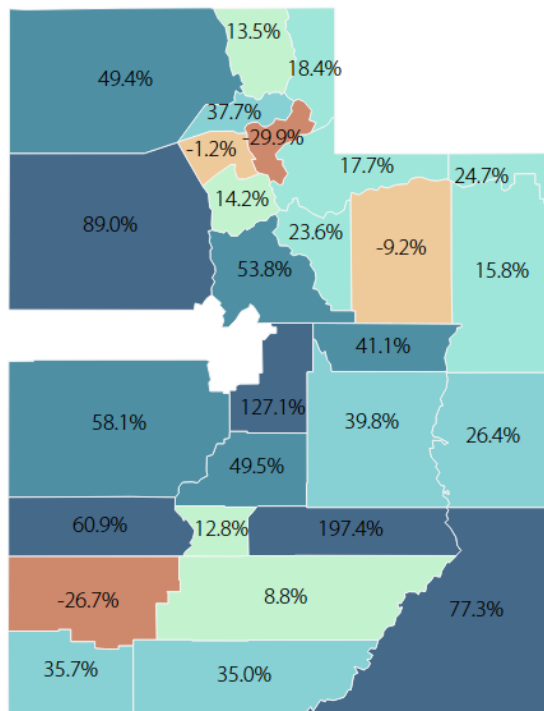
Source: Utah State Tax Commission

% Change in Tax Collection Per Parcel, by Property Type, 2022

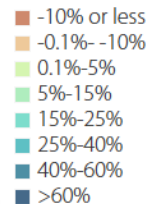
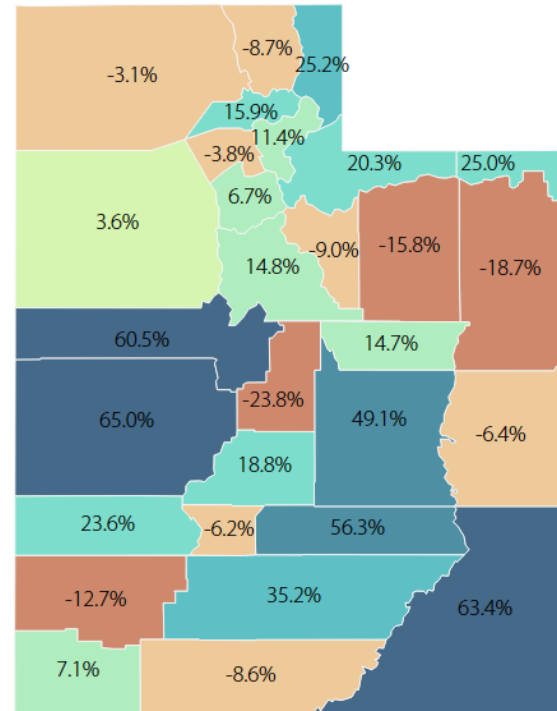
Primary Res.



NonPrimary Res.



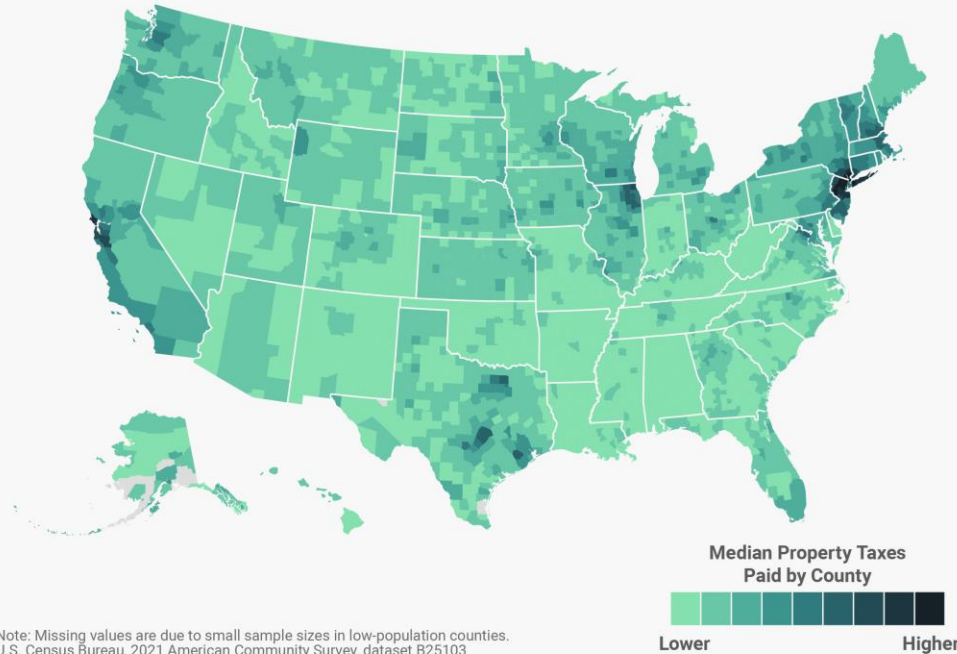
Commercial



Source: Utah State Tax Commission

Myth 6 – Utah's Property Taxes Are High Compared to Other States

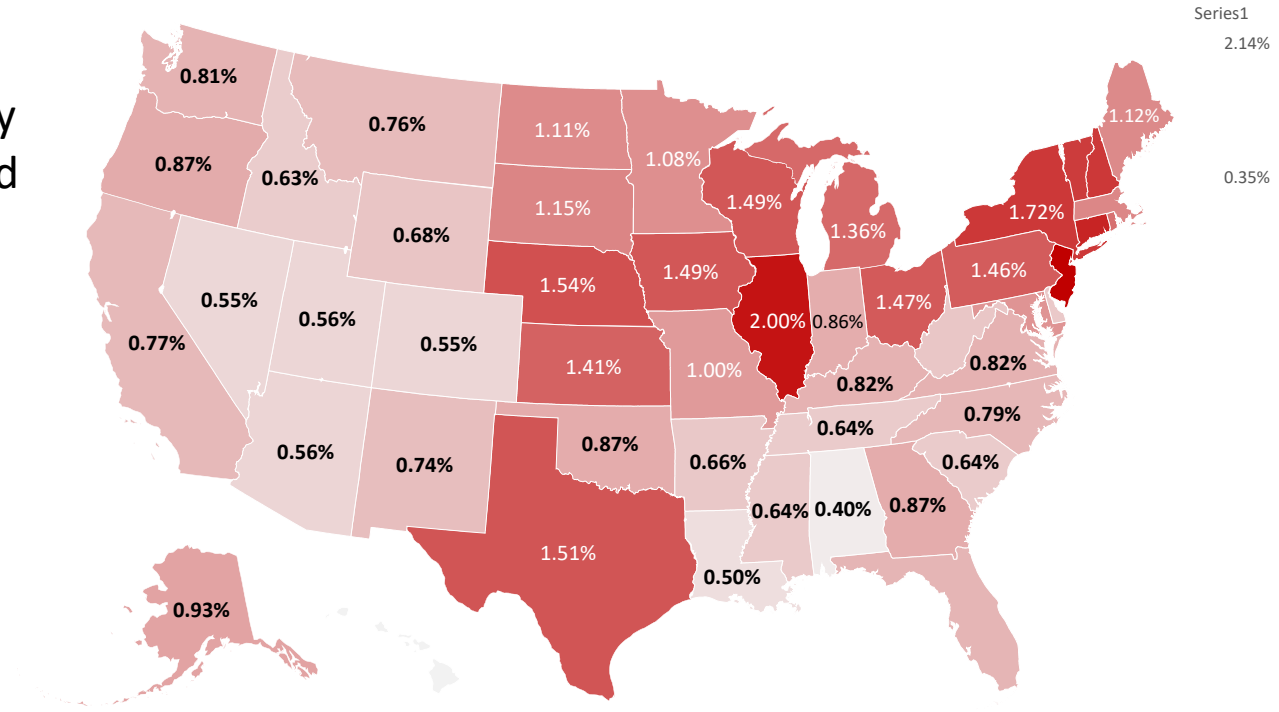
Median Property Taxes Paid by County, 2021 (5-year Estimate)



Note: Missing values are due to small sample sizes in low-population counties.
U.S. Census Bureau, 2021 American Community Survey, dataset B25103

Myth 6 – Utah's Property Taxes Are High Compared to Other States

- As of 2022, Utah's property tax as % of owner-occupied property is 0.56% of property value
- Utah ranks 46th highest** property tax on owner-occupied property

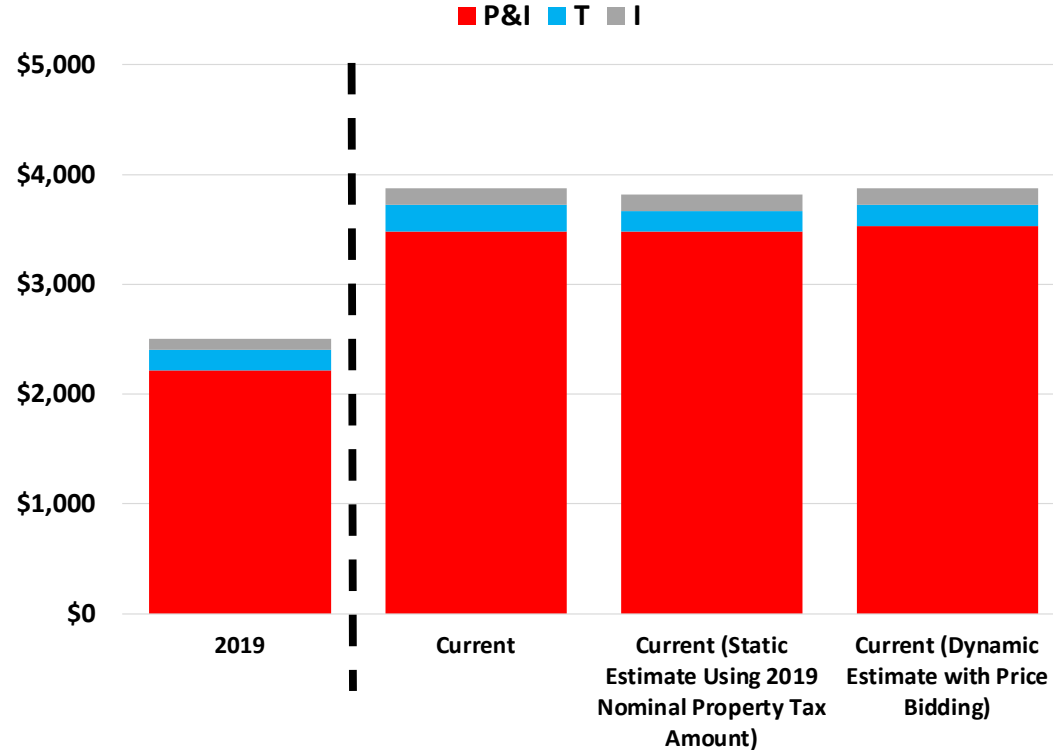


Source: U.S. Census Bureau 2022 ACS

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Myth 7 – Changing Property Taxes Will Necessarily Improve Affordability for New Homebuyers

- Example monthly payments 2019 and current
 - Increased property value
 - Increased interest rate
 - Decreased tax rate
- By far largest payment impact driven by higher home value and interest rate
- With excess demand and relatively inelastic supply, property tax reduction likely offset by higher value – no improvement in affordability



Legislature Has Increased Targeted Efforts to Address Property Taxes for Elderly on Fixed Incomes

- Property tax circuit breaker
- Property tax deferrals

Takeaways

- Property tax intertwines deeply with school funding
- Utah's property tax system is complex – take time to gain understanding of how it works
- Data is key to making informed decisions
- Carefully contemplate and confront tradeoffs when making policy choices