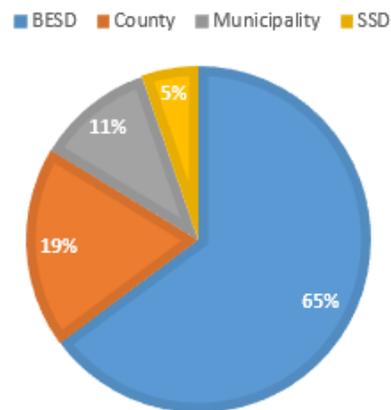


Property taxes are one of the most complex and often misunderstood taxes that the government levies. Sadly, Schoolhouse Rock never produced a video to explain how property taxes work. Without a video of a singing tax notice, I'll try and explain all about how Utah's property tax system works.

Property taxes in Utah are managed through the collaborative effort of several elected county offices. The Recorder's Office records the boundaries and ownership of each property in the county. The Assessor's Office values the fair market value of each property. The Auditor's Office calculates the property tax rate based on budget requirements and the total taxable value determined by the Assessor's Office. The Auditor is also responsible for mailing the initial notice of value and receiving appeals of value. The Treasurer's Office sends out the final tax bill, receives property tax payments, and distributes the funds to the various taxing entities.

For 2021, the County Treasurer's Office will send out tax notices for a total amount just over \$57 million in property taxes. These taxes are then distributed to different taxing entities (county/school district/city/special service district) throughout the County.

WHO GETS MY PROPERTY TAX



How Does Property Tax Work?

The property tax system in Utah is a revenue-driven system, not a rate-driven system. Generally, as valuations of existing property increase, property tax rates decrease. This automatic reduction in property tax rates prevents local governments from getting a windfall simply because valuations have increased.

The reduced property tax rate is known as the certified tax rate (CTR). This rate is then applied to all property, including "new growth." While local governments receive increased revenues due to new growth, the tax rates include no automatic adjustment for inflation, which is by design.

Why did my property taxes increase so much this year?

Generally, when property valuations increase, property tax rates decrease to maintain revenue neutrality (excluding new growth). This revenue-neutral rate is called the certified tax rate. This rate is then applied to all properties, including new residential and commercial developments. Increased valuations due to new developments/construction do not reduce the property tax rate.

Despite the ratcheting down of property tax rates as valuations of existing properties increase, sometimes property owners see a higher property tax bill. Sometimes, property owners see a decrease. There are several reasons why.

Property valuations increase faster in one area than in others.

If a given property's valuation increases faster than the average property in a given tax entity, that property owner may experience an increase in their property taxes. Property valuations can increase faster in some areas than in other areas for two reasons.

First, every property is required to be reviewed in detail at least once every five years. As a result, properties that were recently reviewed by the county will typically experience larger valuation increases than properties that were not reviewed recently. Second, real estate market demand may push up the value of some properties faster than others.

Properties that increased faster than the county (and/or school district/city/special service district) average will experience an increase in property taxes while others will experience a decrease. In the end, it all works out because other parts of the county and school district will be reviewed in detail in following years and their taxes will increase while everyone else's decreases. Properties that experience a large increase due to a review may have been undervalued in previous years.

Local government raises taxes

The property tax process does not prevent local governments from raising taxes. Once the certified tax rate has been calculated by the Utah State Tax Commission, local governments have the option of exceeding the certified tax rate. When local governments decide to exceed the certified tax rate, they must go through a tax increase process that includes notification and public hearings, this is commonly known as the Truth-in-Taxation process.

Certified tax rates do not include adjustments for inflation. Therefore, local governments occasionally increase property tax rates to recoup inflationary losses or to increase services. Sometimes, the proposed increases do more than offset inflation, sometimes less. To understand how an entity spends your taxes or why an entity has gone through the tax increase process, please participate and get involved in their budget public hearings.

Conclusion

Clear as mud, right? If you are wanting more information about property taxes, don't hesitate to call any of us at the Courthouse. We are here to help.