

# Utah

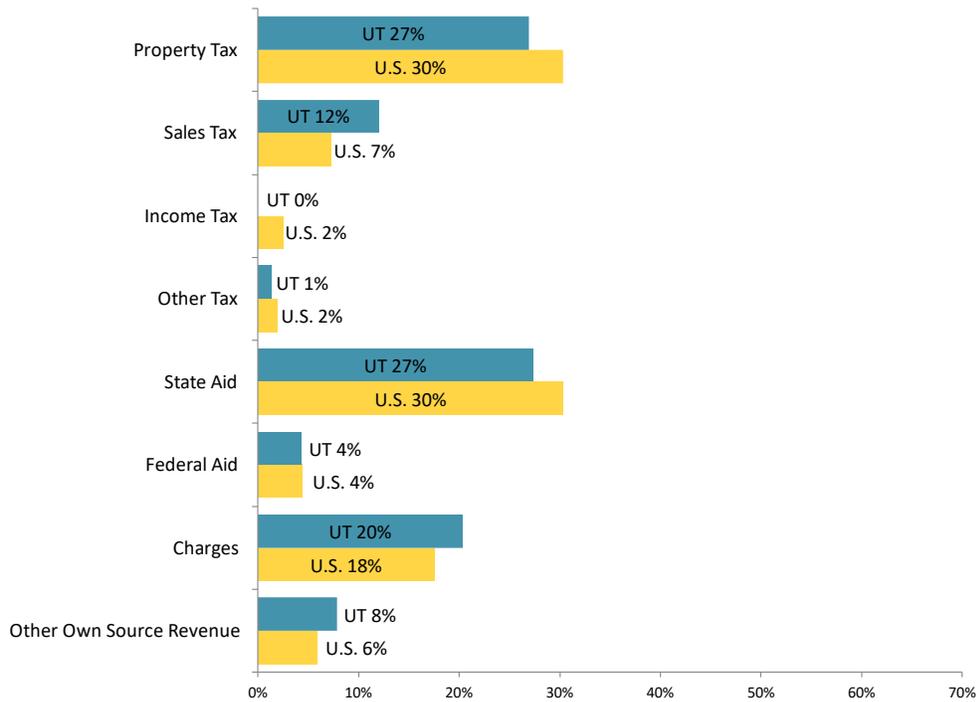
## Highlights

The property tax in Utah is levied by counties, cities and towns, and special districts. School districts are the most significant users of property tax revenue, with more than 50 percent of the tax collected going to K-12 education (Utah State Tax Commission 2023, 23). The state levies personal and corporate income taxes and a retail sales tax. Cities, counties, and some special districts are also allowed to levy a local option sales tax on top of the state sales tax (figure UT-1). Revenue from the state personal and corporate income taxes are constitutionally required to fund only K-12 and state-sponsored university education entities. The state's general fund is supported by the state retail sales tax.

All property is assessed at 100 percent of market value except for residential property and agricultural land. Primary residential property is assessed at 55 percent of market value, and agricultural land is assessed at use value based on a constitutional amendment. Recreational or second homes are assessed at full market value. Agricultural land represents 20 percent of all land in Utah, but the assessed value is less than 1 percent of the state's total assessed value (U.S. Census of Agriculture 2019). Federal or publicly owned land is very significant in Utah.

Utah adopted a truth-in-taxation law in 1986 that appears to have limited the growth of revenue from the property tax. When the law was first adopted, property tax as a percentage of personal income was approaching 6 percent (Cornia and Walters 2006). In 2021, the property tax represented 2.5 percent of personal income (Utah State Tax Commission 2022, 33).

**Figure UT-1**  
**Sources of Local General Revenue, Utah and U.S., 2020**



Source: U.S. Census via Significant Features of the Property Tax

## Property Tax Reliance

In 2020, property tax as a percentage of state and local revenue was in the bottom third of reliance when compared to the other 50 states. The effective property tax rate on a median-valued owner-occupied home was only 0.6 percent, compared to 1.1 percent for the U.S. average (table UT-1).

**Table UT-1**  
**Selected Utah Property Tax Statistics, 2020<sup>1</sup>**

	Utah	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,209	\$1,810	35
Property tax percentage of personal income	2.3%	3.1%	38
Total property tax as percentage of state-local revenue	12.4%	16.6%	37
Median owner-occupied home value <sup>2</sup>	\$305,400	\$229,800	11
Median real estate taxes paid for owner-occupied home <sup>2</sup>	\$1,837	\$2,551	31
Effective tax rate, median owner-occupied home <sup>3</sup>	0.6%	1.1%	42

Sources: [U.S. Census via Significant Features of the Property Tax](#), American Community Survey

<sup>1</sup> All revenue numbers in this table include the state government as well as local governments.

<sup>2</sup>The statistics for [median owner-occupied home value](#) and [median real estate taxes paid for owner-occupied home](#) are five-year average statistics for years 2016–2020.

<sup>3</sup>Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

## Administration and Assessment

In Utah, property tax administration is the responsibility of the state’s 29 counties (Utah Property Tax Division). County assessors are elected every four years in partisan elections. County assessors must follow the state constitution and enabling statutory legislation and regulations. They must also maintain assessment ratios equal to 100 percent of market value and review the property tax values in their county annually. In addition to the annual review, counties are required by state law to reappraise properties on a five-year cycle. The State Tax Commission monitors the work of the county assessors and can impose requirements on assessors to rectify appraisal problems. The Utah State Tax Commission is a constitutionally established body with four Commissioners who are charged with the administration of all taxes in Utah and the requirement to conduct administrative hearings on tax questions.

Utah does not have any legal requirements for disclosing information on real estate sales. The lack of a state disclosure law inhibits the accurate assessment of properties. In urban counties, residential properties are valued using econometric models. Commercial and industrial properties in urban counties are valued using the cost approach, though in urban counties where data are available, income and market data are used. In rural counties, the cost approach is the primary assessment tool due to lack of data on sales. The Marshall & Swift Estimator application is the primary source of information on cost. The State Tax Commission staff plays an important role in supporting the appraisal process in rural counties, especially for commercial and industrial properties. The Tax Commission can order county assessors to apply a factor to adjust the overall assessed value in a county.

The Tax Commission values centrally assessed property on an annual basis. These include electric utilities, gas utilities, gas transmission lines, telecommunication and inter- and intrastate transportation firms, metal mines, nonmetal mines (coal), and oil and gas properties. The method to value centrally assessed properties is generally a variation of an income-based appraisal. Adjusting for the intangible value of entities is difficult when using the income approach. When the cost approach is used to value centrally assessed properties the, adjustment for obsolescence is frequently in dispute. In several rural counties, centrally assessed values represent a substantial portion of the taxable value in the county.

Tangible personal property of businesses is taxed, with the exception of inventories. Taxpayers are allowed an exemption of \$10,000.

Some sources describe Utah as having a classified property tax system because most property is assessed at 100 percent of market value, except for residential property, which is assessed at 55 percent of market value (table UT-2). Other sources do not consider this classification but describe this as an exemption of 45 percent of the value of residential property.

**Table UT-2**  
**Property Tax Features of State Governments, United States, 2021**

Feature	Utah	Count for 50 states plus DC
<a href="#">Statewide classification of real property</a>	Yes	25
<a href="#">Assessment of property primarily by county</a>	Yes	31
<a href="#">Limits on property tax rates or levies</a>	Yes	45
<a href="#">Limits on the rate of growth of assessed value</a>	No	17
<a href="#">Circuit breaker property tax relief program</a>	Yes	31

Sources: Significant Features of the Property Tax

## Limits on Property Taxation

Utah imposes two types of limits on property taxation: rate caps and a levy limit with a truth-in-taxation override. Rate limits for cities, towns, and counties range from 3.2 to 7 mills. School districts have rate limits, but they also have a minimum basic tax rate for education set by the legislature.

The levy limit with truth-in-taxation override works as follows: Each taxing entity is required to calculate the *certified tax rate* that will provide the same amount of property tax revenue as was levied in the previous year. If the taxing entity proposes a property tax rate higher than the certified tax rate, it must provide notice to individual property owners including what taxes would be with and without the rate increase and hold a public hearing. New growth and the minimum school program levy are exempted from the calculation of the certified tax rate. Thus, the notification of expected tax rates requires a two-step process. The first notice identifies the expected tax rate and the time of a possible budget hearing on the rate, and the second is the actual tax bill.

## Property Tax Relief and Incentives

The provision that assesses residential property at 55 percent of market value or exempts 45 percent of residential property from the property tax can be considered a major property tax relief program. This provision is extended only to primary residences. Secondary homes or vacation homes are taxed at 100 percent. In five rural counties in Utah, secondary homes represent more than 50 percent of the residential properties in the county. The forgone revenue from the residential exemption is estimated to be 1.9 billion in 2022 (Utah State Tax Commission 2023, 24). If the residential exemption was not in place, the state's overall tax rate would conceivably drop by 30 percent. The residential exemption places a significant burden on commercial and industrial properties.

The state has a series of programs to mitigate the property tax for groups determined by state law to deserve a reduction in the property tax. These include active-duty military, disabled veterans, blind persons, and senior homeowners and renters. The circuit breaker benefit for senior homeowners and renters is provided as a property tax credit for homeowners and a direct rebate for renters. In 2023, the maximum benefit for either homeowners or renters was \$1,186 (Utah Property Tax Division 2023). Utah expanded its property tax deferral program in 2022; counties can offer property tax deferral to income-qualified homeowners 75 and over. The income ceiling is double the maximum income for the circuit breaker program (SB 25 of 2022).

The only property tax incentive for economic development is tax increment finance.

## Key Property Tax History

The property tax dates back to the state's original constitution in 1896 (Utah State Tax Commission).

The legislature first enacted a state sales tax in 1933, and the first local option sales tax was authorized in 1959 (Office of Legislative Research and General Counsel 2011). Reliance on the property tax has been reduced by increased local government dependence on local option sales and use taxes. Cities and towns, counties, and special districts use the local option sales tax.

In the 1970s, Utah was one of the early developers and adopters of a computer-assisted appraisal system. The system was embraced with a strategy to introduce computer-assisted appraisal across all 29 counties in the state. The implementation of the values generated by the state system was controversial and by many measures a failure (Cornia and Asplund 1987). A significant result was an initial shift in the property tax burden from centrally assessed properties to locally assessed residential properties.

There is a common perception that reappraisal increases can be offset by a simple reduction in the tax rate, but this cannot happen when there are uneven appraisal cycles, different assessment ratios, and different property tax bases (Cornia and Knighton 1982). The state's reappraisal program fostered a series of attempts to shift the property tax away from residential properties. These included a reduction of the assessment ratio to 15 percent and in 1980 a rollback of assessed property values to 1978 values. The rollback was ruled unconstitutional in 1984. The result of the seeds sown by the reappraisal program is that property is assessed at 100 percent of value, but residential homes have a 45 percent reduction in their taxable value.

The appraisal of centrally assessed properties has a long history of contention over assessed value. The contention has been between the owners of the property, Utah counties, and the State Tax Commission. Issues include the treatment of intangible values, the discount rate, and the impact of state and federal regulations on firm value.

## Recent Developments

In November 2018, Utah voters approved a ballot measure making it easier for active-duty military members to qualify for a tax exemption. Amendment A modified the exemption criteria to 200 days of

active service within a 365-day period instead of within a calendar year (Collins et al. 2019). In 2016 and 2018, Utah voters rejected proposed constitutional amendments to allow property leased by the state or by a political subdivision of the state to be exempt from property taxation. In 2022, SB 6 passed, allowing government entities to collect unpaid property taxes by going after income tax refunds.

Utah has gradually moved away from personal property taxes in recent years. S.B. 18 of 2022 increased the personal property tax exemption from \$15,000 to \$25,000, an action expected to save businesses \$2 million per year. The National Federation of Independent Businesses estimates the bill will eliminate personal property tax liability for 30,000 to 40,000 additional businesses (NHIB 2022). The new law continues a trend away from reliance on business personal property taxes; in 2019, Utah had increased the exemption from \$10,000 to \$15,000 (H.B. 231 of 2019).

In 2022, Utah expanded its county-option property tax deferral program, doubling the income limit for taxpayers age 75 and over, and appropriating \$8 million to reimburse counties for deferred taxes until repayment. The program allows qualifying homeowners of attached or detached single family homesteads to defer taxes until the property is transferred (HB 25 of 2022).

House Bill 151 of 2023 increased the value of property eligible for the property tax exemption for disabled veterans. The measure increased the taxable value limit for 2023 from \$252,126 to \$479,504.

Utah has the lowest school funding in the nation and is one of two states with no history of school funding litigation. The state pays school districts the difference between the amount raised at the state basic rate and minimum basic program amount set by the legislature. The legislature passed a five-year freeze of the statewide basic levy rate in 2018. As property values rose between 2018 and 2023, the levy grew. The state passed a budget that allowed the freeze to expire, a move expected to reduce tax revenues by \$146 million (McKellar 2023; Utah State Legislature 2022).

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