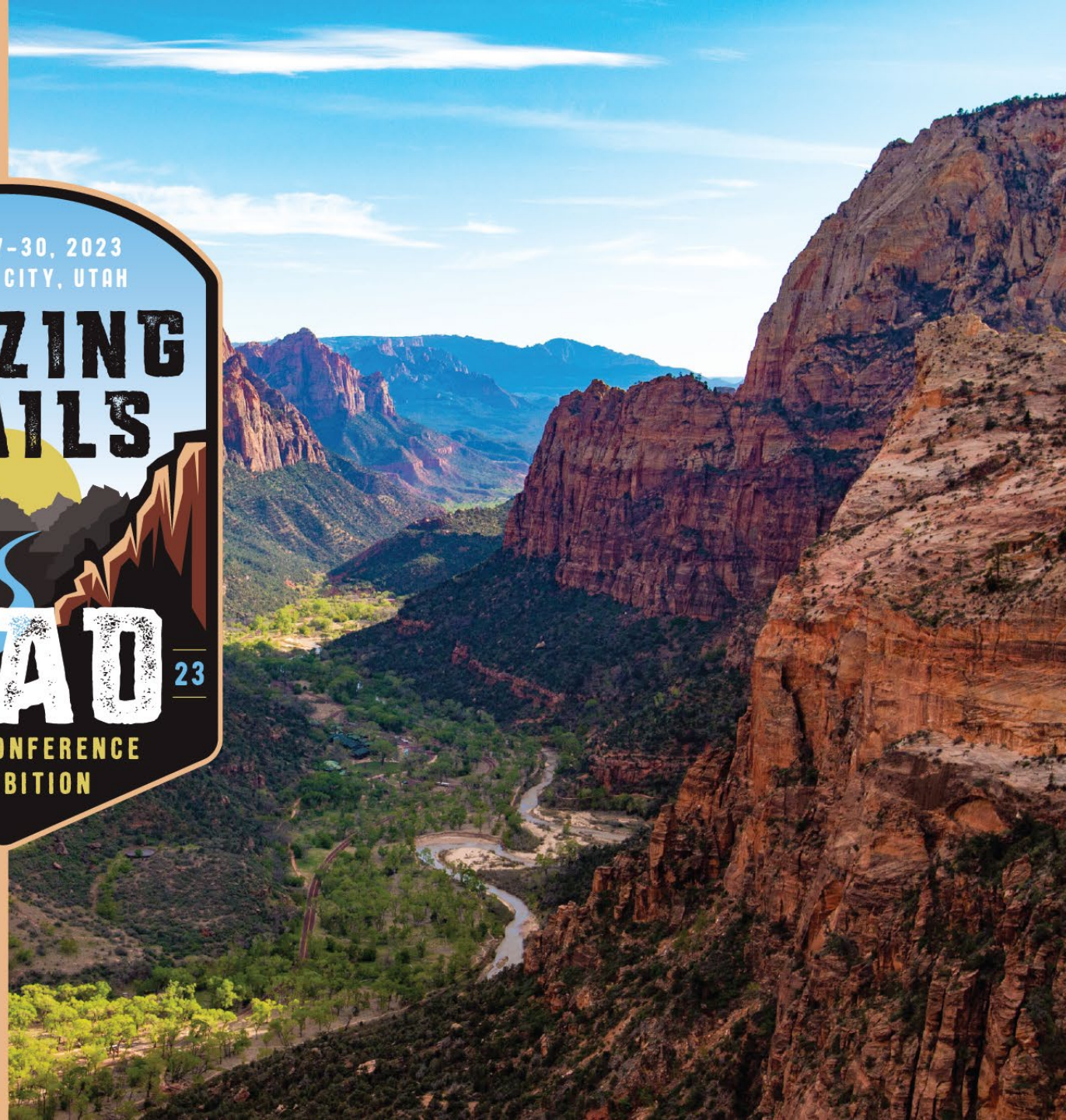
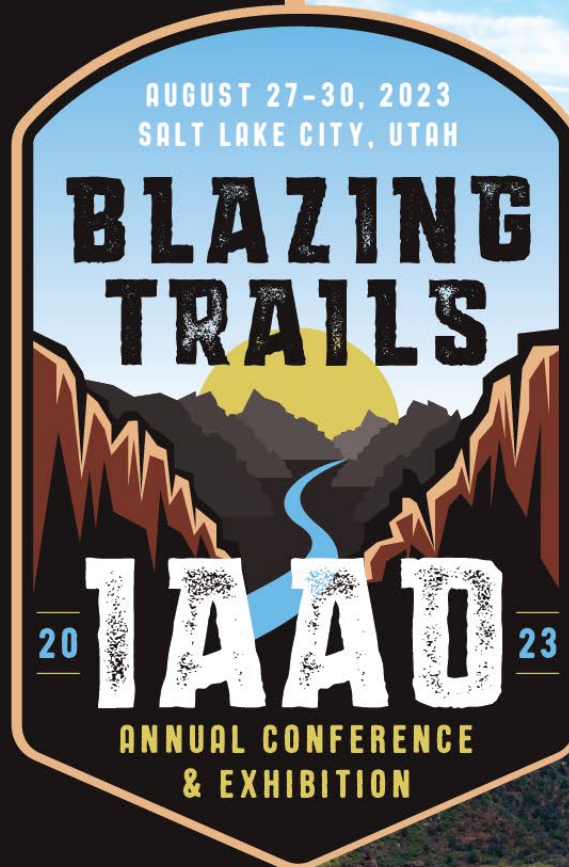
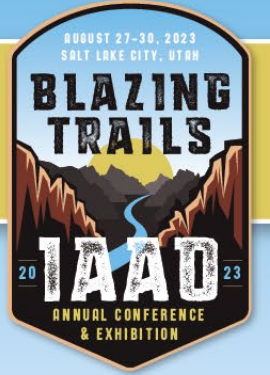


Truth in Taxation

An Alternative to Assessment
Caps and Levy Limits

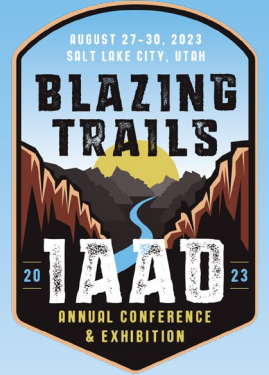


Truth in Taxation: An Alternative to Assessment Limits and Levy Caps



Truth In Taxation: Its Background and Introduction In Utah Gary Cornia

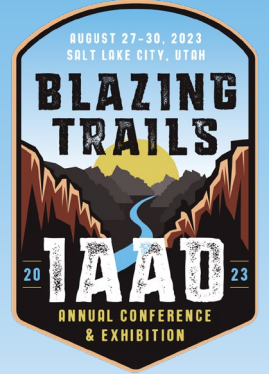




Truth in Taxation:

Limit Increases in the Property Tax
Minimize Shifts in the Property Tax

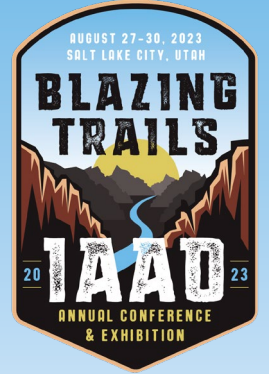




Who Administers the Property Tax in Utah?

- **County Assessors (29)** are elected for four years in county-wide partisan elections. State Tax Commission Oversight
 - **Six Urban Counties** represent 77 percent of state taxable values. (Utah is one of the most urban states in the United States.)
- **County Assessors** are responsible for residential properties, commercial and industrial properties, business personal property.
- **State Tax Commission** is responsible for centrally assessed properties (mines, oil and gas, pipelines, airlines, railroads).

Appraisal Cycles



County Assessors

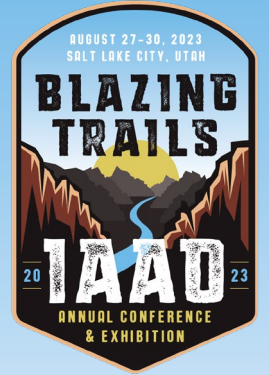
- Residential and commercial appraisals **every five years** ---
Based on Sales (Urban) --- Based on Cost (Rural)
- Tax Commission can order **factoring adjustments** --- up or down
--- between reappraisals --- based on annual **Sales Ratio Studies**

State Tax Commission

- Centrally assessed property **annual valuation (Capitalized Income)**

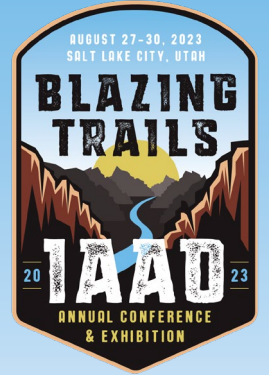


Policies that “Hatched” TNT



- Late 1970s statewide reappraisal
- Result was a substantial increase in residential property taxes
- Proposition 13 California (1978) Howard Jarvis --- Utah Native
- And....





Differential Reappraisal Cycles Create Burden Shifts After Reappraisal, Especially in Rural Utah

Urban --- Percent Centrally Assessed (annually appraised)

Cache	4%
Davis	3%
Salt Lake	6%
Utah	4%
Washington	3%
Weber	4%

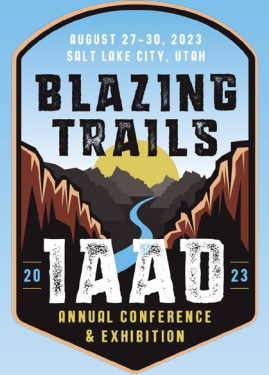
Rural --- Percent Centrally Assessed (annually appraised)

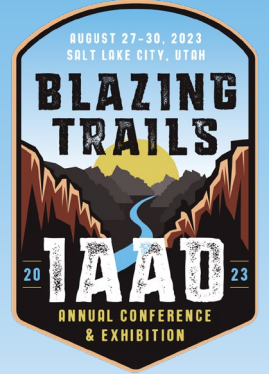
Beaver	38%
Carbon	32%
Daggett	41%
Duchesne	41%
Emery	78%
Juab	38%
Millard	58%
San Juan	34%
Unintah	40%



Policy Motivations for TNT

- **Limit tax increases**
- **Limit tax shifts**
- **Maintain local autonomy over tax rates and the level and type of public services**
- **Protect county assessors from bearing the brunt of the political fallout from reappraisals**





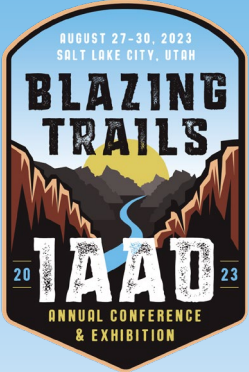
How TNT Functions:

- **No automatic revenue increases** on existing properties after a reappraisal
- **Notice of potential tax increases;** meeting location and time
- **TNT public notice** (newspaper) of revenue increase
- **No automatic adjustment for inflation**
- **Newly created properties (growth) can generate new revenue**
- **Tax entities set property tax levels (rates)**

And Two Property Tax Notices

- Market Value, Taxable Value, AND whether Certified Rate exceeded
- Date and place of hearing for cities, counties, special districts

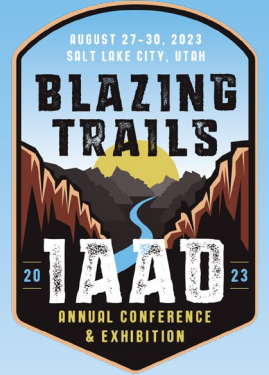
**Example of Notice of Certified Tax Rate Increase ---
WEBER FIRE DISTRICT (SPECIAL DISTRICT)**



	2022 Tax Rate	2022 Tax Amount	(estimate) 2023 Tax Rate	(estimate) 2023 Tax Amount
WEBER FIRE DISTRICT 1570 W 400 N MARRIOTT-SLATERVILLE CITY OFFICE DATE 11/08/2022 TIME 6:00 PM	.001071	\$448.86	.001162	\$486.99

Increase Not Passed After Budget Hearing

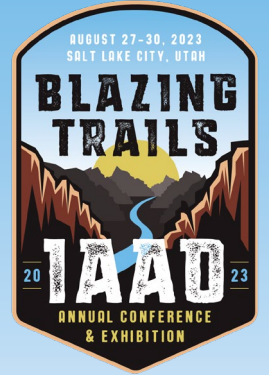




Truth in Taxation: Example

	Entity-wide Taxable Value	Tax Rate	Tax Revenue (millions)
Previously Existing Property	\$200 Million	1.00% 1.00%	\$2,000,000
New Growth	\$0		\$0

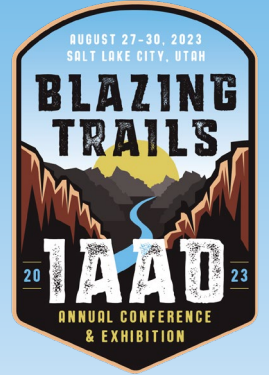




TNT After Reappraisal Adds \$200 Million to Taxable Value

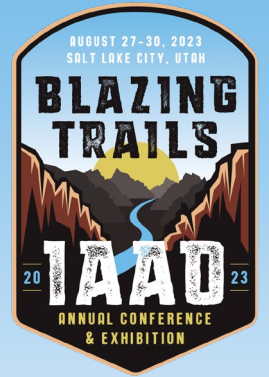
	Entity-wide Taxable Value	Certified Tax Rate	Imposed Tax Rate	Tax Revenue
Previously Existing Property	\$400 Million	.50%	.50%	\$20,000,000
New Growth	\$40			\$2,000,000





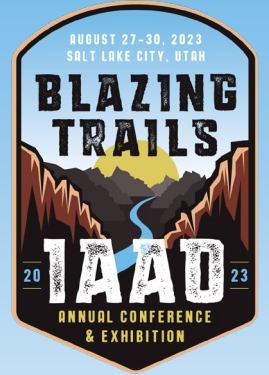
TNT After Taxable Value Increases by an Additional \$260 Million & Growth \$50 Million

	Entity-wide Taxable Value	Certified Tax Rate	Imposed Tax Rate	Tax Revenue
Previously Existing Property	\$660 Million	.33%	.40%	\$26,400,000
New Growth	\$90			\$3,600,000
			Revenue Increase	\$8,000,000



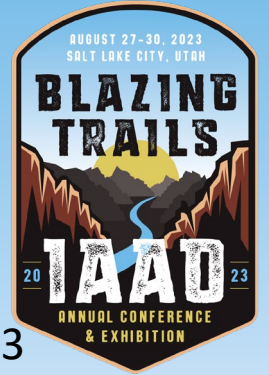
Example Taxpayers	A	B	C	D	E
Taxable Value	\$350,000	\$1,500,000	\$400,000	\$250,000	\$800,000
Taxes Paid	\$3,500	\$15,000	\$4,000	\$2,500	\$8,000
Taxable Value	\$400,000	\$1,500,000	\$800,000	\$600,000	\$750,000
Taxes Paid	\$2,000	\$7,500	\$4,000	\$3,000	\$3,750
Tax Impact	Value increases, Tax decreases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





Has Truth in Taxation Protected Local Assessors and Improved the Property Tax?





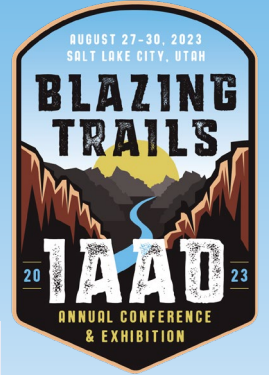
Factoring: Order Examples

Sevier County: **Order:** Factor primary residential properties in cities and towns located within regions 3 and 4 by 1.14. Factor vacant land in regions 3 and 4 by 1.20. Factor vacant land in the Accord Lake Subdivision by 1.16.

Duchesne County: **Order:** Factor primary residential property county-wide by 1.06. Factor vacant non-FAA agricultural land (LA1, LA2, and LA3 by 1.17. Reappraise secondary residential property located in unincorporated areas county-wide. Develop Five Year Appraisal Plan by 12/31/98. **Stipulation:** Factor by 1.20 or otherwise bring to market value the Primary Residential properties in the Park View and Golf Course subdivisions located in Roosevelt City; and factor by 1.14 or otherwise bring to market value the Primary Residential properties in Townships 2, 3, and 4 South Ranges 1 and 2 West; Townships 3 and 4 South Range 3 West; and sections 19 through 36 Township 2 South Range 3 West, excluding those properties located within the cities or platted subdivisions. Factor by 1.19 or otherwise bring to market value the Secondary Residential properties in Township 2 North Range 9 West; Township 1 North Ranges 8 and 9 West; Townships 1, 2, and 3 South Ranges 7, 8, and 9 West. Factor by 1.17 or otherwise bring to market value the non-FAA Agricultural land with the county code of LA2.



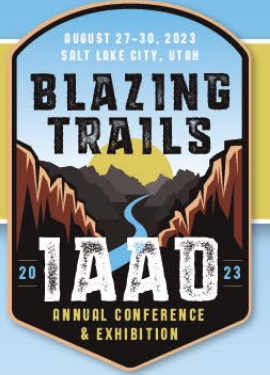
Coefficient of Dispersion and Annual Sales Ratio Studies



County		YEAR					
		1997	2002	2007	2012	2017	2022
Salt Lake	COD						
	Residential	5	6	8	6	5	6
Davis	Commercial	9	14	13	6	10	8
	Residential	10	14	11	10	6	6
Utah	Commercial	20	25	17	24	21	11
	Residential	12	20	11	10	6	8
	Commercial	39	38	23	10	9	9



Truth in Taxation: An Alternative to Assessment Limits and Levy Caps

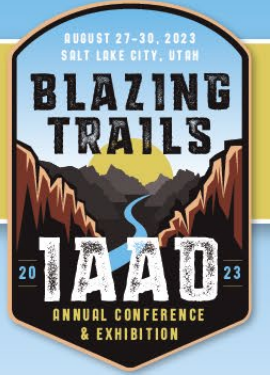


Truth In Taxation: (Un)intended Consequences

Nathan Seegert



How Governments Are Funding Themselves May Be Changing

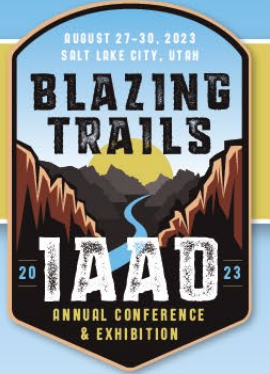


“Taxation is the art of plucking the goose as to obtain the largest amount of feathers with the least squawking”

Jean Baptiste Colbert

A lot of property tax limitations have their motivation in decreasing squawking.

Many States May Be in a Position Where They Need More Feathers



Property tax mostly funds schools

School-age population remains high in Utah.

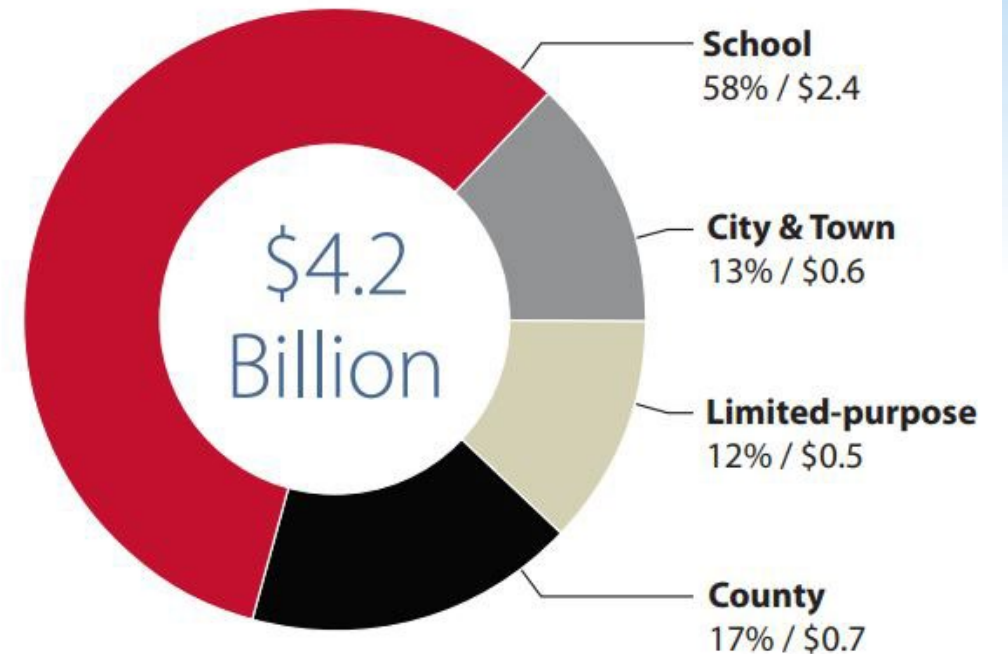
55% of school funding from state income tax.

Proposal to break the link from state income tax to education (SJR10), could put more demands on the property tax.

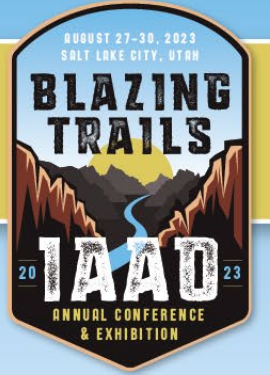
Figure 1: Utah Property Taxes Charged by Entity Type, 2020 (\$ in billions)

Most Property Taxes Pay for Schools

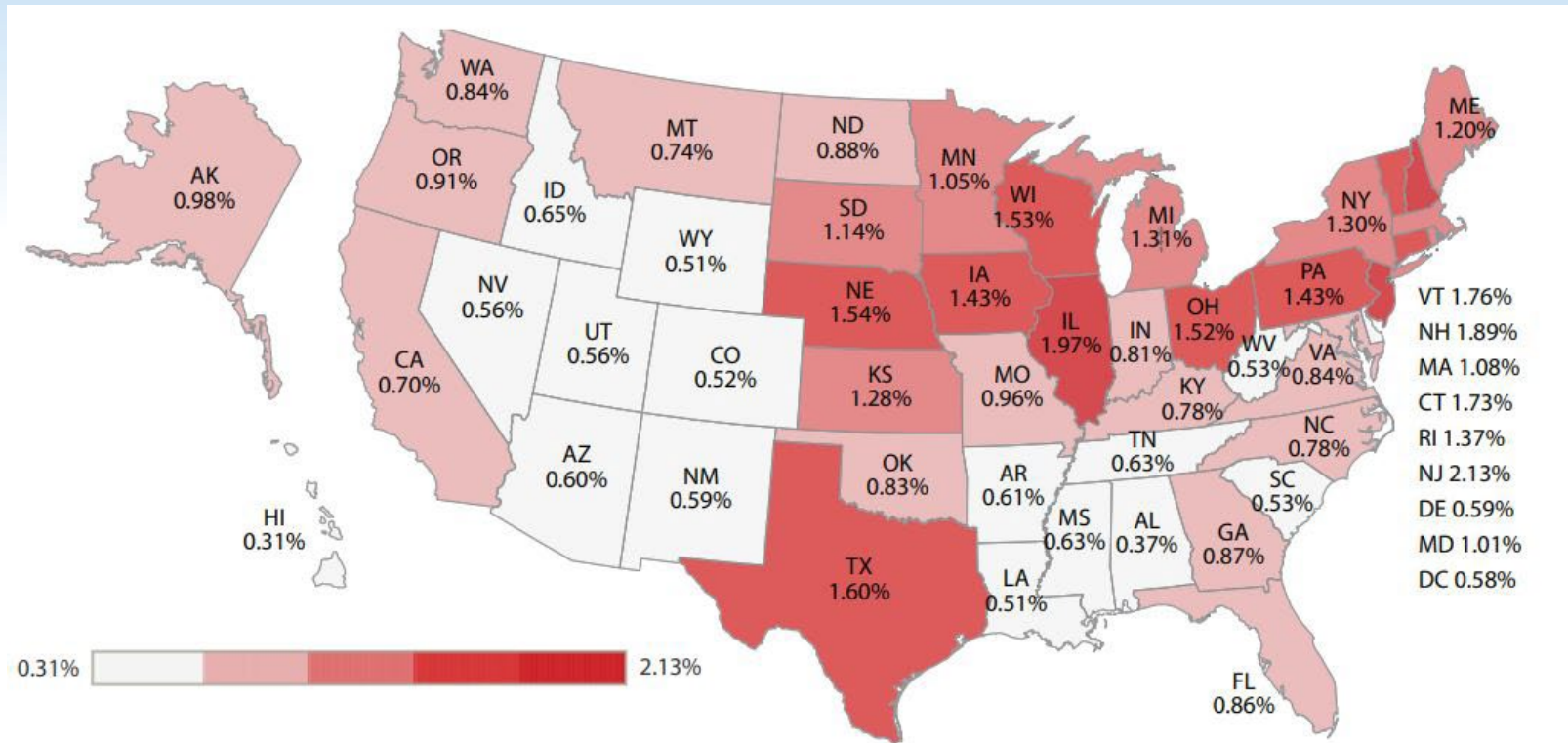
Source: Utah State Tax Commission

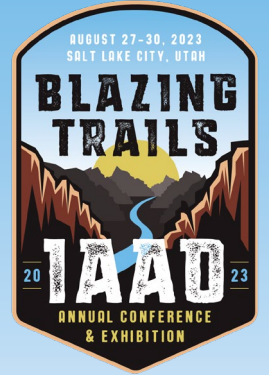


Property Taxes May Be One Place to Get These Feathers

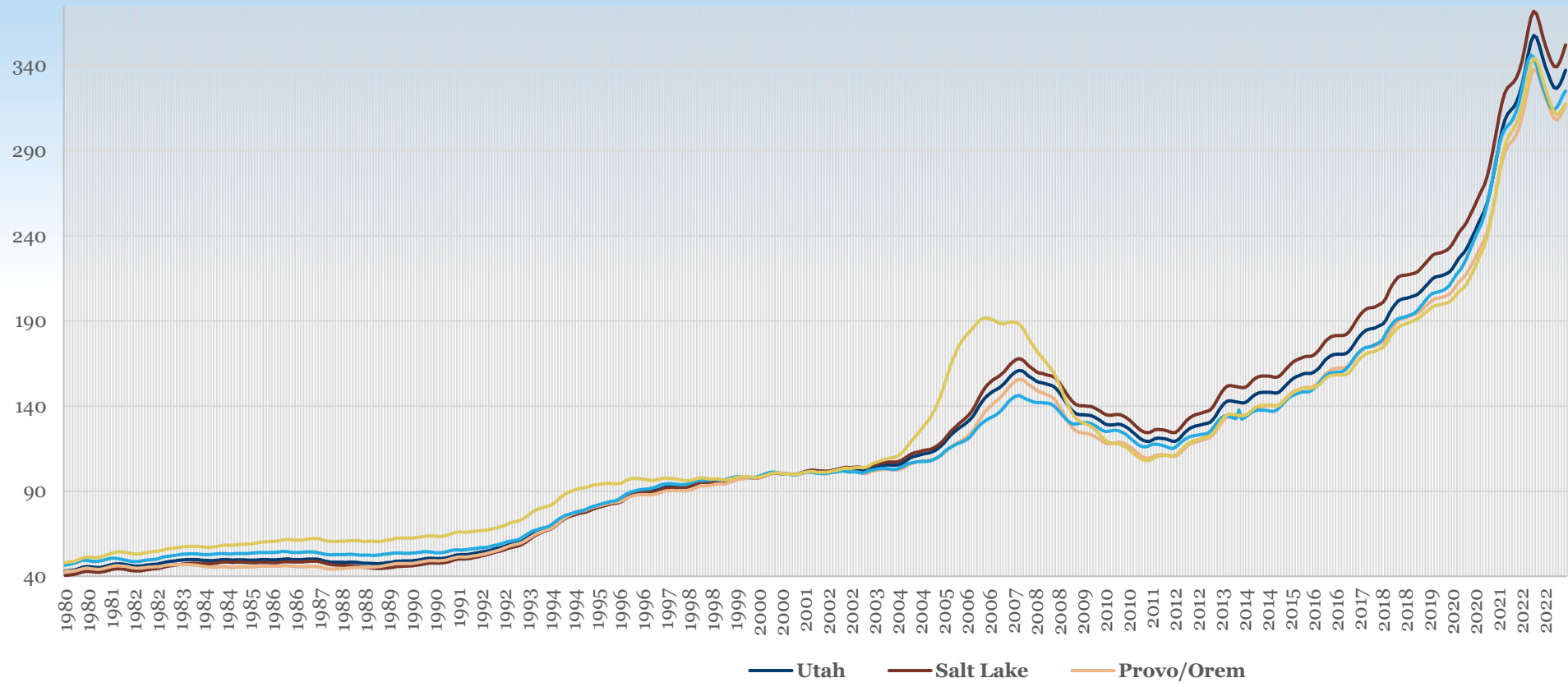


The effective property tax rate on residential primary homes.
Utah one of the lowest.

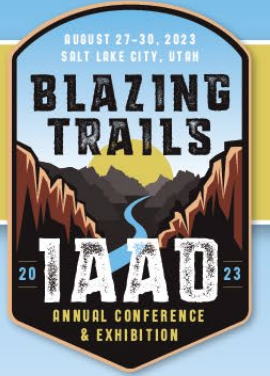




Freddy Mac Monthly Increases in Residential Home Values: State Utah; Salt Lake Metro; Provo/Orem Metro; Ogden Metro; St. George Metro; 1980–2023



What Impact Does Truth in Taxation Have?



Did Truth in Taxation (passed 1986) limit property tax revenue growth?

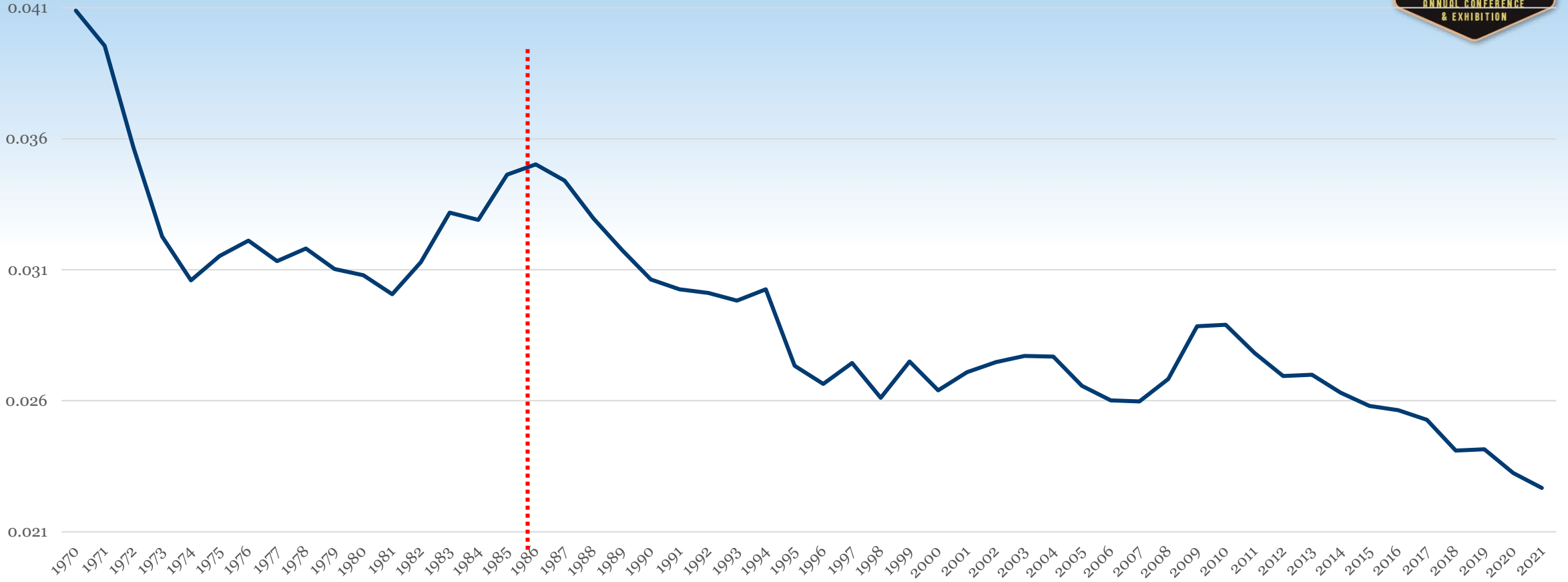
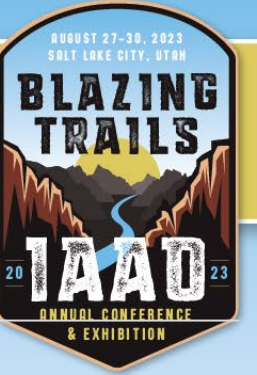
Did Truth in Taxation lead to more large increases in tax payments?

- a) People hate large unexpected increases
- b) Uncapping of taxable value at sale from assessment limits creates large increases and has been found to be costly (Bradley, 2013).

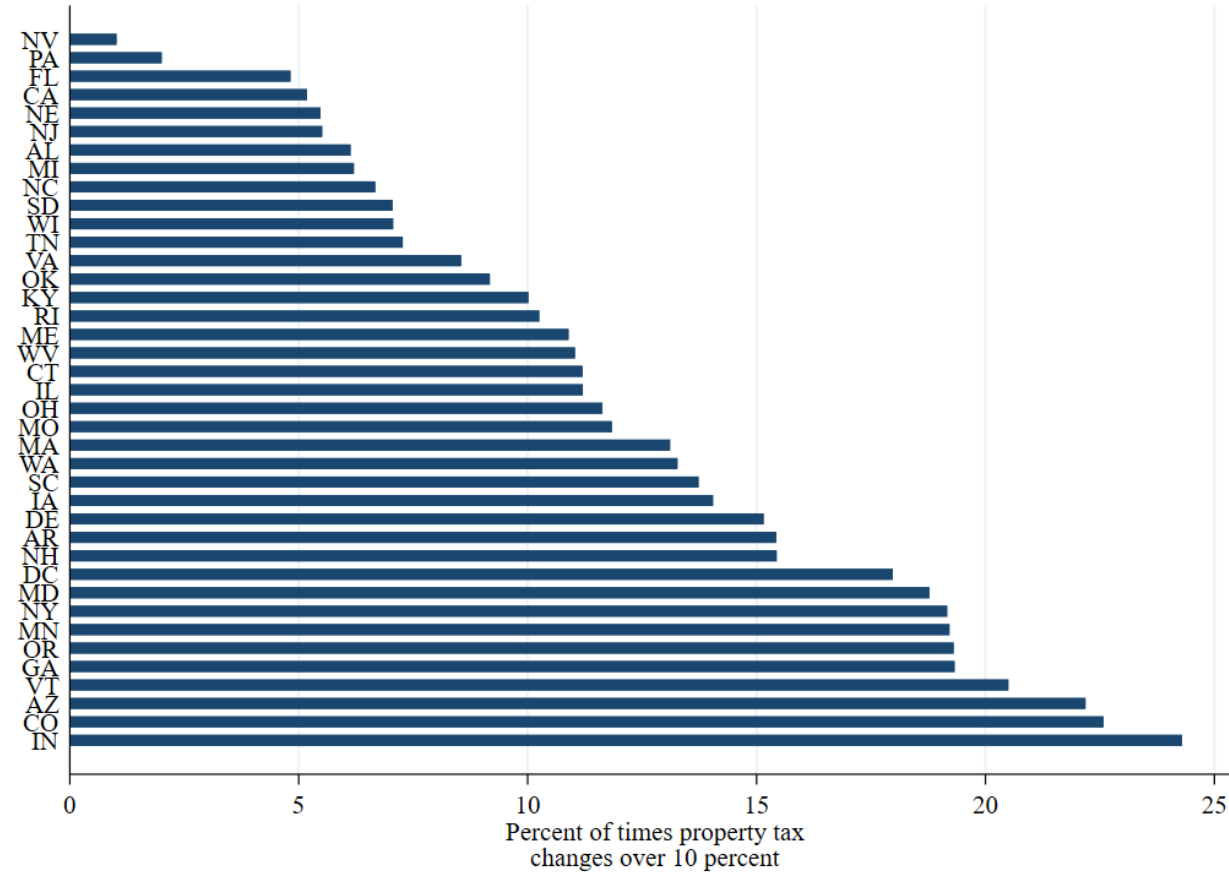
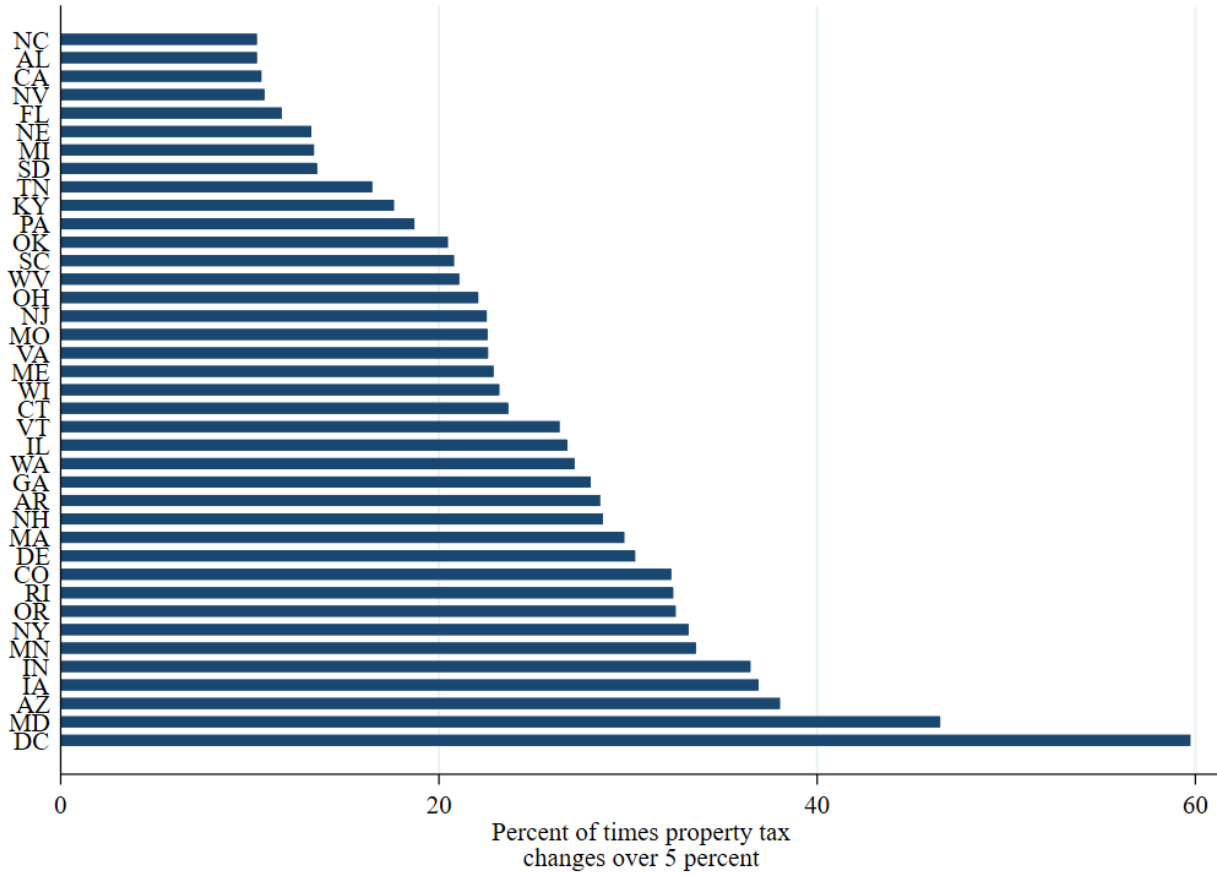
Did Truth in Taxation increase/decrease risk in tax payments for homeowners?

- a) People hate paying more in property tax---**especially** when their property values decrease.

Property Tax Per Capita as a % of Per Capita Income Decreased



Property Tax Payments Sometimes Jump by a Lot



Truth in Taxation Might Be Better Than Assessment Limits?

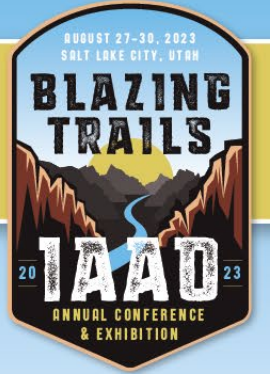
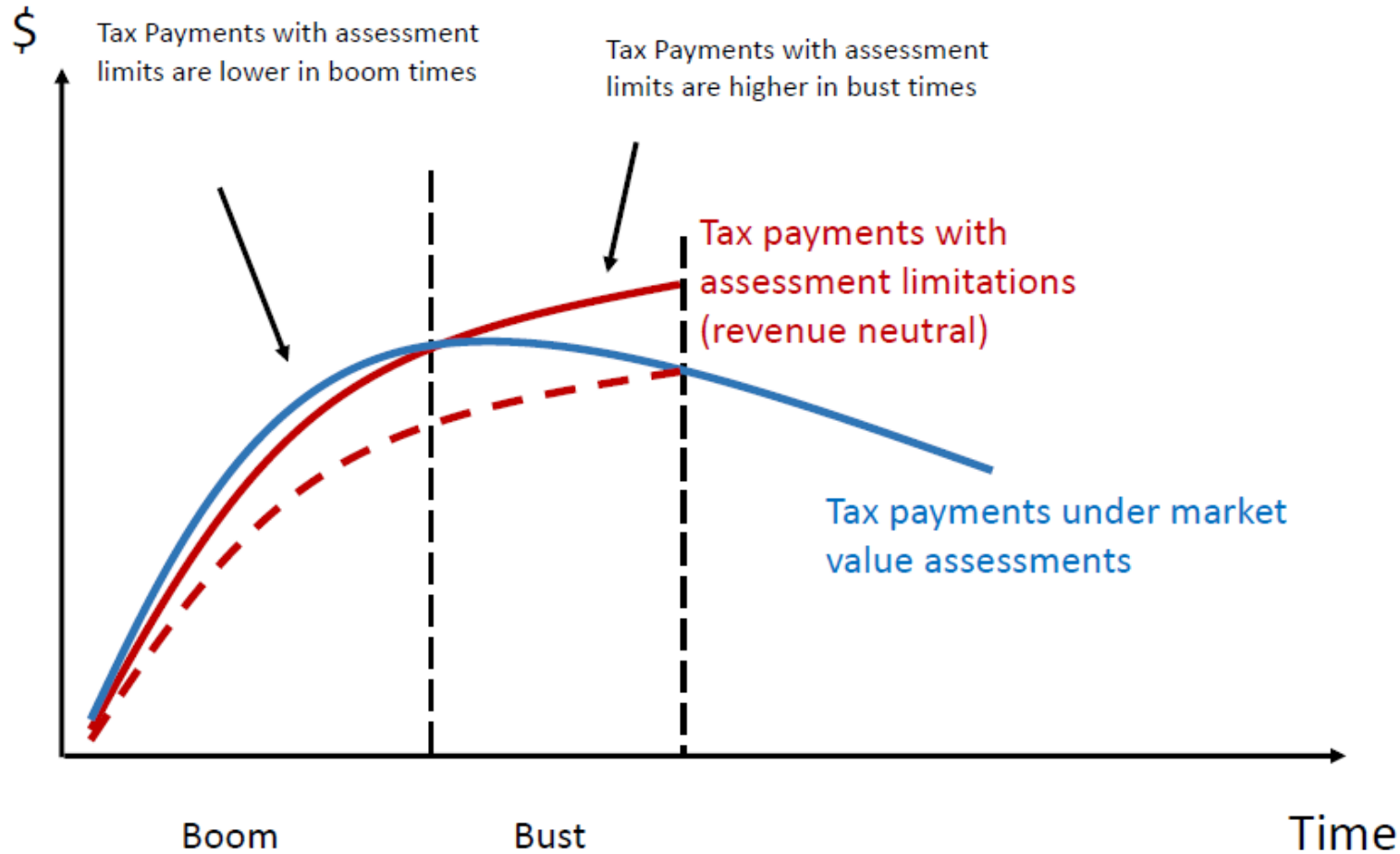
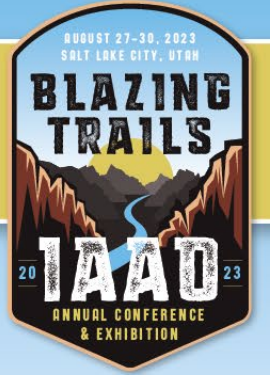


Table 2: Extreme Increases in Tax Payments

	Up more than 5% (1)	Up more than 10% (2)
Assessment Limits	0.092** (0.037)	0.043* (0.022)
Truth in Taxation	0.023 (0.040)	0.017 (0.024)
Levy Limits	0.047 (0.040)	0.004 (0.023)
Rate Limits	-0.055 (0.035)	-0.019 (0.021)
Constant	0.215*** (0.046)	0.111*** (0.027)
Adj. R-Square	0.093	0.039
Observations	39	39

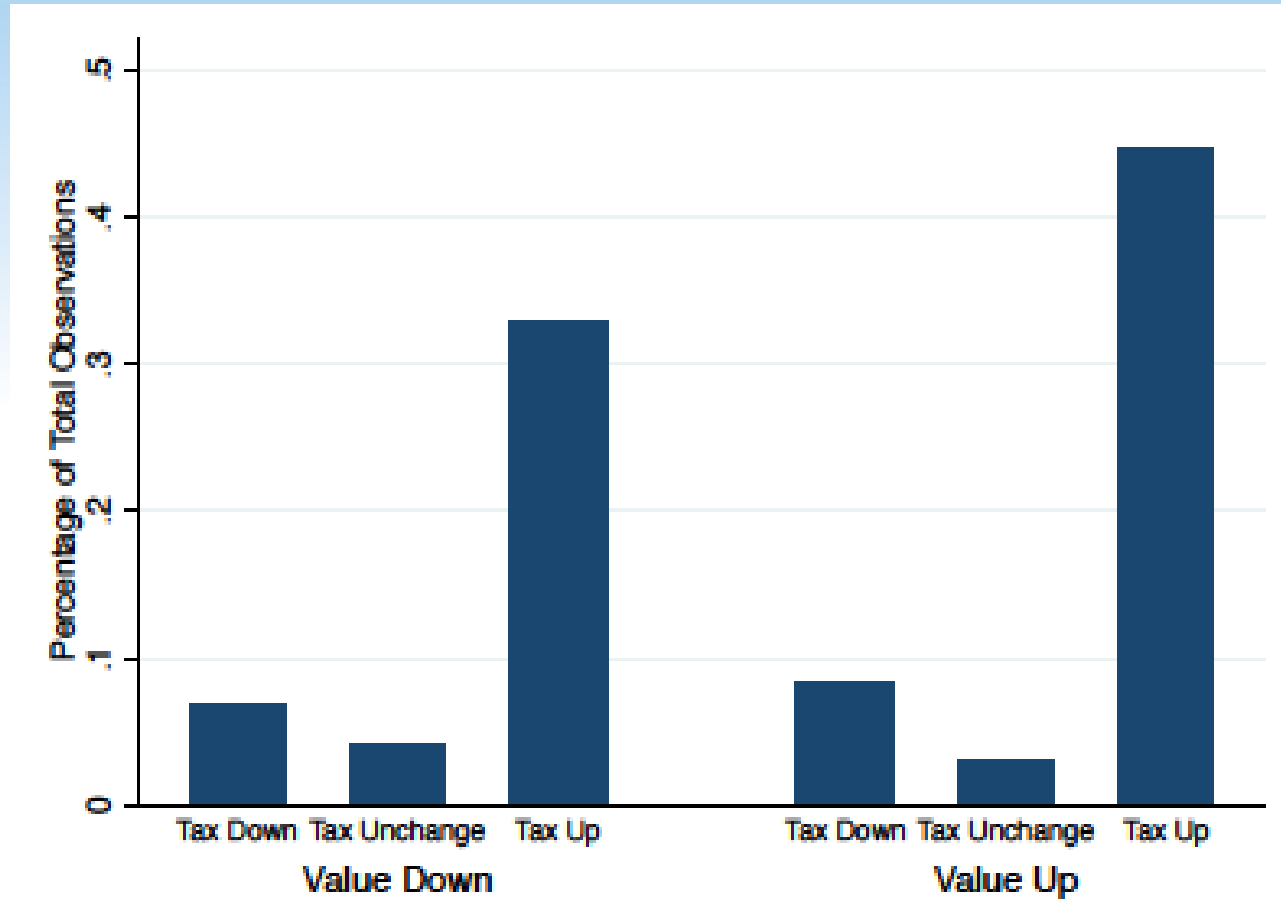
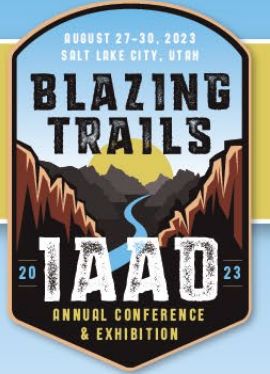
Tax limitations Can Increase Financial Risk For Homeowners



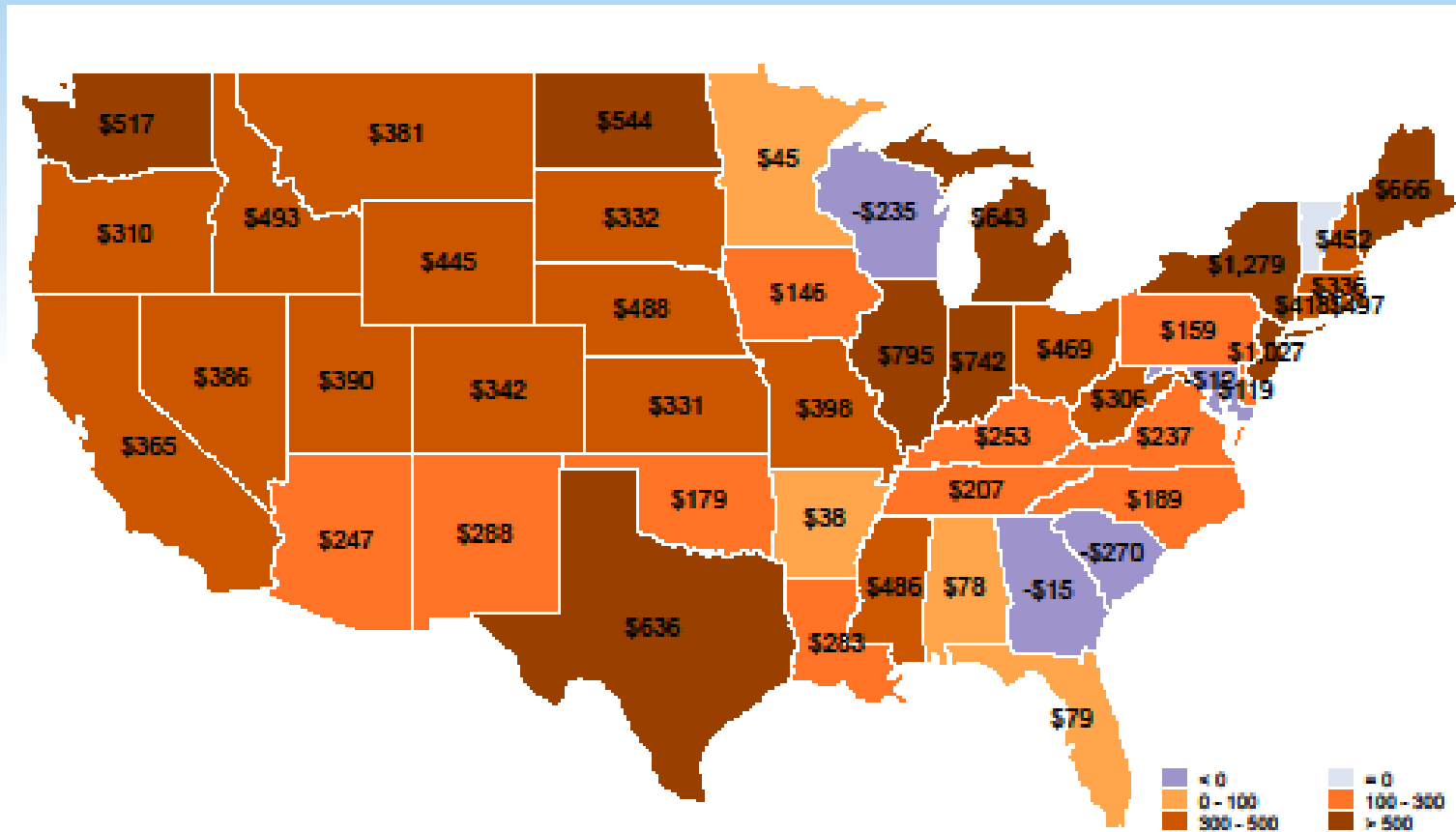
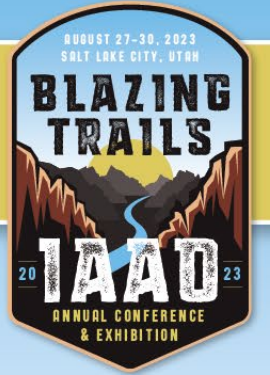
Bradley, Huang, Seegert (2023)



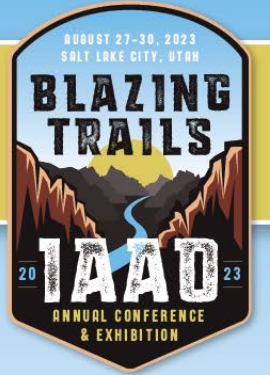
Property Tax Payments Often Increase When Value Decreases



Risk From Changes in Property Tax Payments

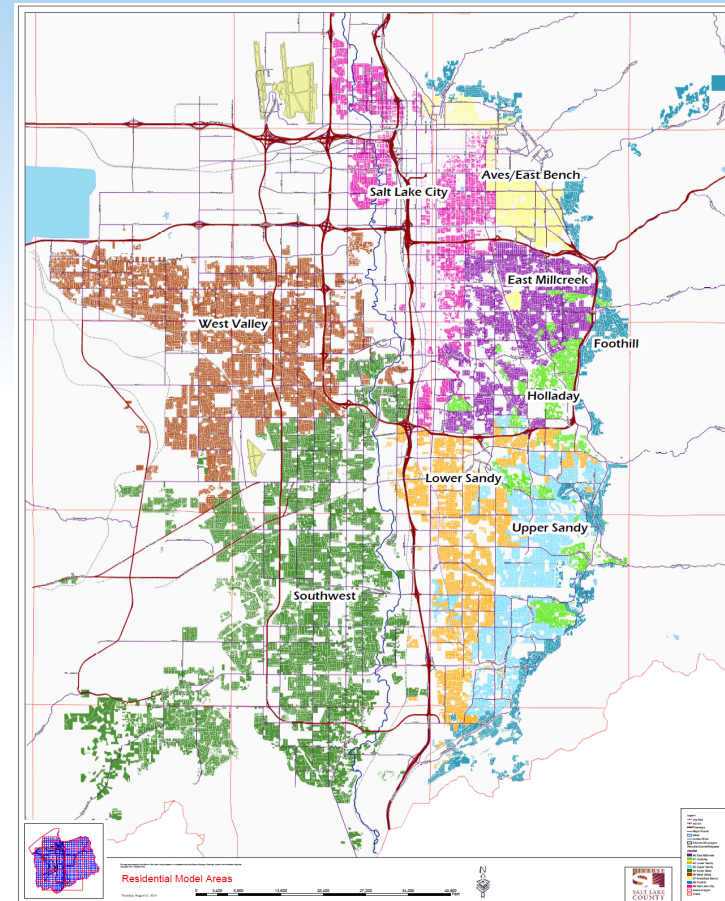


5-Year Plans For Ambitious Reassessment For 70% of Utah Population

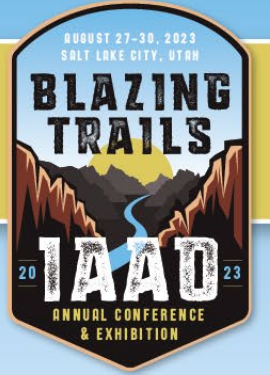


These plans for Salt Lake, Utah, and Weber counties call for
a plan to collect more data
reassess by region
update to maintain a +/- 10% ratio

These impressive plans are possible as a result of
Truth in Taxation.



Truth in Taxation Minimizes Squawking as Revenue Demands Increase



The benefits of Truth in Taxation include:

Transparency

Flexibility for localities

Less risk for households

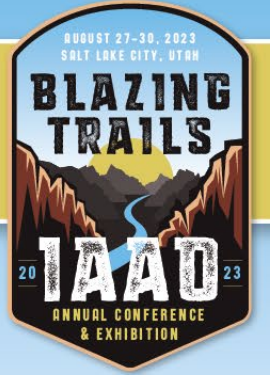
Protect tax assessors; see Cornia and Walters (2006).

Allow tax assessors to focus on fair, efficient, and comprehensive assessments.

*Incentives set up for localities to shift their development plans.

- 1) TnT may shift focus from residential housing to retail space to increase the sales tax base.
- 2) TnT may have led to the expansion of special property tax districts.

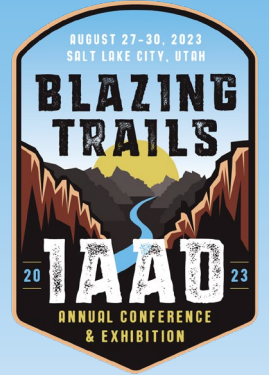
Truth in Taxation: An Alternative to Assessment Limits and Levy Caps

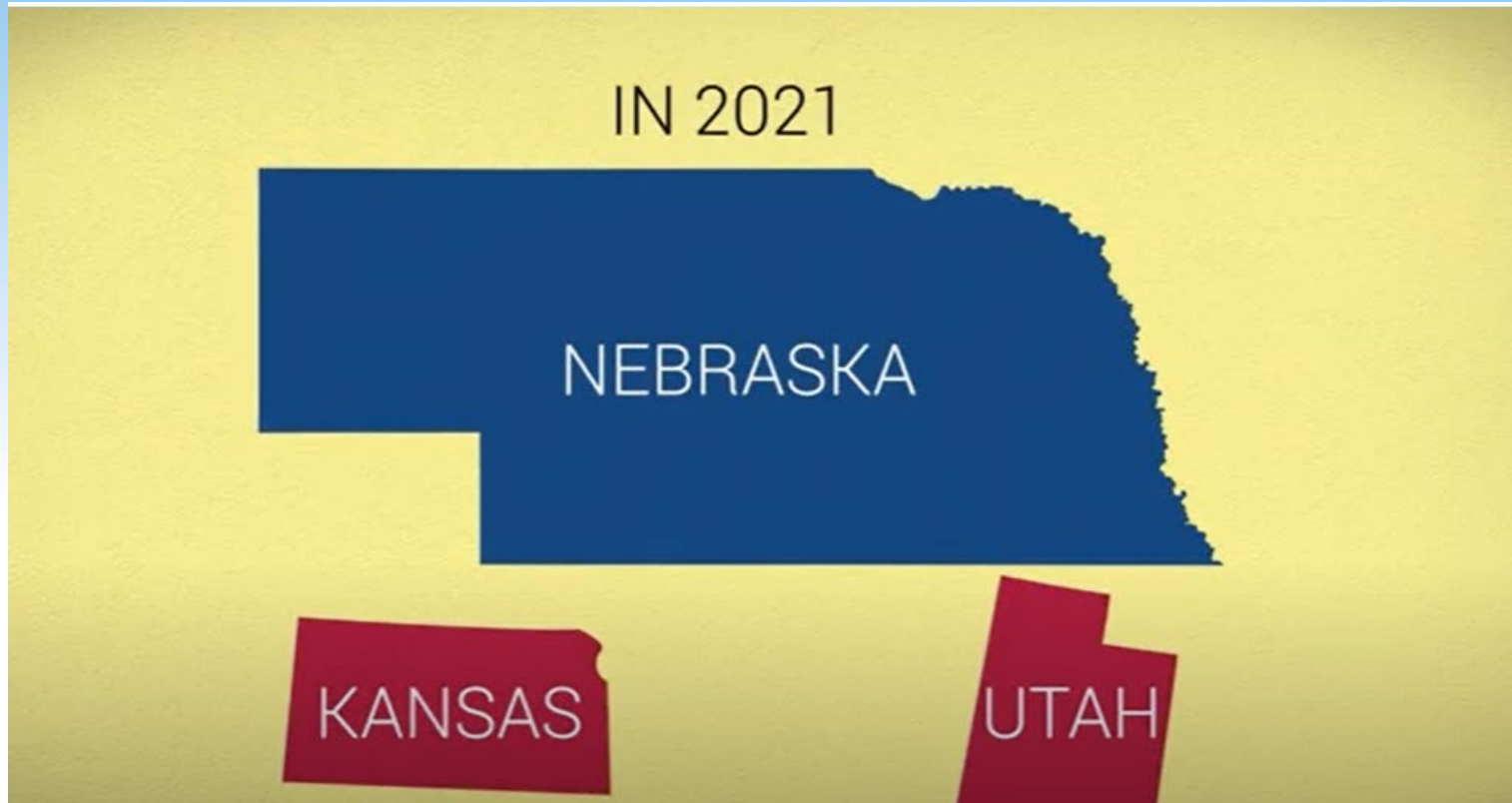
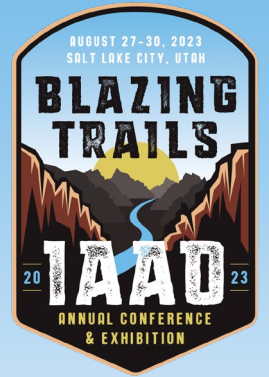


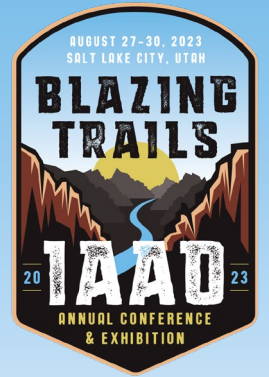
Truth In Taxation: Nationwide Perspectives

Joan Youngman









IN 2021

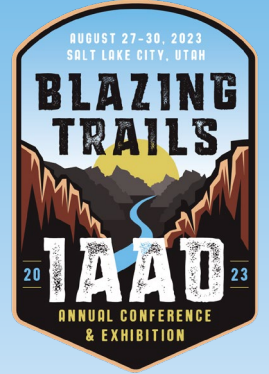
THE THIRD STATE
TO ADOPT

TRUTH IN TAXATION

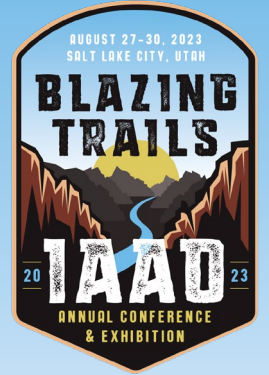




REQUEST FOR PROPOSALS (2022)



.... In 2019, the Iowa Legislature passed a new law intended to provide accountability and transparency around property tax increases. This law requires local governments, excluding school districts, to hold a public hearing if the proposed budget increases more than 2 percent above the previous year. This measure is meant to control the growth of property taxes. **This Iowa law was labeled a “Truth-in-Taxation” measure. However, when comparing Iowa’s law to other states who have implemented similar measures, the Iowa law falls short.** Advocates have suggested laws in other states are stronger and more effective than the Iowa law, and that Iowa needs to go the next step in its effort to hold down and/or decrease property taxes for average Iowans.



LOCAL ISSUES

Iowa Adds Truth and Transparency to Property Taxes

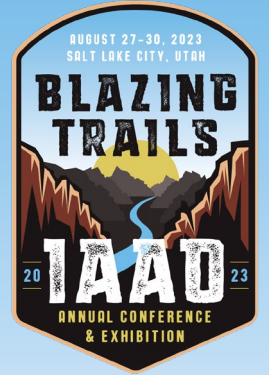
MAY 12, 2023

“Property taxes are often hard to understand by the taxpayer and easy to abuse by the local government. That’s why Iowa implemented Truth-in-Taxation that shines the light on these taxes, so they are more easily understood and harder to abuse.”



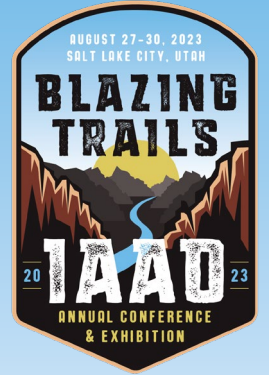
Yonhui Um, Identification of Truth in Taxation States

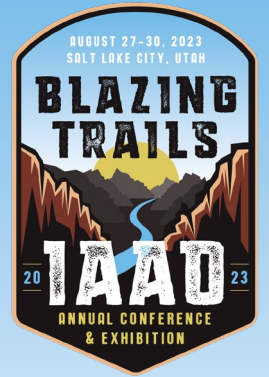
	Significant Features (2020)	Kleiman (2020)	Bland and Laosirirat (1997)	Mullins and Cox (1995)	This Paper
Alabama					
Alaska					
Arizona	X	X			X ^a
Arkansas					
California					
Colorado			X	X	
Connecticut					
Delaware	X	X		X	X
Florida	X	X	X	X	X
Georgia	X	X		X	X
Hawaii				X ^b	
Idaho			X ^b	X ^b	
Illinois		X	X	X	X
Indiana					
Iowa		X		X	X
Kansas					X ^c
Kentucky	X	X	X	X	X



Yonhui Um, Identification of Truth in Taxation States

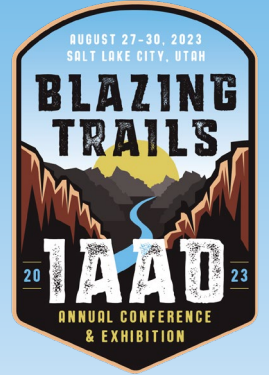
Louisiana					
Maine					
Maryland	X	X	X	X	X
Massachusetts					
Michigan			X	X	X
Minnesota		X	X	X	X
Mississippi					
Missouri	X	X		X ^d	X
Montana			X ^b	X ^b	
Nebraska	X			X	X
Nevada		X		X	X
New Hampshire					
New Jersey					
New Mexico					
New York					
North Carolina					





Yonhui Um, Identification of Truth in Taxation States

North Dakota		X ^e			X
Ohio					
Oklahoma					
Oregon					
Pennsylvania					
Rhode Island				X	X
South Carolina				X ^b	
South Dakota					
Tennessee		X	X	X	X
Texas	X	X	X	X	X
Utah	X	X	X	X	X
Vermont					
Virginia	X	X	X	X	X
Washington					
West Virginia	X	X		X	X
Wisconsin					
Wyoming					



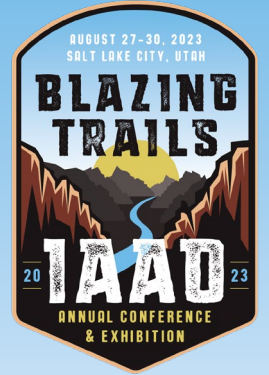
**Bloomberg
Tax**

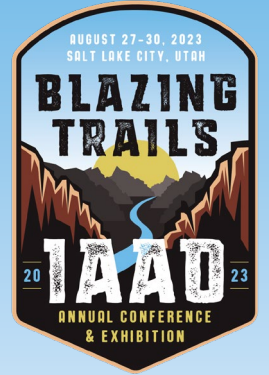
Tax-Averse Nashville Goes Where Few Other Cash-Poor Cities Dare



Kansas S.B. 13 (2021)

.... On or before July 15, the governing body shall notify the county clerk of its proposed intent to exceed the revenue neutral rate and provide the date, time and location of the public hearing and its proposed tax rate. For all tax years commencing after December 31, 2021, the county clerk shall notify each taxpayer with property in the taxing subdivision, by mail directed to the taxpayer's last known address, of the proposed intent to exceed the revenue neutral rate at least 10 days in advance of the public hearing....

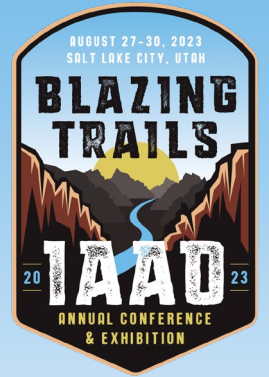




From the IPTI “President’s Message,” September 2022

In the USA, property taxpayers in Nebraska will shortly receive a **giant postcard-pink in most counties -emblazoned with “NOTICE OF PROPOSED TAX INCREASE”** across the top and with smaller type detailing how the proposed budgets of major local taxing entities could affect the specific owner’s pocketbook in the coming year. The postcards will also inform property owners about new public hearings for people wanting to have their say about taxes or to learn more about the proposed budgets.





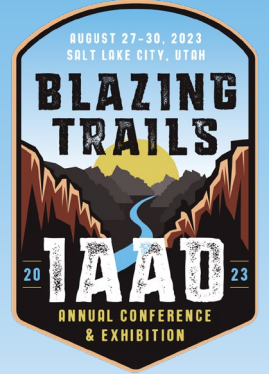
NOTICE OF PROPOSED TAX INCREASE



PUBLIC HEARINGS

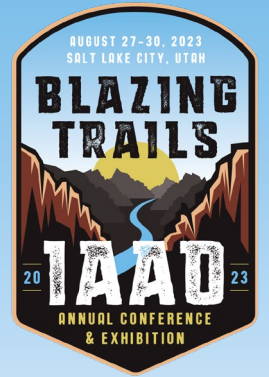
Hearing: 1	Date: xx/xx/xx	Location: _____
	Time: xx:xx	
Hearing: 2	Date: xx/xx/xx	Location: _____
	Time: xx:xx	





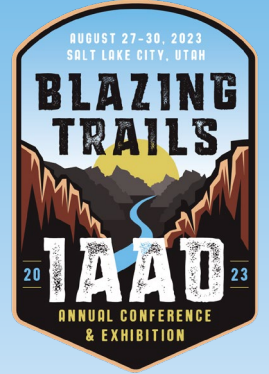
Virginia Modifies Hearing Notice Requirements for Property Tax Increases (2022)

Virginia Gov. Glenn Youngkin (R) signed legislation modifying the public hearing notice requirements for some localities that seek to increase property taxes. Under H.B. 1010, signed into law March 11, if a locality that conducts a property tax reassessment more than once every four years seeks to increase its real property tax rate to a level that would increase collections by more than 101 percent of the previous year's collections, it is required to **publish a notice of public hearing on a different day and in a separate format** from any notice published for its annual budget hearing.



Tax Equity Now policy director Martha Stark





High court rescues near-dead property tax challenge

Industry-backed Tax Equity Now New York can continue its lawsuit

New York / By [Kathryn Brenzel](#)

April 28, 2022

An industry-backed quest to overhaul New York's property tax system has received new life.

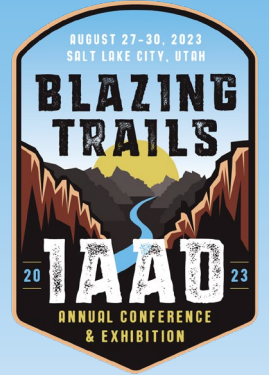


Opinion: If New York City Council members truly want to tackle affordable housing, why not start by fixing our broken property tax system? *BY MARTHA STARK* MAY, 2023

To address the ever-increasing property tax burden, the Council should adopt Truth in Taxation principles.

Jurisdictions that have abided by Truth in Taxation share with taxpayers the different ways the property tax levy can be calculated... the first calculation would show the tax rates and average taxes if the levy was not increased. A second calculation would show the results if the levy was increased by say 2%...Another calculation would show what happens when you increase the levy based on changes in the assessment roll. This process would help inform the public and, more importantly, the Council about property tax-related policy choices. And, New Yorkers would finally be able to hold those in power accountable for property tax increases.

Utah's Truth-in-Taxation for Property Taxes SEN. HOWARD STEPHENSON / JULY 23, 2019



Truth-in-Taxation is Utah's most taxpayer-friendly law. In some ways, it's even better than California's Prop 13. The measure was enacted in 1985 at the request of the Utah Taxpayers Association and Tax Commissioner Gary Cornia, who worked with the Association of Counties to provide a solution to taxpayer unrest from ever increasing property taxes.

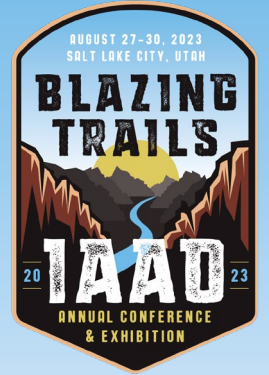
While Truth-in-Taxation does not technically limit property taxes, it makes local elected officials think twice about increasing property tax rates because they know all citizens will be notified of the increase and its potential impact on their property. They also know that they will have to hold a broadly advertised public hearing where citizens can sound off about the proposed tax hike.



Full Disclosure: Controlling Property Tax Increases During Periods of Increasing Housing Values

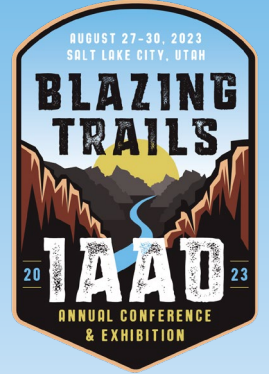
National Tax Journal (2006)

Gary C. Cornia & Lawrence C. Walters



The concept that motivates this paper may be phrased as follows. In a property tax system tied to market value, housing price increases should lead to higher assessed values. When housing prices increase, one option is for local officials to **leave the tax rate largely unchanged so that the government reaps a windfall. Such action often results in significant taxpayer anger.** On the other hand, policies that force officials to reduce rates **may adversely affect the ability of the government to meet the demand** for local services. Is there an effective approach that minimizes tax increases resulting from price appreciation without adversely affecting the capacity of government to meet changing needs?





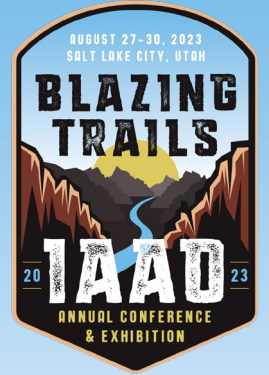
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Gary C. Cornia & Lawrence C. Walters

This finding provides important evidence that **under full disclosure, local officials in these ten counties have responded to escalating real estate prices by reducing property tax rates,** thus restraining growth in the overall tax bills of homeowners at least at the margin.





Full Disclosure: Unanticipated Improvements In Property Tax Uniformity

State Tax Notes (2005)

Gary C. Cornia & Lawrence C. Walters

The need to reappraise property and monitor changes in the property tax are not foreign concepts to public assessors. However, having the right tools — including political protection — when property is appraised is uncommon. A full disclosure law, such as the one described in this article, may allow assessors and those who supervise them to do reappraisals without putting their positions in jeopardy. Requiring elected officials to adjust rates in order to hold revenue constant or to notify their constituents publicly that a tax increase is pending appears to **place the political burden on those who set budgets and tax rates rather than those who value property.** In our eyes, the resulting contribution to tax fairness is important.

Full Disclosure: Controlling Property Tax Increases During Periods of Increasing Housing Values

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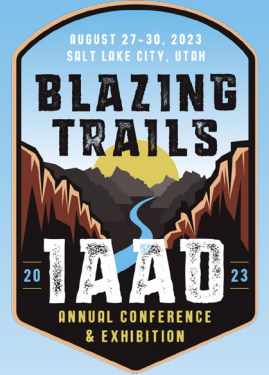
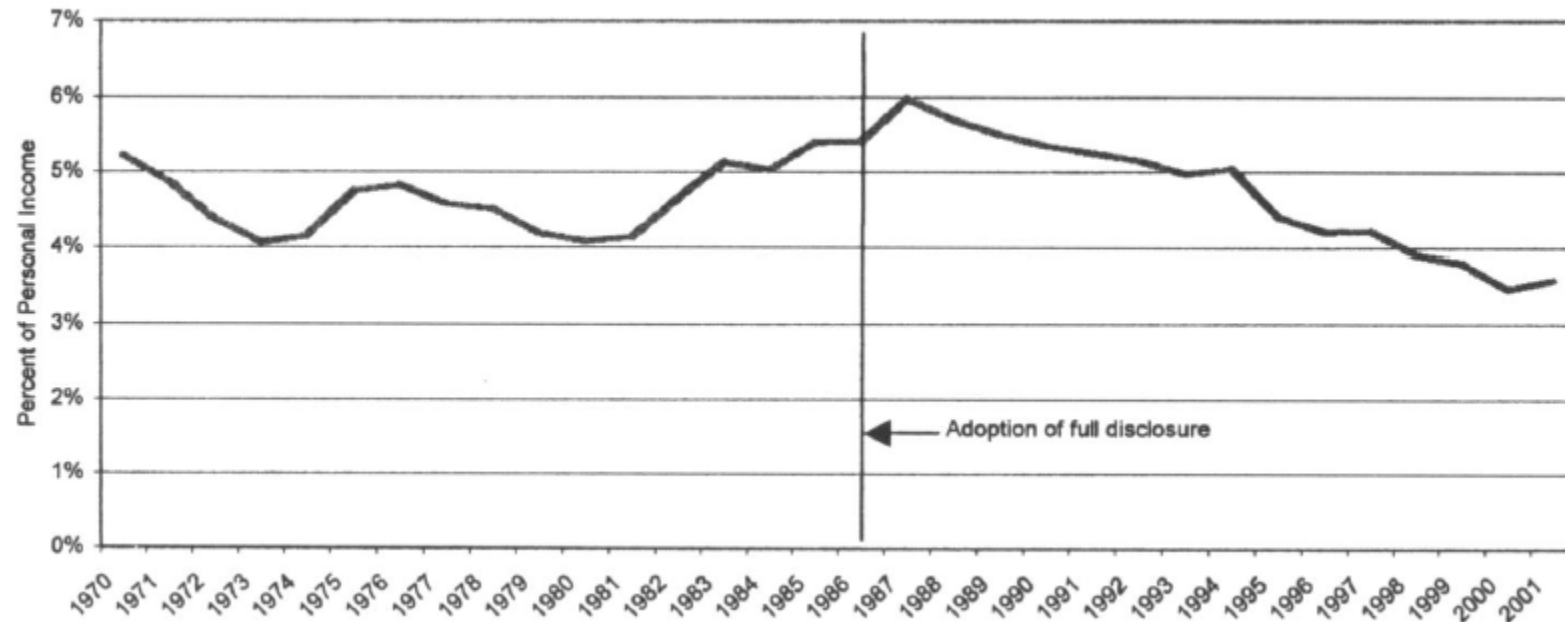
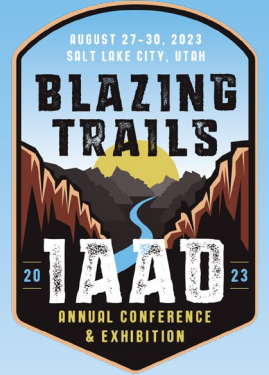


Figure 1. Average County Property Taxes As a Percent of Personal Income





Thank you

Gary Cornia
Nathan Seegert
Joan Youngman

