

Utah

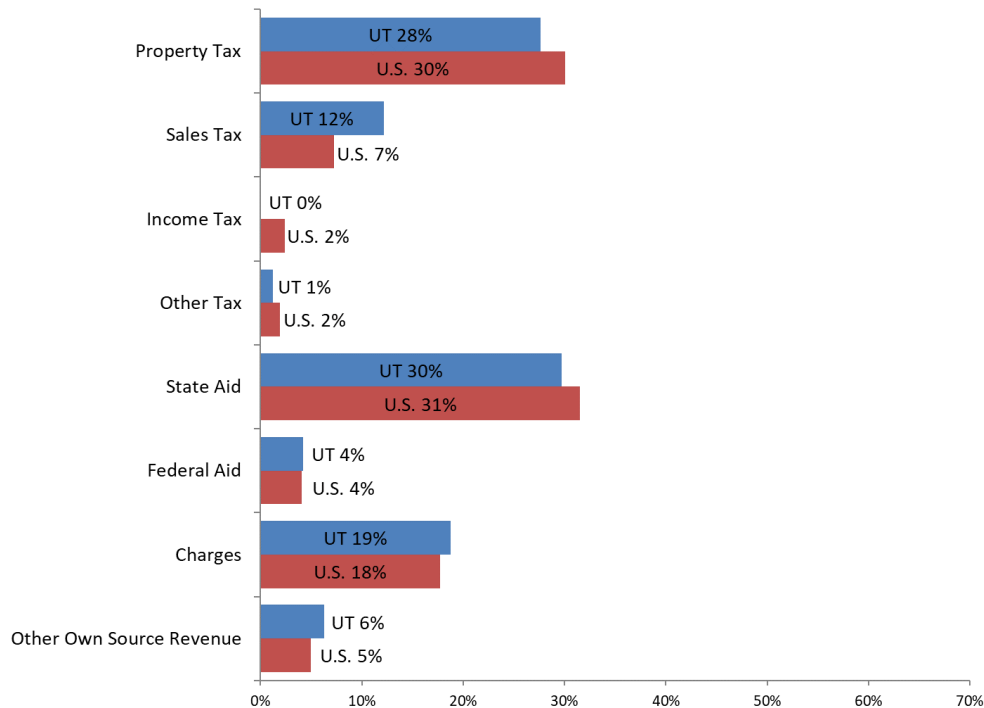
Highlights

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. 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 that is piggybacked on the state sales tax (figure UT-1).

All property is assessed at 100 percent of market value except for residential property and agricultural land. Residential property is assessed at 55 percent of market value, and agricultural land is assessed at use value based on a constitutional amendment. 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. Currently, the property tax represents about 3 percent of personal income (Cornia and Walters 2006).

Figure UT-1
Sources of Local General Revenue, Utah and U.S., 2017



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

Property Tax Reliance

In 2017, 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, 2017¹

	Utah	U.S. Average	Rank (of 51) <i>1 is highest</i>
Per capita property tax	\$1,038	\$1,618	38
Property tax percentage of personal income	2.4%	3.1%	38
Total property tax as percentage of state-local revenue	12.0%	16.2%	41
Median owner-occupied home value ²	\$256,700	\$222,041	14
Median real estate taxes paid for owner-occupied home ²	\$1,653	\$2,412	30
Effective tax rate, median owner-occupied home ³	0.6%	1.1%	40

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

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

² 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 2014-2018.

³ 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 county assessors, who 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 State Tax Commission is responsible for the appraisal of large complex firms. These firms are referenced as centrally assessed and include electric utilities, gas utilities, gas transmission lines, and telecommunication and inter- and intrastate transportation firms. The Tax Commission also values metal mines, nonmetal mines (coal), and oil and gas properties. State-assessed properties represent 11.2 percent of taxable value in Utah; but in a few counties, state-assessed properties represent more than 60 percent of the total assessed value (Utah State Tax Commission).

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, 2018

Feature	Utah	Count for 50 states plus DC
Statewide classification of real property	Yes	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	19
Circuit breaker property tax relief program	Yes	34

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 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 in excess of the certified tax rate, it must provide notice to individual property owners and hold a public hearing. New growth and the minimum school program levy are exempted from the calculation of the certified tax rate.

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 taxable value in the county. This policy creates substantial discord among the owners of such homes.

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 homeowners and renters who qualify for a circuit breaker credit. The circuit breaker benefit is provided as a property tax credit for homeowners and a direct rebate for renters. In 2018, the maximum benefit for either homeowners or renters was \$984.

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 final 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

Utah has the lowest school funding in the nation and is one three states with no history of school funding litigation. In recent years, the state has adopted policies to increase school funding. In 2015, the state increased its basic education property tax rate for the first time since 1996 in order to help equalize funding for school districts. This measure was predicted to raise \$75 million (Utah State Legislature 2015). In 2018, voters rejected a ballot measure to increase the state gas tax to raise more

money for schools (Collins et al. 2019). In the same year, the legislature enacted a rate floor for the minimum basic tax rate. The floor will keep the rate from declining below 0.00016 when property values rise. The rate floor will increase revenue for education. 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. House Bill 293 also increased the maximum school board local levy for school districts and increased the homeowner credit by \$14 (Utah State Legislature 2018).

S.B. 157, signed into law in March 2017, requires an aircraft to be centrally assessed by the Utah State Tax Commission according to a specific valuation method. The sponsors of the bill argued that requiring this standard method for valuing airline property would prevent further lawsuits on the part of airlines, who had been fighting their valuations and winning. Five counties filed a lawsuit in the Third Judicial Court arguing that S.B. 157 provided a sizeable tax break for airlines, which would shift the tax burden to homeowners and small business owners (Chamseddine 2017).

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.

Resources

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