PROPERTY TAX BASICS

Understanding truth-in-taxation…maybe not scintillating, but important.

Dog Faints after getting Property Tax Bill on Dog House.

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Presentation Objectives

- Understand Basics of Property Tax
- What happens when property values increase?
- What is the Truth-in-Taxation?
- What should be your concern about property tax as you go through the budget process?

Tax Components

- Tax Base – What is being taxed
- Fair Market Value of Home ($200,000)
- Tax Rate – The levy imposed against the base to determine the actual tax
- .00001
- Tax: $20

THE PROPERTY TAX BASE

- Fair Market Value –
  - Determined as of January 1st
  - County Assessor/Tax Commission
- Mass Appraisal System
  - Actual Appraisals/Statistical Methods
- There will always be inaccuracies
  - That is why there are appeals

Truth-in-Taxation

- The "truth-in-taxation" system governs the use of property tax in the budgeting process.
- It determines the specific property amount that a city will receive without taking any additional action.
- Creates a "brake" on revenue windfalls associated with increases in value

The Property Tax/City Budgets

- Each city that levies a property tax is given a rate that will give a city the same tax dollars that it had the previous year plus new growth.

- New growth is the value of new construction that occurred during the prior tax year.

- This rate is called the certified tax rate

Truth-in-Taxation Principles

- Revenue Driven System: A city is limited to the prior year's property tax revenue plus new growth UNLESS it goes through a notification process and a public hearing.

- Objective: Increases in value do not increase property tax revenue.

Truth-in-Taxation Example

- Property Tax Base Value - $10 million
- Tax Rate - .0001
- Property Tax Revenue - $100,000
- Property Tax Base Value increases 10% - $11 million
- Truth-in-Taxation requires a decrease in the rate of 10% - .0000909
- Property Tax Revenue still $100,000

Why Significant Tax Increases?

- Property Values do not change uniformly – Especially true in a mass appraisal system.
- Example
  - A $200,000 home (2006) increases in value 25%. The average increase in 10%. Its new value is $250,000.
  - Truth-in-Taxation requires a rate drop of 10% (the average increase). However, the example property would still see an increase in tax of 15%.
  - Properties with a value increase below 10% would actually see a decrease.

Wise to Avoid Increases?

- Tempting to never go through truth-in-taxation process.
- Over time will see a shift from property tax to other revenue sources. What is the potential impact?
- May create a pent up pressure situation where a large tax increase is needed in future rather than a series of smaller ones

Why is this so complicated?

Weber County

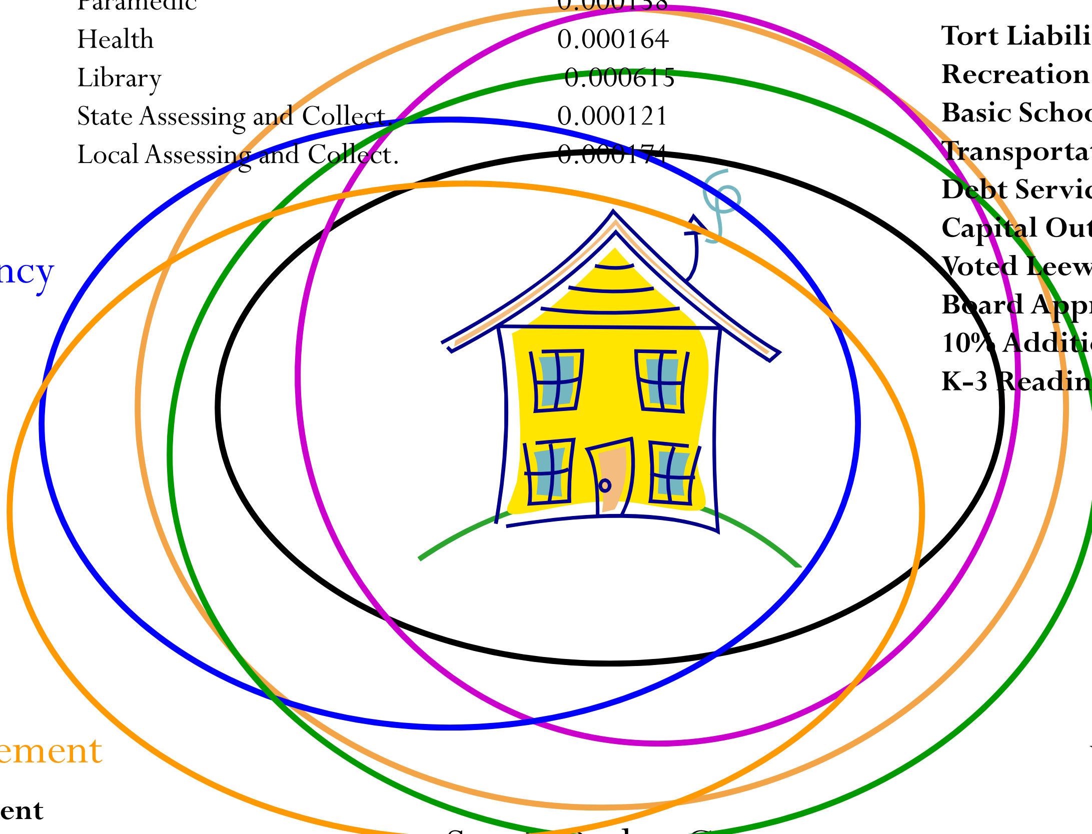
General Operations	0.002052
Interest and Sinking Fund Bond	0.000324
Paramedic	0.000158
Health	0.000164
Library	0.000615
State Assessing and Collect	0.000121
Local Assessing and Collect.	0.000174

Weber Co. School District

Tort Liability	**0.000037**
Recreation	**0.000100**
Basic School Levy	**0.001311**
Transportation	**0.000153**
Debt Service	**0.001343**
Capital Outlay	**0.000811**
Voted Leeway	**0.000960**
Board Approved Leeway	**0.000352**
10% Additional Other	**0.000438**
K-3 Reading program	**0.000121**

Fire and Emergency

Fire Protection
0.001124
911 and Emergency
0.000293



Water and Sewer

Weber Basin Water Conservancy
0.000200
Central Weber Sewer
0.000519

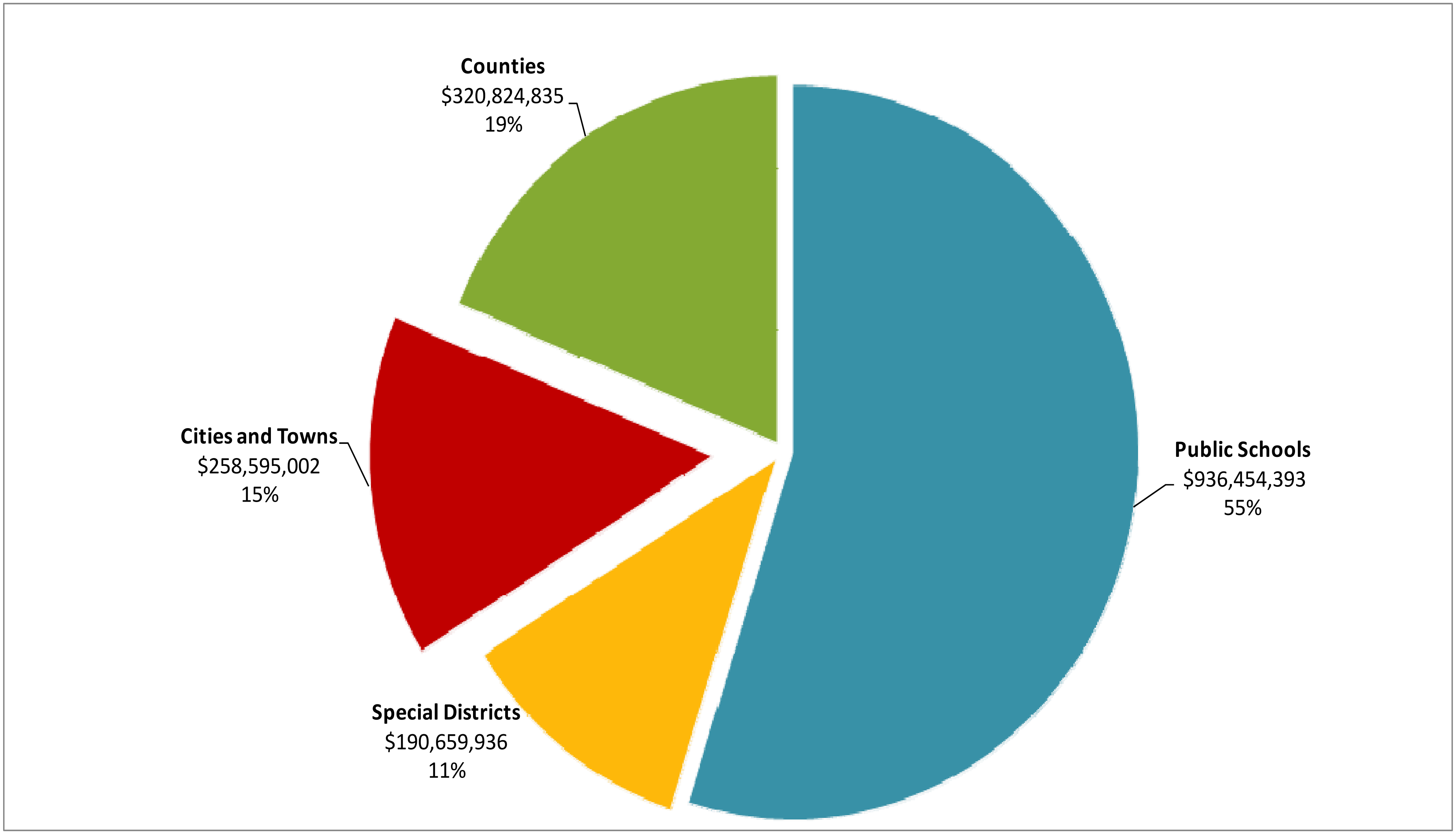
Mosquito Abatement

Mosquito Abatement
0.000094

South Ogden City

General Operations 0.002527

Property Tax Revenue



Conclusions

- Governments do not receive increased revenues from value increases.
- There may be tax shifts among properties
- Critical importance of keeping values current
- No tax system can work well in high inflation settings or aberrational circumstances.
- Governments need to be aware of ramifications of never going through truth-in taxation process

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