

Property Tax Changes

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jill Koford

Senate Sponsor:

LONG TITLE**General Description:**

This bill modifies provisions related to property tax.

Highlighted Provisions:

This bill:

- requires the minimum basic tax rate imposed by school districts to be certified by consensus between the State Tax Commission, the Governor's Office of Planning and Budget, and the Office of the Legislative Fiscal Analyst;
- allows for the use of money in the Public Education Economic Stabilization Restricted Account to fund certain shortfalls in the basic school program;
- increases the property tax exemption applicable to residential property from 45% to 50% of fair market value; and
- makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:**AMENDS:**

53F-2-301 (Effective 05/07/25), as last amended by Laws of Utah 2024, Chapters 124, 460

53F-9-204 (Effective 05/07/25), as last amended by Laws of Utah 2024, Chapter 322

59-2-103 (Contingently Effective 01/01/27), as last amended by Laws of Utah 2024, Chapter 253

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **53F-2-301** is amended to read:

53F-2-301 (Effective 05/07/25). Minimum basic tax rate for a fiscal year that begins after July 1, 2022.

(1) As used in this section:

(a) "Basic levy increment rate" means a tax rate that will generate an amount of revenue equal to \$75,000,000.

(b) "Combined basic rate" means a rate that is the sum of:

(i) the minimum basic tax rate; and

(ii) the WPU value rate.

(c) "Commission" means the State Tax Commission.

(d) "Minimum basic local amount" means an amount that is:

(i) equal to the sum of:

(A) the school districts' contribution to the basic school program the previous fiscal year;

(B) the amount generated by the basic levy increment rate; and

(C) the eligible new growth, as defined in Section 59-2-924 and rules of the State Tax Commission multiplied by the minimum basic rate; and

(ii) set annually by the Legislature in Subsection (2)(a).

(e) "Minimum basic tax rate" means a tax rate certified by consensus between the commission, the Governor's Office of Planning and Budget, and the Office of the Legislative Fiscal Analyst that will generate an amount of revenue equal to the minimum basic local amount described in Subsection (2)(a).

(f) "Weighted pupil unit value" or "WPU value" means the amount established each year in the enacted public education budget that is multiplied by the number of weighted pupil units to yield the funding level for the basic school program.

(g) "WPU value amount" means an amount:

(i) that is equal to the product of:

(A) the WPU value increase limit; and

(B) the percentage share of local revenue to the cost of the basic school program in the immediately preceding fiscal year; and

(ii) set annually by the Legislature in Subsection (3)(a).

(h) "WPU value increase limit" means the lesser of:

(i) the total cost to the basic school program to increase the WPU value over the WPU value in the prior fiscal year; or

(ii) the total cost to the basic school program to increase the WPU value by 4% over the WPU value in the prior fiscal year.

(i) "WPU value rate" means a tax rate certified by the commission that will generate an

- 65 amount of revenue equal to the WPU value amount described in Subsection (3)(a).
- 66 (2)(a) The minimum basic local amount for the fiscal year that begins on July 1, 2024, is
- 67 \$759,529,000 in revenue statewide.
- 68 (b) The preliminary estimate of the minimum basic tax rate for a fiscal year that begins
- 69 on July 1, 2024, is .001429.
- 70 (3)(a) The WPU value amount for the fiscal year that begins on July 1, 2024, is
- 71 \$29,240,600 in revenue statewide.
- 72 (b) The preliminary estimate of the WPU value rate for the fiscal year that begins on
- 73 July 1, 2024, is .000055.
- 74 (4)(a) On or before June 22, the commission, the Governor's Office of Planning and
- 75 Budget, and the Office of the Legislative Fiscal Analyst shall by consensus certify for
- 76 the year:
- 77 (i) the minimum basic tax rate; and
- 78 (ii) the WPU value rate.
- 79 (b) The estimate of the minimum basic tax rate provided in Subsection (2)(b) and the
- 80 estimate of the WPU value rate provided in Subsection (3)(b) are based on a forecast
- 81 for property values for the next calendar year.
- 82 (c) The certified minimum basic tax rate described in Subsection (4)(a)(i) and the
- 83 certified WPU value rate described in Subsection (4)(a)(ii) are based on property
- 84 values as of January 1 of the current calendar year, except personal property, which is
- 85 based on values from the previous calendar year.
- 86 (5)(a) To qualify for receipt of the state contribution toward the basic school program
- 87 and as a school district's contribution toward the cost of the basic school program for
- 88 the school district, each local school board shall impose the combined basic rate.
- 89 (b)(i) The state is not subject to the notice requirements of Section 59-2-926 before
- 90 imposing the tax rates described in this Subsection (5).
- 91 (ii) The state is subject to the notice requirements of Section 59-2-926 if the state
- 92 authorizes a tax rate that exceeds the tax rates described in this Subsection (5).
- 93 (6)(a) The state shall contribute to each school district toward the cost of the basic
- 94 school program in the school district an amount of money that is the difference
- 95 between the cost of the school district's basic school program and the sum of revenue
- 96 generated by the school district by the following:
- 97 (i) the combined basic rate; and
- 98 (ii) the basic levy increment rate.

(b)(i) If the difference described in Subsection (6)(a) equals or exceeds the cost of the basic school program in a school district, no state contribution shall be made to the basic school program for the school district.

(ii) The proceeds of the difference described in Subsection (6)(a) that exceed the cost of the basic school program shall be paid into the Uniform School Fund as provided by law and by the close of the fiscal year in which the proceeds were calculated.

(7) Upon appropriation by the Legislature, the Division of Finance shall deposit an amount equal to the proceeds generated statewide:

(a) by the basic levy increment rate into the Minimum Basic Growth Account created in Section 53F-9-302; and

(b) by the WPU value rate into the Teacher and Student Success Account created in Section 53F-9-306.

Section 2. Section **53F-9-204** is amended to read:

53F-9-204 (Effective 05/07/25). Public Education Economic Stabilization

Restricted Account.

(1) There is created within the Uniform School Fund a restricted account known as the "Public Education Economic Stabilization Restricted Account."

(2)(a) Except as provided in Subsection (2)(b), the account shall be funded from the following revenue sources:

(i) 15% of the difference between, as determined by the Office of the Legislative Fiscal Analyst:

(A) the estimated amount of ongoing Income Tax Fund and Uniform School Fund revenue available for the Legislature to appropriate for the next fiscal year; and

(B) the amount of ongoing appropriations from the Income Tax Fund and Uniform School Fund in the current fiscal year; and

(ii) other appropriations as the Legislature may designate.

(b) If the appropriation described in Subsection (2)(a) would cause the ongoing appropriations to the account to exceed 11% of Uniform School Fund appropriations described in Section 53F-9-201.1 for the same fiscal year, the Legislature shall appropriate only those funds necessary to ensure that the ongoing appropriations to the account equal 11% of Uniform School Fund appropriations for that fiscal year.

(3) Subject to the availability of ongoing appropriations to the account, in accordance with Utah Constitution, Article X, Section 5, Subsection (4), the ongoing appropriation to the

account shall be used to fund:

(a) except for a year described in Subsection (3)(b) or (c), one-time appropriations to the public education system; ~~and~~

(b) the Minimum School Program for a year in which Income Tax Fund revenue and Uniform School Fund revenue are insufficient to fund:

(i) ongoing appropriations to the public education system; and

(ii) enrollment growth and inflation estimates, as defined in Section 53F-9-201.1[-] ;
and

(c) the minimum basic local amount as defined in Section 53F-2-301 for a year in which the minimum basic tax rate, as defined in Section 53F-2-301, is insufficient to generate the amount described in Subsection 53F-2-301(2)(a).

(4)(a) The account shall earn interest.

(b) All interest earned on account money shall be deposited in the account.

(5) On or before December 31, 2023, and every three years thereafter, the Office of the Legislative Fiscal Analyst shall:

(a) review the percentages described in Subsections (2)(a)(i) and (2)(b); and

(b) recommend to the Executive Appropriations Subcommittee any changes based on the review described in Subsection (5)(a).

(6) In preparing budget bills for a given fiscal year, the Executive Appropriations Committee shall make the one-time appropriations described in Subsection (3)(a) by appropriating at least the lesser of 10% of the total amount of the one-time appropriations; or

(a) the cost of providing 32 paid professional hours for teachers in accordance with Section 53F-7-203; and

(b) the amount to make the distribution required under Section 53F-2-527.

Section 3. Section **59-2-103** is amended to read:

59-2-103 (Contingently Effective 01/01/27). Rate of assessment of property -- Residential property.

(1) As used in this section:

(a)(i) "Household" means the association of individuals who live in the same dwelling, sharing the dwelling's furnishings, facilities, accommodations, and expenses.

(ii) "Household" includes married individuals, who are not legally separated, who have established domiciles at separate locations within the state.

(b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the commission may make rules defining the term "domicile."

(2) All tangible taxable property located within the state shall be assessed and taxed at a uniform and equal rate on the basis of its fair market value, as valued on January 1, unless otherwise provided by law.

(3) Subject to Subsections (4) through (6) and Section 59-2-103.5, for a calendar year, the fair market value of residential property located within the state is allowed a residential exemption equal to a [45%] 50% reduction in the value of the property.

(4) Part-year residential property located within the state is allowed the residential exemption described in Subsection (3) if the part-year residential property is used as residential property for 183 or more consecutive calendar days during the calendar year for which the owner seeks to obtain the residential exemption.

(5) No more than one acre of land per residential unit may qualify for the residential exemption described in Subsection (3).

(6)(a) Except as provided in Subsections (6)(b)(ii) and (iii), a residential exemption described in Subsection (3) is limited to one primary residence per household.

(b) An owner of multiple primary residences located within the state is allowed a residential exemption under Subsection (3) for:

(i) subject to Subsection (6)(a), the primary residence of the owner;

(ii) each residential property that is the primary residence of a tenant; and

(iii) subject to Subsection 59-2-103.5(4), each residential property described in Subsection 59-2-102(34)(b)(ii).

Section 4. **Effective Date.**

(1) Except as provided in Subsection (2), this bill takes effect on May 7, 2025.

(2) The changes to Section 59-2-103 take effect January 1, 2027, if the amendment to the Utah Constitution proposed by H.J.R. 7, Proposal to Amend Utah Constitution - Property Tax, 2025 General Session, passes the Legislature and is approved by a majority of those voting on it at the next regular general election.