

REVENUE AND TAXATION MODIFICATIONS

2017 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Daniel McCay

Senate Sponsor: Deidre M. Henderson

LONG TITLE

General Description:

This bill amends provisions related to property taxes.

Highlighted Provisions:

This bill:

- ▶ amends the definition of locally assessed new growth to exclude a change in assessed value that occurs due to assessment under the Farmland Assessment Act or the Urban Farming Assessment Act.

Money Appropriated in this Bill:

None

Other Special Clauses:

This bill provides retrospective operation.

Utah Code Sections Affected:

AMENDS:

59-2-924, as last amended by Laws of Utah 2016, Chapters 350 and 367

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

Section 1. Section **59-2-924** is amended to read:

59-2-924. Definitions -- Report of valuation of property to county auditor and commission -- Transmittal by auditor to governing bodies -- Calculation of certified tax rate -- Rulemaking authority -- Adoption of tentative budget -- Notice provided by the commission.

(1) As used in this section:

30 (a) (i) "Ad valorem property tax revenue" means revenue collected in accordance with
31 this chapter.

32 (ii) "Ad valorem property tax revenue" does not include:

33 (A) interest;

34 (B) penalties;

35 (C) collections from redemptions; or

36 (D) revenue received by a taxing entity from personal property that is semiconductor
37 manufacturing equipment assessed by a county assessor in accordance with Part 3, County
38 Assessment.

39 (b) (i) "Aggregate taxable value of all property taxed" means:

40 (A) the aggregate taxable value of all real property a county assessor assesses in
41 accordance with Part 3, County Assessment, for the current year;

42 (B) the aggregate taxable value of all real and personal property the commission
43 assesses in accordance with Part 2, Assessment of Property, for the current year; and

44 (C) the aggregate year end taxable value of all personal property a county assessor
45 assesses in accordance with Part 3, County Assessment, contained on the prior year's tax rolls
46 of the taxing entity.

47 (ii) "Aggregate taxable value of all property taxed" does not include the aggregate year
48 end taxable value of personal property that is:

49 (A) semiconductor manufacturing equipment assessed by a county assessor in
50 accordance with Part 3, County Assessment; and

51 (B) contained on the prior year's tax rolls of the taxing entity.

52 (c) "Centrally assessed benchmark value" means an amount equal to the highest year
53 end taxable value of real and personal property the commission assesses in accordance with
54 Part 2, Assessment of Property, for a previous calendar year that begins on or after January 1,
55 2015, adjusted for taxable value attributable to:

56 (i) an annexation to a taxing entity; or

57 (ii) an incorrect allocation of taxable value of real or personal property the commission

assesses in accordance with Part 2, Assessment of Property.

(d) (i) "Centrally assessed new growth" means the greater of:

(A) zero; or

(B) the amount calculated by subtracting the centrally assessed benchmark value adjusted for prior year end incremental value from the taxable value of real and personal property the commission assesses in accordance with Part 2, Assessment of Property, for the current year, adjusted for current year incremental value.

(ii) "Centrally assessed new growth" does not include a change in value as a result of a change in the method of apportioning the value prescribed by the Legislature, a court, or the commission in an administrative rule or administrative order.

(e) "Certified tax rate" means a tax rate that will provide the same ad valorem property tax revenue for a taxing entity as was budgeted by that taxing entity for the prior year.

(f) "Eligible new growth" means the greater of:

(i) zero; or

(ii) the sum of:

(A) locally assessed new growth;

(B) centrally assessed new growth; and

(C) project area new growth.

(g) "Incremental value" means the same as that term is defined in Section 17C-1-102.

(h) (i) "Locally assessed new growth" means the greater of:

(A) zero; or

(B) the amount calculated by subtracting the year end taxable value of real property the county assessor assesses in accordance with Part 3, County Assessment, for the previous year, adjusted for prior year end incremental value from the taxable value of real property the county assessor assesses in accordance with Part 3, County Assessment, for the current year, adjusted for current year incremental value.

(ii) "Locally assessed new growth" does not include a change in:

(A) value as a result of factoring in accordance with Section 59-2-704, reappraisal, or

another adjustment; [~~or~~]

(B) assessed value based on whether a property is allowed a residential exemption for a primary residence under Section 59-2-103[-];

(C) assessed value based on whether a property is assessed under Part 5, Farmland Assessment Act; or

(D) assessed value based on whether a property is assessed under Part 17, Urban Farming Assessment Act.

(i) "Project area" means the same as that term is defined in Section 17C-1-102.

(j) "Project area new growth" means an amount equal to the incremental value that is no longer provided to an agency as tax increment.

(2) Before June 1 of each year, the county assessor of each county shall deliver to the county auditor and the commission the following statements:

(a) a statement containing the aggregate valuation of all taxable real property a county assessor assesses in accordance with Part 3, County Assessment, for each taxing entity; and

(b) a statement containing the taxable value of all personal property a county assessor assesses in accordance with Part 3, County Assessment, from the prior year end values.

(3) The county auditor shall, on or before June 8, transmit to the governing body of each taxing entity:

(a) the statements described in Subsections (2)(a) and (b);

(b) an estimate of the revenue from personal property;

(c) the certified tax rate; and

(d) all forms necessary to submit a tax levy request.

(4) (a) Except as otherwise provided in this section, the certified tax rate shall be calculated by dividing the ad valorem property tax revenue that a taxing entity budgeted for the prior year by the amount calculated under Subsection (4)(b).

(b) For purposes of Subsection (4)(a), the legislative body of a taxing entity shall calculate an amount as follows:

(i) calculate for the taxing entity the difference between:

- 114 (A) the aggregate taxable value of all property taxed; and
115 (B) any adjustments for current year incremental value;
- 116 (ii) after making the calculation required by Subsection (4)(b)(i), calculate an amount
117 determined by increasing or decreasing the amount calculated under Subsection (4)(b)(i) by the
118 average of the percentage net change in the value of taxable property for the equalization
119 period for the three calendar years immediately preceding the current calendar year;
- 120 (iii) after making the calculation required by Subsection (4)(b)(ii), calculate the product
121 of:
- 122 (A) the amount calculated under Subsection (4)(b)(ii); and
123 (B) the percentage of property taxes collected for the five calendar years immediately
124 preceding the current calendar year; and
- 125 (iv) after making the calculation required by Subsection (4)(b)(iii), calculate an amount
126 determined by subtracting eligible new growth from the amount calculated under Subsection
127 (4)(b)(iii).
- 128 (5) A certified tax rate for a taxing entity described in this Subsection (5) shall be
129 calculated as follows:
- 130 (a) except as provided in Subsection (5)(b), for a new taxing entity, the certified tax
131 rate is zero;
- 132 (b) for a municipality incorporated on or after July 1, 1996, the certified tax rate is:
- 133 (i) in a county of the first, second, or third class, the levy imposed for municipal-type
134 services under Sections 17-34-1 and 17-36-9; and
- 135 (ii) in a county of the fourth, fifth, or sixth class, the levy imposed for general county
136 purposes and such other levies imposed solely for the municipal-type services identified in
137 Section 17-34-1 and Subsection 17-36-3(22); and
- 138 (c) for debt service voted on by the public, the certified tax rate is the actual levy
139 imposed by that section, except that a certified tax rate for the following levies shall be
140 calculated in accordance with Section 59-2-913 and this section:
- 141 (i) a school levy provided for under Section 53A-16-113, 53A-17a-133, or

53A-17a-164; and

(ii) a levy to pay for the costs of state legislative mandates or judicial or administrative orders under Section 59-2-1602.

(6) (a) A judgment levy imposed under Section 59-2-1328 or 59-2-1330 may be imposed at a rate that is sufficient to generate only the revenue required to satisfy one or more eligible judgments.

(b) The ad valorem property tax revenue generated by a judgment levy described in Subsection (6)(a) may not be considered in establishing a taxing entity's aggregate certified tax rate.

(7) (a) For the purpose of calculating the certified tax rate, the county auditor shall use:

(i) the taxable value of real property:

(A) the county assessor assesses in accordance with Part 3, County Assessment; and

(B) contained on the assessment roll;

(ii) the year end taxable value of personal property:

(A) a county assessor assesses in accordance with Part 3, County Assessment; and

(B) contained on the prior year's assessment roll; and

(iii) the taxable value of real and personal property the commission assesses in accordance with Part 2, Assessment of Property.

(b) For purposes of Subsection (7)(a), taxable value does not include eligible new growth.

(8) (a) On or before June 22, a taxing entity shall annually adopt a tentative budget.

(b) If a taxing entity intends to exceed the certified tax rate, the taxing entity shall notify the county auditor of:

(i) the taxing entity's intent to exceed the certified tax rate; and

(ii) the amount by which the taxing entity proposes to exceed the certified tax rate.

(c) The county auditor shall notify property owners of any intent to levy a tax rate that exceeds the certified tax rate in accordance with Sections 59-2-919 and 59-2-919.1.

(9) (a) Subject to Subsection (9)(d), the commission shall provide notice, through

electronic means on or before July 31, to a taxing entity and the Revenue and Taxation Interim Committee if:

(i) the amount calculated under Subsection (9)(b) is 10% or more of the year end taxable value of the real and personal property the commission assesses in accordance with Part 2, Assessment of Property, for the previous year, adjusted for prior year end incremental value; and

(ii) the amount calculated under Subsection (9)(c) is 50% or more of the total year end taxable value of the real and personal property of a taxpayer the commission assesses in accordance with Part 2, Assessment of Property, for the previous year.

(b) For purposes of Subsection (9)(a)(i), the commission shall calculate an amount by subtracting the taxable value of real and personal property the commission assesses in accordance with Part 2, Assessment of Property, for the current year, adjusted for current year incremental value, from the year end taxable value of the real and personal property the commission assesses in accordance with Part 2, Assessment of Property, for the previous year, adjusted for prior year end incremental value.

(c) For purposes of Subsection (9)(a)(ii), the commission shall calculate an amount by subtracting the total taxable value of real and personal property of a taxpayer the commission assesses in accordance with Part 2, Assessment of Property, for the current year, from the total year end taxable value of the real and personal property of a taxpayer the commission assesses in accordance with Part 2, Assessment of Property, for the previous year.

(d) The notification under Subsection (9)(a) shall include a list of taxpayers that meet the requirement under Subsection (9)(a)(ii).

Section 2. Retrospective operation.

This bill has retrospective operation to January 1, 2017.