

Property Taxes on Personal Property Owned by Businesses

Utah Legislature
Business and Labor Interim Committee

The Property Tax: Embedded in the Utah Constitution

General rule

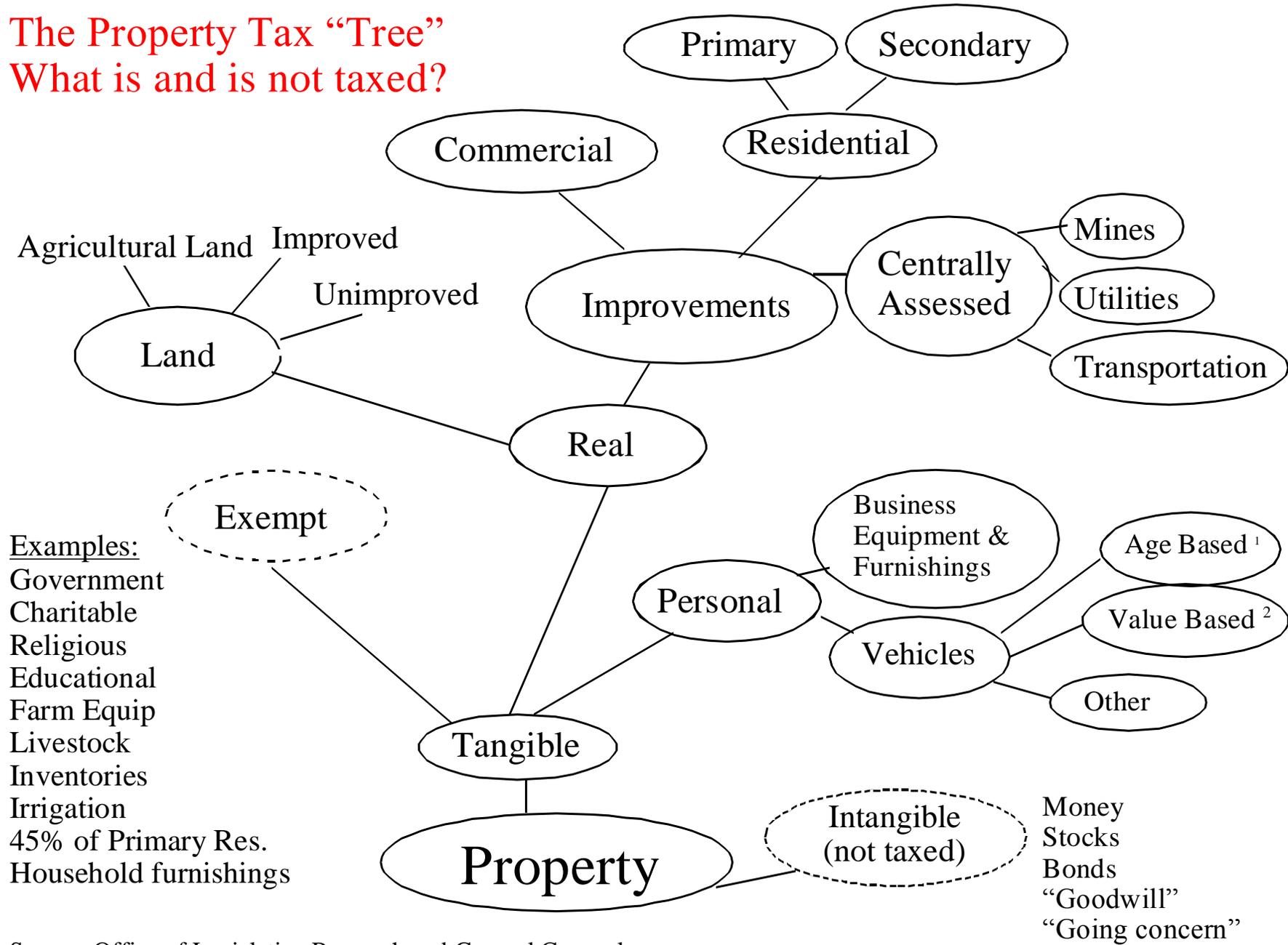
- All tangible property shall be:
 - Assessed at a uniform and equal rate in proportion to its fair market value; and
 - Taxed at a uniform and equal rate

Exceptions to general rule

- Constitutionally required exemptions
- Exceptions that the Legislature may provide for
- Exemptions that the Legislature may provide for

The Property Tax “Tree”

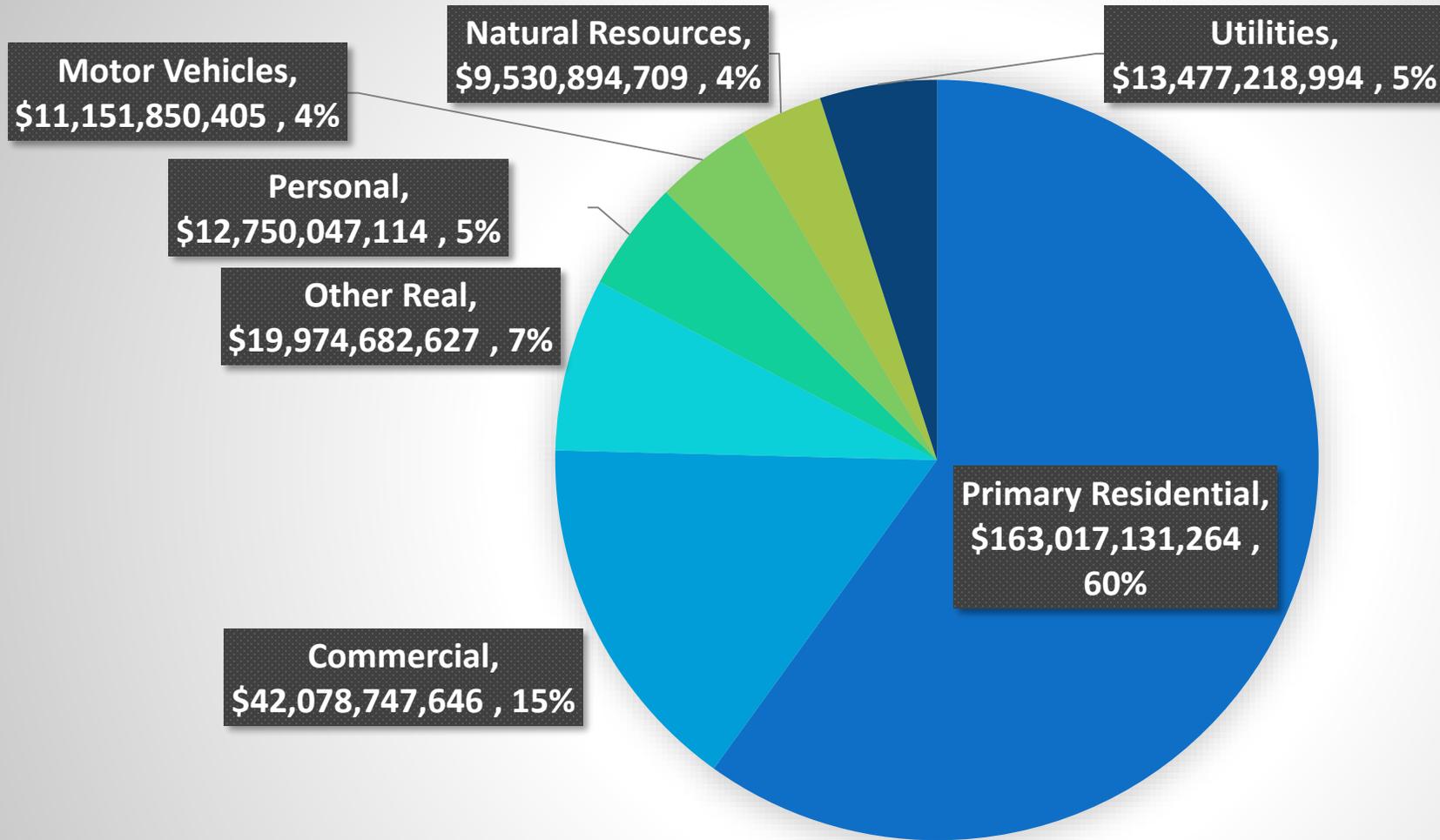
What is and is not taxed?



Source: Office of Legislative Research and General Counsel.

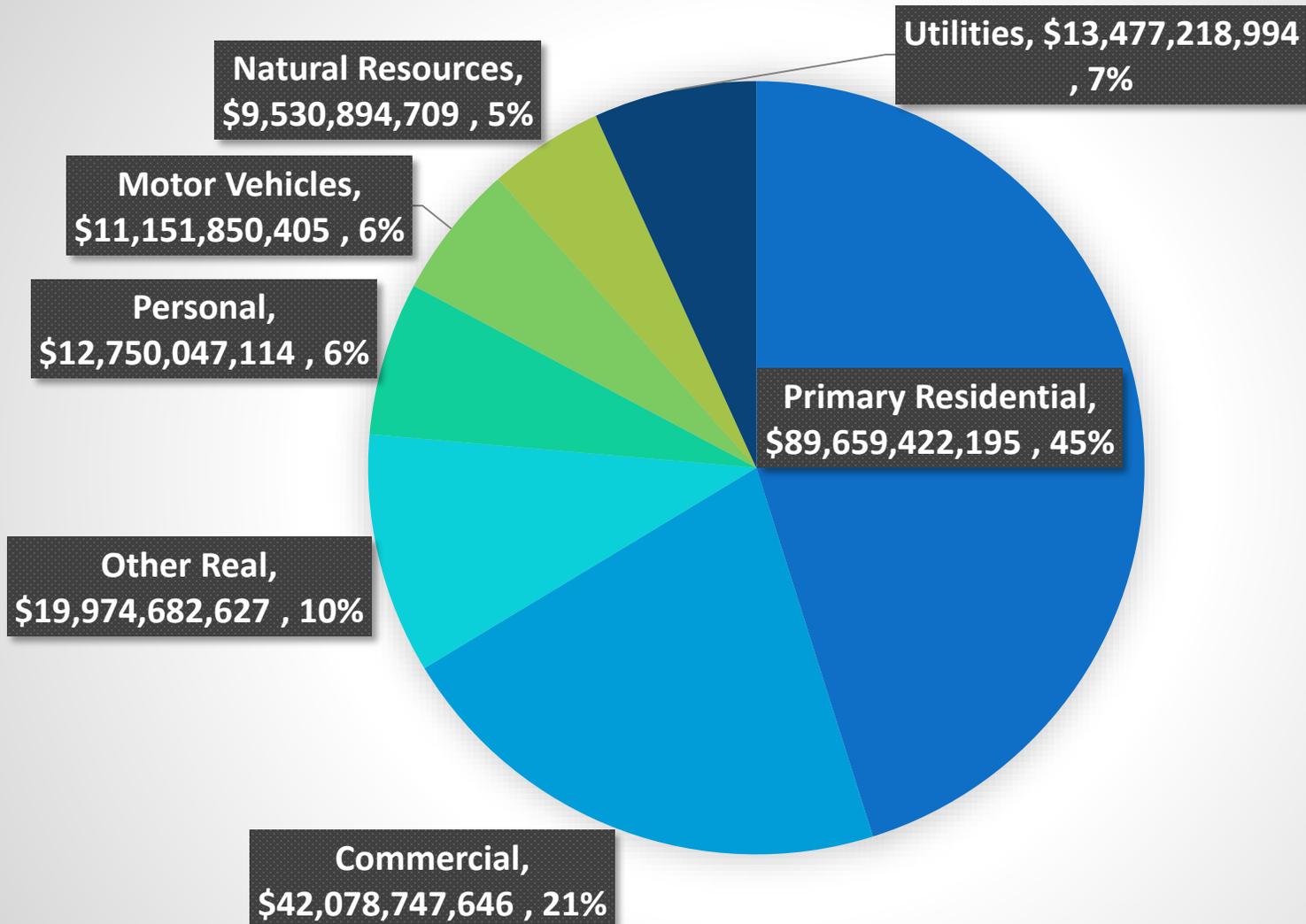
The Utah Property Tax Base

\$271.9B in *Fair Market Value*– 2013 Tax Year



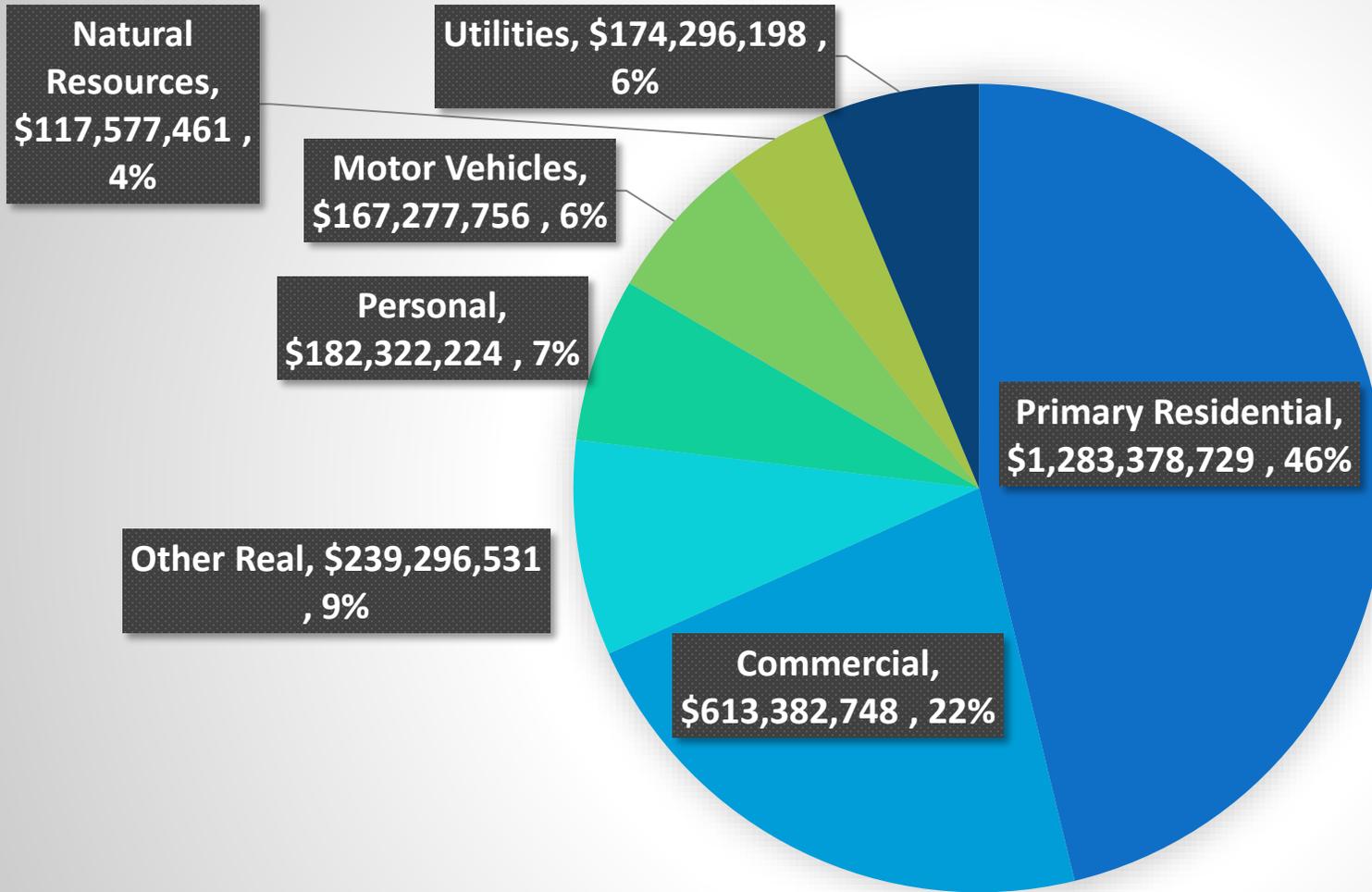
The Utah Property Tax Base

\$198.6B in *Taxable Value*– 2013 Tax Year

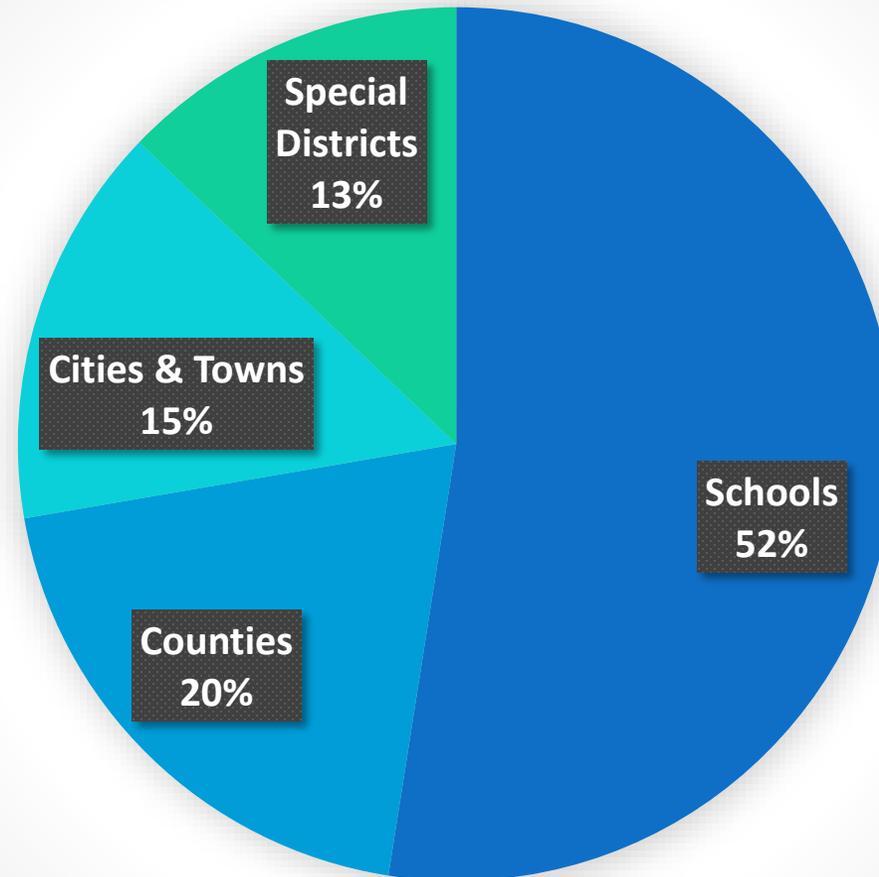


Property Taxes -- Where Does the Money Come From?

\$2.77B Property Taxes Charged – 2013 Tax Year



Property Taxes -- Where Does the Money Go? 2013 Tax Year



Exceptions to the General Rule that the Legislature May Provide For

The Legislature may by statute:

- Provide for agricultural land to be assessed based on its value for agricultural purposes
- Determine the manner and extent of taxing livestock
- Determine the manner and extent of taxing or exempting intangible property
- Exempt tangible personal property required to be registered for use on a public highway, waterway, or land or in the air
- Provide for the remission or abatement of the taxes of the poor

Selected Exemptions that the Legislature May Provide For

- Inventory
- Tangible personal property temporarily in state before being shipped out of state
- Up to 45% of residential property value
- Household furnishings, furniture, and equipment
- Tangible personal property that, if subject to property tax, would generate an inconsequential amount of revenue
- Property owned by a disabled veteran or surviving spouse or orphan

Property Tax Exemptions on Personal Property: Article XIII – Utah Constitution

- Tangible personal property required to registered before it is used on public highways, waterways, etc.
- Household furnishings, furniture, and equipment used exclusively by the owner . . . in maintaining the owner's home.
- *Tangible personal property that, if subject to property tax, would generate an inconsequential amount of revenue.*



“Tangible personal property that, if subject to property tax, would generate an inconsequential amount of revenue”

(Article XIII, Section (3)(a)(vi), Utah Constitution)

- Constitutional amendment approved by voters in 2006
- First implemented in 2007
- Modified and expanded in 2008 and 2013
- Two exemptions:
 - if a taxpayer has less than \$10,000 in value of personal property per county; and
 - property that cost less than \$1,000 to acquire and has reached a “percent good” of 15% or less.
- Other rules apply for “noncapitalized personal property.”

“Truth in Taxation” holds property tax revenues constant (mostly)

If the property tax base:	The certified property tax rate:	So that:
Decreases	Increases	Property tax revenue is constant
Increases	Decreases	Property tax revenue is constant

Possible Statewide Property Tax Shift on a \$250,000 FMV Home: HB 391 (1st Sub.)

- “Enactment of this bill could result in a shift of \$13.9 billion in taxable value from business personal property to other types of property.” (Fiscal Note)
- 2012 property taxes charged: \$2.7B
- 2012 property tax taxable value: \$201.2B
- $\$13.9\text{B}/\$201.2\text{B} = 7\%$
- Old statewide average tax rate: $\$2.7\text{B}/\$201.2\text{B} = 1.34\%$
- New statewide average tax rate: $\$2.7\text{B}/\$187.3\text{B} = 1.44\%$
- Old tax: \$1,842 ($\$250,000 * .55 * .0134$)
- New tax: \$1,980 ($\$250,000 * .55 * .0144$)

Another Option: No Shift

- Estimated statewide property tax revenue reduction due to \$13.9B reduction in property tax base = \$186.2M ($\$13.9\text{B} \times .0134$).
- All else being equal, taxing entities and Minimum School Program realize reduction in property tax revenue.