

SCHOOL PROPERTY TAX EQUALIZATION

REVISIONS

2010 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Gene Davis

House Sponsor: _____

LONG TITLE

General Description:

This bill amends the Property Tax Act and provisions related to public education financing to repeal certain school property tax equalization provisions.

Highlighted Provisions:

This bill:

- ▶ repeals the requirement to impose and distribute certain school capital outlay property tax revenues in school districts located within a first class county or divided school district; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill has retrospective operation for a taxable year beginning on or after January 1, 2010.

Utah Code Sections Affected:

AMENDS:

53A-16-107, as last amended by Laws of Utah 2008, Chapter 236

59-2-924, as last amended by Laws of Utah 2009, Chapters 152, 204, 356, and 388

REPEALS:



- 28 **53A-2-118.3**, as enacted by Laws of Utah 2008, Chapter 236
- 29 **53A-16-107.1**, as enacted by Laws of Utah 2008, Chapter 236
- 30 **59-2-924.3**, as last amended by Laws of Utah 2009, Chapter 204
- 31 **59-2-924.4**, as last amended by Laws of Utah 2009, Chapter 204

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

34 Section 1. Section **53A-16-107** is amended to read:

35 **53A-16-107. Capital outlay levy -- Maintenance of school facilities -- Authority to**
36 **use proceeds of .0002 tax rate -- Restrictions and procedure.**

37 (1) [~~Subject to Subsection (3), a~~] A local school board may annually impose a capital
38 outlay levy not to exceed .0024 per dollar of taxable value to be used for:

- 39 (a) capital outlay;
- 40 (b) debt service; and
- 41 (c) subject to Subsection (2), school facility maintenance.

42 (2) (a) A local school board may utilize the proceeds of a maximum of .0002 per dollar
43 of taxable value of the local school board's annual capital outlay levy for the maintenance of
44 school facilities in the school district.

45 (b) A local school board that uses the option provided under Subsection (2)(a) shall:

46 (i) maintain the same level of expenditure for maintenance in the current year as it did
47 in the preceding year, plus the annual average percentage increase applied to the maintenance
48 and operation budget for the current year; and

49 (ii) identify the expenditure of capital outlay funds for maintenance by a district project
50 number to ensure that the funds are expended in the manner intended.

51 (c) The State Board of Education shall establish by rule the expenditure classification
52 for maintenance under this program using a standard classification system.

53 ~~[(3) Beginning January 1, 2009, in order to qualify for receipt of the state contribution~~
54 ~~toward the minimum school program described in Section 53A-17a-104, a local school board~~
55 ~~in a county of the first class shall impose a capital outlay levy of at least .0006 per dollar of~~
56 ~~taxable value.]~~

57 ~~[(4) (a) The county treasurer of a county of the first class shall distribute revenues~~
58 ~~generated by the .0006 portion of the capital outlay levy required in Subsection (3) to school~~

59 ~~districts within the county in accordance with Section 53A-16-107.1.]~~

60 ~~[(b) If a school district in a county of the first class imposes a capital outlay levy~~
61 ~~pursuant to this section which exceeds .0006 per dollar of taxable value, the county treasurer of~~
62 ~~a county of the first class shall distribute revenues generated by the portion of the capital outlay~~
63 ~~levy which exceeds .0006 to the school district imposing the levy.]~~

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

65 **59-2-924. Report of valuation of property to county auditor and commission --**
66 **Transmittal by auditor to governing bodies -- Certified tax rate -- Calculation of certified**
67 **tax rate -- Rulemaking authority -- Adoption of tentative budget.**

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

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

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

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

76 (a) the statements described in Subsections (1)(a) and (b);

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

78 (c) the certified tax rate; and

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

80 (3) (a) The "certified tax rate" means a tax rate that will provide the same ad valorem
81 property tax revenues for a taxing entity as were budgeted by that taxing entity for the prior
82 year.

83 (b) For purposes of this Subsection (3):

84 (i) "Ad valorem property tax revenues" do not include:

85 (A) interest;

86 (B) penalties; and

87 (C) revenue received by a taxing entity from personal property that is:

88 (I) assessed by a county assessor in accordance with Part 3, County Assessment; and

89 (II) semiconductor manufacturing equipment.

- 90 (ii) "Aggregate taxable value of all property taxed" means:
- 91 (A) the aggregate taxable value of all real property assessed by a county assessor in
- 92 accordance with Part 3, County Assessment, for the current year;
- 93 (B) the aggregate taxable year end value of all personal property assessed by a county
- 94 assessor in accordance with Part 3, County Assessment, for the prior year; and
- 95 (C) the aggregate taxable value of all real and personal property assessed by the
- 96 commission in accordance with Part 2, Assessment of Property, for the current year.
- 97 (c) (i) Except as otherwise provided in this section, the certified tax rate shall be
- 98 calculated by dividing the ad valorem property tax revenues budgeted for the prior year by the
- 99 taxing entity by the amount calculated under Subsection (3)(c)(ii).
- 100 (ii) For purposes of Subsection (3)(c)(i), the legislative body of a taxing entity shall
- 101 calculate an amount as follows:
- 102 (A) calculate for the taxing entity the difference between:
- 103 (I) the aggregate taxable value of all property taxed; and
- 104 (II) any redevelopment adjustments for the current calendar year;
- 105 (B) after making the calculation required by Subsection (3)(c)(ii)(A), calculate an
- 106 amount determined by increasing or decreasing the amount calculated under Subsection
- 107 (3)(c)(ii)(A) by the average of the percentage net change in the value of taxable property for the
- 108 equalization period for the three calendar years immediately preceding the current calendar
- 109 year;
- 110 (C) after making the calculation required by Subsection (3)(c)(ii)(B), calculate the
- 111 product of:
- 112 (I) the amount calculated under Subsection (3)(c)(ii)(B); and
- 113 (II) the percentage of property taxes collected for the five calendar years immediately
- 114 preceding the current calendar year; and
- 115 (D) after making the calculation required by Subsection (3)(c)(ii)(C), calculate an
- 116 amount determined by subtracting from the amount calculated under Subsection (3)(c)(ii)(C)
- 117 any new growth as defined in this section:
- 118 (I) within the taxing entity; and
- 119 (II) for the following calendar year:
- 120 (Aa) for new growth from real property assessed by a county assessor in accordance

121 with Part 3, County Assessment and all property assessed by the commission in accordance
122 with Section 59-2-201, the current calendar year; and

123 (Bb) for new growth from personal property assessed by a county assessor in
124 accordance with Part 3, County Assessment, the prior calendar year.

125 (iii) For purposes of Subsection (3)(c)(ii)(A), the aggregate taxable value of all
126 property taxed:

127 (A) except as provided in Subsection (3)(c)(iii)(B) or (3)(c)(ii)(C), is as defined in
128 Subsection (3)(b)(ii);

129 (B) does not include the total taxable value of personal property contained on the tax
130 rolls of the taxing entity that is:

131 (I) assessed by a county assessor in accordance with Part 3, County Assessment; and

132 (II) semiconductor manufacturing equipment; and

133 (C) for personal property assessed by a county assessor in accordance with Part 3,
134 County Assessment, the taxable value of personal property is the year end value of the personal
135 property contained on the prior year's tax rolls of the entity.

136 (iv) For purposes of Subsection (3)(c)(ii)(B), for calendar years beginning on or after
137 January 1, 2007, the value of taxable property does not include the value of personal property
138 that is:

139 (A) within the taxing entity assessed by a county assessor in accordance with Part 3,
140 County Assessment; and

141 (B) semiconductor manufacturing equipment.

142 (v) For purposes of Subsection (3)(c)(ii)(C)(II), for calendar years beginning on or after
143 January 1, 2007, the percentage of property taxes collected does not include property taxes
144 collected from personal property that is:

145 (A) within the taxing entity assessed by a county assessor in accordance with Part 3,
146 County Assessment; and

147 (B) semiconductor manufacturing equipment.

148 (vi) For purposes of Subsection (3)(c)(ii)(B), for calendar years beginning on or after
149 January 1, 2009, the value of taxable property does not include the value of personal property
150 that is within the taxing entity assessed by a county assessor in accordance with Part 3, County
151 Assessment.

152 (vii) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
153 the commission may prescribe rules for calculating redevelopment adjustments for a calendar
154 year.

155 (viii) (A) For purposes of Subsection (3)(c)(i), for a calendar year beginning on or after
156 January 1, 2010, a taxing entity's ad valorem property tax revenues budgeted for the prior year
157 shall be decreased by an amount of revenue equal to the five-year average of the most recent
158 prior five years of redemptions as reported on the county treasurer's final annual settlement
159 required under Subsection 59-2-1365(2).

160 (B) For the calendar year beginning on January 1, 2010 and ending on December 31,
161 2010, a taxing entity is exempt from the notice and public hearing provisions of Section
162 59-2-919 if the taxing entity budgets an increased amount of ad valorem property tax revenue
163 equal to or less than the taxing entity's five-year average of the most recent prior five years of
164 redemptions as reported on the county treasurer's final annual settlement required under
165 Subsection 59-2-1365(2).

166 (d) (i) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act,
167 the commission shall make rules determining the calculation of ad valorem property tax
168 revenues budgeted by a taxing entity.

169 (ii) For purposes of Subsection (3)(d)(i), ad valorem property tax revenues budgeted by
170 a taxing entity shall be calculated in the same manner as budgeted property tax revenues are
171 calculated for purposes of Section 59-2-913.

172 (e) The certified tax rates for the taxing entities described in this Subsection (3)(e) shall
173 be calculated as follows:

174 (i) except as provided in Subsection (3)(e)(ii), for new taxing entities the certified tax
175 rate is zero;

176 (ii) for each municipality incorporated on or after July 1, 1996, the certified tax rate is:

177 (A) in a county of the first, second, or third class, the levy imposed for municipal-type
178 services under Sections 17-34-1 and 17-36-9; and

179 (B) in a county of the fourth, fifth, or sixth class, the levy imposed for general county
180 purposes and such other levies imposed solely for the municipal-type services identified in
181 Section 17-34-1 and Subsection 17-36-3(22); and

182 (iii) for debt service voted on by the public, the certified tax rate shall be the actual

183 levy imposed by that section, except that the certified tax rates for the following levies shall be
184 calculated in accordance with Section 59-2-913 and this section:

185 (A) school leeways provided for under Sections 11-2-7, 53A-16-110, 53A-17a-127,
186 53A-17a-133, 53A-17a-134, 53A-17a-143, and 53A-17a-145; and

187 (B) levies to pay for the costs of state legislative mandates or judicial or administrative
188 orders under Section 59-2-1604.

189 (f) (i) A judgment levy imposed under Section 59-2-1328 or 59-2-1330 shall be
190 established at that rate which is sufficient to generate only the revenue required to satisfy one
191 or more eligible judgments, as defined in Section 59-2-102.

192 (ii) The ad valorem property tax revenue generated by the judgment levy shall not be
193 considered in establishing the taxing entity's aggregate certified tax rate.

194 ~~[(g) The ad valorem property tax revenue generated by the capital outlay levy described
195 in Section 53A-16-107 within a taxing entity in a county of the first class:]~~

196 ~~[(i) may not be considered in establishing the school district's aggregate certified tax
197 rate; and]~~

198 ~~[(ii) shall be included by the commission in establishing a certified tax rate for that
199 capital outlay levy determined in accordance with the calculation described in Subsection
200 59-2-913(3).]~~

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

202 (i) the taxable value of real property assessed by a county assessor contained on the
203 assessment roll;

204 (ii) the taxable value of real and personal property assessed by the commission; and

205 (iii) the taxable year end value of personal property assessed by a county assessor
206 contained on the prior year's assessment roll.

207 (b) For purposes of Subsection (4)(a)(i), the taxable value of real property on the
208 assessment roll does not include new growth as defined in Subsection (4)(c).

209 (c) "New growth" means:

210 (i) the difference between the increase in taxable value of the following property of the
211 taxing entity from the previous calendar year to the current year:

212 (A) real property assessed by a county assessor in accordance with Part 3, County
213 Assessment; and

214 (B) property assessed by the commission under Section 59-2-201; plus
215 (ii) the difference between the increase in taxable year end value of personal property
216 of the taxing entity from the year prior to the previous calendar year to the previous calendar
217 year; minus
218 (iii) the amount of an increase in taxable value described in Subsection (4)(e).
219 (d) For purposes of Subsection (4)(c)(ii), the taxable value of personal property of the
220 taxing entity does not include the taxable value of personal property that is:
221 (i) contained on the tax rolls of the taxing entity if that property is assessed by a county
222 assessor in accordance with Part 3, County Assessment; and
223 (ii) semiconductor manufacturing equipment.
224 (e) Subsection (4)(c)(iii) applies to the following increases in taxable value:
225 (i) the amount of increase to locally assessed real property taxable values resulting
226 from factoring, reappraisal, or any other adjustments; or
227 (ii) the amount of an increase in the taxable value of property assessed by the
228 commission under Section 59-2-201 resulting from a change in the method of apportioning the
229 taxable value prescribed by:
230 (A) the Legislature;
231 (B) a court;
232 (C) the commission in an administrative rule; or
233 (D) the commission in an administrative order.
234 (f) For purposes of Subsection (4)(a)(ii), the taxable year end value of personal
235 property on the prior year's assessment roll does not include:
236 (i) new growth as defined in Subsection (4)(c); or
237 (ii) the total taxable year end value of personal property contained on the prior year's
238 tax rolls of the taxing entity that is:
239 (A) assessed by a county assessor in accordance with Part 3, County Assessment; and
240 (B) semiconductor manufacturing equipment.
241 (5) (a) On or before June 22, each taxing entity shall annually adopt a tentative budget.
242 (b) If the taxing entity intends to exceed the certified tax rate, it shall notify the county
243 auditor of:
244 (i) its intent to exceed the certified tax rate; and

245 (ii) the amount by which it proposes to exceed the certified tax rate.

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

248 Section 3. **Repealer.**

249 This bill repeals:

250 Section **53A-2-118.3, Imposition of the capital outlay levy in qualifying divided**
251 **school districts.**

252 Section **53A-16-107.1, School capital outlay in counties of the first class --**
253 **Allocation.**

254 Section **59-2-924.3, Adjustment of the calculation of the certified tax rate for a**
255 **school district imposing a capital outlay levy in a county of the first class.**

256 Section **59-2-924.4, Adjustment of the calculation of the certified tax rate for**
257 **certain divided school districts.**

258 Section 4. **Retrospective operation.**

259 This bill has retrospective operation for a taxable year beginning on or after January 1,
260 2010.

Legislative Review Note
as of 9-1-09 6:54 AM

Office of Legislative Research and General Counsel

S.B. 87 - School Property Tax Equalization Revisions

Fiscal Note

2010 General Session

State of Utah

State Impact

Enactment of this bill will not require additional appropriations.

Individual, Business and/or Local Impact

By eliminating provisions for a county-wide pool of capital outlay property tax revenue, enactment of this bill may increase or decrease the amount of capital outlay property tax revenue a school district receives in a county of the first class. Depending upon the actions taken by the local school board, revenue to certain school districts may increase by \$11,280,000 in FY 2011 and \$8,600,000 in FY 2012, whereas revenue to certain school districts may decrease by \$11,280,000 in FY 2011 and \$8,600,000 in FY 2012. Also depending upon the actions of the local school board, individuals may experience a property tax increase or decrease.
