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**POLITICAL SUBDIVISION ANNEXATION
AMENDMENTS**

2008 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Michael G. Waddoups

House Sponsor: _____

LONG TITLE

General Description:

This bill amends the Property Tax Act relating to the annexation of local districts.

Highlighted Provisions:

This bill:

- ▶ modifies the calculation of the certified tax rate for a local district due to annexation; and
- ▶ makes technical changes.

Monies Appropriated in this Bill:

None

Other Special Clauses:

This bill coordinates with S.B. 29, Truth in Taxation Amendments, and H.B. 77, Personal Property Tax Amendments, by substantively modifying language.

Utah Code Sections Affected:

AMENDS:

59-2-924, as last amended by Laws of Utah 2007, Chapters 107 and 329

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

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

59-2-924. Report of valuation of property to county auditor and commission --



28 **Transmittal by auditor to governing bodies -- Certified tax rate -- Calculation of certified**
29 **tax rate -- Rulemaking authority -- Adoption of tentative budget.**

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

32 (i) a statement containing the aggregate valuation of all taxable property in each taxing
33 entity; and

34 (ii) a statement containing the taxable value of any additional personal property
35 estimated by the county assessor to be subject to taxation in the current year.

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

38 (i) the statements described in Subsections (1)(a)(i) and (ii);

39 (ii) an estimate of the revenue from personal property;

40 (iii) the certified tax rate; and

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

42 (2) (a) (i) The "certified tax rate" means a tax rate that will provide the same ad
43 valorem property tax revenues for a taxing entity as were budgeted by that taxing entity for the
44 prior year.

45 (ii) For purposes of this Subsection (2), "ad valorem property tax revenues" do not
46 include:

47 (A) collections from redemptions;

48 (B) interest;

49 (C) penalties; and

50 (D) revenue received by a taxing entity from personal property that is:

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

52 (II) semiconductor manufacturing equipment.

53 (iii) (A) Except as otherwise provided in this section, the certified tax rate shall be
54 calculated by dividing the ad valorem property tax revenues budgeted for the prior year by the
55 taxing entity by the amount calculated under Subsection (2)(a)(iii)(B).

56 (B) For purposes of Subsection (2)(a)(iii)(A), the legislative body of a taxing entity
57 shall calculate an amount as follows:

58 (I) calculate for the taxing entity the difference between:

- 59 (Aa) the aggregate taxable value of all property taxed; and
- 60 (Bb) any redevelopment adjustments for the current calendar year;
- 61 (II) after making the calculation required by Subsection (2)(a)(iii)(B)(I), calculate an
- 62 amount determined by increasing or decreasing the amount calculated under Subsection
- 63 (2)(a)(iii)(B)(I) by the average of the percentage net change in the value of taxable property for
- 64 the equalization period for the three calendar years immediately preceding the current calendar
- 65 year;
- 66 (III) after making the calculation required by Subsection (2)(a)(iii)(B)(II), calculate the
- 67 product of:
- 68 (Aa) the amount calculated under Subsection (2)(a)(iii)(B)(II); and
- 69 (Bb) the percentage of property taxes collected for the five calendar years immediately
- 70 preceding the current calendar year; and
- 71 (IV) after making the calculation required by Subsection (2)(a)(iii)(B)(III), calculate an
- 72 amount determined by subtracting from the amount calculated under Subsection
- 73 (2)(a)(iii)(B)(III) any new growth as defined in this section:
- 74 (Aa) within the taxing entity; and
- 75 (Bb) for the current calendar year.
- 76 (C) For purposes of Subsection (2)(a)(iii)(B)(I), the aggregate taxable value of all
- 77 property taxed:
- 78 (I) except as provided in Subsection (2)(a)(iii)(C)(II), includes the total taxable value of
- 79 the real and personal property contained on the tax rolls of the taxing entity; and
- 80 (II) does not include the total taxable value of personal property contained on the tax
- 81 rolls of the taxing entity that is:
- 82 (Aa) assessed by a county assessor in accordance with Part 3, County Assessment; and
- 83 (Bb) semiconductor manufacturing equipment.
- 84 (D) For purposes of Subsection (2)(a)(iii)(B)(II), for calendar years beginning on or
- 85 after January 1, 2007, the value of taxable property does not include the value of personal
- 86 property that is:
- 87 (I) within the taxing entity assessed by a county assessor in accordance with Part 3,
- 88 County Assessment; and
- 89 (II) semiconductor manufacturing equipment.

90 (E) For purposes of Subsection (2)(a)(iii)(B)(III)(Bb), for calendar years beginning on
91 or after January 1, 2007, the percentage of property taxes collected does not include property
92 taxes collected from personal property that is:

93 (I) within the taxing entity assessed by a county assessor in accordance with Part 3,
94 County Assessment; and

95 (II) semiconductor manufacturing equipment.

96 (F) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking Act,
97 the commission may prescribe rules for calculating redevelopment adjustments for a calendar
98 year.

99 (iv) (A) In accordance with Title 63, Chapter 46a, Utah Administrative Rulemaking
100 Act, the commission shall make rules determining the calculation of ad valorem property tax
101 revenues budgeted by a taxing entity.

102 (B) For purposes of Subsection (2)(a)(iv)(A), ad valorem property tax revenues
103 budgeted by a taxing entity shall be calculated in the same manner as budgeted property tax
104 revenues are calculated for purposes of Section 59-2-913.

105 (v) The certified tax rates for the taxing entities described in this Subsection (2)(a)(v)
106 shall be calculated as follows:

107 (A) except as provided in Subsection (2)(a)(v)(B), for new taxing entities the certified
108 tax rate is zero;

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

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

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

115 (C) for debt service voted on by the public, the certified tax rate shall be the actual levy
116 imposed by that section, except that the certified tax rates for the following levies shall be
117 calculated in accordance with Section 59-2-913 and this section:

118 (I) school leeways provided for under Sections 11-2-7, 53A-16-110, 53A-17a-125,
119 53A-17a-127, 53A-17a-133, 53A-17a-134, 53A-17a-143, 53A-17a-145, and 53A-21-103; and

120 (II) levies to pay for the costs of state legislative mandates or judicial or administrative

121 orders under Section 59-2-906.3.

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

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

127 (b) (i) For the purpose of calculating the certified tax rate, the county auditor shall use
128 the taxable value of property on the assessment roll.

129 (ii) For purposes of Subsection (2)(b)(i), the taxable value of property on the
130 assessment roll does not include:

131 (A) new growth as defined in Subsection (2)(b)(iii); or

132 (B) the total taxable value of personal property contained on the tax rolls of the taxing
133 entity that is:

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

135 (II) semiconductor manufacturing equipment.

136 (iii) "New growth" means:

137 (A) the difference between the increase in taxable value of the taxing entity from the
138 previous calendar year to the current year; minus

139 (B) the amount of an increase in taxable value described in Subsection (2)(b)(v).

140 (iv) For purposes of Subsection (2)(b)(iii), the taxable value of the taxing entity does
141 not include the taxable value of personal property that is:

142 (A) contained on the tax rolls of the taxing entity if that property is assessed by a
143 county assessor in accordance with Part 3, County Assessment; and

144 (B) semiconductor manufacturing equipment.

145 (v) Subsection (2)(b)(iii)(B) applies to the following increases in taxable value:

146 (A) the amount of increase to locally assessed real property taxable values resulting
147 from factoring, reappraisal, or any other adjustments; or

148 (B) the amount of an increase in the taxable value of property assessed by the
149 commission under Section 59-2-201 resulting from a change in the method of apportioning the
150 taxable value prescribed by:

151 (I) the Legislature;

- 152 (II) a court;
- 153 (III) the commission in an administrative rule; or
- 154 (IV) the commission in an administrative order.

155 (c) Beginning January 1, 1997, if a taxing entity receives increased revenues from
156 uniform fees on tangible personal property under Section 59-2-404, 59-2-405, 59-2-405.1,
157 59-2-405.2, or 59-2-405.3 as a result of any county imposing a sales and use tax under Chapter
158 12, Part 11, County Option Sales and Use Tax, the taxing entity shall decrease its certified tax
159 rate to offset the increased revenues.

160 (d) (i) Beginning July 1, 1997, if a county has imposed a sales and use tax under
161 Chapter 12, Part 11, County Option Sales and Use Tax, the county's certified tax rate shall be:

162 (A) decreased on a one-time basis by the amount of the estimated sales and use tax
163 revenue to be distributed to the county under Subsection 59-12-1102(3); and

164 (B) increased by the amount necessary to offset the county's reduction in revenue from
165 uniform fees on tangible personal property under Section 59-2-404, 59-2-405, 59-2-405.1,
166 59-2-405.2, or 59-2-405.3 as a result of the decrease in the certified tax rate under Subsection
167 (2)(d)(i)(A).

168 (ii) The commission shall determine estimates of sales and use tax distributions for
169 purposes of Subsection (2)(d)(i).

170 (e) Beginning January 1, 1998, if a municipality has imposed an additional resort
171 communities sales tax under Section 59-12-402, the municipality's certified tax rate shall be
172 decreased on a one-time basis by the amount necessary to offset the first 12 months of
173 estimated revenue from the additional resort communities sales and use tax imposed under
174 Section 59-12-402.

175 (f) (i) (A) For fiscal year 2000, the certified tax rate of each county required under
176 Subsection 17-34-1(4)(a) to provide advanced life support and paramedic services to the
177 unincorporated area of the county shall be decreased by the amount necessary to reduce
178 revenues in that fiscal year by an amount equal to the difference between the amount the county
179 budgeted in its 2000 fiscal year budget for advanced life support and paramedic services
180 countywide and the amount the county spent during fiscal year 2000 for those services,
181 excluding amounts spent from a municipal services fund for those services.

182 (B) For fiscal year 2001, the certified tax rate of each county to which Subsection

183 (2)(f)(i)(A) applies shall be decreased by the amount necessary to reduce revenues in that fiscal
184 year by the amount that the county spent during fiscal year 2000 for advanced life support and
185 paramedic services countywide, excluding amounts spent from a municipal services fund for
186 those services.

187 (ii) (A) A city or town located within a county of the first class to which Subsection
188 (2)(f)(i) applies may increase its certified tax rate by the amount necessary to generate within
189 the city or town the same amount of revenues as the county would collect from that city or
190 town if the decrease under Subsection (2)(f)(i) did not occur.

191 (B) An increase under Subsection (2)(f)(ii)(A), whether occurring in a single fiscal year
192 or spread over multiple fiscal years, is not subject to the notice and hearing requirements of
193 Sections 59-2-918 and 59-2-919.

194 (g) (i) The certified tax rate of each county required under Subsection 17-34-1(4)(b) to
195 provide detective investigative services to the unincorporated area of the county shall be
196 decreased:

197 (A) in fiscal year 2001 by the amount necessary to reduce revenues in that fiscal year
198 by at least \$4,400,000; and

199 (B) in fiscal year 2002 by the amount necessary to reduce revenues in that fiscal year
200 by an amount equal to the difference between \$9,258,412 and the amount of the reduction in
201 revenues under Subsection (2)(g)(i)(A).

202 (ii) (A) (I) Beginning with municipal fiscal year 2002, a city or town located within a
203 county to which Subsection (2)(g)(i) applies may increase its certified tax rate to generate
204 within the city or town the same amount of revenue as the county would have collected during
205 county fiscal year 2001 from within the city or town except for Subsection (2)(g)(i)(A).

206 (II) Beginning with municipal fiscal year 2003, a city or town located within a county
207 to which Subsection (2)(g)(i) applies may increase its certified tax rate to generate within the
208 city or town the same amount of revenue as the county would have collected during county
209 fiscal year 2002 from within the city or town except for Subsection (2)(g)(i)(B).

210 (B) (I) Except as provided in Subsection (2)(g)(ii)(B)(II), an increase in the city or
211 town's certified tax rate under Subsection (2)(g)(ii)(A), whether occurring in a single fiscal year
212 or spread over multiple fiscal years, is subject to the notice and hearing requirements of
213 Sections 59-2-918 and 59-2-919.

214 (II) For an increase under this Subsection (2)(g)(ii) that generates revenue that does not
215 exceed the same amount of revenue as the county would have collected except for Subsection
216 (2)(g)(i), the requirements of Sections 59-2-918 and 59-2-919 do not apply if the city or town:

217 (Aa) publishes a notice that meets the size, type, placement, and frequency
218 requirements of Section 59-2-919, reflects that the increase is a shift of a tax from one imposed
219 by the county to one imposed by the city or town, and explains how the revenues from the tax
220 increase will be used; and

221 (Bb) holds a public hearing on the tax shift that may be held in conjunction with the
222 city or town's regular budget hearing.

223 (h) (i) This Subsection (2)(h) applies to each county that:

224 (A) establishes a countywide special service district under Title 17A, Chapter 2, Part
225 13, Utah Special Service District Act, to provide jail service, as provided in Subsection
226 17A-2-1304(1)(a)(x); and

227 (B) levies a property tax on behalf of the special service district under Section
228 17A-2-1322.

229 (ii) (A) The certified tax rate of each county to which this Subsection (2)(h) applies
230 shall be decreased by the amount necessary to reduce county revenues by the same amount of
231 revenues that will be generated by the property tax imposed on behalf of the special service
232 district.

233 (B) Each decrease under Subsection (2)(h)(ii)(A) shall occur contemporaneously with
234 the levy on behalf of the special service district under Section 17A-2-1322.

235 (i) (i) As used in this Subsection (2)(i):

236 (A) "Annexing county" means a county whose unincorporated area is included within a
237 fire district by annexation.

238 (B) "Annexing municipality" means a municipality whose area is included within a fire
239 district by annexation.

240 (C) "Equalized fire protection tax rate" means the tax rate that results from:

241 (I) calculating, for each participating county and each participating municipality, the
242 property tax revenue necessary to cover all of the costs associated with providing fire
243 protection, paramedic, and emergency services:

244 (Aa) for a participating county, in the unincorporated area of the county; and

245 (Bb) for a participating municipality, in the municipality; and
 246 (II) adding all the amounts calculated under Subsection (2)(i)(i)(C)(I) for all
 247 participating counties and all participating municipalities and then dividing that sum by the
 248 aggregate taxable value of the property, as adjusted in accordance with Section 59-2-913:

249 (Aa) for participating counties, in the unincorporated area of all participating counties;
 250 and

251 (Bb) for participating municipalities, in all the participating municipalities.

252 (D) "Fire district" means a service area under Title 17B, Chapter 2a, Part 9, Service
 253 Area Act, in the creation of which an election was not required under Subsection
 254 17B-1-214(3)(c).

255 [~~(E) "Fire protection tax rate" means:~~]

256 [~~(F) for an annexing county, the property tax rate that, when applied to taxable property
 257 in the unincorporated area of the county, generates enough property tax revenue to cover all the
 258 costs associated with providing fire protection, paramedic, and emergency services in the
 259 unincorporated area of the county; and]~~

260 [~~(H) for an annexing municipality, the property tax rate that generates enough property
 261 tax revenue in the municipality to cover all the costs associated with providing fire protection,
 262 paramedic, and emergency services in the municipality.]~~

263 [~~(F)~~] (E) "Participating county" means a county whose unincorporated area is included
 264 within a fire district at the time of the creation of the fire district.

265 [~~(G)~~] (F) "Participating municipality" means a municipality whose area is included
 266 within a fire district at the time of the creation of the fire district.

267 (ii) In the first year following creation of a fire district, the certified tax rate of each
 268 participating county and each participating municipality shall be decreased by the amount of
 269 the equalized fire protection tax rate.

270 (iii) In the first budget year following annexation to a fire district, the certified tax rate
 271 of each annexing county and each annexing municipality shall be decreased by [~~the fire
 272 protection tax rate.~~] an amount equal to the amount of revenue budgeted by the annexing
 273 county or annexing municipality:

274 (A) for fire protection, paramedic, and emergency services; and

275 (B) in:

276 (I) for a taxing entity operating under a January 1 through December 31 fiscal year, the
277 prior calendar year; or

278 (II) for a taxing entity operating under a July 1 through June 30 fiscal year, the prior
279 fiscal year.

280 (iv) Each tax levied under this section by a fire district shall be considered to be levied
281 by:

282 (A) each participating county and each annexing county for purposes of the county's
283 tax limitation under Section 59-2-908; and

284 (B) each participating municipality and each annexing municipality for purposes of the
285 municipality's tax limitation under Section 10-5-112, for a town, or Section 10-6-133, for a
286 city.

287 (j) For the calendar year beginning on January 1, 2007, the calculation of a taxing
288 entity's certified tax rate shall be adjusted by the amount necessary to offset any change in the
289 certified tax rate that may result from excluding the following from the certified tax rate under
290 Subsection (2)(a) enacted by the Legislature during the 2007 General Session:

291 (i) personal property tax revenue:

292 (A) received by a taxing entity;

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

294 (C) for personal property that is semiconductor manufacturing equipment; or

295 (ii) the taxable value of personal property:

296 (A) contained on the tax rolls of a taxing entity;

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

298 (C) that is semiconductor manufacturing equipment.

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

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

302 (i) its intent to exceed the certified tax rate; and

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

304 (c) The county auditor shall notify all property owners of any intent to exceed the
305 certified tax rate in accordance with Subsection 59-2-919(2).

306 (4) (a) The taxable value for the base year under Subsection 17C-1-102(6) shall be

307 reduced for any year to the extent necessary to provide a community development and renewal
308 agency established under Title 17C, Limited Purpose Local Government Entities - Community
309 Development and Renewal Agencies, with approximately the same amount of money the
310 agency would have received without a reduction in the county's certified tax rate if:

311 (i) in that year there is a decrease in the certified tax rate under Subsection (2)(c) or
312 (2)(d)(i);

313 (ii) the amount of the decrease is more than 20% of the county's certified tax rate of the
314 previous year; and

315 (iii) the decrease results in a reduction of the amount to be paid to the agency under
316 Section 17C-1-403 or 17C-1-404.

317 (b) The base taxable value under Subsection 17C-1-102(6) shall be increased in any
318 year to the extent necessary to provide a community development and renewal agency with
319 approximately the same amount of money as the agency would have received without an
320 increase in the certified tax rate that year if:

321 (i) in that year the base taxable value under Subsection 17C-1-102(6) is reduced due to
322 a decrease in the certified tax rate under Subsection (2)(c) or (2)(d)(i); and

323 (ii) The certified tax rate of a city, school district, local district, or special service
324 district increases independent of the adjustment to the taxable value of the base year.

325 (c) Notwithstanding a decrease in the certified tax rate under Subsection (2)(c) or
326 (2)(d)(i), the amount of money allocated and, when collected, paid each year to a community
327 development and renewal agency established under Title 17C, Limited Purpose Local
328 Government Entities - Community Development and Renewal Agencies, for the payment of
329 bonds or other contract indebtedness, but not for administrative costs, may not be less than that
330 amount would have been without a decrease in the certified tax rate under Subsection (2)(c) or
331 (2)(d)(i).

332 Section 2. **Coordinating S.B. 261 with S.B. 29 and H.B. 77 -- Modifying**
333 **substantive language.**

334 If this S.B. 261, S.B. 29, Truth in Taxation Amendments, and H.B. 77, Personal
335 Property Tax Amendments, all pass, it is the intent of the Legislature that the Office of
336 Legislative Research and General Counsel, in preparing the Utah Code database for
337 publication:

338 (1) delete Subsection 59-2-924.2(6)(a)(v) and renumber remaining subsections
339 accordingly; and
340 (2) modify Subsection 59-2-924.2(6)(c) to read:
341 "(c) In the first budget year following annexation to a fire district, the certified tax rate
342 of each annexing county and each annexing municipality shall be decreased by an amount
343 equal to the amount of revenue budgeted by the annexing county or annexing municipality:
344 (i) for fire protection, paramedic, and emergency services; and
345 (ii) in:
346 (A) for a taxing entity operating under a January 1 through December 31 fiscal year,
347 the prior calendar year; or
348 (B) for a taxing entity operating under a July 1 through June 30 fiscal year, the prior
349 fiscal year."

Legislative Review Note
as of 2-18-08 5:27 PM

Office of Legislative Research and General Counsel

S.B. 261 - Political Subdivision Annexation Amendments

Fiscal Note

2008 General Session

State of Utah

State Impact

Enactment of this bill will not require additional appropriations.

Individual, Business and/or Local Impact

Depending upon the taxing structure of the county or municipality, individuals and businesses may experience a property tax decrease, whereas other counties or municipalities may experience a property tax increase to continue current services. If current services are decreased to ensure that property taxes do not increase above the certified tax rate, those individuals and businesses will likely be unaffected. In addition, depending upon the details of the annexation to a fire district, some locals will either need to decrease expenditures or increase property tax above the certified tax rate.
