

ULCT RESOLUTION 2016-003

(A) Resolution Title/Subject:

A resolution of the Utah League of Cities and Towns regarding local property tax.

(B) We, the members of the Utah League of Cities and Towns find:

1. Whereas, state and local governments rely on several different taxes, including property tax, to provide essential services.
2. Whereas, in the State of Utah, property tax is a revenue based tax system, designed to produce the same amount of revenue to the local taxing authority from one year to the next. Under this system, the certified tax rate is adjusted each year to produce the same amount of revenue as was generated the prior year.
3. Whereas, in contrast, income tax and sales tax use a rate based tax system, which has a fixed tax rate. Under this system, the rate remains constant, but the amount of revenue generated changes each year.
4. Whereas, the costs of providing municipal services increase every year, but, with the exception of property tax received for new growth, the amount of property tax received by each local municipality each year remains essentially flat.
5. Whereas, the only way that a local municipality can increase the amount of property tax it receives is to comply with the State "truth in taxation" requirements, which requires the municipality to publish a notice announcing that the municipality intends to increase property taxes, even though the actual tax rate may remain the same or be lower than the tax rate imposed the previous year.
6. Whereas, as a consequence of these tax regulations, many local municipalities have increasingly relied upon sales tax to fund essential municipal services. Many municipalities have also created redevelopment project areas to incentivize retail projects that will increase local sales tax, but have often been criticized for doing so.
7. Whereas, in recent years, however, an increasing percentage of retail purchases have been done online, rather than at traditional local street front businesses. Under current Federal law, the majority of those online sales transactions are not subject to local sales tax. Thus, the amount of sales tax received by local municipalities has not been increasing as it has in the past.
8. Whereas, these circumstances have created an unsustainable financial environment for local municipalities, where the cost of providing essential services continues to increase, but the growth of sales tax is insufficient to keep pace with those increased costs, and the amount of property tax is flat.

Now, therefore, we the members of the Utah League of Cities and Towns recommend and find that:

1. The current State "truth in taxation" regulations, that require a municipality to declare that it is proposing to increase property taxes, as a precondition of receiving additional property tax revenue, even when the actual proposed tax rate may remain the same or decline, is not truthful and is not fair,

particularly when compared to the fact that the State of Utah receives increased revenues each year from income tax and sales tax without being required to make any such declaration.

2. Local municipalities need to be able to obtain some growth in property tax, without artificial impediments, in order to fund the increasing cost of essential municipal services, to avoid the undesirable effects of excessive dependence upon sales tax revenues and retail development.

~~3. The Utah State Legislature should modify the current "truth in taxation" requirements so that the language of any property tax notice given should not require the municipality to declare that it is proposing to increase property taxes unless the actual proposed tax rate is greater than the tax rate imposed the previous year.~~

~~4. We request that League staff take such action as may be necessary or appropriate to work with State Legislators to accomplish these objectives.~~

3. The staff of the Utah League of Cities and Towns and the Utah State Legislature should discuss and explore possible modifications to the current "truth in taxation" requirements to provide greater accuracy, transparency and flexibility in setting the annual property tax rate.

Board of the Utah League of Cities and Towns
Council Member Lynn Pace, President
City of Holladay