
Understanding “Truth in Taxation” and Calculating the Certified Property Tax Rate

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Prepared by the Office of Legislative Research and General Counsel

Truth in taxation – a “revenue” driven system.

Bottom line: if a taxing entity desires to budget an increased amount of ad valorem revenue (exclusive of new growth) it must “go through” truth in taxation by advertisement and hearing.

There are different property tax rates at different points in the process:

- Proposed rate: the property tax rate that a taxing entities proposes to impose in its budget setting process.
 - Certified rate: the property tax rate that will provide the same ad valorem property tax revenues as were budgeted in the prior year.
 - Is the “proposed rate” higher than the “certified rate”? If so, must advertise its budget hearing.
 - Approved rate: the property tax rate finally adopted and imposed by the taxing entity and paid by taxpayers.
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Calculating the Certified Tax Rate

$$\text{"Certified rate"} = \frac{\text{Prior Year Budgeted Property Tax Revenues}^*}{\text{Current Year's Adjusted Property Tax Base}}$$

* "Prior year budgeted property tax revenues" do not include redemptions, interest, and penalties.

Calculating the Adjusted Property Tax Base:

Step 1 = Aggregate taxable value of all property tax minus RDA adjustments.

Step 2 = RDA adjusted value * Average Percentage net change in value of taxable property due to BOE adjustments during the prior three years.

Step 3 = Multiply the amount determined in Step Two by the property tax collection rate for the prior 5 years.

Step 4 = Subtract “new growth” from the amount determined in Step 3.

Equals = Adjusted property tax base

“New growth” = Increase in taxable value from the previous calendar year to the current year

Less:

The amount of increase resulting from factoring, reappraisal, or any other adjustment; or

The amount of increase in the taxable value of property assessed by the commission resulting from a change in apportionment.
