



UTAH ASSOCIATION OF COUNTIES

CENTRALLY ASSESSED PROPERTY

2024 Legislative Proposal

Centrally Assessed property appeals have a profound impact on the financial stability of counties and districts.

Protracted appeal processes introduce budgetary uncertainties. Modifications to this process can lessen negative impacts on both taxing entities and appellants.

WHAT are Centrally Assessed Properties?

A: The Utah State Tax Commission uses a unitary approach to valuation for entities that operate across county lines, such as mining, utilities, or transportation companies. These valuations are apportioned to each county who then sends an assessment to the taxpayer.

HOW does an appeal work?

A: Taxpayers and taxing entities have a right to file an appeal of the assessments. A taxing entity's right to appeal is limited to circumstances in which there is a decrease of more than 50 percent from the prior year's assessment, or there is substantial belief that the assessment is incorrect by 50 percent or more. Many cases are resolved through settlement negotiations, and some are heard before a judge. These cases can last years. Appeal settlement agreements typically require the taxing entity to make repayments to the taxpayer.

WHEN do taxing entities need to repay centrally assessed taxpayers after a successful appeal?

A: Repayments must be within 60 days of the Utah State Tax Commission or district court's decision and order. Mechanisms for a taxing entity to set aside revenue for repayment are limited. Available extensions (a judgment levy) are limited to one calendar year and impose an increased burden on local taxpayers due to interest.

GOALS

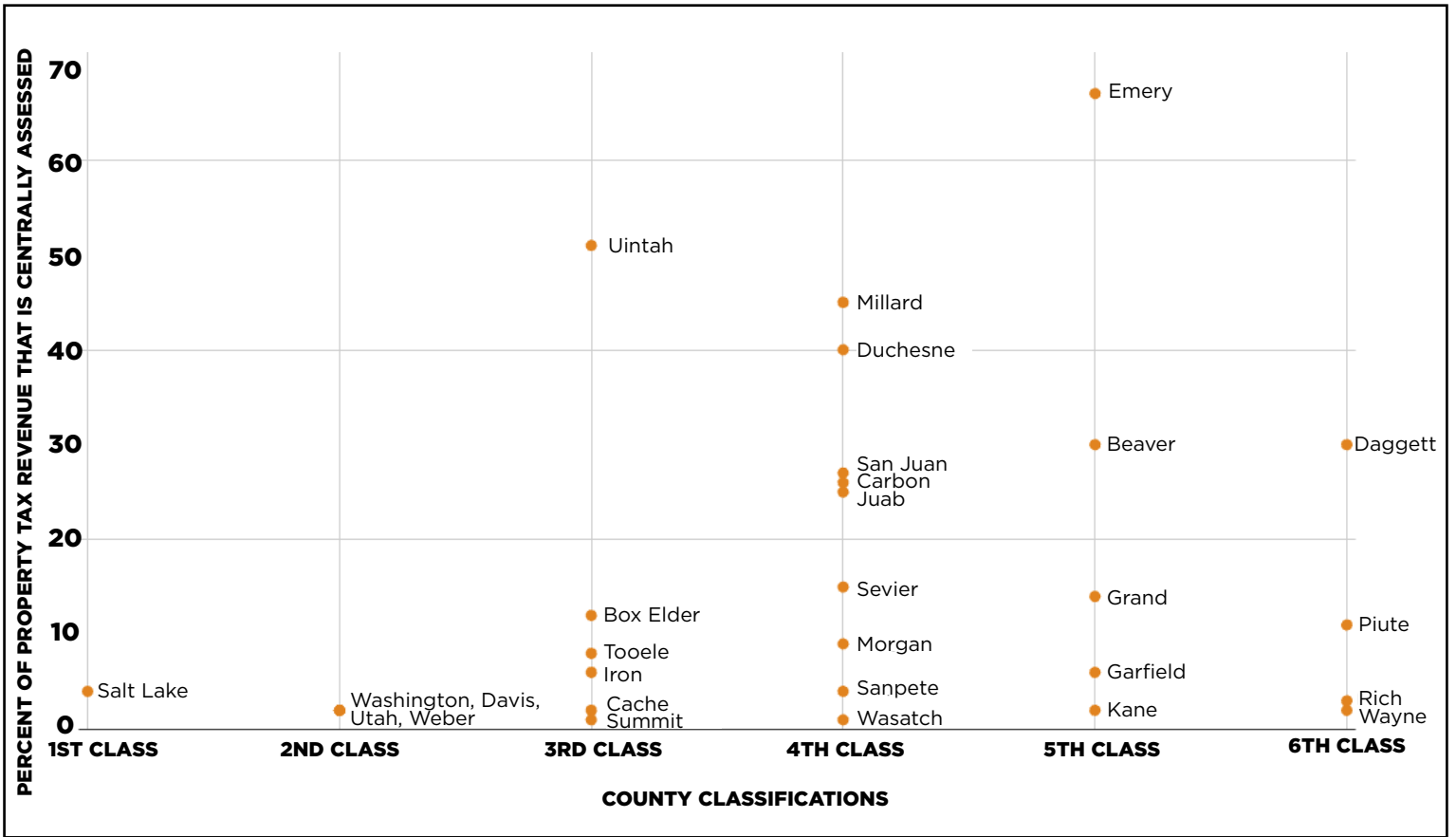
1. Stabilize revenue and budget processes for local taxing entities
2. Create fiscally sound avenues for taxing entities to make repayments in a timely manner
3. Review valuation process to create equitable solutions for taxpayers and taxing entities

PROPOSED SOLUTIONS

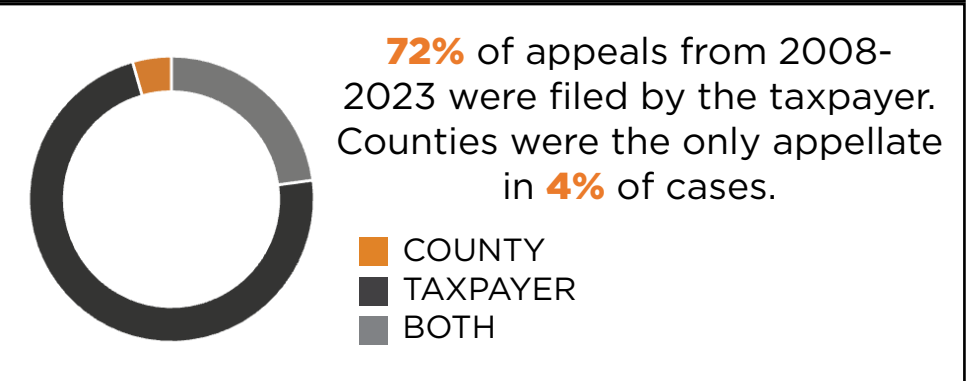
CHALLENGE	REFERENCE	PROPOSED SOLUTION
<p>Repayment periods for centrally assessed taxpayer refunds are short and require more flexibility than county and district budgets can generally provide.</p>	<p>2023GS SB 294, Senator Owens (not passed)</p>	<p>Extend period for a taxing entity to repay centrally assessed taxpayers who receive a tax reduction following an appeal.</p>
<p>Notably protracted appeals processes generate uncertainties for local entities:</p> <ul style="list-style-type: none"> • UPRR - 5 years • IPA - 9 years, ongoing • Graymont Western - 10 years, ongoing 		<p>Reduce uncertainty for tax paying entity through below solutions, and encourage Utah State Tax Commission to evaluate process for efficiency.</p>
<p>Mechanisms for setting aside revenue repayment are limited:</p> <ul style="list-style-type: none"> • General Fund Balance Accumulation is restricted to 20% GF for larger counties and 65% GF for smaller counties. These funds are set aside to run the budget until collection of property taxes and leave little available for potential refunds. • Tax Stability & Trust Funds have predefined limits based on taxable value and require a special election to expend funds. Some counties have implemented these funds, but election costs and timing are barriers. 	<p>Utah Code 17-36-16 and Utah Code 17-36-51 through 54</p>	<p>Allow use of Tax Stability & Trust Fund balances without an election for the purpose of refunding centrally assessed taxpayers, with appropriate safeguards and limits.</p>
<p>Delayed judgments create multi-year repayments which are required to be repaid within 60 days, or within one calendar year after a judgment levy is issued. Judgment levies can have significant impact on local taxpayers.</p>	<p>Utah Code 59-2-1330</p>	<p>Allow judgment levies to be issued for multiple years to lessen one-time impact on local taxpayers.</p>
<p>A taxing entity's right to appeal is limited to circumstances in which there is a decrease of more than 50 percent from the prior year's assessment, or there is substantial belief that the assessment is incorrect by 50 percent or more. This valuation limit appears disproportionately high and presents fairness and constitutionality concerns.</p>	<p>Utah Code 59-2-1007</p>	<p>The appeals process should determine a fair value without a valuation limit.</p>
<p>New growth is calculated using a benchmark from a single year. This arbitrary standard has skewed new growth calculations for some counties.</p>	<p>Utah Code 59-2-924-1e</p>	<p>Utilize a three year average to calculate new growth.</p>



CENTRALLY ASSESSED PROPERTY IN UTAH

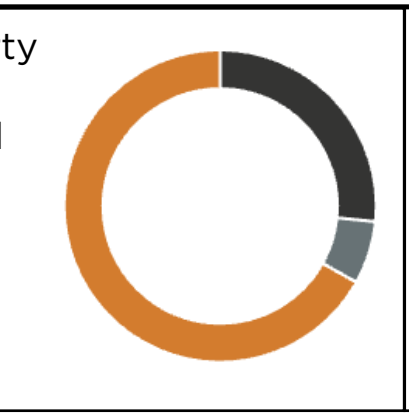


Centrally assessed property appeals have varying impacts on counties due to many factors, including proportion of centrally assessed property tax revenue.



67% of Emery County property tax revenue was centrally assessed in 2023. Extended appeals can threaten their financial stability.

- CENTRALLY ASSESSED
- REAL
- PERSONAL



Only **2** appeals have been filed by a county other than Salt Lake since the 50% valuation limit was enacted in 2016, and **all** post-2016 Salt Lake County filings have been airline industry cases.

APPELLANT	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
County	8	3	3	3	1	1	1	1	2	6	6	6					41
Both	9	5	4	3	4	6	5	8	29	22	20	29	30	33	4	2	213
Taxpayer	74	93	52	56	65	58	68	60	21	15	30	15	13	13	27	17	677
TOTAL	91	101	59	62	70	65	74	69	52	43	56	50	43	46	31	19	931

SB165 from the 2015 General Legislative Session enacted a 50% valuation limit on appeals initiated by the county effective January 2016 and required a vote by the county's governing body for the taxing entity to file an appeal. Additionally, language allowing the county to be party to a hearing for an appeal made by the taxpayer was removed.

UAC has data from **359** appeals, filed from 2016-2023.

222 of these appeals were filed from 2016-2019.

41 appeals opened from 2016-2019 are still open.

26 appeals opened from 2016-2019 which are still open were filed by Salt Lake County and the taxpayer is in the airline industry.

17 appeals opened from 2016-2019 which are related to taxpayers outside the airline industry and counties other than Salt Lake:

- None of the 17 appeals were filed by taxing entities alone. Fifteen appeals were by the taxpayer and the taxing entity.
- Original assessment value for these 17 appeals was **\$6.2B**.
- Taxing entity requested value is **\$6.8B**, \$600M more than the assessed value.
- Taxpayer requested value is **\$2.4B**, \$3.7B less than the assessed value.
- These 17 long-term appeals are related to **five** companies:
 - IPA (power plant located in Delta)
 - Graymont Western (lime in Delta (Cricket Mountain))
 - Mid America Pipeline (oil locations in Uinta, Carbon, Duchesne, Daggett, and San Juan)
 - Black Iron LLC (open pit mine in Hurricane)
 - Enel Cove Fort (geothermal energy company in Beaver)

Note: data made available to UAC from the Tax Commission regarding specific appeal data is limited until mid-2016 due to a system change. From counties, we know that at the oldest open case is has been open since at least 2013.

