

PROPERTY TAXES EXPLAINED - CLEARFIELD CITY

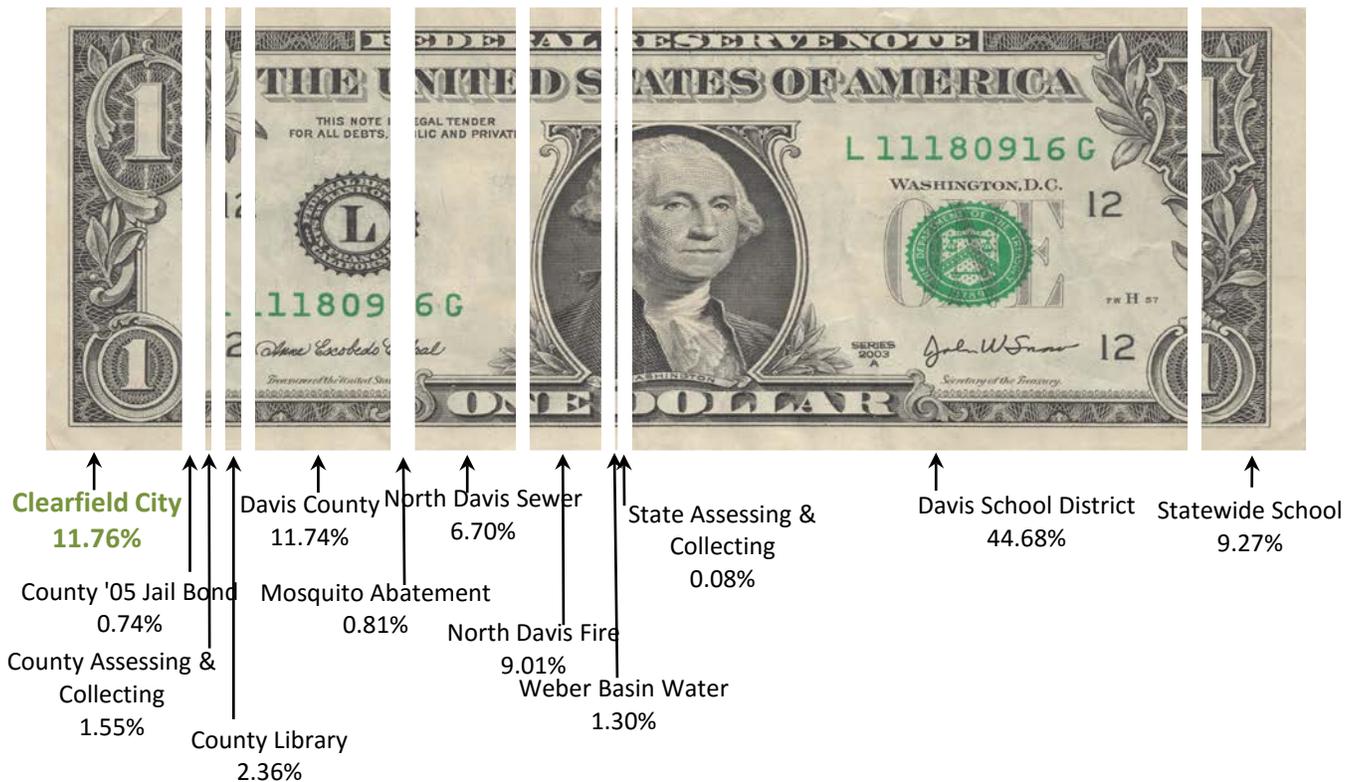


Understanding Property Taxes

A recent poll sponsored by the Utah League of Cities and Towns showed that most residents were uncertain how much of their property taxes go to their city or town. Property taxes can be a difficult subject to understand. For that reason we want to provide a brief explanation and some facts about property taxes in Clearfield City. Property taxes are not as scary when you understand them.

Who Receives the Property Taxes I Pay?

In Clearfield City, Davis School District receives the largest portion of your property taxes, typically about 45 percent of the total amount collected, followed by Clearfield City and Davis County, both at about 12 percent.



How Does Clearfield City Use my Property Tax Money?

Money collected from property taxes goes into the city's general fund which pays for government services such as police protection, emergency services, parks and recreation, road maintenance and construction, sidewalks and trails. Property taxes cover only a fraction of what the city needs in order to provide these services. In fiscal year 2017, Clearfield City will receive about \$1.45 million in general fund property tax revenue. To put this in perspective, this amount is less than half of the amount budgeted for our police department for 2016. Sales and use taxes, grants, fines and user fees cover the rest of the city's general costs. Collectively, these funding sources enable the city to provide necessary services for Clearfield city residents.

How is my Property's Value Assessed?

The value of your home or business property is determined by the County Assessor, not the city you live in. Property values always fluctuate. The market itself drives property values and throughout the year, as homes sell, some areas go up in value, some go down, and others don't change at all. The Assessor uses this information to value each property. Some property values may change dramatically in a single year, while other property values may change little in a given year. The following year, the reverse may be true.

In the State of Utah there is a 45% exemption on primary residential properties, so homeowners only pay taxes on 55% of the assessed value of their home. So, if the County Assessor determines that the value of a home is worth \$200,000, and that home is the primary residence for someone, the owner would pay taxes on that property as if it were worth \$110,000 (55 percent of the full value). Commercial properties and second homes are assessed taxes on 100 percent of the value.

Why do my Property Taxes Change from Year to Year?

There are a couple of things to keep in mind when considering how your property taxes might change from one year to the next.

1. There is no "cost-of-living" or inflation adjustment to the property tax. The amount of money the city receives from property taxes is fixed, regardless of inflation.
2. Unless a city holds a Truth in Taxation hearing and raises property taxes, they can only receive the same amount of property tax they received in the prior year, plus any increase from new development (additional property taxes from new homes or buildings added to the city). If the city wants to receive an increase in funds from property taxes, they must hold a Truth in Taxation Hearing. This process serves as a "brake" on revenue windfalls associated with increased property values. State law requires that if the city intends to increase property taxes, a full page advertisement must be published in the newspaper and a public hearing must be held. The full page advertisement will state the impact, or estimated increase in property taxes that would be realized by the home owner.
3. Property taxes don't go up just because the value of your property goes up. State law requires that, all other things being equal, if a home's value goes up by 15 percent, the tax rate by the city (or any other taxing entity) be reduced by 15 percent, so that the homeowner pays the same amount of taxes as the previous year. Conversely, if property values drop by 15 percent in a given year, property tax rates increase by 15 percent so that again, the homeowner pays the same amount of taxes as the previous year.

However, there are additional factors which cause property taxes to fluctuate from year to year.

A) First of all, as you see on from the dollar diagram, the city is one of several entities which can charge a property tax. If taxes go up, one of the other entities may have raised taxes after a Truth in Taxation hearing.

B) Second, as mentioned earlier, property values are assessed county wide by the County Assessor. Also as mentioned earlier, the city is only allowed to receive in property taxes the same amount of revenue which they received the previous year, plus taxes on new growth. So, if property values go up, the rate goes down proportionately, and the amount the property owners pay stays the same. However, consider a scenario where property values on average increased by 15 percent, but in one part of the city they increase by 20 percent, and in another part of the city, they only increase by 10 percent. The property tax rate would drop by 15 percent (proportionate to the average property value increase). But the part of the city which had a 20 percent increase in property values would pay slightly more property taxes than the previous year. The portion of the city which had a property value increase of 10 percent would pay slightly less in property taxes than the year before. This same principle applies to all agencies, such as Davis County, Davis School District, and special districts.

C) Third, as some entities have bonds which were approved by voters and are paid for from property tax revenues, property taxes dedicated to the repayment of the bonds fluctuate as bond payments change from year to year.

What is the Certified Tax Rate?

Remember, the city receives the same amount in property taxes as they received the previous year (not counting new development). While the city sets the property tax rate as a base rate, the Davis County Auditor determines the "certified tax rate" based on the previous years assessed valuations across the entire city and the amount of property tax received. This "certified tax rate" will go up or down as needed to arrive at that "same amount of tax" figure - the rate which will give the city the same amount of property taxes as the prior year. The only way the city can get more property taxes than allowed by the "certified tax rate" is to hold a Truth in Taxation hearing and make a case for a tax increase to the public.