

PROPERTY VALUATION AND TAX ASSESSMENTS

The Property Tax Act, Title 59, Chapter 2, Utah Code Annotated 1953, as amended, provides that all taxable property must be assessed and taxed at a uniform and equal rate on the basis of its “fair market value” by January 1 of each year. “Fair market value” is defined as “the amount at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.” Commencing January 1, 1991, “fair market value” considers the current zoning laws for each property. Section 2 of Article XIII of the Utah Constitution provides that the Utah State Legislature may exempt from taxation up to 45 percent of the fair market value of primary residential property as shown in the table below.

History of Property Statutory Assessment					
	Year	Statutory Assessment Level (% of Market Value)	Real Property Intangible Exemption (Apply to Locally Assessed Only)	Primary Residential Exemption	Total Taxable Value as a Percentage of Market Value
Primary Residential	1961 - 1978	30%	0%	0%	30%
	1979 - 1980	25%	0%	0%	25%
	1981 - 1982	20%	20%	0%	16%
	1983	20%	0%	25%	15%
	1984 - 1985	20%	20%	25%	12%
	1986 - 1990	100%	20%	25%	60%
	1991	100%	5%	29.75%	66.74%
	1992 - 1993	100%	5%	29.50%	66.98%
	1994	100%	0%	32%	68%
1995 - Present	100%	0%	45%	55%	
Other Locally Assessed Real Property	1961 - 1978	30%	0%	N/A	30%
	1979 - 1980	25%	0%	N/A	25%
	1981 - 1982	20%	20%	N/A	16%
	1983	20%	0%	N/A	20%
	1984 - 1985	20%	20%	N/A	16%
	1986 - 1990	100%	20%	N/A	80%
	1991	100%	5%	N/A	95%
	1992 - 1993	100%	5%	N/A	95%
	1994 - Present	100%	0%	N/A	100%
Personal Property	1961 - 1978	30%	N/A	N/A	30%
	1979 - 1980	25%	N/A	N/A	25%
	1981 - 1985	20%	N/A	N/A	20%
	1986 - Present	100%	N/A	N/A	100%
Centrally Assessed Property	1961 - 1978	30%	N/A	N/A	30%
	1979 - 1980	25%	N/A	N/A	25%
	1981 - 1985	20%	N/A	N/A	20%
	1986 - Present	100%	N/A	N/A	100%

Table 3 - State of Utah property tax statutory assessment from 1961 to present.

During the 1995 legislative session, the exemption for primary residential property was increased from 32 percent to the constitutional maximum of 45 percent. The local effect of this action was to shift the burden of supporting education, public safety, and general government from primary residents to other classes of property, principally commercial property and vacation or second

homes. The Utah Supreme Court held this practice to be constitutional in subsequent tests.

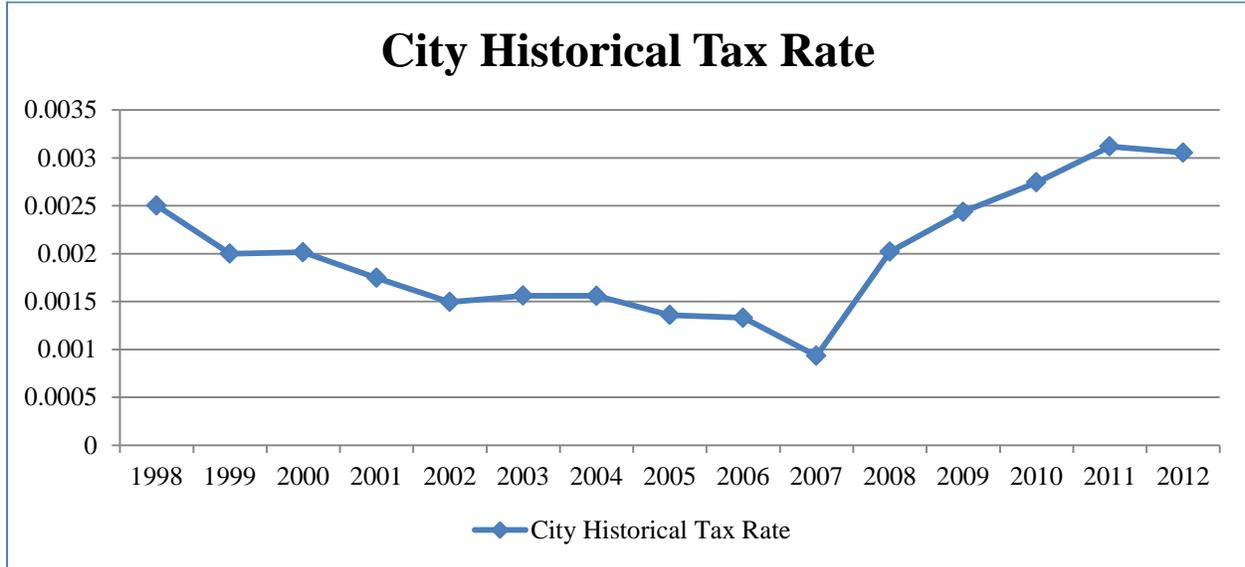


Figure 1 - illustrates the City Historical tax rate since 1998.

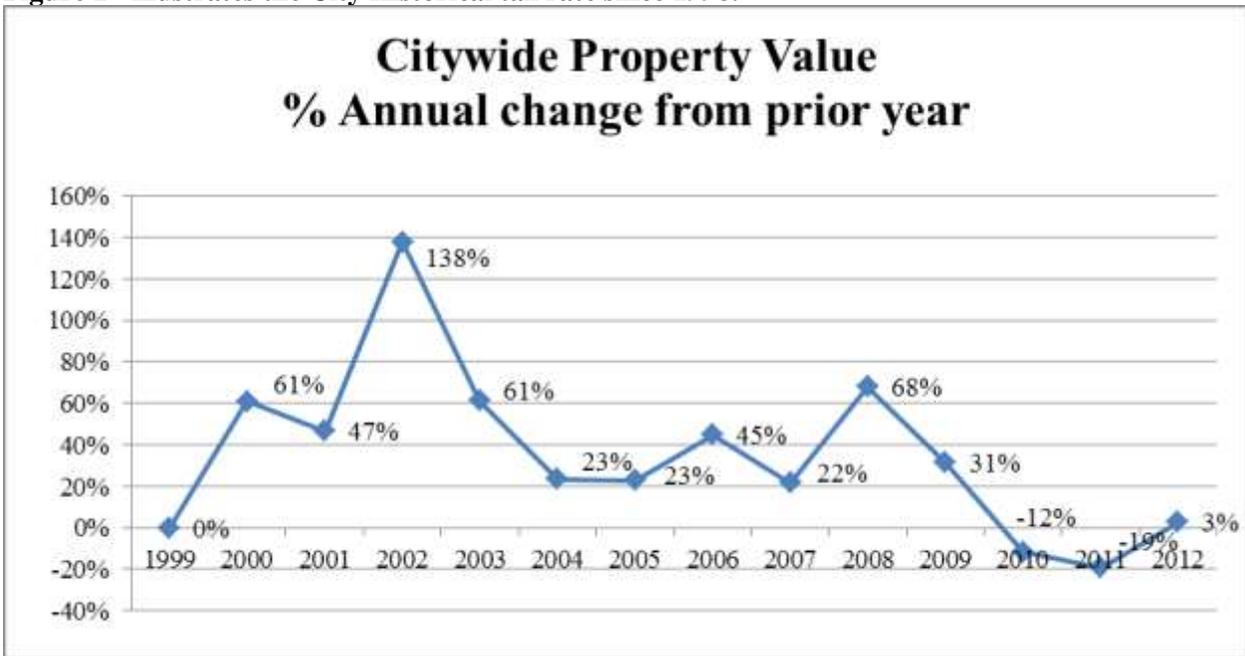


Figure 2 - illustrates the Citywide Property Value percent change for prior year since 1998.

Property Tax Levies and Collections: Utah County levies, collects, and distributes property taxes for the City of Saratoga Springs and all other taxing entities within the County. Utah law prescribes how taxes are levied and collected. Generally, the law provides as follows: the County Assessor determines property values as of January 1 of each year and is required to have the assessment roll completed by May 15. The County Auditor mails notice of valuations and tax changes by July 22.

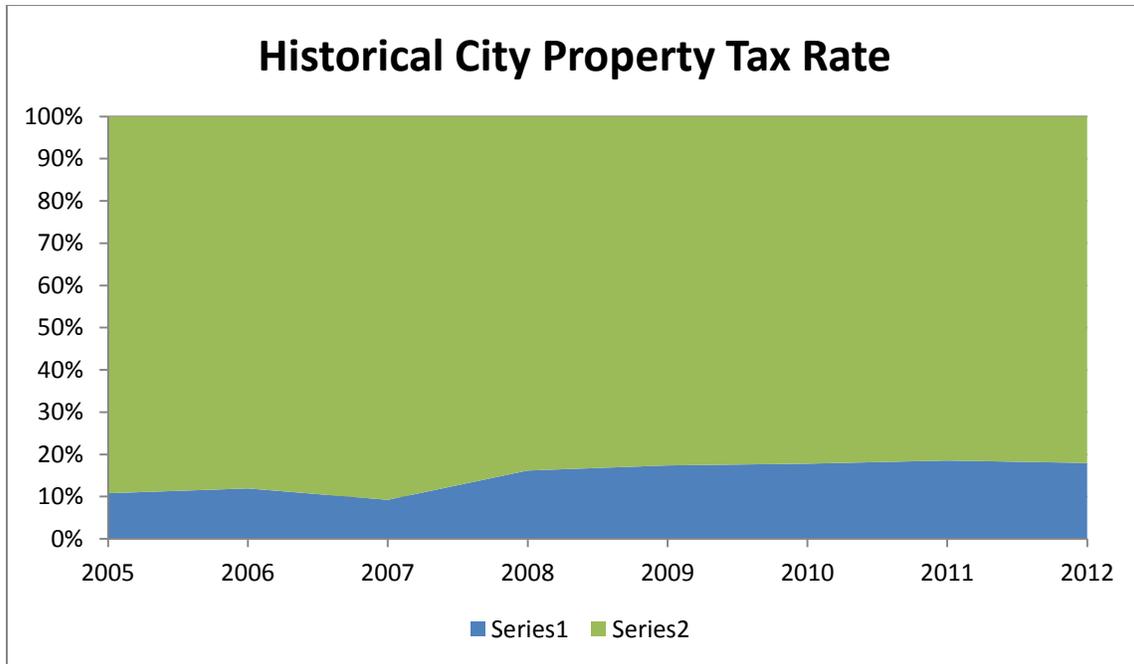


Figure 3 - illustrates each taxing entities share of the total levy for property taxes in 2012.

State statutes require that each year a certified tax rate be calculated. The certified tax rate is the rate which will provide the same amount of property tax revenue as was charged in the previous year, excluding the revenue generated by new growth. If a taxing entity determines that it needs greater revenues than what the certified tax rate will generate, State statutes require that the entity must go through a process referred to as Truth-in-Taxation. The Truth-in-Taxation process is a series of steps that include notification and advertisement of the proposed tax increase and holding a public hearing to receive public input before the final rate is adopted.

Tax notices are mailed November 1 and are due November 30. Delinquent taxes are subject to a penalty of 2 percent of the amount of such taxes due or a \$10 minimum penalty. The delinquent taxes and penalties are charged interest at the federal discount rate plus 6 percent from the first day of January until paid. If after four and one-half years (May of the fifth year) delinquent taxes have not been paid, the County advertises and sells the property at a tax sale.

The maximum rate of levy applicable to the City for general fund operations authorized by State law is 0.007000 per dollar of taxable value per taxable property within the City. The City may levy an unlimited tax levy to pay the principal of and interest on legally issued General Obligation Bonds.

Historical City Property Tax Rate	Year							
	2005	2006	2007	2008	2009	2010	2011	2012
City General Purpose	0.001358	0.001331	0.000933	0.002019	0.002436	0.002744	0.00312	0.003054
City (GO Bond Debt)	0	0	0	0	0	0	0	0
Total City Levy	0.001358	0.001331	0.000933	0.002019	0.002436	0.002744	0.00312	0.003054
Other Taxing Entities	0.009873	0.008502	0.008239	0.008448	0.009144	0.009935	0.010590	0.010900
Total Tax Rate for City	0.011231	0.009833	0.009172	0.010467	0.011580	0.012679	0.013710	0.013954
City rate as a % of Total	12%	14%	10%	19%	21%	22%	23%	22%

Table 4 - represents the City’s and other taxing entities’ historical tax rates since 2005.

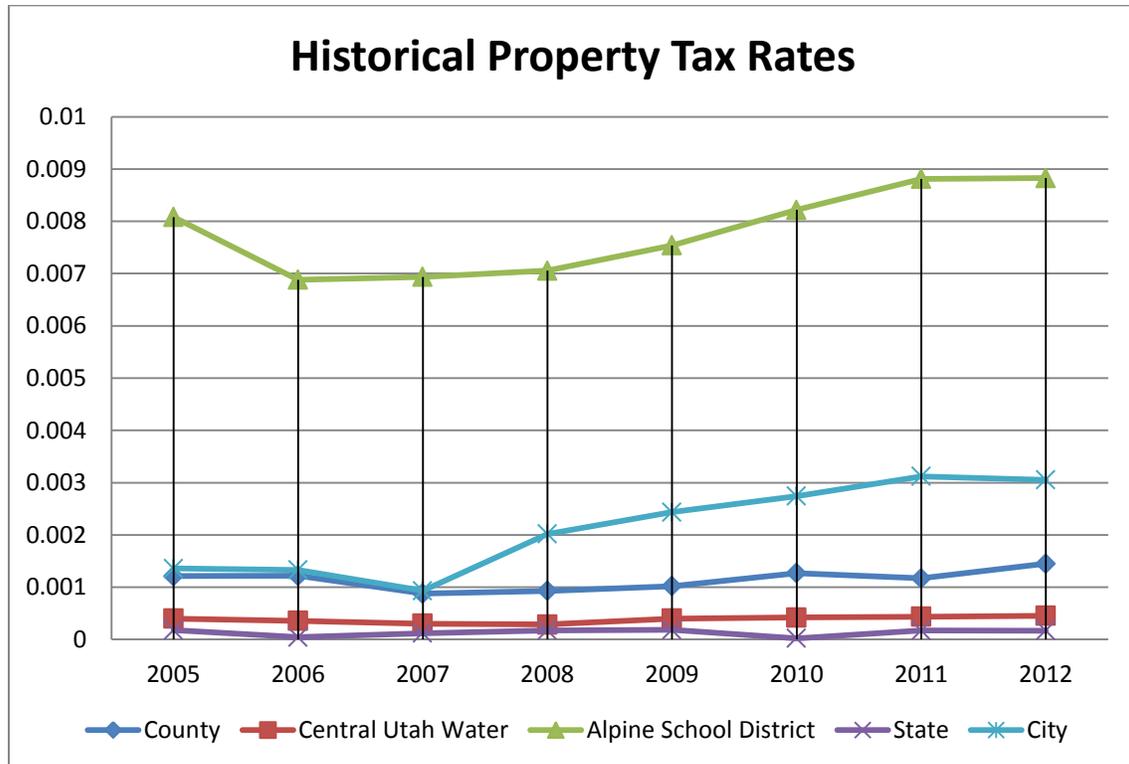


Figure 4 - illustrates each taxing entities tax rate for Saratoga Springs since 2005.

As depicted in Table 4, the City’s tax levy rate decreased from 0.001358 in 2005 to 0.000933 in 2007. In 2008 the City’s tax rate increased to 0.002019. Since that time the rate has increased as a result of declining assessed values City wide. It is interesting to note that the rate in 2010 (0.002744) is almost the same as the rate in 1998 (0.002503) when the City incorporated.

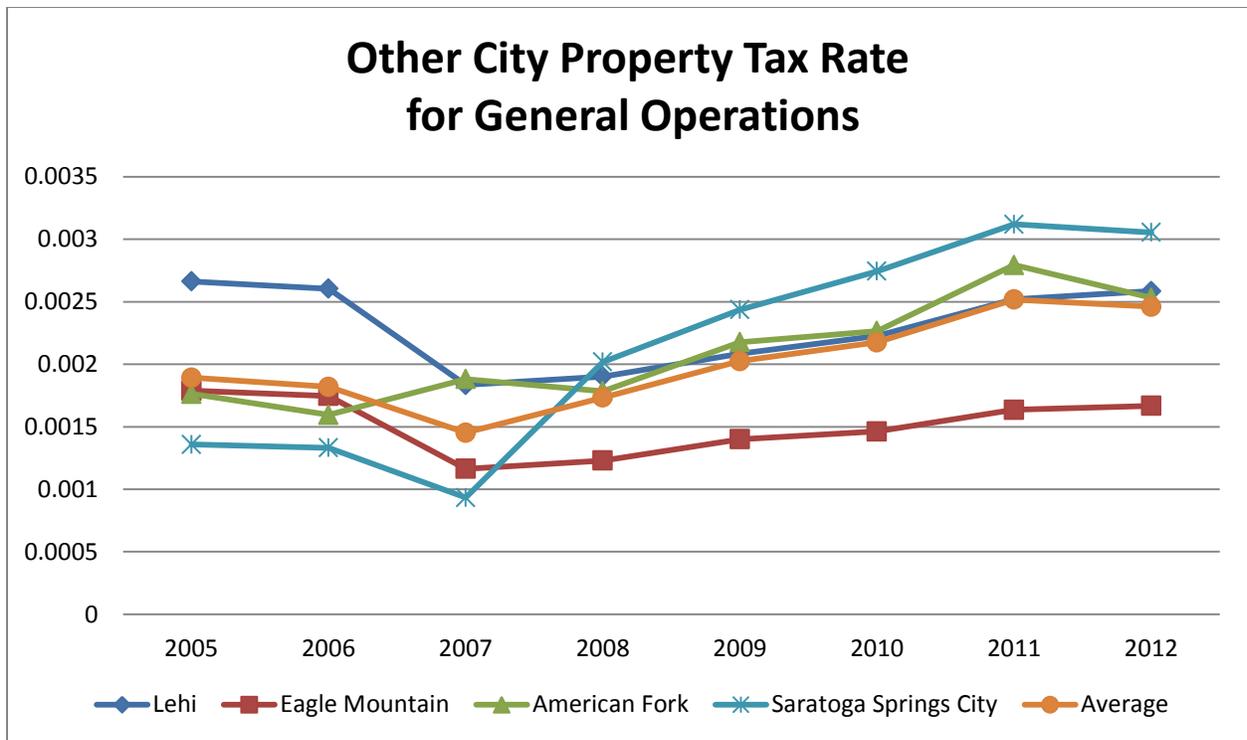
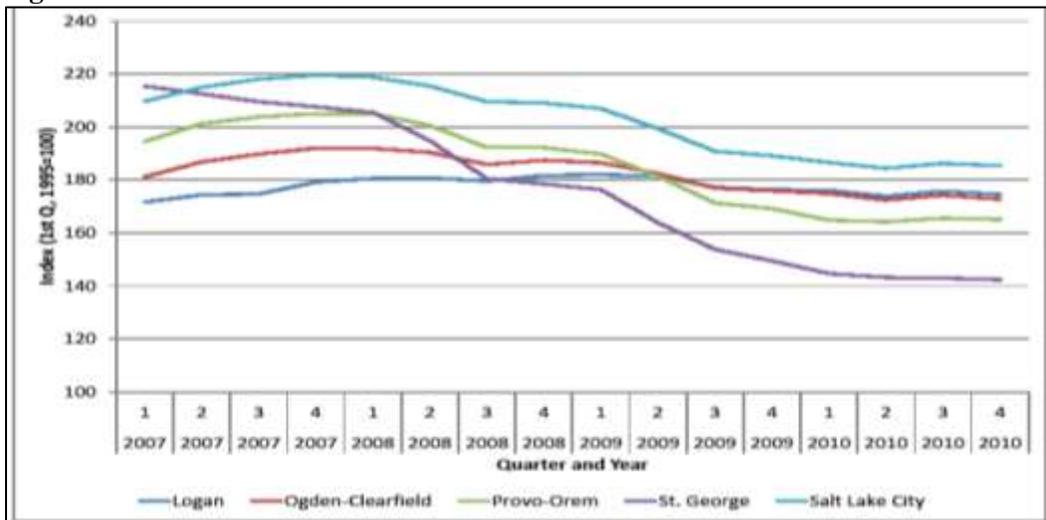


Figure 5 - illustrates each operating property tax rate compared to Saratoga Springs since 2005.

The City has a relatively high tax rate since 2008 compared to other communities in the surrounding areas. This is largely due to the City’s limited retail and commercial sector, large residential base with low to moderate taxable value, and a high area of tax exempt properties (Greenbelt Farm Properties). Since 2008, the City tax rate has been slightly higher than the neighboring communities but all of these rates have increased to offset the declining property values experienced nationwide.

Figure 6 - House Price Indexes



City of Saratoga Springs, Top 10 Taxpayers, **2010			
<u>Taxpayer</u>	<u>Rank</u>	<u>*Taxable Valuation</u>	<u>% of Total Value</u>
Wal-Mart	1	\$14,185,632	1.53%
Scott McLachlan	2	\$11,453,726	1.24%
Stations West	3	\$6,186,446	0.67%
Questar Gas	4	\$5,574,781	0.60%
Utah Pacific Holding	5	\$4,890,800	0.53%
Pacificorp	6	\$4,781,679	0.52%
Cougars Rock Investments	7	\$3,768,786	0.41%
Towne Storage	8	\$3,269,422	0.35%
S3 Properties (Walgreens)	9	\$2,786,771	0.30%
Wardley	10	\$2,743,000	0.30%
Principal Tax Payer Totals		\$59,641,043	
Total Property Valuation		\$ 925,040,605	
Top 10 as a % of Total			6%
*Includes Real, Personal and Centrally Assessed			
** Calendar Year			

Table 5 (left) represents the City’s largest property tax payers. (Utah County 2010 Taxable Values)

As shown in Table 5, the City’s top ten taxpayers are relatively stable and diverse with the principal tax payers representing only 6 percent of the taxable property value.