CHAPTER 6: TAX RATE CALCULATION AND DETERMINATION OF NET TAX

06.02 UNIQUE TAXING AREAS

Overview
An important concept in the application of tax rates, especially as it relates to reporting to the Department of Revenue, is the “unique taxing area.” A unique taxing area (UTA) is a geographic area subject to the same set of local tax rates levied by the same taxing districts. There are over 6,000 unique taxing areas in the state.

Determinants of Unique Taxing Areas
While it may be fairly obvious that a different mix of taxing districts with a different total local tax rate will yield different UTAs, it is important to recognize that both the rates and the authorities or districts associated with those rates are important in distinguishing UTAs. Areas that consist of the same taxing authorities may still have different UTAs if the total local tax rate is different. This can happen when either of the following occurs:
- A portion receives Disparity Reduction Aid while the remainder does not
- There is a special service district, annexation, or other taxing boundary which changes the total tax rate although not technically defined as a special taxing district or authority

Conversely, the determinant of a UTA is not just the differences in the local tax rates, but rather, it is the composition of the local tax rates. For example, two groups of parcels may have the same total local tax rate, including the same county, city, school district, and special taxing district rates, but if the groups are in separate watershed districts, for instance, that just happen to be levying at the same rate, the groups are still in separate UTAs because they have a different composition of taxing authorities.

To summarize, reasons for creating separate UTAs may include:
- Different mixes of taxing districts, even if the amounts of the rates are the same; and
- Different rate amounts, even if the mix of districts is the same. This can occur when there is:
  o Disparity Reduction Aid
  o An urban-rural service district
  o A subordinate service district
  o Other service districts such as fire protection districts, ambulance service districts, storm sewer improvement districts, and lake improvement districts
  o A TIF special taxing district created to address TIF deficits
  o An annexation

See Section 5.01 and Section 06.03 for more information on the various districts and calculating their rates.

UTAs May Be Non-Contiguous
A unique taxing area does not need to be a contiguous area. Some school district boundaries will pick up isolated parcels or groups of parcels. A single UTA, therefore, with an identical mix of taxing districts

NOTE
Statute refers to unique taxing areas as “unique taxing jurisdictions” and some counties may refer to them as “taxing districts,” but the preferred terminology is “unique taxing area.”
and an identical total rate can be comprised of multiple non-contiguous areas that would be shown as multiple polygons on a map.

**Unique Taxing Areas Examples**

Figure 06.02-1 below shows how the fictional Spruce County is divided into two school districts. Within School District B there is a watershed taxing district that covers only a portion of the area covered by the school district. Mill City covers an area that spans both school districts and the School District B portion includes both areas inside and outside the watershed district. Within Mill City there is a taxing district called the Downtown Economic Development Authority (EDA) that spans both sides of the creek that divides the two school districts. The five distinct UTAs that are located within Mill City are numbered and summarized in Figure 06.02-2.

**Figure 06.02-1: UTA Illustration for Mill City**

Table 06.02-1 below identifies the tax rates that make up each UTA. UTAs 1 and 4 are in School District A, while UTAs 2, 3, and 5 are in School District B. UTA 2 falls outside the Cold Creek Watershed District (CCWD) while 3 and 5 are inside the district. UTAs 4 and 5 are inside the Downtown EDA but are in the separate school districts.
Table 06.02-1: Tax Rates for Mill City Unique Taxing Areas

<table>
<thead>
<tr>
<th>UTA</th>
<th>Spruce County</th>
<th>Mill City</th>
<th>School District A</th>
<th>School District B</th>
<th>CCWD</th>
<th>Downtown EDA</th>
<th>Total Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>40%</td>
<td>35.000%</td>
<td>18.00%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>93.000%</td>
</tr>
<tr>
<td>2</td>
<td>40%</td>
<td>35.000%</td>
<td>-</td>
<td>20.00%</td>
<td>-</td>
<td>-</td>
<td>95.000%</td>
</tr>
<tr>
<td>3</td>
<td>40%</td>
<td>35.000%</td>
<td>-</td>
<td>20.00%</td>
<td>5.000%</td>
<td>-</td>
<td>100.000%</td>
</tr>
<tr>
<td>4</td>
<td>40%</td>
<td>35.000%</td>
<td>18.00%</td>
<td>-</td>
<td>-</td>
<td>3.500%</td>
<td>96.500%</td>
</tr>
<tr>
<td>5</td>
<td>40%</td>
<td>35.000%</td>
<td>-</td>
<td>20.00%</td>
<td>5.000%</td>
<td>3.500%</td>
<td>103.500%</td>
</tr>
</tbody>
</table>

Note that while each of the UTAs in this example has a distinct total tax rate, the determinant of a UTA is not just differences in the total rate but also the composition of rates. For example, if UTA 4 received some Disparity Reduction Aid that lowered the total tax rate to 95%, it would still be a separate UTA from UTA 2, which has a total rate of 95%, because they are comprised of different taxing jurisdictions.

UTA IDs
PRISM submissions require the use of a unique taxing area ID (formerly called UTA subcodes on abstracts). Providing the county, city/town, and school district codes helps distinguish between UTAs, but the UTA ID is needed to complete the unique record identification of UTAs for those areas where there is more than one UTA located within the same school district within the same city or town. The UTA IDs must be the same from year to year.

The only exception to this rule is when new UTAs are created by splitting or combining existing UTAs. New annexations or changes in taxing district boundaries may require formation of new UTAs or deletion of existing UTAs. For new UTAs, the ID used in the most recent year is assigned to the portion of that UTA that now has the highest market value. If two UTAs that existed last year combine into one for the current year, the ID to be used this year is the ID used for the UTA containing the highest market value last year.

For example, if a new taxing district, such as a new hospital district, begins levying for taxes payable in 2015, and only a portion of each of two existing UTAs is in the new taxing district, then a new UTA must be carved out of each of the existing UTAs. The existing records will continue to reflect the largest portion (in value) of the previous area, and they will retain their UTA IDs. Each of the new UTAs will require a new record and thus a new ID. The IDs are assigned sequentially. Once the ID is assigned for a UTA, it must remain the same for all PRISM submissions submitted by both the county assessor and the county auditor, and it should not change from one year to the next. Example 06.02-1 below illustrates this example.

Example 06.02-1: Splitting Existing UTAs into New UTAs
In assessment year 2012, payable 2013, the following records/UTAs existed:

<table>
<thead>
<tr>
<th>MV</th>
<th>CO</th>
<th>CT</th>
<th>SD</th>
<th>ID</th>
<th>Initial Tax Rate</th>
<th>Special Taxing Districts Levying</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>73</td>
<td>8000</td>
<td>0056</td>
<td>00</td>
<td>99.111%</td>
<td>Watershed, RDC</td>
</tr>
<tr>
<td>$40,000</td>
<td>73</td>
<td>8000</td>
<td>0056</td>
<td>01</td>
<td>120.222%</td>
<td>Watershed, RDC, HRA</td>
</tr>
</tbody>
</table>

For payable 2014, part of the value of each record becomes part of a new hospital district. The existing two records turn into four records. The ID used the previous year stays with the portion of UTA that now has the highest market value. Therefore, in this example, ID 00 stays with the $60,000 market value...
portion of the former $100,000 market value UTA, and ID 01 stays with the $25,000 market value portion of the former $40,000 market value UTA.

<table>
<thead>
<tr>
<th>MV</th>
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<tbody>
<tr>
<td>$60,000</td>
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<td>8000</td>
<td>0056</td>
<td>00</td>
<td>100.111</td>
<td>Watershed, RDC</td>
</tr>
<tr>
<td>$40,000</td>
<td>73</td>
<td>8000</td>
<td>0056</td>
<td>02</td>
<td>105.111</td>
<td>Watershed, RDC, hospital</td>
</tr>
<tr>
<td>$25,000</td>
<td>73</td>
<td>8000</td>
<td>0056</td>
<td>01</td>
<td>126.222</td>
<td>Watershed, RDC, HRA, hospital</td>
</tr>
<tr>
<td>$15,000</td>
<td>73</td>
<td>8000</td>
<td>0056</td>
<td>03</td>
<td>121.222</td>
<td>Watershed, RDC, HRA</td>
</tr>
</tbody>
</table>

If a new UTA is set up for the purpose of reporting new construction values in border city development zones that will be exempt except for special assessments, debt levies and equalized school district levies, the ID should be numbered from ‘90’ through ‘95’ to identify it as a partially taxable UTA. These IDs should not be used in any other UTA.

Once an ID has been assigned to a UTA as discussed above, that ID is to be used by both the assessor and auditor on all PRISM submissions turned in to the department at UTA level. The ID will remain the same from one year to the next. Keeping this ID consistent is extremely important since many aids are calculated at UTA level.

**Referendum Market Value Levies**

Referendum levies based on market value do not create new boundaries of taxation and are levied by existing taxing entities. As such, a new referendum market value levy does not generate a new UTA.