

Salt Lake County Auditor's Office

Craig B. Sorensen, *AUDITOR*



David L. Beck
Chief Deputy

March 22, 2000

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Lee Gardner
Salt Lake County Assessor
2001 S. State Street #N2300
Salt Lake City, Utah 84190

Dear Lee:

At your request, we conducted a review of Salt Lake County motor vehicle fee-in-lieu collections for October, November and December 1998. The purpose of the review was to explain the \$2.2 million decrease in fourth quarter 1998 revenues over the same quarter in 1997.

Your office expressed concerns that the fourth quarter 1998 revenue drop coincided with the transfer to the State, in October 1998, of motor vehicle fee-in-lieu collection responsibilities. New employees hired as a result of the change, it was argued, might possibly have received inadequate training or direction in properly valuing vehicles or collecting property fee-in-lieu amounts. However, we found that vehicles were valued as they should have been, without any material exceptions.

We sampled two kinds of transactions, those where the State remitted no fee-in-lieu collections to Salt Lake County and those where the clerk assigned a vehicle valuation for determining the fee-in-lieu amount to collect. In the case of zero fee-in-lieu collections to the County, we reviewed a sample of 20 transactions with Debra Magill and Kevin Jacobs. We determined that these items had been correctly processed, except one case— a courtesy collection on behalf of Beaver County— that should have accrued to us.

In the case of vehicle valuations, we reviewed a sample of 113 Application for Registration/Title forms. We compared the vehicle valuation that clerks placed on the forms to the value found in the National Automobile Dealers Association (NADA) Appraisal Guide and reviewed questioned items with Debra Magill.

We found no material differences in the transactions reviewed. We determined that in six transactions, the fee-in-lieu collected was \$1.80 to \$14.55 less than it should have been. We found four transactions in which the State overvalued vehicles resulting in excess fee-in-lieu collections ranging from \$1.35 to \$27.60. The net result was excessive fee-in-lieu revenues of \$6.83. Extrapolating this amount to the entire population would result in excessive property tax revenues to Salt Lake County of \$4,554.79, an error rate of 0.0071 percent.

In spite of the fourth quarter decline in revenue, total 1998 transactions actually increased over 1997. In 1997 there were 796,463 transactions and 808,762 transactions in 1998, for an increase of 12,299, or 1.5 percent.

An examination of transaction counts from 1995 through 1997, provides a clearer perspective when analyzing fourth quarter 1998. As shown in Figure 3 of Exhibit A, October 1997 is actually the unusual month, since transaction counts in that month are 30.2 percent higher than in 1996 and 41.8 percent higher than in 1995.

Even though October 1998 collections were significantly lower than in October of the previous year, they were consistent with years prior to 1997, with an increase of 1 percent over 1996 and an increase of 8.9 percent over 1995. Exhibit A graphically illustrates the changes in transaction counts from 1995 through 1998.

Fluctuations in fee-in-lieu collections reflect changes in transaction counts. October 1997 fee-in-lieu collections of \$6,745,168 exceed those of any identical month in the four year period we examined. While October 1998 collections are 24 percent lower than collections in October 1997, they are only four percent lower than the same month in 1996, and they are actually one percent higher than October 1995 collections. Taken as a whole, total fourth quarter 1998 fee-in-lieu collections are higher than the same quarters in 1995 and 1996. A comparison of fee-in-lieu collections by year, quarter and month is shown graphically in Exhibits B and C.

One important factor in analyzing the decrease in the fourth quarter 1998 over 1997 fee-in-lieu collections, is the decrease in rate to 1.5 percent from 1.7 percent. The State Tax Commission performed its own analysis of what effect this decrease could have had on revenues. Their analysis is shown in Exhibit D.

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We appreciate the opportunity to have been of service and hope that the information presented here is beneficial to your office in clarifying this issue. If you have any questions or if we can be of further assistance to you in this regard, please feel free to call me.

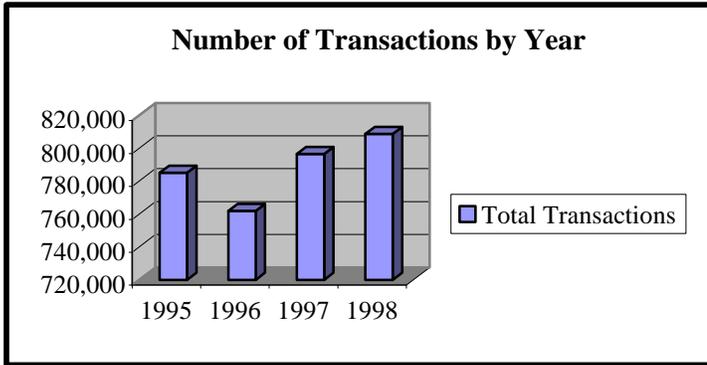
Sincerely,

David L. Beck
Chief Deputy

Exhibits (4)

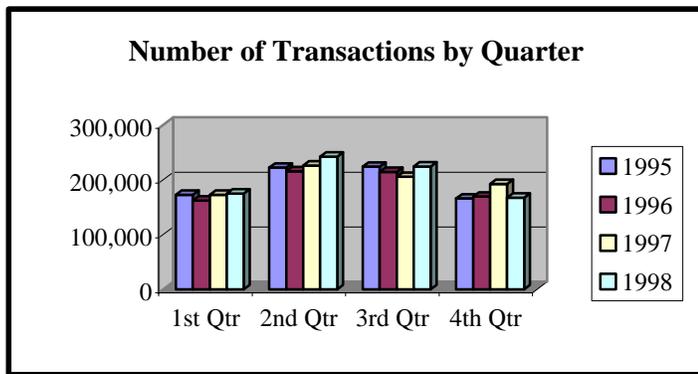
cc: Paul J. "Pete" Lund
Kevin Jacobs
Debra Magill

Comparison of Transaction Counts



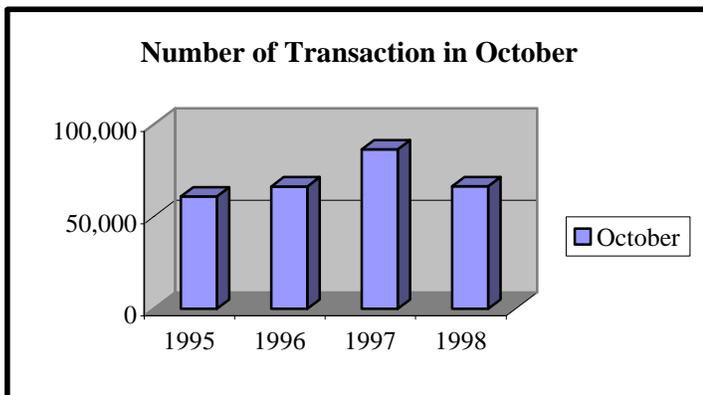
1995	1996	1997	1998
785,053.00	761,920.00	796,463.00	808,762.00

Figure 1. The total number of transactions increased from 1997 to 1998.



	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
1995	172,631	222,366	224,038	166,018
1996	162,063	215,776	214,657	169,424
1997	172,683	225,970	205,452	192,358
1998	175,013	242,253	224,129	167,367

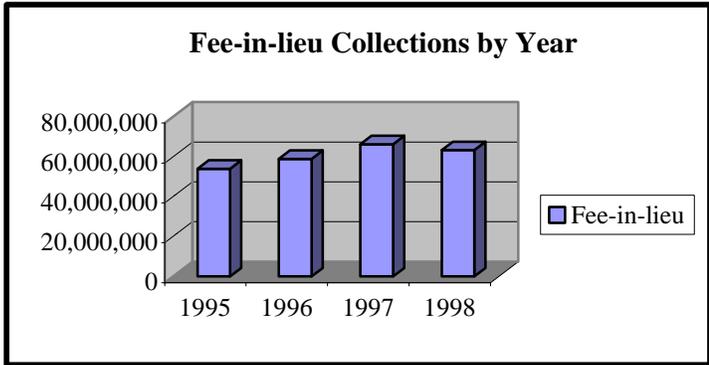
Figure 2. Fourth quarter 1997 is unusually high compared to the same quarter of other years.



1995	1996	1997	1998
60,979	66,380	86,474	66,434

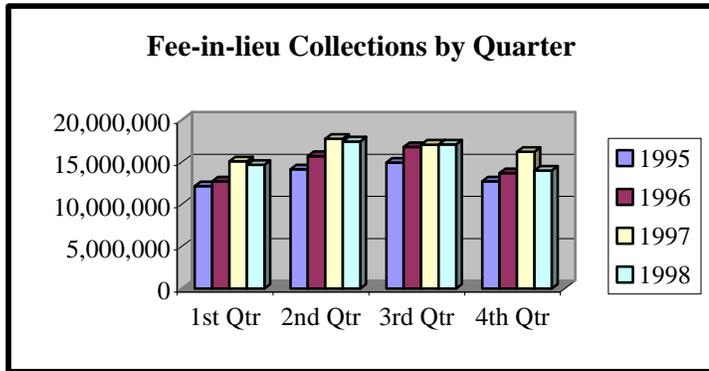
Figure 3. October 1997 is the anomaly, not October 1998.

Comparison of Fee-in-lieu Totals



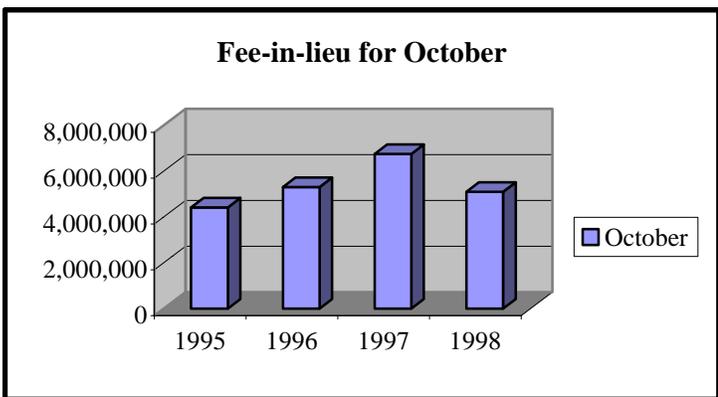
1995	1996	1997	1998
53,968,245	58,933,945	66,204,878	63,260,025

Figure 1. The slight drop in fee-in-lieu collections, seen from 1997 to 1998, is due to the drop in the assessed rate from 1.7 percent to 1.5 percent.



	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
1995	12,155,460	14,161,342	14,947,138	12,704,305
1996	12,712,183	15,723,275	16,794,519	13,703,968
1997	15,092,275	17,782,499	17,083,579	16,246,525
1998	14,697,834	17,455,901	17,105,149	14,001,141

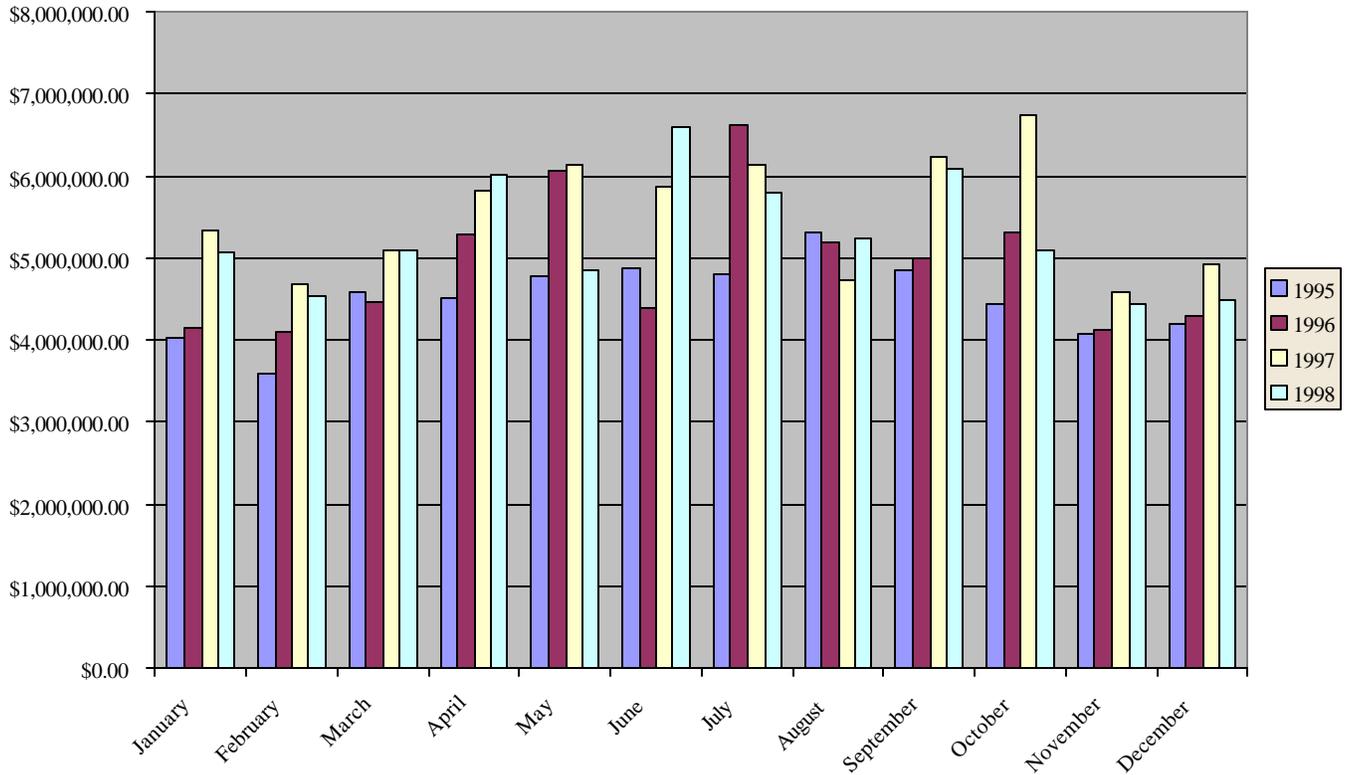
Figure 2. Fourth quarter 1997 was unusually high compared to the same quarter of other years.



1995	1996	1997	1998
4,416,928	5,306,818	6,745,168	5,093,058

Figure 3. October 1997 is the anomaly, not October 1998.

Fee-in-lieu 1995-1998



October 1998 fee-in-lieu was significantly lower than the previous year. However, October 1998 is consistent with years prior to 1997, as illustrated in the above graph. The conclusion can be made that October 1997 is the unusual fluctuation, not October 1998. Further, in viewing the four years together, fluctuations from month-to-month and year-to-year are not unusual, and are in fact normal.

**State Tax Commission Analysis
of the Fourth Quarter
1998 Revenue Drop**

	FMV	Rate	Fee in Lieu
1997 base	\$3,894,523,412	1.7	\$66,206,898
1998 base	<u>\$4,217,335,000</u>	1.5	<u>\$63,260,025</u>
Difference	<u>\$322,811,588</u>	0.2	<u>\$2,946,873</u>

Difference Accounted for:

Base 1997@ \$4,217,335,000 X 1.7	\$71,694,695
Base 1998@ \$4,217,335,000 X 1.5	<u>\$63,260,025</u>
Decrease due to rate change	(\$8,434,670)
Offset to Revenue loss due to increase in Value \$322,811,588 X 1.7%	<u>\$5,487,796</u>
Net Decrease in Fee in Lieu for 1998	<u><u>(\$2,946,874)</u></u>

The State Tax Commission's analysis illustrates that the drop in rate from 1.7 percent to 1.5 percent contributed to a reduction in fourth quarter 1998 revenue to Salt Lake County.

Exhibit D