



County Revenues

December 2019

Background

In our 2019 report, *Impact of State Mandates on County Governments*, we reported that state mandates caused problems for counties. County commissioners most consistently reported the source of the problem to be insufficient revenue to properly implement state mandates.

Property taxes were the largest single source of county revenues in fiscal year 2018. Twenty-nine of 44 counties were constrained in their ability to increase property tax revenue because of statutory limitations, including levy limits and a 3 percent cap to property tax revenue. These constraints were more likely to impact rural counties with less growth and less new construction revenue. We recommended that the Legislature request further analysis of county revenues.

During the 2019 session, the Legislature introduced several bills with impacts to county revenue, such as increasing homeowners' exemption cap and changing the sales tax revenue sharing formula for cities and counties.

In several public forums over the summer, citizens raised concerns over the sharp increase in property assessments and property taxes. Legislators decided to hold a property tax workgroup. In an October 1 article published in the *Idaho Business Review*, Cochair Anderst stated the workgroup's goal was "...to gain a fresh perspective on how assessments are established, and also how the budgets for municipalities are established."

Scope

The purpose of this evaluation is to provide additional descriptive data on the trend in overall revenue for counties, the trend in federally owned lands and federal payments in lieu of taxes, and the trend in taxing capacity for counties.

In addition, to aid legislators in their discussion on property tax policy, we will conduct two types of analysis. First, we will analyze the impact on county budgets for a single fiscal year if certain variables in the sales tax distribution formula were changed. We will estimate whether counties would have had the property tax capacity in county fiscal year 2019 to make up the difference if changes to the formula resulted in loss of revenue for the county.

Second, we will conduct a case study using parcel-level property tax data from a single county to better understand how different changes would impact the tax burden for property owners. Specifically, we will estimate the number of parcels by property category in which taxes would increase if the following occurred:

- Dollar amount for the homeowners' exemption were indexed

- All business personal property were exempted

- Property tax budgets for all local governments within the county were capped at the fiscal year 2018 dollar amount

Projected completion date: During the 2020 legislative session