

**PROPERTY TAX
INTERIM COMMITTEE
PUBLIC HEARINGS
JULY 27, 2005
COEUR D'ALENE**

Committee members present were Cochairman Senator Shawn Keough, Cochairman Representative Dennis Lake, Senator John Goedde, Senator Brad Little, Senator Tim Corder, Senator David Langhorst, Senator Elliot Werk, Representative Bill Deal, Representative Mike Moyle, Representative Eric Anderson, Representative Wendy Jaquet and Representative George Saylor. Senator Monty Pearce and Representative Gary Collins were absent and excused. Staff members present for all meetings were Mike Nugent, Jason Hancock and Toni Hobbs.

Attendees that signed the sign-in sheet in Coeur d'Alene were Darlene Mortenson; Jacqueline Velez; Barbara and David Wardsworth; Judy Hohl; Dan Yaki; Roger Schaefer; Kraig Lysek; Don Billmire; Leland Erwin; George Rodkey; John Bentley; Bruce Aaron Rasmussen; Rick Seward; Kendra McPherson; Rick and Lisa Armstrong; James Heintz; Freeman Duncan, Kootenai County Property Tax Task Force; Jim Hollingsworth, Hollingsworth Ent; Randy Tetzner; Kristy Johnson; Janice Faris; Bessie Kline, Grange; Carla Skinner; Alice Rankin, Property Owners; Mickey Sigars; Buell Hollister; Mike Oliver; Rev. Jon Smith, Post Falls Presbyterian Church; Dennis Hooyman, Veterans; Chad Solsvik; Rob Wert; Bill Creppen, Charles Till, Park Ave P.F.; Wanda Quinn, ISBAL Dist. 271; Roger Rasmussen; Karen Corcoran, Coeur d'Alene Association of Realtors; Dan English; Stephen and Jackie Ellis; Chelly and Marty Coon; Lana and Dana Kean; Robert Cliff; Mary and Woodrow Pierce; Mitchell Wright; Terry Sverdsten; Lois Schlaefer; Jerry Marchbanks; Jay and Myrna Walden; Charles Kinsey; Richard Marckes; Patricia Trego; Terry Ferris; Jim Yates; Kristin Gorman; Ron Coleman; Greg Gillespie; Joe Brown; Pete and Marsha Clemens; Jim and Debra Keizer; Joseph Corege; Katie Brodie; Mike McDowell; Dan Flynn; Ray and Barb Bradley;

David Larsen, Panhandle Coalition; Maimie Moore; Dan and Anita Howard; Dan and Laurie Lyons; Rober Ricks; Ken Beno; Dorris Pandell; Gary and Arne Spence, Marilyn and John Tanner; Scott and Mary Lou Reed; Mike Piper; Al Robinson; Peter Cooper; Robert Molte; Katrina and T. David O'Neill; Fred Gerrard; Joseph Filancia Sr., Hayden; Jeff Anderson; Karie Mitchell; Joachim Wirth; Gary Adams; Larry Guches; Susanne Dallenbach; Grace Singer; Colleen Robisch; Chris Cheeley; Al and Bella Sichvencer; Ann Gosselin; Cheryl Miller; Carolyn Baragar; Ann King; Gary Adams; Brad Enders; Wayne Crook; Audrey Oates; Arthur Anderson; Richard Oates; Martin Meyer; Barbara Harris; Kenneth Esbert; Joy Seward and Ed Ronnigan. Due to the large turn out for this meeting not everyone was able to sign in. There were about 500 people in attendance.

This meeting was called to order by **Cochairman Senator Keough** at 7:00 p.m. Due to the large turnout of people who wanted to testify **Mr. Hancock's** presentation on property tax was not included in this meeting. This presentation is available at: www.legislature.idaho.gov.

Senator Keough said that the purpose of **Mr. Hancock's** presentation was to try answer the question of how the property valuation equates to the property tax bill. She explained that Idaho's tax system is known as the "three legged stool made up of property tax, income tax and sales tax. She added that Idaho has a constitutional framework within which it has to work.

Senator Keough stated that the committee is holding these meetings to listen to citizens regarding property taxes and to listen to suggestions for solutions to the problem. She said that after hearing from citizens in 12 communities throughout Idaho, the committee will meet again this fall to sort through the testimony to decide whether legislation should move forward. The committee will make a report, regardless of whether legislation is prepared, that will go to the entire legislature. She explained that tax bills start in the House Revenue and Taxation Committee and that Cochairman Representative Lake is the Vice-Chairman of that committee.

Senator Keough noted that there is also an initiative process that is being talked about across the state and in her opinion this is a tandem process for those that feel that the legislature is not progressing as it should.

Following are the people who testified

Ms. Jacqueline Velez

Ms. Velez moved to Coeur d'Alene from California five years ago. She said that the proposals she has seen in the paper give relief to people who have lived in their homes form 10 years or longer. She agreed that these people deserve relief but said that relief should be more inclusive. She and her husband have lived in their home for 4 years and do not want to be taxed out of it. Property taxes based on current market value are unfair to people that want to live in their homes, but, in her opinion, deferring taxes until the house is sold is not a solution.

Mr. Roger Schaefer

He said that he had a lot of questions regarding dollars and sense. He stated that the 2003-2004 budget had a \$10 million excess that went into a special fund earmarked for who knows where. In 2004 and 2005 approximately \$43 million in excess of the \$57 million that was the county's budget is unaccountable as far as he can tell. He said this is the only county in the state of Idaho where the budget is not available on the internet. Why is that? He said that next year there will be \$130 million collected with a budget of \$70 million. Where does the rest of that money go? He also asked why certain people in authority think there is a need for a tax increase in the county.

Mr. Kraig Lysek

He has lived in Idaho approximately five years. He said he got a great deal on his house but since that time the value has gone up a tremendous amount. He said his taxes have gone up about 200% in that time.

Mr. Lysek stated that the problem with the system is with the way the Idaho Constitution is written. Twice voters in Idaho have voted for property tax relief that was then voted down by the courts or the Legislature. This, in his opinion, shows the need for legislative reform.

According to **Mr. Lysek**, the solutions to the property tax problem are wrong. Increases in the assessed value of homes are not a benefit to people that want to live in their homes. He suggested basing the property tax on the assessed value of the home when it was purchased and increasing it by the cost of living each year. Tax increases greater than the cost of living are wrong.

He also said that infrastructure improvements should be decided by voters in the communities.

Mr. Don Billmire

He suggested the 50/50 homeowners exemption be increased up to the point that includes all of the increases in value since it was implemented and then increase it each year by inflation. He also suggested that the circuit breaker needs to be brought up to inflation and increased for the cost of living each year.

In **Mr. Billmire's** opinion reducing property tax will require a shift to other taxes. He suggested increasing the sales tax and earmarking the increase for education and safety. He also stated that sales tax should be charged on services.

Mr. George Rodkey

Mr. Rodkey stated that from the turnout at this meeting, the state is close to having a tax revolt. He said that solutions need to be found and there needs to be a way to get those solutions out of the Revenue and Taxation Committee for the entire Legislature to hear.

Mr. John Bentley

He stated that the California Legislature should have done something to solve their property tax issues before Proposition 13 was implemented. They did not. He said that if the Idaho Legislature does not do something soon, the same thing will happen here.

He added that the circuit breaker needs to be adjusted because to qualify currently a person has to be at the poverty level or very close to it.

Mr. Bentley stated that there is no relationship between the taxes that are imposed upon the society versus the cost of services used by that society. While he feels he benefits from an educated society, there should be a more equitable way to pay for it.

He said another reason for the property tax problem is because there is no incentive to constrain government budgets. When a system is based on inflationary values, there is a temptation to whet your appetite. He said there needs to be a system that checks how much you are willing to spend versus the sources of revenue. Today there is nothing like this.

Mr. Bruce Aaron Rasmussen

He stated that his great grandmother purchased 40 acres of land on the lake and that he lives in his grandmother's cabin on that land that was built in 1935. He said that he is afraid he might be priced out of it. He said that this is an insidious eminent domain because if he cannot afford to pay the taxes, someone else will.

Mr. Rasmussen said that property taxes need to be lowered and that sales tax should be raised to balance that out.

Mr. Rick Seward

He explained that the county has about 49 independent taxing entities and that is one of the facets of the taxing problems. In his opinion the big frog in the pond is education. The local school districts have the ability to tax without representation. He said that the tax levy prior to the most recent one passed by 72%, the newest one this summer passed at 54%. In his opinion this means that the voters are beginning to think. He asked that education for the children not be allowed to take the roof over his head.

Mr. James Heintz

He explained that he owns a small lot on Hayden Lake that he purchased for \$10,000 in 1971 and built a small summer home on it in 1972. The taxes were \$172.00 at that time. Today the taxes are about \$3,600 per year. In his opinion property values are inflated beyond any reasonable evaluation.

Mr. Heinz suggested that the state of Idaho should take over the responsibility of funding community colleges because they belong to the state. That alone would reduce property taxes immensely.

Mr. Freeman Duncan - Chairman, Kootenai County Property Tax Relief Task Force

He said this group is just 14 Kootenai County citizens that decided in April to band together to study the property tax system of Idaho and to work on county issues.

The task force has identified the following priorities for legislative change:

- , Increase tax relief for those 65 and over with low income.
- , Establish a new method, system or process to limit, eliminate or stabilize annual increases in property valuation.
- , Implement greater use of impact fees. (This issue was closely followed by

implementing authority for local option sales tax and a wide range of opinions on foregone taxes.)

Task Force Recommendations:

In order to expand tax relief for those 65 and over:

- , Raise the circuit breaker to \$25,000
- , Increase the awareness of the benefits of the Circuit Breaker
- , Expand the homeowner's exemption from \$50,000 to \$70,000 for those 65 and older who do not qualify for the circuit breaker but have income less than 150% of that program's maximum

The task force has no recommendations on how to eliminate, limit or stabilize annual increases in property assessed valuation.

In order to legislate greater use of impact fees:

- , Simplify the impact fee statute to make the tax saving benefits of impact fees available to property owners in more cities and counties
- , Authorize impact fees on new home construction to pay for schools

The task force also recommends maintaining the current budget cap and levy on new growth and maintaining the status quo on "foregone taxes".

Mr. James Hollingsworth

He gave the following suggestions and recommendations:

- , No Profit to Counties for Tax Sales.

Mr. Hollingsworth believes that it is immoral for counties to profit from any tax sale; that any excess over taxes owed should be returned to the owners; that until the law is changed the County voluntarily return the excess to the property owner.

- , Eliminate the 3% Tax Increase Cap.

Mr. Hollingsworth suggested elimination of the 3% budget increase and limiting increases to inflation and new growth because government becomes less efficient as it grows. Any emergency would require a 2/3 vote of the people to pass.

- , Raise the Homeowner's Exemption and Tie it to Inflation.

The homeowner's exemption has not been changed for many years. It needs to be

raised and tied to inflation. It also needs to include a reasonable portion of the land value, say five to ten acres.

Do not Change the Formula to Somehow Tax Businesses More
In **Mr. Hollingsworth's** opinion the percentage of taxes paid by commercial and residential relative to each other is changing because of the large numbers of people moving here to retire, and therefore the increase in residences is relative to commercial. If businesses are assessed fairly then we can be sure they pay their fair share and no more.

Do not remove the Local Burden from Property Tax.
Property taxes as a means of funding local government has served us well for over 100 years. There is no need to change it now. Placing more of the burden on a state tax will only lead to irresponsible government.

Schools are One Example of Increases because of State Help.
Please note that when schools began to be funded by the state through sales tax, lottery tax and others, the budgets of various school entities grew significantly.

We do not have a Taxing Problem, We have a Spending Problem.
Mr. Hollingsworth asked that significant changes not be made in the funding of local government. Property taxes have served local entities well. The problem is that local budgets are out of control. It is the spending of local government entities that is raising taxes, not the general assessed value of our homes. In order to control taxes, citizens are going to have to insist that local government, including schools, exercise serious restraint in budget increases.

Mr. Randy Tetzner

He said that he has an autistic child and that these children are incredibly expensive for school districts. It has been shown that if these children do not get education, they will cost taxpayers between \$3 and \$3 million over their lifetime if they live to be age 70. He tries to find funding from federal sources. The county school district only received \$49,000 in Medicaid billing for special ed students. Ten percent of the students in the district have disabilities and 56 families have autistic children. According to **Mr. Tetzner** the school district is throwing away close to \$250,000 a year in not billing Medicaid. This money would help reduce the amount of property tax needed to fund schools.

Mr. Tetzner said that there was \$90 million in the Millennium Fund for the tobacco litigation that the Legislature took out to fix the budget. The state spent twenty-nine million dollars to pay for the American Truckers Association lawsuit \$17 million of this came from the Millennium Fund.

He asked why commercial property owners do not pay as much as property tax as residential property owners. In his opinion this is due to lobbying efforts.

Ms. Kristy Johnson

She stated the Idaho's three legged stool needs to be rebalanced in order to re-establish fairness into the system.

She suggested getting rid of Dolores Crow and IACI.

She also suggested working closely with the federal government to get PILT money into the state regardless of extraction. Sixty-six percent of the land mass is not taxable and PILT money should be used to make up some of that.

Ms. Janice Faris

She said that the property she owns in the area is not her primary residence. She and her husband own property that includes a 550 square foot cabin at Twin Lakes, Idaho, that is unavailable for use except in the summer because there is no running water, electricity or heat. They have owned this property for 30 years. In 2005 their assessed valued increased by 50%. Boise was blamed for this increase. In her opinion, part time residents should not have to pay more because they actually use less county services than full-time residents.

Bessie Kline

Ms. Kline said that the country is back to the time when King George was taxing it.

Ms. Carla Skinner - Post Falls

She explained that two years ago she bought her home for \$170,000, about one month ago someone offered her \$425,000 for it. This is what happening in this area and causing her taxes to go up. She asked why she would want to sell her property and if she did, what would she be able to buy. A realtor told her she could go into a nursing home, she simply wants to live in the house they purchased for retirement. Tax increases are making her uncertain whether she will be able to stay

in her home.

Ms. Skinner also stated that even though education is very important, once your children are no longer in the system and you are retired on a fixed income you should become exempt from school taxes.

Alice Rankin

She explained that she is the widow of Ron Rankin who worked his whole life to lower property taxes. **Ms. Rankin** stated that North Idaho should be a full partner of the state instead of everything happening in Southern Idaho. She stated that the biggest enemies of property tax reform are lobbyists for big corporations, the Association of Counties, IACI, taxing entities, school districts and even extension services. Spending needs to be cut and these groups do not want that to happen.

Ms. Rankin said that sixty-one percent of the three legged stool is paid by property taxes today. In her opinion property tax is an unfair tax because it has to be paid regardless of income.

She stated that Proposition 13 will not happen in Idaho because the Idaho Constitution cannot be changed by initiative.

Mr. Buell Hollister

He stated that residential property taxes have increase three times more than other property taxes. The share of property tax paid by commercial property is down 13% since 1990 and for agriculture it is down 50%. He went on to state that in the last four years the assessed value for residential property increased by 42%, commercial and others increased only 4.2%. The property taxes are based on market value for residences but on income generation for commercial. In his opinion this is an element of unfairness.

Mr. Hollister stated that the homeowner's exemption should include the land and that would give the homeowner a bit of a break. Since 1982 the median value of homes in Idaho has increased two and one-half times. He said that residential property taxes do not pay for the services that are provided. In other words the property tax collected only covers about 94 cents of the services accumulated from that growth.

In his opinion senior citizens property values should be frozen and the value

increased when the property is sold. He added that impact fees should be used for school funding.

Mr. Hollister stated that in his opinion our taxes are going into a black hole in Washington, D.C. The Energy Bill that was just passed by Congress offers \$8.5 billion of freebies to the energy industry. He said that he does not mind paying his share to fund local and state government because it is not as wasteful as the federal government.

Mr. Mike Oliver

He said that whenever the government imposes a property tax, the direct opposite purpose becomes the resultant. The purpose of the property tax is always stated as an ability to raise funds for the provisions of services and the advancement of public good. The result of property tax is the direct opposite. The support of funding for services and programs is a mandated program through the use of law. This law uses forced funding, forced participation and enforced compliance. If individuals stand against this tax, their land is eventually confiscated. Where is the security of property that our founders talked about.

According to **Mr. Oliver** this forced funding is gathered and doled out by means of legislative bodies or legislative officials. These officials decide who the benefactors of these services are. The spending of our money is taken by force of law and usurped by legislators, elected officials and bureaucrats. **Mr. Oliver** said this is theft of liberty and is a travesty against the consent of the governed. He said this sounds more like slavery to him than freedom. He said it is also socialism.

Mr. Oliver said that this tax forces participation and it forces consumption which goes against and competes with private enterprises. In his opinion the private sector will take care of economic development. Taking of property and freedom to spend the way the government wishes, according to **Mr. Oliver**, is not moral and is theft.

Reverend John Smith - Post Falls Presbyterian Church

He stated that it is the duty of the Legislature to apply God's law to civil affairs and that is their only duty. God's law is good for us. To take money from one person to give to another is not God's ordained duty for government. To take it from one person and give it to another is simply theft. "Thou shalt not steal."

Reverend Smith said this applies to everyone including legislators. He stated that

someday these legislators will have to stand before God.

Reverend Smith added that the Bible forbids taxes on property. In his opinion property taxes would not have to be taken if the Legislature were to abide by God's law and stop all social programs. In his opinion we are a socialist state. Government should let the churches take care of the social programs.

He told everyone to go online to find out about the comprehensive financial report that includes \$10 billion in excess.

Mr. Dennis Hooyman

Mr. Hooyman explained that the state of Idaho does not offer any tax breaks to disabled veterans. He said that he has been working with Representative Mary Lou Shepherd on legislation to change the circuit breaker law. Currently if a veteran is 100% disabled, he may qualify for the Idaho circuit breaker but if he and his spouse are both disabled, they will not qualify because their income level will be too high.

He suggested that the Legislature look at the Oregon statute as a possible solution to the property tax issue. In Oregon his property taxes on a \$275,000 home were \$1,400. His taxes on a \$95,000 home in Idaho are \$2,000 and his community has no services, no school, no fire department, no police department, no trash pickup and no hospital. Much of his property taxes go to pay for a hospital that no longer exists. The corporation that bought the hospital building pays no property taxes on it because it used to be a hospital. He asked where taxes actually go.

Mr. Chad Solsvik

He stated that he built a house for \$225,000 one year ago and this year the assessment went up \$150,000. He was told this was because of how much his neighbor's house had sold for. He said he has other neighbor's selling for as much as \$900,000 and wonders where is he going to go. He said he feels like if he cannot pay his taxes, someone richer will. In his opinion there is a division in the community between the out-of-state and the in-state people. This is not right, the system is broken and needs to be fixed even if it takes a Proposition 13.

Senator Werk asked how much **Mr. Solsvik's** actual property tax bill increased relative to the increase in his property value. **Mr. Solsvik** said that he would get

that bill next year. **Ms. Carla Skinner** who testified earlier said that when she bought her house for \$170,000 her taxes were \$1,200 the first year and went up to \$2,300 the second year.

Mr. Rob Wert

He stated that if it takes a constitutional amendment to change the way property taxes are used and levied in Idaho, that needs to be done. He supports freezing taxes with an adjustment for inflation at the price you buy your property. If the Legislature does not get ahead of the curve, the citizens will certainly change the Legislature.

Mr. Bill Creppen

Mr. Creppen has lived in the area for one year from South Florida. In his opinion the citizens have imposed more property taxes on themselves to build new schools, libraries, fire stations and so on. These levies were passed by local citizens at local elections. He asked where all of these people at the meeting who want lower property taxes were during those elections.

He compared property taxes to feudalism. The property owners are like serfs who must pay a fee to their lord (the government) in order to remain on their property.

Mr. Roger Rasmussen

He lives on property that his family has owned since 1911 and his value increased 50% this year. He said that he is in favor of paying his share of taxes but when the assessed value increases by 50%, it is hard to believe the cost of government went up that much.

Mr. Mitchell Wright

He said that basically our system of private property is under assault at a federal level with the Supreme Court ruling on eminent domain. He stated that Idaho needs to get away from the comparable market value assessment system and on to a cost based method. He commended **Senator Goedde** for recommending expansion of the local option sales tax. In his opinion sales taxes and use taxes will allow the state to reduce the pressure being placed on property taxes.

Senator Keough informed the audience that a group called Concerned Business of North Idaho that have been running information in the newspaper that explains your tax bill and that it is very complex and includes a list of all of the different

taxing districts and their budgets.

Mr. Terry Sverdsten - Retired Legislator

He stated that when he was a legislator in 1980 the state budget was about \$375 million, today it is well over \$1 billion. This is because state and county government has refused to look at restraint. In a study done in 1958 regarding how much money people would need to be happy and regardless of income, they all needed about 10% more. This is still true today, everybody still needs more. He has been told that it is cheaper to live on a cruise ship than in a nursing home.

Mr. Sverdsten stated that property taxes have risen out of proportion with the commodities produced by farms. He has a tree farm and the income on that tree farm is basically the same annually as it was 30 years ago. The property taxes are about triple.

The services required from county and state government are the problem. Government is the biggest cause of our inflation and spending must be restrained.

Mr. Terry Ferris

He moved to the area from California six years ago after growing up in the northwest. Since he has been here he has seen radical changes that are frightening. He and his wife live in the Hayden Lake area and the cost of housing near their home is increasing the value of their property out of sight and they are being taxed out of their home. His wife still works but if she retires, they are afraid they will not be able to afford to stay there. He has recently started working part time just to pay the taxes.

In his opinion the system the state uses for property tax is wrong. Whether it takes a constitutional amendment or not, the system needs to be fixed. He suggested capping home values at a certain amount until they are sold. New homeowners and contractors should also be made to pay a share of the cost growth is costing the area.

Mr. Jim Yates

He has lived in Idaho for 75 years and this year his property value went up 50%. To suggest that will not result in increased taxes is laughable. He said that it is doubtful the Legislature will be able to provide property tax relief.

He suggested that high growth counties be put on a different taxing system and that the property tax exemption be raised to \$200,000 for senior citizens. **Mr. Yates** also suggested considering giving senior citizens either an exemption from or a reduced rate for school taxes.

Mr. Greg Gillespie

He moved here from California in 2003 and asked why Dolores Crow is such a problem.

He said that Proposition 13 works in California. At first he was against it because they said services would be reduced. This was not the case. Proposition 13 keeps property values from increasing by more than 1% per year. Once the house is sold the value is increased to that amount and taxes are paid accordingly.

Mr. Jim Keizer

He asked how bad does the Legislature want to help the citizens. He said if they want to solve the issue badly enough, they can do it. **Senator Keough** said that all of the committee members present are very sincere in their effort to solve this problem and they all worked on property tax legislation during the last session.

Mr. Joseph Corege

He said that in the 1970s the state faced the same issues and despite promises nothing was accomplished. He encouraged Idahoans to get Proposition 13 enacted even if it requires changing the constitution. His assessed value increased \$102,000 and as he figures it that results in a \$1,750 increase on a \$3,000 tax.

Ms. Katie Brodie - Kootenai County Commissioner

She said that she has spent the last few weeks in Board of Equalization hearings and it was gut-wrenching. Many people who are living in houses left to them by parents or grandparents simply cannot afford the taxes. Something needs to be done to stop this from happening.

Mr. Mike McDowell - Kootenai County Assessor

He explained that the 2005 Kootenai County assessments saw a \$2.8 billion increase in the net taxable value of Kootenai County resulting from sales activity in 2004. If the market continues to appreciate, similar value changes will be seen for 2006.

Over the past 15 years there has been a steady shift in the total statewide property tax burden from all other classes of property to residential property. Residential property bore 47% of the tax burden in 1990 and saw an increase to 61.6% of the tax load in 2004. Property tax exemptions that have been granted, along with rapid appreciation in market values, have placed an added burden on our residents. Some of this shift is due to the increase in the number of new homes built but even with the new growth taken out there has still been a significant shift to residential properties. From 1995 to 2003 residential property tax increased at a rate of 3.3% per year, while commercial increased 1.3% per year over the same period.

Mr. McDowell stated that the scales need to be re-balanced to relieve some of the burden for all residents of Idaho. We also need to provide predictability to what taxes will be for our seniors on fixed incomes so they do not have to choose between medicine and property taxes.

Representative Jaquet asked if full sales price disclosure would be helpful to him as an assessor. **Mr. McDowell** said yes. He said it would give them better information with which to establish fair market values and would be less costly for them to gather that information and allow them to arrive at more fair values.

Mr. Ray Bradley

He stated that he is a CPA and at 59 years old is not sure when he will be able to retire due to the ever increasing property taxes he has to pay. Predictability of these taxes would help people plan their retirement.

After saving for eleven years he purchased a lot for \$70,000 and built a house for \$150,000 on the Spokane River. The first tax bill was \$1,112, last year his taxes were \$6,250. The assessed value went up 22% and as he figures his taxes should have actually gone down but because of recent sales in the area he expects to see another increase in his property taxes next year.

He said that he is lucky because he built his home in the right place for it to appreciated in value but he did not build to sell it and he does not have money available to pay the property taxes just because the value went up.

He suggested placing a cap on the value of homes at the purchase price with an increase for inflation. Once they are sold, increase the value to that amount and charge taxes accordingly. This would also give some relief to senior citizens that

are living on fixed incomes because it would give them predictability of what their taxes will be and allow them to budget properly.

Mr. Bradley also suggested eliminating all exemptions that exist for sales and property tax.

Mr. David Larsen

He stated that the Kootenai County Democrats sponsored a Property Tax Relief Forum that was attended by nearly 200 citizens. The attendees were quite adamant about their desire for property tax relief.

Mr. Larsen said that over time the three-legged stool of income, sales and property tax has changed from relatively equal legs to a stool which has a disproportionately long property tax leg. One way to achieve residential property tax relief is to shift the tax burden to equalize the tax stool leg lengths.

While some of the sales tax exemptions are necessary, in total the 72 categories that exist amount to in excess of \$1 billion in potential revenue. He urged the committee to consider rescinding some of the sales tax expenditures as a way of offsetting the tax shift required for residential property tax relief.

Mr. Larsen said the Chairman of the Revenue and Taxation Committee should not be able to stop action on residential property tax relief by simply putting the bill in a drawer. This person has not been elected statewide and is only one of seventy representatives in the Legislature. The majority party leadership has control of naming committee chairs. Perhaps leadership should find a replacement, rather than continuing to use this chairman as an excuse for inaction.

Mr. Larsen added that the value of land in North Idaho seems to be escalating more rapidly than the value of the structure but unfortunately the homeowner's exemption does not include the value of the land. He suggested that be changed.

Ms. Maimie Moore

She and her husband purchased their home in 1976 for \$32,500. After figuring what the property taxes would be, they decided they could afford to live there. When her husband died in 1988, her income decreased by 30% but they had planned for that. What they had not planned for was for property taxes to increase from \$279.64 to \$2,342.32. This is an increase of approximately 800% and that far

exceeds any cost of living increase during those years. In her opinion taxes should be based on the purchase price plus a cost of living increase. Either that or the homeowner's exemption should be adjusted to compensate for the terrific increase in assessed values so that long time residents are not taxed out of their homes.

Mr. Dan Lyons

He said the only thing he hates more than politicians is someone who buys them. He said the battle cry for 2005 should be "My Casa - Your Casa". He said he does not like the legislators.

Ms. Laurie Lyons

Ms. Lyons gave the following suggestions:

- , Current residential property tax assessments should be set at the current assessment values as per notices mailed to residents on June 1, 2005 or adjusted values made by the Board of Adjustment.
- , New residential property tax assessments should be set at the total purchase price paid by the new owners.
- , The market value of new residential additions, remodels or improvements should be assessed separately and appear separately on the assessment notice. The value of the original land and structure should not change.
- , Impose a pre-paid infrastructure expenditure (PIE) fee to pay for additional schools, libraries, police and fire protection, water, wastewater, parks, etc. required by growth. No more special levies for new, replacement or maintenance.
- , No more deferred taxes that may be collected at some future time.

Ms. Lyons also stated that there should be an exemption from property taxes for the improvements made to a home for the purpose of making it handicapped accessible and the exemption should remain in place for the duration of that person's SSA disability determination.

Mr. Scott Reed

He said that in 1994 he worked with legislators on legislation that would freeze the assessed valuation of homes and faced strong opposition. He has met with people currently to work on similar legislation.

Mr. Reed went on to discuss the taxation of forest land and products statute in

Idaho Code enacted in 1982. He suggested that this could be used as a model for freezing property values. This applies to land parcels greater than five acres although the land can be used in smaller units. This is a supportable classification just as classified residential property is. The direct parallel is the treatment given by the assessor to forest tracts greater than five acres and smaller than 5,000 acres. The property owners seeking assessment protection under the act makes a statement to the assessor that the land is being used for marketing trees of a marketable species. Once compliance with the act is verified, the assessed value is fixed as of the time of designation and stays fixed as long as the use is for growing trees. Whenever there is a substantial change of use or sale to someone not growing timber the assessor recaptures the deferred taxes by determining the current value of the property. That number is multiplied by the number of years the forest designation has been in place to a maximum of ten years. Taxes are then determined with credit given for any taxes paid and the new owner pays the difference.

Ms. Mary Lou Reed - former legislator

She stated that property tax relief can be achieved in Idaho without Proposition 13. This should start with an expansion of the homeowner's exemption. The homeowner's exemption has not been adjusted since 1982. She suggested raising it to \$125,000 or \$150,000 and it should include the land and be indexed.

She also said there should be a way to freeze property values for long-time residents. If the state's revenue was stable, we would not have to rely on property taxes which is the tax of last resort.

Ms. Reed suggested the committee explore the possibility of a real estate transfer tax. She said that 30 or more states and the District of Columbia charge some kind of real estate transfer fee. She admitted this will not be popular with real estate people.

She said she would be very grateful if school impact fees came to the Revenue and Taxation Committee table in 2006. Assistance from developers for the cost of school facilities would be very helpful.

Mr. Al Robinson

He said his assessment increased 350% since last year which was corrected to 250% after a phone call. He stated that he hopes the committee will be able to

make some progress on this issue so that during the next election people know who to vote for.

Mr. Fred Gerrard

He said that there will not be tax relief until spending relief occurs. This will take a lot of courage from the Legislature. Special exemptions need to be eliminated.

In his opinion the most successful bureaucracy in Idaho is education because of its ever increasing budget. Forty-five to fifty percent of property tax dollars go to education. For a class of 24 fourth grade students, the citizens are paying almost \$150,000 per year for those students. The Legislature needs to revamp all such bureaucracies requiring they be managed by a professional manager with fiscal responsibilities. He also suggested limiting the amount of money to education from property tax to 25%.

He stated that in order to look their constituents in the eye, Legislators must do everything they can to replace the chairman of the Revenue and Taxation Committee. Until that changes, nothing will happen.

Mr. Jeff Anderson

He said that the county assessor's office always passes the buck to Boise when questions of value are asked.

Mr. Anderson stated that there is a big spread in the property values in Kootenai County. Across the board, according to the county commissioners, small units and residential property received a 40% increase this year. He said there is a small 120 unit building in the area that has not had a assessed property value increase since 1997. Small units are valued according to a gross income multiplier which saves them about 25%.

In his opinion the increase in population should be able to handle the cost of the increase need for infrastructure.

Ms. Colleen Robisch

She has lived in the area for 17 years and loves the lifestyle the area allows. She suggested implementing a prepaid infrastructure fee that would go to help the schools handle growth.

Mr. Chris Cheeley

He explained that most people are not aware that legislators actually take a pay cut to serve and stated his appreciation for what they do.

In his opinion educating people about the property tax system so people have a better understanding of what solutions are actually viable would be very helpful. He said that the assessed value is what is causing the uproar but the property tax bill is the real problem. According to **Mr. Cheeley** the homeowner's exemptions and special interest exemptions do not really serve an equal hit to everyone. He suggested that applying a tax across the whole gamut would be more fair.

Increasing property values based on a cost of living increase would also be more fair.

Ms. Ann King

She stated that the bottom line is property tax relief and she hopes the committee will actually be able to produce results. She suggested that the legislature needs to keep people informed and involved. She said that there should be articles in the newspaper every day about what is happening and if certain legislators are stalling or keeping the problem from being solved.

She also said spending needs to be reduced.

Senator Keough stated that the newspapers in the area have been running articles regarding property tax issues. She also noted that the Legislative website: www.legislature.idaho.gov is updated daily during the session with what is going on and how bills are progressing. This website also includes committee meeting schedules and minutes.

Mr. Gary Adams

Moved to the area 2 ½ years from Colorado. He purchased a home there in 1977 for \$54,000 and lived in that house for 26 years. The last year he paid property taxes in Colorado they were only \$1,200. He bought a house in Coeur d'Alene for \$166,000 and his taxes were \$2,200 last year and could go up to \$2,800. Some relief needs to be provided for people because the property value increases are not going to stop. People will keep moving here.

Ms. Jodi Whitaker

She said this is not California and in her opinion people that have lived in the area for many years should not have to pay higher taxes as a result of growth.

Ms. Joy Seward

She suggested the state do away with the foregone tax due to the high tax increases people are receiving. She suggested lowering the levies and cutting down on spending as other ways of taking pressure off of property tax payers.

Mr. Ed Ronnigan

He agreed with **Ms. Seward** that the foregone tax needs to be done away with. Other businesses cannot legally operate this way so why should governments.

Mr. Robin Riggs

He said he hope the committee is actually listening to the citizens and recognizing the need for property tax relief that exists. He said the problem was not really the fault of the Legislature but due to the fact that Idaho is growing so fast, the structure needs to be changed. He said that if something is not done quickly 25% to 30% of the residents in Kootenai County will be priced out of their homes.

The following testimony is from people who did not sign in

Mr. Denny

He stated that he is not allowed to spend more than he makes. In his opinion the Legislature needs to abide by that and spend less than they take in. Spending needs to be reduced. He suggested using the Legislators salaries to make up the difference needed to balance the budget. **Senator Keough** informed everyone that legislators make \$15,615.00 annually.

Mr. Joe Worth

He also stated that he hoped the committee was actually hearing what the citizens were saying. The meeting room would not have been overflowing if the people were happy. He said the state needs to have a residency verification process in order to make sure people who live and work in other states, such as Washington that does not have income tax, are not unfairly taking advantage of the homeowner's exemption in Idaho.

Senator Keough encouraged anyone still in attendance at the meeting to submit comments in writing and to tell any other concern citizens to do so also. The

meeting was adjourned at 10:30 p.m.