

**PROPERTY TAX
INTERIM COMMITTEE
PUBLIC HEARINGS
JULY 27, 2005
SANDPOINT**

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.

People that signed the sign-in sheet were

Arthur Fouts; Darlene and Jerry Yochum; Mark Sprengel; Senator Joyce Broadsword, District 2; Hoyt Smith; Guy Hulquist-McBell; Wayne Newcomb; Judie Conlar; Mike Benjamin; Marian and Keith Contor; Harold Stephenson; Mary Ellen Irving; Bill Drumwright; Marie Warren; Jan Longshore; Rudy Lawicka; Don Kisamore; Herb Wright; Dennis Swenson; David Gray; Mayor Clay Larkin and Jim Hammond, Post Falls; Ed Lindahl; Lois Jean Organ, Sagle; Bill Snyder; Gary Berkhausen; Morris Porter; King Carl; Charles Riffel; Jerry Stern; Majorie Thomas; Allen Thomas; Carrie Logan; Dennis Engelhardt; Dana Engelhardt; Nancy Hall; Jon Clements; Sandra Murphee; James Blake; Pam Eaton, Idaho Retailers Association; Jan Wall, Idaho State Library; Wayne Gunter and Gil Beyer, East Bonner County Library; Sandy Ashworth, Boundary County Library; Carni Oja, Coeur d'Alene Association of Realtors, John Eaton, Idaho Association of Realtors; Richard Luedtke, Boundary County; Steve Rosinski; Joe Murdock; E.R. Threadgill; Dave Murray; Colleen Clark; Tom Clark; Tom Suttmeier; Norm Semanko, Idaho Water Users Association; Jonathan Parker; Ronald Behimer; David Wetz, WREICO, Inc.; Curtis Smith; Neil Snoddy; Kevin Sharrai; Twin

Lakes Village Property Owners Association; Richard and Fay Flaherty; Conrad Schempp; Walt Copley; Susan and Tom Moore; Bill Remmers; Bruce Peterson, River Lake; Phil Poutre'; Esther Gilchrist; Kathy Holm; Brian Orr, West Bonner Library District; Bob Hatfield, West Pend Oreille Fire District; Ron Reeve, NFIB; David Fro; Ralph Green; George Pavey; CC and Roy Berry; Stuart Blockoff; Atron Clark and Harvey Hollenbeck; Glenda Poston and Wilma DeVore from Boundary City; Cheryl Piehl; S.A. Oakland; Barry Thomas; Larry Morrell; Daniel Irving; Russ and Lucy Knapp; Richard Warren; Bob Adams; Louis Miller; Gail Dolsby; Fred Keller; Lee Holbert; Marcia Phillips; Joe Young; Karl Dye from Bonner County; Lynn Pratt; Gerald Higgs, P. Wood; Michael Dechape; Cassie Fiedler-Gilmore; Richard Olson; Representative George Eskridge, District 1; Dale Wile, Shirley McDonald, Priest Lake; Doug and Patti Poage, Spirit Lake; Amber Snoddy, Janna Richardson and Al Oliver, Sagle; Brian Kruh, Sandpoint; Shirley Domes, Hope; Jim Ramsey; David Walsh, Bottle Bay; Louis Collins, Dover; Dick Michael, Beth Allen, Joseph Wythe, Doris Sanger, Anita Perry, Pierre Hueginin, Fields Cobb, Mary Chaney, Sandpoint; Olin Smistad, Coolin; and Dee Miller, Hope.

Due to the large turn out for the meeting this list is not inclusive of everyone that attended. There were about 300 people at the meeting.

The meeting in Sandpoint was called to order at 1:00 by Cochairman Senator Keough. After opening remarks by the Cochairmen, Jason Hancock, Legislative Services Budget Analyst was introduced to give a short presentation on how property taxes are figured.

Mr. Hancock explained that there are two models used for determining property taxes; the budget model and the rate model. The budget model is used by all taxing districts in Idaho while the rate model is only used to determine the percentage of property taxes that go to school maintenance and operations. All other types of School District property tax levies (bond, supplemental, plant facilities, etc.) use the Budget Model.

Property taxes in Idaho fund local government only. \$1.14 billion in property taxes was collected in 2004. In 2002, Idaho ranked 31st among states, in terms of percentage of income paid in property taxes, or about 10% less than the national average. **Mr. Hancock** explained that this ranking is somewhat misleading because several states do not have all of the same taxes as Idaho.

After giving some examples, **Mr. Hancock** explained that the budget model is like a balloon. If taxable property value is exempted from the tax base, the property tax bill is shifted to other property taxpayers – the local taxing district is held harmless. Under the rate model (School District M&O levy), exempting taxable property from the tax base does not cause a shift to other property taxpayers – the loss of tax revenues is absorbed by the School District.

Mr. Hancock explained that there are two main reasons why residential property taxes are increasing rapidly in most taxing jurisdictions.

One is the frozen nature of the 50-50 homeowner's exemption, which causes a home's increase in taxable value to exceed the home's increase in assessed value.

The second is the Public Schools M&O levy rate, which does not decrease when property values rise rapidly, as do other, budget-driven levies.

Mr. Hancock's complete presentation will be available as an attachment to these minutes at: www.legislature.idaho.gov.

Senator Keough said that the purpose of having **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

Mr. Mark Sprengel

He stated that he had lived in the area for 26 years. He said that a fundamental tenet of our system of government is that a person should be secure in their home and property. While a recent Supreme Court ruling paves the way for developers and corporations to incite removal of people from their homes against their will, we still like to entertain the fantasy that we really do “own” our homes and land.

According to **Mr. Sprengel**, low income and the middle class in this country are under assault on all sides as jobs are being sent overseas and the tax burden is being shifted from corporations and the wealthy to those least able to pay. The spiraling increase in property taxes is symptomatic of this process. Nationwide polls have shown conclusively that the property tax is regarded as the most unfair system of taxation and, in fact, it is one of the most regressive forms of taxation devised.

He said that property tax is a regressive tax that is not correlative with the person’s income or ability to pay as personal incomes seldom rise commensurately with speculative property valuers. The assessment process itself is manifestly unfair, unreliable, far from uniform and riddled with inequities.

In the 26 years **Mr. Sprengel** has lived in Bonner County he has watched tax rates spiral through the stratosphere. He said that his income has not risen commensurately and he asks why should he be expected to subsidize the speculative activities of land developers, real estate investors and other interests that benefit from every-increasing property taxes.

In **Mr. Sprengel’s** opinion a progressive income tax or even a sales/consumption tax that does not apply to basic need purchases such as food and medical expenses would be far more equitable and would do much to protect the quality of life in Idaho.

Mr. Harold Stephenson

He stated that the last time Idaho property owners received relief they had to do it themselves. The Idaho Legislature repeatedly failed to consider the need for property tax relief, so in 1982 the citizens of Idaho did what their elected representatives would not do. The voters and homeowners brought forth and

passed an initiative granting property owners the current homeowner's exemption of 50% or \$50,000 of a home's value. Since that time the Legislature has continued to do nothing to protect Idaho's property owners. During those 23 years home assessments have skyrocketed and property taxes have ballooned while the incomes for those same homeowners have increased less than 6% in inflation corrected dollars.

Mr. Stephenson said that there were at least 7 bills before the Idaho Legislature designed to make the homeowner's exemption more responsive to the pressures of inflation. To keep pace with inflation, the exemption would have had to be increased to \$100,000. None of those bills came anywhere close to meeting inflationary growth of the dollar. According to **Mr. Stephenson**, this is a moot point because not one of these property tax relief bills was given a vote by the Idaho Legislature. Our legislators spent less than 45 minutes discussing property tax relief for the homeowners they represent.

He suggested looking at new targeted progressive tax relief. He said it is time for the Idaho Homeowner's Protection Plan. This plan is based on a person's ability to pay and would tie personal income to property tax along with adjustments for loss of income built into it. This plan works within the current circuit breaker portion of the law. If someone earns up to \$75,000, the maximum property tax you would pay would be 3.5% of your income. If you earn between \$75,000 and \$200,000 you would pay 5% of your income in property taxes and above \$200,000 would pay the full tax bill. The 50/50 homeowner's exemption would remain in place. Renters would also be rebated part of the rent they pay because property tax is passed on to them by landlords. **Mr. Stephenson** said that a few states are using this plan currently and others are looking at it. It has been run through microeconomic studies and found to be a very objective, cost-effective program that targets those that need tax relief the most. He said he would submit his plan to the committee in writing.

Senator Corder asked what **Mr. Stephenson** thought property tax should pay for if it were to be reduced by a large amount. **Mr. Stephenson** said that his plan does include more detail on what the property tax would be used for. He said the moneys the counties would lose would have to be paid for by the state from general fund moneys similar to how the circuit breaker works today. To pay for the increase to the state general fund, the plan talks about increasing state sales tax to include both services and goods. **Mr. Stevenson** said the economy in Idaho has

changed since the sales tax laws were written. Sixty percent of the economy today is service oriented and the state collects no funds from it.

Mrs. Mary Ellen Irving

Mrs. Irving spoke urging people to consider Proposition 13 so that people who are low income or on fixed incomes are not taxed out of their homes by developers and others coming into the area with a lot of money and buying up homes for tremendous prices. She stated that many people could not afford to buy their homes back if they have sold.

Mr. Bill Drumwright

He has lived in Bonner County for 30 years and also supports Proposition 13. He added that his parents who are part time residents of the area received their notice to appeal the assessed value of their home too late and were unable to get anything changed. He stated his belief that property should be individually evaluated and not “trended” up because of investors and real estate developers.

Mr. Don Kisemore

He is retired from the military from Bonner County. He stated that the Legislature is not being responsible to the voters and taxpayers of Idaho. He said that no matter who is elected, it is business as usual every session.

In his opinion Proposition 13 is a step in the right direction to solving the property tax problem.

Mr. Herb Wright - Blanchard

He is also retired from the Military and said he agrees with what **Mr. Kisemore** said above. He stated that many people in the area came there with nothing and built their homes with their own hands. His house was built for \$60,000 and is now valued at \$200,000 and he is afraid he is not going to be able to continue living there due to high property taxes.

Senator Goedde asked since property tax funds local government, how many people in the audience had actually attended a local budget hearing. Many people said they had done so.

Mayor Clay Larkin - Post Falls

Mayor Larkin stated that surveys taken show that local government is the most

trusted level of government because they are the most responsive to their constituents. Local government in Idaho is restricted to the property tax as the only tax it may levy to raise the necessary revenue to provide services. Local government lives with a 3% cap on budget increases with an allowance to add the value of new construction and annexation to those budgets. He said that being able to add the value of new construction as well as the ability to charge impact fees is a very important part of allowing communities to meet the increased demand for services. Post Falls has grown 200% since 1990 and adding the value of new construction assures that newcomers to a community pay their proportionate share of the cost of service.

Mayor Larkin explained that since property tax is an annual assessment payable in two installments it seems to hit much harder than income taxes (that are assessed through payroll deduction) and sales tax (that is assessed at the point of sale.) The three legged stool has served Idaho well and helped all levels of government maintain a consistent level of service despite the volatility of our economy.

Mayor Larkin asked the committee to take great care in the development of solutions to this perceived problem. He cautioned shifting the tax burdens from one class to another. Local government meets the most fundamental needs of citizens, sewer, roads, and public safety. Local government in Idaho is one of the most restricted governments in this country; please don't hamper our ability to meet those needs. Sometimes the best of intentions can yield less than favorable results as evidenced by the recently enacted tax exemption for agriculture that is allowing some developers to pay minimum taxes on land they are developing. He also encouraged the committee to take a broader view and examine all taxes and exemptions to assure a fair and equitable method of taxation for all Idahoans.

Mr. Ed Lindahl - Sagle

Mr. Lindahl stated that property taxes brought on by skyrocketing assessments are out of control in Bonner County and other locations in Idaho. The following comprise his concerns and recommendations regarding the situation.

Concerns

- , The Idaho Legislature is acting like the Federal Congress in that it is intimidating the county with a brutal system of assessment compliance.
- , Assessment compliance is encouraged by both the State's and County's compulsion to overspend.

There is an out-of-balance system of burden sharing when it comes to property taxes in Idaho. Family home ownership is suffering.

Recommendations (in general)

Idaho Legislature - quit acting like the Federal Congress. Fix the property tax system.

Bonner County Commissioners - Quit acting like the Idaho Legislature. Stabilize spending. Quit passing the buck back to the Legislature. Work proactively to fix the property tax system.

Recommendations (specific)

Triple the \$50,000 homeowner's exemption to \$150,000 and adjust it annually at a 5% rate.

Enact a landowners exemption for land upon which a qualified family home sits. For highly assessed categories, set the exemption at one-half of the present assessed value. Adjust annually at a 5% rate.

Should land and home be sold to non-family members, increase the assessment. Should the home pass to close family members (spouse, children, parents) continue the exemption.

Enact the necessary fixes to this intolerable property tax assessment system in the upcoming Legislative session so that you get to lead from the front of the parade. Otherwise an initiative will have you picking up the consequences that result from the parade's passing.

Mr. Gary Berkinhousen - Blanchard

He is also retired from the military. In his opinion government has strayed from its intent to protect the constitution. There is a need to go back and get the people involved again. People need to tell the Legislature what they want. He said the people need to protest and let the Legislature and our local government know what they want. He suggested letting the people decide what the priorities for the state budget should be. In his opinion until the people get involved and show they mean business, the Legislature will not take action.

Mr. Charles Riffel

He suggested increasing the homeowner's exemption to a true 50/50. He also suggested that since property taxes go to the counties, the counties should do the assessments. The county commissioners are more accessible and closer to the communities than state legislators.

Carrie Logan

Ms. Logan stated that her primary area of concern was that property values are rising faster than wages. She suggested making changes to the law to adjust property values in conjunction with general inflation (2-3% per year) rather than allow it to be influenced by speculators, second home investors or the wealthy who have discovered Idaho and are feeding this buying frenzy.

She also voiced a huge exception to property tax exemptions that are given to private enterprise sectors.

In **Ms. Logan's** opinion the state needs to significantly increase its contribution to local school districts. The reality of people moving into the area is that their children are usually grown so they have no commitment to quality education. They are not people who are going to volunteer for school boards or other community organizations; their style is that they come, they take (seasonally for the most part) and they leave. She said she views these people as a drain on the community, not a contributor.

Ms. Logan also asked the legislature to increase the ceiling on the Idaho Housing and Finance Administration's first time home buyer program that is currently set at \$200,000. She said that in her area there are not many houses available for \$200,000 or less.

Ms. Logan said that she hoped the Legislature would be able to make the tax process equitable without decimating it the way California did with Proposition 13.

Mr. James Blake

He stated that he has a problem with the state being in charge of assessments because they do not understand what is happening in all communities. He asked why the state is involved in the assessment process.

Representative Lake explained that Article VII of the Idaho Constitution requires that tax assessments be uniform upon the same class of subjects throughout the state. This is the reason the state has to get involved. It would require a constitutional amendment to change this. Many in the crowd suggested that needs to be changed.

Mr. Gilbert Beyer - East Bonner County Library District Trustee

Mr. Beyer stated that in the last 10 years, the library has seen a dramatic increase in patrons. The 35,000 people that live in the eastern 2/3 of Bonner County make 275,000 visits to the libraries each year and checkout over ½ million materials. The business of providing library services grows about 4.5% annually. The cost of doing business grows by an average of 10% each year.

Mr. Beyer stated that the suggestion that taxing districts not be allowed to capture tax revenue from the new construction values would be extremely detrimental. With the explosive growth Bonner County has experienced over the past few years this new construction money has made the difference between providing great service and providing poor service, perhaps even closing the doors of the library.

Mr. Beyer went on to speak as an individual taxpayer. In his opinion there are two primary causes of the property tax problem in northern Idaho. Northern Idaho has been discovered. A lot of new money has poured into the area. Whenever there is a big demand, the market responds by upwardly spiraling prices. This has been a boon to developers and realtors but has negatively impacted the individual property owner with double digit increases in the taxable value of their property. Secondly, according to **Mr. Beyer**, the tax structure has, over time, become drastically out of balance.

He stated that in his opinion Proposition 13 is not a viable solution for Idaho. The long-term burden of Proposition 13 in California has been to degrade their schools, libraries and other locally provided services. Idaho schools and other infrastructure do not need that additional burden. He also said that he doubts that raising the homeowner's exemption will substantially reduce the property taxes paid by families that are at the low end of the assessed value ladder.

Mr. Beyer stated that the tax breaks that have been given to Micron and Albertsons have shifted the load from business to individual. Individual Idahoans now pay over 60% of the property taxes collected. We need to accept the fact that Idaho's economy is no longer agriculturally or forest based. We are becoming a predominantly service based and/or tourist oriented economy. We need to look at the overall tax structure and restore the balance that has been lost.

Mr. Beyer made the following suggestions that could have positive impacts on the situation:

Transfer fees: these fees would be collected on every real estate sale. The purchaser would pay a percentage (say .1%) of the sales price directly to the county at closing.

Local option tax: allow the counties and/or cities to establish an addition to the sales tax that is dedicated to a specific purpose such as schools.

Eliminate exemptions; the list of exemptions to the sales tax looks like a directory of special interest groups that have spent a great deal of money to get their way.

Mr. Dave Murray

He stated that the Budget Model that was explained earlier is an appropriate way to figure property taxes. The Rate Model, on the other hand, due to the fixed nature of the rate is much more unfair. He suggested that there should be a way to tax paper investments such as stocks and bonds. He compared the current high value of property to the stock market or silver boom of the past. In response to a question from **Senator Werk**, he stated that he was implying that property values will eventually decline and that the state should not assume that the revenue that exists today will continue.

Ms. Colleen Clark

She said that in the 1980s the saying in Sandpoint was “whoever leaves Sandpoint last, turn out the lights.” This is because so many people were moving away.

Ms. Clark stated that the citizens voted for a 1% tax relief initiative twice and the Legislature has voted that down both times. She suggested that needs to be changed.

She gave an example of a family that could not pay their \$8,000 tax bill whose house was sold for \$50,000 and the family was not given the money. They were left poor, destitute and homeless. She said it is the Legislature’s job to change laws that allow this to happen. Property value should be determined when the home is purchased, not because of what the neighbor’s house sold for.

Ms. Clark also said that local communities need to reduce spending to help lower the need to raise property taxes. She added that Colorado has a program that did just this, stopped the spending and allowed the people to vote for what the community needs.

Mr. Tom Clark

He stated that after the original assessment of property that is based on the purchase price, any future value is hypothetical. The assessed value needs to be based on something tangible and increases should be limited to inflation or the increase in real, spendable income.

He stated that the area needs to realize that the economy is shifting to a tourism base that has unlimited funds that do not mind paying taxes and the working class are going to suffer. As a business owner he is finding it difficult to hire employees because it is too expensive for those people to live in the area.

He said the Legislature needs to look at spending cuts at both the state and county levels in order to avoid having initiatives passed to do the job.

Mr. Tom Suttmeier - Citizens for the Sensible Taxation of Property (STOP)

He explained that this group has taken Title 63, the revenue and taxation code for Idaho and rewritten it. Signatures have been submitted to the Secretary of State by petition. He said that since the STOP committee has been in existence, they have gathered 1,000 signatures in Bonner County alone in support of the revision.

This revision presents a cap on property taxes and returns exemptions to the board of county commissioners. In his opinion, this is where exemptions belong because county commissioners are more responsive to community needs than a larger governmental body.

Mr. Dave Wetz

He has been a resident of Sandpoint since 1981. **Mr. Wetz** stated that economic growth requires infrastructure to support that growth. Long-time residents should not have to bear the cost of that growth. He did not have any suggestions as to how this burden could be shifted but stated that it needs to be done.

Mr. Kevin Sharrai - Rathdrum

Mr. Sharrai encouraged the Legislature to move with speed and diligence to correct a property tax system that risks driving stable, long-time residents of Idaho from their homes.

He stated that he experienced a 48.5% increase in the value of his home and land this year. While the levies will be adjusted and he understands that his tax bill will

not increase that much this year, **Mr. Sharrai** said that it is clear in the short term future, he will pay more. He pointed out that his wage has not increased by 48% and that his buying power has dropped.

He said that Idaho's property tax system allows investors, profiteers and opportunists to realize incredible profits and returns and leaves home owners, fixed income and working class families of Idaho holding the promise of increased property values now and into the future. Many Idahoans will see property taxes rise past the point where they can pay them and be forced from the homes.

Mr. Sharrai made the following suggestions for correction to the problem:

- , Have market value determined by the most recent sale amount of property. Adjust the value by the inflation rate each year to keep pace with changing times. If a person buys a house at an inflated value, they know going in what the tax is and must live with it.
- , Create a "Real Estate Transfer Tax" of 1% or 2% of the purchase price that is specifically directed to reducing the property tax burden carried by residential rate payers. These moneys would be used to lower mill levies assessed against value. The fee affects those who benefit the most from the rapid transaction of property.
- , Create impact fees for new developers.
- , Stop giving the biggest and most profitable companies in the state tax breaks.

Mr. Bruce Peterson -River Lake Estates

Mr. Peterson explained that River Lake Estates experiences a unique situation due to the fact that it is in a flood plain as well as a dam break area. There is no other area on the Clark Fork river that has this issue. This means that if people in the area have a federally insured mortgage, they are required to get flood insurance.

He gave an example of a long time resident of the area who refinanced to take advantage of low interest rates but was not aware of the flood insurance requirement. This insurance ended up costing her more than she saved by the refinance.

Mr. Peterson commented that he has lived in the area for 10 years and he built his house to live in it for the rest of his life. He said that the value to him is not any

more than when he built it and the only way to take advantage of the increase in value is to sell the house. He does not want to do that. When he protested the second value increase on his property, he was told it was done as a mandate from Boise. He asked why Boise has any say in telling other areas what the increases should be.

He also asked why the land a house is built on does not get the 50/50 homeowners exemption.

Regarding the local school districts, **Mr. Peterson** stated that the law should be changed to say that assessments by school districts shall be voted on at the general election, not a separate election. This will encourage voter turnout. He added that people on retirement income should be exempted by the state from paying for the school district assessments.

Mr. Phil Poutre'

He said that his solution to this problem would be to go back to when the homeowner's exemption was last adjusted and figure out what percentage the \$50,000 exemption was of the assessed value of each specific parcel at that time. Then apply that percentage to the current assessed values. Parcels that were not in existence would use comparisons that did exist. In the future take the homeowner's exemption and tie the increase to the increase or decrease in assessment.

Mr. Poutre' said that he has lived in California and that Proposition 13 works very well. The difference in taxation he experienced between owning a house under Prop 13 and one not under it was about \$5,000 in taxes a year. In his opinion, the state California is in today is not because of Proposition 13, it is because of mismanagement at the state level.

Ms. Esther Gilchrist - Cocalolla

She reminded the Legislature that people who are on social security do not get 3% or 5% cost of living raises each year. Their expenses go up far more than their income. She stated that these people need to have some kind of tax relief.

Ms. Kathy Holm

She said that when she was 6 years old her father bought property on the lake where they lived their whole lives. Today the taxes are twice as much as what her

father paid for the land. She stated that as a high school teacher she will have trouble paying the taxes on this property. **Ms. Holm** stated her support for Proposition 13 as a solution to the problem.

Mr. Brian Orr - retired Bonner County Commission, Mayor and current member of the West Bonner Library District

Mr. Orr asked the Legislature to seriously look at the tax structure of the state. In his opinion we are trying to solve 21st century problems with 19th century solutions. Property tax no longer works to fund local government and it never will in its current system. Every county, community and neighborhood in the state is different.

Mr. Orr explained that local communities need to be given a choice as to how to pay for services. When he was mayor of Old Town, he did a survey that showed the city did almost \$20 million in commerce between the state line and the Pend Oreille river. That \$20 million generated \$1 million in sales tax revenue. The revenue sharing the city received from that sales tax was \$4,800. If the area could have collected 1/4 of 1% in sales tax locally, the property tax could have been eliminated and every home owner could have been given more money back than they paid in property taxes in both the city and county.

Mr. Stewart Blockoff

Mr. Blockoff has lived in Bonner County for 20 years. He said he was very much in favor of Proposition 13 because the property tax problem has gotten way out of hand. He stated that he bought his property to stay there forever and if he does not sell it he should not have to pay for the increased value. Many people in the area work 2 - 3 jobs in order to pay their taxes.

Mr. Joe Young - Bonner County Commissioner

Mr. Young said that he ran for commissioner on the platform of property tax and how it is affecting the area. During the Board of Equalization meetings he sat across from many citizens and said it was very difficult. The rules for the Board of Equalization are made by the Legislature and given to the county. He said giving the responsibility for making those rules back to the county commissions would be very helpful. In his opinion those at the local level can make better decisions regarding the community than the state or federal government.

Mr. Young stated that his property taxes have gone up, as have everyone's in the

area due to market value. If market value stays equal across the board, the system works fine. The problem is when the market value increases in certain areas, the property tax burden is also increased.

Mr. Young did explain that everyone who got an assessment increase over 27% will probably see an increase in their property taxes. Even though the market value and assessment is going up people with an increase below 27% may actually see a decrease in property taxes. He explained that his assessed value went up about 243%. Since the local government budgets are limited to a 3% increase so Bonner County's increase will only be the cost of inflation. This 3% cap is the other part of the equation that people forget.

Mr. Young suggested giving county governments the ability to put special option taxes on the ballots in their areas and let the community decide what services are necessary and need to be increased.

Mr. Karl Dye - Bonner County Commissioner

Mr. Dye also spoke of the difficulty the commissioners face regarding the citizens of their communities during the Board of Equalization hearings. In his opinion fear is one of the primary issues regarding the property tax increases people are receiving. Any law that needs a power point presentation is probably too complex. Most people in the state do not have time to study the property tax laws of the state to the extent necessary to truly understand them. He stated that these laws need to be simplified.

Mr. Dye suggested that legislation that was proposed last year, RS14779, by Representative Deal be reconsidered this year. This legislation caps home values after someone has lived in their house for a certain amount of time. In his opinion this would take some of the fear out of property taxes because it adds predictability.

Mr. Gerald Higgs - Bonners Ferry

He presented the following list of suggestions that might help solve the property tax issues.

- , Freeze property assessment at the year of purchase until sale.
- , Increase the homeowner's exemption.
- , Increase the circuit breaker amount.

Impose a renter's assessment in addition to what landlords pay. The theory of taxation should be that any dollar is taxable as soon as it changes hands. Impose statewide impact fees to developers to defray the costs of infrastructure improvements.

Increase the gasoline tax to help fund transportation projects.

Remove school districts from the Idaho Election Code. Allow only one election per issue (M&O) Bond) per fiscal year. Stop electoral abuse.

Election dates for School District elections should not be set as provided in the Idaho Election Code.

Increase the statewide civil code fine schedule. Traffic fines are very low compared to other states.

Increase fees/taxes that are applied to tourists and out-of-state impact. (Occupancy/RV/Hunting-Fishing/Trip Permits/Toll Roads

Apply an additional assessment multiple to land owners who maintain their primary residence out-of-state.

Ban studded tires or at least cut the season to November 1 through April 1.

Current law has been on the books since rear-wheel drive cars and is costing millions in road maintenance.

Increase the state sales tax 1 ½ % while eliminating sales tax on unprocessed food items and apply the sales tax to services.

Increase the tobacco tax and reserve that money for health care.

Re-index the state income tax. This would help lower income families.

Tighten residency regulations.

Eliminate the special license plate program and increase registration fees to be earmarked for transportation.

Bill indigent health care and criminal justice costs to the state of primary residence for non-residents.

All pickup trucks should pay a weight capacity fee with registration.

Mr. Michael Dechape

He said that he had moved to Sandpoint 4 years ago and moved away two years ago. He said leaving the area was the biggest mistake he had ever made and has moved back. He said that people need to stop blaming the Legislature for all of the problems and take whatever action they can on their own to get the problem solved.

In his opinion long-time residents should not have to pay the high property taxes that he pays as a newcomer to the area. He said that Proposition 13 could offer

relief to these people. He added that other areas and states have property tax systems that work and he encouraged the Legislature to study those.

Mr. Dale Wile - Samuels

Mr. Wile stated that this is a monumental task and if the committee does a thorough job of studying the problem, they will not be able to find a solution before the Legislative Session starts in January.

He suggested that on the first day of the upcoming legislative session a bill be introduced suspending assessments for one year except for new construction and major remodels. Since these types of breaks have been given to large corporations such as Micron, in **Mr. Wile's** opinion, it can be done for the citizens of Idaho.

He also suggested assessments should be the responsibility of the local government, not the state.

Ms. Sue Wood

Ms. Wood explained that her mother has lived in the area for 25 years and is experiencing the same problem of high property taxes. She stated that most elderly people in the community do not want to sell their homes and move. They want to be able to stay in the community but many are facing the fact that if property taxes keep rising, they may be forced to sell.

Ms. Shirley McDonald

She agreed with **Ms. Wood** and added that even though these people might have money in the pocket after they sell their homes, they would rather not move.

Mr. Joseph Wythe

Mr. Wythe said that his property overlooks the golf course and in the winter he looks at the houses along that road and realizes that most of those residents are part time. In his opinion these people only contribute to the high property taxes in the area. They do not participate or volunteer. He proposed that anyone whose primary residence is not in Bonner County be charged a special tax to help support the services provided by the county.

He also stated that the state needs a system of taxation that is not regressive. Land value taxation is such a tax. This is a tax only on the land and has been called single tax in the past. He suggested the Legislature consider such an option.

Ms. Doris Sanger

Ms. Sanger was a news reporter in California during the Proposition 13 debate. In her opinion committees such as this one today are a much better way to solve the property tax issue than Proposition 13. She stated that Colorado had a different approach to raising revenues for local government. They had a 1% documentary transfer tax when properties transferred title. She said this is essentially a property tax because it is a tax on the sale of the property. It generated a lot of revenue for Colorado communities and enabled them to somewhat suppress the growth of property taxes.

Anita Perry

She moved to the area 5 months ago from California. She and her husband discovered Idaho three years ago and decided to retire here. They purchased their home in Sandpoint for a price they felt was fair with taxes to match. The recent assessment they received showed a 72% increase in value and they are afraid the taxes will be 3 times higher than what they paid in California for a much smaller home with less property.

Ms. Perry said they do plan to stay and think the problem can be solved. The fact that this committee is holding these meetings is very encouraging and is something the California Legislature did not do before Proposition 13.

In her opinion Proposition 13 is an option if the Legislature cannot find a solution. It did not hurt California because local, county and state governments all found ways to deal with the budget shortfalls. Eventually the government started taking in more revenue as houses were sold and assessment values were increased. In the meantime other fees were raised in all areas. **Ms. Perry** said that this is a much more fair way of raising revenue for services without putting such a burden on property owners.

Mr. Pierre Hueginin

He stated that 65% of the land in the area is owned by the state or federal government. Repealing the property tax exemption on this land would raise a lot of revenue and take some of the burden off of residential home owners. He also stated that the 50/50 homeowner's exemption should include the land.

In his opinion the Legislature needs to act to solve this problem so that it is not necessary to enact a Proposition 13.

Dee Miller - Hope

She stated that two years ago her property taxes went up \$1,000 and there was no way her family could afford to stretch their budget by that much. They were forced to sell the house where they planned to spend the rest of their lives. In her opinion the Legislature is not protecting her rights nor are they doing their job. She said they are simply building empires and spending as much money as possible. She stated that the citizens and home owners need to take responsibility and tell the Legislature what to do.

Mr. Fields Cobb

He lived in California when Proposition 13 was passed. The situation in California at that time resembles what is going on in Idaho and their legislature did not act. In his opinion Proposition 13 will put more of a burden on homeowners than what is currently in place. This is because homeowners sell their property on average every 5 years but businesses and corporations never sell. This allows the value of the business to be frozen at a very low value shifting the burden over to residential property tax payers. Proposition 13 did have an impact on the education system in California because when there is a budget crisis in the educational system, the best instructors are those who leave. This happened in community colleges as well as the public schools.

Ms. Mary Chaney

She stated she is very passionate about this subject. It is important for the community that long-time residents should not have their taxes go up exponentially as people move in and pay substantially more for houses. When you buy a house, you figure your taxes into the payment to make sure you can afford it. In her opinion property owners should not have to bear so much of the burden for local services.

This meeting was adjourned at 4:10 p.m. and people that did not get to testify were asked to submit their comments in writing. Many of the people who testified and some who could not attend the meeting also submitted written comments.