

*As Approved by the Interim Committee*

**PROPERTY TAX  
INTERIM COMMITTEE  
PUBLIC HEARINGS  
AUGUST 10, 2005  
HAILEY**

Committee members present were Co-chairperson Senator Shawn Keough, Co-chairperson Representative Dennis Lake, Senator Brad Little, Senator Tim Corder, Senator David Langhorst, Senator Elliot Werk, Representative Eric Anderson, Representative Gary Collins, Representative Bill Deal, Representative Wendy Jaquet, Representative Mike Moyle, and Representative George Saylor. Senator John Goedde and Senator Monty Pearce were absent and excused. Also present were Senator Clint Stennett, Representative Scott Bedke, Representative Jim W. Clark, Representative Donna Pence, and Representative Steve Smylie. Staff members present for all meetings were Mike Nugent, Paige Alan Parker, Jason Hancock, and Toni Hobbs.

Citizens attending and signing the sign-in sheet were:

Ralph W. Girton, Nyle Barnes, Rick Rickowski, Rebekah and Aron Helzel, Blaine County Commissioner Sarah Michael, Marisa Nelson, Blaine County Taxpayer Advocate; Jed Gray, Sawtooth Board of Realtors; Dan John, State Tax Commission; Mike Chatterton, Valerie Seamons, Mary Genase and Alex Sundali, Blaine County School District; Len Harlig; Sheri Thomas; Dick Rush, IACI; Lincoln County Commissioner Jerry Nance; Lincoln County Assessor Wendell Johnson; Kathryn Goldman, the Wood River Land Trust; Carsten Harvey; Superintendent Jim Cobble, Jerome School District No. 261; Mark Kraley; Andrew Harding; H.B. Griswold, Elkhorn and Sun Valley; Kathleen Turner, Wood River Journal; Don Wimberly, KBSU Radio; Archie Levitan; Jim Bronson; Sun Valley Mayor Jon Thorson; Sun Valley City Administrator Virginia Egger; Tony Taylor; Gene Dallago, Perspective, Lowell Thomas; Drew Sanderford, BKHA; Dale Ewersen; Blaine County Sheriff Walt Femling; Hailey City Councilman Don Keirn; Mark Sassen; John Newcomb; Melanie Davis; Mark Stewart, Disabled American Veterans; Blaine County Commissioner Tom Bowman; Chuck Turner; Carol Waller; Bellevue Mayor John Anderson; Sharon Parker; Merle Phipps; Joan Davies; Allan Patzer; Marie Vetsch; Janet Barton; D. Fenton; Blaine County Engineer Jim W. Koonce; Dean Reynolds; Murphy Kingsley; Ken Haught, Blaine County Assessor Walter J. Cochran, Hailey Mayor Susan McBryant, Matt Colesworth, Sun Valley Company; Tina Cole, Blaine County; M. Ripley; Peter B. Smith; Wendy Collins; Michael David, the Blaine/Ketchum Housing Authority; Karon Reinheimer and Mickey Garcia.

The hearing was called to order by Cochairman Keough at 1:00 p.m. After opening remarks by Cochairman Keough, Jason Hancock, Legislative Services Budget Analyst introduced and asked to give a short presentation on the calculation of property taxes.

**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 31<sup>st</sup> 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 of 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](http://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.

**Senator Keough** then asked those who had signed up to speak to keep their comments short due to the number of individuals who want to address the Interim Committee and the time restraint imposed by the need to travel to Twin Falls that evening for a similar hearing. Testimony was then received by the Interim Committee.

### **Ralph W. Girton**

**Mr. Girton** is a veteran of World War II, having served in the Pacific Theater. He has been a Blaine County resident for twenty years. His house is paid for and he owns 12 acres. **Mr. Girton's** taxes have gone up significantly since 1997. The increased property taxes are burdensome along with the cost of medical insurance and medication. People have had to move out of Blaine County due to the high taxes. **Mr. Girton** proposes that property taxes be frozen for individuals who are age 65 and on fixed incomes. A twelve year residency requirement would be acceptable to **Mr. Girton**.

### **Nyle Barnes**

**Mr. Barnes** is a seven and a half year resident of Blaine County. **Mr. Barnes** is concerned about tax equity and the absolute value of taxes. **Mr. Barnes** commented that due to the nondisclosure of the sale price of homes, the tax assessors do not know the fair market value of the homes they are assessing. The assessed values of homes varies greatly within a small area. Some are based on building permit declarations. The buyers of very expensive homes have the most incentive to keep the purchase price secret. This shifts the burden to moderate size homes. **Mr. Barnes** favors the disclosure of the sales price to the county assessor, but not necessarily to the general public. This would facilitate the transfer of property taxes to the county coffers and reduce property taxes.

### **Rick Rickowski**

**Mr. Rickowski** is an eighteen year resident of Blaine County. He is concerned about the retired and the elderly along with the disparity of property values in the same vicinity. **Mr. Rickowski** suggested two plans.

Plan A would value homes on a cost basis and would limit property value increases to 1 to 2% per year. A transfer tax would be imposed to capture the true value of the home when it is eventually sold. Any additional, second homes would be valued pursuant to the present system.

Plan B would allow for an unlimited Homeowners Exemption at 25% of the assessed value, along with a 1% transfer tax on the eventual sale. At age 62, homeowners would qualify for an unlimited Homeowners Exemption at 40% of assessed value with a 3% transfer tax on the

eventual sale. **Mr. Rickowsky** left a handwritten statement with the Interim Committee.

### **Rebekah Helzel**

**Ms. Helzel** represents Advocates for Real Community Housing. She told the Interim Committee that full time working people cannot afford the increasing property taxes. **Ms. Helzel** stated that the median price of a Blaine County home is \$415,000 which requires an income of \$137,000 to pay for. Over the last ten years, there has been a 176% increase in house prices and only a 52% increase in wages. **Ms. Helzel** supports increasing the Homeowner's Exemption to \$250,000 and disclosure of the sale price of homes. **Ms. Helzel** provided a printed statement to the Interim Committee.

### **Sarah Michael**

**Ms. Michael** is the chair of the Blaine County Board of Commissioners. She told the Interim Committee that counties need more tools to pay for growth. She suggested:

- (1) Impact fees on new development to pay for the congestion and impact on schools caused by new housing. Currently, the burden is being borne by existing residents;
- (2) Real Estate Transfer Tax;
- (3) Local option County Sales Tax;
- (4) Local option Homeowners Exemption increase;
- (5) Higher circuit breaker qualifying limits.

**Ms. Michael** stated that the real estate speculation that is fueling the increasing property values is nationwide. **Ms. Michael** left a prepared statement with the Interim Committee.

### **Marisa Nelson**

**Ms. Nelson** described herself as the Blaine County Property Taxpayer Advocate. She informed the Interim Committee that there has been a 20% increase in assessed property values in Blaine County for the second year in a row. This increase is driving people away. **Ms. Nelson** said that reform is needed to shift the tax burden to the owners of second residences and to commercial interests. **Ms. Nelson** left a prepared statement with the Interim Committee.

### **Jed Gray**

**Mr. Gray** is a member of the Sawtooth Board of Realtors. His family built a home in Sun Valley many years ago where his mother lives. She is paying \$10,000 a year in property taxes on that 2,000 square foot home. Two income families are having a harder time qualifying for home loans. According to **Mr. Gray**, the 50/50 Homeowners Exemption is nothing given the \$744,000 average value of a Blaine County home. **Mr. Gray** said that working people and those on fixed incomes need a larger homeowners exemption. The rapid increase in property values is happening throughout Idaho. **Mr. Gray** left a photograph of the his mother's home along with

the current property tax assessment on that home.

### **Mike Chatterton**

**Mr. Chatterton** is an employee with the Blaine County School District (BCSD). He told the Interim Committee that the BCSD has always levied under the 3 mil cap and that the BCSD is trying to keep property taxes down. According to **Mr. Chatterton**, the BCSD has some of the lowest property tax rates in the state and that the school tax on a \$500,000 home in Blaine County is equivalent to a \$250,000 home in Boise. The BCSD is finding it hard to hire new people due to the cost of living in Blaine County. If the BCSD budget is limited to 3% increase, BCSD will be forced to attempt to seek an override levy.

**Mr. Chatterton** proposed:

- , (1) Increasing the sales tax from 5% to 6%;
- , (2) Eliminate sales tax exemptions;
- , (3) Cap appreciation in assessed value of owner occupied home at 2 to 3% per year;
- , (4) Remove the Homeowners Exemption \$100,000 cap; and
- , (5) Require disclosure of property sales price figures.

### **Alex Sundali**

**Mr. Sundali** is the Chairperson of the Blaine County School District. **Mr. Sundali** commented that new state funding is going to the charter schools and to the online schools and that the school districts need to go to the local taxpayers via overrides to obtain the required funding.

As solutions, **Mr. Sundali** proposed:

- , (1) Funding K-12 education at the state level by increasing the sales tax to 6%. The formulas are there;
- , (2) Revise the equalization formula to correct problems that have crept in;
- , (3) Uncap the property replacement tax;
- , (4) Eliminate sales tax loopholes; and
- , (5) Permit standardized impact fees for developers and new comers. **Mr. Sundali** left a prepared statement with the Interim Committee.

### **Len Harlig**

**Mr. Harlig** is a Blaine County homeowner. He stated that local government has fewer options than what is needed. Tools are needed on the local level. Not all counties have the same needs as Blaine County.

**Mr. Harlig** suggested letting tourist dependent counties such as Blaine to utilize other revenue sources to help them serve the community and visitors without having to rely so heavily on

property taxes. He also suggested that the Legislature adopt a plan similar to Proposition 13 in California, which limits increases in yearly valuation to 1 or 2% a year. As long as the homeowner resides in the home, the valuation increaser remains the same. When the home is sold, the selling price becomes the new valuation. This would also require full sales price disclosure. **Mr. Harlig** left a prepared statement with the Interim Committee.

### **Sheri Thomas**

**Ms. Thomas** is a Blaine County homeowner. She and her husband built their home with a lot of sweat equity. In recent years they have had to augment the tax escrow on their home loan. She works two jobs in order to make ends meet which takes time away from her family. **Ms. Thomas** supports the transfer tax idea.

### **Wendell Johnson**

**Mr. Johnson** is the Lincoln County Assessor and the Chair of the Lincoln County Planning and Zoning Committee. He informed the Interim Committee that Lincoln County is impacted by what goes on in Blaine County. He supports property sales price disclosure. The county assessors are bound to use market value in making assessments and he often does not know what that is.

He would like to see property tax loopholes and exemptions eliminated:

- , (1) Ag-development exception is a windfall to developers that shifts the tax burden to someone else;
- , (2) Utility improvements which are then purchased by tax exempt entities avoid property tax; and
- , (3) Exemptions for intangibles.

**Mr. Johnson** favors increasing the homeowners exemption and including land within the homeowners exemption as quick fixes.

### **Kathryn Goldman**

**Ms. Goldman** is a staff member of the Wood River Land Trust. She advocated an Agricultural and Forest Land Preservation Tax (AFLPT). **Ms. Goldman** explained to the Interim Committee that AFLPT would provide a flexible local option that would preserve open space or provide services required by development. The AFLPT would levy on land that changes tax assessment from land actively devoted to agriculture or designated forest land to some other use with some exceptions. The AFLPT revenues would be split between the general fund or special use fund. The AFLPT would permit recapture of property tax once land use changes. **Ms. Goldman** left a printed explanation of the AFLPT with the Interim Committee.

### **Andrew Harding**

**Mr. Harding** is a Blaine County homeowner. He supports a cap on property value assessment based on the inflation rate, an increase in the homeowners exemption, and an increase in the gas tax.

### **Archie Levitan**

**Mr. Levitan** is a Blaine County homeowner. His property values has increased from \$67,000 to \$426,000 over the last 26 years. He has obtained a reverse mortgage on his home which has worked for him.

### **Jon Thorson**

**Mr. Thorson** is the mayor of SunValley. He informed the Interim Committee that local real estate values have increased due to outsiders. The 3% cap on budgets is not responsive to the demand for increased services. New growth needs to pay its own way.

He suggested:

- , (1) Expanded impact fees;
- , (2) A limited local option sales tax with appropriate exemptions;
- , (3) A regional transportation authority funded by the sales tax; and
- , (4) a Real Estate Transfer Fee which **Mr. Thorson** believes would be a disincentive to speculation.

**Mr. Thorson** left a written statement with the Interim Committee.

### **Virginia Egger**

**Ms. Egger** is the administrator for Sun Valley. She supports the Real Estate Transfer Fee, Development Impact Fees, and a local option sales tax with strict limits. **Ms. Egger** opined that outside wealth is increasing the cost of living in the area since the outsiders are out bidding the locals. The cost of living is rising faster than the 3% budget cap.

### **Lowell Thomas**

**Mr. Thomas** is a Blaine County property owner, owning eleven properties in the Woodside development. He encourages property price sale disclosure to assist the Assessor. He survived Proposition 13 in California which limited property tax increases and which was brought about by a seesaw in assessed property values and tax rates.

### **Carol Waller**

**Ms. Waller** is the Director of the Sun Valley Chamber and Visitors Bureau. She told the Interim Committee that from a business community prospective, there is a need for a work force that can

live in the area. She stated that there was a need for an expanded Development Impact Fee and for a Real Estate Transfer Fee coupled with real estate sales price disclosure.

### **Alan Patzer**

**Mr. Patzer** has lived in Blaine County for 35 years and worked to pay for his house. He will have to continue working to pay for the land tax for his new home. **Mr. Patzer** expressed the opinion that the current homeowners exemption is predicated on a \$100,000 house which no longer exists. **Mr. Patzer** stated that Blaine County property owners pay a school override levy, but that the money goes to other school districts, with pennies on the dollar going to the Blaine County School District. **Mr. Patzer** works for the Sun Valley Company which is having a difficult time getting qualified ski instructors due the high cost of housing in the area.

### **D. Fenton**

**Mr. Fenton** favors real estate sales price disclosure. According to **Mr. Fenton**, only 22% of such sales are reported creating a “guessing game” for Assessors who do not have a basis to establish real property fair market value. With regards to a Real Estate Transfer Tax, **Mr. Fenton** stated that it was a “different animal,” and that it should be a local option with a sunset provision and well defined provisions, based upon the Colorado experience. **Mr. Fenton** opined that such a Real Estate Transfer Tax would not impact sales. **Mr. Fenton** also supports a local option sales tax to support transportation. In response to **Senator Little’s** question regarding whether successful real state brokers know the value of homes in the area, **Mr. Fenton** replied that realtors are not reporting the sales values among themselves and that 40% of the real estate brokers do not make such disclosures. In response to **Senator Corder’s** question on who would pay the real estate transfer tax, **Mr. Fenton** said that is usually paid by the buyer. Traditionally, the seller pays any property taxes owed, but that payment of the tax may be negotiated with the buyer paying in the event that liens against the property exceed the sales price. In response to Representative Lake’s question as to whether local realtors support the Real Estate Transfer Tax, **Mr. Fenton** stated that it was a quality of life issue. **Mr. Fenton** recognized that the Idaho Association of Realtors have opposed such a tax due to an affordability issue but such issues are not relevant to today’s real estate market. **Mr. Fenton** suggested that such a tax be local option rather than statewide.

### **Don Keirn**

Mr. Keirn is on the Hailey City Council. He favors real estate sales price disclosure. He told the Interim Committee that Ketchum has implemented Development Impact Fees but believes that such fees should be simplified. According to **Mr. Keirn**, thirty-two states have statutes allowing such fees which need to be evaluated. **Mr. Keirn** believes such impact fees would be less expensive to install and would work. There needs to be a way for growth to pay for itself. **Mr. Keirn** also favors a local option sales tax, opining that the people are responsible.

### **Tina Cole**

**Ms. Cole** state that she was representing Blaine County. She observed that Senator Stennett's property tax reform bill was "shot down" by the legislature several years ago. She commented that a friend's house is on the market at \$700,000 and is considered a "tear down." Old classical buildings are going and the working class is being lost.

### **Wendy Collins**

**Ms. Collins** is 62 years old and moved to Blaine County in 1971, buying a 1,800 square foot home for \$42,000. The rising property values impact people. She does not want to move. The increasing cost is driven because people want to live in the area and are displacing the existing residents. **Ms. Collins** favors tax relief for older people which can be reassessed after their death. She sold a commercial business several years ago and bought property in Bellevue for \$142,000 in a land exchange. She does not want to raise the rent on her Bellevue tenants, even though she could, because it would drive her current tenants out. Existing homes are being moved off their lots and down the highway when houses are sold. The area is becoming one of second homes.

### **Michael David**

**Mr. David** is the Executive Director of the Blaine County Housing Authority. He told the Interim Committee that they had not heard enough from people who are directly affected by increased property taxes - the working people. Homes are out of range for working people. If something is not done, it will get worse. The house shortage is in excess of 1,000 homes. Deed restrictions are being used to keep housing affordable. According to **Mr. David**, 50% of the homes in Blaine County are second homes. The increasing property values are accelerating the exodus. As solutions, **Mr. David** favors Development Impact Fees which need to be applied to housing and transportation, as well as voluntary turn backs of Homeowners Exemptions.

### **Jerry Nance**

**Mr. Nance** has been a Lincoln County Commissioner for twenty years. He has observed service costs increases. Ambulance fees have doubled and cost to Lincoln County of housing inmates in other jails has increased. **Mr. Nance** told the Interim Committee that the state has to stop shifting the tax burden back onto the property owner by means of exemptions, particularly those for utilities. **Mr. Nance** also said that in his opinion the state should take care of its employees by raising salaries.

### **Karen Reinheimer**

**Ms. Reinheimer** told the Interim Committee that she was speaking from the heart. According to **Ms. Reinheimer**, traditionally Blaine County people didn't care about income or socio-economic status. They shared something in common. That spirit is slowly dying. The lower income people are being squeezed out. The newcomers will eventually leave since the reason they came, the community spirit, will no longer be there. The traditional Blaine County resident

is an endangered species.

### **Mickey Garcia**

**Mr. Garcia** told the Interim Committee that property taxes go up because someone builds a Taj Mahal next to them. That's not fair. **Mr. Garcia** expressed the opinion that the state legislature is conservative with regards to individual rights in its dealings with the federal government and should be similarly conservative with its dealing with the cities and counties. Home Rule allows cities and counties to think for themselves and would lighten property tax burdens. **Mr. Garcia** stated that other conservative legislatures allow for Development Impact Fees.

### **Clint Stennett**

**Senator Stennett** represents Legislative District No. 25. With regards to property tax increases, **Senator Stennett** stated that Blaine County is ahead of the curve. He favors a freeze on property taxes for the elderly which could be recouped on death. This could be by local option. **Senator Stennett** observed that it is difficult for businesses to attract and keep employees in Blaine County due to the high housing costs. He noted that he lives in a \$1,000,000 "scraper."

Several people who testified and others who could not attend the meeting submitted written comments.

The hearing was adjourned at 4:30 p.m.