

**PROPERTY TAX INTERIM COMMITTEE
BOISE, IDAHO
AUGUST 25, 2005
1:00 P.M.**

The meeting was called to order by Cochairman Representative Dennis Lake at 7:00 p.m. Other members present were Cochairman Senator Shawn Keough, Senator Brad Little, Senator John Goedde, Senator Tim Corder, Senator David Langhorst, Senator Elliot Werk, Representative Mike Moyle, Representative Gary Collins, Representative Eric Anderson, Representative Wendy Jaquet and Representative George Saylor. Senator Monty Pearce and Representative Bill Deal were absent and excused. Staff members present were Mike Nugent, Paige Parker and Toni Hobbs.

Others present were Chuck Thomas, Citizens for Annexation Reform; Kathryn Burgess; Dennis Burgess; Mayor Dave Bieter and David Eberle, City of Boise; Alice Coulson; Robert Brock; Tim Doyle; Ken Robison; Marion Bertel; James Sprouls; James and Carol Cracchiolo; Ed Price; Leonard Hutterman; Howard Barton; Sandra Rathbun; David Reed; Vernard and Faye Moore; Erin McCuster; Thomas Wilson, Ada County Library; Elinor Chehey, League of Women Voters; Mayor Tammy DeWeerd; City of Meridian; Rachel Gilbert; William Musser, City of Meridian; Pat Hohnhorst; Sharon Fisher; Cherry Woodbury; John Winn; Ron Weaningen; Mayor Nancy Merrill and Sharon Bergmann, City of Eagle; Henry and Susan Parker; Carol Bierrough; Susie Zimmerman; John Brewer; Margaret Staggs; Harold Ford; Edward Cardoza; Francis McKenna; Robert Knawa; Robert Kunesh; Bill Ritter; Joanne Pence; Janet Ford; Harold Sweeney, Jr.; Patricia Younger, Meridian Library District; Margie Twitchell; Vince and Fran Andrade; Ken Carlsem; Vicki Kreimeyer and Kevin Booe, Idaho Library Association; Laurie McCurdy, Boise Education Association; Frank and Susan Skilleen; Ralph Saperstein, Boise Cascade; Arlee Kawakami; Barb Hair; Russ Hendricks, Farm Bureau; Morris Bastean; Representative Nicole LeFavour, District 19; George Moses; Tom Ryder, J.R. Simplot Co.; Ruth Ann Swartz; Vivienne Ross; JoAnne Michaels; Anne Spengler; Ric Colby; Senator Kate Kelly, District 18; Trent Wright, ACAR; Larry Lindstrom; George Emerson; Kitty LeMaster; LaVern Gentry; Ross Corthell; Jim Haskin; Wanda Valeska; Senator Hal Bunderson, District 14; Kerry Ellen Elliott and Ken Hanniard, Idaho Association of Counties; David Cuoio; Robert Henderson; Bobbie Brewer; Valerie Sish; Alan Blackmon; Louis Pither, Joint School District #2; Courtney Washburn, Idaho Women's Network; George Wade; Peter Reynolds; Judy Brown, Idaho Center on Budget and Tax Policy; Roger Sherman, United Vision for Idaho; Joe and Carol Meadows; Ed Lodge, Qwest; Suzanne Schaefer, SBS Associates; Kathy Yamamoto, Boise Education Association; Mark Hair; Cathy McDougall and Joe Gallegos, AARP - Idaho; Truman Keith; Chuck Lindeen; Elizabeth O'Neill, Boise Senior Center; Irene Victory; Stan Hobson; Ann Buckingham; Janet Orndorff, Boise Schools; Eileen Thuesen; Gene Barrett; Jerry Spengler; Jeff Hobson; Bill Wilson; Debbi Long; Bryan Wewers, Idaho Power; Ed

Rineoz; Jo Torfin; Bea Strough; Representative Jana Kemp, District 16; Bob Schoenhof; Mary Jane Webb; Foad Roghani; Jayson Ronk; Jean and L.L. Patterson; Drew Caughlin; Ron Anderson, City of Meridian; Bill Mattox; Rudi Rynders; Don McCarter; Representative Kathie Garrett, District 17; Mayor Joe McNeal, City of Mountain Home; Richard Twight; Mike Friend, IASA; Mary Ann Sertz Hart; Nancy Catalano; James West; Wendy Mattson; Fritz Dixon and Vern Bisterfeldt.

After opening remarks from the cochairmen, **Mr. Dan John, State Tax Commission** was introduced to give a short presentation on how property taxes are figured. This complete presentation is available as an attachment to these minutes at www.legislature.idaho.gov.

Mr. John explained that property taxes are only used to fund local government in Idaho with \$1.14 billion being collected in 2004. This is the largest source of revenue in the state. In 2002, Idaho ranked 31st among the states in terms of the percentage of income that we spent on property tax. This is about 10% below the national average. **Mr. John** said that does not mean an individual's property tax is 10% below or above the national average. This is just the state as a whole.

Property taxes in Idaho are raised using a budget driven model and a rate driven model. The budget driven model is used by all taxing districts in one form or another.

The rate driven model is used as a way of computing the budgets for school maintenance and operation. It is only used by schools and only for maintenance and operations. All other types of school levies (supplemental, bond, plant facilities, etc.) use the budget model.

Mr. John explained that a taxing district's current year maximum budget is limited to the prior year's budget plus 3%. The budget is allowed to increase more than 3% based upon new construction and annexation. Districts are not required to levy to the maximum. If they do not levy the maximum, they end up with a "foregone balance." These districts can go back at a future time and levy for the foregone balance. Increases in value do not automatically result in an increase in tax.

The rate driven model is much different. State law requires school districts to compute the budget for maintenance and operation by multiplying the prior year's taxable value by .003. They have to do this in order to share in the equalization formula used for the money that comes from the state. Unlike the budget driven model, an increase in property value will result in a tax increase of the value increase with a one year delay. If your value goes up this year, you will have a tax increase next year.

Mr. John stated 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 with the local taxing district being held harmless. Under this set up, if someone gets an exemption, someone else picks up the difference. The district gets the same amount of money.

Under the Rate Driven Model (School District Maintenance and Operation 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.

According to **Mr. John**, there are two main reasons why residential property taxes are increasing so 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 maintenance and operation levy rate, which when property values rise rapidly, causes increases in tax.

Levies are calculated as follows:

- , Each property is appraised to find its market value.
- , All values within a taxing district (school, city, etc.) are summed.
- , Homeowner's (and other) exemptions are subtracted.
- , The taxing district computes its property tax budget by subtracting other revenue sources.
- , The levy rate is the property tax budget divided by the net taxable value.

$$\text{Example: } \frac{\$ 80,000}{\$10,000,000} = 0.0080 = .80\%$$

Property taxes are collected in the following manner.

- , 1. Levies for your taxing districts are added together:
 - , a) County b) School c) City d) Special Districts
- , 2. The total of these levies is multiplied by your taxable value to determine your tax.

Example of Computation

Assume levy = 0.01743 (average urban ooc-residential rate in 2004)

House Value: 60,000

Lot Value: 15,000

Total Value: 75,000

Less Homeowner's Exemption: < 30,000 >

Taxable Value: 45,000

$$45,000 \times 0.01743 = 784$$

$$\text{Effective tax levy: } 784 \div 75,000 = 1.05\%$$

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

Representative Lake 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. He 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. He explained that tax bills start in the House Revenue and Taxation Committee and that he is the Vice-Chairman of that committee.

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

The following people testified.

Mr. Chuck Thomas - Citizens for Annexation Reform

Mr. Thomas said that annexation is the root cause of high property taxes and so his group is unpopular with the Legislature.

He also said that Idaho law does not force developers to pay the normal impact fees that would hold them responsible for the financial burdens they are placing on communities. He said that over the years information has provided evidence of major political corruption allowing citizens to be used to finance this realtor/developer/contractor cartel. According to **Mr. Thomas** many legislators have also used their position to try to get special favors for their own gains.

Mr. Thomas said that Idaho's annexation law is eminent domain with a different name. These annexations are initiated by developers with assistance of their political properties and local government. In his opinion this has replaced a representative government with corporate rule.

He said that property should be based on the purchase price and improvements should increase the value. Increases should be limited to no more than 1% per year. He said that smart growth can only be determined by the citizens in the area that will be affected by it. Forced annexation gives them no option. He noted that 8 members of this property tax committee opposed their constituents' right to vote in the annexation issue. In his opinion this has to change.

Ms. Kathryn Burgess

Ms. Burgess said that it has come to the point in Idaho that ordinary citizens cannot afford to stay in their homes due to rising property values and taxes even though they have not sold or bought their homes for many years. The property tax exemption has not been raised for inflation since its inception in the 1980s. **Ms. Burgess** said that the Legislature gave Micron and other large corporations a cap on their tax bills, but the people who pay for this are the ordinary middle class citizens who work or are retired but cannot qualify for circuit breaker relief. Why should private business be subsidized by private citizens? What this will do is get a tax payer revolt, hopefully, in her opinion, like the Proposition 13 revolt in California.

Ms. Burgess said that people who live in the house as a primary residence should only have it assessed when buying and upon the sale of the property. When you buy your home you budget in the cost of taxes. The taxes on her home have gone up 83% since October 2000. She and her husband are retired on fixed income and if this continues they will not be able to afford to live there.

Mayor Dave Bieter - City of Boise

Mayor Bieter said that the issue of taxation is not simple and needs to be looked at in a comprehensive manner. Sixty-eight percent of the City of Boise's revenue comes from property tax. He agreed that inequities for seniors and the economic disadvantaged do exist and need to be addressed. In his opinion those who want services should be willing and required to pay for them.

He offered the following:

Short term solutions:

- Adjust the circuit breaker on a sliding scale based on property values or that it be indexed.
- Allow local option taxing authority to cities and counties. This allows citizens to decide what services they are willing to pay for and gives property tax relief to everyone.

Long term solutions:

- Include local governments, businesses and citizens in finding solutions to this problem.
- Identify areas where budgets can be cut to provide savings. The City of Boise has done strategic planning and budgeting and has identified savings of \$8 million and has been able to eliminate 14 full time positions.

He said that a survey done of 500 citizens in Boise shows that 72% believe that taxes and services in the area are just about right.

Mr. Dave Eberle - Boise City Council

Mr. Eberle is a professional economist. He said that for every dollar he pays in property taxes, 38 cents goes to schools, 28 cents goes to the City of Boise and 24 cents goes to Ada County.

Mr. Eberle requested that the committee include the local governments in finding both short and long term solutions to the property tax issue. He said that the services provided by local government are directly related to citizens and businesses and their willingness to locate in this valley. The reduction of local government budgets will impact the ability to keep the economic engine running. Requiring local government to reduce services will directly impact the state's ability to collect income, corporate and sales tax receipts. Ada County delivers approximated 25% of the total sales tax receipts to the state.

He stated that the City of Boise is growing and with growth comes increased demand for services. The current revenue structure is not able to keep pace with those demands. **Mr. Eberle** said the largest single impediment to Boise's tax structure is the narrowing of the tax base through special interest exemptions.

He asked the committee to look at the government business model for providing public services to our citizens. In his opinion the current model for providing services is broken. There is duplication of services, service gaps and overlaps in taxing jurisdictions that, if realigned, would provide better services to citizens at lower cost.

He said one thing that can keep Boise high in the national rankings as a desirable place to live to be able to sustain the vibrant economy will be providing efficient public services. According to **Mr. Eberle** it is great cities that attract great companies and great companies demand cities provide amenities that reflect their values. In his opinion we need to create a new local government business model in which people who want a large array of urban services live within cities and pay associated taxes for that. Those that live in rural areas would pay lower taxes and receive fewer urban type services. He suggested reviewing the Idaho Code to redefine and update the responsibilities of state, county, local and special taxing districts to meet the responsibilities of the 21st century.

Mr. Eberle asked for consideration of a local option sales tax to allow the city to pay for services provided for people who visit our area.

He also asked for revision of the property tax levy to include land only, no personal property or improvements.

Mr. Robert Brock

Mr. Brock said that we need to modernize the local government system. The current system is based on the feudal system that was developed so a man could ride his horse to the county government in one day. We no longer need 44 counties. State government agencies have divided the state into six to eight regions for services. Similar guidelines should be used to reduce the number of counties. All counties should be combined into the seven regions and this would reduce the number of elected politicians from 308 to 72. He recommended using the same county lines and the seven judicial districts that exist.

Mr. Brock also suggested moving jails to a regional system and let prisoners be the labor force to build a regional jail system keeping them closer to their families and out of the state penitentiary. He also recommended using leg bands for most misdemeanor offenses. This would save money because these people would be living in the own homes and providing their own food.

He also thinks the State Attorney General should be given the right to prosecute cases without having to be given permission by the respective county prosecutor.

Mr. Brock said that he realized these would require changes to the state constitution but it would be a place to start. We need to make changes and we need to reduce politicians.

Mr. Tim Doyle

Mr. Doyle is a real estate broker and a real estate appraiser. He has managed collateralization activities for regulated lenders in Idaho, Montana, Washington, Oregon, Alaska, Hawaii, California and Nevada. He also held the position of Bureau Chief of the Property Appraisal Bureau of the

Idaho State Tax Commission. He has been to each of Idaho's 44 counties and has met with each assessor. In his time at the Tax Commission he saw the impact well organized industry tax representatives and lobbyists have over legislation and tax policy rules. In his opinion the average residential taxpayer understands that when industry representatives are successful in creating legislation that relieves them of a portion of their tax burden, that a tax shift occurs. When a large corporation or industry is relieved of their tax burden, the remainder of the tax base eventually makes up the deficit.

Mr. Doyle said that the tax shift on the residential taxpayer is continuous because they are not well organized and they are not well represented. They are aware that their tax burdens are increasing and the lack of representation is leaving them frustrated. This lack of representation and organization is not going to continue. As the frustration level increases someone will organize the residential tax payers. This could result in a Proposition 13 initiation if the Legislature does not do something. In his opinion the Legislature is better prepared to provide tax relief in a fair and orderly manner than an initiative.

Mr. Ken Robison

Mr. Robison is a former State Representative for District 19. He commented that in 1978 a committee appointed by the Governor recommended creation of a residential tax exemption to "mitigate the inequities" created by the use of a different method to determine the taxable value of homes than the methods used to determine the taxable value of other kinds of property. The committee realized that valuing residential property based on what the property might sell for inflates the taxable value and is discriminatory. It did not recommend a residential exemption as a tax break but as a way to offset the imbalance in the tax system.

Mr. Robison said we now have the fifth property tax initiative movement in 27 years. All five have been the result of the problem addressed by that committee; excessive increases in the taxable value of homes.

In the last five years, residential taxes have risen 50% faster than total property tax collection. Residential taxes are up 49%, total property taxes are up 33% and total property taxes for all non-resident property--commercial, utility, farm, mining and timber are up 13%. Residential rates have increase nearly four times as fast as the total for other property.

Mr. Robison said that the primary remedy would be to offset some of that excessive inflation by bringing the homeowner's exemption up to date. If it had been indexed for inflation from 1983 at 3% per year, today the exemption would be \$95,000 and in his opinion there would not be a property tax problem.

He added that the homeowner's exemption should also be expanded to include land above \$30,000.

He also agrees with the suggestion to allow impact fees for schools.

Mr. Robison noted that many people over 65 are paying a large part of their income for property taxes. He suggested that the qualifying household income for the circuit breaker be increased to \$30,000 or more.

In his opinion expanding the homeowner's exemption would address the primary problem, excessive inflation in the taxable value of homes. It would not require state replacement revenue and it would not require an increase in sales or other taxes.

Mr. Robison said that there is another issue. Residential rentals up to fourplexes are assessed on market value, possible selling price, while residential rentals of five units or more are treated as commercial. Commercial rentals have lower taxable values and pay less tax. A remedy would be to have assessors use the same income approach for smaller residential rentals that they use for those with five units or more. Another would be to apply a partial exemption to small residential rentals.

Ms. Marion Bertel

Ms. Bertel said that according to a tax assessor, property taxes are currently based on the square footage times current building costs. This is grossly unfair to long time homeowners who paid much less for their homes.

She said that prices of homes have inflated to unreasonable amounts due mainly to the influx of people from out of state who have substantial cash to put into a home after selling property in a coastal state. The average family in Idaho does not have the income to support such a market. Her husband's wages have been frozen for three years and with the increase in taxes, more than half of their income is going to mortgage payments. In one year they experienced an increase of over 17% in property taxes. If this keeps up people will be put out of their homes.

In her opinion property taxes should still be based on the price of the property when acquired, with possible a modest raise of 1% or 2% maximum each year. She also suggested increasing the homeowner's exemption to catch up with inflation. She said this exemption should cover 90% of the average cost of a home.

Mr. James Sprouls

Mr. Sprouls agreed with **Ms. Bertel**. He has lived in his house since 1985 without any substantial improvements. He asked why his value should go up because of what someone else pays for their house. He also said that land should be used to live on, grow crops on, but not for speculation

Mr. Leonard Hutterman

Mr. Hutterman lives in Elmore County. He has lived in many counties in Idaho. He commented that the state is not providing oversight on the assessors. The lack of a standardized system for assessing properties in allowing at least one county to be out of control.

He has had two appeals in Elmore County and twice the State found in his favor. In both cases the fix was only made to his property, not other similar property. If they fix the problem for everyone that would save money and time. Lack of a standardized system is to blame.

He also said that the assessment system violates privacy. He put a garage door opener and a ceiling fan in his house after he purchased it and the assessors showed a ceiling fan on the printout used to assess their home. To his knowledge an assessor has never been in his house.

Mr. Hutterman spoke that having the county commissioners in charge of collecting the taxes and in charge of the Board of Equalization hearings is a conflict of interest.

Mr. Howard Barton

Mr. Barton said that senior citizens need property tax relief. His taxes increased from \$1,724 in 2003, to \$1,987 in 2004 and to \$2,237 in 2005. That is a \$250 increase between 2004 to 2005, his income only increased \$59.87.

He agreed with the points made by **Mr. Doyle** and **Mr. Robison**.

Mr. David Reed

Mr. Reed lives in Ada County. He said that growth in the city is because of **Mayor Bieter**. In his opinion the mayor wants a bigger city, not a better city.

Mr. Reed's family has lived in the area for 100 years. He said that he has not gotten a raise in his retirement but his taxes have increased by 20%. He attributes this to **Mayor Bieter** also. He said he is mad and does not want to be taxed out of Idaho.

Mr. Reed said he knows the complete history of forced annexation. He is tired of paying for parks and roads for new people that are moving into the area.

He also said the Legislature needs to do something about the ethics committee to make its members accountable. Individuals should not be able to protect their own interests because they are members of the Legislature. He said he is working with Bill Riley and is going to release names and voting records of these members.

Mr. Thomas Wilson - Ada County Community Library

Mr. Wilson cautioned that any reform made to the property tax system not affect the library's ability to provide services. He explained that the Ada community libraries have 22,000 card holders and had 286,000 visitors in the last year. That is up 7%, circulation is up 13%, children's program attendance is up 66% and reference question assistance is up 35%. In 2003, a national survey showed that 63% of the people support tax increases to keep libraries at the same level or better.

Ms. Elinor Chehey - League of Women Voters

Ms. Chehey explained that the League has been studying Idaho's tax structure since 1975. The League's current position, in brief, is that Idaho should maintain a balanced tax structure which includes a variety of broad-based taxes such as the property tax, sales tax and income tax. They also believe that Idaho's tax structure should be broad-based, equitable, financially adequate for citizens' needs, and a system which can be administered with thoroughness and fairness.

Ms. Chehey said that the League believes that since income tax rates were reduced in 2001, property taxes have been increasing sharply. According to **Ms. Chehey** the State should restore the income tax rates that were in place in 2000. The State is no longer progressive. Perhaps it is time to enact a new, higher tax bracket in the state income structure.

Increased costs for state funded Medicaid and corrections have strained the state's ability to fund public education, leaving property taxpayers to pick up increased costs for education. It then becomes more and more difficult for school districts to get taxpayer approval for the level of taxation needed to support education.

The League believes:

- , the homeowner's exemptions should be increased to keep up with inflation.
- , the state should extend the sales tax to services and lower the rate, to make the sales tax more progressive and give sales tax relief to lower income families.
- , local option sales or income taxes should be available to local governments after a vote of the citizens of the community.
- , in the year when the use of a parcel of agricultural land is changed, an amount of money at least three times the difference between the property tax on the land when appraised as agricultural and the tax for the new use should be collected and distributed to the governmental units which tax that land, in order to offset some of the public costs of development.

Ms. Chehey said that in her opinion it appears that Idaho's tax structure is no longer adequate for raising the revenues necessary to fund the state's ongoing commitments. It will require creative thinking and open-mindedness by the germane committees to deal with the situation Idaho is facing.

The League encourages the legislature to enact reforms that would help bring equity and adequacy to Idaho's tax structure, and allow property taxes to be more reasonable in areas of rapid growth.

Mayor Tammy DeWeerd - City of Meridian

Mayor DeWeerd stated that Meridian has a low mill levy. She said that five years ago the tax assessment was \$3.40 per \$1,000, today it is \$3.10. The cost to provide services to the citizens, per person has remained relatively constant, the services have improved.

Meridian provides water, sewer, sanitation, planning, engineering, building safety and inspections through user fees. Through the general fund which is sixty-two percent of the city's property tax revenues, Meridian provides safety services of police and fire as well as quality of life services including parks, recreation, safety lighting, economic development, regional and environmental issues and other support functions. Police and fire services equate to 80% of the general fund

revenues.

Since 1990, the population of Meridian has grown from 9,600 to 56,000. Last year their growth was close to 20%. **Mayor DeWeerd** said that with this kind of growth new construction tax dollars are critical to the city's ability to serve its citizens. This revenue has allowed the city to maintain and in some cases enhance service. Meridian applies impact fees or assessments to sewer, water, parks and has road districts for its roads. In **Mayor DeWeerd's** opinion the same mechanism should exist for schools. In Ada County, the cities, county and highway district are working together to assess how growth can pay its way. However, this is more than the one time only capital expenditure, tools need to be available to help sustain the services once they are built.

Mayor DeWeerd made the following suggestions.

Preserve the "plus new construction" in Section 63-802, Idaho Code. Without this it is very difficult for a growing community to provide a safe and healthy community for its citizens.

Allow the city of Meridian to maintain a desirable economic environment for business to prosper.

Evaluate fiscal tools to help growth pay its way.

- Maintain impact fees and expand them for schools.
- Consider PIDs to allow O&M.
- Allow local option taxes and extend the drivers licence fees to pay for transportation and transit related issues.

Provide relief for seniors on a fixed income.

Ms. Rachel Gilbert

Ms. Gilbert stated that urban renewal and tax increment financing is diminishing our property tax base and causing property taxes to rise in Boise and Ada County.

Ms. Gilbert explained that the Capital City Development Corporation (CCDC) is the public agency that administers the urban renewal projects in Boise. CCDC controls 434 acres in downtown Boise. (Central, River/Myrtle, Westside) The new multi-million dollar buildings along Myrtle Street will be assessed but all that property tax goes to CCDC, not Boise or Ada County to pay for essential services such as fire, police, streets, roads, schools, libraries and city and county government. The property tax allocation goes to CCDC for their streetscapes, parking buildings, public art, pavers, trails, fountains, performing art such as the Gene Harris Jazz Festival, City Arts Celebration, beautification projects and such.

CCDC took in over \$4 million of property taxes last year that should pay for essential services for Boise and Ada County. Urban renewal has been around for 31 years in Boise, so the total tax allotment over those 31 years has been huge and would have paid a lot of essential services and would have helped to keep our property taxes down. Conservatively she would estimate that amount to be over \$60 million.

According to **Ms. Gilbert**, there are now 24 urban renewal projects across the state including 325

acres across from Micron that if developed would be called the Gateway East Industrial Park. All of this property tax would go to CCDC for its projects if it goes into urban renewal. She suggested that the committee look at what urban renewal is doing to our property tax base and try to somehow reign it in. She said if nothing else the Idaho Code could be changed to allow the people to vote on these projects. She urged everyone to look at the CCDC website: ccdcboise.com and see how it is causing our property taxes to rise.

Ms. Gilbert added that Nampa residents recently voted out their urban renewal project known as the Idaho Center. The property tax has had to subsidize the Idaho Center every year since its inception and was costing Canyon County property owners about \$100 per \$100,000 of assessed valuation.

Ms. Gilbert went on to discuss the homeowner's exemption. In her opinion increasing it is just the easy way out. It is nothing more than a tax shift to other real estate. According to the 2000 U.S. Census, our Boise renter population was 36%. It is estimated to be 39% today because fewer renters are able to qualify for housing loans. She said that increasing the 50/50 exemption shifts the load to these renters because almost every landlord is going to increase the rents to cover the increase in property taxes. Increasing the homeowner's exemption also puts an increased load on commercial property. This is tough on business owners who are struggling to make ends meet.

Ms. Gilbert said that perhaps it is time for city and county governments to look at runaway budgets that are exceeding the cost of living index year after year.

Mr. William Musser, Meridian Chief of Police

Mr. Musser said that as police chief it is his job to spend that property tax money to provide services to the citizens. Fifty-three percent of the property tax collected goes to the police. They provide

- , Protection for life and property
- , Enforcement of laws
- , Conflict resolution
- , Traffic enforcement
- , Drug prevention
- , School Resource Officers
- , Animal control and adoption
- , Liquor license enforcement
- , City Code enforcement
- , Maintaining a safe community
- , Public information
- , Positive role modeling

An officer costs \$61,000 for the initial investment. Capital costs with personnel include a car and equipment at \$42,000. Overall costs are \$225,000.

Mr. Musser said that as the population has increased so has the number of calls for services. Further reduction in the revenues available for police will result in further limitations on what calls can be handled.

Mr. Musser explained that even with market value increases, the city only gets the 3% cap. Responsible use of taxpayer funds relies on thoughtful and effective spending. In the last seven years the budget has doubled but so has the population.

He added that growth in Meridian is just starting to pay for itself and that it should continue to do so. The impact of the loss of new construction tax on public safety would include:

- , Reduced personnel
- , Aged equipment past point of safe usage
- , Increase propensity for crime
- , Decreased community safety
- , Increased response times
- , Reactive policing
- , Decreased property values

Mr. Musser also asked the committee to expand the impact fee statute to allow public services (fire and police) to use these fees for issues other than capital expenditures. They would like to be able to use impact fees to help pay personnel costs.

Ms. Cherry Woodbury

Ms. Woodbury stated that the measures being considered by the committee are only band-aids to the problem. She said that increasing the homeowner's exemption would only partially help. A change would soon be null and void because they can reassess your home every year.

In her opinion it is time for businesses to start shouldering more of this tax burden. She said that homeowners paid 64% of the property tax while businesses only paid 25%. The developer/ag exemption also needs to be looked at.

Ms. Woodbury gave the following three areas where changes need to happen.

, The Legislature needs to amend Article VII of the state Constitution to allow the people to propose a proposition or initiative and if passed by the voters, it would hold true. Currently voters can pass a proposition or initiative on this matter and it can be rejected under Article VII.

, A cap could be put on the school mill levy increase. For a start it could be the same as the cities and counties or a max of 3%. Any school budget increases over 3% must be approved by the voters. This 3% limited could be further reduced if reasonable.

, The root cause of this problem is property assessments. Something needs to be done to correct this problem immediately. Market value is not fair or realistic. It has become ridiculous and harmful to the average person who now cannot even afford to buy a home. She suggested putting a 10% cap on assessment values. If something is not done, people will

lose the homes that they have worked their whole lives to have.

Mayor Nancy Merrill - City of Eagle

Mayor Merrill said that Eagle is one of the fastest growing cities in the Ada County. She explained that they have the 3rd lowest levy in Idaho at ninety cents and next year it will be eighty-seven cents. As growth occurs the tax levy goes down because more people are paying taxes. In the City of Eagle, a \$200,000 home pays \$200 to the city for taxes.

Mayor Merrill stated her support for local option taxes because the voters get to make the decision on what to tax. She added that impact fees are something that cities use if they can get them passed. For small cities it is very difficult to meet the criteria of an impact fee. She suggested the committee look at adjusting this. User fees are also very important.

Mayor Merrill also suggested adjusting the homeowner's exemption and the circuit breaker.

Ms. Sharon Bergmann - City of Eagle Treasurer

Ms. Bergmann agreed with what the Mayor said. She explained that property tax is 12% of the general fund in Eagle. She said that it is vitally important for a city such as Eagle that is growing that new construction and annexation values continue to be allowed. This is 11% of their property tax. Without that and building fees they would be unable to provide for the services that growth is demanding.

Mr. John Brewer

Mr. Brewer said that property taxes are driven by local government budgets. The increased value of property could lower individual property taxes, if the local taxing districts did not increase their spending to the maximum allowed under Idaho Law. Many local governments create budgets based on the maximum amount they can collect, not what they need. Some even put "contingency" dollars in their budgets. At the end of the fiscal year, they spend this money, as they choose. Budgets should be created by justifying all expenditures, not what they would like to spend. If the individual taxing districts would efficiently manage their personnel and the tax money they receive, their budgets would not necessarily have to increase to the maximum available each year.

Mr. Brewer said that local taxing districts also use "judicial review for major improvements", that are financed by issuing municipal or other type bonds. This long term debt is repaid from property taxes. That, in his opinion, is taxation without representation.

The Idaho Legislature capped property taxes for selected Idaho businesses. **Mr. Brewer** asked if this fair to us, the individual taxpayers and other Idaho businesses. One hundred or more small businesses may be just as important in the long run to the Idaho economy. Diversification of businesses and industry is the key to long term economic health.

Mr. Brewer noted that the Idaho law allowing developers to purchase farmland and keep it on the tax roles as farmland, even if the land is not be actively farms shifts more of the burden to individual property owners.

He suggested the following:

- , There should be accountability of all government officials and employees, they should serve with respect and in the best interest of their constituents.
- , Clarify “ordinary and necessary” expenses.
- , Cap property taxes for individually owned homes at the original purchase price until sold or substantially modified. Current estimated value equals being taxed on an unrealized gain/loss.

Mr. Brewer noted that the biggest user of Idaho property tax dollars are the schools, followed by counties and cities.

Mr. Harold Ford

Mr. Ford moved to Meridian in 1992 as the result of a company transfer and has witnessed the uncontrolled growth that has occurred there. His property tax increased 10% in 2005.

He is concerned with the cost of public schools in Meridian. He agrees that it is important to have a good education system but in his opinion those who have large families should support the schools. They are responsible for a large portion of the taxes that need to be levied to build new schools.

According to **Mr. Ford** businesses such as Micron complain about the technical competency of high school graduates but are always looking to get someone else to pay their taxes.

Mr. Ford suggested

- , Increasing the sales tax because that is paid by those who choose and can afford to buy the products. Families with more children will pay more sales tax for clothing, books and so on.
- , Institute a transfer tax based on the price a home is sold for with ½ being paid for by the buyer and ½ by the seller.
- , Increase the homeowner’s exemption and include the land.
- , Authorize a school support fee for families that use and have children in school. Once the children are no longer in school, the family support fee would go away.
- , Do something to help seniors on fixed incomes be able to stay in their homes.

Mr. Robert Knawa

Mr. Knawa said he had planned to address two distinct aspects of real estate taxation: 1) funding for education, and 2) the justice and equanimity of the process but because of the time limitation, he would just address school funding.

According to **Mr. Knawa**, to help residents in Idaho, especially seniors, legislators need to consider changing the laws that govern real estate tax funding for education. Particularly in need of attention is the funding methodology for school construction necessitated by new development. In order to relieve overcrowding in a fast growing community, residents are required to vote for a school construction bond, to be repaid by a property tax levy increase. Success of these bonds is often assured by block voting of parents in needy areas, affecting all property owners in the district. Then

existing residents who have already paid for existing schools through past bond elections and property tax levies are obligated to fund yet another school. Meridian residents will be asked to finance seven new schools this year.

Admittedly home buyers in new developments also contribute to school costs through their own property taxes, but their contribution is a disproportionately small share of the cost of the new school needed only for their children. In **Mr. Knawa's** opinion it is unfair to those who have already stood the cost, again and again, of schools being overcrowded by newcomers.

Mr. Knawa said that to improve fairness in the ever rising taxes necessitated by new development, it seems more appropriate to create a method for counting new school costs in the impact fee associated with that development, including a means of getting developers to contribute a greater share of school funding.

Mr. Harold Sweeney

Mr. Sweeney stated that the developer/ag exemption needs to be eliminated. An agricultural exemption should only be for land that is used for agriculture.

He said initiatives like Proposition 13 in California and Proposition 2½ in Massachusetts are not the answer. They both created huge reductions in public services and horrible inequities between long time homeowners and new purchasers.

He suggested that reductions in local property taxes could be done by using a substitute tax such as a local sales tax, a local flat rate income tax or a surtax on the state income tax at a fixed percentage. He said this money would be rebated to local authorities on a reasonably commensurate basis. In other words the local government would have to reduce the take from the property tax up to a certain percentage in order to receive this money. This could also be done on an individual county basis.

Mr. Ken Carlsem

Mr. Carlsem said that he currently does a market statistics report for the manufactured housing industry in six western states. He noted that statistics can be developed for any point of view.

In the last five years his property taxes have increased \$1,800 per year. In the last 24 months the assessed value of his home has increased \$18,700 and he has done no improvements.

Mr. Carlsem suggested that the homeowner's exemption either needs to be eliminated altogether or it should be a percentage of the assessed value. He also suggested extending it to rental houses.

He said that if taxes keep increasing, they will soon exceed his mortgage payment and he may not even make it to retirement before he has to sell his home. People moving into Idaho should not be doing so at the expense of the long time residents.

Mr. Carlsem said that if the committee does nothing, he will be forced to consider voting for proposals such as Proposition 13.

Ms. Arlee Kawakami

Ms. Kawakami explained that three years ago her property value increased from \$48,000 to \$90,000 and the value of the residence actually dropped. She and her husband did file an appeal and it was all but ignored. The value was reduced \$5,000 but that has since been revoked. **Ms. Kawakami** said they have few of the amenities that more recent subdivisions have. No central sewer, water, limited access to gas, no sidewalks, no parks and no walking paths. She planned to live in this house until her death but with the increasing assessment values and property taxes, she is afraid she will not be able to afford it.

Ms. Kawakami voiced her displeasure that this meeting which was held to have citizens express their issues regarding the heavy burden of property tax was instead used by many political leaders to express or promote their political interests.

Mr. George Moses

Mr. Moses explained the property tax in the context of Idaho's three legged stool. Only one-half of the economy participates in sales tax. The income tax is nominally progressive in Idaho. He noted that if an Idaho citizen makes just over \$9 an hour, they would be in the same tax bracket as many highly paid Idaho executives, including Mr. Simplot.

The property tax leg is the same length as the other two legs and produces the same revenue but it is so full of exemptions and exclusions and different rates that it does not really support much. These exemptions place more and more weight on residential property taxpayers. In his opinion this should not happen, the base needs to be broadened, not narrowed.

Ms. Barbara Hair

Ms. Hair is an Idaho native who lived in Washington state for fifteen years. She said that her property taxes in a suburb of Seattle, Washington were 1.2% of value and in Idaho she pays 1.7%. Seattle has better schools and services. She said that overall Idaho taxes are much higher than Washington state and they are wondering if they can afford to stay in Idaho.

Ms. Hair said that her taxes have increased since she moved into her home. She said that they explained to the assessor that incorrect information had been used for the assessment and the assessor was not sympathetic. **Ms. Hair** said that there needs to be oversight of these tax assessors. In her opinion current tax policy makes it so that people never really own their homes, they just rent from the government.

Ms. Hair said that she does not believe the infrastructure pressures in Boise or Ada County are greater than those in Snohomish County in Washington state. There is rapid growth in both areas.

She said she has heard and realizes that people do not want to cut services. People want to pay their fair share but are upset by the amount of tax breaks that are given to companies and developers. In her opinion the economic engine and economic growth are not benefitting the people that live in the area at all. This is especially true for long time residents.

Ms. Hair said that if this meeting had been held in the evening, people would have been lined up out the door.

Ms. Ruth Ann Swartz

Ms. Swartz agreed that having this meeting in the afternoon discouraged or made it difficult for many people to attend. She said that she does not appreciate the preference that was given to city officials in the order of testimony.

Ms. Swartz said that her biggest problem with property taxation is the fair market value. The value should be the purchase price so that people will know from year to year what their taxes will be.

She said that local governments should be given a certain budget to live with. They should not be able to set their budgets and then decide what percentage to charge for taxes.

Mr. George Emerson

Mr. Emerson has lived in Eagle for 50 years. He said that the Mayor and city council have done a good job and the services are excellent. He explained that education takes about 50% of the property tax he pays. The average income in Eagle is just under \$70,000 per year. Newcomers are moving into the area with school age children. In his opinion people with school age children should have to pay for it, not put the burden on senior citizens whose children have not attended public schools for many years.

In order to sustain his way of life and to be able to stay in his home, he has had to resort to a reverse mortgage. He said this is not right. On behalf of the elderly, he asked for a break.

Ms. Kitty LeMaster

Ms. LeMaster said she lives in an area that was forcibly annexed last year. In early June of this year she sent a letter to all of the City Council members, state Representatives and Senators and the Mayor. She did not get a response from anyone.

Her taxes last year were \$1,221, her estimate for 2005 raised the taxes by \$457 or more than a 37% increase. The assessors office was sympathetic but said there was nothing they could do.

Annexation has not helped her neighborhood. One neighbor planned to build a shop on part of their property but because of being annexed the setbacks are different and they cannot build the shop.

Mr. LaVern Gentry

Mr. Gentry said that he was first exposed to the three legged stool by former legislator Don Loveland. He said the concept of the three legged stool is good and any solution to the property tax problem needs to look at the entire system. He urged the committee to be careful with any changes they make.

Mr. Gentry said that the following two areas need to be looked at.

The developer/ag exemption
Consistency in assessments of property

Mr. Ross Corthell

Mr. Corthell said that the committee has the opportunity to fix the property tax problem. He urged them to seize the moment and actually fix it. If there is nothing done, a citizen's initiative will be the result.

He asked them to consider the following:

Something has to be done to give the senior citizens relief. It is shameful that anyone on a fixed income could be driven out of their house due to property taxes.

The fix needs to take into consideration that it is not productive to have an immediate erosion of local services.

View the future with younger people in mind. These are the wage earners and if a solution is not found, they will also be driven out. This is counter productive to the economic vitality of the state.

Senator Hal Bunderson - District 14

Senator Bunderson said that it is time to stop the historic cyclic activities of accusations, finger pointing at local elected officials, initiating statewide caps, controls and initiatives that just treat symptoms and years later cause the debate to start all over again. In his opinion it is time for a thorough, disciplined and objective evaluation that establishes sound public policy once and for all.

He made the following recommendations to the committee for their consideration.

Replace the 3% cap that is not working with a "Truth in Taxation" law (see Local Government Accountability Act of 1992, HB504 for an example)

Establish the "Growth Revenue Sharing Act." This will set forth Idaho's equitable public policy of matching growth revenues with growth expenses. Growth will pay for growth if all growth tax revenues are eligible to help pay for growth.

The state should not have a de facto public policy that forces the fixed income elderly and disabled out of their homes because they cannot afford to pay the property taxes

Expand local option taxation currently allowed for resort communities as a voter approved method of offsetting property taxes.

Totally eliminate property taxes on personal property over five years (20% per year); reimbursed with state sales taxes.

Increase the homeowner's exemption from 50%/\$50,000 to 50%/\$75,000 over five years (\$5,000 per year), include land and index the exemption amount to inflation. Since this action will shift property taxes to business (currently 40.4% of total property taxes are paid by homeowners, 59.6% by business) this action should be done in tandem with the elimination of the personal property tax.

Pay-back the \$7.2 million taken in 2005 from the Idaho State Liquor Dispensary (ISLD) distribution account/cities and counties to fund the Bell Rapids water legislation. This

legislation was passed in the 11th hour without consultation with the cities and counties and without the same provisions for repayment provided for state funds.

Change the ISLD revenue distribution formula to percentages - based on the normalized five year distribution history through June 30, 2006 (2006 estimated). This will allow each beneficiary of the fund to receive in FY07 the same amount of revenues they will received in FY06 and a proportionate increase in the future growth of ISLD revenues. The portion of these revenues that go to cities and counties can take pressure off property taxes.

Establish an ongoing accountability mechanism to measure and monitor the effectiveness of each tax exemption and assign and fund a state agency to do that work. This will insure the continued usefulness, adequacy and effectiveness of each exemption and whether it continues to meet public policy objectives.

Establish public policy criteria or guiding principles needed by the legislature and the public to evaluate and measure recommendations affecting property taxes.

Mr. David Cuoio

Mr. Cuoio said that forced annexation is wrong. He understand that it creates jobs and is good for the economy but in his opinion it is wrong to force someone to be part of the city and to pay higher taxes for basically the same services they were receiving from the county for growth they do not need or want.

He encouraged the committee, as legislators, that the next time the annexation reform bill is presented to look at it more kindly. He does not mind paying his fair share but he resents being forced to do so without being able to vote on it. He said that even with a vote, annexation would probably be approved, he just wants the right to vote on annexation. He asked them to think whether what has happened in Idaho in the last 25 years is good. If so then continue to vote for forced annexation. If the answer is no, please vote for annexation reform.

Mr. Robert Henderson

Mr. Henderson has lived in Boise for seven years. He said that Idaho has a property tax problem. When Proposition 13 was initiated in California, everyone was afraid that services would be lost. He said that he is not aware of one agency that went out of business at that time. They simply found ways to make up the difference. Idaho can do the same things.

Mr. Joe Meadows

Mr. Meadows said that since 1985 his taxes in Eagle have increased 243% and he is now paying 30% of his house payment for property taxes. Since he has retired his income has declined and he is now having to use savings to help him pay his property taxes.

Ms. Judy Brown - Director of the Idaho Center on Budget and Tax Policy in Moscow, Idaho

Ms. Brown said that the property tax problem in Idaho is really two problems.

- 1) The property tax makes up the largest share of state and local taxes making the three legged stool badly out of balance.
- 2) The property tax burden to homeowners has increased relative to other categories of property.

In her opinion the overall system needs to be rebalanced and fine tuned. She urged the committee and the legislature to take these issues seriously and to address property tax reform in lieu of having an initiative that would lead to much worse problems.

Ms. Brown made the following suggestions:

Expand the homeowner's exemption. She said this would go a long way toward addressing the problem of rebalancing property taxes among homeowners and other property taxpayers. It would also help to rebalance the three legged stool as long as the state picks up the revenue lost to the public schools.

The homeowner's exemption should also be indexed using a housing index rather than the CPI.

Expand the circuit breaker to include all low income home owners, not just senior citizens.

Add some sort of renters relief.

Allow local option sales tax.

Require that a transfer tax be paid when real estate is purchased.

In a survey done at the Western Idaho Fair asking people what they would most like to see with property tax reform, the most frequent statement is that public school funding be protected. Updating the homeowner's exemption is second and protecting local services is third. Cutting local services and public schools are last on the list.

Ms. Brown said that the people in Idaho seem to want reasonable reforms. They seem to recognize that schools and local government are already stretched thin but without property tax reform an initiative could take off.

Ms. Elizabeth O'Neill

Ms. O'Neill has lived in Idaho for 30 years. She is retired and lives off of widow's benefits. To pay her property taxes she has to use her savings account. She said that seniors are frightened and need relief.

Mr. Jeff Hobson

Mr. Hobson said that it is important to give large companies like Micron and Albertsons tax breaks because they employ large numbers of people who pay taxes to the community and the state.

Mr. Hobson is a realtor and a builder and stated that when he build homes, he passes on five to ten percent to the buyer to pay the cost of permits to the city and county.

In his opinion the best solution would be to reduce government. Cut the budgets of the cities, counties and state government including education. He said that public schools are the biggest waster of money there is.

Mr. Hobson said that many people are moving into the state and paying a lot of money in property taxes. He asked where that money is going, what are the counties and cities doing with it? He said that growth is going to happen and we need to figure out how to spend that money wisely.

Mr. Hobson said that senior citizens also need to be given some property tax relief.

Ms. Janet Orndorff - Boise School District Trustee

Ms. Orndorff clarified that the 3/10 of one percent that is collected in property tax for schools is equalized. This means that homes built in one county provide money to a property poor school district elsewhere in the state.

She asked the committee to remember the children in their search for a solution to the property tax issue. In the last three years different portions of the funding formula and schools have received very small increases in the fund used to pay for electricity, diesel, text books, health care and so on while those costs have been increasing. Many districts are struggling to keep up.

Ms. Orndorff said that with state funding of Medicaid and prisons increasing, she asked the committee to keep in mind that school funding is still very important.

Mr. Ron Anderson - Meridian Fire Chief

Mr. Anderson stated that fire service has changed over the last 20 years. They are required to do more than just fight fires. Services now include hazardous waste cleanup, education, fire code enforcement, technical rescue and emergency medical. He said they are very proud of the fact that in Meridian as calls for service has increased, their response time has decreased.

To deal with the growth of the community, the Meridian Fire Department has formed partnerships with rural fire districts to help eliminate duplication of services. By combining that budget which comes from a taxing district outside of Meridian, they are able to provide a much higher level of service than either fire department could afford on their own.

Since 1999 Meridian has built three new fire stations with a fourth scheduled to be done in January, 2006. They design these stations exactly the same as another cost saving measure. In addition to new stations, they have had to buy new equipment. An average pumper costs an average of \$350,000 so instead of buying all new pumpers, they have started to refurbish them. This gives them another 10 years of life expectancy.

Meridian also has a volunteer firefighter program which trains community members with skills necessary to augment the full time staff in dealing with emergencies. This saves taxpayers money on what would otherwise be spent on salaries.

Mr. Anderson said that the Meridian Fire Department is committed to providing the highest level of service at the lowest cost to taxpayers.

Mr. Anderson said that capping new construction growth as a possible solution to the property tax problem would be devastating to cities such as Meridian.

He added Meridian has been proactive in making sure growth pays its own way through impact fees.

Mr. Anderson said that Idaho's impact fee laws are some of the most restrictive of any state in the

nation and this has caused them significant problems in trying to find ways to fund police and fire services. He suggested the funding formula needs to be adjusted.

Mr. Anderson also said that the homeowner's exemption and the circuit breaker also need to be looked at.

Mr. Bill Mattox

Mr. Mattox is affiliated with the Cloverdale/Columbia Neighborhood Association and he said that at their last board meeting it was agreed that forced annexation is wrong.

Mr. Mattox went on to say the residential taxpayers are being treated unfairly in that an increasing proportion of the tax burden is being shifted to them. Residential property taxes are rising much more rapidly than agriculture or commercial property taxes.

He suggested that the homeowner's exemption needs to be adjusted and that it should be indexed.

Mr. Mattox said that fair market value is not a good way to assess property.

Ms. Mary Ann Seitz-Hart

Ms. Seitz-Hart said that she does qualify for the circuit breaker but that she still is at risk of losing her home. She used to work in Aging and said that other seniors have come to her asking for help. The property tax problem is a crisis and there are many different facets of the issue.

Ms. Seitz-Hart said that United Vision for Idaho has some good solutions to these problems and suggested that the committee look at those.

Ms. Seitz-Hart said that in finding a solution, the committee should be careful and not hurt the schools. Instead she suggested educating children on these property tax issues.

Mr. James West

Mr. West said that property rights are under attack from the courts as well as with property tax. In some cases property owners are forced to sell due to reassessed property taxes or inheritance tax. Others had property seized to collect for unpaid taxes far less than the value of the property.

Eminent Domain is being used to confiscate property purely for increased tax revenue promised by developers.

Mr. West said that 80% of the people whose property is seized under forfeiture laws used in drug wars are never formally charged with any crime.

As solutions to the property tax problem, **Mr. West** suggested:

- , Charge sales tax on property instead of property tax.
- , Restructure tax collection. If all revenue was collected through "retail sales tax only", the taxpayer would feel in control of government spending. All revenue collected from specific

items should go target the impact of that item. Example: Gas tax to road maintenance.

Lower education costs. According to **Mr. West**, if school funding was based on performance, we would have the best schools in the country. If parents had more control over their children's education, more parents would be involved in picking the best school for their child. If parents who volunteer got a break on tuition, school lunch servers would be free, tutors would be free and parents would be more involved.

Impact on the poor. There are hidden costs built in to everything we buy. Some things like groceries, medical, school and emergency services can have a reduced sales tax or be exempt. But, **Mr. West** said, in fairness, no income group should be exempt from paying sales tax since we all need these things.

Mr. West said that the Idaho Constitution is designed to ensure our government remains our servant, not our master.

Ms. Wendy Mattson

Ms. Mattson purchased a small duplex in 1990 in Boise. She lives in one side and rents the other to a disabled veteran on a fixed income. Since he is on a fixed income she cannot increase his rent to help pay her property ownership/maintenance bills. She has refinanced it to lower the mortgage payment but that difference has been eliminated due to higher property taxes.

Ms. Mattson stated that the circuit breaker needs to be changed to included all low income people, not just senior citizens. She also said that the homeowner's exemption needs to be increased. She cannot afford to make improvements to her property.

Mr. Fritz Dixon

Mr. Dixon said that his property taxes in Meridian are going up \$540 this year. **Mr. Dixon** said that he has written a new initiative petition that is seven signatures away from being taken to the Secretary of State and to the Attorney General to find out if it is constitutional. His thinks it will stand muster.

Mr. Vern Bisterfeldt - Boise City Council Member

Mr. Bisterfeldt said that there are too many exemptions in existence. It is not right when corporations have money for discretionary spending but they are still granted exemptions.

He suggested that for the most expensive services such as fire, police and emergency services, no one should be exempt from paying taxes or fees.

Mr. Bisterfeldt agreed with **Senator Bunderson's** suggestion that once an exemption is given, it needs to be reviewed periodically.

Several people who testified, those who had to leave before testifying and others who could not attend the meeting submitted written testimony.

The meeting was adjourned at 4:30.

