Idaho Property Taxes and the Idaho Tax Structure

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Tax Policy Manager
Idaho State Tax Commission

June 2005
Idaho Fiscal Year 2004 General Account
State Tax Revenue

Where the money came from.

- Corporate Income Tax: $101
- Individual Income Tax: $873
- Sales Tax: $886
- Other Taxes: $50

Millions of Dollars
Represents funds that go to the general fund refunds have been deducted.
Where the Sales Tax Goes
$ Million in Fiscal Year 2004

- General Account: $886.1
- Other Funds: $142.6

Building Fund: $5.0
Water Pollution: $4.8
Circuit Breaker: $14.1
Business Inventory Replacement: $51.4
County Revenue Sharing: $58.9
City Revenue Sharing: $58.9

Building Fund increased to $5 million in 2001.
Idaho Fiscal Year 2004 Revenue
State and Local Tax Revenue

Where the Money Came From

- Property Tax
  - $1,141 Mil.
  - 34%
- Individual Income Tax*
  - $878 Mil.
  - 26%
- Corporation Tax
  - $101 Mil.
  - 3%
- Motor Fuel
  - $217 Mil.
  - 6%
- Sales*
  - $1,009 Mil.
  - 30%
- Other
  - $50 Mil.
  - 1%

* Sales Tax include revenue sharing; Income Tax includes Permanent Building Fund.

Millions of Dollars
Property Tax is Calendar 2004
Idaho Fiscal Year 2004
General Account Appropriations

- Health & Welfare
  - $393.1 – 19.6%
- All Other
  - $318.6 – 15.9%
- Public Schools
  - $943 – 72.9%
- Colleges
  - $199 – 15.4%
- Other Education
  - $151 – 11.7%

All Education
- $1,292 – 64.5%

All Funding

Education Funding

Millions of Dollars
TAXES COLLECTED IN IDAHO
PROPORTION OF STATE & LOCAL TAX REVENUE

PROPERTY TAX IS CALENDAR YEAR; OTHERS ARE FISCAL YEAR

PROPERTY  SALES  INDIVIDUAL INCOME TAX  CORPORATION INCOME TAX  MOTOR FUELS  OTHER
2004 Property Tax Use

School 42.8%
$ 487.8 Mill

City 21.6%
$ 246.0 Mill

County 23.0%
$ 263.4 Mill

Highway 5.3%
$ 60.3 Mill

Other 7.3%
$ 83.3 Mill

TOTAL

Other 7.3%
$ 83.3 Mill

3.6% $ 3.0 Mill
Cemetery

10.5% $ 8.8 Mill
Jr. College

41.9% $34.9 Mill
Fire

44% $36.7 Mill
Miscellaneous

TOTAL

OTHER 7.3%
Fiscal Year 2002 Tax Burden
Idaho vs. Neighbor States

Based on per capita taxes. States compared to U.S. average.
FY 2002 Property Tax Burden
Idaho vs. Neighbor States

Based on taxes per $ of income.
FY 2002 Overall Tax Burden
Idaho vs. Neighbor States

Based on taxes per $ of income.
FY 2002 Taxes
Idaho vs. U.S.

Type of Tax

- Rank 31 - Property
  - Percent Difference: -9.9%

- Rank 27 - Sales
  - Percent Difference: -6.3%

- Rank 22 – Ind. Income
  - Percent Difference: 8.9%

- Rank 30 – Corp. Income
  - Percent Difference: -28.5%

- Rank 3 - Motor Fuels
  - Percent Difference: 72.8%

- Rank 38 - Overall
  - Percent Difference: -4.6%

Percent Difference from U.S. Average

Rank of 1 = highest tax
Based on Taxes per $ of income
FY 2002 Taxes
Idaho vs. U.S.

Rank 37 - Property
-26.4%

Rank 39 - Sales
-23.4%

Rank 30 – Ind. Income
-11.0%

Rank 34 – Corp. Income
-41.5%

Rank 8 - Motor Fuels
41.3%

Rank 44 - Overall
-22.0%

Percent Difference from U.S. Average

Rank of 1 = highest tax
Based on Taxes per person
Estimated 2002 Taxes
Per Family - various income levels

Percentages show Idaho compared to U.S. average.

-95%  -20%  -42%
+01%  -21%  -37%
+16%  -21%  -23%

Estimates for Boise, based on District of Columbia studies of largest cities in each state.
Taxing Districts and Tax Code Areas
Hypothetical County

North Highway

City A

East School

City B

South Highway

West School

County
How are Levies Calculated?

- 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.

Example: \[
\frac{\$80,000}{\$10,000,000} = 0.0080 = .80%\]
YOUR PROPERTY TAXES
How are they Calculated?

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 x 0.01743 = $ 784

Effective tax levy: $ 784 ÷ $ 75,000 = 1.05%
Limits on Property Taxes
in effect since 1995

- School M&O levies limited to 0.003* multiplied by prior year value.
- Funds of taxing districts limited to certain maximum levy rates.
- Portion of taxing district budget derived from property tax can increase up to 3% per year, plus an amount for new construction and annexation.
- There is no limit on the amount that an individual’s property tax can increase from year to year -
- Depends on distribution of value --
- Did your property value increase faster than other property?

* = Boise School’s multiplier is 0.00664167
## 2004 Breakdown of Property Tax Increase/Decreases

<table>
<thead>
<tr>
<th>Cause of increased property tax</th>
<th>Potential increase amount*</th>
</tr>
</thead>
<tbody>
<tr>
<td>3% general cap</td>
<td>$18.0 million</td>
</tr>
<tr>
<td>Increases in school bonds, judgments, and school exempt levies other than M&amp;O</td>
<td>$12.8 million</td>
</tr>
<tr>
<td>Decreases in school judgment funds</td>
<td>$&lt;3.1&gt; million</td>
</tr>
<tr>
<td>Increases &lt;decreases&gt; in non-school bonds and voter-approved levies</td>
<td>$&lt;3.9&gt; million</td>
</tr>
<tr>
<td>Increase in school M&amp;O property tax</td>
<td>$9.9 million</td>
</tr>
<tr>
<td>Additional dollars available due to new construction</td>
<td>$20.0 million</td>
</tr>
<tr>
<td>Additional dollars available due to annexation</td>
<td>$2.8 million</td>
</tr>
<tr>
<td>Increase &lt;decrease&gt; due to new levies in 2003 or existing districts not levying in 2003</td>
<td>$1.1 million</td>
</tr>
<tr>
<td>Property tax increase &lt;decrease&gt; due to use of Foregone Amount</td>
<td>$3.3 million</td>
</tr>
<tr>
<td>Increase due to re-establishment of Kootenai County property tax relief</td>
<td>$&lt;1.2&gt; million</td>
</tr>
</tbody>
</table>
Boise Homeowner Property Tax
1980 vs. 2003

1980: Value (average sale): $ 45,587
Tax: $ 484

2003: Value (average sale): $ 166,770
Tax: (Ada TCA1001) $ 2,094

2003 Inflation Adjustment:
Tax: $ 891

Constant dollar annual increase: 2.7%

2003 values based on 2002-03 sales and 2003 tax rate.
PROPERTY TAXES
by Major Category of Property
CURRENT DOLLARS

Residential
Utilities
Commercial
Ag, Timb., Mining
Total
PROPERTY TAXES
by Major Category of Property
Constant 1978 Dollars

Millions of dollars


- Residential
- Utilities
- Commercial
- Ag, Timb., Mining
- Total
Per Capita Property Taxes
Idaho vs U.S.

Adjusted for Inflation

- US Average
- Idaho

Based on U.S. Census Information
Values adjusted to January 1977
Changes in Property Tax by Sector
2003 - 2004

<table>
<thead>
<tr>
<th>Type of Property</th>
<th>2004 % of value</th>
<th>2004 % of tax</th>
<th>Change in Tax (value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>64.0</td>
<td>61.6</td>
<td>9.6% (value up by 11.3%)</td>
</tr>
<tr>
<td>Commercial</td>
<td>25.1</td>
<td>28.7</td>
<td>-0.1% (value even)</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.9</td>
<td>4.2</td>
<td>2.8% (value up by 1.1%)</td>
</tr>
<tr>
<td>Timber</td>
<td>1.1</td>
<td>0.9</td>
<td>-7.3% (value down 9.3%)</td>
</tr>
<tr>
<td>Operating (utilities &amp; RR)</td>
<td>4.6</td>
<td>4.4</td>
<td>-3.9% (value down 3.9%)</td>
</tr>
</tbody>
</table>
## Changes in Property Tax Use 2003 – 2004 by taxing district type

<table>
<thead>
<tr>
<th>Type of District</th>
<th>Change in Property Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>+ 6.4%</td>
</tr>
<tr>
<td>City</td>
<td>+ 6.3%</td>
</tr>
<tr>
<td>School</td>
<td>+ 4.3%</td>
</tr>
<tr>
<td>M&amp;O</td>
<td>+ 3.8%</td>
</tr>
<tr>
<td>Override</td>
<td>+ 2.6%</td>
</tr>
<tr>
<td>Bond</td>
<td>+ 4.8%</td>
</tr>
<tr>
<td>Plant Facilities</td>
<td>+ 5.9%</td>
</tr>
<tr>
<td>Highway &amp; County Road &amp; Bridge</td>
<td>+ 6.4%</td>
</tr>
<tr>
<td>Junior College</td>
<td>+ 6.2%</td>
</tr>
<tr>
<td>All Other</td>
<td>+ 7.5%</td>
</tr>
<tr>
<td>Location</td>
<td>Type of Property</td>
</tr>
<tr>
<td>----------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Urban</td>
<td>Owner Occupied Residential*</td>
</tr>
<tr>
<td>Urban</td>
<td>Commercial</td>
</tr>
<tr>
<td>Rural</td>
<td>Owner Occupied Residential*</td>
</tr>
<tr>
<td>Rural</td>
<td>Commercial</td>
</tr>
<tr>
<td>Rural</td>
<td>Farm</td>
</tr>
</tbody>
</table>
Dynamics of Property Tax In a Budget ($) Driven System

<table>
<thead>
<tr>
<th>System Change (What if...)</th>
<th>Property Tax Shift</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase homeowner's exemption:</td>
<td>Commercial, rental, farm, AND:</td>
</tr>
<tr>
<td>a. $50,000 limit</td>
<td>a. homes below $100,000</td>
</tr>
<tr>
<td>b. Add land ($ limit same)</td>
<td>b. $100,000+ homes, MH</td>
</tr>
<tr>
<td>c. Add land ($ limit higher)</td>
<td>c. Mobile homes, 2nd homes</td>
</tr>
<tr>
<td>d. 50% limit ($ limit same)</td>
<td>d. $100,000+ homes</td>
</tr>
<tr>
<td>e. 50% limit ($ limit higher)</td>
<td>e. Mobile homes, 2nd homes</td>
</tr>
<tr>
<td>Cap assessed value changes:</td>
<td>Properties appreciating slowly</td>
</tr>
<tr>
<td>Homes or all property</td>
<td>including farms, and property</td>
</tr>
<tr>
<td></td>
<td>which depreciates such as</td>
</tr>
<tr>
<td></td>
<td>business personal property</td>
</tr>
<tr>
<td>Increase circuit breaker:</td>
<td>No property tax shift</td>
</tr>
<tr>
<td>Benefits, income limits,</td>
<td>Replacement from state taxes</td>
</tr>
<tr>
<td>or add new groups</td>
<td></td>
</tr>
</tbody>
</table>

Assumes that same amount of money is to be raised
Effect of Value Increase Limits

Assume total taxes frozen; amount to be raised for each year is $1,000

Prior Year

Property A Value
$ 100,000

Property B Value
$ 100,000

Levy = 0.005

Property A tax = $500
Property B tax = $500

Current Year

Property A Value
$ 100,000

Property B Value
$ 300,000

Levy = 0.0025

Property A tax = $250
Property B tax = $750