

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, January 24, 2012

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Corder, Vice Chairman Johnson, Senators Hill, McGee, Hammond, Siddoway, Werk, and Bilyeu

ABSENT/ EXCUSED: Senator McKenzie

NOTE: The sign-in sheet, testimonies, and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

Chairman Corder called the meeting to order at 3 pm.

H 355 Relating to Income Taxes, Amending Section 63-3004. **Chairman Corder** introduced **Dan John** of the Idaho State Tax Commission. **Mr. John** said this is an annual update based on the IRS Code as of January 1, 2012 and this year there is no fiscal impact.

MOTION: **Senator Hammond** made a motion to send H 355 to the floor with a Do Pass recommendation. **Senator McGee** seconded and the motion carried by Voice Vote. **Senator Hammond** will be the sponsor.

PRESENTATION: **Chairman Corder** introduced **Tom Katsilometes** Commissioner of the Idaho State Tax Commission. **Mr. Katsilometes** said one of the areas that is focused on is powers and duties. The Tax Commission must insure fair, equitable and accurate property assessments for the citizens of the state of Idaho. The amount of taxable value in the state is \$106.7 billion, which results in \$1.38 billion in property tax collected. The Tax Commission oversees the operation of the assessors. There are about 1200 different taxing districts that need to be overseen. The taxing districts have overlapping assessments and processes. There is a good relationship with the counties that has gotten better over the last year and a half. All four commissioners meet with each county and ask how the Tax Commission can help and how is the Tax Commission doing in support of the counties. What needs to be improved.

The Tax Commission has worked with Boise County to formulate some legislation to assist Boise County with their bankruptcy.

Senator Hammond asked whether true market value target is being met. **Mr. Katsilometes** said the true market value is the actual price of comparable sales in the area. The Tax Commission looks at true market value as an oversight organization, the assessors are the ones who actually set that. **Senator Hammond** asked how the counties are doing in reaching the true market value. There is often a fear that if true market value is reached, the property taxes will rise. Actually, the property taxes will not rise, but the levy rates may go down, is that correct. **Mr. Katsilometes** said that is correct. The counties are doing very well in meeting the true market value target.

Chairman Corder introduced **Steve Fiscus** Administrator of the Property Tax Division, Idaho State Tax Commission. See attachment #1. **Mr. Fiscus** said the counties and the Tax Commission both have statutory responsibility to mandate a system of property taxation throughout the state. Market value is the number the Tax Commission seeks from the counties, but there is a tolerance built in; the number does not have to be 100%. The range could be 90%-110% for some counties.

Mr. Fiscus said not all taxing districts levy; however they are monitored to be sure they are holding elections. More and more of the small taxing districts are not holding their elections regularly or properly. The Tax Commission will work with the counties to be sure the elections are held and they are accountable to the citizens of the district.

Mr. Fiscus said the Tax Commission saved the State \$436,741 due to audits of the applicants for the Property Tax Reduction Program. Some applicants were not qualified to receive this exemption.

Senator Bilyeu asked if the Tax Commission appraises commercial property for any counties, and if so, does the Tax Commission charge the counties for this service. **Mr. Fiscus** said the Tax Commission does provide assistance to some counties for appraisal of industrial properties, not commercial. There is no charge for the service. Some counties have started contracting with a former employee of the Tax Commission for this work. **Senator Bilyeu** asked for the definition of "physical inspection". **Mr. Fiscus** said there was an issue in the past on the definition of adequate appraisal. There is a rule that defines adequate appraisal and what components are necessary.

Vice Chairman Johnson asked who the vendor is for the Modernization Program for the software, why is the GIS piece separate and why all counties are not using the Technical Support Bureau. **Mr. Fiscus** said it is not one vendor, several years ago three counties went out for bid and the Tax Commission supported their choices. The modernization plan is to transition from the current system that was created in the 1970's to current software and hardware, which will be easier to maintain. The counties may choose their own software as long as they meet the requirements the Tax Commission has set forth. The GIS system is integrated with the Technical Support Bureau.

Chairman Corder said the Statewide Board of Equalization equalizes the values by county. What is being equalized. **Mr. Fiscus** said counties need to be equalized and categories of property, not only within counties but in adjacent counties due to joint districts.

Chairman Corder introduced **Dan Chadwick**, Executive Director of the Idaho Association of Counties (IAC). **Mr. Chadwick** said any system will have to fit the needs of all counties in Idaho, no matter how diverse they are in physical size and population. Article 7 of the Idaho Constitution has the basics as to why Idaho has the type of system it does and why there is such an important relationship between the Tax Commission and all forty-four counties. The article states the system has to be fair and equitable, uniform, and describes how it should be set up. There have to be boards of equalization at the county and state level. County support has been one of the most important relationships that exist between counties and the Tax Commission. The current commissioners are some of the best people to work with.

The Tax Commission has to act as a regulator at times; however, the commission also trains the assessors. The IAC spends most of the time educating and training county elected officers of their obligations under the law.

Senator Werk said Article 7, Section 8 of the Idaho Constitution states "the power to tax corporations or corporate property, both real and personal, shall never be relinquished or suspended, and all corporations in this state or doing business therein, shall be subject to taxation for state, county, school, municipal and other purposes, on real and personal property owned or used by them, and not by this constitution exempted from taxation within the territorial limits of the authority levying the tax." Would there need to be a constitutional amendment needed to eliminate personal property tax. **Mr. Chadwick** replied if it was read by itself, a constitutional amendment would be needed. However, Section 5 authorizes exemptions from taxes. There are other provisions that will allow the legislature some flexibility.

Chairman Corder introduced **Bob McQuade**, Ada County Assessor. **Mr. McQuade** said a committee called the IT Options Committee was created to evaluate software for use for property tax appraisal. **Mr. McQuade** said this is the best relationship the assessors have had with the Tax Commission, over the 40-year span of his career. The assessors guard and protect the statutory responsibilities they have been given. One of the major tools the assessors use is software. In Ada County, up until eight years ago, the software being used was 25 years old. The assessors do not have to use a central system. They are currently doing that now with the Idaho Transportation Department and it is very cumbersome and difficult to work with.

This also allows the counties to be innovative and modify the systems they use very quickly. If a central system was being used, all assessors would have to agree before a change could be made.

MOTION:

Vice Chairman Johnson made a motion to approve the minutes of January 11, 2012. **Senator Siddoway** seconded and the motion carried by Voice Vote.

Senator Hammond made a motion to approve the minutes of January 12, 2012. **Senator Werk** seconded and the motion carried by Voice Vote.

Senator Bilyeu made a motion to approve the minutes of January 17, 2012. **Senator Hill** seconded and the motion carried by Voice Vote.

ADJOURNMENT: The meeting was adjourned at 3:55 pm.

Senator Corder
Chairman

Jo Ann Bujarski
Secretary