

STATEMENT OF PURPOSE

RS22194C1

The personal property tax applies to business machinery, tools, furnishings, equipment and some fixtures. It is one of the most difficult to administer and comply with for government and business alike. It is a barrier to economic development and studies indicate that the elimination of the tax results in significant economic stimulus for both business and the personal income of Idaho citizens. The purpose of this legislation is to eliminate the tax in its entirety. Elements of the legislation include: Revenue-neutrality for local governments based upon the year of implementation by fully reimbursing local revenue derived from personal property tax including bonds and levies currently in existence until expiration through a seven-year phase out process starting with \$100,000 in year one. The legislation fixes current constitutional and administrative problems in current code, whereby business owners are treated differently, with an entirely rewritten section regarding operating property. In essence, those properties that are assessed by the state will exempt a percentage of their property that is estimated to be personal property by the state tax commission. Those that are assessed by the state and rate-regulated by the state will have such percentages apply to only new property acquired and will not receive any exemption on property in existence at the time of implementation. Legislation establishes a baseline for local government personal property tax replacement dollars based on the year of implementation. The legislation eliminates personal property tax administration for counties, saving money in local budgets. The legislation eliminates a current ongoing shift of tax liability from personal property to real property and gives assurances to state budget writers by allowing for the Legislature and the Governor to forestall the phased in implementation if the state economy fails to meet expectations necessary.

FISCAL NOTE

The legislation will reduce property tax liability for business by an estimated \$120 million, spurring further growth and investment in equipment and employees.

FY 2014 - \$19-20 million

FY 2015 - \$20 million

FY 2016 - \$40 million

FY 2017 - \$60 million

FY 2018 - \$80 million

FY 2019 - \$100 million

FY 2020 - \$120 million

Contact:

Alex LaBeau
IACI
(208) 343-1849