

STATEMENT OF PURPOSE

RS22296

This bill relates to the business personal property tax. The legislation proposes three changes to the exemption granted under section 63-602KK, Idaho Code.

1. The proposal creates a new \$3,000 exemption on a de minimis item of tangible personal property that is purchased on or after January 1, 2013 and has a purchase price of \$3,000 or less. An item falling under this category will not be placed on the personal property tax rolls and will not be tracked for personal property tax purposes. A definition for "acquisition costs" and an "item of taxable personal property" are also included.
2. The proposal triggers the \$100,000 exemption on business personal property in Section 63-602KK, Idaho Code, on January 1, 2013. In addition, the exemption will be expanded to include operating property. The replacement amount will be based on the 2013 personal property tax certification provided by the county clerk to the state tax commission. The replacement amount is estimated to be \$20 million. The amount of the exemption will be fixed in time and annually distributed to taxing districts each year thereafter. Replacement funding will come annually from the state general fund through the sales tax revenue distribution formula provided for in Section 63-3638, Idaho Code.
3. The proposal creates a uniform application process to be prescribed by the state tax commission intended to simplify reporting. The county assessor will be required to mail or email, at the request of the taxpayer, the annual application to all taxpayers and include the prior year application. In lieu of submitting an annual affidavit, taxpayers with taxable personal property values less than \$100,000 will only be required to file an application once every five years provided that certain conditions are met.

FISCAL NOTE

Replacement funding to local governments is expected to be \$20 million annually. The replacement funding will be paid for annual out of the sales tax distribution formula and will remove \$20 million annually from the state general fund. There is no fiscal impact on local governments.

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