

The effect on property tax when Idaho Trust Land is traded for commercial buildings

The Land Board's historically recent action of trading land from the Idaho Land Trust for commercial properties has a negative financial effect on the taxing districts where the commercial site is located and results in an increase of property tax.

I will give you two examples of this.

1st example

In 2013 the Land Board proposed a trade for a privately owned commercial property located in Nampa valued at \$2.5 million, for a block of state owned, equally valued lots on Payette Lake at McCall. The Idaho Department of Lands proposal stated that the present income from the lots on Payette Lake was \$103 thousand annually and with this trade they could increase that income by \$63 thousand a year.

Had this trade occurred, it would have removed the \$2.5 million commercial building from the Canyon County and Nampa property tax roll and as the commercial building would then be a tax exempt state asset, taken \$57 thousand from Nampa's property taxes. This \$57 thousand loss in property tax would have required raising the tax levies in Nampa to make up the for lost property tax revenue. The end result would be that the property tax payers of Nampa would have actually been subsidizing the Idaho Department of Lands.

2nd example

In a second proposed action during 2013 the Idaho Land Board attempted a trade for a commercial property in Idaho Falls that was appraised at \$21.4 million. Had this transaction been completed it would have taken property taxes from Bonneville County in the amount of \$350 thousand and would have caused a \$350 thousand property tax increase to the taxpayers of Idaho Falls.

Under any description, this type of trade is a "Tax Transfer", wherein an additional tax burden is imposed upon a specific population segment within a state for the benefit of the remaining population.

Both of these actions were met with fierce opposition from the county commissioners of Canyon and Bonneville Counties when they were alerted to the effect the trades would have had on levy rates.

I would ask, Is this the proper role of government?

Philosophically, allowing the State of Idaho to be in direct competition with taxpaying enterprise, which is the monetary basis supporting government operations, is neither consistent with the principals of

capitalism, nor wise, as it would incrementally with each application degrade the state's tax revenue stream.

As we all know, commercial enterprise is a much riskier venture than dealing in land. Business, and buildings deteriorate and leases terminate.

In these two cases, large portions of the value of both of these identified trades were based on the value of existing leases which if terminated leave the Idaho Department of Lands with greatly diminished value. Entrepreneurialism by its very description includes "risk" and this is not the definition given by the Idaho Supreme Court, in reference to the state lands which was "a trust of the most highest and sacred order".

I ask the Interim Commission to guide the Idaho Land Board away from commercial investments in keeping with the concept of Capitalism rather than dallying with this trend toward socialism.