STATEMENT OF PURPOSE

RS23277

This legislative proposal makes three technical corrections to the section 602KK, Idaho Code, relating to certain personal property tax exempt from taxation. Section one of the proposal relates to the definition of a taxpayer. The use of Internal Revenue Code section 267 to identify a taxpayer for purposes of the personal property tax exemption in section 63-602KK, Idaho Code, is confusing to county assessors and taxpayers alike because section 267 pertains to income tax concepts, not property tax concepts. Also, section 267 does not provide guidance on the status of partnerships, only corporations and family groups. This change clarifies the definition of a taxpayer by deleting the reference to section 267 and provides a comprehensive list of relationships that will constitute a taxpayer for purposes of receiving the exemption. Section two of the proposal relates to replacement money and refunds on improperly claimed exemptions. When taxes related to improperly claimed personal property exemptions under section 63-602KK, Idaho Code, are refunded to counties, the money is distributed to the taxing districts, which are then required to subtract amounts received from maximum amounts that may be levied. The state is required to continue to make replacement money payments to the districts without regard to this restitution or to the improperly claimed exemption. This change would require refunded amounts to be paid to the state and require the state to reduce future payments to the taxing districts. The effect of this change is neutral on counties and taxing districts because they are currently required to subtract the amounts received from their property tax budgets. The effect on state funds would be positive by reducing replacement money payments to counties but only if taxpayers or county assessors identify improperly claimed exemptions. Section three relates to operating property and the $100,000 per county exemption. Section 63-602KK, Idaho Code, allows each taxpayer $100,000 in personal property tax exemption per county. Because of the way operating property is apportioned, this has created administrative problems that are not easily overcome given computer software limitations. This change would permit operating companies to receive $100,000 in personal property exemption for each county in which the company has any apportioned value. The proposal would limit the total amount of the exemption to the lesser of this amount or the total amount of personal property identified on the companies' reports. Operating property companies would get slightly increased amounts of exemption and benefit from more logical reporting requirements.

FISCAL NOTE

No effect on state revenues.

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