

LOCAL PROPERTY TAXES: THE ROLE OF COUNTIES, COUNTY BUDGET TRENDS, AND PREDICTING THE FUTURE

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GENERAL VS SPECIAL PURPOSE GOVERNMENTS

- Counties and cities are general purpose governments, provide more than once core service, and have police powers.
- Article VII, Section 2. LOCAL POLICE REGULATIONS AUTHORIZED. Any county or incorporated city or town may make and enforce, within its limits, all such local police, sanitary and other regulations as are not in conflict with its charter or with the general laws.
- All other local governments are special purpose governments, perform only one government function, and lack police power.

COUNTIES VS CITIES

Counties

- County boundaries are set by statute.
- Counties are “arms of the state” and exist to perform specific statutory functions.
- All counties perform the same functions, regardless of size and resources.
- Every Idahoan is a county resident.

Cities

- Cities are formed by vote of people.
- City boundaries enlarge via annexation of new territory.
- Cities are created to provide urban levels of service.
- Not all cities provide all services.
- Not all Idahoans are a city resident.



MAJOR COUNTY SERVICE AREAS

- Elections
- Judiciary (prosecution, public defense, magistrate and district court operations)
- Property tax administration
- Public administration
- Public health (mental health, indigent healthcare, health districts, pest abatement, weed abatement, etc.)
- Public safety (law enforcement, jails, juvenile detention, adult and juvenile probation, EMS, dispatch, emergency management, etc.)
- Records management
- Solid waste
- Transportation (highways, motor vehicles)



COUNTIES ARE OPERATIONALLY THE SAME

- Ada County (population: 470,000) and Clark County (population 850) provide the same services, operate under the same statutes.
- Article VIII, Section 5. SYSTEM OF COUNTY GOVERNMENT. The legislature shall establish, subject to the provisions of this article, a system of county governments which shall be uniform throughout the state; and by general laws shall provide for township or precinct organizations.



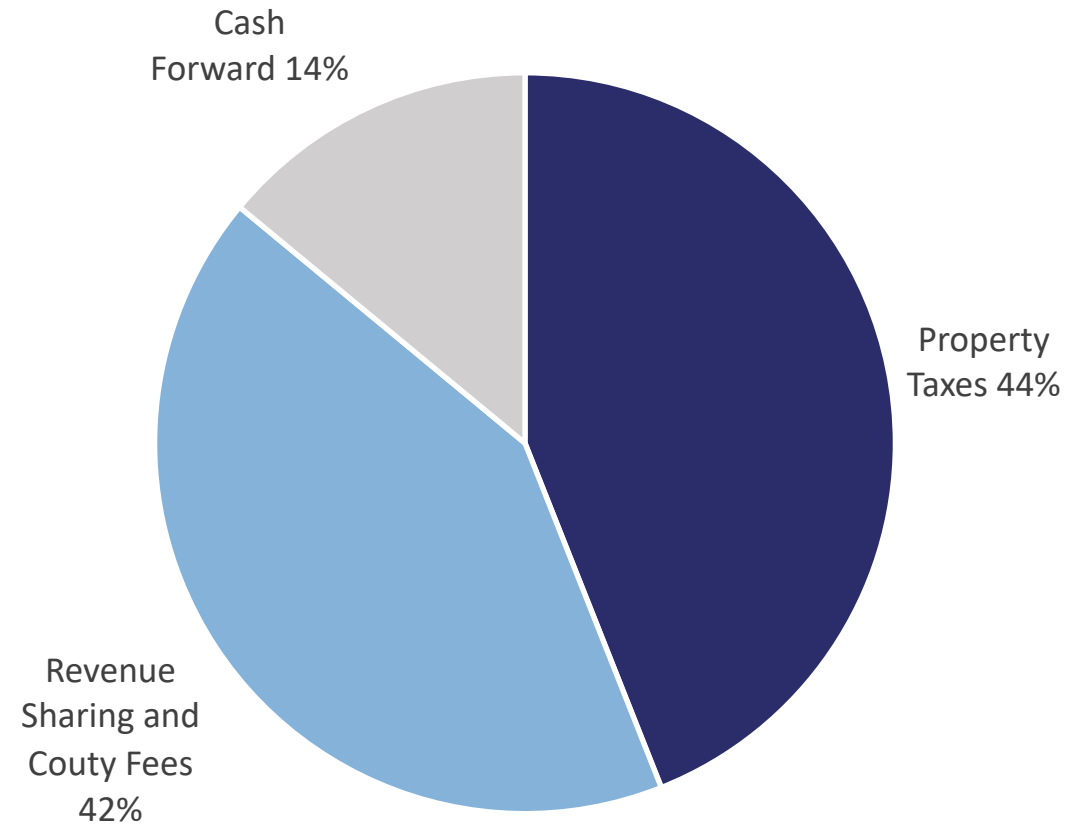
PROPERTY TAX ADMINISTRATION

- County assessor assesses all property (real and personal) at market value and provides assessment notice to taxpayer.
- Taxpayer has right to appeal property assessment to county board of equalization (county commissioners).
- County board of equalization equalizes property values annually.
- County commissioners (and other taxing district governing boards) set budgets and determine tax levy rates.
- County treasurer sends tax notice and collects property taxes.
- County clerk disburses property taxes to taxing districts.

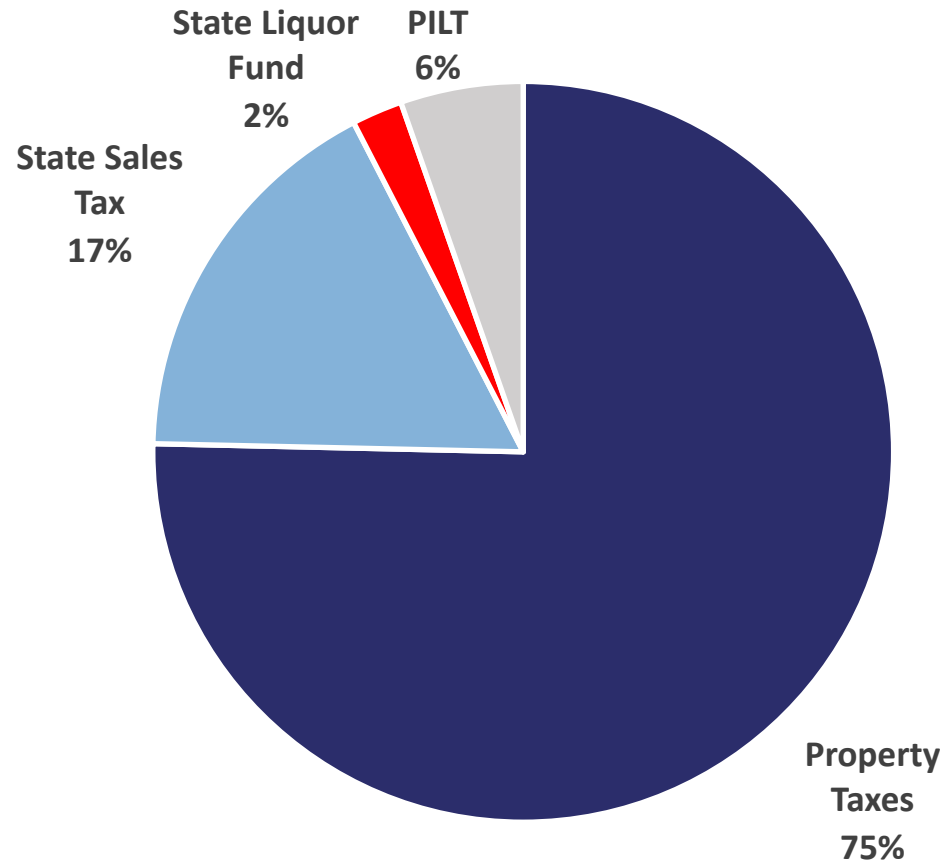


COUNTY REVENUES

- Property Taxes (44%)
- Intergovernmental Revenues and Fees for Service (42%)
 - Sales tax revenue sharing
 - Liquor fund
 - Property tax replacement
 - Election consolidation
 - PILT
- Cash forward/reserves (14%)



MAJOR COUNTY REVENUE SOURCES, 2018



- Property Tax: \$507.4 Million
- Sales Tax: \$115 Million
- Liquor Fund: \$14.9 Million
- PILT: \$36.1 Million

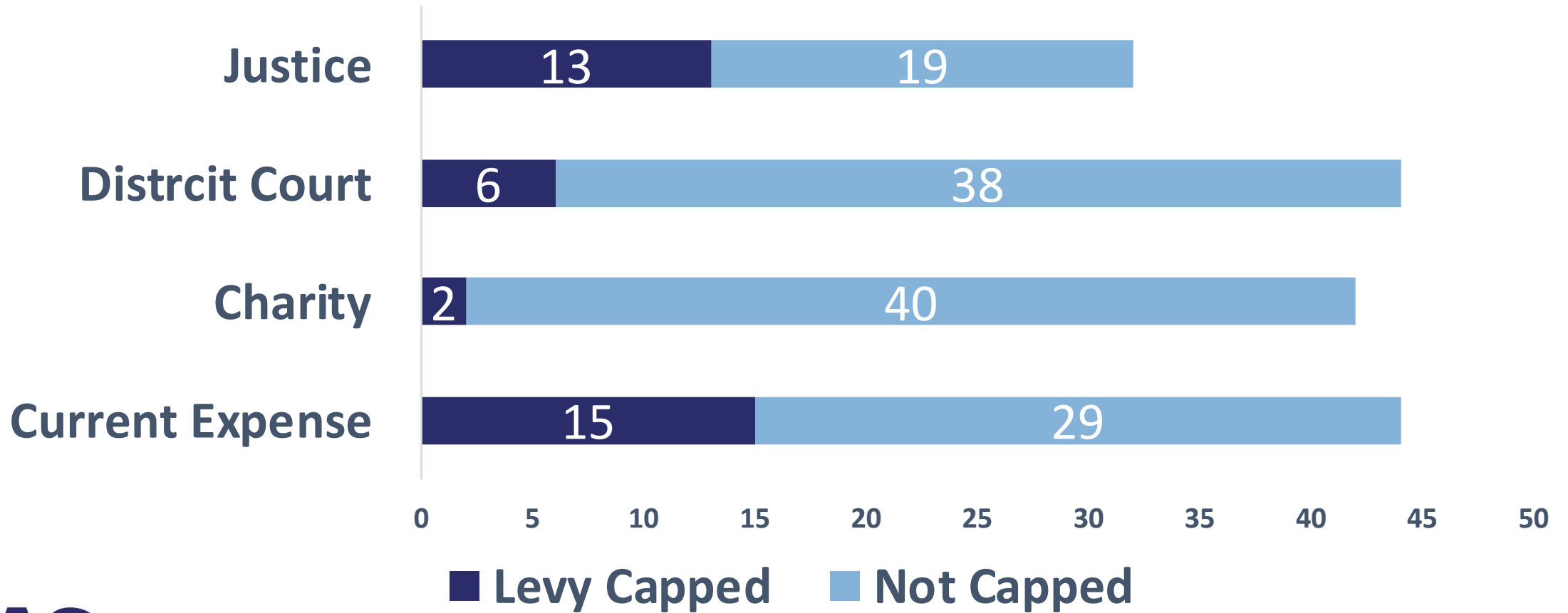
PROPERTY TAX BUDGETING BASICS

- Base property tax budget growth capped at 3%.
- Each property tax levy is rate restricted.
- New construction, change in land use, and annexation from prior year added to base budget by multiplying prior year levy rate by new construction, change in land use value, and annexation.
- Previously forgone property tax increases can be levied in future years following public notice and hearing requirements.
- Current year forgone property taxes can be disclaimed following public notice and hearing requirements.

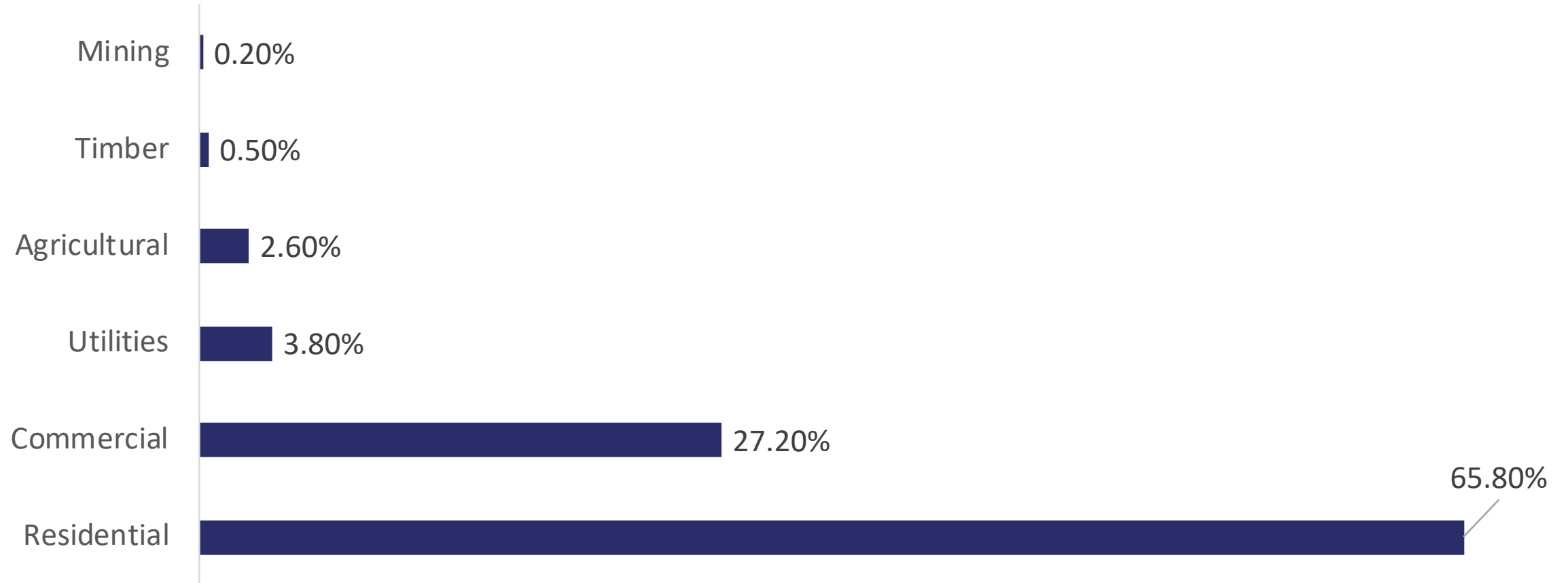
IMPACT OF BUDGET CAPS ON COUNTIES (2017)



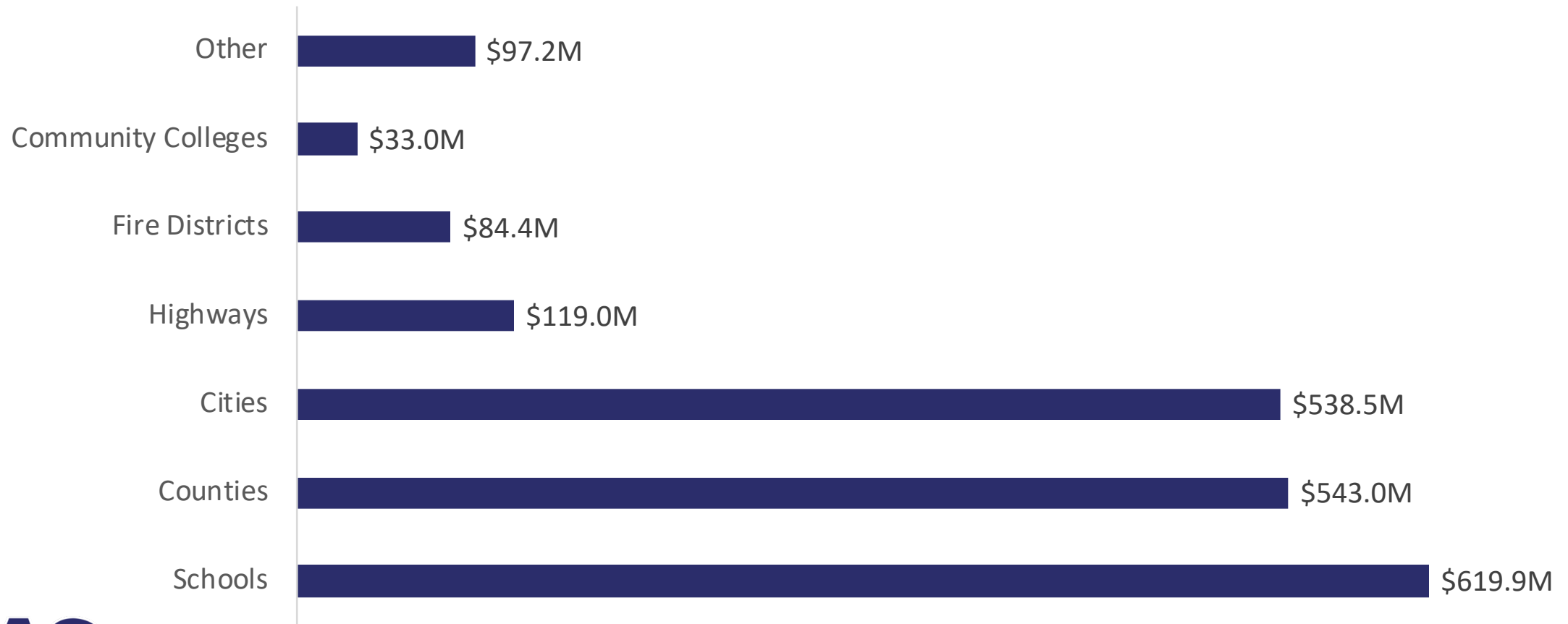
IMPACT OF LEVY CAPS ON COUNTIES (2017)



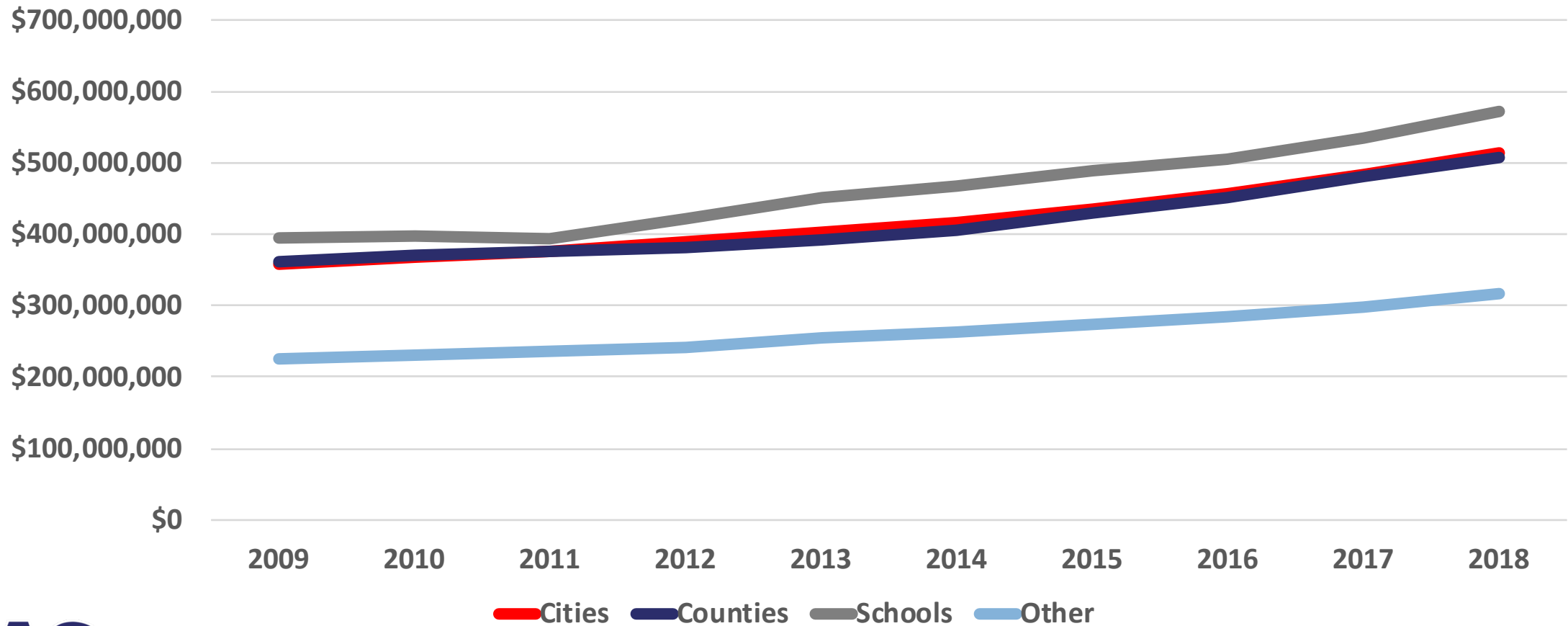
WHO PAID PROPERTY TAXES (2018)



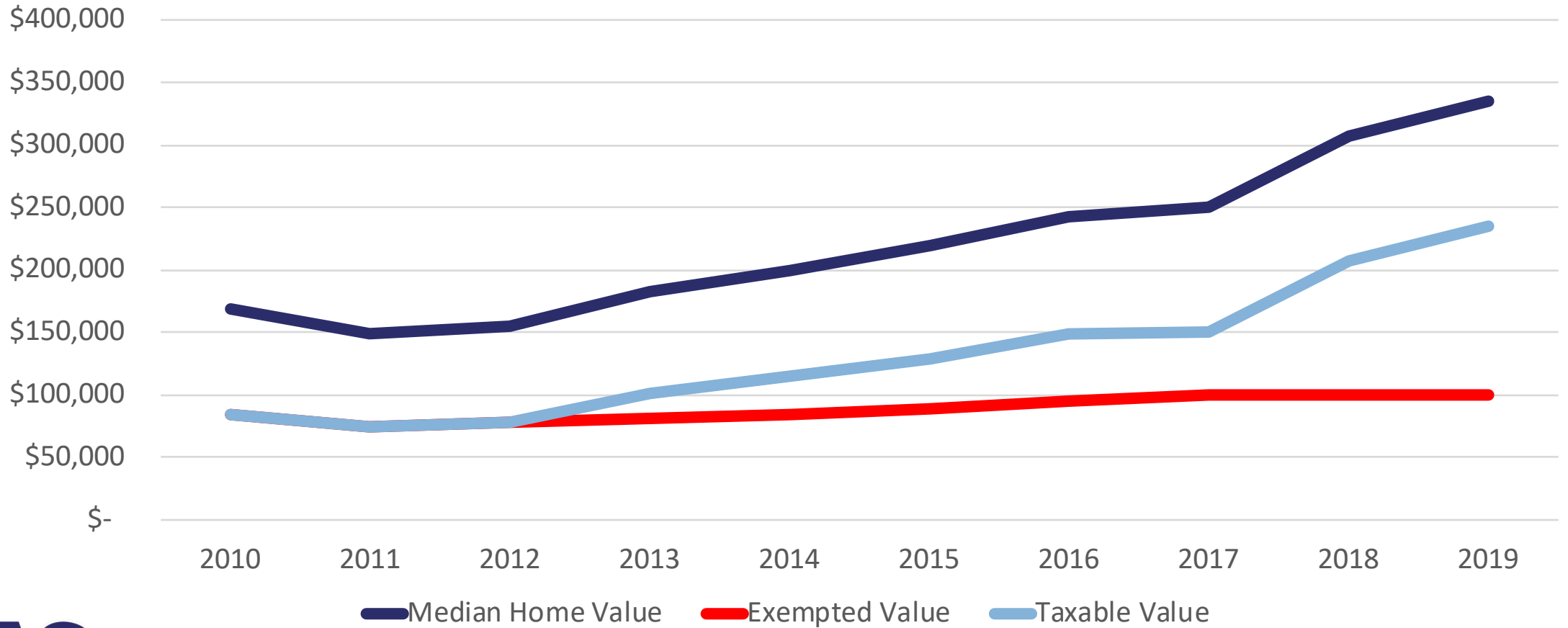
WHO RECEIVED PROPERTY TAXES (2019)



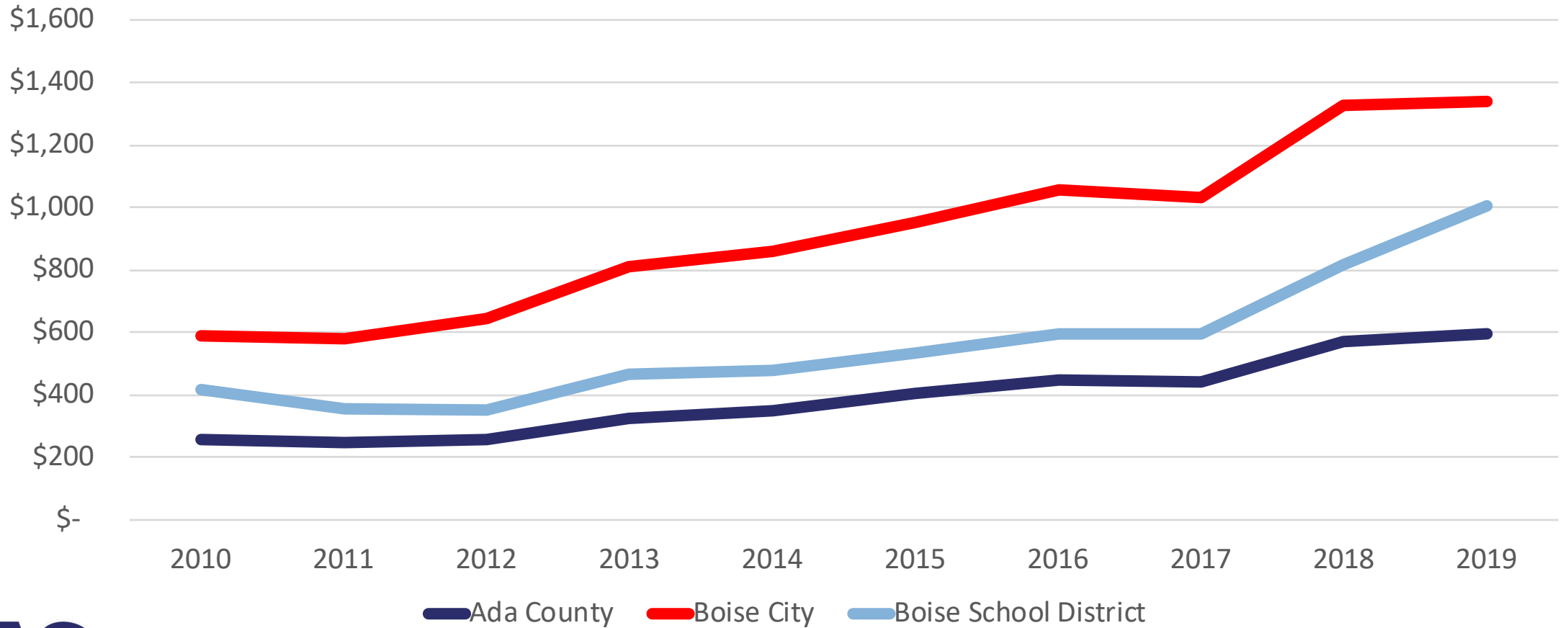
PROPERTY TAX GROWTH, 2009-2018



MEDIAN HOME VALUE – CITY OF BOISE



PROPERTY TAXES PAID BY MEDIAN HOMEOWNER LIVING IN CITY OF BOISE



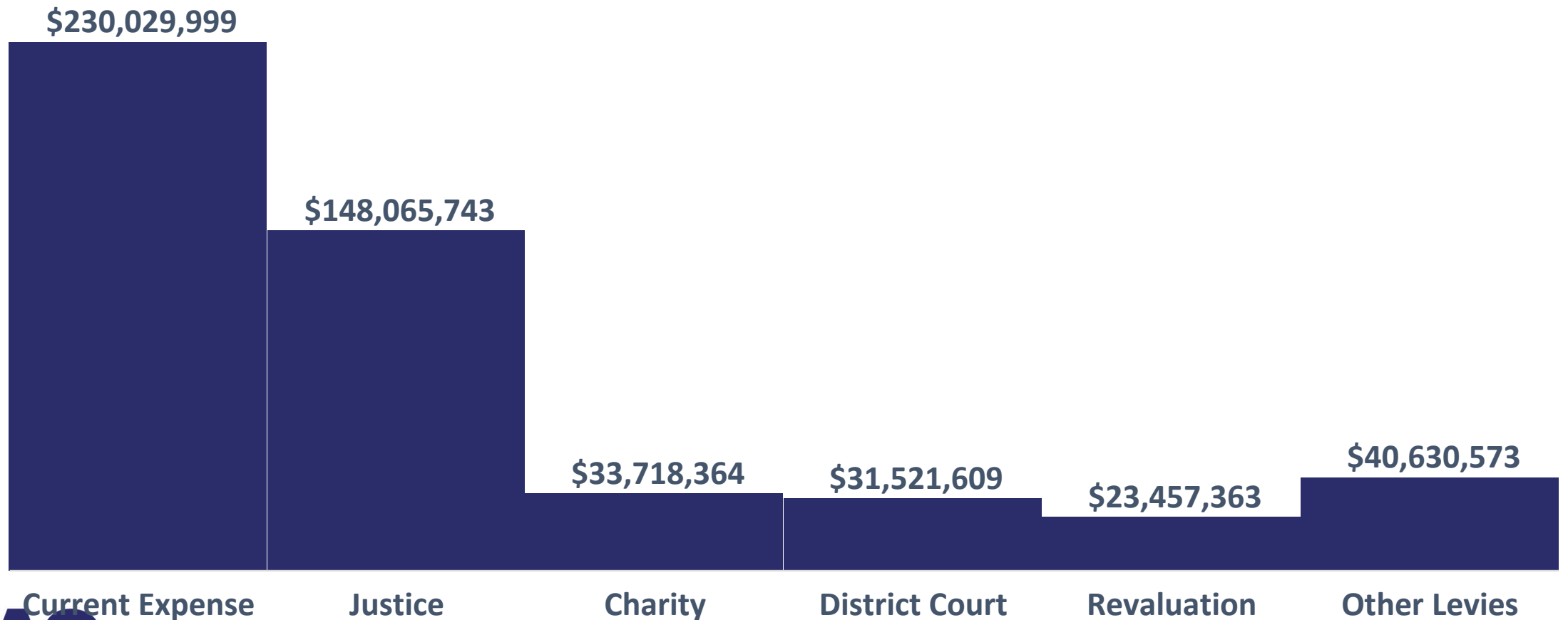
ANNUAL CHANGE IN PROPERTY TAXES PAID BY MEDIAN CITY OF BOISE HOMEOWNER

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Change in Ada County P-Tax	-4.3%	5.1%	24.4%	7.6%	15.8%	11.0%	-1.0%	28.8%	4.4%
Change in Boise City P-Tax	-1.7%	11.1%	25.9%	6.1%	10.4%	11.2%	-2.3%	28.2%	1.1%
Change in Boise SD P-Tax	-14.1%	-1.6%	33.3%	1.6%	12.4%	11.7%	-0.7%	38.0%	22.7%

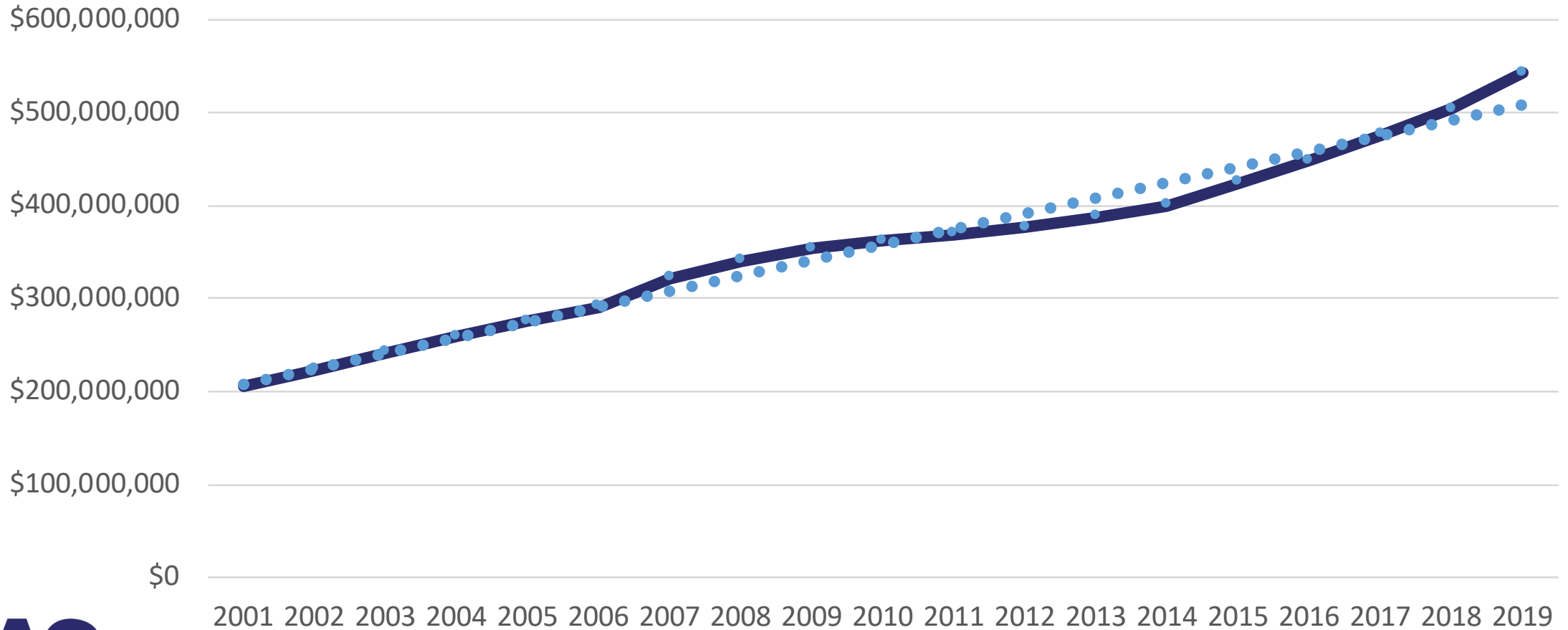
STATEWIDE ANNUAL CHANGE IN PROPERTY TAXES PAID BY SELECT CATEGORIES

Type of Property	2010	2011	2012	2013	2014	2015	2016	2017	2018
Owner Occupied Residential	-3.3%	-1.5%	1.3%	4.6%	3.8%	4.8%	2.2%	5.3%	6.1%
Other Residential	-1.9%	-2.0%	-0.7%	4.6%	6.4%	-1.2%	3.2%	3.8%	5.4%
Commercial	5.4%	-0.3%	5.5%	-3.2%	1.0%	2.5%	3.2%	3.2%	0.2%

DISTRIBUTION OF COUNTY PROPERTY TAXES (2018)



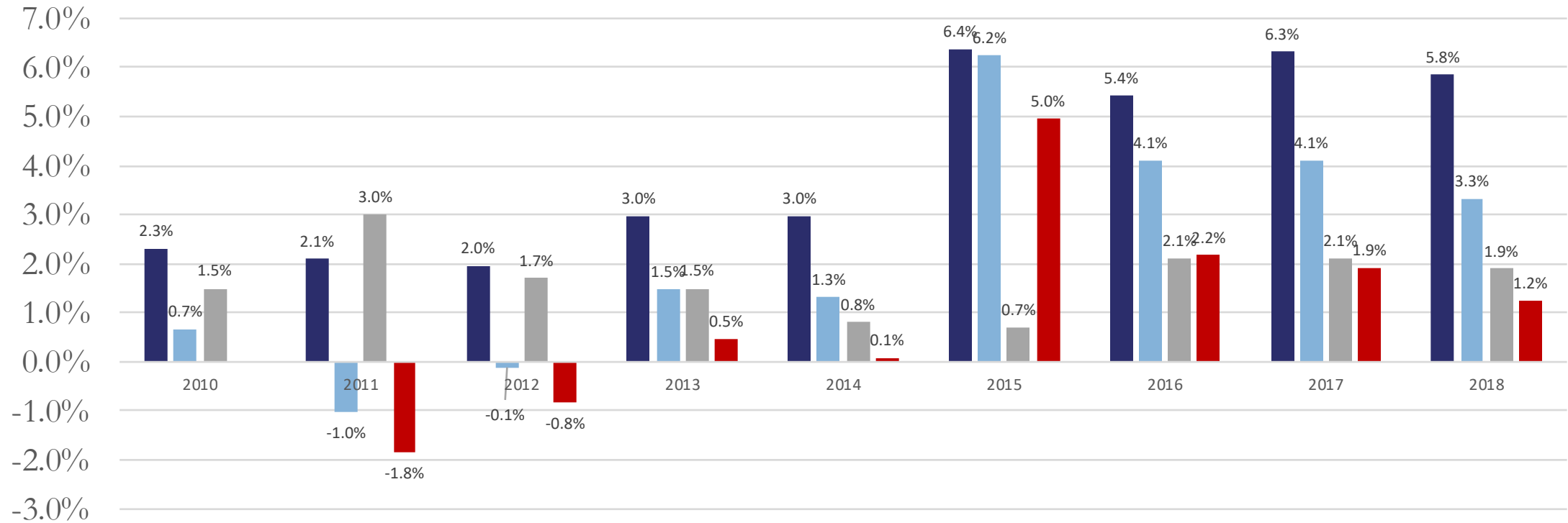
HISTORICAL COUNTY PROPERTY TAX INCREASES, 2001-2019



PROPERTY TAXES AND GROWTH (2019)

- 17 counties had year-over-year property tax growth greater than 5%
- 22 counties had year-over-year property tax growth below 5%
- 5 counties had negative year-over-year property tax growth

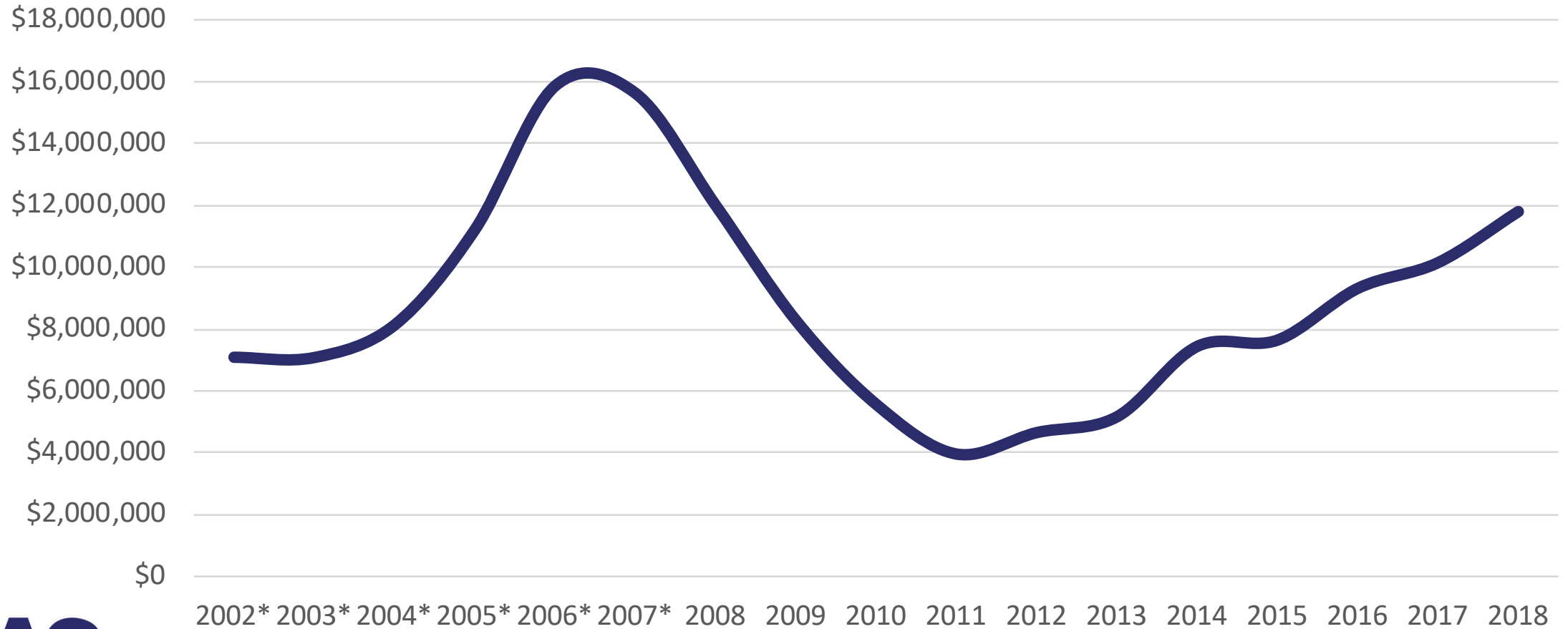
ANNUAL COUNTY P-TAX GROWTH, 2010-18



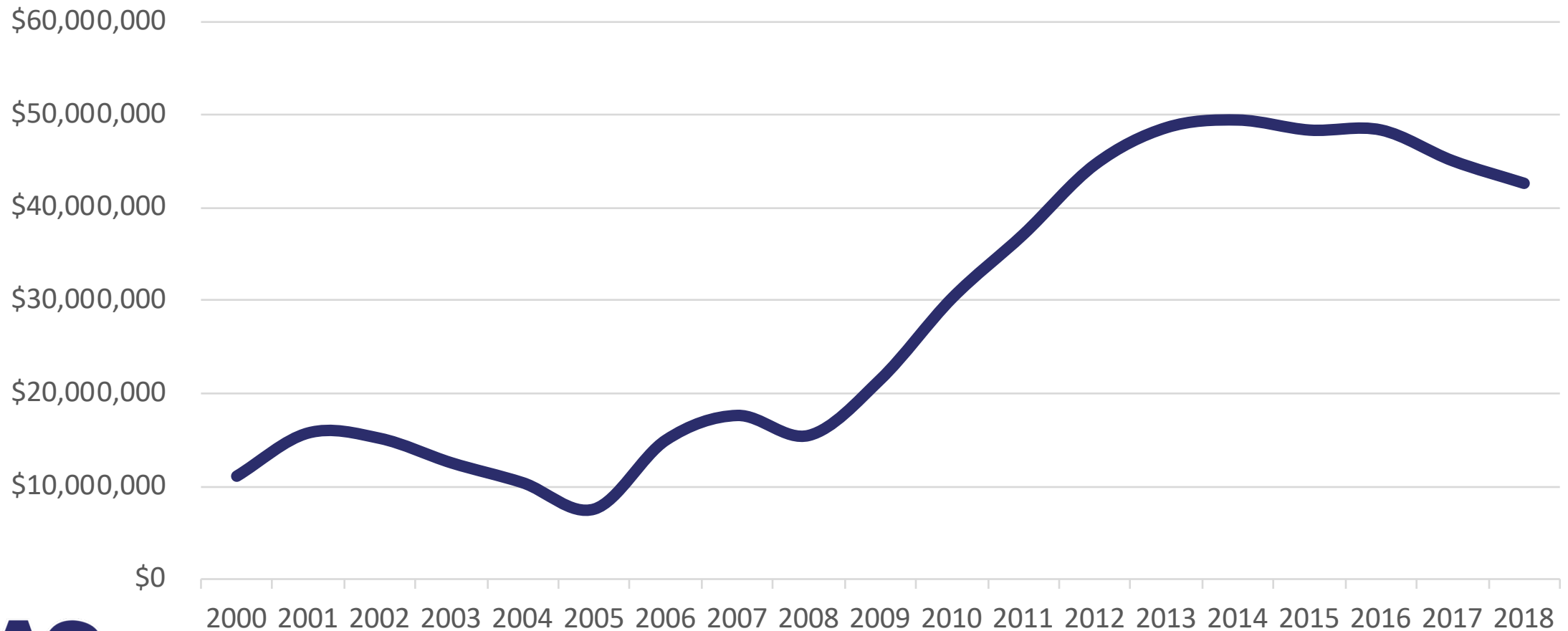
- County P-Tax Budget Growth (no inflation)
- County P-Tax Budget Growth (with inflation)
- Annual Inflation Rate
- County P-Tax Budget Growth (per capita)



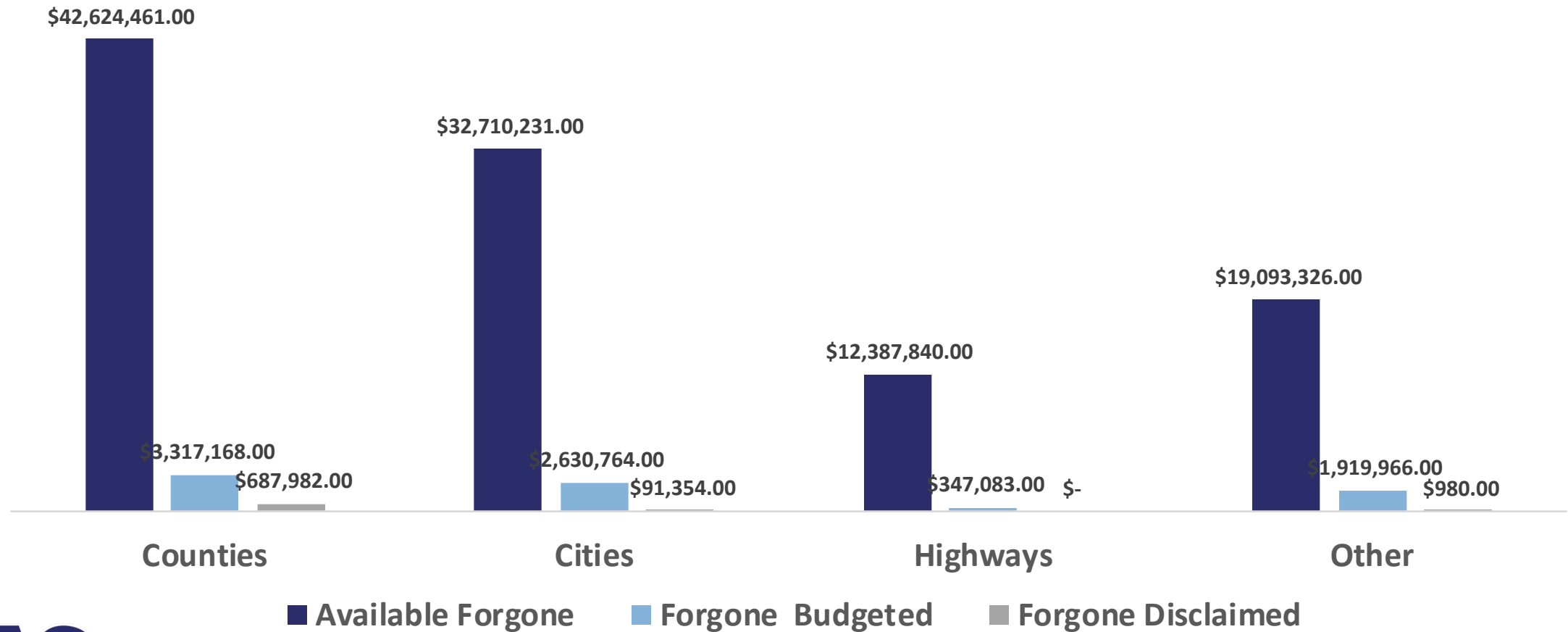
COUNTY NEW CONSTRUCTION PROPERTY TAXES, 2002-2018



COUNTY FORGONE PROPERTY TAXES, 2000-2018



STATEWIDE FORGONE PROPERTY TAXES, 2018



URBAN AND RURAL COUNTIES

- Urban counties have a city with a population greater than 20,000.
- Rural center counties are hubs having cities with populations less than 20,000.
- Commuting counties are rural counties whose residents commute to urban counties or rural centers.
- Open rural counties are the majority of Idaho counties.



BUDGET RESTRICTED VS LEVY RESTRICTED

Budget Restricted (3% Capped)

- Budget restricted counties had a median forgone balance of \$20.
- Non budget restricted counties had a median forgone balance of \$490,294.

Levy Restricted (Levy Capped)

- Levy restricted counties had median new construction revenue of \$18,599.
- Non levy restricted counties had median new construction revenue of \$86,411.

PROPERTY TAX BUDGET CONSTRAINTS

- 23 of 30 open rural or rural commuting counties were property tax budget constrained in 2017 (76.67%).
- 6 of 14 urban or rural center counties were property tax budget constrained in 2017 (42.9%)

COUNTY BUDGET PRESSURES (PROGRAMS/SERVICES)

- Overcrowded jails (population growth and state inmates)
- Public defense
- Felony prosecution
- Involuntary mental/behavioral health commitments
- Indigent health care
- Operation of district and magistrate courts
- Drivers licensing
- Transition to Odyssey
- Infrastructure (aging/overcrowded courthouses, jails, bridges, and highways)
- Reduction/loss of federal SRS funds for roads



COUNTY BUDGET PRESSURES (POLICY)

- Property tax exemptions:
 - Fixed property tax replacement funding from state,
 - Removal of index on homeowners exemption,
 - IDL purchase of private timberlands, and
 - Government and nonprofit ownership of property.
- Urban renewal:
 - \$73.5 million in property tax increment to urban renewal agencies.

MARKET CONDITIONS

- Rapid increase in residential assessed market value combined with slower increases in agricultural, commercial, and timberland values have shifted the burden of who pays property taxes.

WHAT ELSE CREATES COUNTY BUDGET PRESSURES

- Interaction of two mandates (felony prosecution and public defense),
- Technology problems (operation of courts, drivers licensing),
- Changes in federal and state policy (loss of PCIP, individual mandate, SRS, PILT, public defense regulation, etc.),
- Rising costs (mental health, public defense, operation of courts),
- Infrastructure (jails, courthouses, ADA compliance), and
- New or rapidly changing mandates (county indigent program vs. Medicaid expansion).

POTENTIAL SOLUTIONS

- Increase or index the homeowners exemption.
- Increase maximum circuit breaker amount.
- Legislate a moratorium on future property tax exemptions.
- Remove mandated services and direct savings to property tax relief (public defense, Medicaid expansion, etc.).
- Leverage online sales tax revenues for county property tax relief.
- Update county/highway district M&O property tax levy requirements.
- Authorize non property tax financing mechanisms for county infrastructure/property tax relief.
- Incentivize urban renewal agencies to return excess tax increment to taxing districts.

SAMPLE LANGUAGE GRANTING PROPERTY TAX RELIEF FOR MEDICAID EXPANSION

31-863. LEVY FOR CHARITIES FUND. (1) For the purpose of nonmedical indigent assistance pursuant to [chapter 34, title 31](#), Idaho Code, and for the purpose of providing financial assistance ~~on behalf of the medically indigent~~ for involuntary mental health, pursuant to ~~chapter 35, title 31~~ [chapter 3, title 66](#), Idaho Code, for the purposes of providing services authorized by [chapter 46, title 21](#), Idaho Code, and for administrative costs associated with providing services contained within this section, said boards are authorized to levy an ad valorem tax not to exceed ten hundredths of one percent (.10%) of the market value for assessment purposes of all taxable property in the county.

(2) Before calculating the maximum amount of property tax levied in tax year 2020, pursuant to section 63-802, Idaho Code, the county must first reduce the approved property tax levy portion of their budget, subject to the limitation in section 63-802(1), Idaho Code, for each of the immediate prior three (3) years, in an amount equal to the medical indigent expenses incurred up to the amount levied in the county's 2017 fiscal year, which amount shall be reported to the state tax commission not later than July 30, 2019.

THANK YOU!

Any questions?

