

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, January 24, 2019
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Vice Chairman Grow, Senators Hill, Vick, Anthon, Lakey, Cheatham, Burgoyne, and Nye
ABSENT/ EXCUSED: Chairman Rice

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Vice Chairman Grow** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:03 p.m.

DOCKET NO. 35-0103-1801 **Relating to Property Tax Administration. Alan Dornfest**, Bureau Chief, Idaho State Tax Commission (Commission), presented **Docket No. 35-0103-1801**. **Mr. Dornfest** spoke regarding Rule 312 and related partial year assessments. The rule provides counties with procedures for a partial year assessment of properties that had previously been exempt. As of January 1, 2019, there was no longer an exemption for government-owned property that was transferred to private ownership.

Senator Vick asked if there was some reason this issue was brought to the county prosecutors. **Mr. Dornfest** explained it was found to be a legal issue rather than a valuation issue. **Senator Burgoyne** asked for clarification concerning controversy over Rule 312 in the House of Representatives. **Mr. Dornfest** said his office had reviewed the issue and they did not find any concerns.

Mr. Dornfest explained Rule 408, relating to procedures for assessors to request the Commission re-examine the operating property values. Current rules state they can only ask for a re-examination of final values, which are not set until the State Board of Equalization (Board) completes its action at the end of August. There is no procedure in place for the Board to exist after that time, so any re-examination would need to wait until the following year. This rule would change the preliminary values, making them available a month earlier to allow the statutory concern and requirement be fulfilled.

Mr. Dornfest described Rule 610, relating to the homeowners exemption where there are multiple property owners. Last year's revision specified if there is no ownership interest dictated, and the property is owned with another party, it would be a half split. This rule would always defer to the specified ownership if one was provided.

Mr. Dornfest spoke regarding Rules 613 and 614, relating the provision for clearer guidance for assessors to value agricultural land. **Mr. Dornfest** recommended the Committee reject Rules 613 and 614 for further clarification.

Mr. Dornfest advised Rule 630 is being amended because H 591 passed in 2018, adding centrally assessed operating property that could potentially qualify for this exemption. The exemption allows a tax payer making a \$1 billion investment the possibility of being eligible for capping their taxable value in any county at \$400 million. Prior to the passage of that bill, the exemption was limited to locally assessed property. The Commission put in the rule parallel procedures for companies to apply directly. They would both grant and notify local officials, so there would be a precise awareness of the entire system.

Mr. Dornfest explained Rule 709 is a companion rule that provides how much property may be eligible for the circuit breaker property tax reduction program in cases of multiple ownership.

Mr. Dornfest stated Rule 802 is being amended to clarify procedures for special provisions for value increases and decreases. It would enable taxing districts to have additional budget capacity. More property taxes are allowed under this law to levy, if value is added to the new construction role. There are two rules on this issue.

Mr. Dornfest gave a detailed explanation on amendments relating to building permits and construction pertaining to Rule 802. **Vice Chairman Grow** asked if there are timing requirements regarding the building permit versus construction. **Mr. Dornfest** confirmed there are timing issues regarding the provisional exemption.

DISCUSSION:

Senator Lakey and **Mr. Dornfest** discussed provisional exemptions. **Senator Burgoyne** inquired if a piece of property comes into the revenue allocation area as a consequence of formation of the district, or as a consequence of annexation after the district is formed, do they figure the difference between then and the time of dissolution. **Mr. Dornfest** confirmed this.

Mr. Dornfest continued to Rule 803, relating to procedures for taxing districts to use when they submit property tax budget information to counties for approving levies. He stated this rule clarifies additions and subtractions that must be shown when there is replacement money or in lieu of monies. The example he gave was solar farms, which pay an in-lieu tax instead of property tax. If a district receives some of its budget from a solar or wind farm, it can not get money from property tax as well. Also included in this rule are adjustments that were needed for H 559 - tax exempt property, H 392 - energy tax, notification dates, and H 567 - cemetery maintenance districts, all passed in March of 2018.

Mr. Dornfest spoke regarding Rule 804, relating to tax levy, certification and urban renewal districts. He stated this rule tells assessors what to put in the base and what to put in the increment value within urban renewal districts.

DISCUSSION:

Mr. Dornfest reported Rule 962 clarifies definitions related to classification of forest land for property tax purposes. The process used to determine the forest land value under the productivity option shall be as specified in Idaho Code § 63-1705. A discussion ensued between **Senator Nye** and **Mr. Dornfest** regarding a change in rule wording and an alternative method to establish productivity. **Senator Burgoyne** and **Mr. Dornfest** discussed inspector proficiency in terms of these appraisals and classes or accredited college courses that could be taken to become an inspector.

Senator Hill stated he wanted to revisit Rule 312 and asked **Mr. Dornfest** to explain what it is they are trying to accomplish with the rule. **Mr. Dornfest** explained Rule 312 changes a government-owned property from exempt status to taxable status when it is sold to a private person or organization. It becomes taxable quarterly and the assessment is prorated accordingly.

TESTIMONY: **Megan Conrad**, attorney with Elam & Burke, spoke on behalf of the Redevelopment Association of Idaho, which represents urban renewal agencies throughout the state. This rule addresses the interplay between a revenue allocation area and county property tax exemption in Idaho Code § 63-6002. She believes it provides greater clarity and opportunity for unity and application and is consistent with the statutes at issue.

Jeremy Pisca, attorney with Risch Pisca, PLLC, in Boise, stated he was there representing PotlatchDeltic Corporation on Rule 962, the result of efforts of the Committee on Forestland Taxation Methodology (Committee). **Mr. Pisca** advised that Rule 962 did not change any valuation requirements. The bill came to the Committee because there were assessors in north Idaho that changed a parcel's productivity classification, and once those classifications changed, the land owners received a tax increase. Previous legislation (H 462, 2018) instructed the Committee to designate a process by which county assessors may change a parcel's productivity classification and set forth requirements for landowner notification, inspector qualifications and document retention. It then directed the Commission to promulgate rules to implement the process. Rule 926 is the result of those efforts by the Committee. A discussion ensued between Mr. Pisca, Senator Nye, Senator Lakey, and Senator Burgoyne, regarding classification of the forest and inspector qualifications.

Brian Stender, Canyon County Assessor, Assessor's Association Representative on the Rules Committee, stated he attends the meetings when Mr. Dornfest presents the rules. He is available in case additional clarity is required. No additional clarification was requested.

MOTION: **Vice Chairman Grow** moved to approve **Docket No. 35-0103-1801**, with the exception of Rules 613 and 614 requested to be withdrawn by **Senator Nye**. The original request was made earlier in the meeting by Mr. Dornfest. **Senator Anthon** seconded the motion. The motion carried by **voice vote**.

A copy of the rules can be found on the Legislative website.

Vice Chairman Grow announced **Docket No. 35-0103-1802** and **Docket No. 35-0103-1803** would be rescheduled.

MOTION: **Senator Hill** made a motion to adjourn for the day. **Senator Nye** seconded the motion. The motion carried by **voice vote**.

ADJOURNED: There being no further business at this time, **Vice Chairman Grow** adjourned the meeting at 4:40 p.m.

Senator Rice
Chair

Carol Waldrip
Secretary