

**Members of the 2020 Legislative Interim Committee, 2020 Property Taxes and Revenue Expenditures. Your charge is:**

**“To study the current property tax system in Idaho, including expenditures of property tax revenues. The principal goal of the committee shall be to make recommendations that provide Idahoans with property tax relief, encourage economic development, and meet the needs of local units of government.”**

Having viewed the two previous meetings we are concerned that the parameters of the “Charge” of the committee are excessively broad, exceed and obfuscate the original intent and reason for this committee. While the goals are admirable the complexity and depth indicated within the “Charge” far exceed the required corrections to relieve Idaho Taxpayers of the resultant unintended property tax transfer from the categories of Commercial and Agriculture to Residential. This was unwittingly caused by the legislation you enacted in 2016 which placed a cap of \$100,000 allowable exemption per homestead as described within Title 63-602G. **The committee at this point is attempting to define or discover a solution to a problem that is clearly defined and functioning.** The problem with property tax is incomprehension of the issue by those of the legislature to understand semi-complex accounting systems which obviously the public also lacks. Allowing “Transparent Idaho” to clarify and explain property tax by posting the explanation is the correct policy.

The short sightedness of the legislature was established in 2016 when they passed HB431, now 63-602 G.

Rebalancing the previous percentages of property tax liability and burden of the three categories requires simply amending 63-602G. I have entered two suggested versions amending 63-602G below. The first is a simple amendment extracting of the amended version of 2016. The second includes extracted and added language to ensure equity, fairness and adequate funding which will allow the taxing districts to adequately preform their legal functions.

**63-602G. PROPERTY EXEMPT FROM TAXATION — HOMESTEAD.**

**63-602G. PROPERTY EXEMPT FROM TAXATION — HOMESTEAD. ~~EFFECTIVE UNTIL JANUARY 1, 2021~~** (1) For each tax year, the first ~~one hundred thousand dollars (\$100,000)~~ 50% of the market value for assessment purposes of the homestead as that term is defined in section 63-701, Idaho Code, ~~or fifty percent (50%) of the market value for assessment purposes of the homestead as that term is defined in section 63-701, Idaho Code, whichever is the lesser,~~ shall be exempt from property taxation.

The second is an obvious amendment of 63-602G. The characteristics of each of Idaho’s 44 Counties vary in population, both urban and rural with widely varying residential values. A deduction of 50% on over \$1million homes will raise the levy rates on the lower value homes. Due to this factor I suggest that the statute be amended to allow each county to establish the average or median home value within each county and apply the 50% exemption to that amount only. Higher valued homes will then be taxed on the value exceeding the 50% exemption of the

established average or median value. The suggested amendment, which I am sure can be better constructed, is copied and amended below.

63-602G. PROPERTY EXEMPT FROM TAXATION — HOMESTEAD. ~~[EFFECTIVE UNTIL JANUARY 1, 2021]~~ (1) For each tax year, the first ~~one hundred thousand dollars (\$100,000)~~ **fifty percent (50%)** of the market value **of the average home to be established by the assessor of each of Idaho's 44 counties** for assessment purposes of the homestead as that term is defined in section 63-701, Idaho Code, ~~or fifty percent (50%) of the market value for assessment purposes of the homestead as that term is defined in section 63-701, Idaho Code,~~ **whichever is the lesser**, shall be exempt from property taxation.

**Second:** The budget process established by the Idaho State Tax Commission in the utilization of the L-2 form appears to be a proper accounting method for the Taxing Districts, but is confusing to those unacquainted with complex accounting methods and was the source of confusion during the 2020 legislative session wherein the “New Construction” addition to the non-exempt total was perceived to be an increase of property tax affecting the bills of existing tax paying properties. **Herein is a definitely needed clarification.** While the “New Construction” roll does in fact increase the total of property taxes received by the taxing districts, the addition of such does not raise the levy rate but simply affords the extra tax receipts to pay for the increased services required by the taxing district wherein the “New Construction” occurred. Other property taxpayers bills are not affected by this addition other than to pay for the increased infrastructure required, such as water, sewer, schools, etc. where impact fees should be applied which would pay for and eliminate such transfers and increases to the existing properties.

**Third:** The statutory allowable yearly 3% increase to a Taxing Districts budget is arbitrary and capricious, existing only as a limit of allowable expenditures without factual basis. We recognize there are yearly inflationary increases to the cost of material and services which would impede the statutory mission of all taxing districts if not properly funded, but a reasonable allowance for increasing costs must be provided. Establishing a fixed or capped rate is questionably irresponsible and perhaps negligent representation by the legislature. Yearly funding increases by any taxing district must be reflective of and not exceed the Consumer Price Index of Idaho which is clearly and supposedly fairly imposed upon the employees of the State of Idaho by the Cost of Living Allowance (COLA) developed yearly by the Public Employee Retirement System of Idaho (PERSI).

**Fourth:** The utilization of the funds received from the 1% increase in Idaho Sales Tax during the Extra Session, the summer of 2006, which was entitled, “SECTION 1. SHORT TITLE.” This act may be known and cited as the “Idaho Homeowner Tax Reduction Act.”, is and was meant to remove School Maintenance and Operations (M&O) from property tax and replace those needed funds with funds developed from the additional 1% of additional sales tax added by Senate bill 2006 S1001. The funds to be added to the General Fund and then delivered to the school districts to cover the cost of M&O. Herein the legislature, being entrusted with and to express the will of the citizens of Idaho must take corrective action by amending title 33-802, 33-1002 (d) (4), 72-1349 (a) and 63-(602) (g) (b) and isolating 1% of the yearly collection of sales taxes collected by the Idaho Tax Commission for distribution to schools as needed. Because it

was not so isolated the present result of the 2006 legislation has actually raised property tax within Idaho in excess of \$214,000,000 by levies paid by property tax to provide for schools M&O during 2019 when the collection proceeds from the 1% additional sales tax imposed by the legislature in 2006 produced \$316,952,047 during the same year.

I urge you to concentrate on and correct the problem created by the 2006 legislation and return the balance that existed at that time allowing the Residential burden to 44.5%+- of the total property tax burden.

Ronald M. Harriman Chairman of the Concerned Citizens of Canyon County Committee