

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 12, 2020

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Kiska, Ellis, Mason, Necochea

**ABSENT/
EXCUSED:** None

GUESTS: The sign-in sheet will be retained with the minutes in the committee secretary's office until the end of the session. Following the end of the session, the sign-in sheet will be filed with the minutes in the Legislative Services Library.

Chairman Collins called the meeting to order at 8:31 a.m.

H 409 Continuation of the meeting of February 11, 2020.

Those speaking **in opposition to H 409** were **Brad Wills**, Twin Falls County Assessor; **Ned Burns**, Bellevue; **Mark Bauer**, Bingham County Commissioner; **John Evans**, representing the Association of Idaho Cities; **Chelsa Wilson**, Communications Specialist, City of Caldwell; **Kris Yamamoto**, Canyon County Clerk; **Tom Dale**, Canyon County Commissioner; **Phil McGrain** Ada County Clerk; and **Lucy Wills**, Twin Falls. They said the 6% budget increase is because of growth, and Ada County's property taxes have grown as much as 42.6% which needs to be addressed through indexing homeowners' exemptions, increasing the limits on circuit breakers for those on fixed incomes and doing away with land-use values. They opined that local government and assessor budgets are very transparent with public hearings and audits held; property taxes are not frozen but budgets are frozen; limiting budget growth by 3% every year based on market value makes a stable tax system; deferred maintenance is deficit spending and **H 409** would create deficit spending state-wide; unfunded mandates are very underfunded, especially in jails and driver license programs; cities who lower the balance of their reserved funds because of the freeze, risk their credit rating being effected which means tax payers could pay the burden on future bonds with a higher interest rate; new growth does not add to the property tax bill but does the opposite by diluting the base; the vast majority of the property tax shift is because of rising home values; and new construction abilities from local government should not be taken away.

Seth Grigg, Idaho Association of Counties, opined that many people do not understand what services counties provide, and he shared information on the number of state primary mandates required by statute. He also shared information on the approximately two dozen levies the state has established that counties can use, and said levies create complexities. He said, based on 2019 property tax information utilized in county 2020 budgets, counties collected about \$570 million to provide services with about half in property taxes and the rest from sales and use tax revenue sharing, election consolidation, property tax replacement, the highway distribution account, liquor sources, federal funds and county cash forward balances that apply to the first quarter of the year.

In response to committee questions, **Mr. Grigg** replied that counties receive between \$170 to \$180 million from the \$620 million the state sends to local jurisdictions for state mandates and the rest goes to cities and highway districts. Responding further to committee questions on new growth not paying for itself, Mr. Grigg remarked cities cannot say 'no' to someone with property rights within city limits, with some conditions, which can result in impacting sewer and water capacities and roads. Not approving projects would exacerbate the housing shortage and a one-year delay could have repercussions.

Those speaking in support of **H 409** were **Alex LaBeau**, Idaho Association of Commerce and Industry; **Michael Law**, Kuna; **Ed Parnell**, Canyon County; **Larry Olmstead**; **Rod Wickstrum** and **Kim Wickstrum**; and **Russ Smerz**; who said in 3 years property taxes have increased over 33%, and with the power to tax, local governments have erected a lot of new offices and people who need support. Although the circuit breaker program is of value for those who are eligible, people have to apply every year, standing in line in winter weather while bringing their yearly taxes and medical expenses each time. Some Idahoans are paying 20% of their income for property taxes, and those people have to look at cutting back their budgets, so why shouldn't the government as well. Idaho discusses this problem year after year with no resolution on how to deal with the complaints of taxpayers across Idaho. They opined **H 409** is a time out for a year to take a real legitimate look at how we are financing local government through our property tax budgets because there has been over two decades of property tax issues, and it is time to have a comprehensive review of property tax coupled with a robust interim committee to deal with property tax shifts through homeowner's exemptions, final elimination of personal property tax and how to finance property tax in general should it be eliminated, and consolidation of some governments. Local government reserve funds need to be examined because only about 80% of them have provided information in response to statutory mandates for transparency. We need to look at how other states manage urban renewal and debt because some manage it well and some don't.

Miguel Legaretta, Associated Taxpayers of Idaho, indicated they provide information and education. He informed the committee, in 2018 there were 967 districts that levied taxes with 1,113 districts in total with 853 non-school district levies in Idaho. The information he is presenting relates only to non-taxing school districts. Some district budgets, 2.6 %, stayed the same, 41.% had lower budgets and 92.6% had an increase from 2017 to 2018. Some increases were well over 10%. Excluding school districts, the total levy change from 2017 to 2018 was \$77.2 million or a 6.5% increase. For 2018-2019 the increase was 6.4% or \$84 million above 2018. Total state-wide taxes in 2019 were \$ 2.035 billion. There has been a rapid increase in values of 10.5 % statewide in 2018 and 14.5% in 2019. This leads to the discussion today that many budgets are growing over 3%. He gave examples of scenarios of taxes and growth, and said they do tie back to the levy to some degree and to growth. There are rising values with needs from new construction growth.

In response to committee questions, **Rep. Moyle** replied **H 409** freezes budgets not taxes, and he doesn't know of any way tax can be frozen. In response to further committee questions, **Rep. Moyle** replied that the homeowner's exemption just shifts taxes but could be done if it was the consensus of all the parties coming together and deciding.

Speaking **in opposition** to **H 409**, **Tom Dale** said the only true way to sustainably lower property taxes is through economic development. An exemption granted by the legislature became a tool for Canyon County to have a robust economic development. The first of these 5-year exemptions are falling off, and the full amount of their taxable value will come online as new construction which will help pay for the additional services their growth is causing. It also serves to help lower the levy rate and lower taxes. Freezing new construction property tax would not give the benefit of the 5 years of exemption.

In response to committee questions, **Tom Dale** replied that 4 or 5 exemptions would fall off in Canyon County this next year. The committee members discussed the impact to property tax of new construction, lowering the levy base, the cost of these exemptions to counties for the first five years, the idea of graduated exemptions, tax shifts from urban development and the complexity of property tax issues in Idaho.

Chairman Collins said that due to time constraints, **H 409** will be carried over to the meeting of February 13, 2020 at 8:30 a.m. and that **Jeremy Chou's** opportunity for public testimony would be set over until then.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:31 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary