

STATEMENT OF PURPOSE

RS28436 / H0218

The personal property tax applies to business machinery, tools, furnishings, equipment, and some fixtures. It is one of the most difficult to administer and comply with for government and business alike. It is a barrier to economic development, and studies indicate that the elimination of the tax results in significant economic stimulus for both business and the personal income of Idaho citizens.

The purpose of this legislation is to phase out the tax over ten years. Elements of the legislation include an immediate exemption for transient personal property starting on January 1, 2022. In addition, all new personal property acquired after that date will be exempt from taxation.

The remaining personal property on the books prior to that date will be assessed for 2022. This process will establish the actual gross dollar amount that will be repaid by the state to local government throughout the ten-year phase-out and into perpetuity.

The ten-year phase-out starting in 2022 or FY-2023 will be in ten percent (10%) increments until all of the personal property tax paid by business is eliminated and the state is fully reimbursing local governments.

The legislation eliminates a current ongoing shift of tax liability from personal property to real property and gives a predictable and low-cost system to state budget writers.

FISCAL NOTE

Starting in 2022, there should be an immediate savings to counties that will no longer have to track and assess many of these depreciating assets of the businesses in the state.

The remaining amount of personal property tax to be reimbursed to local government will be phased in. The fiscal notes are a "worst case scenario." Studies indicate that the state will see as much as half of the fiscal notes indicated returning to the state coffers in the form of economic expansion of both business and personal income as a result of the change in Idaho policy to eliminate the tax.

The eventual total gross cost after ten years is estimated to be \$135.2 million. FY-2023 cost is \$13.52 million to the general fund. The net long-term cost for Idaho is estimated to be approximately half and eventually no cost, based on dynamic forecasting models.

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DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).