

STATEMENT OF PURPOSE

RS28965 / H0389

This bill makes several changes to Idaho Code, providing property tax relief and limiting the ability of local taxing districts to increase their budgets.

For property tax, it provides property tax relief in 2021 to homeowners by increasing the homeowner's exemption to \$125,000. It reduces property taxes for homeowners who qualify for the circuit breaker program by increasing the benefit up to \$1,500, depending on need. It reduces property taxes for veterans qualifying for the special disabled veteran's property tax reduction program by increasing the benefit to \$1,500. In 2022, it adds an additional qualification for the circuit breaker program to ensure the general fund no longer subsidizes income-poor but asset-rich applicants. Also, in 2022, it increases the exemption for personal property taxpayers to \$250,000 and exempts transient personal property from taxation.

For local taxing districts, it reduces the amount of valuation available to tax new construction and annexation, creating a total cap of 8% in any budget year. It also reduces the amount of forgone revenue a taxing district may take for ongoing budget growth but provides a mechanism for expenditures that are considered one-time capital projects. Finally, it delays the entry of an improved property's market value on the new construction roll until after the improvements are completed. Overall, this bill provides direct residential and commercial property tax relief and also provides for indirect property tax relief by curbing growth in local budgets, the combination of which results in significant tax relief for all property owners.

FISCAL NOTE

The changes to local budgets are hard to quantify. Limiting the amount of taxable value that new construction, annexation, and forgone revenue add to budget capacity may result in curbed budget growth by as much as 23% in some cases. The increased homeowner's exemption does not have a budgetary impact but results in savings to the homeowner. Local budgets are kept whole by the general fund for the increased exemption for personal property and increased benefit for the circuit breaker and disabled veterans property tax reduction program.

This bill does impact the general fund in two ways. First, local governments are being provided personal property tax replacement monies. This has a cost to the general fund of \$8.1 million in FY 2023. Additionally, the increase to the circuit breaker and disabled veterans property tax reduction benefit will cost the general fund a little over \$2 million in FY 2022, but the asset test for homes at or over 125% of the assessed value will result in general fund savings in FY 2023. Overall, the estimated impact in FY 2022 on the general fund is \$2 million and the ongoing impact, beginning in FY 2023, is \$8.1 million.

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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).