

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 11, 2021
TIME: 9:00 A.M.
PLACE: Room EW42
MEMBERS: Chairman Harris, Vice Chairman Addis, Representatives Moyle, Gestrin, Dixon, Kauffman, Cannon, Hartgen, Manwaring, Okuniewicz, von Ehlinger, Weber, Necochea, Ruchti
**ABSENT/
EXCUSED:** Representatives Adams, Nichols, Chaney
GUESTS: Carson Tester, Westerberg and Associates.

Chairman Harris called the meeting to order at 9:00 a.m.

Seth Grigg of Idaho Association of Counties presented on County Budgeting. The differences between cities and counties were outlined; county services are defined by statute, serve legislative and executive functions, and are funded through dedicated and general funds. Mr. Grigg discussed the structure of county governments' budget cycles including the breakdown of expenditures and revenues. The largest county expenditures were cited as jails and Sheriffs' offices. General fund revenue streams were reviewed excluding enterprise operations like landfills. Transportation expenses and revenues as well as intergovernmental revenue sources were also presented.

Mr. Grigg discussed how rural areas are burdened by tourism on federal lands for which they do not receive funds and cannot levy taxes. Allocation of property tax and Idaho's counties' budget based system for determining rates were addressed. Forgone property taxes in relation to new construction as well as notice and hearing procedures to levy the forgone taxes was explained. Occupancy tax was described as separate from new construction tax because a new building may be occupied partially in a given year. The tax commission doesn't track occupancy tax that is collected and remitted by counties. Mr. Grigg discussed the different levies counties are authorized for by the legislature and how some are dedicated and can be capped. He reported that justice levies are always capped and are currently operating at max. A map of new construction property tax revenue comparison per county demonstrated that some areas are growing in population while others are shrinking. Rural counties are not seeing an increase in revenues but are still needing to fund the same essential services.

In response to committee questions, **Mr. Grigg** discussed how funds are allocated in regards to highway districts and liquor sales. Capacity for jails was briefly reviewed. Costs attributed to new growth have not been reported according to Mr. Grigg. He confirmed that school property tax only exists in bonds and levies. Concerns about levy rates driving up existing property taxes for home owners in areas of growth were expressed by committee. Mr. Grigg explained county commissioners' temporary and permanent override options.

Mr. Grigg clarified occupancy tax as one-time funds that are reflected as new construction fees. When asked who is tracking and overseeing how occupancy tax is brought in and spent at the city level, Mr. Grigg reported that every county should be tracking that but there currently is no mechanism for transparency. He did not have updated data from the state tax commission on forgone amounts but will produce a report when data is received. Mr. Grigg predicts an increase in forgone property taxes. There was additional questioning on how new development effects existing residences' property tax and whether it was a budget issue. The differences between a perfect and volatile market based system were used to explain the consistency in levy rates for new and existing construction.

Keith Bybee presented on Local Taxing District Expenditures for FY 2019. The data analysis came from 1,200 audits. The expenditures were broken down by taxing district for the whole state to show the percentage of property tax used to fund each district. Local Expenditures by Fund Source contained an error under the Road & Highway taxing district; it should include county roads and bridge districts. Mr. Bybee said he would supply the correct information. Total city and county expenditures were reviewed by funding source percentage.

In response to committee questions, **Mr. Bybee** discussed alternative revenue sources outside of property tax like state, franchise fees, and solid waste. Expenditures that are over 100% of their budgets may have been projected lower than tax levied that year. When asked if analysis has been done on the difference between property tax replacement and the tax that would have been due in the absence of the 2013 personal property tax exemption, Mr. Bybee responded that he had not heard of any. He cited difficulty tracking incoming funds; Identifying each funding source in the audit would be too cumbersome. Audits have some fund source info but don't have complete information on program budgets.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:15 a.m.

Representative Harris
Chair

Beth Norton
Secretary