

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Monday, May 03, 2021

**TIME:** Upon Adjournment of the House Judicial Rules and Administration Committee

**PLACE:** Room EW42

**MEMBERS:** Chairman Harris, Vice Chairman Addis, Representatives Moyle, Chaney, Gestrin, Dixon, Nichols, Kauffman, Adams, Cannon, Hartgen, Manwaring, Okuniewicz, Vacant, Weber, Necochea, Ruchti

**ABSENT/  
EXCUSED:** None

**GUESTS:** Brian Stender, Zack Wagoner, and Chris Yamamoto, Canyon County; Deborah Kling and Rick Hagaboam, City of Nampa; and Francoise Cleveland, AARP.

**Chairman Harris** called the meeting to order at 2:56 p.m.

**MOTION:** **Rep. Necochea** made a motion to approve the minutes of the April 14, 2021 meeting. **Motion carried by voice vote.**

**H 389:** **Rep. Moyle** said property taxes have been discussed for several years. He reiterated legislative attempts to resolve the issues, and said it is time to slow down the pain of the shift and burden upon Idaho citizens. **H 389** will solve some problems and help slow down some of the shift and is based upon ideas from members of the committee, Idaho Farm Bureau, Idaho Realtors, the Idaho Association of Commerce and Industry, the Association of Idaho Cities, and the Idaho Association of Counties.

There are only two ways to lower property taxes. One is to shift and the other is to constrain the budget. **H 389** provides property tax relief by raising the homeowner's exemption from \$100,000 to \$125,000, and increasing the circuit breaker property tax break for seniors and disabled veterans to \$1,500 from the current \$1,320. In 2022, it will change the way the circuit breaker is done and who can qualify by saying if a home's assessed value exceeds 125% of the county's median, the owner will be given the option of the property tax deferral program. By doing that, hopefully, it can be increased again next year. Sometimes homes worth millions are taking advantage of the circuit breaker which was never intended. In 2022, it increases the exemption on personal property tax. It does not do away with personal property tax but increases the exemption from \$100,000 to \$250,000 and eliminates the transient personal property tax, which is hard to track. **H 389** places a cap of 8% on local government property tax budget growth, which will affect a few, but not many, districts. There is one exemption, if an urban renewal district dissolves, it allows 80% of the urban renewal to come in above the cap. It reduces the amount of forgone money that a taxing district can take, limiting it to 1% of ongoing but allowing 3% for a one-time capital purchase.

**H 389** addresses stakeholder concerns regarding changes in classification by saying that entry of an improved property market value does not go on the new construction roll until improvements are made, which in Canyon County is about 20%. This will reduce property taxes going forward until something is built that would take up the burden and not shift it to others. This bill is a start that will help the taxpayer, but eventually the issue of budgets will need to be addressed because you can only shift the tax burden so much.

In response to committee questions, **Rep. Moyle** provided examples of classification changes where developers build by agricultural or forest property, the assessor raises its value by reclassifying it as development property which goes on the new construction roll, and then the property goes back to its original classification resulting in extra expense to the property owner. He stated **H 389** prevents this from happening until improvements are made. Rep. Moyle said the General Fund will pick up the costs for the first year of the circuit breaker, and the second year the 125% of median qualification will fund the increase from the bottom. It is hoped the circuit breaker can be increased the second year as well. It is a way to do an asset test without defining each asset and is done to rule out the state subsidizing million dollar homes.

He further responded that raising the homeowners exemption may not provide relief because some taxing districts do not have agricultural or commercial land to shift the tax to. Some taxpayers will see a lot of relief at the 25% raise and some won't see any because it will fall back on the unprotected portion of their property since there is no one to shift it to and the burden falls back on the homeowner.

Speaking in opposition to **H 389** were **Debra Kline**, Mayor of Nampa; **Richard Hogaboam**, Chief of Staff for the Mayor of Nampa; **Brian Stender**, Canyon County Assessor; **Zack Wagoner**, Canyon County Clerk's Office; and **Francoise Cleaveland**, Associate director of AARP Idaho, who said legislation that raises the homeowners exemption by up to 50% needs to be brought forward; the value of seniors' homes has increased tremendously, but their income has not; the tax shift has not been equitable with commercial properties seeing tax reductions while residential properties are seeing tax increases; cities provide services for new construction so it should not be taken; eliminating contribution from new growth will eliminate public safety for citizens; most of the increase in property taxes are funding shifts from the largest property homes; the homeowner's exemption is losing its value and \$125,000 would only help homes valued at \$250,000 or more and homes \$200,000 or less would pay more property tax; and not everyone has equity in their home to qualify for the circuit breaker with the bill's eligibility cap and median assessment requirement.

**Brian Stender** said Canyon County has seen a tremendous shift with a substantial increase in the residential sector versus commercial and agricultural areas for several years. He wants the homeowners exemption to be \$150,000, or 55%, to allow for more exemption on the bottom end to overcompensate for adjusting the levy rate. Their assessed values will increase 25-30% this year on average and have a range between 15-40%. Residential homeowners will see a substantial increase in their tax bill even if there is no increase from the taxing districts. An exemption of \$150,000 would not stop the shift to residences with these increases and tax bills would go up but not as much with a \$125,000 exemption. The circuit breaker will help. The budget portion of the bill involves a lot of calculations which increases the chance of errors. He would like to see **H 389** held for more modification.

Replying to committee questions **Mr. Stender** said he is not opposed to equity of homes being considered in qualifying for the circuit breaker, but needs more specific information on setting the median. He further responded that a homeowners' exemption of \$150,000 would hold property taxpayers where they are this year, but residential values will go up faster than the \$125,000 exemption. He opined commercial investors will benefit the most from this bill. With the homeowner's exemption, Idahoans located in areas of primary agricultural or timber property will see an increase in their property taxes. Agricultural property is calculated on an income method by use and there already is a difference in their apportioned assessment.

**Mr. Stender** introduced **Mr. Wagoner** to respond to committee questions regarding the amount of urban renewal increment in Canyon County that goes to the urban renewal district as opposed to staying in the budget to pay for police and firefighter services. Mr. Wagoner responded that approximately \$8 million in taxes paid are allocated to urban renewal agencies.

**Rep. Moyle** closed testimony by saying the Canyon County Assessor has the ability to go after large businesses that are paying less property tax by not basing their assessment on the worth of their buildings but can assess them on their income level. City budgets are out of control, and assessors could be doing this to control budgets. Some of the districts have nowhere to shift the homeowners exemption no matter the amount. If it helps the homeowner, the business or farmer are going to pay the bill. There is no tax relief in the homeowners exemption. It is local budgets and assessors who choose not to go after assessing commercial businesses who are creating the property tax problem. This bill doesn't do away with all property tax, but is a start in the right direction, it stops the shift when a new house is built everyday, and it fixes some urban renewal problems. It is the best compromise to be reached among the many stakeholders involved.

**ORIGINAL MOTION:**

**Rep. Gestrin** made a motion to send **H 389** to the floor with a **DO PASS** recommendation.

**SUBSTITUTE MOTION:**

**Rep. Nichols** made a substitute motion to send **H 389** to General Orders.

**Chairman Harris and Reps. Weber, Hartgen, Kauffman, Okuniewicz** spoke in support of the original motion saying the homeowner's exemption shifts the burden to the most vulnerable Idahoans such as renters, the bill cuts taxes for homeowners with an 8% budget cap, takes 90% off of new construction and 80% of urban renewal development.

**Reps. Nichols, Adams, and Necochea** spoke in support of the substitute motion saying it does not provide enough relief to keep people in their homes, they would like to see a sunset on the 25% homeowner's exemption, and it takes people off of the circuit breaker program.

**VOTE ON SUBSTITUTE MOTION:**

**Chairman Harris** called for a vote on the substitute motion to send **H 389** to General Orders. **Motion failed by voice vote.**

**VOTE ON ORIGINAL MOTION:**

**Chairman Harris** called for a vote on the original motion to send **H 389** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

**H 390:**

**Rep. Manwaring** presented **H 390** stating it is a trailer bill to **H 251** that says one-time federal relief money is not to be taxed. There were concerns raised in **H 251** that if money went directly to a tenant and not to a landlord, they would be taxed. **H 390** clarifies that if the payments go directly to the tenant they are not taxed. Once it is paid to the utility provider or landlord, they will pay taxes on it. **H 390** also clarifies **H 214** by adding legislative intent language regarding how the Idaho State Tax Commission (ISTC) is to operate and clarifying the authority of the ISTC.

**MOTION:**

**Rep. Chaney** made a motion to send **H 390** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Manwaring** will sponsor the bill on the floor.

**Chairman Harris** thanked the Secretary, **Lorrie Byerly** for her service and presented her with a gift.

**ADJOURN:** There being no further business to come before the committee, the meeting adjourned at 4:11 p.m.

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Representative Harris  
Chair

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Lorrie Byerly  
Secretary