

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, March 16, 2023

TIME: 2:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 2:01 p.m.

MINUTES APPROVAL: **Vice Chairman Schroeder** moved to approve the minutes of March 2, 2023. **Senator Cook** seconded the motion. The motion passed by **voice vote**.

PASSED THE GAVEL: Chairman Ricks passed the gavel to Vice Chairman Schroeder.

H 292 **Property Taxes.** **Chairman Ricks** presented **H 292**. He stated that this bill provided significant property tax relief which was in part funded by sales tax. Four and one half percent of sales tax revenues went toward property tax relief on an ongoing basis. Half of that went to school districts to pay off levies and bonds. The other half went primarily to homeowners.

Representative Monks discussed the school facilities funding aspect of **H 292**. He noted inequities in school facility funding throughout the state as a result of voters in certain districts not being willing to pass bonds and some districts having a small amount of private land subject to property taxes due to a large amount of federal or state owned land in those districts. **H 292** provided funding for school facilities based on average daily attendance rather than enrollment which can be inflated. Page two, line 24 set a priority of how the money was required to be spent. The money must first be used to pay toward school bonds. Next, the money was used to pay supplemental levies. School districts may then use the funds to save for future facility needs. Finally, the money could be used to secure and make payments on new facility bonds. This provided a guaranteed source of revenue for school facilities. A school district may not also collect property taxes to pay bonds and levies paid for with those funds which provided additional property tax relief.

Senator Grow discussed the property tax relief provided to homeowners in **H 292**. He stated that every homeowner received the same percentage of reduction in their property taxes. A deduction was not taken from the portion of the property tax bill attributed to school bonds and levies which were voted on. **Senator Grow** noted that with respect to school facility funding, smaller districts received a larger percentage of property tax relief since they were often unable to pass school bond levies. The sources for the property tax relief came from sales tax, the remaining \$130 million from last year's budget surplus, and an additional \$75 million that was added to that. **H 292** provided for a surplus eliminator which designated up to \$150 million in budget surplus, above that which was projected, toward property tax relief. Finally, **H 292** made changes to the circuit breaker program. It increased the income limit from \$31,900 to \$37,000. In addition, it increased the property

value criteria to the greater of \$400,000 or 200 percent of median home value in that district (Attachment 2).

DISCUSSION: **Senator Cook** asked for clarification that the surplus eliminator was the first \$150 million above the projected surplus. **Senator Grow** confirmed his understanding. That funding was only provided if revenues exceed the projections.

Senator Bernt asked what happened if there wasn't a revenue surplus. **Senator Grow** explained that there would be no funding from the surplus paid to taxpayers. The surplus eliminator funding was not guaranteed.

Senator Just asked how the elimination of the March date for bond elections related to property tax relief. **Representative Monks** replied that 30 to 50 percent of property taxes were for payment of school bonds and levies. **Senator Just** expressed a concern regarding eliminating the March date for bond elections. In addition, he stated that **H 292** potentially violated the single subject clause under the Constitution. **Representative Monks** cited *Boise City v. Baker* which held, "A single act may embrace many subjects and not be duplicated if they pertain to matters that are properly connected with the subject of the act." **Representative Monks** argued that inasmuch as a large percentage of property tax bills were related to school bonds and levies, the matters were connected. **Vice Chairman Schroeder** asked whether the Attorney General had issued an opinion on the issue. **Representative Monks** responded that he had not, but a Deputy Attorney General had reviewed the bill and indicated that they were in good standing.

Senator Rabe expressed concern for the elimination of the March election date for school bonds which made it difficult for schools and school districts to have adequate time to negotiate contracts with staff and prepare budgets in a timely manner. She also asked why property tax relief was extended to all types of property owners rather than targeted at homeowners. **Representative Monks** replied that 50 percent of property tax relief was going to homeowners and 50 percent to commercial and agricultural property owners. All of the relief which **Senator Grow** discussed was going to homeowners. Increasing the homestead exemption simply shifted the tax burden to renters. Furthermore, shifting the tax burden to other property owners created a problem in communities that were 95 percent residential. **Senator Rabe** noted that under **H 292** homeowners received a much larger amount of property tax relief in the first year than in successive years and commercial and other property owners received increasing amounts in successive years. She asked for an estimate of how much tax relief the average homeowner could expect in each of the next few years. **Representative Monks** stated that it was easier to project the amount of property in year one than in successive years. As residential values decreased and commercial values increased, there would be a shift in tax burden.

Senator Just asked Senator Grow whether JFAC would address the appropriations for **H 292** if it passed. **Senator Grow** said that JFAC had the responsibility of appropriating the funds for **H 292**.

TESTIMONY: **Quinn Perry**, Deputy Director for the Idaho School Boards Association, and also representing the Idaho Association of School Administrators, testified that they appreciated the meaningful property tax relief provided by **H 292**, but were concerned with the removal of the March date for school bond elections. She stated that eliminating the March date made it difficult to make a determination of budget requirements and whether a bond levy was necessary in time to complete contract negotiations with staff before the July date required by statute for submitting their budget.

Zach Wagoner, Canyon County Controller, provided information regarding the history of property taxes (Attachment 1). From 2007 - 2012 there was a shift in property tax burden from residential property to commercial property although commercial property values decreased by ten percent during that time while residential property values increased by 50 percent. Since 2012 the property tax burden had shifted to residential property. **Mr. Wagoner** also expressed a concern for the amount assessed for an urban renewal district and whether that was an eligible taxing district.

Seth Grigg, Executive Director of the Idaho Association of Counties, spoke in support of **H 292**. It provided property tax relief, most of which went to homeowners. There was some concern for dates within the bill and whether they presented administrative difficulties and might have to be adjusted the following year.

Miguel Legarreta, President of the Associated Taxpayers of Idaho, testified in support of **H 292**. The majority of the property tax relief went to homeowners. The amount of relief was clearly stated in their tax notice.

John Eaton, Vice President of the Idaho Association of Commerce and Industry, spoke in support of **H 292**. It did not create a shift from residential property owners to other property owners. In addition, it created a tool for school districts to finance school facilities.

Chairman Ricks stated that there would be a 15 - 20 percent reduction in property taxes during the first year. This amounted to between \$350 to \$800 per homeowner depending on whether there were assessments for school bonds or levies. Regarding the elimination of the March election date, he noted that the March election had the lowest voter turnout and a May election would be an option.

DISCUSSION: **Senator Rabe** again expressed concern for the elimination of the March date for school bond elections. In addition, she was concerned that **H 292** violated the single subject rule. **Chairman Ricks** responded that was part of negotiations with the House. There was a trade off with the additional funding for school districts. Furthermore, May elections still provided sufficient time for contract negotiations.

MOTION: **Senator Cook** moved to send **H 292** to the floor with a **do pass** recommendation. **Senator Bernt** seconded the motion.

SUBSTITUTE MOTION: **Senator Rabe** moved to send **H 292** to the 14th Order of Business for possible amendment. **Senator Just** seconded the motion. The motion failed.

ORIGINAL MOTION: The motion to send **H 292** to the floor with a **do pass** recommendation passed by **voice vote**.

PASSED THE GAVEL: Vice Chairman Schroeder passed the gavel back to Chairman Ricks.

H 230 **Property Valuation for Tax Purposes.** **Representative Manwaring** presented **H 230**. He explained that this bill established a consistent method for assessors to establish the value of income producing properties. Currently there were inconsistencies between assessors in terms of what class of property they valued the property at. **H 230** required that the market value not include contract rent related to the property and not capture intangible value.

MOTION: **Vice Chairman Schroeder** moved to send **H 230** to the floor with a **do pass** recommendation. **Senator Trakel** seconded the motion. The motion passed by **voice vote**.

H 198

Taxes. Representative Cannon presented **H 198**. This bill reduced the interest that accrued in an audit situation. Interest accrued up until the Idaho State Tax Commission (ISTC) issued a notice of audit. No interest accrued from the time of notice of audit until the ISTC issued a notice of deficiency. If there was an appeal, interest accrued until the time the appeal was perfected and filed. Once the appeal was perfected, interest would not accrue until the final determination by the ISTC.

MOTION:

Senator Adams moved to send **H 198** to the floor with a **do pass** recommendation. **Senator Rabe** seconded the motion. The motion passed by **voice vote**.

ADJOURNED:

There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:24 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary