

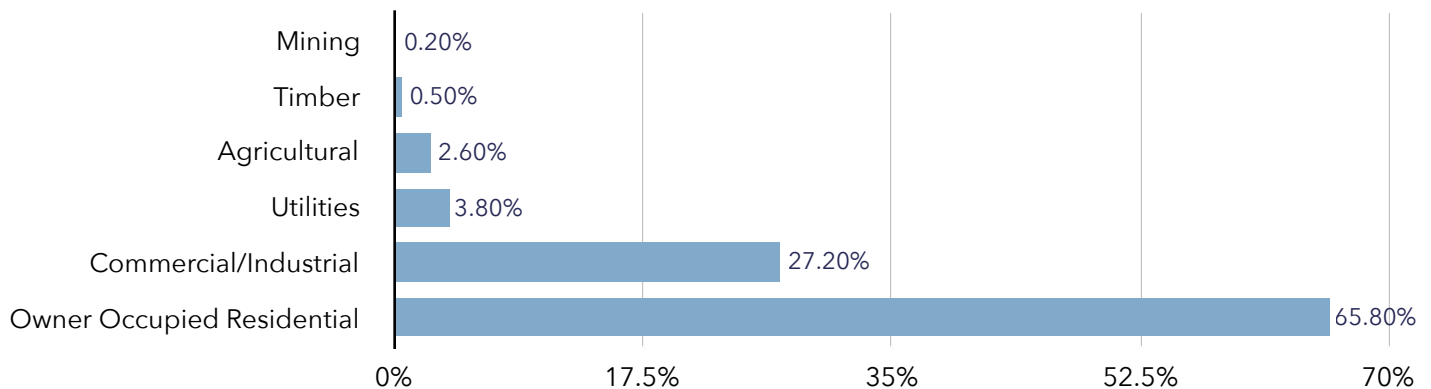
IAC POLICY BRIEF

COUNTY PROPERTY TAX BUDGETS

Background

Idaho is the fastest growing state in the nation. Rapid population growth combined with limited housing supply has led to a surge in assessed home values. The combination of rising residential market values, removal of the index on the homeowner's exemption, and lower valuation increases in agricultural and commercial properties have led to a shift in who pays property taxes. Because of these factors, residential property owners pay two-thirds of all property taxes collected by local governments. For example, between 2017 to 2018, values of residential property receiving the homeowner's exemption increased 13.4%, values of residential property not receiving the homeowner's exemption increased in value by 11.1%, and commercial/industrial properties increased in value by 7%. Because values increased at different rates, overall property taxes paid by each of these three types of properties rose at different levels. Property taxes paid by residential property owners receiving the homeowner's exemption rose 6.1%, while taxes paid by residential property owners not receiving the homeowner's increased 5.4% and commercial/industrial properties increased by only 0.2%. This tax shift on to residential homeowners has been exacerbated by capping the homeowner's exemption at the lesser of 50% of market value or \$100,000.

Chart 1: Statewide distribution of what property categories pay property taxes, 2018.



Source: Idaho Association of Counties using data provided by the Idaho State Tax Commission

To address rising property taxes, the Idaho Legislature has created a property tax working group. Working group membership includes:

House: Gary Collins (co-chair), Mike Moyle, Robert Anderst, Rod Furniss, and Mat Erpelding

Senate: Kelly Anthon (co-chair), David Lent, Scott Grow, Jim Woodward, and Grant Burgoyne

The working group has been charged with:

1. Addressing rising property taxes,
2. Exploring potential property tax relief,
3. Encouraging economic development, and
4. Ensuring local governments have sufficient revenues to provide government services.

Idaho has the 42nd lowest per capita property tax burden in the nation
(39.9% below the national average)

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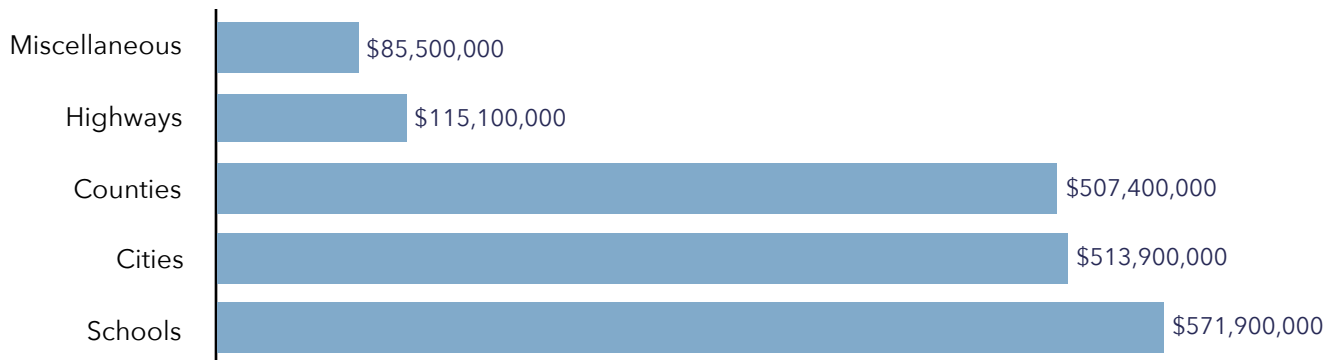
COUNTY PROPERTY TAX BUDGETS

Distribution of Property Taxes

The Legislature has established property taxes as the primary tax revenue source for local governments. Property taxes fund services like law enforcement, fire protection, court operations, highway maintenance, and county jails. Increasingly, schools are becoming reliant on property taxes for school operations.

Counties administer the state's property tax system, including assessing property, certifying property tax budgets, collecting property taxes, and distributing property taxes to other local taxing districts. Counties collected over \$1.9 billion in property taxes in 2018. Of this amount counties only retained \$507.4 million, approximately 27% of total property tax collections. The remaining \$1.4 billion is allocated to other local taxing districts. Schools receive the largest amount of property taxes (\$571.9 million, 30%), followed by cities (\$513.9 million, 27%), counties (see above), and highway districts (\$115.1 million, 6%), with the remainder of property taxes distributed to miscellaneous special purpose districts (\$85.5 million, 10%).

Chart 2: Allocation of local property tax revenues, 2018.

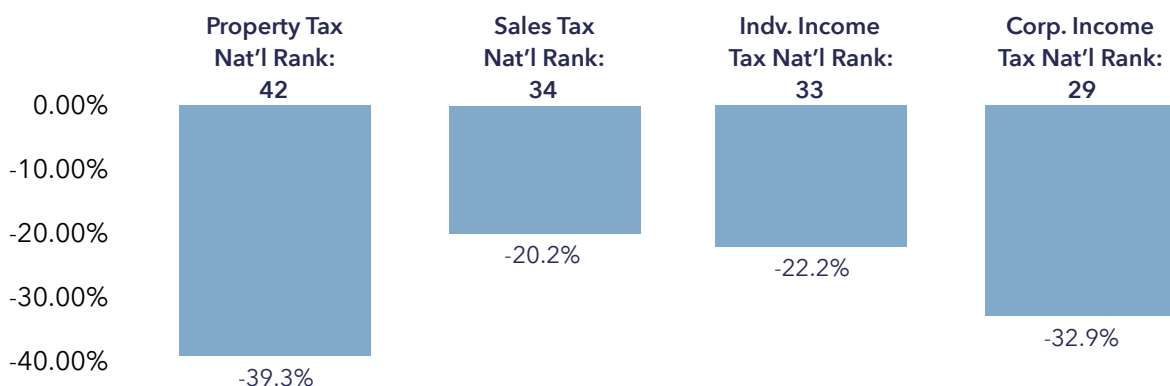


Source: Idaho State Tax Commission 2018 Annual Report

Idaho's Tax Burden

Idaho compares favorably to other states both in terms of its per capita property tax burden and its property tax burden as measured by personal income. In fact, according to the Idaho State Tax Commission's annual tax burden study, Idaho ranks as having the 42nd lowest per capita property tax burden in the nation, coming in 39.3% below the national average. By comparison, Idaho fares worse nationally in terms of per capita sales tax (20.2% below national average) and personal income tax (22.2% below national average).

Chart 3: Comparing Idaho's per capita tax burden, 2016 (lower rank is better).



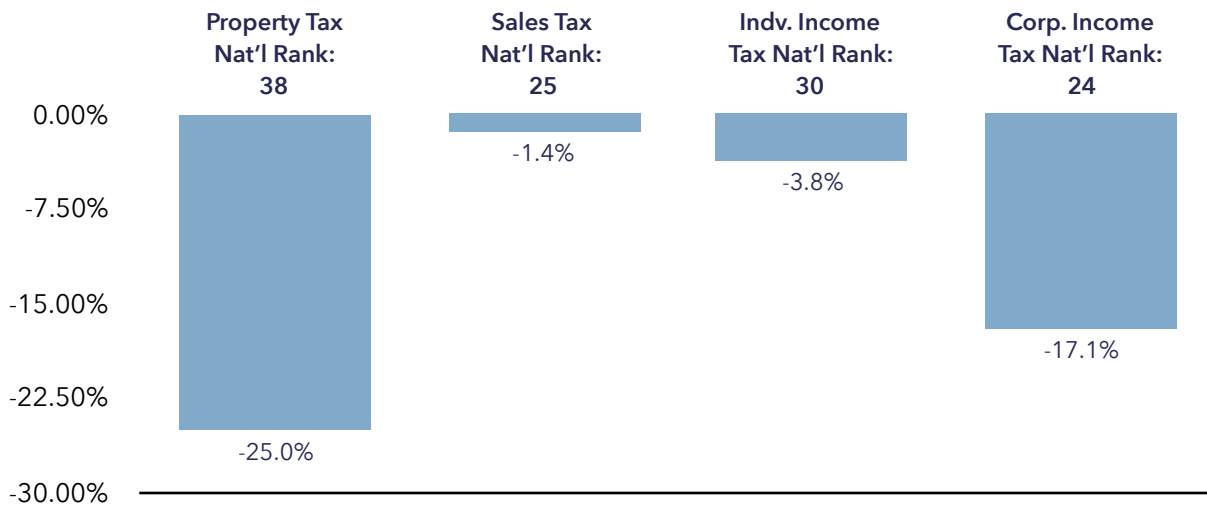
Source: Idaho State Tax Commission 2016 Tax Burden Study.

IAC POLICY BRIEF

COUNTY PROPERTY TAX BUDGETS

In terms of tax burden as measured by personal income, Idaho's property tax burden ranks as the 38th lowest in the nation (25% below the national average). By comparison, Idaho's sales tax (1.4% below national average) and personal income tax (3.8% below the national average) rate less favorably when compared to other states.

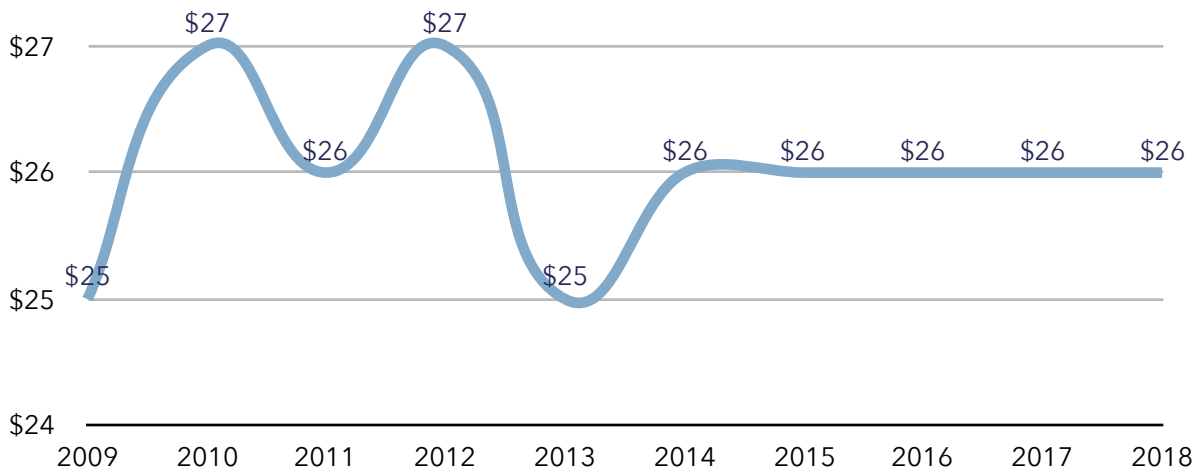
Chart 4: Comparing Idaho's tax burden as measured by personal income, 2016 (lower rank is better).



Source: Idaho State Tax Commission 2016 Tax Burden Study.

Over the last decade, the amount of property taxes paid per \$1,000 of personal income have remained relatively flat, fluctuating from a low of \$25 (2009, 2013) to a high of \$27 (2010, 2012). Since 2014, the amount of personal income per \$1,000 spent on property taxes has remained flat at \$26.

Chart 5: Idaho property taxes paid per \$1,000 of personal income, 2009-2018.



Source: Idaho Association of Counties using data provided by the Idaho State Tax Commission

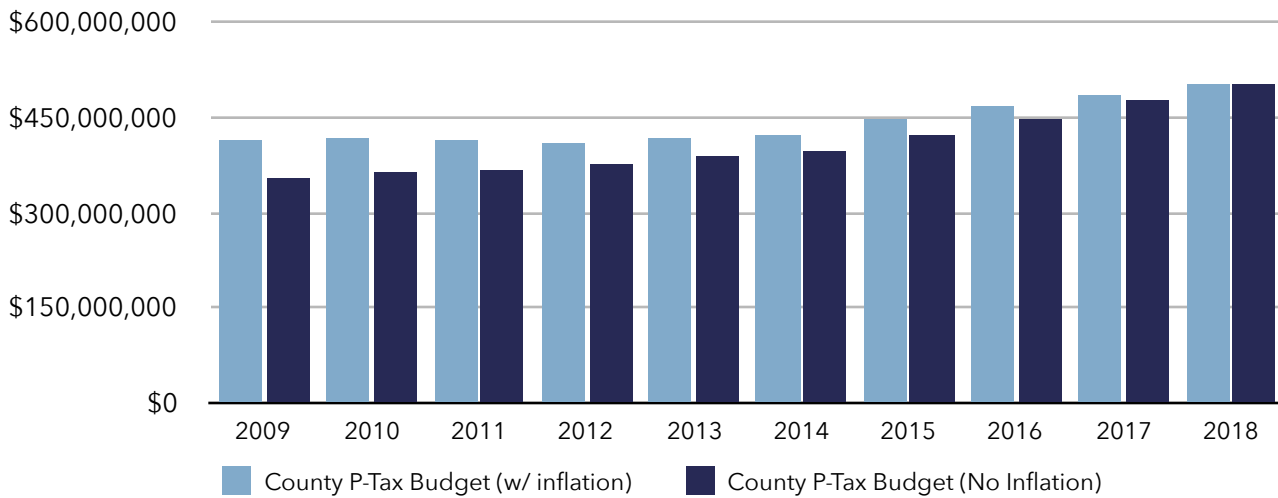
IAC POLICY BRIEF

COUNTY PROPERTY TAX BUDGETS

County Property Tax Budget Growth (2009-2018)

Over the last ten years, county property tax budget growth has been relatively stable, increasing at a statewide inflation adjusted rate of 2.2% a year. Over the same period of time, actual county property tax budgets have increased statewide at a rate of 4.0% a year.

Chart 6: County property tax budget growth, 2009-2018.

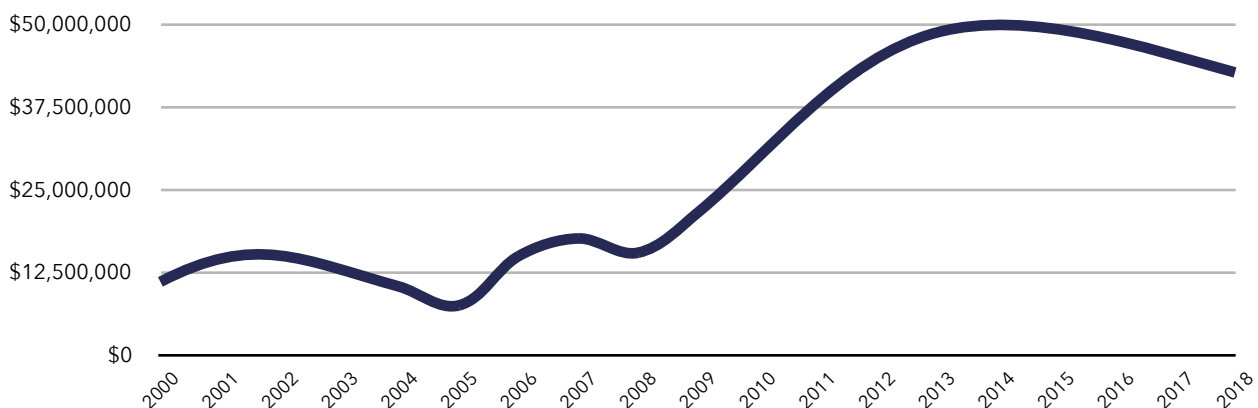


Source: Idaho Association of Counties using data from the Idaho State Tax Commission.

Counties and Idaho's Forgone Property Tax Law

Idaho law allows local governments to increase base property taxes by up to 3% a year. If a taxing district does not budget the full 3%, the amount forgone can be levied in future years. Idaho's forgone property tax law encourages local governments to budget conservatively. Counties have been conservative in budgeting property taxes. As of tax year 2018, counties have forgone \$42.6 million in annual property tax budget increases, reducing the overall amount of property taxes county property taxpayers pay by 7.75%.

Chart 7: County forgone property taxes, 2000-2018.



Source: Idaho Association of Counties using data from the Idaho State Tax Commission.

IAC POLICY BRIEF

COUNTY PROPERTY TAX BUDGETS

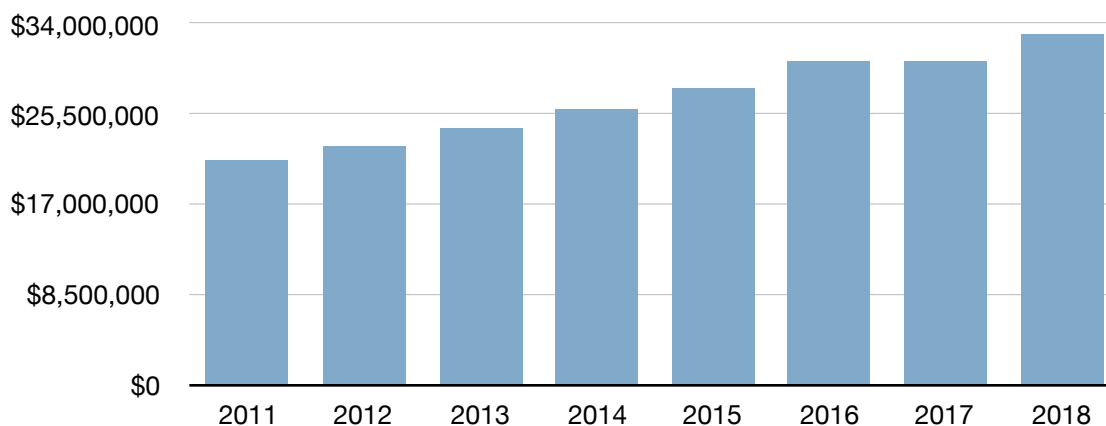
Impact of State Mandates on County Property Taxes

The Idaho Legislature's Office of Performance Evaluation (OPE) released a study in January of 2019 assessing the impact of state mandates on county budgets. The study found:

- Legislative mandates lead to tension between counties and the state.
- Legislative mandates result in county budget uncertainty when the legislature fails to provide counties with a funding source to fulfill mandates.
- Rising costs associated with performing legislative mandates, combined with growing demand for these services and lack of available funding increase liability for counties.
- Changes in legislative policy, including funding, impact the ability of counties to implement legislative mandates.

Public defense is a perfect example of state mandates leading to increased property taxes. In 2011, counties spent an estimated \$21 million a year in public defense services. The Legislature created the Public Defense Commission in 2014 and began promulgating rules governing public defense, including imposing maximum public defender workload standards. In 2018, counties spent over \$33 million in public defense services. Public defense is a state responsibility, yet the legislature has mandated counties provide the service. As rules adopted by the legislature have become more complex, so too have the costs of providing the service.

Chart 8: County public defense expenditures, 2011-2018.



Source: Idaho Association of Counties using data from the Idaho State Tax Commission.

Counties and Idaho's Forgone Property Tax Law

Other state mandates like operating the state's judicial system, housing state inmates in county jails, providing state drivers licenses, and reimbursing hospitals for medical claims of the indigent have all been pointed to as explanations of why county property tax budgets have increased over the last five years. The full OPE report is available for download at: <https://legislature.idaho.gov/ope/reports/r1904/>.

Counties save property taxpayers over \$46 million a year in forgone property taxes (7.75% property tax reduction)

IAC POLICY BRIEF

COUNTY PROPERTY TAX BUDGETS

Talking Points

- Idaho's property tax burden compares favorably to other states and ranks as less burdensome than the Idaho sales tax and income tax.
- Idaho's per capita property tax burden is 39.3% below the national average.
- As a percentage of income, property taxes in Idaho are 25% below the national average.
- Counties raise property taxes to pay for state mandated services, each new state mandate impacting counties results in increased property taxes.
- Idaho's forgone property tax law saves property taxpayers over \$100 million a year.
- New construction property taxes enable counties and other local units of government to generate tax revenue to pay for increased services and infrastructure demands resulting from development growth.
- The legislature can provide over \$10 million in local property tax relief by funding Medicaid expansion with existing state offsets to the Department of Health and Welfare, Department of Corrections, CAT program, and judiciary as well as leveraging existing Millennium Fund revenues.
- The legislature can provide tax relief to all homeowners with property values above \$200,000 by reinstating the annual index on the homeowner's exemption which was capped at \$100,000 in 2016.
- The legislature can provide tax relief to seniors and the disabled, including veterans, by increasing the maximum benefit allowed by the Property Tax Reduction (PTR) program (also known as the circuit breaker program). The current PTR amount was last adjusted in 2006.

Idaho has the 38th lowest property tax burden in the nation as a percentage of personal income (25% below the national average)

Since 2000, county property tax budgets have increased 3.3% annually (when controlling for inflation)

Idahoans pay on average \$26 in property taxes per \$1000 of personal income

According to a 2019 Tax Foundation Study, Idaho ranks as the 4th best state in terms of business property tax climate.

IAC POLICY BRIEF

COUNTY PROPERTY TAX BUDGETS

Table 1: County property tax budgets.

County	Base Budget	New Construction Budgeted	Forgone Budgeted	Actual Property Tax Budget	Net Levy	Forgone Remaining	Levies Capped
Ada	\$121,021,882	\$4,528,954	\$0	\$125,550,836	0.28%	\$12,574,557	
Adams	2,453,115	9,893	0	2,463,008	0.28%	513,847	
Bannock	23,889,672	268,986	0	24,158,658	0.28%	1,426,256	J
Bear Lake	3,164,030	38,370	0	3,202,400	0.28%	0	
Benewah	3,735,364	58,913	0	3,794,277	0.28%	0	
Bingham	11,206,747	175,625	0	11,382,372	0.28%	919,835	CE, DC, J
Blaine	11,274,005	111,031	0	11,385,036	0.28%	0	
Boise	4,453,015	66,240	0	4,519,255	0.28%	0	
Bonner	20,642,138	456,892	0	21,099,030	0.28%	1,931,806	
Bonneville	26,671,882	628,540	719,416	28,019,838	0.28%	6,708,142	J
Boundary	5,407,494	63,839	0	5,471,333	0.28%	480,840	J
Butte	914,670	4,237	216,435	1,135,342	0.28%	319,573	
Camas	830,718	7,224	0	837,942	0.28%	26,678	J
Canyon	48,182,419	1,686,248	2,322,763	52,191,430	0.28%	4,395,937	
Caribou	5,289,370	60,395	0	5,349,765	0.28%	0	CE, DC, J
Cassia	5,220,788	90,562	0	5,311,350	0.28%	43,523	
Clark	651,418	907	0	652,325	0.28%	21,169	CE, DC
Clearwater	3,294,107	33,138	0	3,327,245	0.28%	0	J
Custer	1,654,389	8,013	0	1,662,402	0.28%	0	
Elmore	7,277,765	42,051	0	7,319,816	0.28%	0	
Franklin	3,445,464	68,537	3,286	3,517,287	0.28%	8,576	J
Fremont	5,849,566	117,726	0	5,937,292	0.28%	2	DC
Gem	4,536,475	68,926	0	4,605,401	0.28%	11	
Gooding	3,838,217	57,220	0	3,895,437	0.28%	231,672	
Idaho	2,765,402	21,475	0	2,786,877	0.28%	551,848	
Jefferson	6,081,343	175,497	0	6,256,840	0.28%	1	
Jerome	7,557,490	97,266	0	7,654,756	0.28%	1,812	
Kootenai	46,128,057	1,171,230	0	47,299,287	0.28%	9,105,938	
Latah	9,945,471	124,680	0	10,070,151	0.28%	264,207	
Lemhi	2,794,650	44,175	0	2,838,825	0.28%	0	
Lewis	1,543,515	58,618	3,139	1,605,272	0.28%	204,433	CE, J
Lincoln	1,302,134	7,952	52,129	1,362,215	0.28%	414	
Madison	9,261,127	203,701	0	9,464,828	0.28%	0	DC, J
Minidoka	5,801,716	55,725	0	5,857,441	0.28%	0	
Nez Perce	15,696,943	217,685	0	15,914,628	0.28%	234,015	CE, J
Oneida	1,662,071	8,231	0	1,670,302	0.28%	0	
Owyhee	2,914,494	32,170	0	2,946,664	0.28%	535	
Payette	6,094,154	145,211	0	6,239,365	0.28%	849,544	J
Power	4,234,076	63,125	0	4,297,201	0.28%	1	
Shoshone	4,454,560	8,735	0	4,463,295	0.28%	563,420	CE, DC
Teton	4,015,789	93,996	0	4,109,785	0.28%	53,372	
Twin Falls	24,188,446	382,229	0	24,570,675	0.28%	0	
Valley	6,681,677	203,282	0	6,884,959	0.28%	1,126,286	
Washington	4,310,733	30,475	0	4,341,208	0.28%	66,211	J
Statewide	\$492,338,558	\$11,797,925	\$3,317,168	\$507,423,651	N/A	\$42,624,461	N/A

Source: Idaho Association of Counties using data from the Idaho State Tax Commission.

Levies Capped Key: CE = Current Expense (general fund), DC = District Court, J = Justice