

# Intergovernmental Affairs Committee

June 3, 2020 | 10:00 am – 11:00 am (MST) [Zoom Meeting](https://us02web.zoom.us/j/81954604279)

## MEETING MINUTES

**Call to Order | *Vice Chair Steve Smith***

*Bob McQuade made a motion to approve the February 2020 minutes with a minor correction.*

*The year on the February minutes said, “September 201”, but should have said, “September 2019.” The motion was seconded by Kendra Kenyon. Motion carried. The amended minutes were approved.*

**Property Tax Update | *Seth Grigg, Executive Director***

Seth provided an overview regarding property taxes and what to expect over the summer and into the fall. We saw multiple property tax proposals during the session including half a dozen bills directly related to appraising property. It looks like this will bleed over into the summer and into the 2021 session.

On Friday of this week, the legislative council will meet to determine the makeup of the property tax interim committee. There will likely be at least 1 county elected official appointed to the committee in addition to 5 members of the House and 5 members of the Senate. The interim committee could independently choose who they want from the counties, or they could ask IAC for recommendations.

Seth suspects the committee will meet monthly during the summer and into the fall. We anticipate the homeowners’ exemption, and the circuit breaker will be part of the committee discussion. Seth’s had conversations with other stakeholders about the exemption. There is not a lot appetite for indexing, but there has been some momentum about increasing it possibly to as high as $150,000. One idea is to exempt social security income, so that it wouldn’t count toward your income toward circuit breaker eligibility.

IAC has been working with ATI since the session ended. Some commissioners have also been involved. We are trying to find common ground to work together independent of the interim committee to come up with viable alternatives by achieving a compromise with other stakeholders.

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The governor plans on rolling out a proposal with details to be developed later that would be a significant property tax relief program that would leverage up to $200 million from the CARES Act to use those funds indirectly for property tax relief. Cities would be eligible and likely so will ambulance and fire districts for this program. If the local entity is interested in participating in the program, then they would need to commit to forgoing taking 3% in their budget this year. They could still use new construction in their budget. The county would then be eligible to receive assistance in the amount of the payroll and benefits that they payout or will payout for first responders from March through December of 2020. It would also include a prorated amount according to how much the county pays to their public health districts. If $200 million is made available to cities and counties, it could result in a state-wide 20% property tax relief. It would be a one-time program that would show on the tax notice the same way the circuit breaker program is shown.

In addition, there would likely be a joint letter included with the tax notice coming from the Governor and county commissioners explaining that this is a one-time property tax relief package. The hope of the Governor’s office is that if counties participate, it will relieve some of the pressure coming from the legislature, so we can focus more on structural, long-term solutions to property tax pressures.

Kendra Kenyon asked if coroner staff be included in this payroll. Seth shared, it looks like they would not be included because they are considered last responders not first responders but there are on-going discussions about that.

Tom Dale said property tax relief sounds like a one-time deal. He asked if it has long-lasting impacts. Seth shared that it is a short-term relief package that will be one time. We have some structural imbalances with regards to property taxes across the state. Home values are escalating quickly. This should lead us into a broader conversation regarding whether property tax should be the sole source of revenue for county governments. The Governor’s Property Tax Relief Plan can only be considered for the current budget year that counties are going into. It cannot be carried over for next year.

Amber Sloan asked if budgets still go up 3% for non-first responder departments. Seth answered no. A county would need to commit to not taking 3% across the board (though they could still budget new construction) in order to qualify for the payroll relief.

Bob McQuade asked Seth to expand on structural imbalances. Seth shared, in Idaho local governments rely heavily on property taxes. In a lot of other states, they have other revenue sources including local option sales tax, local income tax and broader fee authority for example public safety fees, impact fees etc. Most of the potential revenue sources for local governments have been taken off the table making it so locals rely almost exclusively on property taxes to grow the budget.

Abbie Mace asked if a county wide ambulance district that have commissioners on the board would qualify. Seth said yes.



Steve Smith asked when the conversation comes up regarding the fact that property taxes are sole revenue for meeting budgets, what is the fix? What kind of legislation should we start looking at?

Seth responded, there are a number of options but no silver bullet because Idaho is such a diverse state. For example, if Custer started local option, it wouldn’t be especially helpful. With revenue sharing, two years ago the state segregated much of the online sales tax that the state receives. Over $80 million is estimated to be in that fund by the end of June 2020. We may potentially leverage some of those dollars. They could also adjust the sales tax distribution formula. Could do something similar to what the state did a number of years ago and increase the sales tax statewide and designate some of those dollars for property tax relief. In addition, local option has to be part of the conversation. Another idea is to allow impact fees for counties experiencing rapid growth. They should not have to rely on working with the cities to do that.

Tom Dale commented that impact fees are a great tool for a lot of things but given that 30% of property taxes go to school districts, is there any movement to allow school districts to do impact fees to help pay for new schools? Seth said there was some discussion during the last session. Thinks that it will definitely be part of the conversation during interim committee.

In addition, we have a lot of mandated services for courts and public defense. Having the state take over some of those responsibilities could also offer property tax relief.

Wayne Schenk commented that a one-time property tax relief this coming year could lead to a public relations wreck and taxpayer anger if the next year a solution to maintain property tax relief is not found. Seth believes that this should add pressure to the interim committee to find a long-term solution this year.

Seth also pointed out that unfortunately, if you to take part of the 3% this year, then you will face heat this year for opting out of the Governor’s property tax relief idea.

There was a proposal to raise the sales tax by a penny and dedicate that penny to schools and remove their ability to pass supplemental levies. This could be a discussion point with the interim committee.

**Review IAC Intergovernmental Affairs Committee Policy Positions**

Due to time constraints and difficulties with having a robust discussion in a virtual meeting the committee agreed to wait to discuss this topic until we can meet in person.

Tom Dale moved to adjourn. Glenda seconded. Motion carried. Meeting adjourned at 10:50 am.



# Intergovernmental Affairs Committee

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