

# *Idaho Property Taxes*

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## *Objectives*

- Understand property tax
  - How is property assessed?
  - What types of property are there?
  - Who pays how much?
  - Who spends property tax?
  - How are property taxes determined?
  - How do we relieve property tax?
  - What are the recent trends?
  - How does this tax fit in Idaho's fiscal picture?
- Understand tax burden



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## *Idaho Property Tax Essentials*

- Current, annually determined, market value base (*certain exceptions, such as farmland use value and timber formula based value*) - \$230.7 Billion in 2021 (\$191.7 billion in 2020)
- Budget based: Budget \$ ÷ Taxable Value = Levy Rate
  - Uniform rate for all classes of property (*minor exceptions*)
  - Independently determined rates for each of about 1,000 taxing districts
- Except with voter approval, annual increase in p-tax budgets (\$) limited to 3% plus new construction and annexation; 8% overall + 1% / 3% for previously forgone increases
  - **No** additional budget due to increased value of existing property.

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## *Property Tax Essentials (cont.)*

- Tax is levied on most real and business personal property
- Tax is generated and used locally:
  - ~\$ 4,000 (2021) to state public school income fund (taxes on small railcar companies paid directly to state)
  - \$ 2.113 Billion (2021) to local units of government
  - \$ 78.9 Million (2021) to urban renewal agencies
- Many varieties of tax relief are available
  - Exemptions partial and full
  - Circuit Breaker (state pays part (sometimes all) of property tax)

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## *The Personal Property Tax*

- Personal property taxes in Idaho were between \$91\* and \$125\* million out of \$2.113 billion in total property taxes in 2021 (4% - 6% statewide, but much higher in some counties).
- In addition to furniture, machinery, and equipment, the above figure for personal property tax includes rail cars and certain other portions of operating property.
- Amounts shown reflect 2021 partial (\$100,000 value) exemption

\*Includes \$11 million tax on personal property paid to urban renewal agencies

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## *Changes in Personal Property Tax in 2022*

- HB 389 (2021)
  - Exemption raised from \$100K to \$250K
  - Additional replacement money from state – to be calculated in November, 2022
- HB 565a (2022)
  - Personal property capable of movement and used in construction, logging, mining of saleable minerals exempt
  - Broader than previous transient personal property
    - Based on use
    - Not based on movement between counties
  - No replacement money

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## *Assessment of Property – System of Valuation*

- “All real, personal and operating property subject to property taxation must be assessed annually....” (IC 63-205)
  - County assesses real and personal property
  - STC assesses operating property - (utilities and railroads)
- “Taxable property shall be appraised or indexed annually to reflect current market value.” (IC 63-314)
  - Appraisal includes field inspection (required at least every 5 years).
  - Property not appraised in given year must be indexed to current market value.
  - Current market value this year is the value of the property as of January 1, 2022.

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## *Basic Property Tax*

- Total budget minus non-property tax revenue equals property tax (P-tax) budget
- Levy rate computed by dividing the P-tax budget by the net taxable value of district

$$\frac{\$100,000 \text{ P-Tax}}{\$ 100,000,000 \text{ Net Taxable Value}} = 0.001$$

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## *So, What Happens When Values of Existing Property Increase?*



Value \$



Value \$

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## *Effects of Market Value Changes on Levies*

- Assuming that the budget remains constant: the higher the taxable market value, the lower the levy rate becomes

P-Tax Budget	Taxable Value	Levy Rate
55,000	137,500,000	0.0004
55,000	140,000,000	0.000392857
55,000	175,000,000	0.000314286

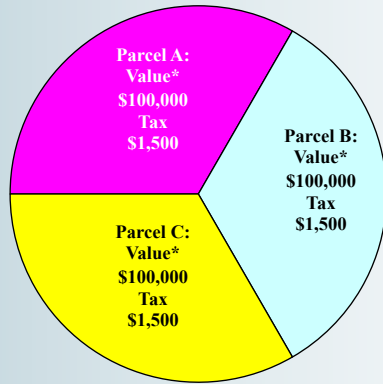
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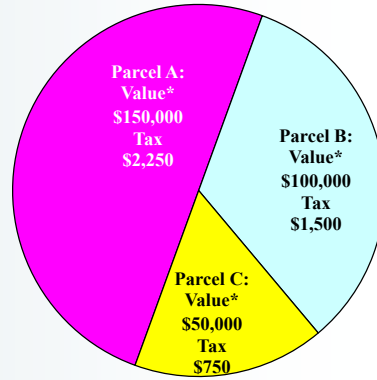
## *Explaining the Effect of Assessed Value Changes on Budget Driven Systems*

Budget constant at \$4,500; total taxable value constant at \$300,000

**2020 Value\* and Tax**



**2021 Value\* and Tax**



\* = Value is net taxable after homeowner's exemption.

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## *Tax Shifting Between Categories*

Type of Property	2020 Taxes (\$million)	2021 Taxes (\$million)	% change in Value	% change in Taxes
Residential	10.0	10.7	+ 25.0	+ 7.4
Commercial	10.0	9.5	+ 10.0	- 5.5
Farmland	2.0	1.8	+ 5.0	- 9.8
<b>Total</b>	<b>22.0</b>	<b>22.0</b>	<b>+ 16.0</b>	<b>± 0.0</b>

Given: 2020 tax rate = 1%; no budget increase in 2021 – levy rate 0.86%

Initial value proportions: Res: 45.5%; Commercial: 45.5%; Farmland: 9%

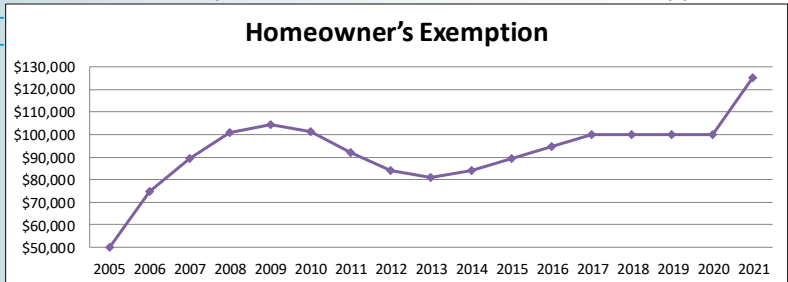
Value increases: Res: 25%; Commercial: 10%; Farm: 5%

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## Significant Changes in Idaho Property Values and Taxes beginning in 2006

- Homeowner's exemption increased – 50% not to exceed upper limit

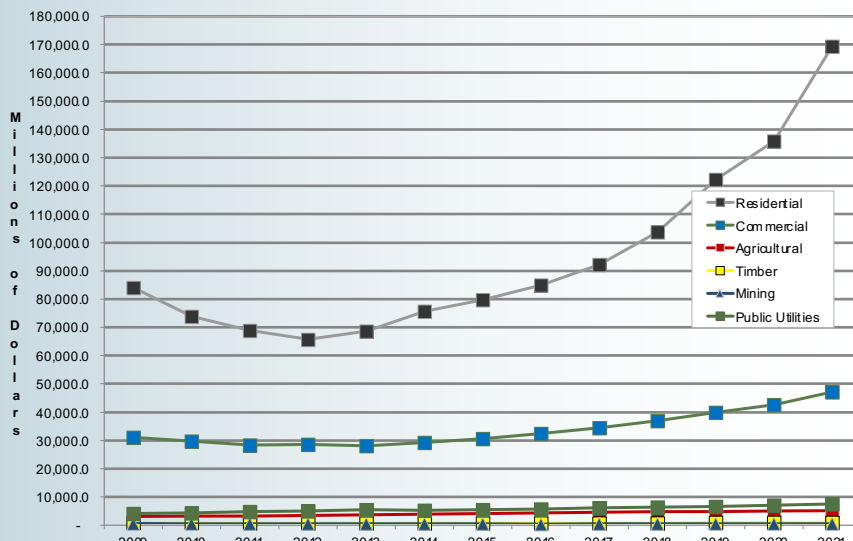


- School general property tax eliminated in most school districts – beginning in 2006
  - Typically had been about 19% of tax
- 2020: COVID tax relief of \$117.6 million (32 cities and 11 counties)
  - Total property taxes down 5.1% as a result
  - First overall decrease since 2006
- 2021: Tax relief not continuing – tax up 3.2% from pre-COVID tax relief \$

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## 13 Year Chart of Taxable Value Changes by Major Property Category



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## *Residential v. Primary Residential (owner-occupied homes)*

- Subset of residential class as a whole (shown for 2021 on previous slide)
  - “Residential” includes rental properties up to 4plexes (larger multi-unit dwellings considered commercial)
  - Entire residential class =
    - 73.4% of all taxable value
    - 71.0% of all property tax
- Through 2021:
  - Has the largest separate share of property value -- 46.3% in 2021
  - Pays the largest separate share of property tax -- 47.2% in 2021

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## *New Construction v. Changes in Existing Property Values & Taxes: 2019 – 2021*

<b>Category of Property</b>	<b>Overall Percent change in Value (20 – 21)</b>	<b>Existing Property Value % Change (20 – 21)</b>	<b>Existing Property Tax % Change (20 – 21)</b>	<b>Existing Property Tax % Change (19 – 21)</b>
Primary Residential (eligible for homeowner's exemption)	+ 26.4%	+ 23.6%	+ 12.0%	+ 5.8%
Other Residential	+ 21.7%	+ 18.7%	+ 6.7%	- 1.4%
Commercial and industrial	+ 10.9%	+ 7.1%	- 0.3%	- 11.8%

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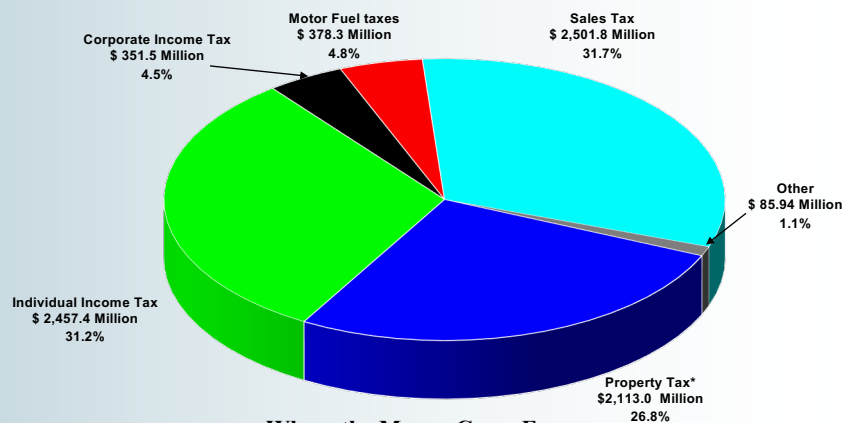
## *The Property Tax as a Part of State and Local Government Finance*

- How do state and local governments get funding for services?
- Who pays property tax?
- Which governments spend property tax?

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## *Idaho Fiscal Year 2021 Revenue State and Local Tax Revenue*



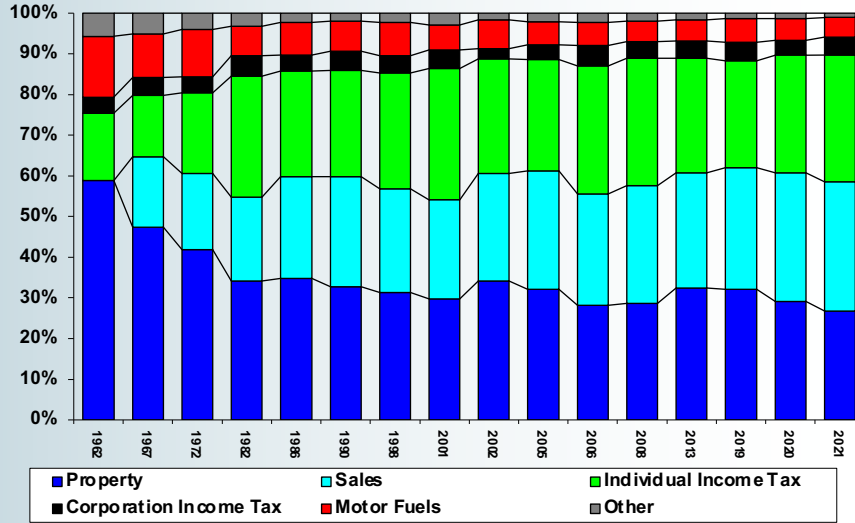
\*Property Tax is Calendar 2021

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## TAXES COLLECTED IN IDAHO PROPORTION OF STATE & LOCAL TAX REVENUE

PROPERTY TAX IS CALENDAR YEAR; OTHERS ARE FISCAL YEAR

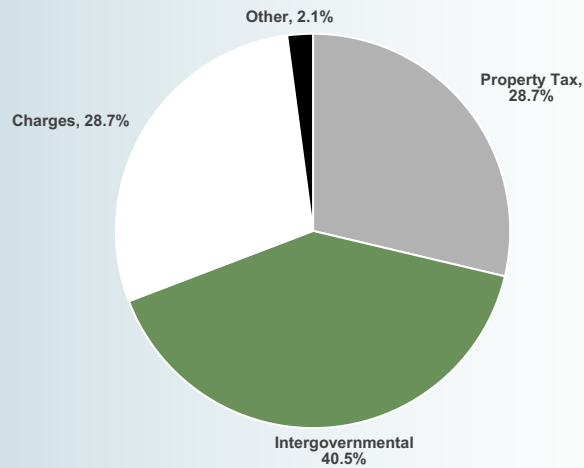


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## Idaho Local Government Finances – FY 2019

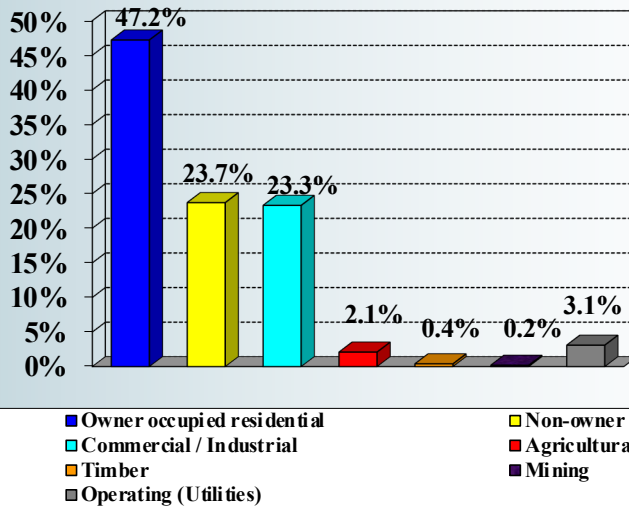
Local Government



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## So, who pays the property tax?

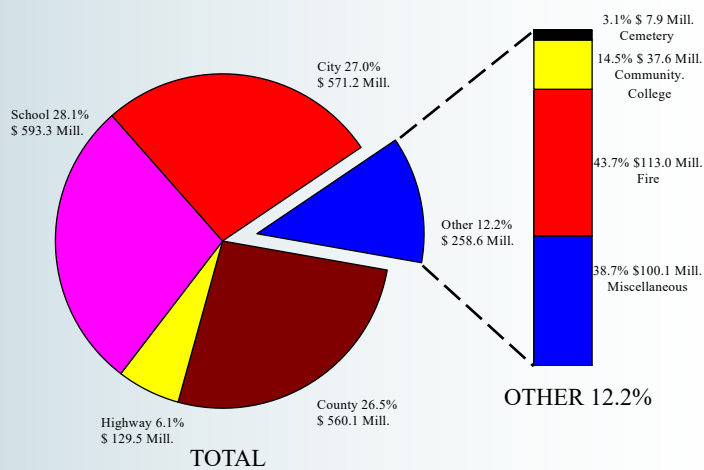


Distribution shown is statewide in Idaho for 2021

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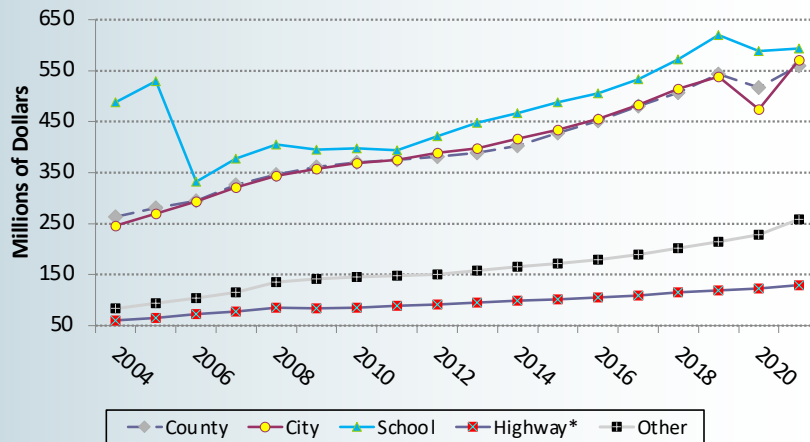
## 2021 Property Tax Use



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## *Property Tax Growth Relatively Uniform (except for school funding switch to state in 2006 and GPSGI grants in 2020)*

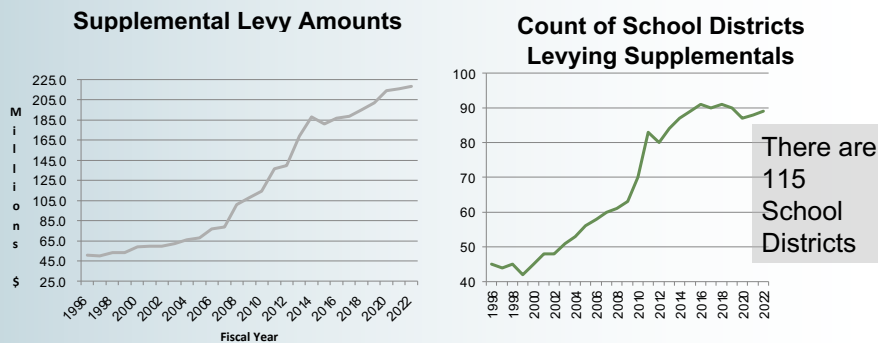


\* Highway district totals include county road and bridge funds.  
 Note: \$117.6 million in one-time COVID related (GPSGI) grants used to reduce 2020<sup>23</sup> city and county property taxes

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## *School Supplemental Levies*

Most voter approved for 1 – 2 years (may be longer for charter school districts and permanent for some school districts)



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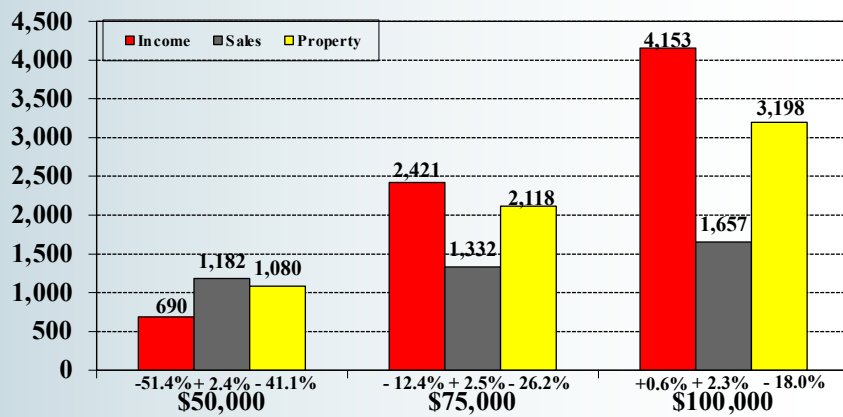
## *Measuring General Property Tax Burden in Idaho*

- Comparisons between states and localities
- Comparisons over income ranges
- Comparisons with other Idaho taxes

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### *Estimated 2020 Taxes Per Family of three - various incomes*



Estimates for Boise, based on District of Columbia study of largest city in each state.

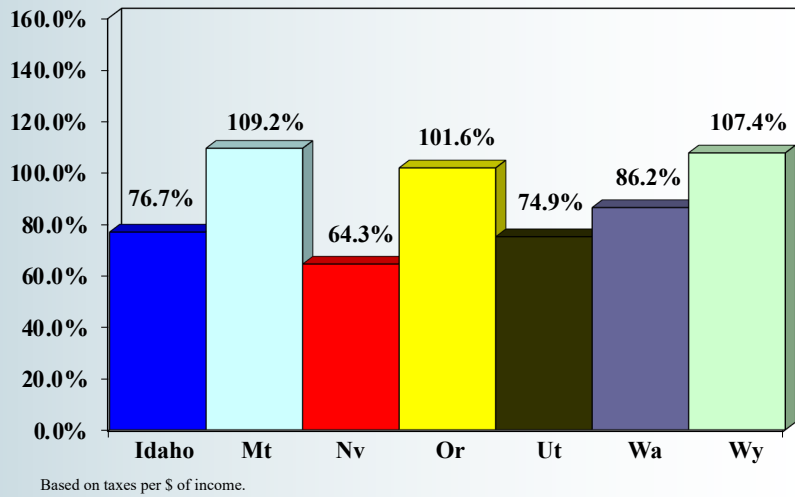
**\$ Income**

Percentages show Boise compared to U.S. average of 51 cities.

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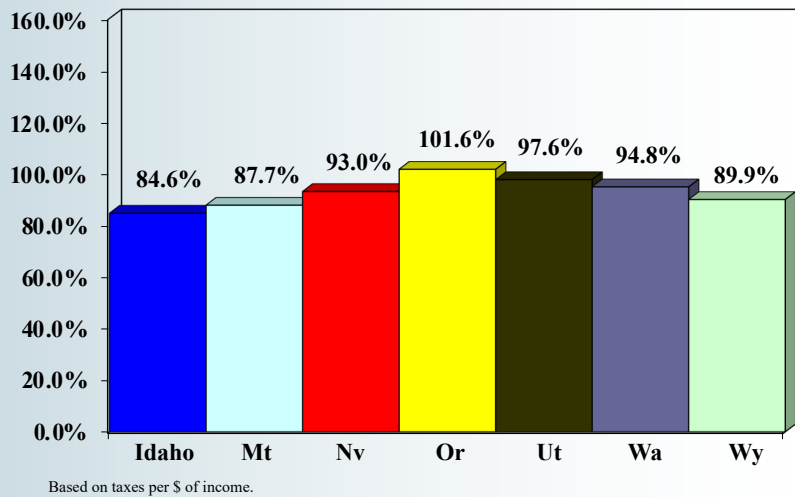
## *FY 2019 Property Tax Burden Idaho vs. Neighbor States*



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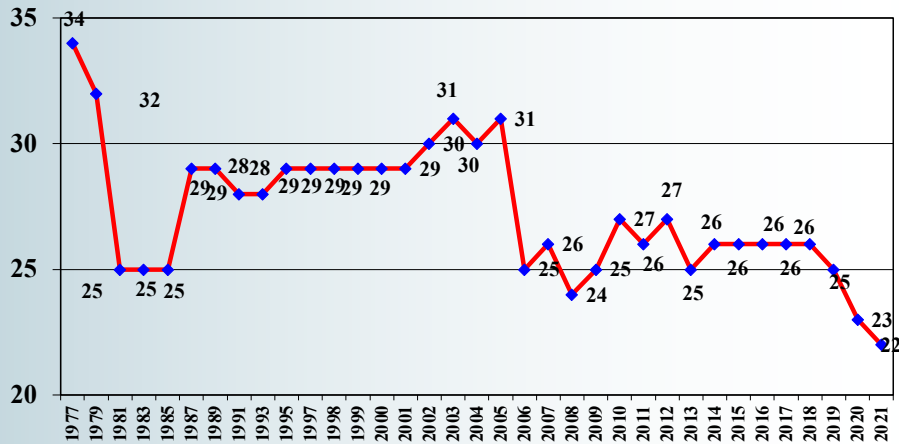
## *FY 2019 Overall Tax Burden Idaho vs. Neighbor States*



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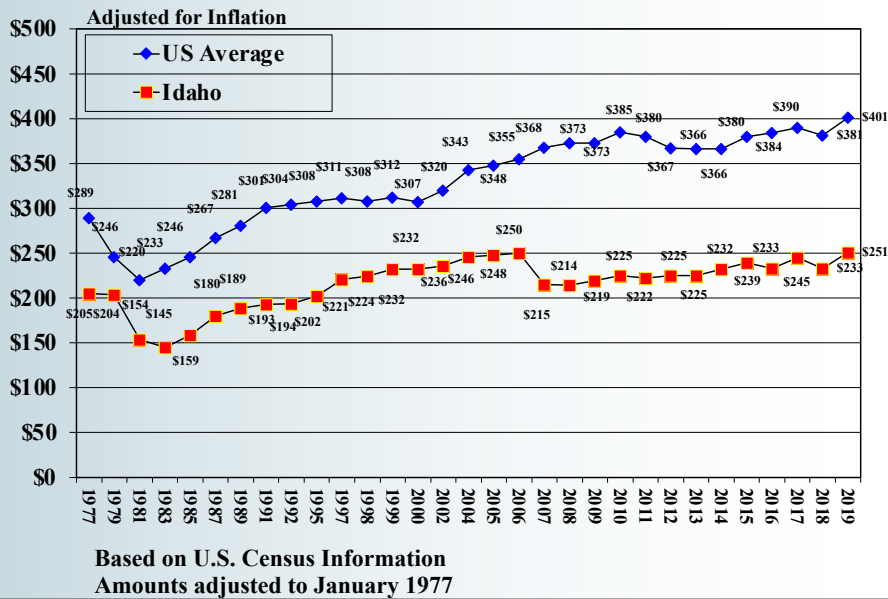
## Idaho Property Tax per \$1,000 Personal Income



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## Per Capita Property Taxes Idaho vs U.S.



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## Boise Homeowner Property Tax 1980 vs. 2021



**1980:** Value (average sale): \$ 45,587  
Tax: \$ 484



**2021:** Value (average assessed): \$ 466,527  
Tax: (Ada average urban rate) \$ 3,033



**2021:** Value adjusted for inflation to 1/1980 \$ 138,784  
Tax adjusted for inflation: \$ 902

Constant dollar annual increase: 3.0%

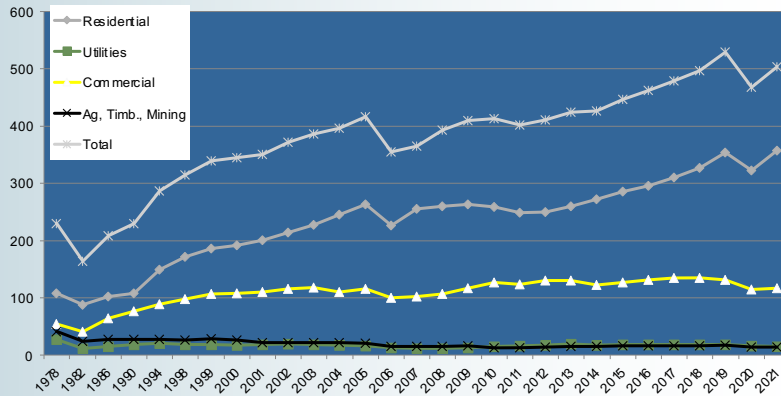
2021 values based on 2020-21 sales.

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### *PROPERTY TAXES by Major Category of Property Constant 1978 Dollars*

Millions of dollars



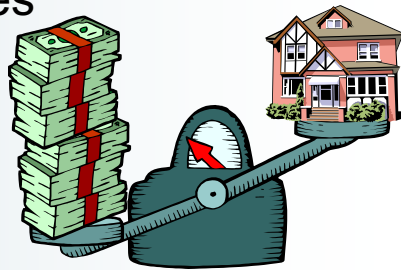
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## *Limits on Property Tax*

- Budgets (\$)
- Levies (rates)
- Exemptions
- Tax relief measures



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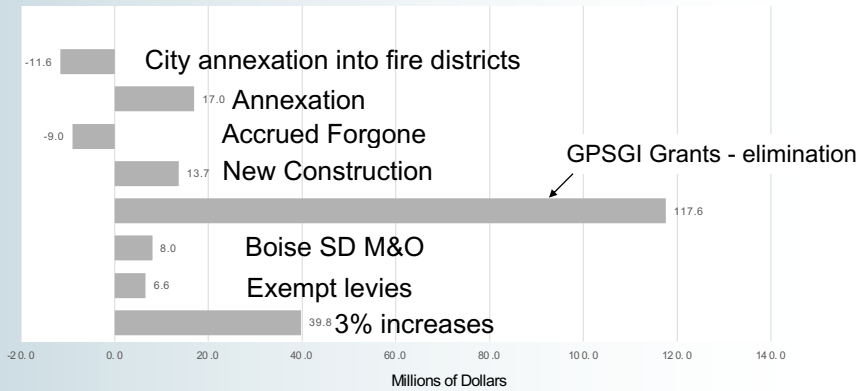
## *How do Property Tax Budget Limits Work?*

- Apply only to property taxes used for non-exempt funds (mostly general operations)
- Permit increases in property tax \$:
  - Up to 3% over highest of last three years
  - Plus 90% of new construction value X prelim levy rate
  - Plus 90% of annexation value X 2<sup>nd</sup> prelim levy rate
  - The sum of the above items cannot exceed an 8% increase
  - Plus 80% of urban renewal increment increase from 2006 for dissolving urban renewal areas X prelim levy rate
  - Plus some previously accrued forgone amount
    - may increase budget up to 1%,
    - plus 3% for capital projects, or
  - Allowed only if result does not create levy rate that exceeds statutory limit

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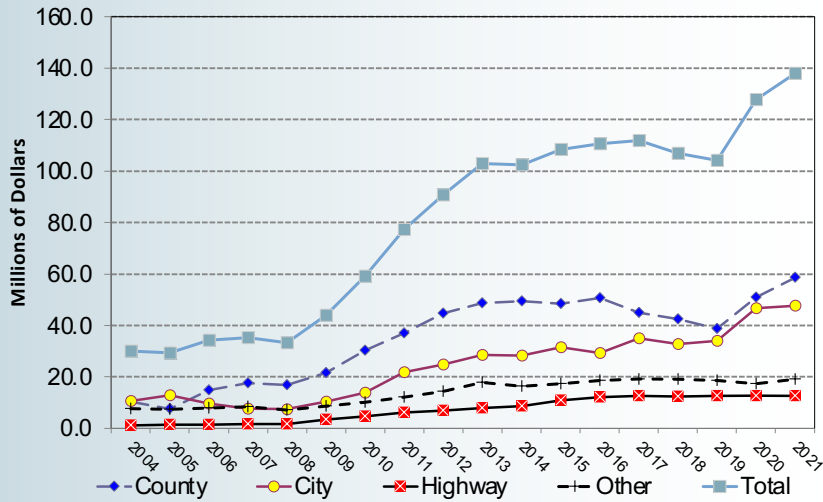
## 2020 – 2021 Property Tax Change Components



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## Forgone Amounts



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## Altering the Burden of Property Taxes – Exemptions, Incentives, and Property Tax Relief

- Exemptions –
  - Grant relief to particular type of taxpayer based on ownership (government, religious foundation, etc.) or use (non-profit educational, agricultural equipment, etc.)
  - May be funded if state replaces revenue
  - Otherwise, taxes shift to non-exempt property through higher levy rates



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## Common Business Property Tax Incentives

- \$250,000 personal property exemption
  - Up from \$100K in 2013 – 2021
  - Replacement \$ from state for increase
- IC 63-602NN – investment exemption (unlimited \$, but 5 years maximum duration; no replacement)
- Urban Renewal – increment value growth generates revenue for specific projects in certain areas based on most underlying tax levies

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## *Tax Shifting Through Exemption*

- Given: Tax Base originally \$500 Million
  - \$200 Million residential taxable value
  - \$50 Million farmland taxable value
  - \$150 Million commercial taxable value
  - \$100 Million industrial taxable value
- Tax Revenue needed by taxing districts
  - \$5 Million
  - Levy Rate = \$5 Million / \$500 Million = 0.01 = 1%

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## *Tax Shifting Through Exemption (continued)*

- Hypothetical new exemption
  - Will reduce industrial property value by 50%
  - Will not change any other property taxable value
- Taxing districts budgets increase 3% to \$5,150,000 in year 2 (following implementation of new exemption)
- There is no new construction or any other value or exemption amount change

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## *Tax Shifting Through Exemption (continued)*

Year 2 Taxes by Property Type With and Without new Exemption:

Type of Property	Tax With New Exemption (\$ Millions)	Tax Without New Exemption (\$ Millions)
Residential	2.29	2.06
Farmland	0.57	0.52
Commercial	1.72	1.54
Industrial	0.57	1.03

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## *Property Tax Relief Measures*

- State or local funds dedicated to reducing property tax
  - May be related to taxpayer circumstances – ie: circuit breaker property tax relief for lower income, elderly, and disabled.
  - May be indirectly related – distribution of state sales tax to replace property tax on agricultural equipment based on amount of property tax charged in 2000 + 6%.
  - May relate to taxes or fees paid – solar farms pay 3.5% tax on gross solar farm earnings – the amount reduces maximum property tax allowed for local districts receiving this money

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## *Circuit Breaker (Property Tax Reduction Program)*

- Up to \$1,500 credit for eligible homeowners:
  - Over age 65, disabled, widows and widowers
  - Income up to \$32,230 for 2022 program
- And – up to additional \$1,500 for 100% disabled veterans (no income test)
- Must annually apply with county assessor by April 15<sup>th</sup>.
- 2021 claims
  - 28,000 approved (includes disabled vets. qualifiers)
  - \$ 855 tax relief per claim average
  - \$ 23.95 Million paid by state to counties and taxing districts
- State funded, so **no** loss of revenue to any taxing district.
- Not an exemption, so no property tax shifted to other property taxpayers.
- Not subject to repayment!

For 2022, claimants with homes worth more than the greater of 150% of the median home value in county or \$300,000 will be excluded but allowed to apply for tax deferral program (Sept. 6 deadline)

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## *Property Tax Deferral*

- Since 2006, Taxpayers receiving circuit breaker benefits can opt to defer any property taxes not paid by that program.
- Requires equity in the property.
- Deferral can last as long as the taxpayers continue to live in the home and receive circuit breaker benefits.
- State will pay taxes, which are to be paid back (plus interest but no penalty) after sale, etc.
  - For 2022, interest is 3% (can change each year)
- 2021 –
  - 4 households approved
  - \$11,631 in total benefits paid
- Claimants who otherwise qualify for circuit breaker could apply for deferral \$50,659 in 2022

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## *It may be worth remembering...*

I don't know what to do or where to turn in this taxation matter. Somewhere there must be a book that tells all about it, where I could go to straighten it out in my mind. But I don't know where the book is, and maybe I couldn't read it if I found it.

**Warren G. Harding**

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