

Idaho Property Taxes

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Idaho State Tax Commission
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Understanding Property Tax Policy

- How property tax fits into Idaho's taxes
- Tax burden
- Property tax issues
 - 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?



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Related Education and Resources

- National perspective and comparisons
 - IAAO Property Tax Policy Standard
 - IAAO Textbook – Fundamentals of Tax Policy
 - IAAO Course 402 (recently updated)
 - 4 day course on tax policy issues

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Idaho Property Tax Essentials

- Current, annually determined, market value base (*certain exceptions, such as farmland use value and timberland formula based value*) - \$230.7 Billion in 2021 (\$332.1 Billion in 2022 + 43.9%)
- 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 90% 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)
 - \$ 2.177 Billion (2022) to local units of government
 - \$ 82 Million (2022) 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 \$74* and \$105* million out of \$2.177 billion in total property taxes in 2022 (3% - 5% 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.

*Includes \$9.4 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 – \$4.6 million
- HB 565a (2022)
 - Personal property capable of movement and used in construction, logging, mining of saleable minerals exempt
 - Broader than transient personal property (all exempt)
 - 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

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

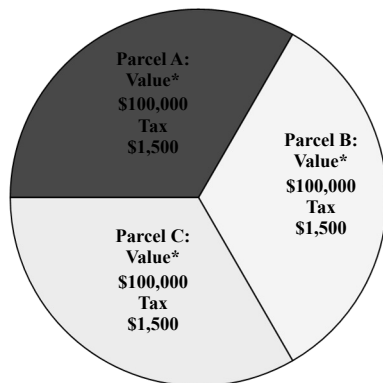
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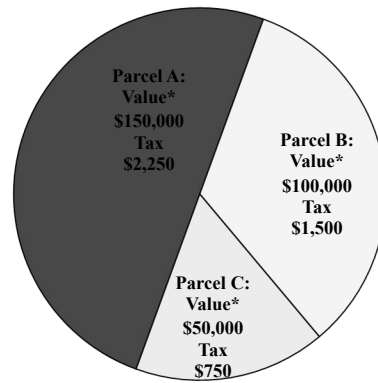
Explaining the Effect of Assessed Value Changes on Budget Driven Systems

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

2021 Value* and Tax



2022 Value* and Tax



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

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Tax Shifting Between Categories (Hypothetical Example)

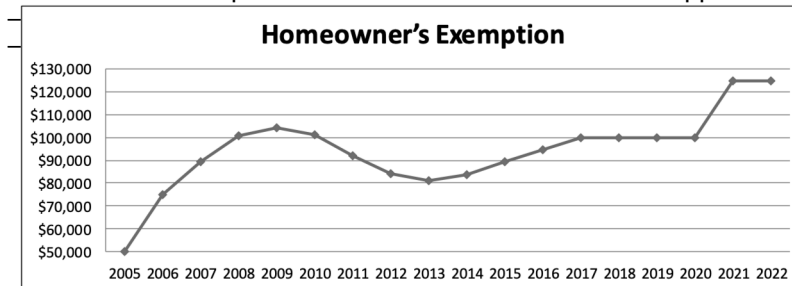
Type of Property	Year 1 Taxes (\$million)	Year 2 Taxes (\$million)	% change in Value	% change in Taxes
Residential	10.0	10.7	+ 25.0	+ 7.4
Commercial	10.0	9.5	+ 10.0	- 5.5
Farmland	2.0	1.8	+ 5.0	- 9.8
Total	22.0	22.0	+ 16.0	± 0.0

Given: Yr. 1 tax rate = 1%; no budget increase in Yr. 2 – levy rate 0.86%
 Initial value proportions: Res: 45.5%; Commercial: 45.5%; Farmland: 9%
 Value increases: Res: 25%; Commercial: 10%; Farmland: 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

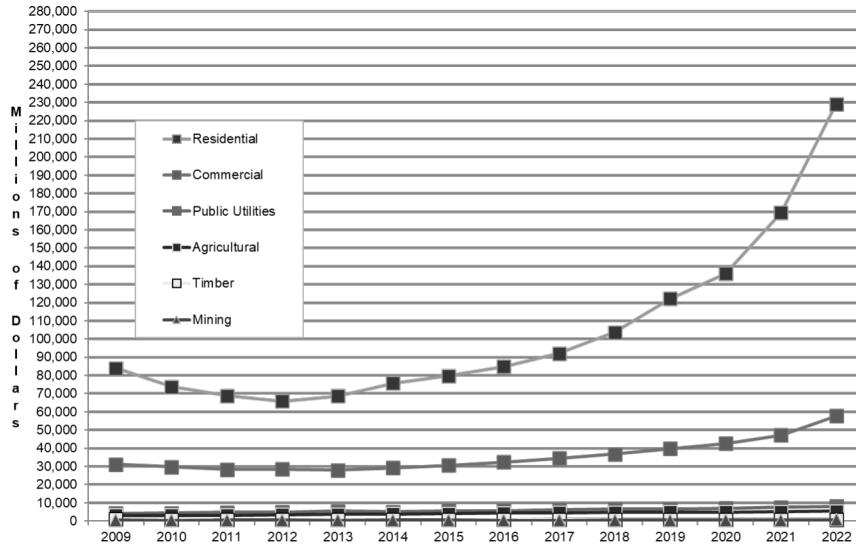


- School general property tax eliminated in most school districts – beginning in 2006
 - Typically had been about 19% of tax
- 2020: COVID tax relief of \$117.6 million (32 cities and 11 counties)
 - Total property taxes down 5.1% as a result
 - First overall decrease since 2006
- 2021: Tax relief not continuing – tax up 3.2% from pre-COVID tax relief \$
- 2022: Similar overall increase – 3.3%

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14 Year Chart of Taxable Value Changes by Major Property Category



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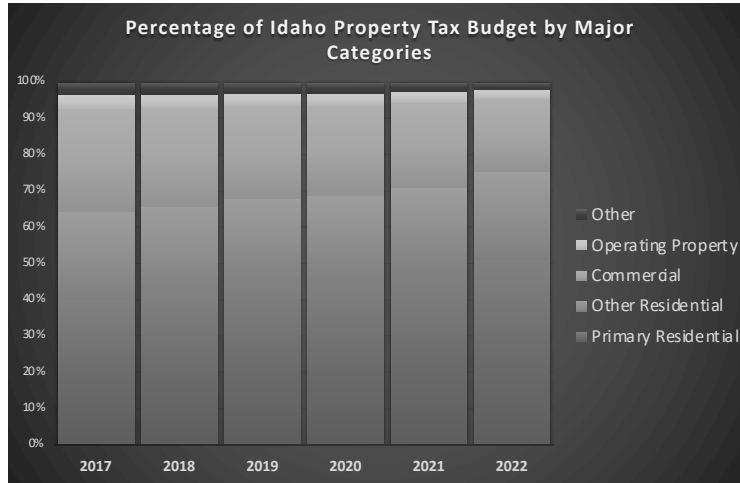
Residential v. Primary Residential (owner-occupied homes)

- Subset of residential class as a whole (shown for 2022 on previous slide)
 - “Residential” includes rental properties up to 4plexes (larger multi-unit dwellings considered commercial)
 - Entire residential class =
 - 78.1% of all taxable value
 - 75.4% of all property tax
- Through 2022, primary residential (owner-occupied):
 - Has the largest separate share of property value -- 49.8% in 2022
 - Pays the largest separate share of property tax -- 51.1% in 2022

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Proportional Shares of Property Tax over Time



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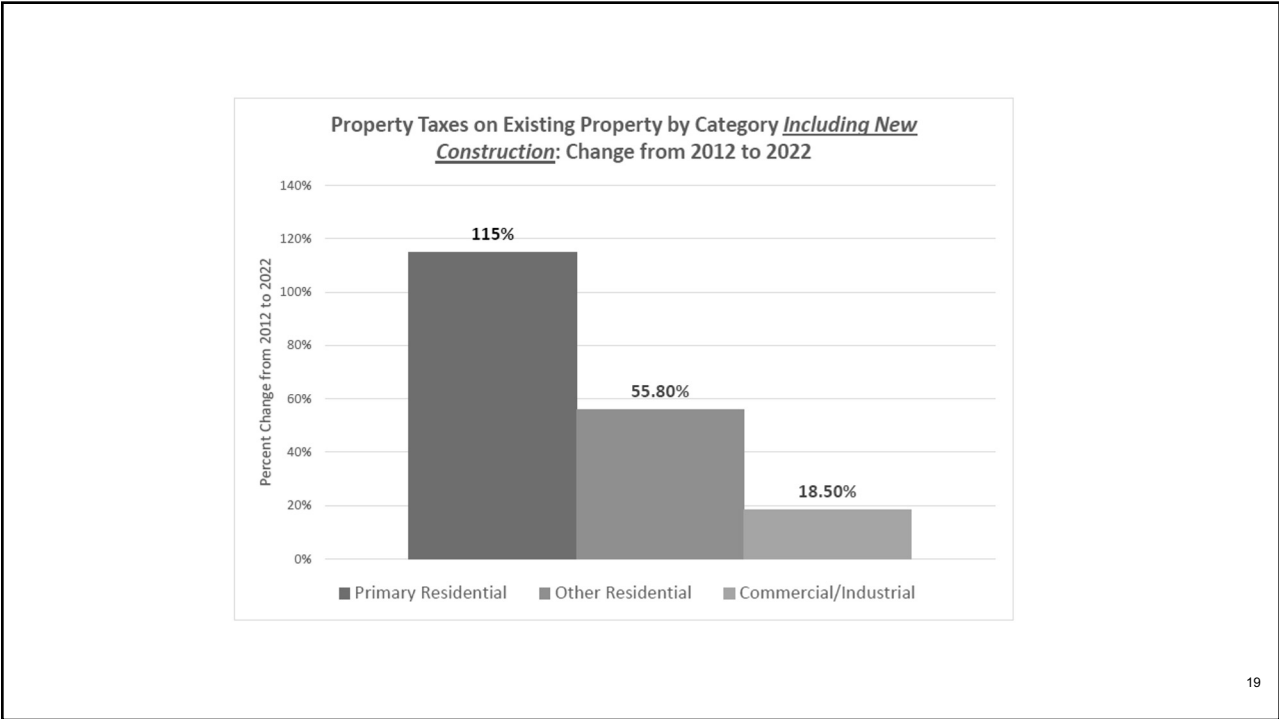
New Construction v. Changes in Existing Property Values & Taxes: 2021 – 2022

<u>Category of Property</u>	<u>Overall Percent change in Value (21 – 22)</u>	<u>Existing Property Value % Change (21 – 22)</u>	<u>Existing Property Tax % Change (21 – 22)</u>
Primary Residential (eligible for homeowner's exemption)	+ 54.4%	+ 51.0%	+ 9.1%
Other Residential	+ 50.4%	+ 46.8%	+ 2.8%
Commercial and industrial	+ 21.5%	+ 17.8%	- 13.7%

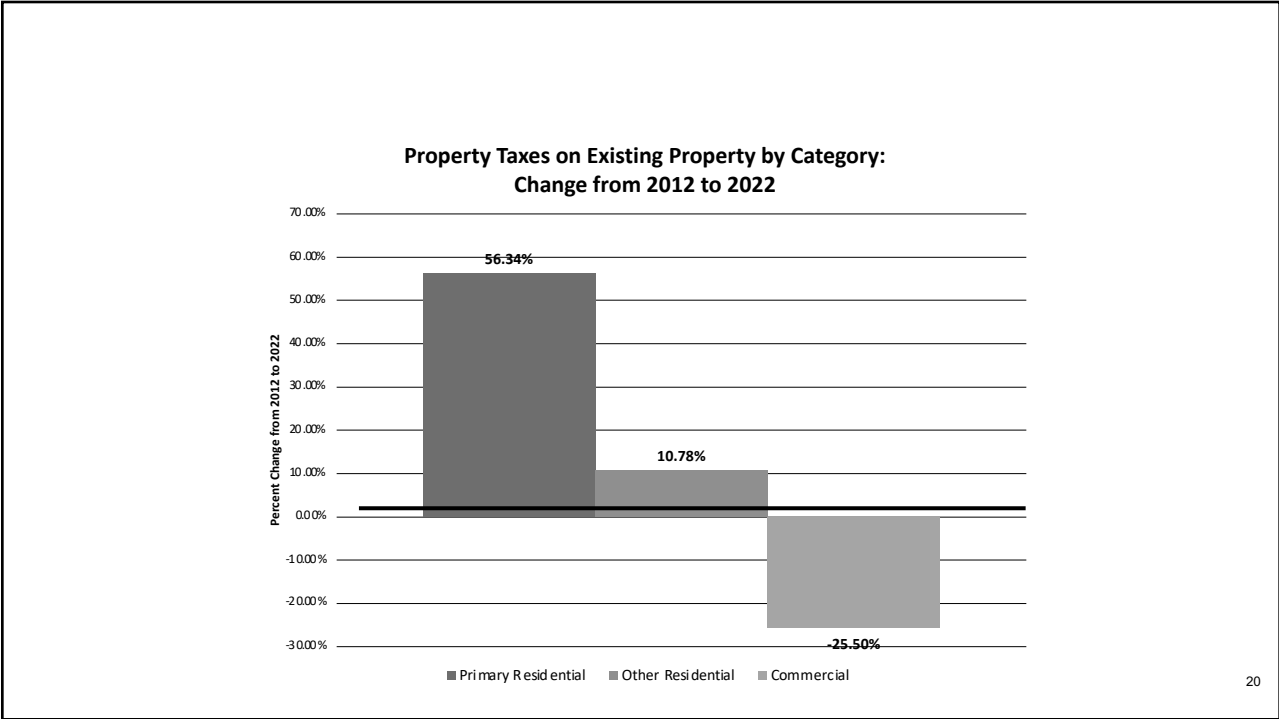
Commercial shown after expanded pp exemption
Rev. 1/27/23

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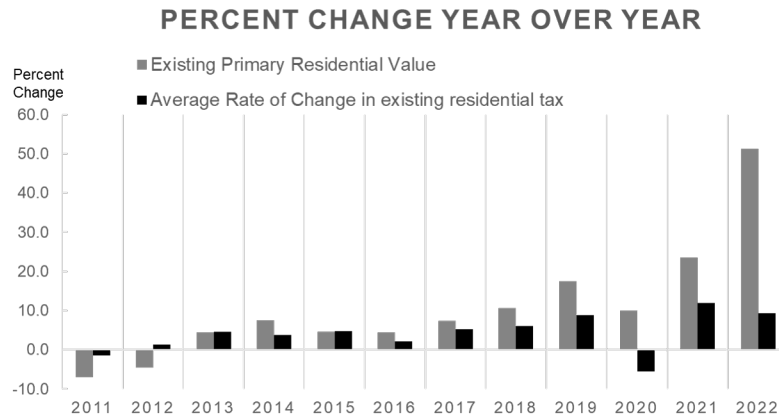


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Value Changes v. Tax Changes



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Causes & effects of taxable value changes

- Economic conditions change demand or supply of properties – can increase or decrease values (lakeshore v. deteriorating)
- Exemptions – increase or new
- Appeals that lower value after determination that initial value exceeded market value 
- Depreciation – most obvious for business machinery and equipment (personal property)
- New construction that adds to totals in each sector
- Assessment changes affect the **distribution**, not the overall amount, of the property tax – given a budget driven system.

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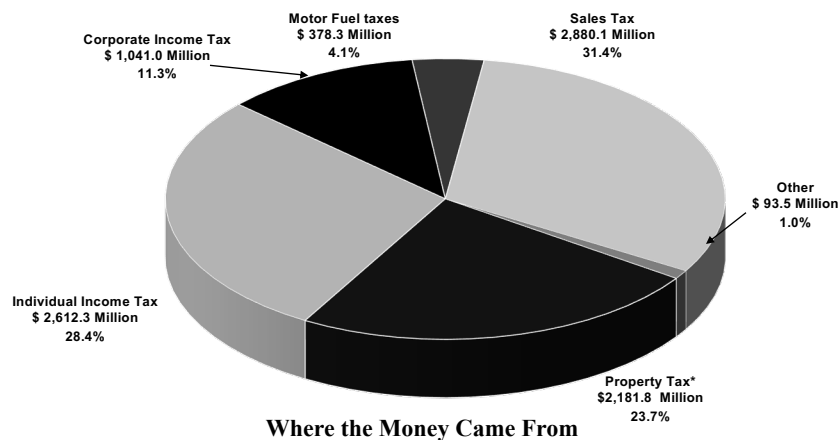
The Property Tax as a Part of State and Local Government Finance

- 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 2022 Revenue State and Local Tax Revenue

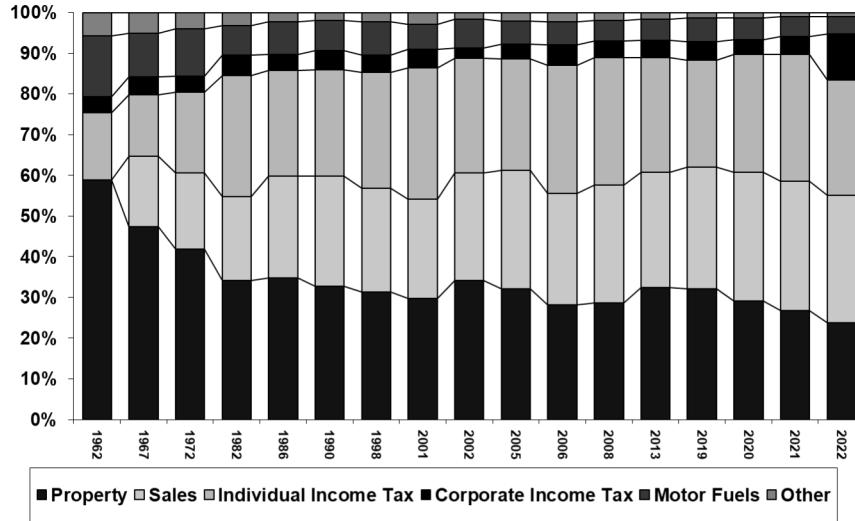


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**TAXES COLLECTED IN IDAHO
PROPORTION OF STATE & LOCAL TAX REVENUE**

PROPERTY TAX IS CALENDAR YEAR; OTHERS ARE FISCAL YEAR



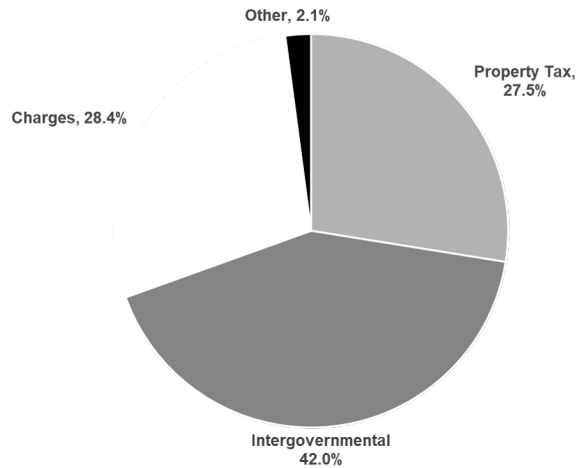
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Idaho Local Government Finances – FY

2020

Local Government



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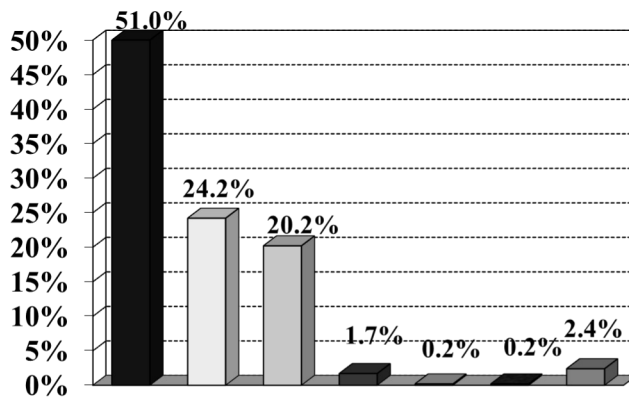
Property Tax Myths v. Facts

Topic	Myth	Fact
Who pays?	It's all a tax on homes	Primary residences pay 51% of tax (2022)
Who spends?	It's all schools (<i>conversely, schools = \$0</i>)	Schools = 27.3% (<i>as of 2022</i>)
How significant is property tax revenue?	It's the only source of revenue for local governments	Overall in FY 2020 it represented 27.5% of local government general revenue; 92.9% of tax revenue
What happens when existing property value increases?	Higher taxable value = more revenue for govt.	Total property tax revenue unchanged, burden shifts

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So, who pays the property tax?



Distribution shown is statewide in Idaho for 2022

- Owner occupied residential
- Commercial / Industrial
- Non-owner occupied residential
- Agricultural
- Timber
- Mining
- Operating (Utilities)

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Types and Numbers of Taxing Districts

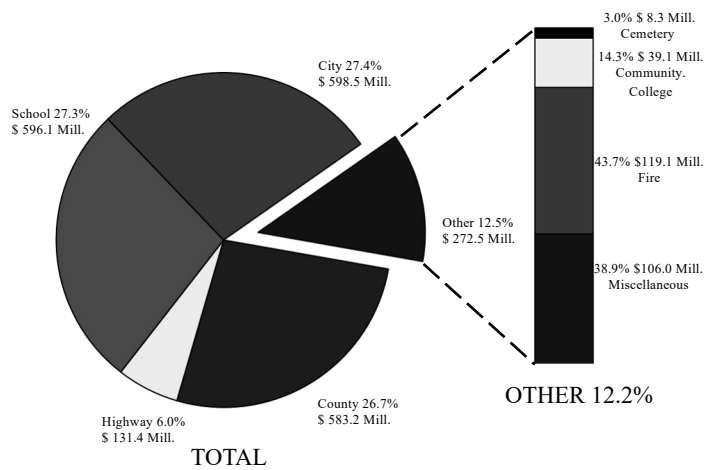
There are 1,110 taxing districts and 973 levied property tax in 2022.

Total Taxing Districts That Levy for Years 2021 - 2022				
11/2/2022				
District Name	2021 Number of Districts	2021 Districts Levying	2022 Number of Districts	2022 Districts Levying
Ambulance	29	28	29	28
Auditorium	3	2	3	2
Cemetery	183	182	183	181
Cities	200	191	200	190
Community Colleges	4	4	4	4
Counties	44	44	44	44
Fire	161	159	161	159
Flood Control	15	13	15	13
Highway-County Road & Bridge	97	79	97	75
Hospital	15	14	15	14
Infrastructure	3	2	3	3
Levee	1	-	1	-
Library	57	57	57	57
Abatement (Mosquito)	22	22	22	22
Pest Control	5	5	5	5
Port	1	1	1	1
Recreation	36	31	36	31
School	116	115	116	115
Sewer	28	9	28	8
Sewer & Water	54	13	54	14
Water	27	5	27	5
Watershed Improvements	8	2	8	2
Totals:	1,110	978	1,110	973

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2022 Property Tax Use



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How has Property Tax use changed?

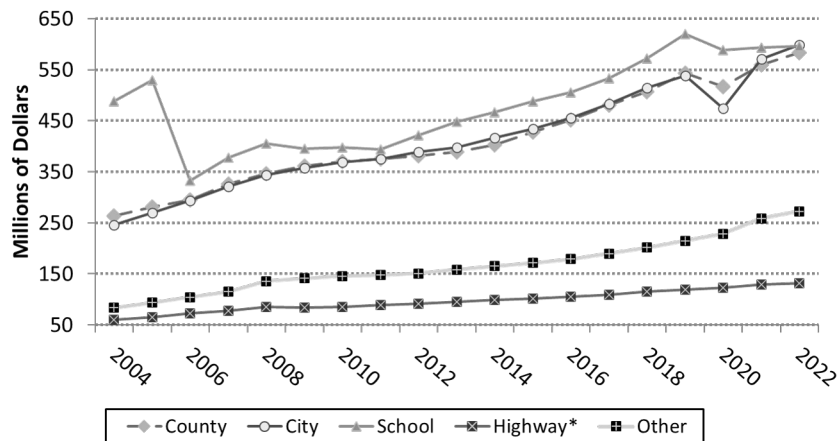
District Category	2021	2022*	% Change
Ambulance	\$33,122,488	\$34,981,880	5.6%
Auditorium	17,786	\$19,927	12.0%
Cemetery	7,903,138	\$8,328,054	5.4%
City	571,220,393	\$598,481,538	4.8%
Community Infra.	1,461,475	\$2,153,835	47.4%
County	560,115,518	\$583,232,343	4.1%
Extermination	1,155,459	\$1,199,386	3.8%
Fire	113,002,016	\$119,256,747	5.4%
Flood Control	889,067	\$940,662	5.8%
Hospital	10,006,705	\$10,443,692	4.4%
Junior College	37,632,310	\$39,066,225	3.8%
Library	32,859,949	\$34,358,573	4.6%
Mosquito Abatement	9,034,683	\$9,931,641	9.9%
Port	405,000	\$405,000	0%
Recreation	6,996,276	\$7,118,699	1.7%
Roads & Highways	129,525,419	\$131,362,245	1.4%
School	593,294,026	\$596,067,358	0.5%
Sewer & Water	3,224,293	\$3,493,375	8.3%
Sewer, incl. rec. sewer	546,532	\$565,853	3.5%
Water	190,248	\$221,416	16.4%
Watershed	130,000	\$132,000	1.5%
Total	\$2,112,732,781	\$2,181,760,449	3.3%

*Budgeted – including new additional personal property replacement

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

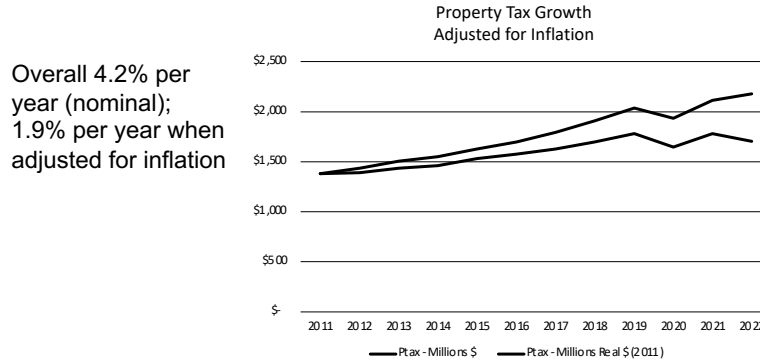


* Highway district totals include county road and bridge funds.

Note: \$117.6 million in one-time COVID related (GPSGI) grants used to reduce 2020³² city and county property taxes

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Overall Property Tax Growth – Total levied and Adjusted for Inflation



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Change in School Property Taxes 2021 – 2022

Chart VI:

2022 School Property Taxes by Fund Comparison of 2021 - 2022 School Property Taxes					
Fund	2021 \$ AMOUNT	2022 \$ AMOUNT	%	\$ CHANGE	%
11/1/2022			of Total	2021 - 2022	Difference
General M&O*	101,683,243	109,151,581	18.31%	7,468,338	7.34%
Budget Stabilization	35,431,084	35,430,732	5.94%	(352)	0.00%
Tort	3,730,891	4,146,058	0.70%	415,167	11.13%
Tuition	178,718	178,743	0.03%	25	0.01%
Bonds	175,714,764	167,905,422	28.17%	(7,809,342)	-4.44%
Cosa	2,107,136	1,729,049	0.29%	(378,087)	-17.94%
Cosa Plant Facilities	0	666,787	0.11%	666,787	0.00%
State Authorized P.F.	1,045,022	771,522	0.13%	(273,500)	-26.17%
Emergency	2,044,683	2,035,191	0.34%	(9,492)	-0.46%
63-1305 Judgment	214,870	4,644	0.00%	(210,226)	-97.84%
Supplemental	218,250,986	217,492,747	36.49%	(758,239)	-0.35%
Plant Facility	52,892,629	56,554,882	9.49%	3,662,253	6.92%
TOTALS:	593,294,026	596,067,358	100.00%	2,773,332	0.47%

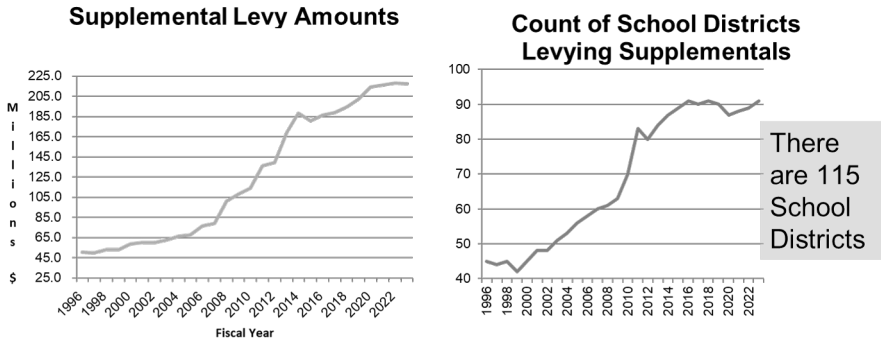
2021 - 2022 Comparison of M&O and Voter Approved Exempt Funds used by Schools		
Fund	2021	2022
M&O	1	1
Budget Stabilization	4	4
Bond	63	59
Plant Facility	51	49
Supplemental	89	91

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School Supplemental Levies

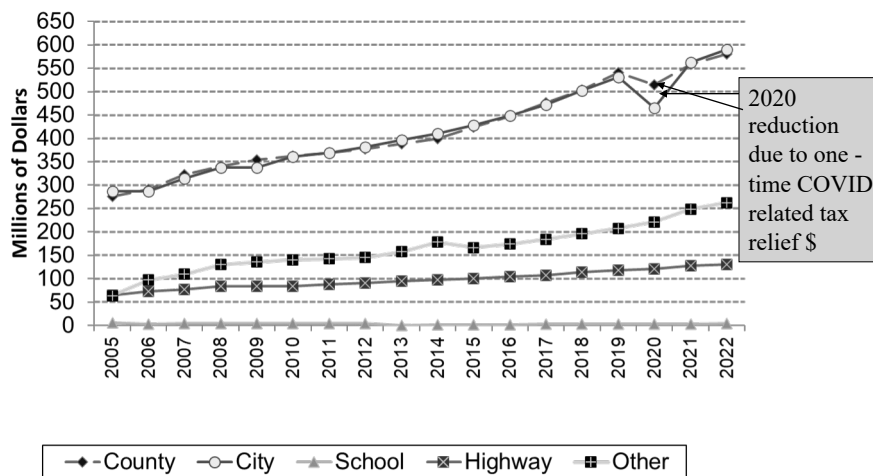
Most voter approved for 1 – 2 years (may be longer for charter school districts and permanent for some school districts)



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Non-Exempt Property Tax Funds Generally Grow Uniformly



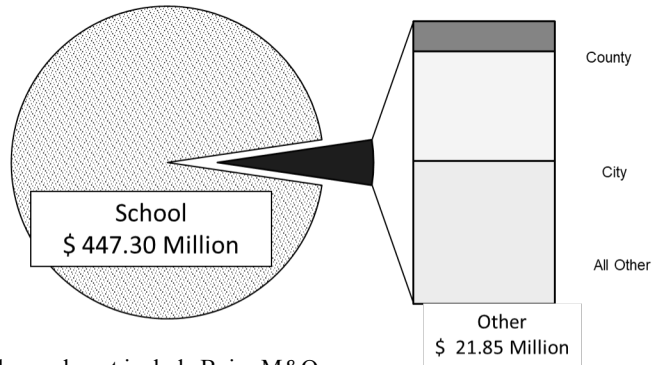
School Funds do not include Boise M&O and Budget Stabilization Funds.

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Schools are the Predominant Users of Exempt Funds (bonds, overrides, etc.)

2022 Exempt Funds

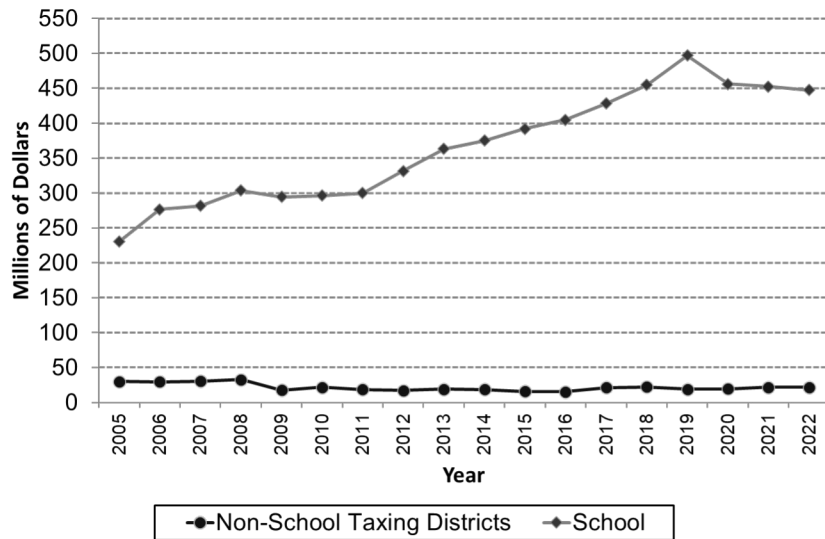


School funds shown do not include Boise M&O and Budget Stabilization funds.

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Patterns of Use of Exempt Funds



School Exempt funds do not include Boise M&O and Budget Stabilization funds

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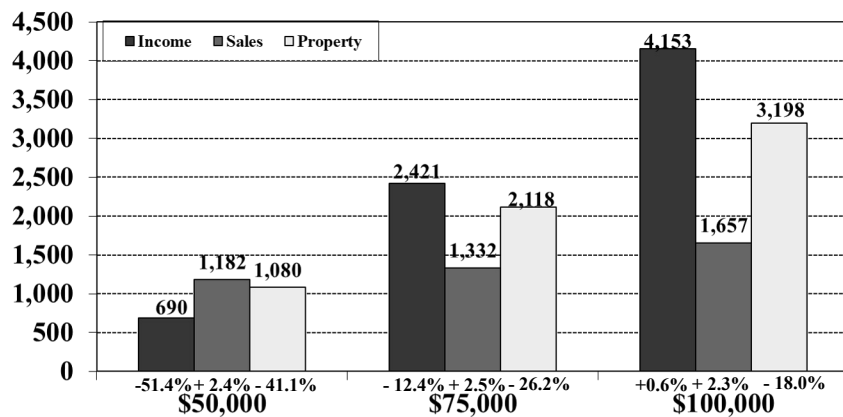
Measuring General Property Tax Burden in Idaho

- 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.

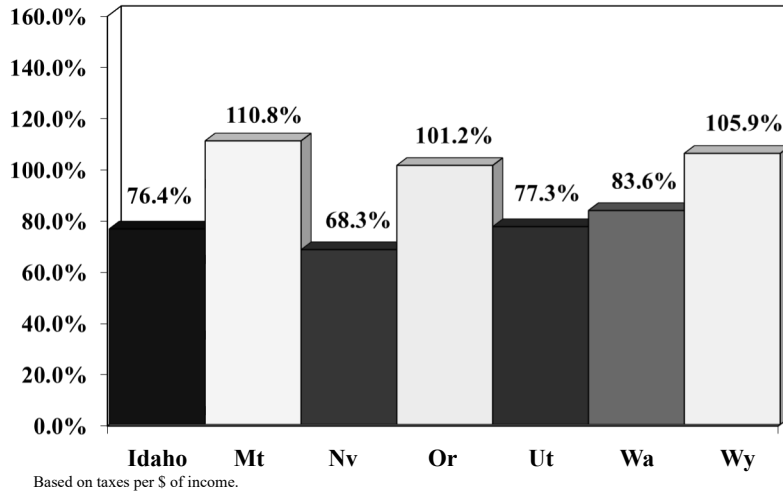
\$ Income

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

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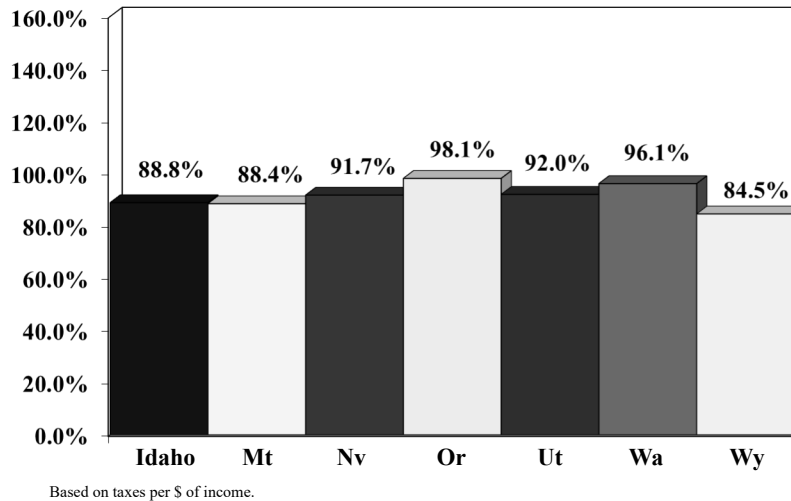
FY 2020 Property Tax Burden Idaho vs. Neighbor States



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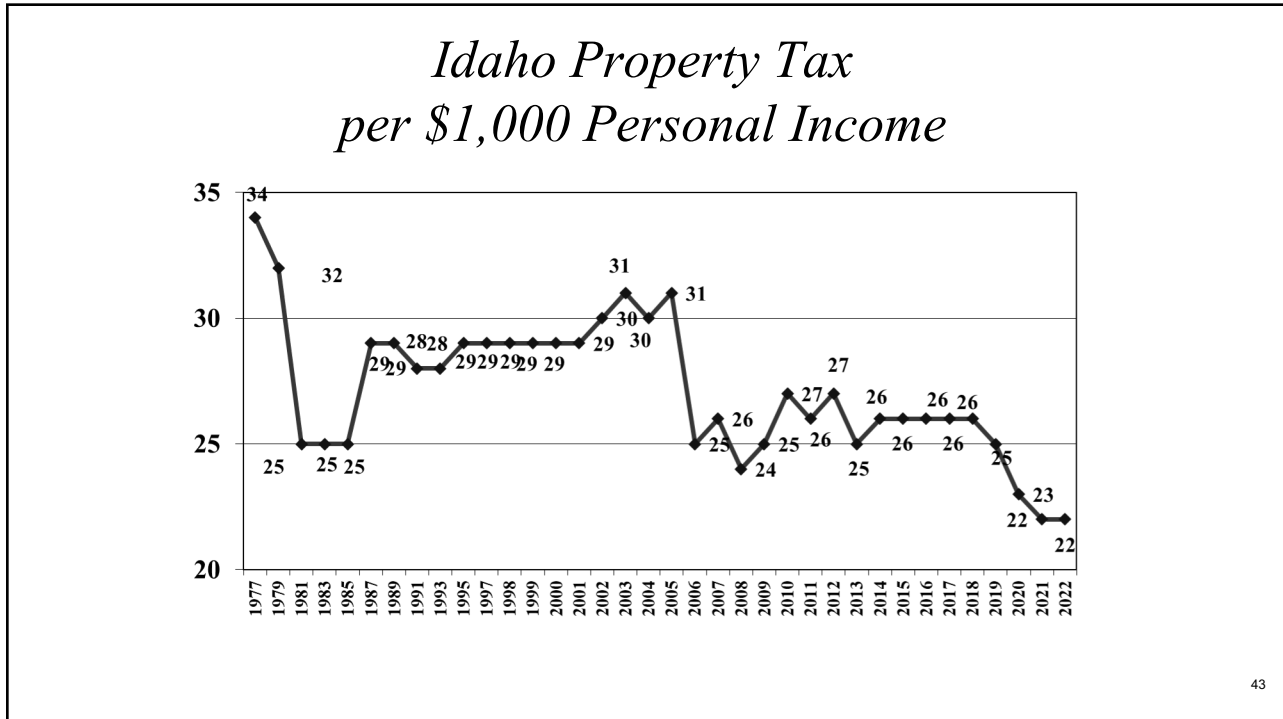
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FY 2020 Overall Tax Burden Idaho vs. Neighbor States



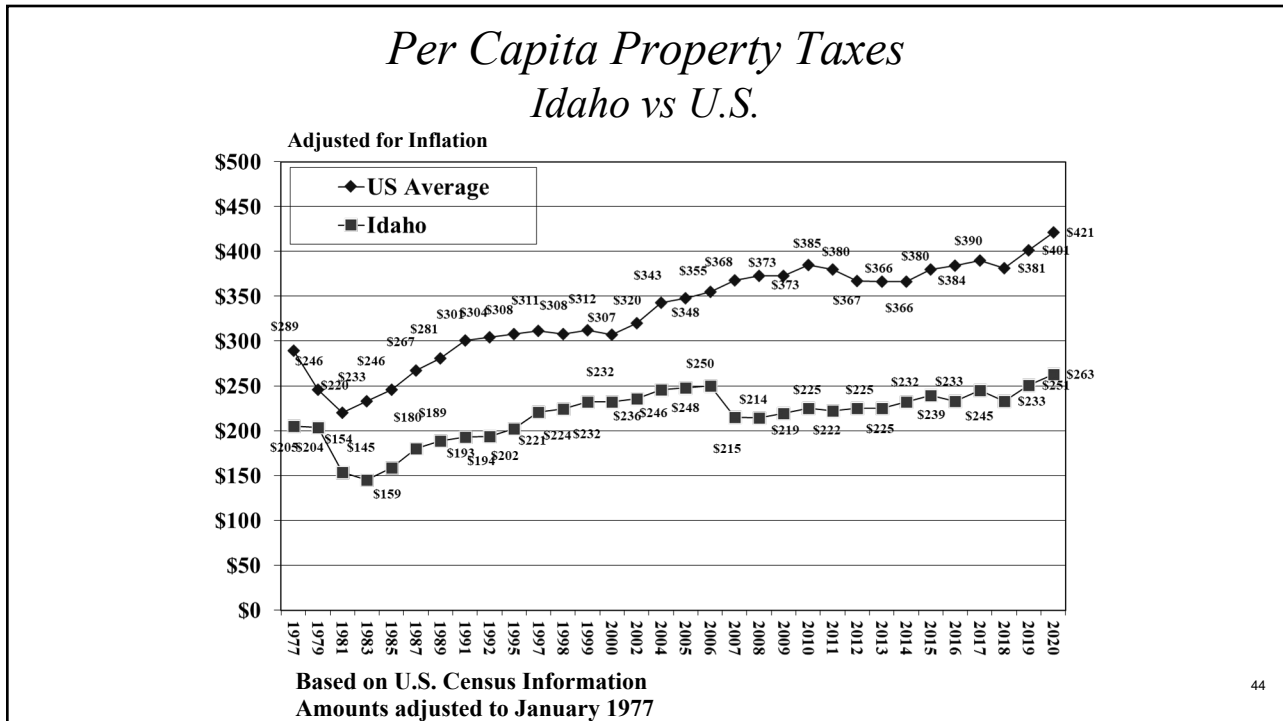
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Boise Homeowner Property Tax 1980 vs. 2021



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

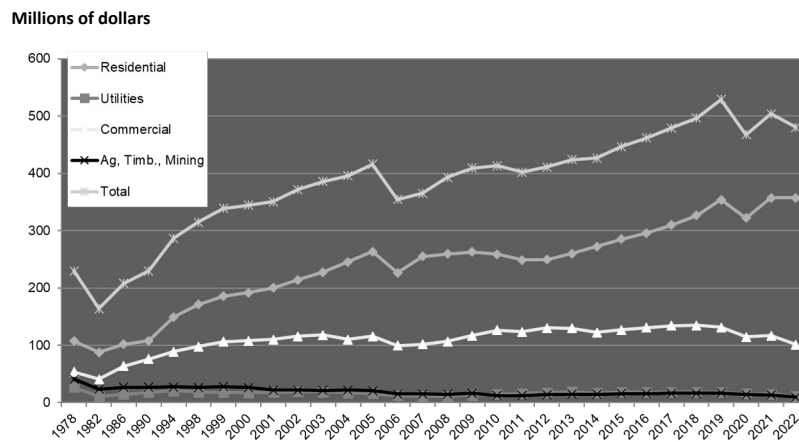
Constant dollar annual increase: 3.0%

2021 values based on 2020-21 sales.

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PROPERTY TAXES by Major Category of Property Constant 1978 Dollars



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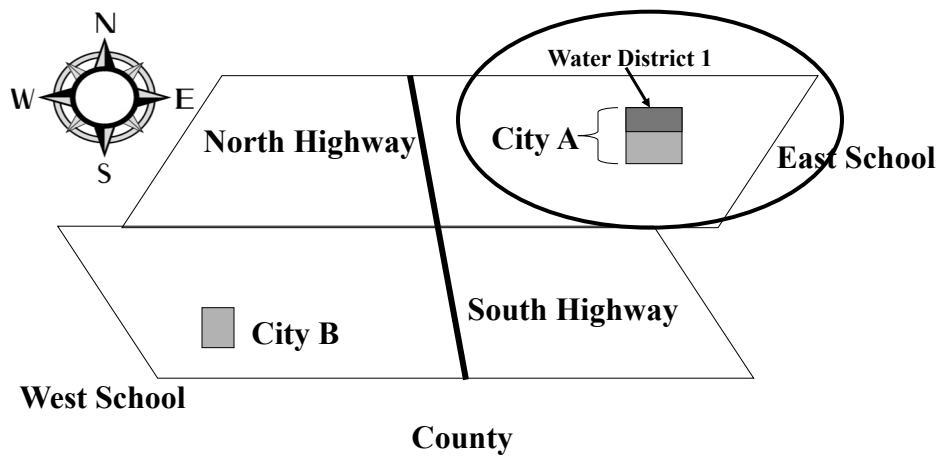
Determining Property Taxes

- Individual taxpayers
- Taxing districts
- Relief mechanisms

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Taxing Districts and Tax Code Areas Hypothetical County



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Tax Code Area Detail

- In the north half of City A taxpayers pay property tax to the following taxing districts:
 - County
 - City A
 - East School District
 - North Highway District
 - Water District 1
- In the south half of City A taxpayers pay to the same group of districts except for Water District 1 so the property tax levy (rate) will be different.

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How are Levy Rates Calculated?

- **Each property is appraised to find its market value.**
- **All values within a taxing district (school, city, etc.) are summed.**
- **Homeowner's exemptions are subtracted.**
- **The taxing district computes its property tax budget, subtracting other revenue sources.**
- **Levy rates are required to be uniform by taxing district.**

Example:
$$\frac{\text{Property Tax Budget (\$)}}{\text{Taxable Value (\$)}} = \text{levy rate (0.000123456)}$$

Example:
$$\frac{\$ 80,000}{\$ 10,000,000} = 0.008 \text{ or } .80\%$$



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PROPERTY TAX

Calculations

- Levies for taxing districts are added together:
 - County
 - School
 - City
 - Special Districts
- The total of these levies is multiplied by taxable value to determine tax.

Example of Computation

Assume levy rate = 0.00675 (average primary residential rate in 2022)

House Value: \$ 360,000

Lot Value: \$ 80,000

Total Value: \$ 440,000

Homeowner's Exemption: <\$125,000>

Taxable Value: \$ 315,000



$$\$ 315,000 \times 0.00675 = \$ 2,126$$

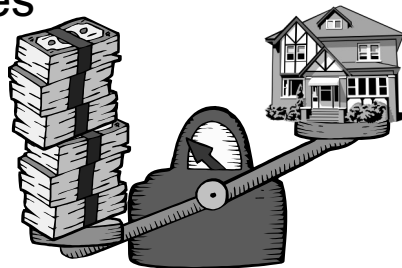
$$\text{Effective tax rate (levy): } \$ 2,126 \div \$ 440,000 = 0.48\%$$

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Limits on Property Tax

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



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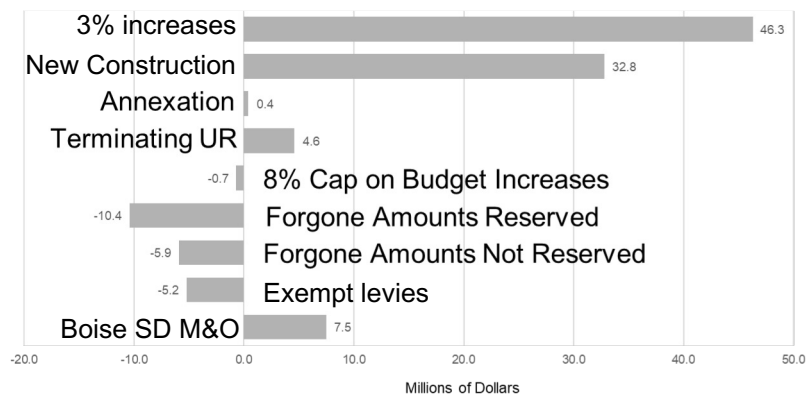
How do Property Tax Budget Limits Work?

- 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 2nd 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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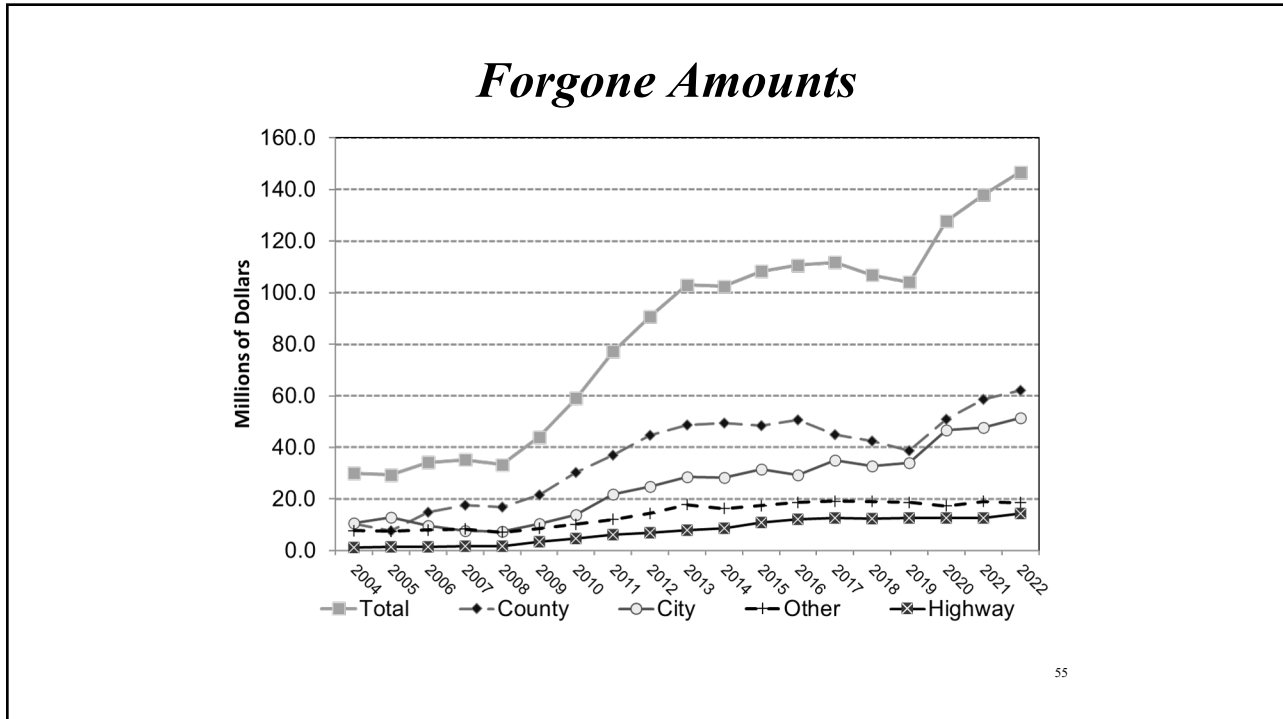
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2021 – 2022 Property Tax Change Components



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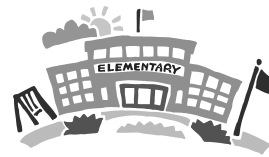
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Altering the Burden of Property Taxes – Exemptions, Incentives, and Property Tax Relief

- 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 –
 - \$4.6 million per year
- IC 63-602NN – investment exemption (unlimited \$, but 5 years maximum duration; no replacement – excludes existing property)
- Urban Renewal – increment value growth generates revenue for specific projects in certain areas based on most underlying tax levies

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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 yr. 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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New Tax Relief 2023

- HB 292 – Property Tax Relief
 - School Facilities Fund reduces levying amounts for school districts
 - Homeowner Property Tax Relief Account will provide reductions to property tax bills for homeowners via payments from the Tax Commission to each county in December/June
 - Additional property tax relief provided to all taxpayers based on taxes paid as a percentage of all property taxes paid in Idaho
 - Additional tax bill reduction and payments to each county from the Tax Commission in December/June
 - Beginning tax year 2023

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Property Tax Reduction Program (Circuit Breaker)

- Up to \$1,500 credit for eligible homeowners:
 - Over age 65, disabled, widows and widowers
 - For 2023 program, income up to \$37,000 and home values up to 200% of median or \$400,000
- And – up to additional \$1,500 for 100% disabled veterans (no income test)
- Must annually apply with county assessor by April 15th.
- 2022 claims
 - 26,680 approved (includes disabled vets. qualifiers)
 - \$ 881 tax relief per claim average
 - \$ 23.50 Million paid by state to counties and taxing districts
 - New value limit from HB389 implemented, claimants with homes worth more than the greater of 150% of median value in their county or \$300,000 excluded from program. 838 claimants denied. Option to apply for tax deferral.
- 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!

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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) (5% for 2023)
- 2021 – 2022
 - 4 households approved in 2021
 - \$11,631 in total benefits paid in 2021
 - 22 households applied in 2022
 - 17 approved; 9 due to value limitation
 - Total benefits paid in 2022: \$50,271
- Claimants who otherwise qualify for circuit breaker except for high value property could apply for deferral with income up to \$50,650 in 2022 (\$53,638 for 2023)

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