REVENUE AND TAXATION COMMITTEE

JURISDICTION

The IAC Revenue & Taxation Committee is responsible for all matters pertaining to financial resources of counties, federal assistance, municipal borrowing, county revenues, grants, and fiscal policy. This includes property tax policy, state and federal revenue sharing, local option taxes, county fees, and revenue distribution formulas. The committee also advocates for legislative solutions to ensure counties have the tools and flexibility to generate revenue in order to meet statutory and service obligations.

STATEMENT OF BASIC PHILOSOPHY

The Idaho Association of Counties (IAC) affirms its basic objective to strengthen county government's fiscal authority and sustainability. Counties are constitutionally created and serve as general-purpose units of local government, not simply administrative arms of the state. The level of government closest to the people should be empowered with the revenue tools necessary to fulfill its responsibilities effectively and efficiently.

IAC supports a revenue system that is equitable, diversified, and responsive to local needs. Counties should be able to manage their own fiscal affairs with minimal interference from federal or state entities. IAC also supports robust education and technical support to maximize local government financial effectiveness and public accountability. IAC strongly supports the National Association of Counties (NACo) in federal fiscal advocacy and encourages Idaho counties to participate in NACo to influence national tax and revenue policy affecting counties.

ROLE OF COUNTIES IN FEDERAL FISCAL DECISION-MAKING

The federal government should recognize counties as full partners in program and fiscal implementation. Counties must be included early in federal fiscal decision-making, especially where federal policies directly impact county revenues, such as through grants, revenue sharing, unfunded mandates, or tax exemptions that affect local tax bases. Federal financial assistance must be predictable, transparent, and equitable. The federal government should also compensate counties through PILT (Payment in Lieu of Taxes) and other mechanisms where federal presence limits local taxing authority.

ROLE OF COUNTIES IN STATE FISCAL DECISION-MAKING

Counties must have meaningful involvement in state decisions that affect county taxing authority, fiscal responsibilities, or service obligations. Any new mandates from the state must be accompanied by adequate, ongoing funding.

UTILIZE REGIONAL FISCAL COOPERATION WHEN PRACTICAL

While many fiscal issues are localized, regional collaboration can lead to more efficient service delivery and resource use. Counties should be empowered to explore shared services, revenue sharing, or regional financing models where beneficial. However, any regional approach must enhance, not erode, county fiscal autonomy.

MANDATES AND FISCAL IMPACTS

Mandates – IAC supports the policy that any existing, new or expanded program mandated by the federal government; state government or other agencies must have funding provided from such mandating entity. Counties will continue to work with the state and its agencies to secure funding for new or expanded programs but counties require the authority to not provide services required if funds are not available.

Fiscal Impacts – IAC supports the policy to ensure that the fiscal impact on local governments will be as carefully considered in proposed legislation as impacts upon the state general fund. (Joint Rule 18 of the Idaho House and Senate). The requirement to include the fiscal impact to local governments on a proposed bill should be enforced in both houses of the Idaho Legislature.

TAXATION AND FINANCE

Counties, as political subdivisions of the state of Idaho, but with closer relationships with the people, have a right and a responsibility to raise the necessary revenues, unhindered by federal or state impositions or restrictions, in order to finance critical, basic public services of a wide variety, many of which are federally or state mandated.

County Revenues

1. Property Taxes – Idaho's counties should have the ability to finance county government by means other than relying primarily on the traditional property tax.

Property tax must be regarded as a necessary part of an overall tax system because it raises a substantial amount of money and is, in fact, the largest single source of county tax revenue and is also the most stable source for local government. The assessment of property should be performed on a timely basis utilizing the most accurate procedures and in accordance with the standards of the International Association of Assessing Officers. IAC opposes any effort to limit the ability of counties to raise revenues necessary to meet mandated services or any other service demanded by a county's residents.

The state of Idaho should make payments-in-lieu-of-taxes to counties for any loss in property tax revenues caused by any legislation or state action that reduces or exempts property from taxation. The state also should provide additional sources of tax revenue in any proposal to modify the ability of counties to collect property tax. Should the state of Idaho (Tax Commission) take a position involving the collection of property taxes that is not upheld by the courts nor supported by the counties and results in a refund or credit to taxpayers, it is the position of IAC that the state be required to make any refunds out of state monies.

Property tax dollars should be directed toward services needed by the general public. The administrative cost of collection of property taxes currently is quite reasonable in relation to county operating budgets. Therefore, IAC opposes any change in property tax collection laws that adversely impacts or increases county administration costs.

2. Local Option – To supplement the revenues of counties where the property tax is deemed by the county to be either inappropriate or inadequate for the necessary funds for county functions, IAC joins with its sister organization, the Association of Idaho Cities, in support of broad-based authority to impose local option taxes including income taxes, sales taxes, rents, fees, licenses, franchises, excise taxes or fees any other tool necessary to fund county services. Such methods may reduce, replace or be in lieu of, or in addition to the use of the property tax. Furthermore, IAC believes that broad-based local option authority should be granted only to counties and cities as general-purpose units of government.

IAC does support the removal of the sunset provision on the county local option sales tax for jails and detention facilities.

3. Inter-Fund Loans – IAC supports legislation to allow counties and other multi-fund taxing districts to borrow money and issue non-interest bearing notes from one fund to another in anticipation of future revenue during a current fiscal year.

4. Interest Earnings – Investment of monies in the county treasury is complex requiring daily adjustment and resulting in the near impossibility of computation of interest earnings by fund. Further, pooling of funds in the county treasury results in greater interest earnings on investments for the county. IAC strongly supports the deposit of interest earnings to the county current expense or general fund in part to reimburse counties for the cost of administration of the investments.

5. Urban Renewal – The IAC supports continued efforts to reform the Urban Renewal and Economic Development statutes providing legislation for accountability, oversight, closure, and limiting use of Tax Increment Financing for economic development; promoting statewide education on the affects of Revenue Allocation Areas and Tax Increment Financing on the property tax base, levies and budgets of Cities, Counties, School Districts, and other taxing districts within a Revenue Allocation Area.

6. Grants – IAC supports the requirement to have the state legislature provide a flow through procedure for grants similar to PILT and Revenue Sharing. Once received by the county, the county would ensure that the spending is within the guidelines of the grant.

7. Fees – IAC opposes any additional fees tacked on to functions performed by counties unless a proportionate share is returned to the counties for performing those functions.

8. Property Tax Exemptions – IAC opposes an exemption that causes any loss of property tax revenue unless the Idaho Legislature provides replacement revenue including a growth factor that may be indexed to inflation. IAC also supports a complete and thorough review and analysis of the current property tax system including the impacts of exemptions on the ability to raise revenue and the effect on the balance in the system as well as a review of the classification of property for any purpose including exemptions.

9. Taxation Procedures – IAC supports changes to the law which implements modern standards and practices. The growth in responsibility for assessment and collection of taxes requires the counties to find faster and more efficient methods for managing their duties. Modern technology enables expeditious retrieval and inter-office access. Counties serve the public and should structure their operations to ensure that the public receives prompt service, and that procedures be in place to protect their interests. These procedures should assure that taxes are assessed fairly and that administrative difficulties do not result in unfair taxes, interest or penalties. The system should also provide timely notification and an opportunity to resolve disputes. It is also important that there are adequate enforcement policies and methods to ensure that people pay their taxes. The failure of some to pay their taxes results in a penalty to those who do pay. Those who pay have a right to expect that each pay their fair share

10. Valuation Litigation – IAC supports the development and continuation of the Valuation Litigation fund to assist counties in funding and fighting valuation litigation cases.

11. Development Impact Fees – IAC does support the use of development impact fees to enable growth to pay for some of their costs. However, the complexity and high cost of creating and implementing an impact fee program need to be carefully analyzed. The impact fee law should be revised to eliminate an impediment for their use and allow for a simpler and more streamlined system.

12. Tax Deeding – IAC supports holding local government harmless if property becomes delinquent and the county must tax deed the property. All costs, including taxes, penalty and interest, advertising and maintaining the property must be paid first.

13. Exemptions/Abatement of Taxes – IAC supports giving Boards of County Commissioners the ability to make determinations for exemption or abatement of taxes at the local level for a limited time to encourage economic development.

14. General Sales Taxes and Streamlined Sales Tax – IAC believes that sales taxes should be collected on the widest possible variety of goods and services in order to keep the state tax rate as low as possible while still generating the necessary revenue.