

IDAHO ASSOCIATION OF COUNTIES

History of Property Taxes in Idaho

A legislative history for county elected officials — from territorial poll taxes to today's property tax budget caps.



PRESENTATION ROADMAP

Roadmap

- 1 Territorial Foundations**
- 2 Building the Levy System**
- 3 The Uniformity Problem**
- 4 To Cap or Not to Cap**
- 5 Exempt & Replace**
- 6 The Current Framework**
- 7 Synthesis & Discussion**

Pre-1900 — funding before property tax

1900s–1930s — current expense, roads, bonds, first limits

1957–1969 — courts, sales tax, first budget cap

1970s–1990s — caps imposed, repealed, reborn

2001–2016 — trading one tax for another

2021–2026 — where we stand today

What the pattern tells us next

FRAMING

Why This History Matters Now

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Today's rules are the result of 150+ years of legislative trial and error.

THE THROUGHLINE

A constant tension between local control / adequate revenue and taxpayer protection — caps get imposed, repealed, and reimposed in different form, again and again.

1863

Idaho Territory established

2026

Most recent budget cap change
(fire/EMS districts)

15+

Distinct budget-cap formulas
since 1969

PRE-1900

Territorial Foundations

Before property tax existed as we know it, counties were funded through a patchwork of transactional taxes.

1

Poll Tax

On all males living in Idaho — split 50/50 between territorial and county government

2

License Tax

Levied on various professionals and individuals

3

Mine Receipt Tax

40% to territorial government 60% to county government

4

Toll & Ferry Tax

On roads, bridges, and ferries — later repealed (1895/96),

1895/96 — Birth of the modern system: the county current expense property tax levy is established, and the toll and ferry tax is repealed.

1900s – 1930s

Building the Levy System

1901

County road property tax levy established

1905

Counties granted bonding authority to build roads, backed by a property tax levy

1909

Counties receive 75% of road taxes

1915

Counties authorized to levy property taxes to pay for bridges

1916

First maximum levy limits set — current expense, road, bridge, and school levies

1919

Levy rate limit for the county bridge levy increased

1931

The Property Tax Relief Act creates a state income tax to reduce state property tax levies

1957 – 1969

The Uniformity Problem

1957

H0138 established the county revaluation levy

1965

State property tax eliminated (H0220); state sales tax enacted at 3% (H0221); uniform assessment set at 20% of market value for real/personal property, 40% for operating property (S0246)

1967

Idaho Telephone Co. v. Baird — the 20% / 40% split assessment ratio is ruled unconstitutional; the court demands uniform valuation.

1967

Business inventory exempted from property tax (H0243); lost revenue replaced with a new sales-tax revenue-sharing distribution, phased in over four years. H0403 eliminated 20%/40% assessment ratio; requires STC to reassess operating property & equalize property to 20% of full market value by January 1, 1977; and creates a study committee leading to H0304 (1969)

1969

H0304 extended 20% valuation deadline to January 1, 1982. Local property tax budget growth is capped at 4% per year and can only be exceeded with 60% voter approval or by petitioning Idaho State Tax Commission (with a right to appeal denial to district court)

Idaho Telephone Co. v. Baird (1967)

Courts, not just the legislature, shaped Idaho property tax policy.

- Idaho had been assessing real and personal property at 20% of market value, and operating property (utilities, railroads) at 40%.
- The court held that all property valuation must be uniform — assessing different property types at different ratios violated constitutional uniformity requirements.
- The legislature's response came fast: H0403 (1967) repealed the 20% / 40% split and created a study committee to determine how to uniformly assess taxable property.
- The 1969 session produced the first modern budget growth cap (H0304) — a 4% annual limit, overridable with 60% voter approval or appeal to STC (denial could be appealed to district court).

1970s – 1990s

To Cap or Not to Cap

- 1971** ● H0034 repealed the 4% cap entirely
- 1978** ● Voters enacted a 1% initiative limiting total property taxes to 1% of taxable value; budgets frozen at 1978 levels
- 1979–80** ● Taxable values frozen and indexed up to 2%; one-year 4% growth formula tied to 1977–79 budgets
- 1981–88** ● A series of “greater of” formulas tied to 1978–80 base years, each more complex than the last (H0389, H0306, H0343, H0541)
- 1991** ● H0366 repealed budget caps outright — “truth in taxation” (transparency-based) adopted instead
- 1995** ● Truth in taxation repealed; replaced by the 3% + new construction model whose fingerprints remain in law today

Hard Caps vs. Transparency — A Recurring Policy Choice

HARD CAPS

A fixed percentage limit on budget growth (4%, 5%, 3%...). Predictable for taxpayers, but formulas grow complex fast as legislation changes the mechanics of how budgets are set — as seen 1969–1988.

TRUTH IN TAXATION

No hard cap — instead, public notice and hearings are required once a proposed budget increase crosses a threshold. Adopted in 1991, amended in 1992 to include additional public notice if budget increased by more than 5%, and repealed in 1995.

Discussion: Which approach better balances predictability and accountability?

2001 – 2016

Exemptions & Replacement Revenue

An approach from the past: exempt a category of property, then backfill the lost revenue with sales tax.

2001

H0378 repealed personal property tax on ag equipment and machinery; lost revenue replaced via sales tax at 106% of exempted property taxes

2013

H0315 exempted the first \$100,000 of business personal property value; lost revenue replaced with a sales-tax replacement distribution

2016

H0431 capped the homestead exemption at \$100,000 and removed its inflation index

2006 — H0001 & H0421: A major structural shift

Sales tax raised to 6%. The school M&O property tax levy is repealed entirely — the state now replaces that revenue through an annual general-fund appropriation (H0001). Homestead exemption increased to 50% of value, up to \$75,000, indexed to inflation (H0421).

2021 – 2026

The Current Framework

2021

H0389: Established today's budget cap model: 8% including new construction, plus 1% of forgone taxes, plus 3% forgone for capital projects. Homestead exemption increased to \$125,000; and business personal property exemption increased to \$250,000.

2022

H0673: New construction no longer includes a mere change in land use.

2023

H0292: Created the Homeowner Tax Relief (HTR) fund and School District Facilities Fund (SDFF), thereby dedicating 4.5% of annual sales tax collections to residential property tax relief.

2024

H0521: Created the School District Modernization Fund, raised the SDFF sales-tax share by another 1%, dedicated 20% of tax relief fund to SDFF, and $\frac{5}{8}$ of net lottery fund revenues to the SDFF.

2025

H0304 dedicated an additional \$100 million annually to property tax relief (\$50M to HTR, \$50M to SDFF).

2026

H0959 raised the fire/ambulance district budget cap from 8% to 15%, and created a voter initiative process to roll back those districts' budgets.

A quick detour ...

The Disappearing Personal Property Tax

2007

H0378: Exempted ag machinery and equipment from property taxes. Sales tax provided to taxing district to replace lost property taxes.

2007

H0529: 3.0% gross receipts tax on wind power generation in lieu of property taxes (new revenue).

2008

H0529: 3.0% gross receipts tax on geothermal power generation in lieu of property taxes (new revenue).

2013

H0315: First \$100,00 of business personal property exempted from property taxes (later increased to \$250,000 as part of H0389). Lost revenues replaced via new sales tax distribution.

2016

H0534: 3.5% gross receipts tax on solar power generation in lieu of property taxes. Gross receipts tax must be used to reduce property tax levied (no new net revenue).

2025

H0329: Rate regulated electric and gas companies exempted from paying property taxes. A new kWh sales tax is established to provide replacement funding. kWh treated as property tax replacement.

And ...

The Shrinking Homestead Exemption

1980

H0748: Homestead exemption established, exempted 20% of taxable market value up to \$10,000.

1983

H0274: Implemented citizen initiative increasing homestead exemption to 50% of taxable market value up to \$50,000.

2006

H0421: Increased homestead exemption to 50% of taxable market value up to \$75,000 and indexed the cap to Idaho Housing Price Index (HPI).

2016

H0431: Fixed homestead exemption to 50% of taxable market value up to \$100,000 (no more index).

2023

H0292: Established School District Facilities Fund (SDFF) and Homeowner Tax Relief Fund (HTR), dedicating 4.5% of sales tax to property tax relief. Additional \$100 million added via H0304 in 2025.

2024

H0521: School Modernization Fund (SMF) adds \$125 million annual sales tax funding for school facilities improvements. Additional 1% sales tax, 20% of tax relief fund, and $\frac{5}{8}$ of net liquor revenue to SDFF.

Three Eras, One Pattern

**1863–
1930s**

DOMINANT TOOL

Ad hoc transactional taxes →
levy limits

WHAT CHANGED

Establishing the system

**1965–
1994**

DOMINANT TOOL

Hard budget caps, repeatedly
repealed and reimposed

WHAT CHANGED

Fighting over the control
mechanism

**2001–
2026**

DOMINANT TOOL

Exemptions + replacement
revenue

WHAT CHANGED

Shifting the burden, not
eliminating it

Notice the oscillation between hard caps and transparency/voter-notice models — a recurring policy choice, not a one-time decision.

Discussion Questions

Take 5 minutes in small groups, then we'll share out.

1

Given this history, is an 8% cap 'high' or 'low' by historical standards?

2

Which approach — hard caps or truth-in-taxation — better balances predictability and accountability?

3

What pattern are we likely to see repeat next?

Thank you!



STRONGER COUNTIES — STRONGER IDAHO