Idaho Property Taxes

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Idaho State Tax Commission

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Objectives

- Understand property tax
  - How is property assessed?
    - Who is responsible?
    - What is the role of the Tax Commission
  - What types of property are there?
  - Who pays how much?
  - Who spends property tax?
  - How are property taxes determined?
  - How do we control / relieve property tax?
  - What are the recent trends?
- Learn about how property tax fits i
  Idaho’s taxes
- Understand tax burden

Idaho Property Tax Essentials

- Current, annually determined, market value base (*except farm use value and timber formula based value*) - $115.3 Billion in 2014 (*$107.0 billion in 2013*)
- 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 budgets ($) limited to 3% plus new construction and annexation
  - **No** additional budget due to increased value of existing property
  - Growth in individual property taxes may vary from this figure:
    - If value of one property up more than another, the property with the greater increase will pay a higher proportion of the total property tax.
    - If so, taxes on another property increase less or decrease.

Property Tax Essentials (cont.)

- Tax is levied on most real and business personal property
- Tax is generated and used locally:
  - ~$46,124 (2014) to state public school income fund (taxes on small railcar companies paid directly to state)
  - $1,552 Million (2014) to local units of government
  - $ 59.3 Million (2014) 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)

The Personal Property Tax

- Personal property taxes in Idaho were between $104* and $137* million out of $1,552 million in total property taxes in 2014 (7% - 9% statewide, but much higher in some counties).
- In addition to furniture, fixtures, machinery, and equipment, the above figure for personal property tax includes rail cars and certain other portions of operating property.
- Amounts shown reflect 2014 partial exemption

*Includes $13 - $14 million tax on personal property paid to urban renewal agencies.

Assessment of Property – System of Valuation

- General requirement
  - Idaho Code (IC)§ 63-205 requires annually updated current market value
  - Exceptions apply through full or partial exemptions or property brought into the state for part of the year
- Recognized appraisal methods to be employed in determining assessed value (Rule 217)
- All property taxable unless expressly exempt

Frequency of Assessment

- "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, 2014

Variations from Sale Price as Indicator of Market Value

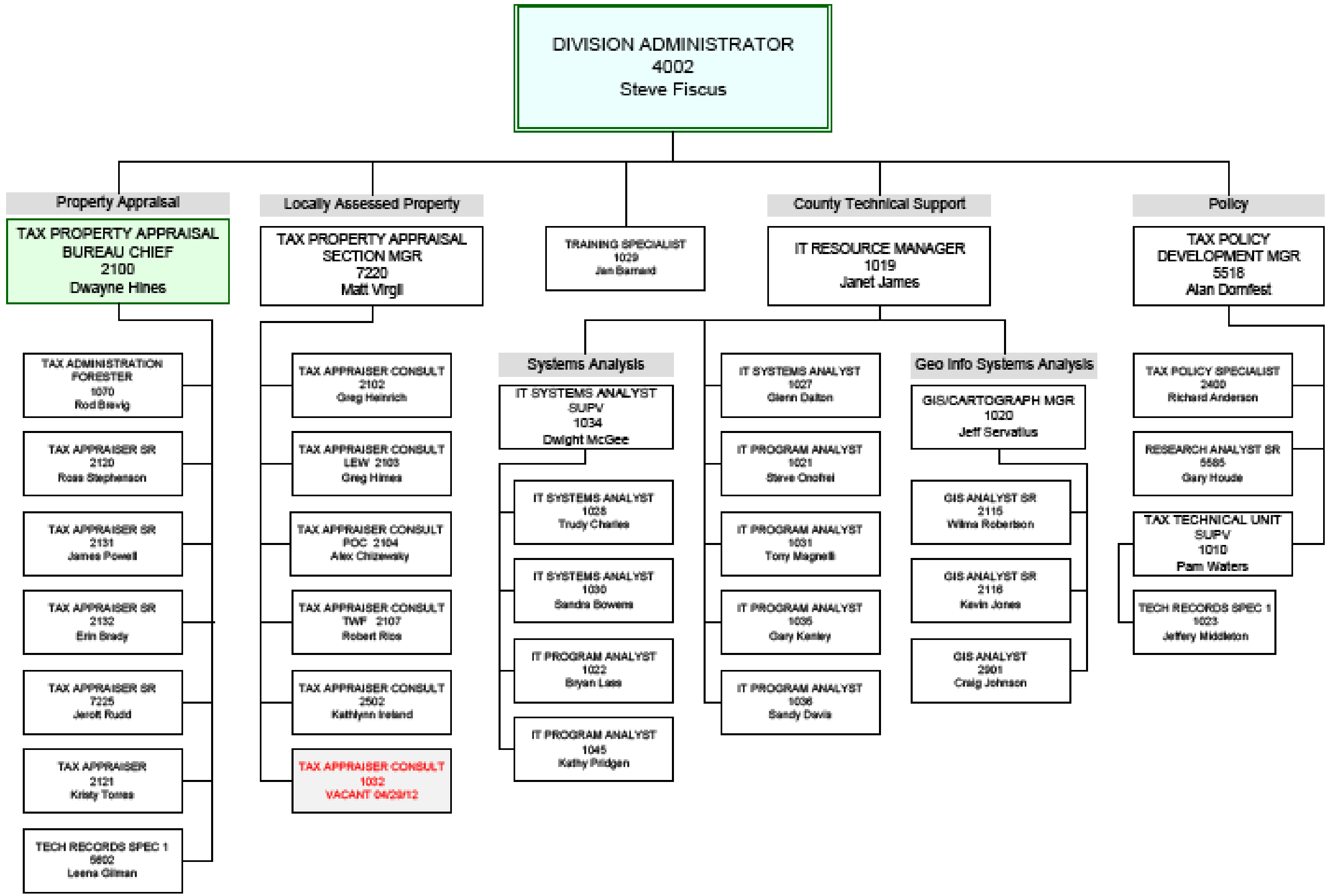
- Farmland – based on productivity value, including long term income and interest rates
- Timberland – based on legislated formula
- Operating property – appraised as operating unit, with value apportioned to each taxing district based on legislated formula
- Low income section 42 housing – based on legislated formula

STC Property Tax Roles

- Division Structure
- Major Functions

Idaho State Tax Commission

Property Tax Division



September 17, 2012

STC Property Tax Functions

- Develop administrative rules
  - Clarify statutory provisions
  - Provide process for uniform administration of statutes
- Recommend and develop technical correction legislation
- Appraise operating property – public utilities and railroads
  - Commissioners hear appeals
  - Value is apportioned to each taxing district
    - Basis is usually mile of track or lines in district
    - Small rail car fleets are billed by STC, with money deposited in the Public School Income fund; values are not apportioned.
- Provide guidance to counties on appraisal
  - Timberland (statutory formula)
  - Farmland – capitalization rate development
  - General guidance – 7 consulting appraisers assigned regionally
- Coordinate appraisal training and education program – conduct classes regionally and locally
- Provide software support
  - Assessment administration
  - Property tax billing
- Compile statistical information and develop reports analyzing property tax burden

STC Property Tax Functions (continued)

- Map taxing district and urban renewal revenue allocation area boundaries – provide mapping training and guidance to county assessors
- Oversee budget and levy process
  - Review property tax budgets and levies
  - Ensure that limits are not exceeded
  - Determine and distribute replacement moneys
    - Business inventory exemption
    - Agricultural equipment exemption
    - Personal property exemption
- Equalize locally assessed property values
  - Conduct annual ratio study comparing assessed values to market value using local sales
    - Property categories must have median level of assessment within ±10% of market value or may be subject to adjustment
  - Review county abstracts of value
- Oversee Circuit Breaker and tax deferral property tax reduction programs – review claims to ensure eligibility under income, ownership, and status criteria

STC Investigatory Authority IC 63-105A(11); Rule 120

- Examine issues when complaints are filed
  - Not the same as an appeal, which must be taken through county channels (unless operating property is involved)
  - Generally broad allegations of improper assessment of many properties

Recent Property Tax Developments and Historical Perspective

Personal Property Legislation – Main Issues HB 315 (2013) and 441 (2014)

- New Exemption – began January 1, 2013
  - $100,000 in value of personal property
    - Per taxpayer
    - Per county
  - Additional $3,000 per item newly acquired post Jan. 1, 2013
- Replacement Money - $18.9 million
  - To prevent tax shifting in the form of higher levy rates
  - Set based on 2013 amounts – levies and eligible personal property
    - No replacement money for "per item" part of the exemption
- Definitions
  - "Personal Property" eligible – what's personal property?
  - "Taxpayers" eligible – what's a taxpayer?
  - "Items" eligible – what's an item?

$100,000 Personal Property Exemption – Definition of Fixtures (redefined in 2014)

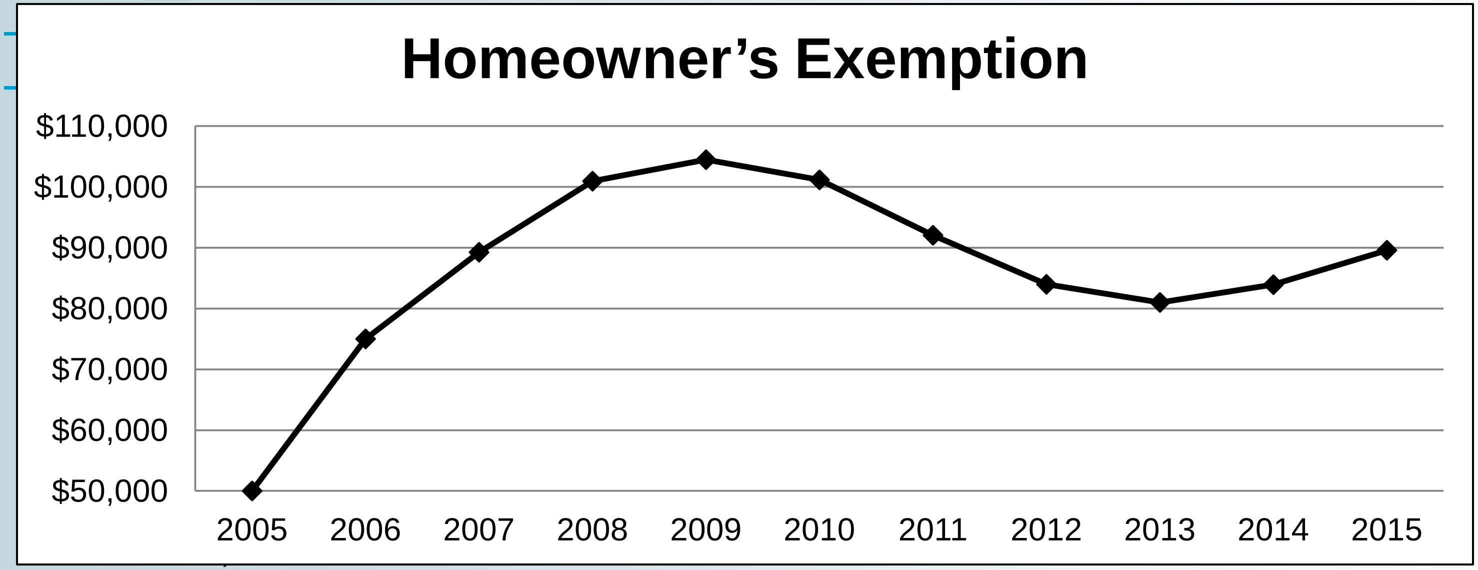
- Applies to personal property (fixtures are real property)
  - Definition –
    - traditional three factor test – personal property must <u>not:</u>
      - Be affixed to real property
      - Be used in a way integral to the use of the real property
      - Reasonable intent was to make article permanent addition to real property
- Questionable items – current position of STC is that these are real property (not eligible for the exemption)
    - Cell towers?
    - Signposts?
    - Pipelines?
    - Tanks?
    - Railroad track and bedding?

Growth of Idaho Personal Property Exemptions

Description	Year Passed / Implemented
Crops, tools, libraries, surgical and scientific instruments ($ limit)	1863 – 1913
Household goods ($ limit)	1901
Motor vehicles, expanded to include RVs and boats	1933, expanded in 1975 and 1978
Stored or shipped	1955, 1963
Pollution control equipment	1963
Business inventory and livestock	1968 – 1971 (phase out)
Insurers and credit unions	1961 and 1977
Agricultural equipment	2001

Significant Changes in Idaho Property Values and Taxes beginning in 2006

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

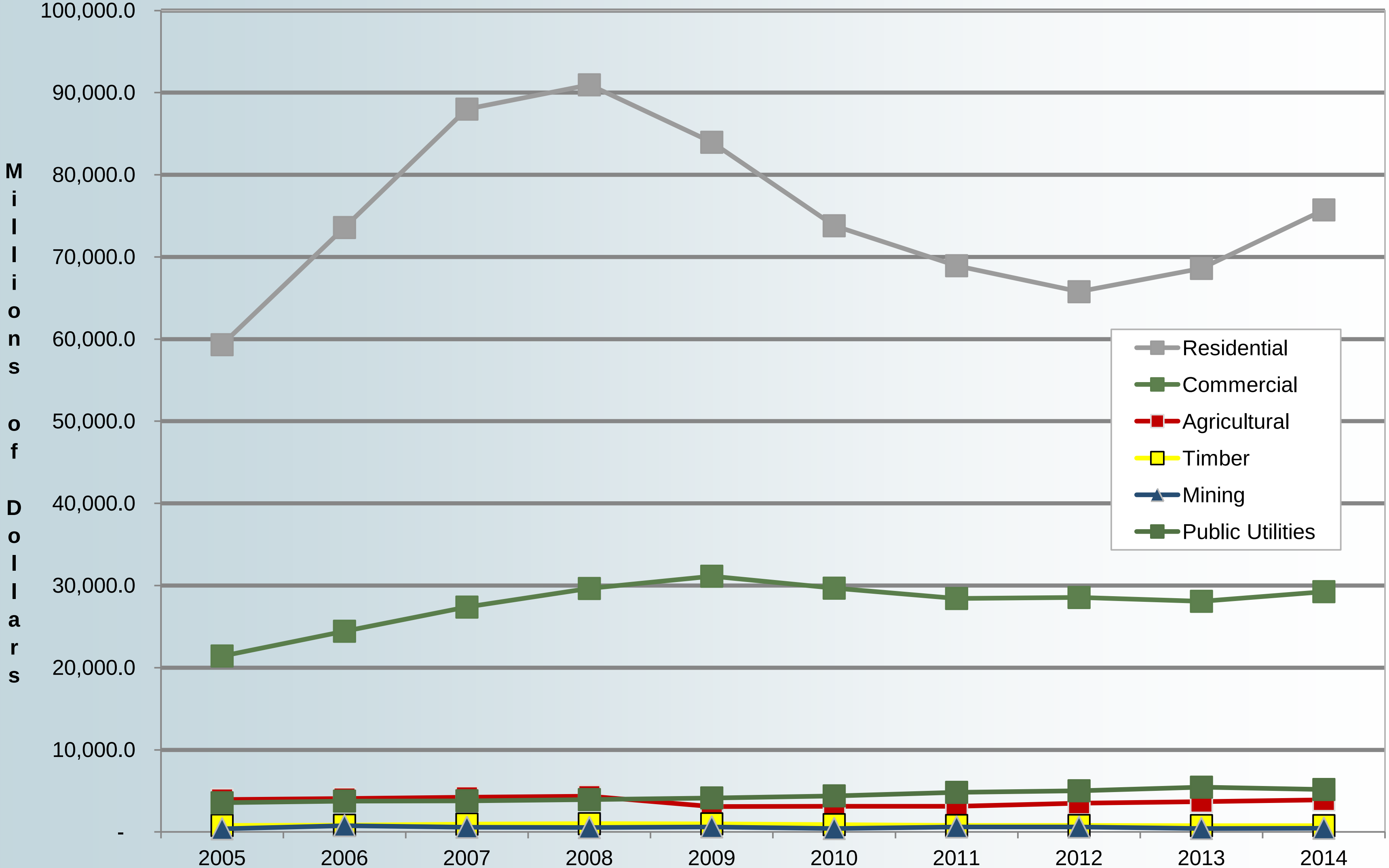


- School general property tax eliminated in most school districts – beginning in 2006
  - Typically had been about 19% of tax
  - Lowered total (net) property taxes by 11% average from 2005 – 2006
- Effective 2014 average tax rate:
  - Homes: 0.91% (of full mv before homeowner's exemption)
  - Business: 1.52%

2004 - 2014 Statewide Taxable Value Changes

Category of Property	% Change in Taxable Value 2004-2008	% of Total Taxable Value 2004	% of Total Taxable Value 2014	% Change in Taxable Value 2008-2014
Residential	+ 81.9	64.0	65.7	- 16.7
Commercial	+ 51.0	25.1	25.4	- 1.3
Agricultural	+ 14.7	4.9	3.4	- 10.5
Timber	+ 18.3	1.1	0.7	- 23.6
Mining	+ 96.7	0.3	0.4	- 15.1

10 Year Chart of Taxable Value Changes by Major Property Category (est.)



What about primary residential property (homes)?

- Subset of residential class as a whole (shown on previous slide)
- Through 2014:
  - Represents the largest share of property value in Idaho 42.3% in 2014 (*up from 41.1% in 2013*)
  - Total assessed value (net of homeowner's exemption) increased 63.8% from 2004 to 2014
  - Decreased 3.4% from 2011 – 2012
  - Increased 2.7% from 2012 – 2013
  - Increased 8.0% from 2013 - 2014

New Construction v. Increases in Existing Property Values & Taxes: 2013 – 2014

Category of Property	Overall Percent change in Value	Existing Property Value % Change	Existing Property Tax % Change
Primary Residential (eligible for homeowner's exemption)	+ 10.8%	+ 7.5%	+ 3.8%

Causes & effects of taxable value changes

- Economic conditions change demand or supply of properties – can increase or decrease values (lakeshore v. deteriorating area)
- Exemptions – increase or new (*such as Housing Price Index (HPI) application to homeowner's exemption, which tends to negate inflation driven increases in home values).*
- 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.

Property Tax Myths v. Facts

Topic	Myth	Fact
Who pays?	It's all a tax on homes	Primary residences pay about 43.8% of tax (*2014*)
Who spends?	It's all schools (*conversely, schools = $0*)	Schools = 30.1% (*as of 2014*)
How significant is property tax revenue?	It's the only source of revenue for local governments	Overall in FY 2012 it represented 27.6% of local government general revenue; 94.1% of tax

Fiscal Year 2012 State and Local Government Finances – www2.census.gov/gov/state/10_methodology.pdf

LGF001: State and Local Government Finances by Leve
2012 Census of Governments

ITEM	Idaho		
	STATE & LOCAL	STATE	LOCAL
Revenue	11,589,721	8,308,086	5,260,727
General revenue	10,175,944	7,104,084	5,050,952
Intergovernmental revenue	2,665,704	2,497,542	2,147,254
From Federal	2,665,704	2,479,094	186,610
From State	-	-	1,960,644
From Local	-	18,448	-
General revenue from own sources	7,510,240	4,606,542	2,903,698
Taxes	4,855,218	3,374,304	1,480,914
Property	1,393,289	-	1,393,289
Sales and gross receipts	1,688,439	1,664,615	23,824
General sales	1,224,656	1,224,656	-
Selective sales	463,783	439,959	23,824
Motor fuel	236,769	236,769	-
Alcoholic beverage	8,099	8,099	-
Tobacco products	48,461	48,461	-
Public utilities	25,734	2,983	22,751
Other selective sales	144,720	143,647	1,073
Individual income	1,213,335	1,213,335	-
Corporate income	188,589	188,589	-
Motor vehicle license	136,416	127,813	8,603
All other taxes	235,150	179,952	55,198
Charges and miscellaneous general revenue	2,655,022	1,232,238	1,422,784
Current charges	1,911,311	719,731	1,191,580
Education	484,504	392,963	91,541
Institutions of higher education	443,980	391,927	52,053
School lunch sales (gross)	25,790	-	25,790
Hospitals	533,364	55,670	477,694
Highways	33,762	7,484	26,278
Air transportation (airports)	29,887	-	29,887
Parking facilities	417	-	417
Sea and inland port facilities	2,075	-	2,075

LGF001

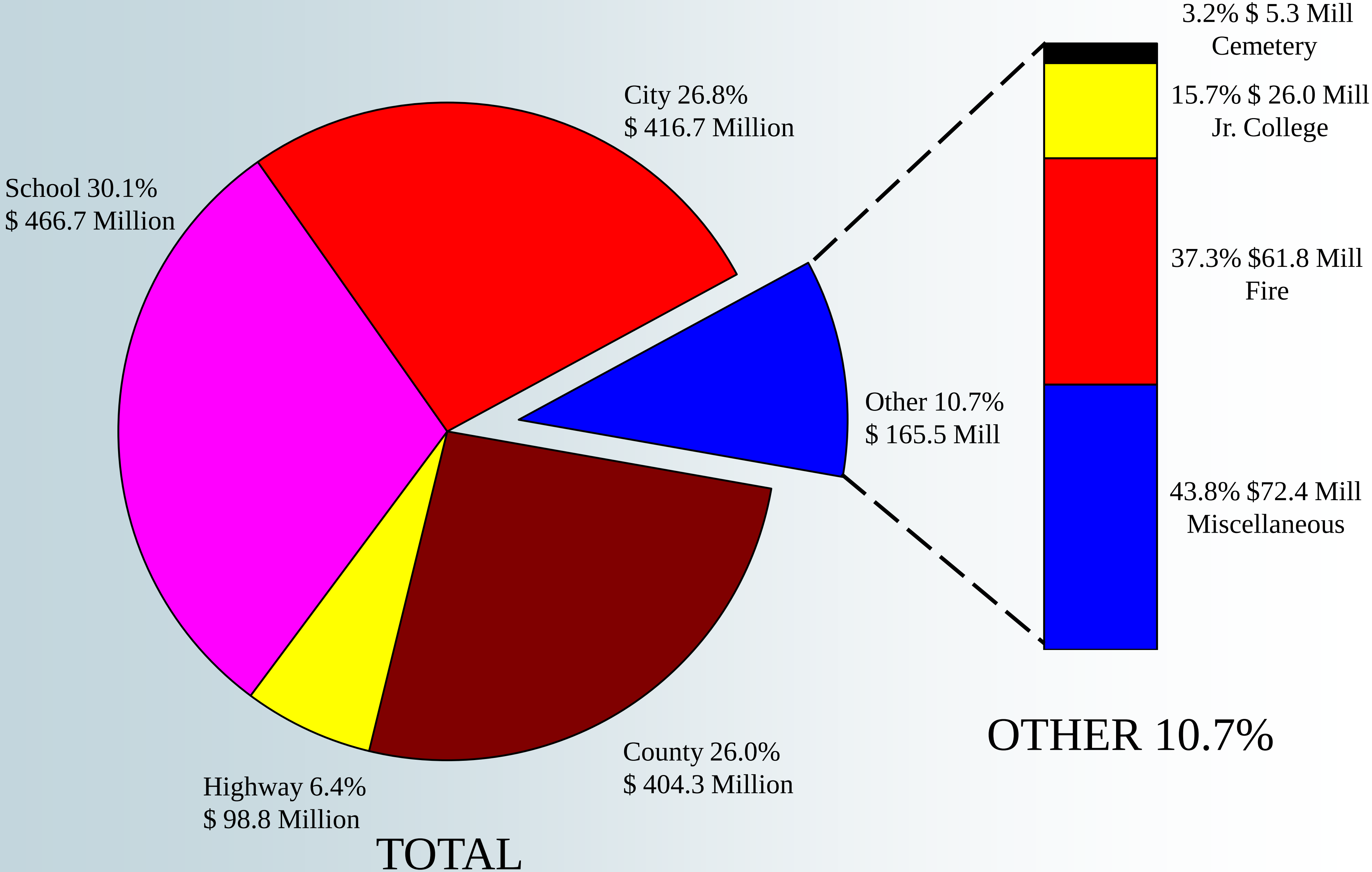
Ready

Property Tax by District Type
2013-2014

There are 1,112 taxing districts and 964 levied property tax in 2014.

Comparison of Total Taxing Districts Against Totally Taxing Districts That Levy for Years 2013 - 20143 10/28/204				
District Name	**2013 Number of Districts**	**2013 District Levying**	**2014 Number of Districts**	**2014 Districts Levying**
Ambulance	26	25	26	26
Auditorium	3	2	3	2
Cemetery	182	180	183	180
Cities	201	191	201	191
Community Colleges	3	3	3	3
Counties	44	44	44	44
Drainage	1	-	1	-
Fire	158	157	159	157
Flood Control	15	11	14	11
Highway-County Road & Bridge	98	77	98	77
Hospital	17	16	17	16
Infrastructure	2	1	2	1
Levee	1	-	1	-
Library	56	55	56	55
Abatement (Mosquito)	23	22	23	22
Pest Control	5	5	5	5
Port	1	1	1	1
Recreation	34	29	35	30
Regional Airport	-	-	-	-
School	115	114	115	114
Sewer	36	11	34	10
Sewer & Water	54	13	55	12
Water	26	5	26	5
Watershed Improvements	9	1	10	2
Totals:	**1,110**	**963**	**1,112**	**964**

2014 Property Tax Use



How has Property Tax use changed?

Comparison of 2013 - 2014 Property Tax by District Type				
District Category	Property Tax		%	$
12/11/2014	2013	2014	Inc/Dec	Inc/Dec
County	388,360,252	404,298,309	4.1%	15,938,057
City	396,562,797	416,745,172	5.1%	20,182,375
School	448,350,660	466,702,941	4.1%	18,352,281
Ambulance	22,445,542	22,873,959	1.9%	428,417
Auditorium	15,452	15,507	0.4%	55
Cemetery	4,836,139	5,296,179	9.5%	460,040
Extermination	885,851	706,391	-20.3%	(179,460)
Fire	58,371,417	61,802,890	5.9%	3,431,473
Flood Control	502,836	496,360	-1.3%	(6,476)
Roads & Highways	94,939,163	98,843,556	4.1%	3,904,393
Hospital	7,796,676	8,848,366	13.5%	1,051,690
Junior College	25,125,557	25,957,737	3.3%	832,180
Library	21,302,432	22,484,096	5.5%	1,181,664
Mosquito Abatement	6,279,437	6,449,646	2.7%	170,209
Port	443,607	437,783	-1.3%	(5,824)
Recreation	6,744,812	6,961,883	3.2%	217,071
Sewer Incl Rec Sewer	571,713	410,453	-28.2%	(161,260)
Sewer & Water	2,324,827	2,285,937	-1.7%	(38,890)
Water	156,204	167,809	7.4%	11,605
Watershed	4,500	129,637	2780.8%	125,137
Community Infrastructure	82,955	163,827	97.5%	80,872
Total:	**1,486,102,829**	**1,552,078,438**	**4.4%**	**65,975,609**

2013 Property Taxes have not been reduced by the Personal Property Replacement Dollars.

Change in School Property Taxes 2013 – 2014 (Detail)

2014 School Property Taxes by Fund Comparison of 2013 - 2014 School Property Taxes					
Fund 12/11/2014	2013** $ AMOUNT	2014 $ AMOUNT	% of Total	$ CHANGE 2012 - 2013	% Difference
General M&O*	48,680,808	54,505,148	11.68%	5,824,340	11.96%
Budget Stabilization	35,426,675	35,431,455	7.59%	4,780	0.01%
Tort	2,207,430	2,207,430	0.47%	0	0.00%
Tuition	340,715	329,701	0.07%	(11,014)	-3.23%
Bonds	113,351,497	132,289,522	28.35%	18,938,025	16.71%
Cosa	787,879	910,456	0.20%	122,577	15.56%
Cosa Plant Facilities	0	0	0.00%	0	
State Authorized P.F.	691,962	1,546,861	0.33%	854,899	123.55%
Emergency	8,530,052	6,407,465	1.37%	(2,122,587)	-24.88%
63-1305 Judgment	210,694	547,541	0.12%	336,847	159.87%
Supplemental	187,623,677	180,733,318	38.73%	(6,890,359)	-3.67%
Plant Facility	50,499,271	51,794,044	11.10%	1,294,773	2.56%
TOTALS:	**448,350,660**	**466,702,941**	**100.00%**	**18,352,281**	**4.09%**

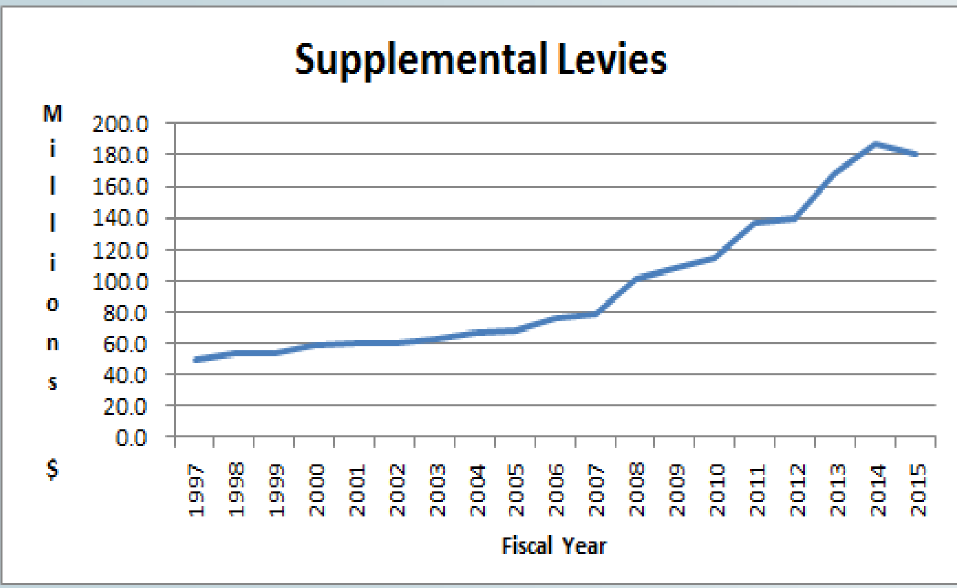
*** = Boise School #1 is the only School District authorized to levy a M&O fund.**

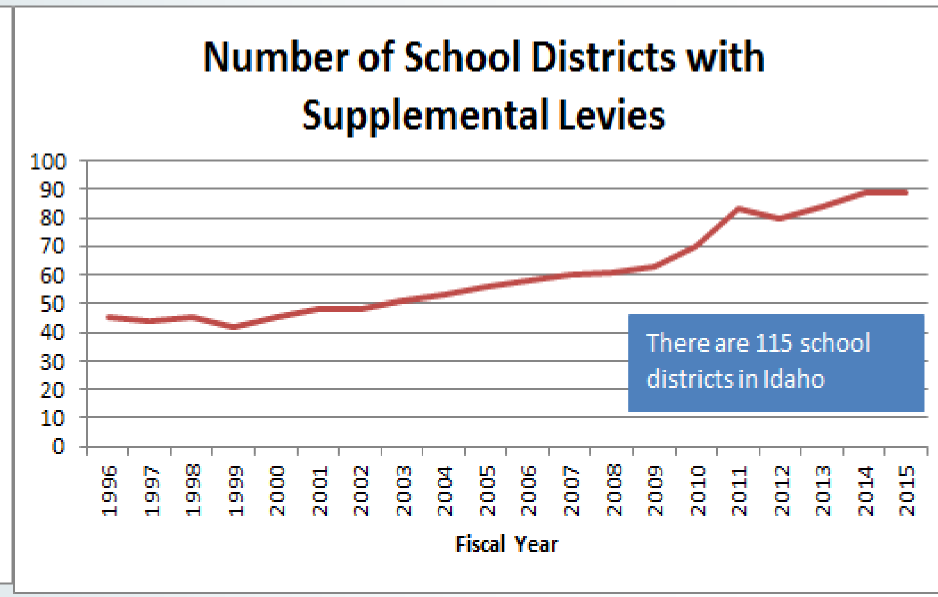
**** = 2013 property taxes have been reduced by the Personal Property replacement dollars**

2013 - 2014 Comparison of M&O and Voter Approved Exempt Funds used by Schools		
Fund	2013	2014
M&O	1	1
Budget Stabilzation	4	4
Bond	83	80
Plant Facility	49	53
Supplemental	87	89

The Most Significant Change – School Supplemental Levies

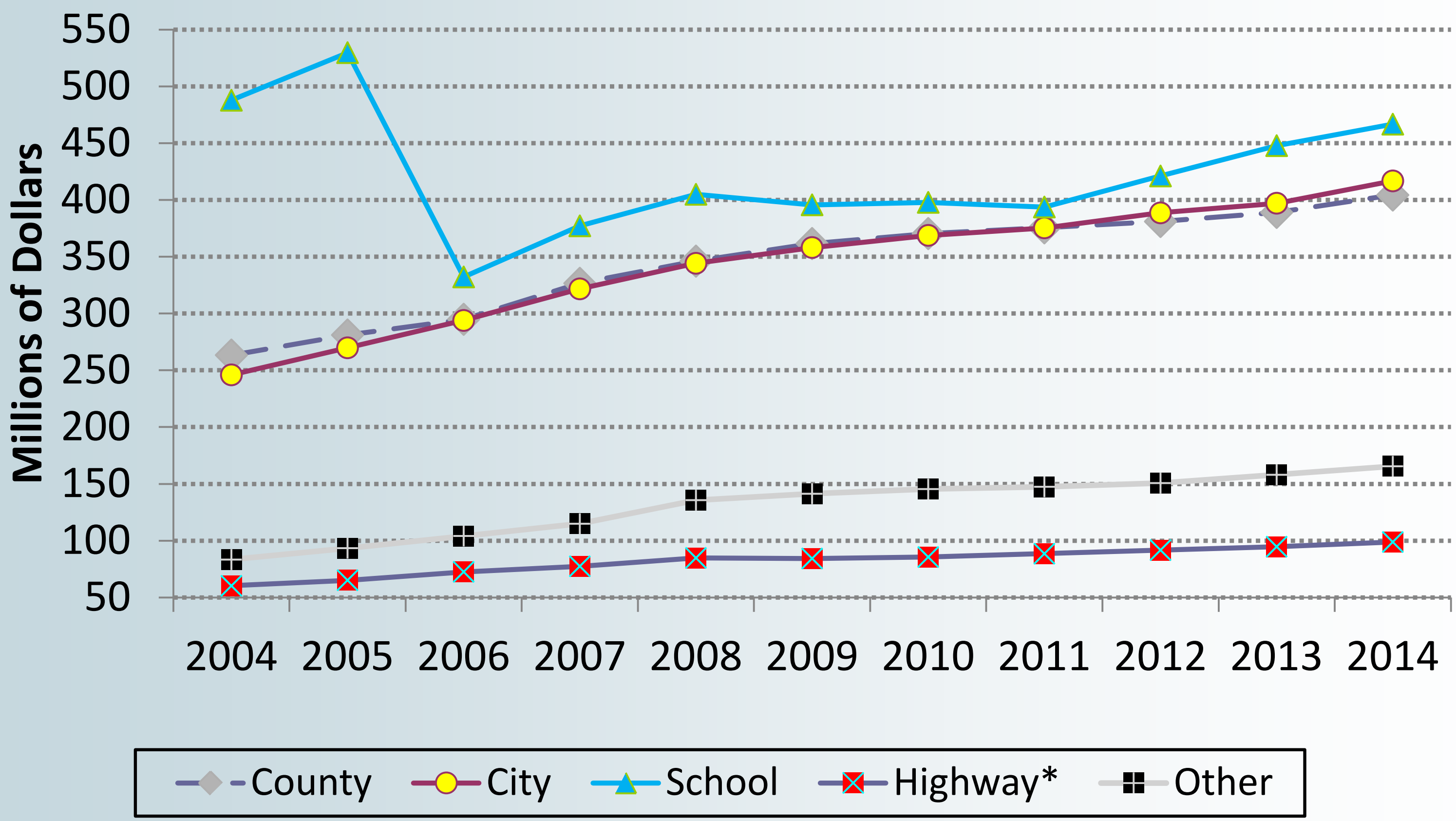
Most voter approved for 1 – 2 years (may be longer for charter school districts and permanent for some school districts)





The rate of increase in $ raised by supplemental levies goes from 32% over the five years before the change in FY07 to 129.1% in the eight years following the change in school funding (through FY 2015).

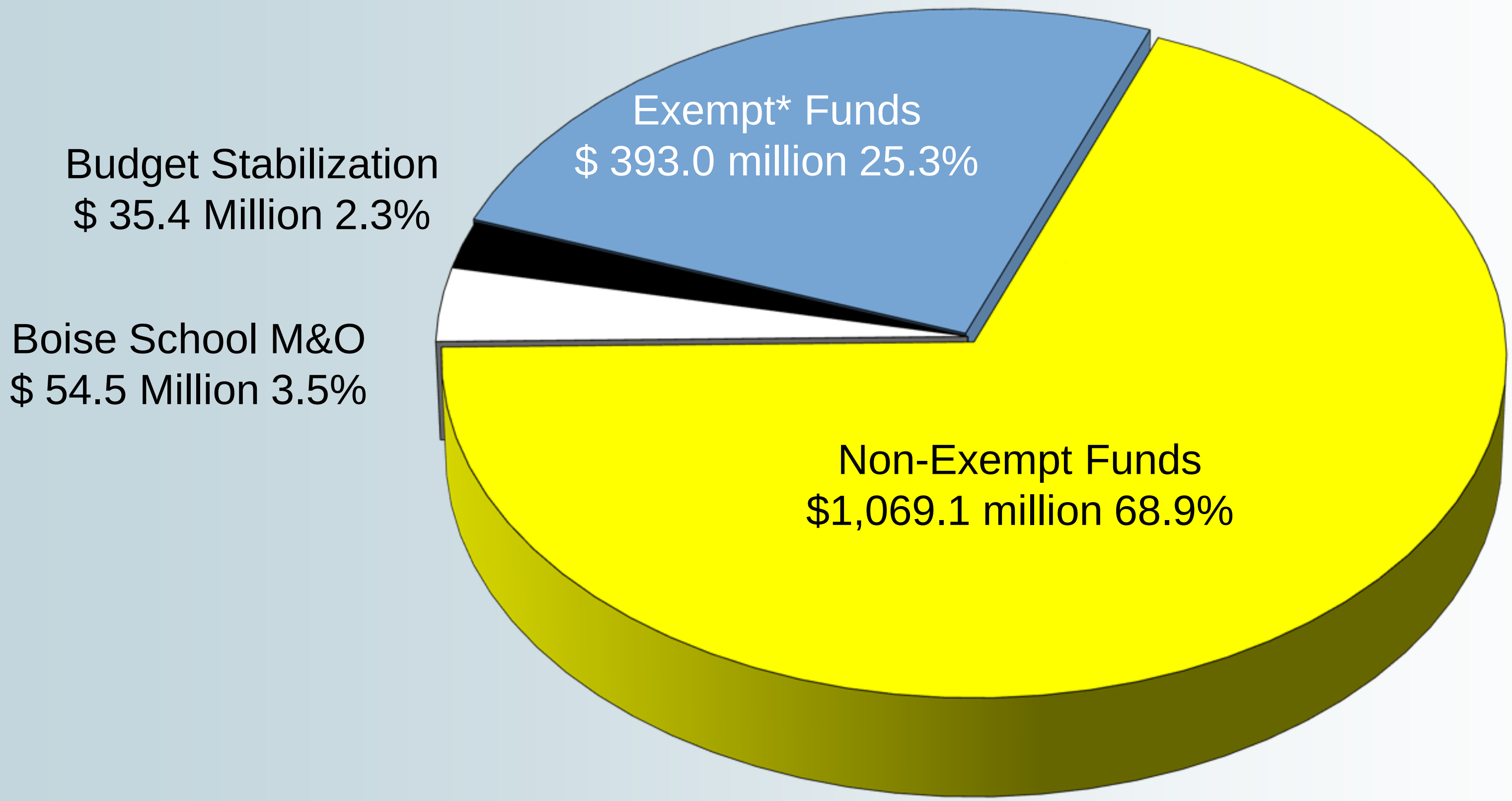
Property Tax Growth Relatively Uniform
(except for school funding switch to state in 2006)



* - Highway district totals include county road and bridge funds.

2013 Property Taxes reduced by Personal Property Replacement dollars.

2014 Property Taxes
Exempt vs. Non-Exempt*

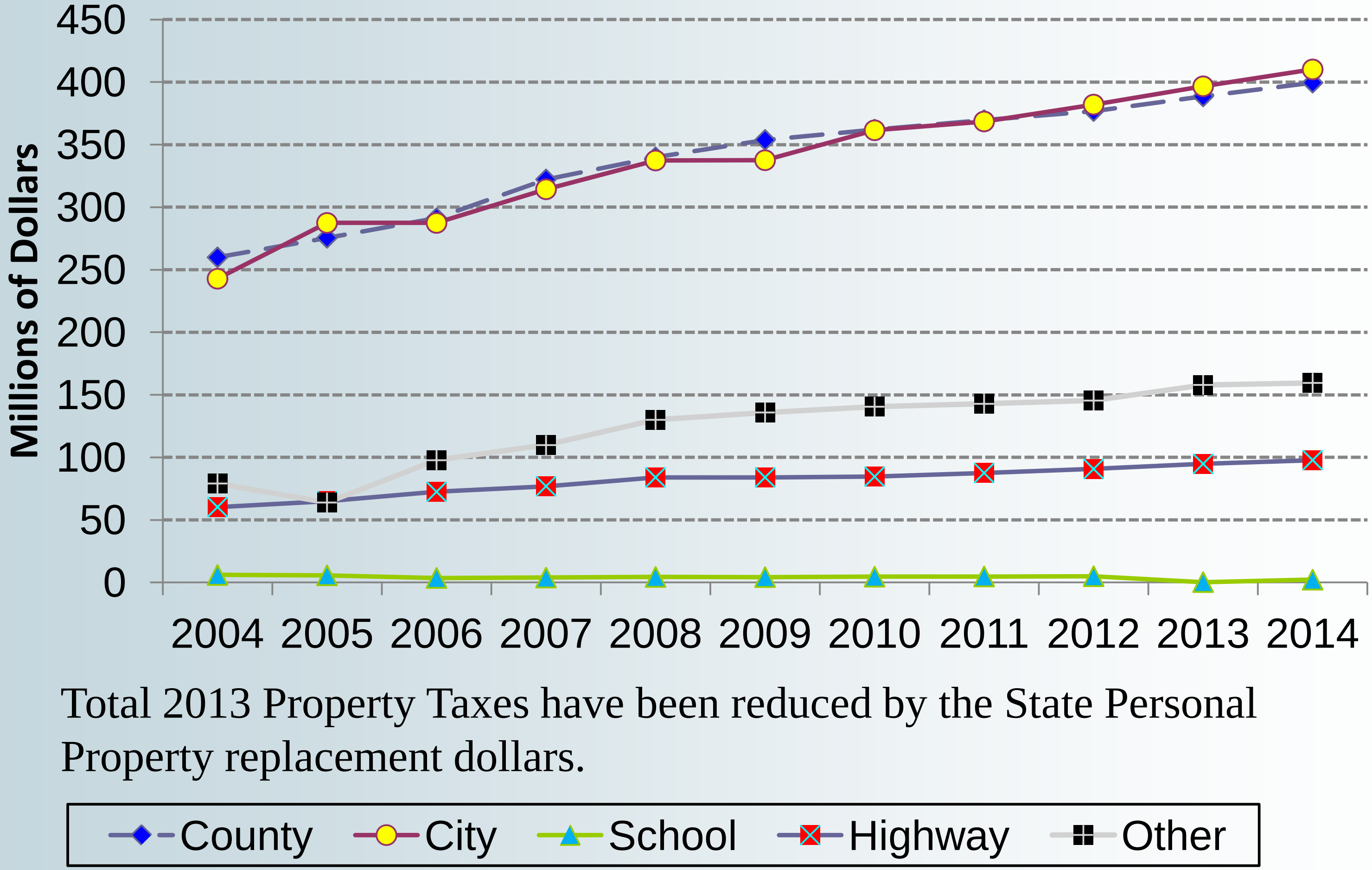


Exempt funds usually voter approved, such as bonds and overrides.

Non-exempt funds are general operating funds.

*Exempt funds – from statewide 3% annual property tax funded budget increase cap
Does not include Boise school M&O and Budget Stabilization funds.

Non-Exempt Property Tax Funds Generally Grow Uniformly

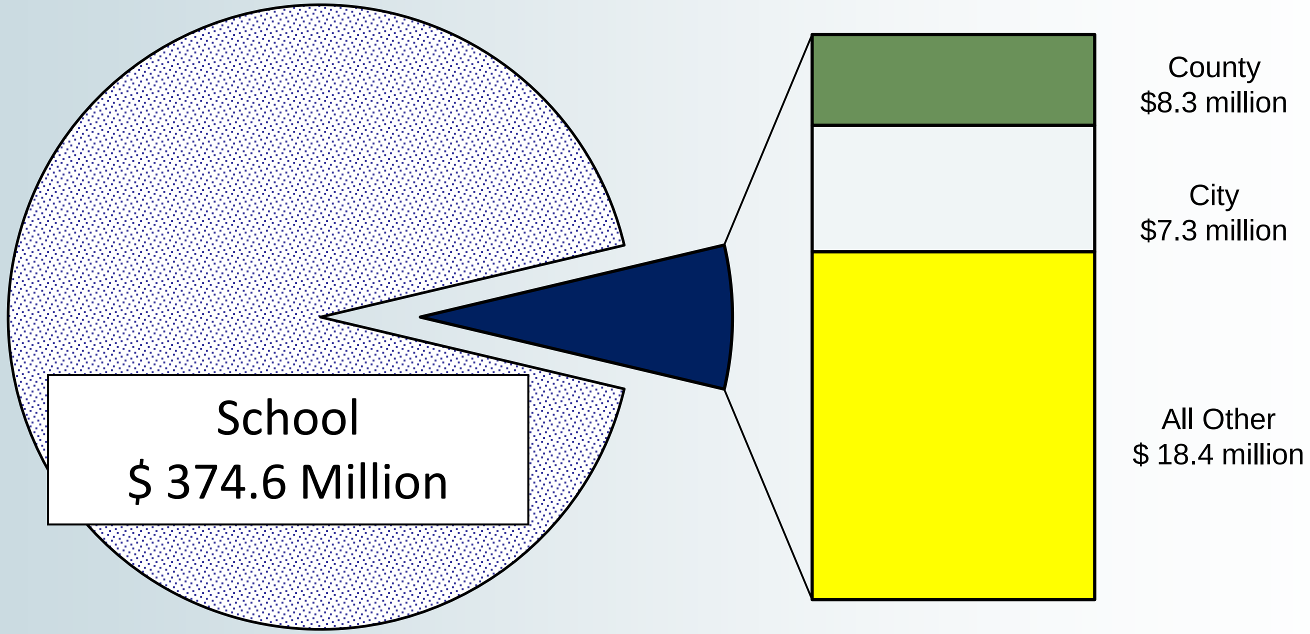


School Funds do not include Boise M&O and Budget Stabilization Funds.

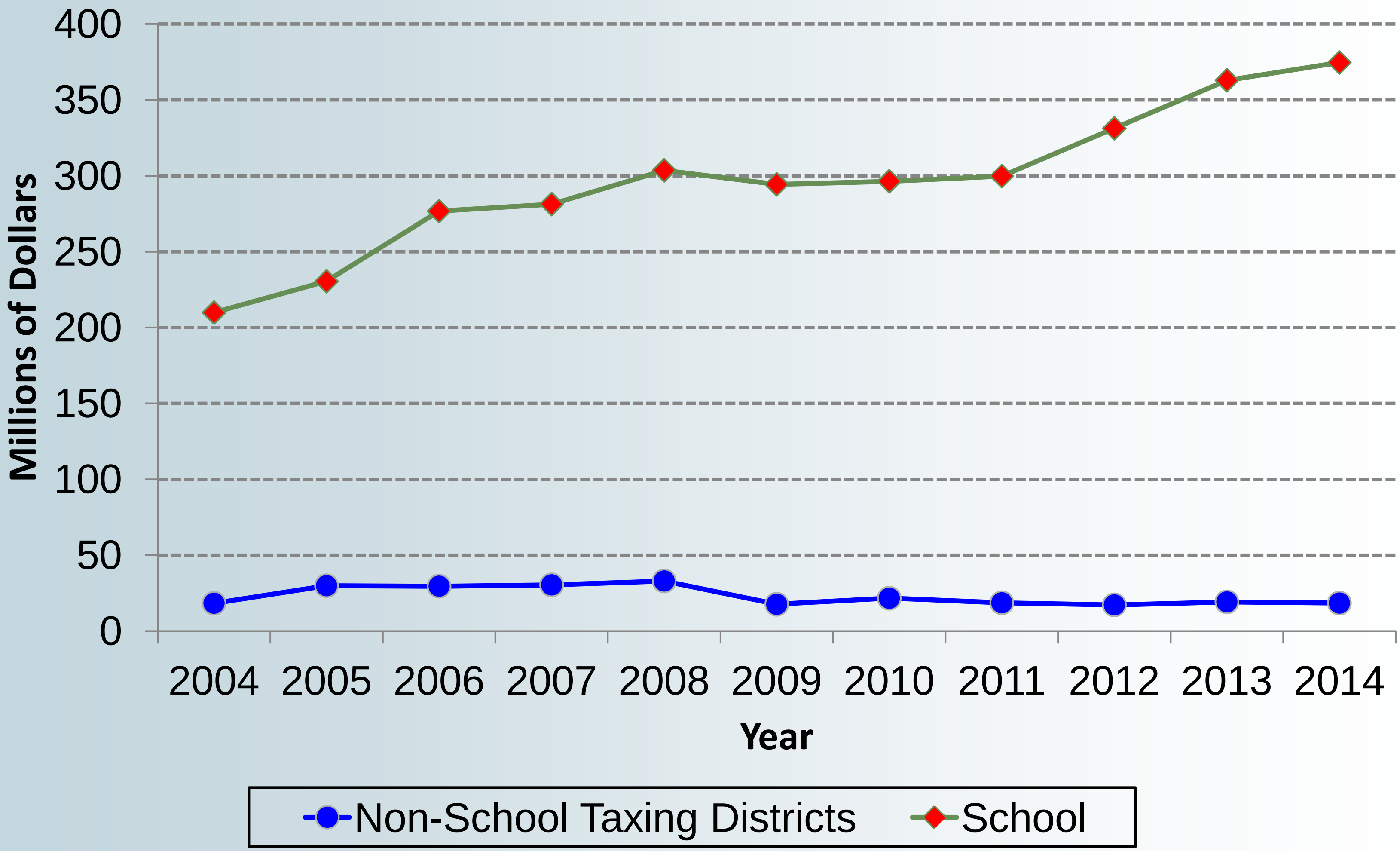
Schools are the Predominant Users of Exempt Funds (bonds, overrides, etc.)

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

2014 Exempt Funds

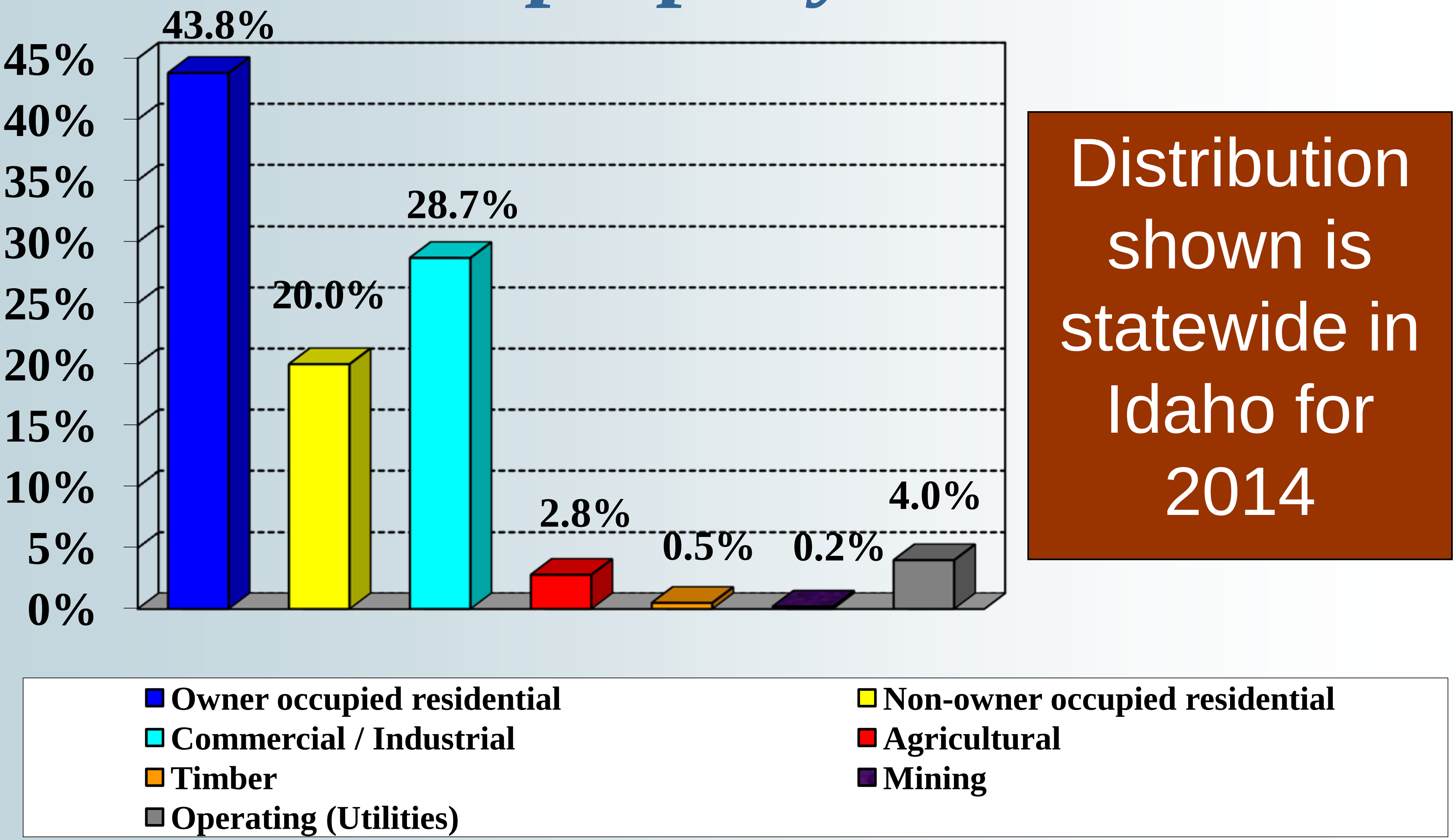


Patterns of Use of Exempt Funds



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

So, who pays the property tax?



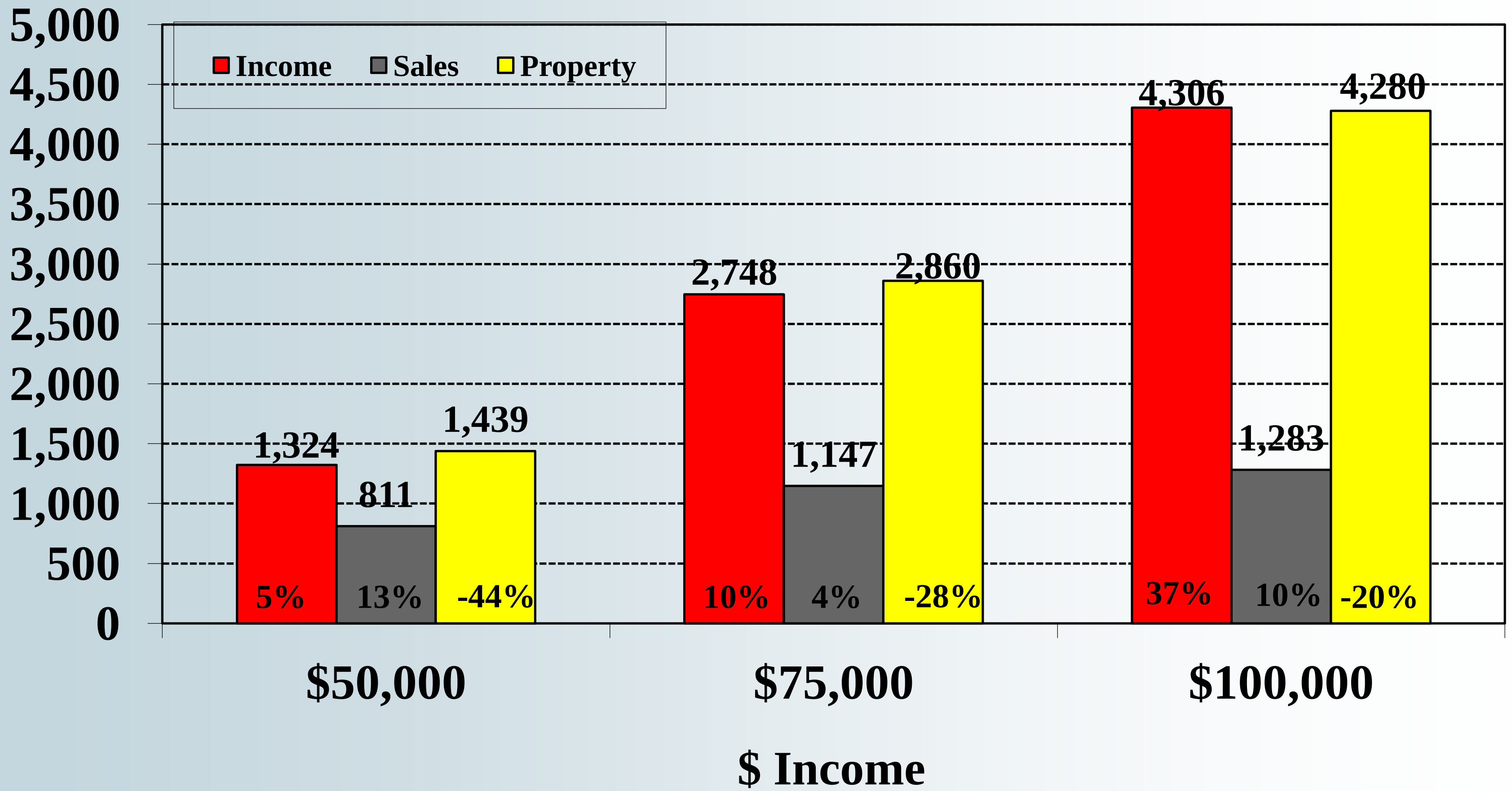
Distribution shown is statewide in Idaho for 2014

Measuring General Property Tax Burden in Idaho

- Comparisons between states and localities
  - Accounting for differences in income
  - Accounting for differences in population
- Comparisons over income ranges
- Comparisons with other Idaho taxes

Estimated 2013 Taxes
Per Family of three - various incomes

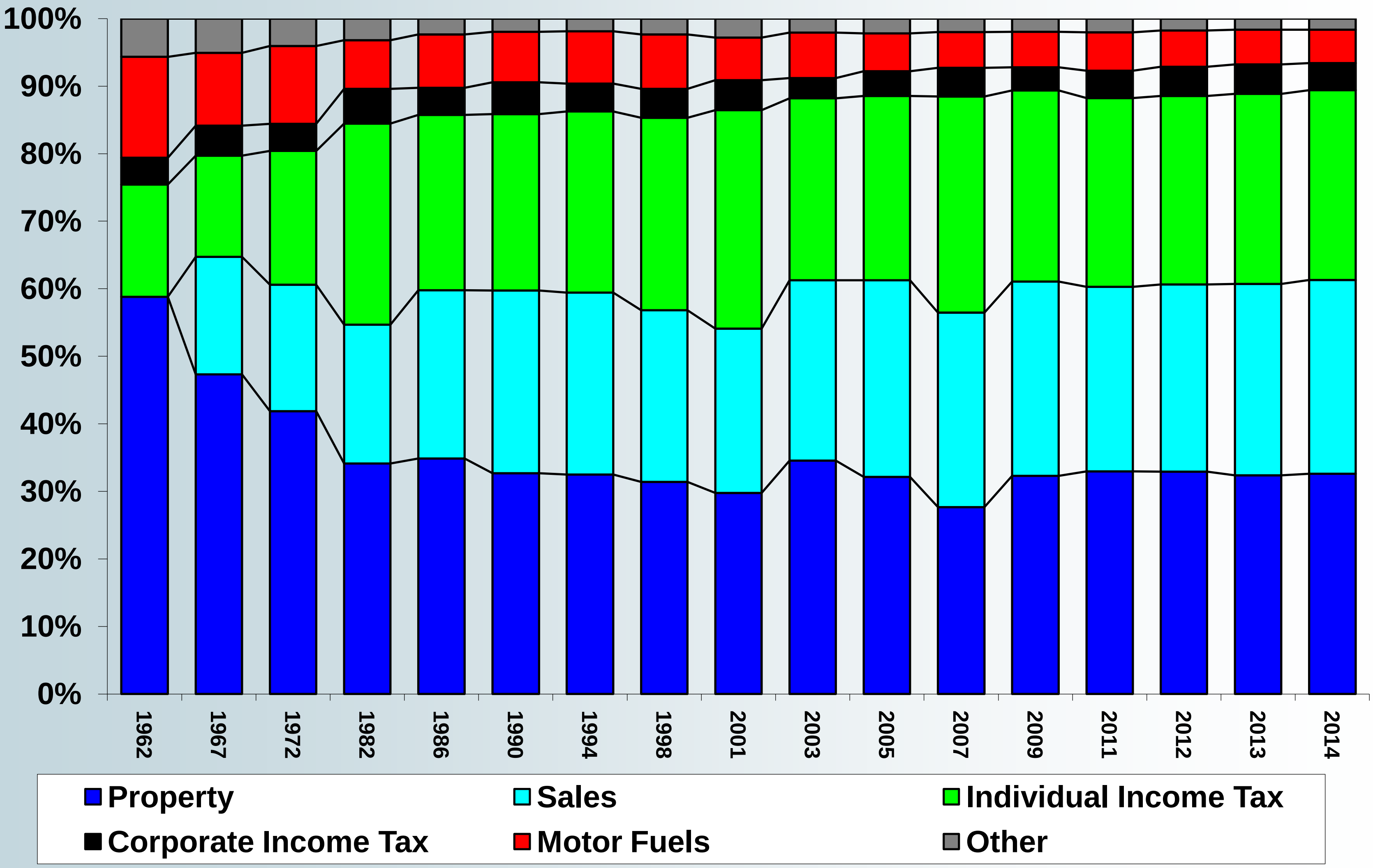
Percentages show Boise compared to U.S. average of 51 cities.



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

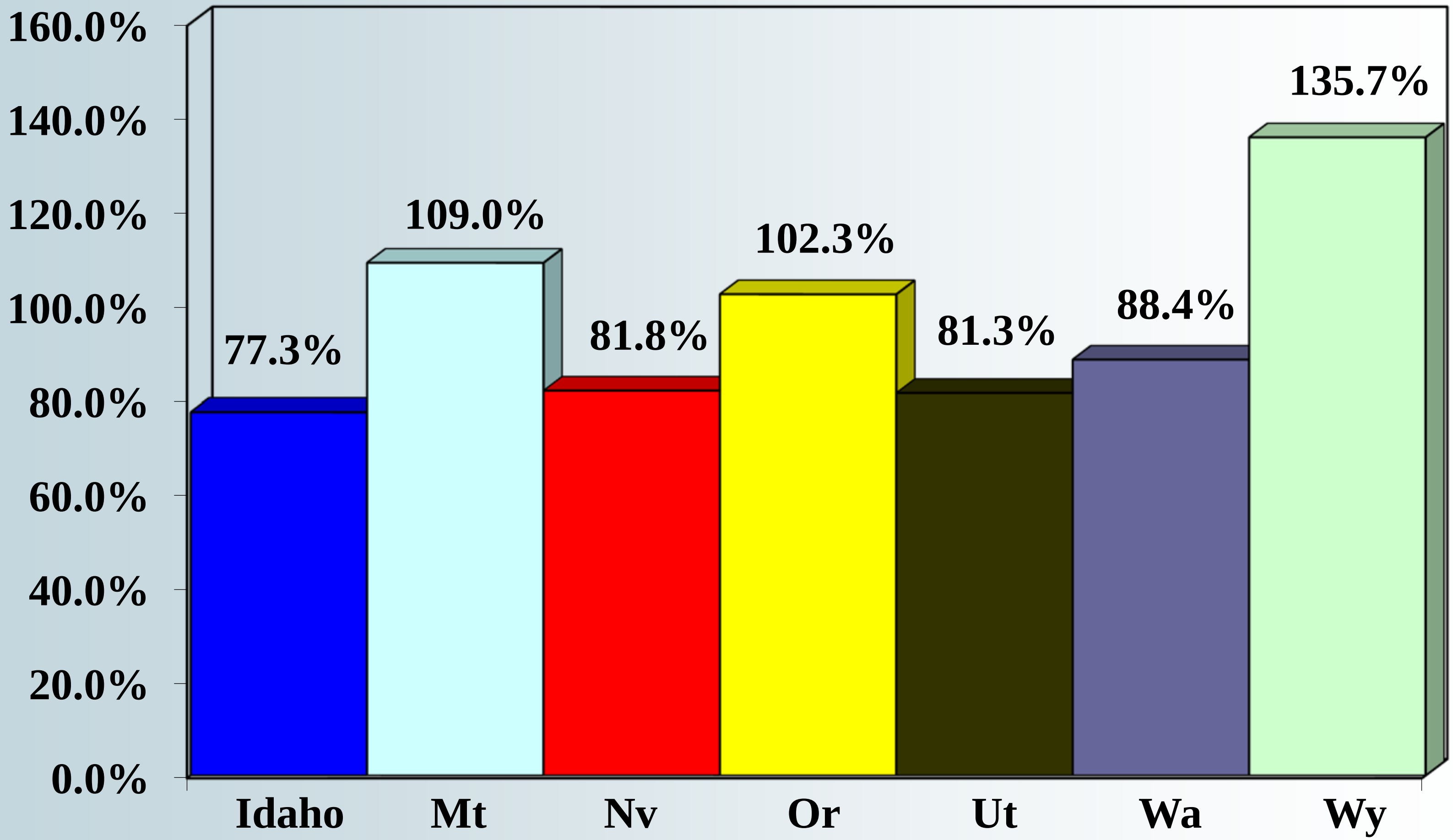
TAXES COLLECTED IN IDAHO
PROPORTION OF STATE & LOCAL TAX REVENUE

PROPERTY TAX IS CALENDAR YEAR; OTHERS ARE FISCAL YEAR



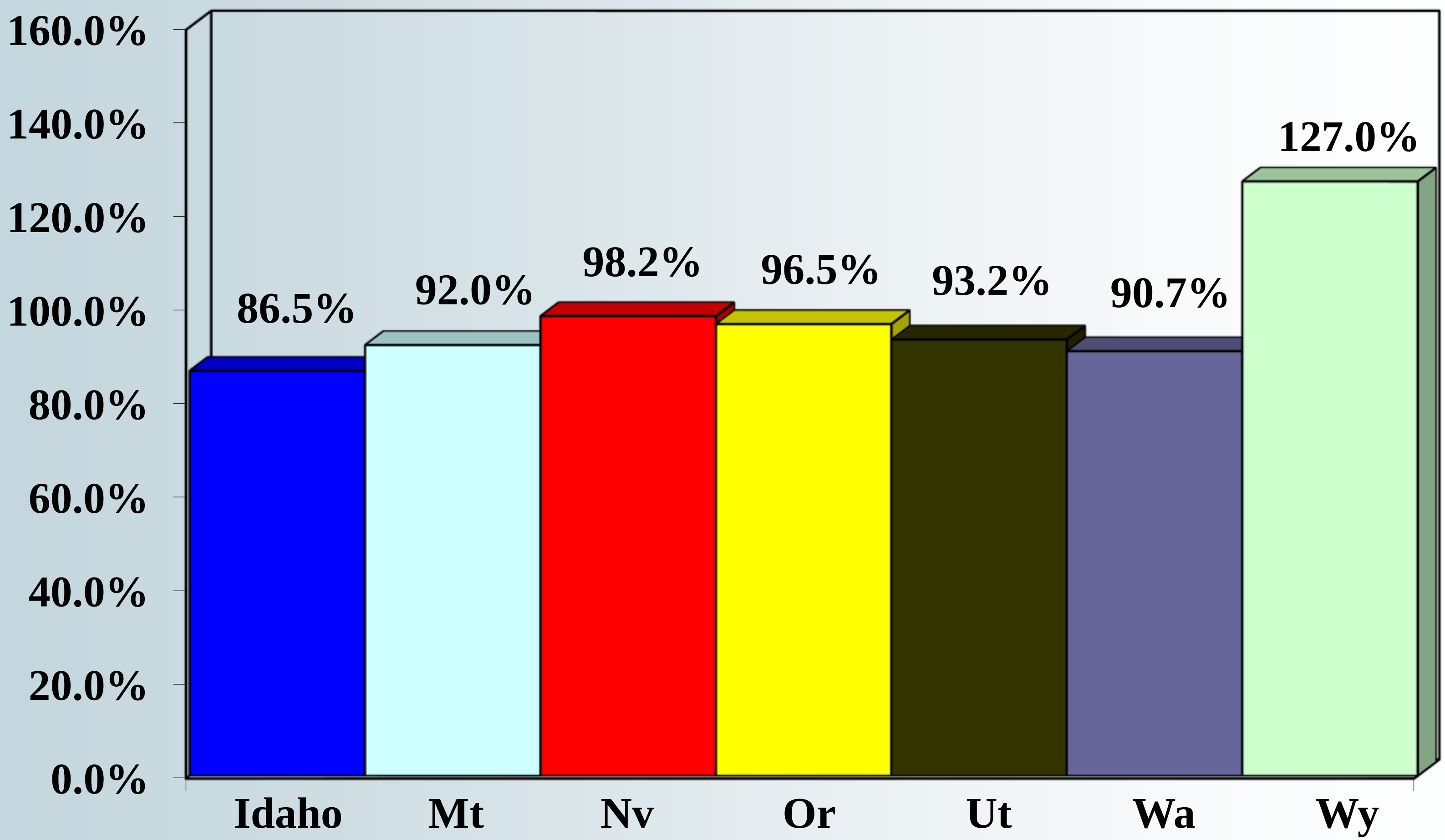
2013 Property Taxes reduced by State Personal Property Replacement dollars.

FY 2012 Property Tax Burden
Idaho vs. Neighbor States



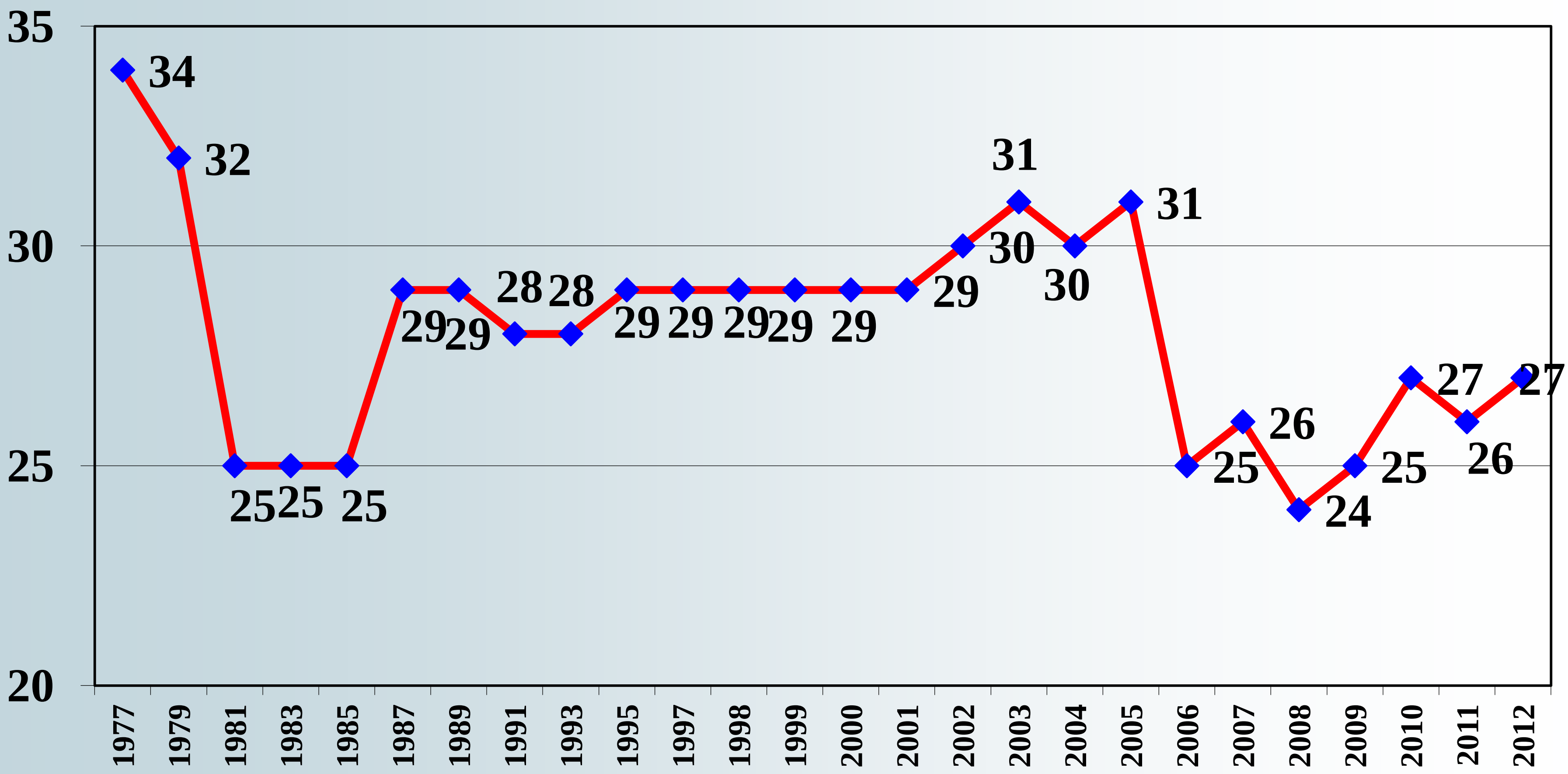
Based on taxes per $ of income.

FY 2012 Overall Tax Burden
Idaho vs. Neighbor States

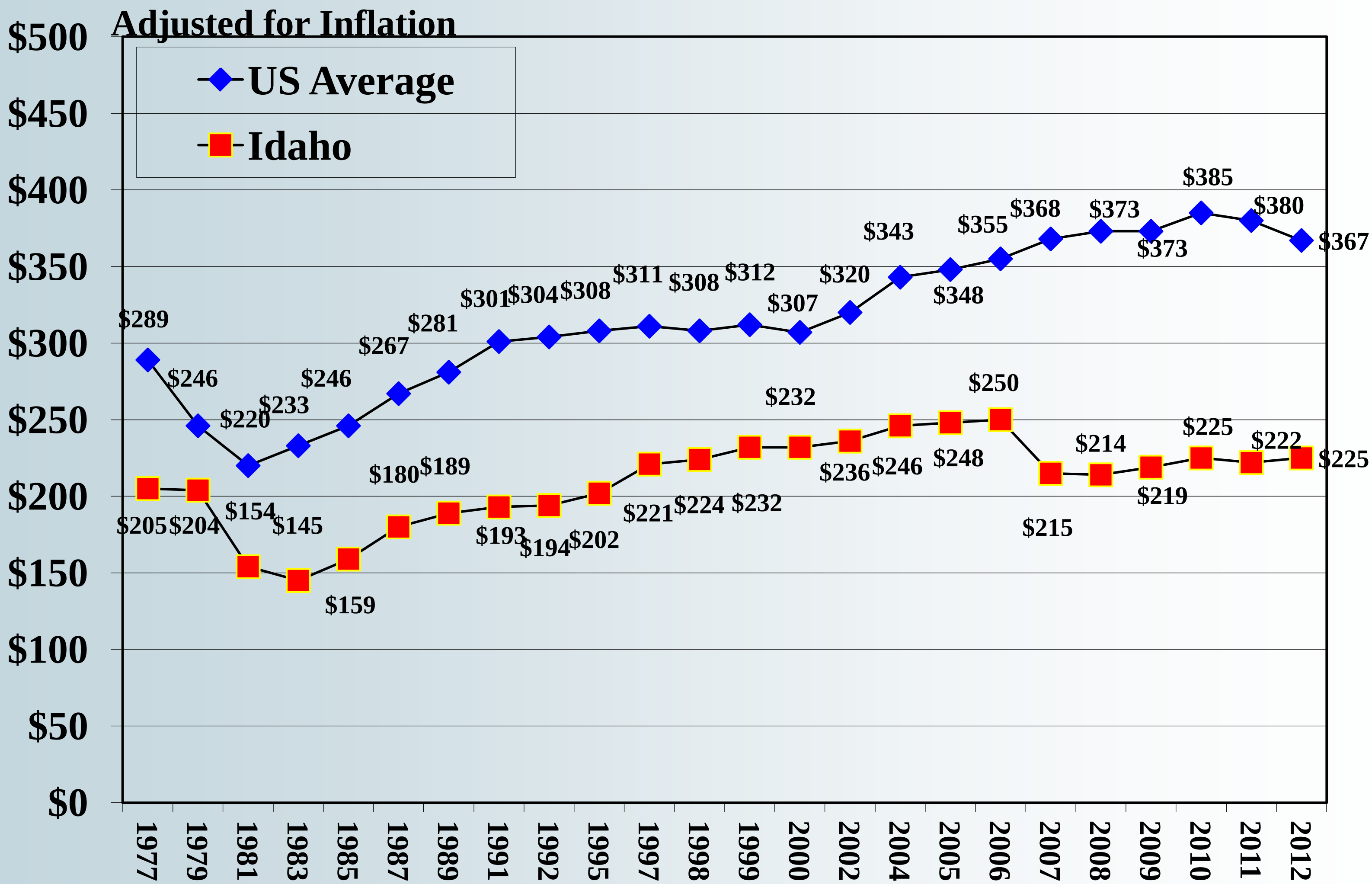


Based on taxes per $ of income.

Idaho Property Tax per $1,000 Personal Income



Per Capita Property Taxes
Idaho vs U.S.



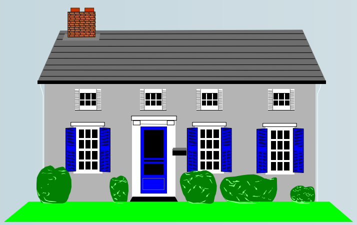
Based on U.S. Census Information

Amounts adjusted to January 1977

Boise Homeowner Property Tax
1980 vs. 2013

1980:

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



2013:

Value (average sale): $ 216,528
Tax: (Ada TCA1001) $ 2,345

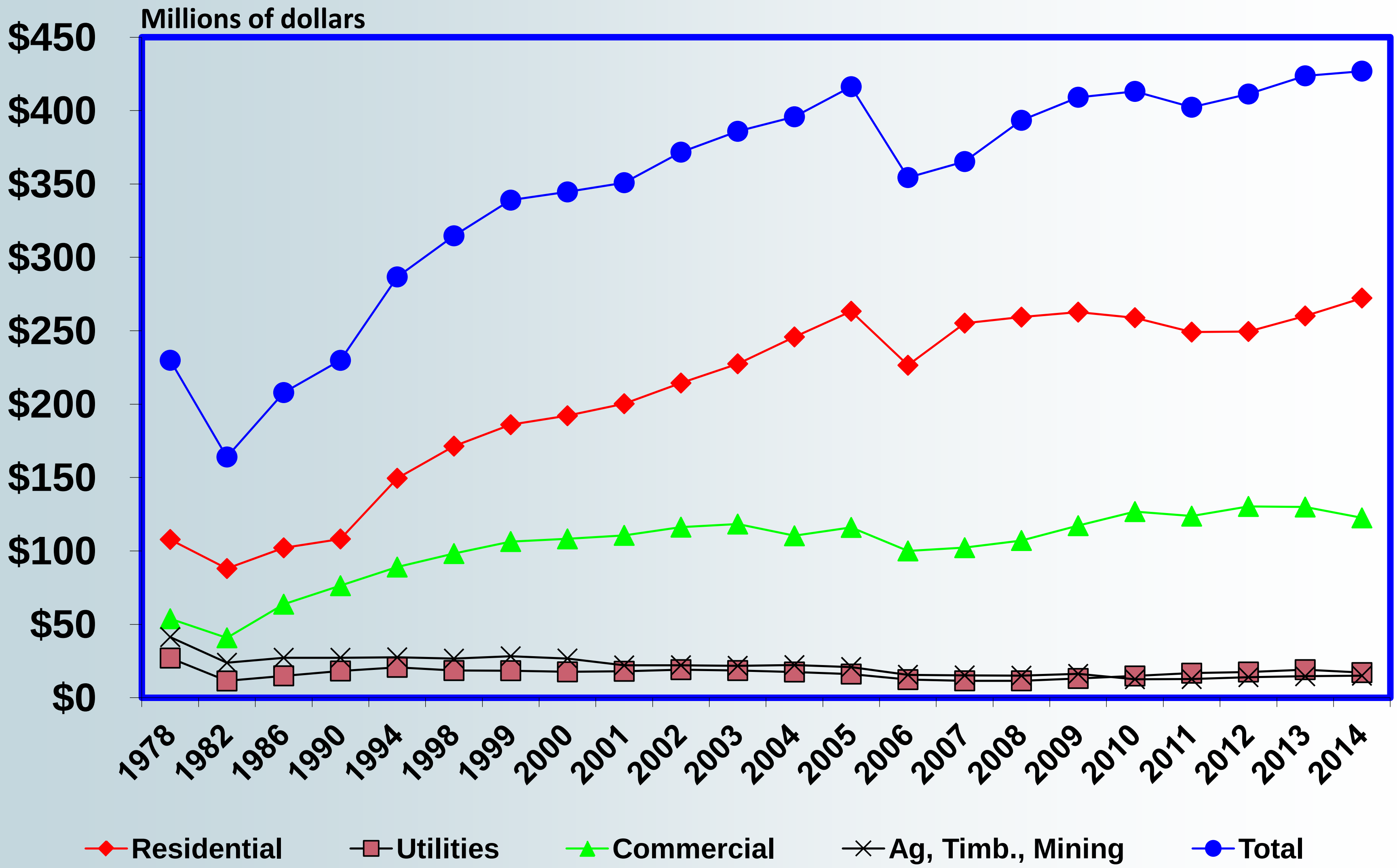
2013: Value adjusted for inflation to 1980 $ 73,153

Tax adjusted for inflation: $ 792

Constant dollar annual increase: 1.5%

2013 values based on 2012 sales and 2013 tax rate.

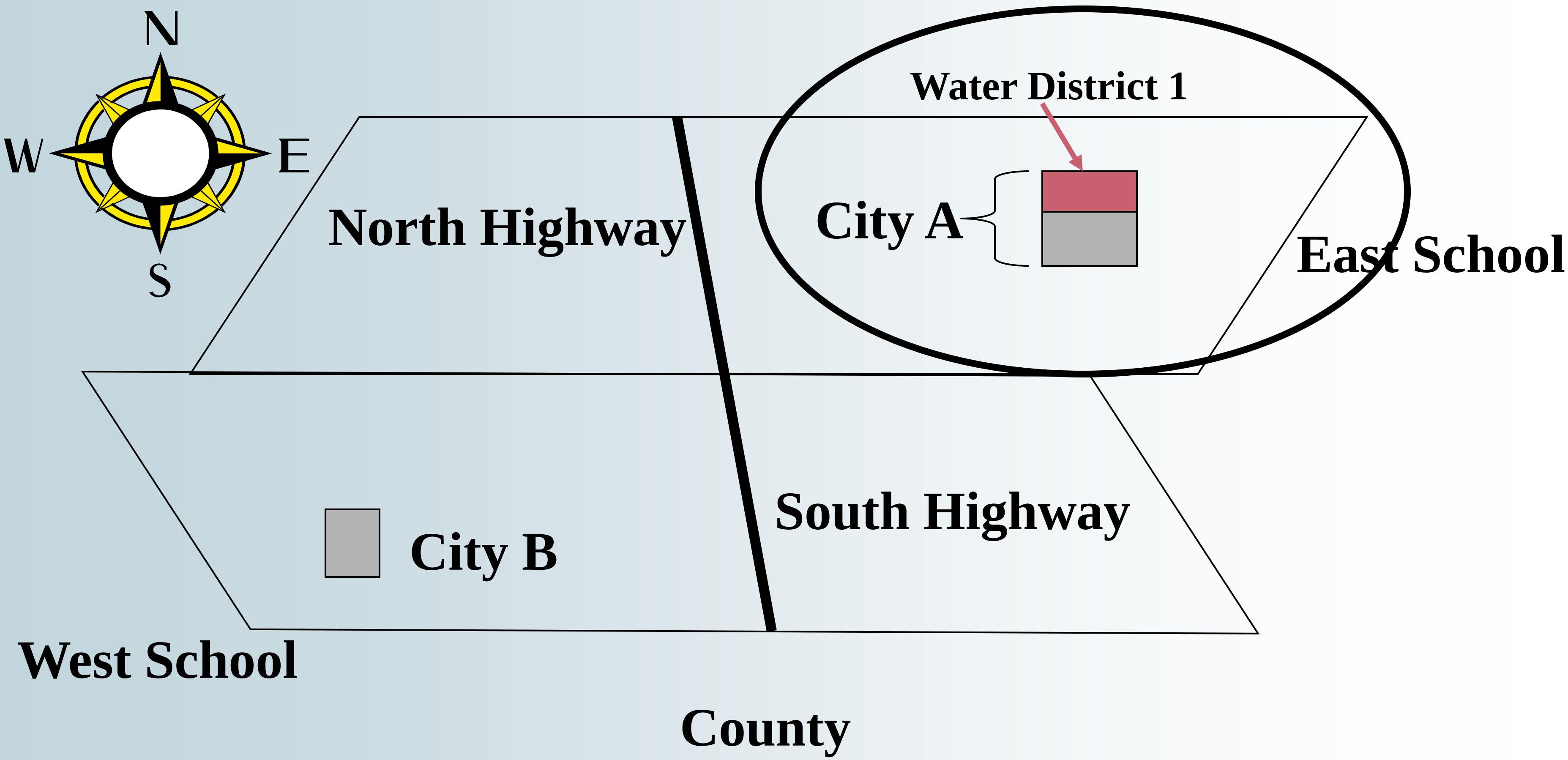
PROPERTY TAXES
by Major Category of Property
Constant 1978 Dollars



Determining Property Taxes

- Individual taxpayers
- Taxing districts
- Relief mechanisms

Taxing Districts and Tax Code Areas Hypothetical County



Tax Code Area Detail

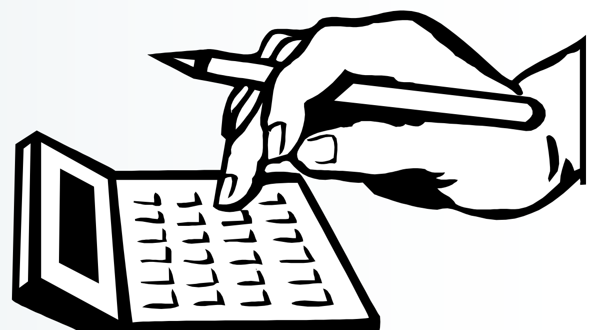
- In the north half of City A taxpayers pay property tax to the following taxing districts:
  - County
  - City A
  - East School District
  - North Highway District
  - Water District 1
- In the south half of City A taxpayers pay to the same group of districts except for Water District 1 so the property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

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.**

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

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



YOUR PROPERTY TAXES
How are they Calculated?

1. Levies for your taxing districts are added together:

   a) County   b) School   c) City   d) Special Districts

2. The total of these levies is multiplied by your taxable value to determine your tax.

<u>Example of Computation</u>

Assume levy rate = 0.01627 (average urban primary residential rate in 2014)

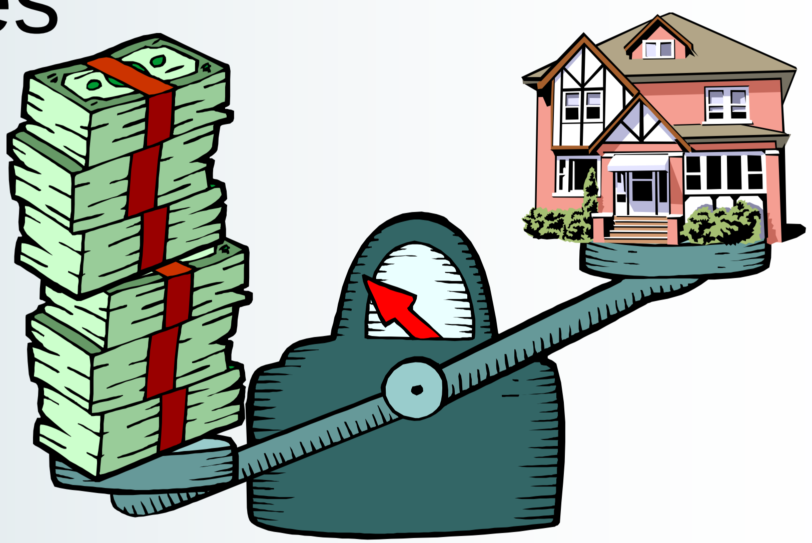
House Value:	$ 185,000
Lot Value:	$ 45,000
Total Value:	$ 230,000
Less Homeowner's Exemption:	<$ 83,920>
Taxable Value:	$ 146,080

$ 146,080 x 0.01627 = $ 2,377

Effective tax rate (levy): $ 2,377 ÷ $ 230,000 = 1.03%

Limits on Property Tax

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



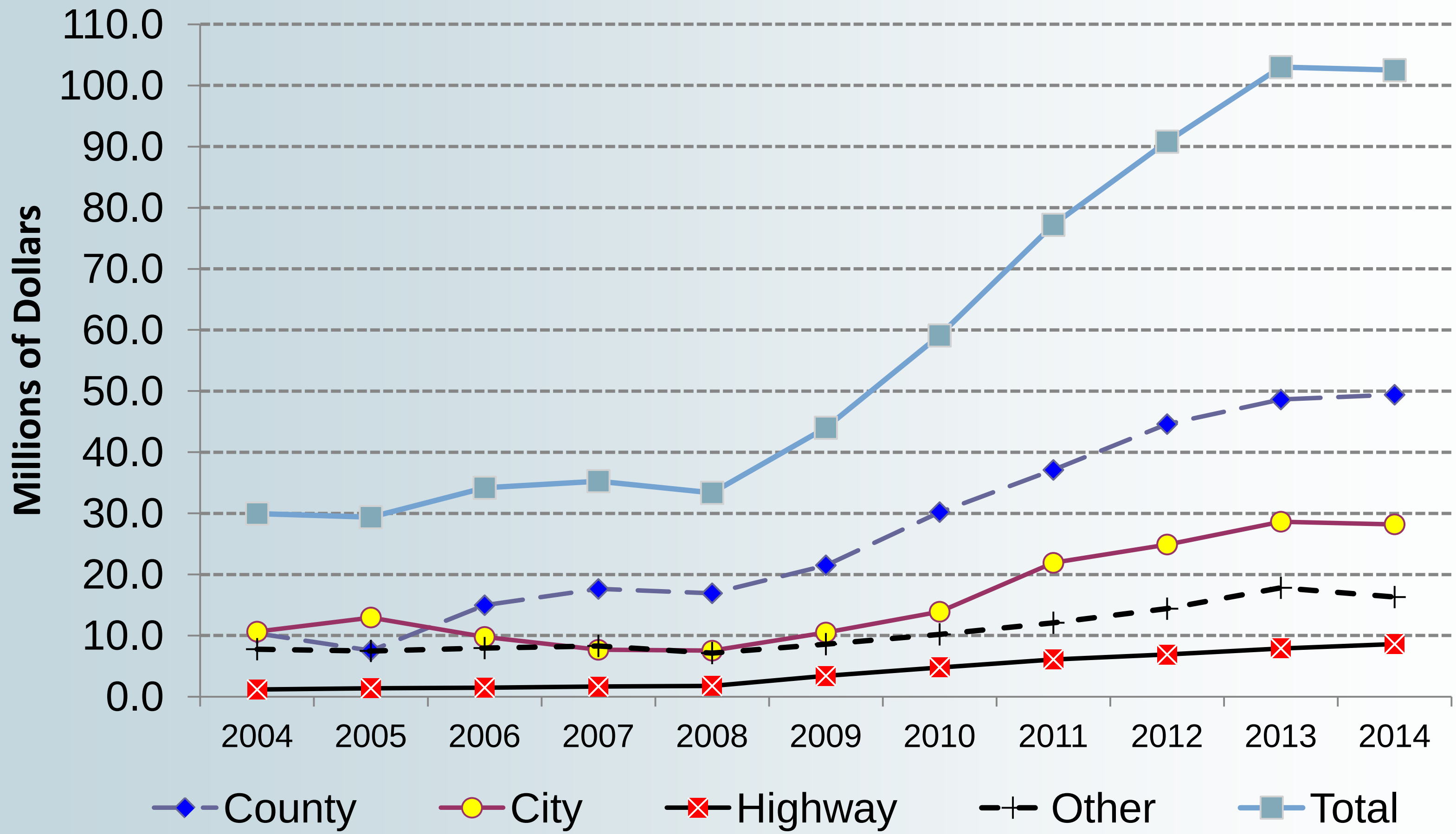
How do Property Tax Budget Limits Work?

- 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
    - Including ag. equipment and other replacement monies
  - Plus new construction value X 2013 non-exempt levy rate
  - Plus foregone amount (ie: amount of previously allowable increases not taken)
- Allowed only if result does not create levy rate that exceeds statutory limit

New Construction that adds to Budget Capacity

- Real property improvements –
  - new homes after occupancy
  - non-residential remodels
- Value increases due to change in land use (ie: farm to residential)
- Does <u>not</u> include:
  - Most personal property
  - Otherwise qualifying new construction within urban renewal areas, until dissolution

Foregone Amounts Generally Increasing



So, What Happens When Values of Existing Property Increase?

Value $

Value $

Taxing District Budgets v. Values

Myth or Reality?

Taxable value X levy rate = Budget $ NO!

$10,000,000 X 0.008 = $80,000 (initial property tax budget)

- <u>What if taxable value of existing property doubles?</u>

$20,000,000 X 0.008 = $160,000 **NO!**

- <u>3% Cap constrains budget and forces levy rate down!</u>

$80,000 X 1.03 = $82,400 / $20,000,000 = 0.00412

$20,000,000 X 0.00412 = $82,400

This taxing district can increase its revenue from property tax by only $2,400 regardless of assessed value changes!

So what does this mean for an individual taxpayer?

- Given $100,000 in taxable value before values increased:
  - $100,000 X 0.008 = $800
- Possibilities:
  - Each property value doubles
    - $200,000 X 0.00412 = $824 (a three percent increase)
  - Some properties increase more in value than others
    - The new levy rate (0.00412) applies to all equally.
    - Properties with more rapidly increasing values will have <u>more</u> than a three percent increase in taxes; properties with less value increase will have <u>less</u> than a three percent increase in taxes

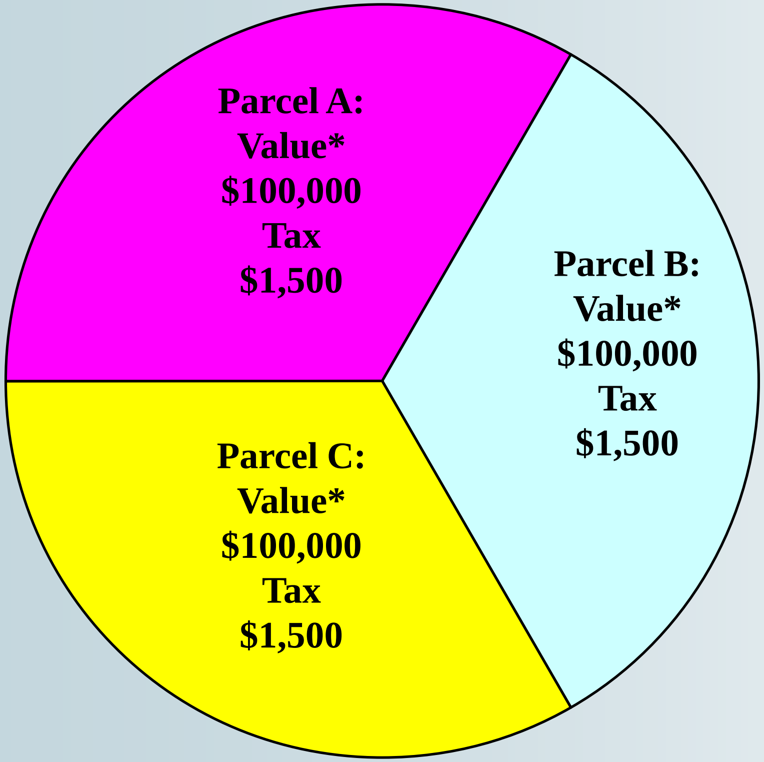
What happens to individual taxpayers in this system?

- Valuation system determines proportion of property tax paid by each
- Increases and decreases in valuation change these proportions
- Exemptions alter proportions, shifting property tax between taxpayers, unless replacement money is provided
  - Agricultural equipment exemption
  - Future partial personal property exemption

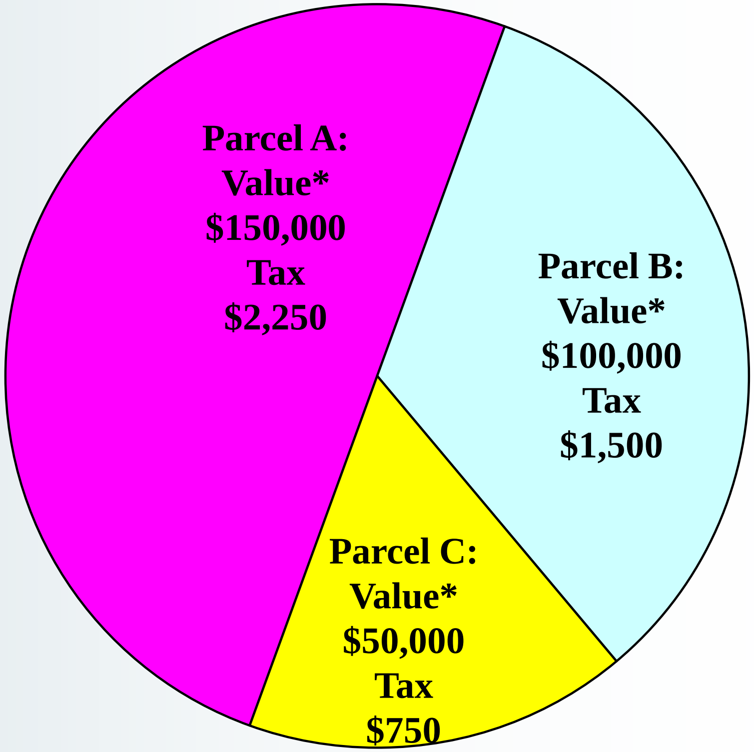
Explaining the Effect of Assessed Value Changes on Budget Driven Systems

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

2013 Value* and Tax



2014 Value* and Tax



* = Value is after homeowner’s exemption.

The Economy and its Effect on Property Tax Budgets and Levies

- Foreclosure related sales may be considered (cautiously) in setting market value for assessment purposes:
  - May influence general market
  - May <u>not</u> be representative due to deteriorated property condition
- If values decline and property tax budget is unchanged tax levy rate will go up. However, the rate cannot exceed levy rate limits.
- Timing:
  - Values set to reflect January 1, 2014 market value.
  - If values have declined during 2014, effects will be seen with respect to 2015 market value and levy rates.

Effect of Reduction of Market Value on Property Tax Budgets and Levy Rates

- Property tax budget ($100,000) is divided by net taxable market value ($100 million) to determine levy rate.

$$\frac{\$100{,}000}{\$100{,}000{,}000} = 0.001$$

- Options if value declines:
  - Same budget $; higher levy rate

$$\Big\} \frac{\$100{,}000}{\$80{,}000{,}000} = 0.00125$$

  - Lower budget $; same levy rate

$$\Big\} \frac{\$80{,}000}{\$80{,}000{,}000} = 0.001$$

Tax Shifting Between Categories

(assuming $ amount levied unchanged)

Type of Property	2013 Taxes ($million)	2014 Taxes ($million)	% change in Value	% change in Taxes
Residential	10.0	9.680	- 12.0	- 3.20
Commercial	10.0	10.175	- 7.5	+ 1.75
Farmland	2.0	2.145	- 2.5	+ 7.25
Total	22.0	22.000	- 10.0	± 0.0

Given: 2013 tax rate = 1% for total property taxes of $22 million

Same $ amount certified from property tax in 2014; levy rate changes to 1.1%

Property Tax Levies and Tax Effects - Individual Taxpayers

Budget ÷ Value = Levy (rate)

$22 Million tax ÷ $2,200 Million value = 0.01 levy

Tax on $100,000 value property:

0.01 X $100,000 = $1,000

If total value declines to $2,000 Million:

$22 Million tax ÷$2,000 Million value = 0.011

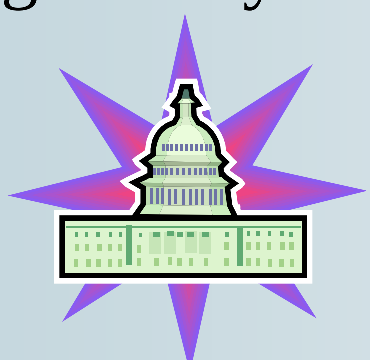
Tax on $100,000 (2013) given different value changes for 2014:

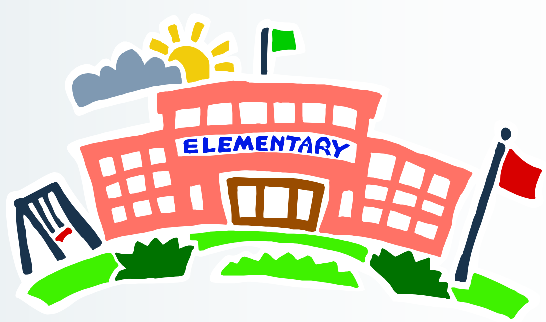
Value stays same: 0.011 X $100,000 = $1,100

Value down 10%: 0.011 X $ 90,000 = $ 990

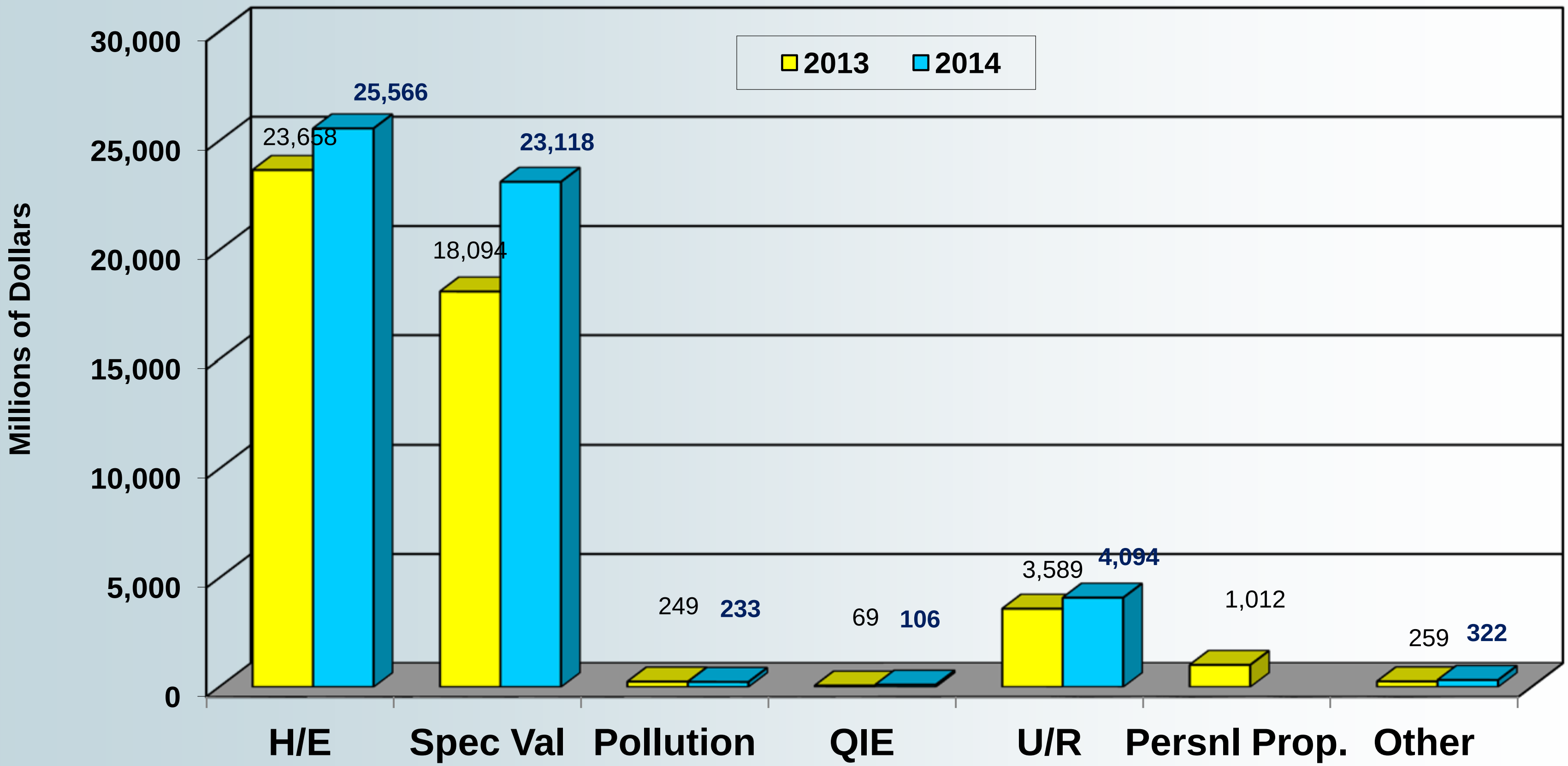
Altering the Burden of Property Taxes – Exemptions, Incentives, and Property Tax Relief

- 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





Comparison of Exemption and Urban Renewal Increment Values 2013 - 2014



Tax Increment Financing

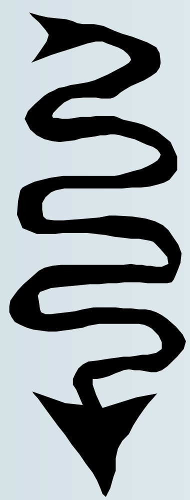
an economic incentive involving property tax

- Permits allocation of property taxes to urban renewal agency (URA) in specified areas
- Often used to help provide infrastructure:
  - Parking garages
  - Sewer and water lines
  - Street improvements
- Properties within these areas still pay taxes at prevailing rate, but money is not passed on to local taxing districts
  - Beginning in 2008, URAs no longer derive revenue from most voter approved levies and certain judgments against taxing districts.

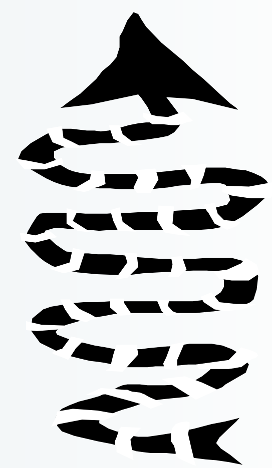
The Exemption Spiral

Exemptions lead to high property tax rates, which in turn results in new pressure for exemptions, which in turn…

Tax Base:



Tax Rate:



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%

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

Tax Shifting Through Exemption (continued)

- Tax Base (taxable value) in year 2 (following implementation of new exemption) = $450 Million
  - $200 Million residential taxable value
  - $ 50 Million farmland taxable value
  - $150 Million commercial taxable value
  - $ 50 Million industrial taxable value
- Tax Rate in year 2
  - $5,150,000 / $450 Million = .0114 = 1.14%
  - Without new exemption tax rate in year 2
    - $5,150,000 / $500 Million = .0103 = 1.03%

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

Property Tax Relief Measures

- State or local funds dedicated to reducing property tax
  - May be related to use – ie: appropriation to community colleges including statement of reduction of 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 partly based on business inventory property values existing prior to business inventory exemption.
  - In past, may have been related to local option sales taxes - 1/2 of $ raised had to be for property tax replacement (last one has expired along with authorizing legislation)

Circuit Breaker (Property Tax Reduction Program)

- Up to $1,320 credit for eligible homeowners:
  - Over age 65, disabled, widows and widowers
  - Income up to $28,700. (received in 2013, after medical expenses)
  - Income limit increases for 2015 program to $29,100 rec’d. 2014
- Must annually apply with county assessor by April 15th.
- 2014 claims
  - 27,365 approved in 2014
  - $ 596 tax relief per claim average (2014)
  - $ 16.3 Million paid by state to counties for taxing districts (2014)
  - Many more eligible based on Census data
- State funded, so **no** loss of revenue to any taxing district.
- Not an exemption, so no property tax shifted to other property taxpayers.
- <u>Not</u> subject to repayment!

Property Tax Deferral – Something Relatively New to Idaho

- 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) after sale, etc.

- 2014 - 2 households approved for
  - $1,641 approved in 2014

- Claimants who do not qualify for circuit breaker <u>only</u> by reason of income can apply for deferral with income up to $42,776 for 2015;

Glossary

Common definitions adapted from the Glossary for Property and Assessment published by the IAAO (International Association of Assessing Officers)

- **“Property”** – Is an aggregate of things or rights to things. These rights are protected by law so property is the legal interest of an owner in a parcel or thing. There are two basic types of property: real and personal.
- **“Real Property”** – land plus anything permanently attached to the land; (by Idaho law, includes improvements, buildings and structures).
- **“Personal Property”** - every kind of property that is not real property and is moveable without damage to itself or the real property. There are two basic types of personal property: tangible and intangible.

Common definitions adapted from the Glossary for Property and Assessment published by the IAAO

- **“Tangible Personal Property”** – Personal property that has a substantial physical presence beyond merely representational. Common examples are automobiles, boats, and jewelry.
- **“Intangible Personal Property”** – Property that has no physical presence beyond merely representational. Its value lies chiefly in what it represents. Examples include corporate stock, bonds, money on deposit, goodwill, patents and trademarks, and franchises. Intangible personal property generally is exempt.

Definition from Idaho's Property Tax Code

"Operating property" means real and personal property operated in connection with any public utility, railroad or private railcar fleet, wholly or partly within this state, and which property is necessary to the maintenance and operation of the public utility, railroad or private railcar fleet, and the roads or lines thereof, and includes all rights-of-way accompanied by title; roadbeds; tracks; pipelines; bargelines; equipment and docks; terminals; rolling stock; equipment; power stations; power sites; lands; reservoirs, generating plants, transmission lines, distribution lines and substations; and all title and interest in such property, as owner, lessee or otherwise.

History of Property Tax in Idaho

See Link:

http://tax.idaho.gov/pubs/EPB00106_04-11-2014.pdf

History of Property Tax in Idaho
(Highlights)

1863 – 1890	Idaho Territorial government and local governments relied on property taxes as a significant source of revenue. Each county assessor was to estimate full cash value of property to determine assessment. Exemptions: Property of the U.S., Territory, counties, and municipalities; Public buildings; Public hospitals and charitable institutions; Churches; Benevolent and charitable societies; Cemeteries and graveyards; Property not over $1,000 in value belonging to widows or orphans; Growing crops; Mining claims; Tools not over $50 in value belonging to mechanics; and Property only in transit through a county but assessed in the home county. County commissioners sit as county board of equalization. Sheriffs generally were the tax collectors until 1881 when responsibility was changed to collect license taxes and the assessors were given the responsibility of collecting property taxes. School distribution formula developed with a portion of the school funding distributed equally to each school district and a portion distributed based on the number of students. Other sources of revenue included: poll taxes imposed on each adult male inhabitant with half of the revenue to the territory and half to the counties, license taxes for Mongolians or Chinamen, for professionals including physicians, surgeons, dentists, attorneys, or local officials, and for the operations of pool tables, bowling alleys, theaters, exhibitions, insurance companies, pawnbrokers, intelligence offices, brokerage houses, banks, vendors, or dealers in wines or spirits, and receipts taxes on the proceeds from mines (40% to the territory and 60% to the counties), toll roads, bridges, ferries, or the like (school fund).
1891	State board of equalization created to meet the first Monday in September to equalize the valuation of property. Board members are the Governor (Chairman), secretary of state, attorney-general, state auditor, and state treasurer.