

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

- DATE:** Thursday, January 25, 2024
- TIME:** 3:00 P.M.
- PLACE:** Room WW53
- MEMBERS PRESENT:** Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Bernt, Trakel, Rabe, and Just
- ABSENT/ EXCUSED:** Senators Adams
- NOTE:** The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.
- CONVENED:** **Chairman Ricks** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 3:02 p.m.
- PRESENTATION: Outcomes and Effects of H 292 (2023).** **Kathlynn Ireland**, Property Tax Specialist, Idaho State Tax Commission (Commission), gave the presentation (Attachment 1). **Ms. Ireland** informed the Committee that H 292 provided for three separate tax relief programs: homeowner tax relief (HTR), all tax relief (ATR), and a school facilities fund. Slide one provided details regarding the amount of funds distributed to each of these programs. **Ms. Ireland** explained that H 292 required the \$106 million distributed to the school district facility fund to be spent in a specified order of priority. Existing school bonds were to be paid first. Supplemental school levies, excluding supplemental levies with an indefinite term, were to be paid next. If there were no bonds or levies, the funds could be saved in a reserve account for future capital improvements.
- DISCUSSION:** **Senator Cook** asked whether the HTR went to owners of all parcels of land or just to those that were primary residences. **Ms. Ireland** replied that the HTR went to owners of a primary residence and the ATR went to all residential property owners.
- Senator Grow** asked whether all property taxpayers received the 4.3 percent distributed for school facility fund relief in addition to the 1.1 percent distributed for the ATR. **Ms. Ireland** explained that only owners of parcels with school bonds and temporary supplementals received the 4.3 percent for school facility fund relief. Sixteen school districts did not have a bond or levy so their funds went into a reserve account for future capital improvements.
- PRESENTATION: Ms. Ireland** discussed slide two which showed that 2.26 billion in property taxes was paid prior to H 292. In addition, it showed the amount of property tax reduction in the areas of school facility levies, homeowner tax relief, and additional tax relief for a total amount of property taxes paid after H 292 in the amount of \$1.9 billion.
- Slide three provided a 15 year look at the taxable value by each major property category: residential, commercial, utilities, agricultural, timber, and mining. **Ms. Ireland** noted that there was a slight slowing of the residential sector and that the variance between the residential sector and the commercial sector was still quite wide.
- Slide four illustrated the amount of property tax paid by each sector after H 292 relief. **Ms. Ireland** explained that the residential sector included primary residential properties, rentals, second homes, and anything up to a four plex. A five plex or large multifamily project was considered to be commercial property.

**PRESENTATION:** Slide five defined primary residential property as owner occupied property and residential property as including second homes and rentals. In addition, slide five showed the proportional value of each of those and the amount of property taxes paid by each of those sectors in 2023.

Slide six illustrated how new construction affected property values and taxes paid for primary residential property, other residential property, and commercial property. Slide seven illustrated the interrelationship between changes in value and taxes owed.

Slide eight outlined the duties and timelines related to budgets and levies the county assessors were required to comply with under H 292. **Ms. Ireland** explained that the assessment notices that go out on the first Monday in June provided the denominator in the property tax levy rate calculation. The property tax levy rate calculation was the budget of the taxing districts divided by the net taxable value within those taxing districts. Slide nine outlined the duties and timeframes the taxing districts were required to comply with under H 292. **Ms. Ireland** stated that taxing districts conducted budget hearings and were required to certify their budgets by the second Monday in September. This provided the numerator for the property tax levy rate calculation.

Slide ten outlined the role of the county treasurers and the timeframes they were required to comply with under H 292. They finalized the HTR role by the second Monday in July and provided it to the Commission for them to calculate the factor. In September they collected information on fees, utilities, and other information that was part of the property tax levy rate calculation.

Slide 11 discussed the role of the Commission and the timeframes that were required to be met under H 292. The Board of Equalization (BOE) met, and by the fourth Monday in August made the final determination of value utilized in the levy rate calculation. The BOE certified the operating property values to the counties by early September. By the fourth Monday, the Commission analyst calculated the HTR and ATR factors. However, this was difficult since the Commission just sent all the levies to the counties and they had not applied them to the parcels. Therefore, the denominator was unknown.

By the first Monday in November the Commission sent the HTR and ATR factors to the counties to finalize their tax relief. **Ms. Ireland** noted that these timelines were very challenging. She mentioned that there was legislation being drafted that would use the prior year's levy rates and current market value to determine the assessment amount. This would alleviate some of the challenges with meeting all of these timeframes. This would provide the denominator for calculating the property tax rate earlier and allow for the quantification of the overall property tax statewide and convey the apportionment to assessors, treasurers, and other officials.

Slides 12 and 13 illustrated the October and November calendar for 2023, which had five Mondays in October and provided an additional week for officials to complete their duties and the 2024 calendar. Slide 14 outlined the timeframes using last year's tax levy rates.

**DISCUSSION:** **Senator Grow** asked whether he understood correctly that Ms. Ireland felt the difference between using last year's levy rate and the current year's rate would be minimal. **Ms. Ireland** responded that was correct. **Senator Grow** then asked whether using the previous year's levy rate would alleviate the challenges of the calendar. **Ms. Ireland** said she felt it would.

**TESTIMONY:** **Annette Dygert**, Owyhee County Treasurer and chairperson of the Idaho State Treasurers Association legislative committee, testified regarding her experience in administering her duties and meeting the timeframes under H 292. She stated that there were challenges with the calendar. Hand calculating the taxes was more difficult. There were difficulties in determining the HTR and ATR in order to calculate the assessment amount. Five different versions of software were used by the counties. There were issues balancing all the numbers. Attachment two illustrated the discrepancy between the amount of HTR the Commission calculated Owyhee County would receive and what was actually given to homeowners there.

**DISCUSSION:** **Senator Grow** asked why there was a difference between the HTR calculated by the Commission and the actual HTR paid to homeowners. **Ms. Dygert** explained that the actual HTR amount was calculated by their software.

**Chairman Ricks** asked whether this was a software problem and whether the problem was something that could be addressed by the legislature. **Ms. Dygert** responded that proposed legislation being drafted which would use the previous year's tax levy rate would help to alleviate the problem.

**TESTIMONY:** **Ms. Dygert** cited problems with related properties that were missing, ineligible school districts that were included, and other problems that had to be addressed within a short timeframe. Errors in calculating the HTR were also present in Ms. Dygert's personal tax bill (Attachment 3). Attachment four, the ATR balancing sheet, further illustrated the difficulties in balancing the tax rolls. **Ms. Dygert** explained that the differences likely occurred as a result of the Commission using estimated values and market value while counties used market value exclusively to determine the ATR.

Attachment five showed the Owyhee County voter approved track sheet. It also showed the amount paid to each school facility within their county. **Ms. Dygert** recommended that the ATR credit be eliminated and that money be applied to the HTR, the school district fund, or both. She further recommended using the previous year's tax levy rate along with the current market value to calculate the HTR.

**Zach Wagoner**, Canyon County Chief Deputy Clerk and Controller, shared his experience with property tax relief under H 292 and expressed his support for using the previous year's levy rate to calculate the HTR.

**Brian Stender**, Canyon County Assessor, also expressed his support for using last year's levy rates to calculate the HTR. He further recommended the purchase of common software statewide.

**Alan Dornfest**, Property Tax Policy Bureau Chief, Commission, shared his idea for a two step process. The first step was using last year's levy rates to calculate HTR. That amount would be locked in and be distributed to the counties. However, he felt that the amount of HTR distributed by the counties to the homeowners should be determined by the current year's levy rates which would be determined later.

**MINUTES APPROVAL:** The minutes approval for the Committee meeting of January 16, 2024 was held for the next meeting.

**ADJOURNED:** There being no further business at this time, **Chairman Ricks** adjourned the meeting at 4:25 p.m.

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Senator Ricks  
Chair

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Meg Lawless  
Secretary