



THE COMMUNITY PAGE

Big Decisions Lay Ahead!

Large increases in taxing and spending, particularly at the local level, have triggered a call for property tax relief.

The 2006 session of the Idaho Legislature has seen our elected representatives face some daunting issues. The three most difficult issues are preservation of the institution of marriage, property tax relief, and court-imposed restructuring of the school facility financing. With the marriage amendment on the ballot, the latter two issues are deserving of your attention as your legislators address them.

Idaho was the nation's third fastest growing state between 2004 and 2005, according to new U.S. Census Bureau population estimates released December 22, 2005. From July 1, 2004 to July 1, 2005, Idaho added 33,956 new residents—a 2.4 percent increase. Over the last five years, **Idaho has been among the top 10 states for population growth with 10.4 percent growth.** Idaho has added 135,140 new residents over the last five years for a total estimated state population on July 1, 2005 of 1,429,096, making the state the sixth fastest growing state over that time period.

The majority of Idaho's population growth came from people moving to the state. Between 2000 and 2005, Idaho added 75,795 new residents. This population boost resulted from the immigration of 14,522 people from other countries and 61,273 from other states. During that same time period, Idaho experienced 111,131 births and 52,247 deaths, resulting in an increase in the resident population of 58,884.

As an interesting comparison to the population growth information, it should be noted that **state general fund revenue**, all of which is derived from non-property tax sources, **grew 14.3 percent** over the same period. **But property tax revenue rose a whopping 30.6 percent during the same five years.**

Five Year Statewide Growth

Idaho Population	10.4%
Non-property Tax Government Revenue	14.3%
Property Tax Revenue	30.6%

Sources: US Census, Associated Taxpayers of Idaho

Such large increases in taxing and spending, particularly at the local level, have triggered a call in various regions of the state for an initiative to cap property tax rates. Faced with this political environment, the Legislature is moving to institute various property tax reforms. These reforms include:

- Increasing the "circuit breaker" income-based eligibility from \$22,630 to \$28,000, while increasing the maximum amount of annual assistance from \$1,200 to \$1,320.
- Adding the value of land to the homeowner's exemption.
- Increasing homeowner's exemption limit from \$50,000 to \$75,000 and indexing the future limit to inflation.
- Creating a "reverse mortgage" program to assist senior citizens in paying property taxes on rapidly escalating home values.
- Removing half of the 0.3 percent school maintenance and operations levy from property taxes and replacing it with state general fund revenues.
- Closing the "developer's exemption" loophole by returning the exemption to its original purpose of applying only to land that is actively used for agriculture.

Increases in residential valuations have grown faster over time than other categories of property tax generating real properties. This means that over the last few years, **while all real property owners have had to pay higher property taxes, the percentage of all property taxes paid by residential property owners has increased dramatically.** Legislative actions to remedy this trend, specifically moving one and one-half mills from the school maintenance and operation levy, will require a half-cent increase in sales taxes to remain revenue neutral. A tax shift from residential property taxes to sales taxes is likely to result in slight increases in property taxes for owners of non-residential property.

Property Taxes...Reason Enough to Act

The property tax has been described as the **most painful tax we, as citizens, bear.** In contrast to the "invisible" sales and income taxes (so-called because they are withheld from earnings before the wage earner ever sees it, or added to the price of an item at the point of purchase effectively becoming part of the cost of a good), property taxes come straight out of an individual's checkbook. Thousands of dollars that the average Idaho family could use to sustain itself in modern American society are instead withdrawn from accounts twice a year and sent to feed the requirements of local government.

In Idaho, local governments (cities, counties, special taxing districts, public schools) spend property tax dollars in order to function. If most services fit into the proper role of government at the local level, why are so many recipients of these services up in arms over the amount of property taxes they pay?

How Are My Property Taxes Determined?

The amount of property tax you pay is based on the budget needs of the taxing districts (local governmental units like the county, city, school district, fire district, etc.) where the property is located. Citizens of Idaho Falls are assessed taxes by the city, Bonneville County, Idaho Falls School District #91, Bonneville County Ambulance District, and Flood District #1.

2005 Levy Rates for Property in the City of Idaho Falls

City of Idaho Falls	0.8583323
Idaho Falls School District #91	0.7634142
Bonneville County	0.4267845
County Ambulance	0.0324285
Flood District #1	0.0005947
Total	2.0815542

Per \$100 Assessed (Taxable) Value
Source: Associated Taxpayers of Idaho

Officials for each taxing district decide the annual budget needed to provide services. The part of the approved budget to be funded by property taxes (some government revenues come from fees for services like electricity, water, and sewer or federal grants and programs) is divided by the total applicable taxable value of all properties within the district. This same calculation is made for each taxing district where your property is located and the resulting tax rate for each district is added together. The cumulative amount, known as the total property tax rate, is multiplied by 100% of the market value of your property less statutory exemptions to calculate the taxes you owe.

The upward spiral in property value assessments allows local government to camouflage huge budget leaps by stressing containment, even lowering, of levies. This ignores the obvious, which is that the amount a household pays still rises sharply as their property values rise, a burden to every family, especially those on a fixed income.

In order to attract business transfers to Eastern Idaho and to be able to foster local new business development, the tax environment must be competitive in the region.

Many states have chosen to diminish the burden of property taxes and shift that burden to income or sales taxes. While this is basically what the Idaho Legislature is doing, some states, including Utah, have gone the extra mile by enacting significantly higher income tax rates and providing communities with a local option sales tax. This has meant that property tax rates are virtually negligible. Local option sales taxes have proven to be a political non-starter in Idaho for decades because of their severe impacts on rural communities. Increases in income tax rates would likely be a bigger hindrance to economic development than property taxes.

Levy Rates by Utah City:

Utah ranks 13th nationally in total state and local taxes as a percent of personal income, third highest when state and local fees are included. Yet Utah's property tax burden is lower than the national average. The Utah Taxpayers Association ranked Utah's property tax burden 38th, or 20.8% below the national average. Levy rates in Logan: 0.011877; Tremonton: 0.011601; Brigham City: 0.011784; Bountiful: 0.012242; Salt Lake City: 0.015150.

Summary

The "bottom line" is that the property taxes you pay are a direct result of the spending habits of local government and the politicians you elect. **In reality, growth in local government spending is the force behind increases in your property taxes.** It will be difficult for our state legislators to find relief because state officials do not control the budgets and spending habits of local government. Assuming such power diminishes local control. Add to this the Idaho Supreme Court's mandate that the Idaho Legislature devise a program to fund school buildings all across the state will greatly complicate any attempt to provide property tax relief. Meanwhile, families, anxious for relief, await the Legislature's actions.