

Idaho property tax history 1965-2006

1965

Legislation is passed directing assessors to bring property assessments up to date. Also passed is legislation to assess homes and farms at 20 per cent of value and utility property at 40 per cent. The purpose is to maintain the status quo, recognizing that the method used to assess utility property deflates its value in comparison to methods for other property. A 3 per cent sales tax is passed.

1967

The Idaho Supreme Court declares the 20-20-40 law unconstitutional. A 20-20-40 constitutional amendment is suggested but not adopted. Republicans agree to accept the Supreme Court decision and pass legislation to gradually bring the ratio on utility property down. Legislation is passed to use 20 per cent of sales tax revenue to replace the inventory property tax on store inventories, livestock and lumber.

1971

The newly elected governor, Democrat Cecil Andrus, asks the legislature to approve a constitutional amendment setting a lower assessment ratio for homes and farms. Andrus says a bigger tax burden had been shifted to homes and farms. "While property tax relief was given to inventory taxpayers and utilities, the widow on a fixed income with a modest home has seen her tax bill increasing." The Republican controlled legislature refuses to consider an amendment. (The primary problem for homeowners is not the reduction of taxes on utility property but the basic bias of the tax system, assessing homes on possible selling price while using other methods to assess other kinds of property.)

1972

Andrus renews his request for a constitutional amendment and the legislature again refuses to act. Democratic Sen. James Stoicheff of Sandpoint writes: "Today we have a few small spot fires of tax revolt popping off in the brush. But just around the corner there's a class A forest fire heading our way. The utilities get tax relief. The people get the end of a sharp stick."

1973

Andrus gives up asking for a constitutional amendment and proposes using \$8 million in state tax revenue to replace \$8 million in local property taxes. The legislature approves \$4 million. This does little to help homeowners. Rising assessed values on homes more than offset this "tax relief" and the benefit goes mostly to non-residential property.

1974

Sen. Stoicheff introduces SB 1257, providing for a homeowner exemption up to \$10,000. His bill dies in the Senate Local Government Committee. Following a recommendation of Gov. Andrus, the legislature approves "circuit breaker" tax relief for people over 65 and disabled with limited income. The bill includes a \$1.5 million appropriation to reimburse schools and local government for taxes foregone. People must apply each year to receive the circuit breaker.

1977

Complete reappraisal of property in some counties, including Ada and Kootenai, brings big increases in the taxable value of homes. Some people see the taxes on their homes double in one year. With the large increase in total residential taxable value, levies are reduced. Utilities and large commercial properties get large tax cuts. In Ada County total residential taxes more than double, rising \$14.5 million. Utility taxes go down \$1.5 million and taxes on commercial property \$3.2 million. In the legislature Republicans hold in committee a constitutional amendment sponsored by Sen. Art Manley, D-Coeur d'Alene.

1978

From 1970 to 1978 total residential property taxes have increased three and one half times, 259 per cent, while total property taxes have increased 120 per cent. There has been a huge tax shift to homes from commercial, utility and farm property. Most of this shift had nothing to do with the phasing in of a lower assessment ratio for utility property. It was the result of the use of the "selling price" method to assess homes while other methods were being used for other kinds of property. Assessments on homes were out of date in 1970 but the tax shift went far beyond what was justified.

Gov. John Evans identifies the basic problem, the explosion in taxes on homes. He asks the legislature to approve a constitutional amendment. An amendment is sponsored by Sen. Manley and Twin Falls Republican Dick High, SJR 112. It would establish three classes of property with different assessment ratios. High warns of "dynamite tax increases with a continuing shift." The amendment gains a majority in the Senate, 18-17, but falls short of the required two thirds. Fourteen of 15 Democratic senators vote yes but only three Republicans vote with High.

Evans and the Republicans agree to a compromise. State money, \$14 million, is used to replace part of the county levy for schools. Tax relief available with the circuit breaker is increased and the household income threshold is raised from \$5,500 to \$7,500. These measures do not slow the property tax revolt. A one per cent initiative is placed on the ballot and passed overwhelmingly. The coalition opposing the initiative fails to offer voters an alternative. For the most part the news media do not tell people about the tax shift to homes. People believe that the huge tax increases on their homes reflects increased spending by schools, cities and counties.

A special committee appointed by Evans to study the tax system issues a report. It recommends enactment of a partial residential tax exemption to "mitigate the inequities" resulting from the tax system's bias against homes. The committee says the different methods of tax appraisal tend to inflate the taxable value of homes, in relation to the taxable values of other kinds of property.

Total residential property taxes increase \$10.8 million, 11 per cent, while total non-residential taxes increase \$3.5 million, 3 per cent.

1979

With the one per cent initiative on the books, the legislature struggles with the question of how to proceed. The initiative limits total taxes on any piece of property to one per cent of value and limits annual increases in taxable value to two per cent. Legislators can't figure out how to divide a one per cent limit among the many taxing districts. Nor can they figure out how to replace \$70 million a year that schools and local government would lose with a one per cent

limit. Finally the legislature sets aside the one per cent limit and substitutes a two-year freeze on property tax collections. (Taxing entities can collect no more in 1979 and 1980 than they did in 1978.) The legislature also votes to replace more of the local school levy with \$19 million in state money.

Since taxable values on homes are still going up, most homeowners see little tax reduction. Most of the property tax relief goes to non-residential property because taxable values on those properties are not increasing or are increasing more slowly. Total residential property taxes go down \$1.1 million, less than one per cent. Non-residential property taxes drop 13 per cent, \$14.9 million.

1980

The legislature receives information indicating that there will be another big increase in residential taxable value. Taxes on homes are projected to increase 30 per cent or more in 14 of the 44 counties and in some counties by more than 100 per cent. This is the result of the 1979 “one per cent implementation” legislation that mandated bringing market values of homes up to 1978 levels in 1980. Members of the Senate Local Government Committee inform House committee members that they will not support the House’s 1980 “implementation” bill without a homeowner exemption. A homeowner exemption of 20 per cent up to \$10,000 is passed, but it is to be temporary, for one year. The legislature replaces the freeze on property taxes with a five per cent cap, a limit of 5 per cent on annual increases in property tax dollars collected by schools and by local government. Sen. Dick High wins approval of an exemption for farm land, exempting most of the market value. This means no change from current practice in assessing farm land but High is concerned about a possible constitutional challenge. The constitution allows exemptions.

With the temporary homeowner exemption, total residential taxes increase \$10.9 million, 10 per cent and non-residential taxes increase \$5.3 million, 5 per cent. In four years total residential taxes are up \$52 million and total non-residential taxes are down \$1.1 million.

1981

A bill to renew the homeowner exemption for a year, sponsored by Sen. Edith Miller Klein, R-Boise, passes the Senate but is stalled in the House Revenue and Taxation Committee. Rep. Jim Stoicheff moves to have the bill brought to the floor of the House for consideration. Such a move is allowed by the rules but rarely succeeds because majority leaders and committee chairs always vote no. But members will be on record with this vote and Stoicheff’s motion wins 38-29. The House then votes 49-21 to renew the exemption for a year. The legislature repeals a provision of the one per cent initiative limiting increases in taxable value to two per cent a year. This provision was not applied to homes in 1979 and 1980 because of the 1979 legislation requiring further increases in assessed values.

Evans asks the legislature to pass a permanent exemption, 30 per cent of the value of homes up to a maximum of \$15,000. The Evans bill is pigeon holed in the House Ways and Means Committee by Republican Speaker Ralph Olmstead.

Sen. Dane Watkins, R-Idaho Falls, sponsors a 30 per cent up to \$15,000 bill, S 1113. It passes the Senate 18-17 with six Republicans joining 12 Democrats in voting yes. The bill dies in the House Revenue and Taxation Committee.

1982

Evans renews his request for a permanent 30 per cent exemption, this time to be applied to all residential property and again his proposal is rejected. But the threat of the 50 per cent initiative helps get the temporary exemption renewed for another year.

Led by Al Fothergill of the Idaho Citizens Coalition and former Sen. Ken Robison, citizens in February launch an initiative campaign for a permanent residential exemption, 50 per cent of the value of the house, not including the land, with a maximum exemption of \$50,000. At that time few homes were assessed at more than \$130,000. An upper limit is considered desirable to make the initiative more acceptable. Miraculously, the all-volunteer signature gathering effort yields the necessary number of signatures by early July. There is no money for an advertising campaign to support the initiative but it passes with 56 per cent of the vote. The initiative is opposed by business organizations and Republican leaders. A spokesman for the Associated Taxpayers of Idaho goes around the state to chambers of commerce and other groups speaking against it. The ATI puts out a false report saying the residential exemption would reduce funds for schools. Initiative supporters point out that schools can collect up to 5 per cent more property taxes each year under the cap, with or without the residential exemption. The initiative is opposed by Phil Batt, the Republican candidate for governor, but is supported by Gov. John Evans. Evans wins the election by a narrow margin.

1983

Republican legislators draft bills to water down or repeal the exemption. (In 1982 Republican House Speaker Tom Stivers told initiative supporters that the legislature would repeal the initiative if it was passed.) The Republican majority passes Rep. Rachel Gilbert's HB 269, taking away much of the tax relief for homes, reducing the upper limit on the exemption to \$15,000.

Her bill passes the House 46-24 and the Senate 18-16. It is vetoed by Gov. Evans. The legislature then votes to limit the exemption to owner-occupied homes, denying it to rentals or second homes. Evans accepts this measure. It is opposed by supporters of the initiative but they recognize that it may be a necessary price to pay to save the initiative for homeowners.

In the six years 1976 to 1982, total residential property taxes increased 97 per cent, total property taxes 51 per cent and total non-residential property taxes 4.6 per cent. This was even with the temporary 20 per cent homeowner exemption in 1980, 1981 and 1982. Residential taxes rose 20 times as fast as total taxes on other kinds of property. Nevertheless, opponents of the 50 per cent exemption say it will "shift" taxes from homes to other kinds of property.

With the initiative in effect in 1983, with taxable values continuing to rise, residential taxes still increase \$7.8 million, 5.7 per cent. Total non-residential taxes rise \$23.3 million, 20 per cent, as some of the taxes shifted to homes before 1983 are shifted back. Still, since 1976 total residential taxes are up 108 per cent and total non-residential taxes 26 per cent. Residential taxes have still increased four times as fast as non-residential taxes in seven years.

1985

Sen. Vearl Crystal, R-Lewisville, sponsors S 1054, to cut the homeowner exemption in half, reducing it to 25 per cent up to \$25,000. S 1054 passes the Senate 22-20 but dies in the House Revenue and Taxation Committee.

1986

The homeowner exemption survives a court challenge with the Idaho Supreme Court ruling that it is consistent with the state constitution. It was challenged by a group from Bonneville County. The court says that the constitution allows the legislature to grant exemptions and the people have the same authority through the initiative process. It also says the exemption furthers legitimate state interests such as fostering home ownership and equalizing the burden between residential and business properties.

1987

Republican representatives Mike Simpson of Blackfoot and Dean Haagenson of Coeur d'Alene introduce H 187, to repeal the homeowner exemption. The Idaho Senior Lobby mounts an information campaign resulting in many messages to legislators. H 187 is not placed on an agenda for a vote in the House Revenue and Taxation Committee.

1990

Rep. Ed Brown, R-Pocatello, sponsors HB 579 which would deny the exemption to homeowners for voter approved measures, beginning in 1991. Initiative supporters rally opposition and this attack on the exemption fails in the House 38-43.

1991

The legislature repeals the last vestige of the 1978 one per cent initiative, the 5 per cent cap. By this time the cap is almost meaningless. It was changed to a 5 per cent limit on increases in property tax levies, rather than a 5 per cent limit on the annual increase in property taxes collected. But it is still symbolic and supporters of the original one per cent initiative begin planning another campaign. A "truth in taxation" law is substituted for the 5 per cent cap. This law requires local government to publish newspaper ads describing proposed increases in property tax collections.

1992

Rising residential taxable values are bringing some renewed taxpayer unrest. House Democrats introduce H 510, to extend the homeowner exemption to the residential lot and to increase the upper limit. H 510 is held in the Revenue and Taxation Committee. Even with the homeowner exemption, total residential taxes are up \$54 million in two years, an increase of 25 per cent. Another one per cent initiative is put on the ballot but is defeated by the voters.

1993

Gov. Cecil Andrus proposes legislation to increase the homeowner exemption to 55 per cent up to \$55,000, with \$10 million in state revenue going to taxing entities. This is part of a comprehensive package of tax bills proposed by Andrus that included circuit breaker relief for people under age 65. He also proposed repeal of the sales tax production exemption and

extending the sales tax to utility costs; electricity, heating and water. The Andrus bills die in the House committee. So does H 13, the bill by Democratic Reps. Stoicheff, Marvin Vandenberg and Gino White to freeze the taxable value of homes for homeowners 65 or over. Maximum tax relief with the circuit breaker is increased to \$800.

One per cent supporters start gathering signatures for another initiative. Democratic legislators, Reps. Ken Robison and John Gannon and Sen. Mary Lou Reed launch an alternative initiative. It includes a 5 per cent limit on property tax budgets for local government, not including schools, expansion of the homeowner exemption to include the lot with the upper limit going to \$60,000, assessing homes on a three-year average rather than current value and an additional 5 per cent exemption for farms. (Farms already have an exemption, exempting most of the market value of farm land.)

1994

Residential property taxes are up 60 per cent in four years and taxes on other kinds of property 28 per cent. Robison and Gannon introduce HB 620 which includes a 5 per cent budget cap, expansion of the homeowner exemption and an added 5 per cent exemption for farms. It is held in committee. The legislature votes to replace the \$4 per \$1,000 basic school levy with sales tax revenue, HB 958, reducing income to the general fund by \$160 million a year. This bill is vetoed by Gov. Andrus.

Neither the Democratic tax initiative nor the one per cent initiative gain enough signatures to make the ballot. Republican Phil Batt promises property tax relief in his campaign for governor. He defeats the Democratic nominee, Atty. Gen. Larry Echohawk.

1995

Gov. Batt proposes the use of \$40 million in sales tax revenue to replace \$1 of the \$4 per \$1,000 basic school levy. Democratic legislators offer a comprehensive alternative plan which they say would give households more tax relief with much less reduction in state revenue. (The total general fund cost of their plan is \$11 million.)

HB 148 Would extend the homeowner exemption to include the residential lot. (Reps. Robison, Stoicheff, Vandenberg, Alexander Judd and Sens. Reed, Stennett, Reents and Wetherell.)

HB 149. Would raise the upper limit on the homeowner exemption to \$70,000 in three yearly steps, and then index it for inflation. (Reps. Robison, Stoicheff, Vandenberg, Alexander, Jaquet and Judd and Sens. Reed, Stennett, Reents and Wetherell.)

HB 150. Would extend the circuit breaker to people under age 65 with household income under \$25,000. (Robison, Stoicheff, Vandenberg, Alexander, Judd, Reents, Reed, Stennett and Wetherell.)

HB 151. Would raise the qualifying income threshold for the circuit breaker for people over 65 or disabled to \$30,000. (Robison, Stoicheff, Vandenberg, Alexander, Judd, Miller and Pomeroy.)

All of these bills are killed by Republican votes in the House Revenue and Taxation Committee and the Batt plan is approved. It also includes a three per cent limit on annual increases in property tax collections for most taxing districts, excluding schools. In addition to 3 per cent the

taxing districts can increase tax collections for annexations and new construction. (If new construction equalled 2 per cent of the previous taxable value, the cap is 5 per cent.).

Homeowners get little or no tax relief with the Batt legislation. It saves homeowners an average 7 per cent in urban areas but residential taxable values increase an average 15 per cent statewide in 1995, more than offsetting the tax relief. Total residential taxes increase by \$21 million while total taxes on other kinds of property fall by \$8.6 million. As in 1978 and 1979, school levy replacement fails to deliver tax relief to homes. Over the 10 years beginning in 1994 total residential taxes will increase at an average rate of 9 per cent a year, total taxes at 6.2 per cent and total non-residential taxes at 3.5 per cent.

1996

House Democrats introduce H 589, to provide a yearly inflation adjustment on the upper limit of the homeowner exemption and H 590, providing for a five-year phase-in of a 50 per cent exemption on residential lots. They also propose H 463, to raise the qualifying household income threshold for the circuit breaker to \$25,000. All these bills are killed by Republican votes in the House Revenue and Taxation Committee. The legislature passes H 398 by Rep. David Bivens, R-Meridian, to increase maximum circuit breaker tax relief to \$1,200.

Another one per cent initiative is placed on the ballot and is defeated in the November election.

1997

House Democrats try again. Their bills include HB 139, to adjust the \$50,000 upper limit on the homeowner exemption annually with an inflation adjustment based on the consumer price index. This bill receives a favorable recommendation from a House Revenue and Taxation subcommittee. It dies in the full committee 9-8 with nine Republicans voting no. Also killed in committee are Democratic bills to phase in an exemption on the residential lot and to raise the upper limit to \$70,000 in four steps. Sen. Clint Stennett, D-Ketchum, gains legislative approval of S 1202, to allow county commissioners to defer (delay payment) of property taxes for homeowners over age 65. S 1202 is vetoed by Gov. Phil Batt.

Democratic Senators Stennett, Betsy Dunklin of Boise and Lin Whitworth of Inkom introduce S 1009, to allow school districts to collect fees on new construction to help pay for school classrooms. The bill is opposed by industry lobbies and is rejected in the Senate Local Government Committee.

1998

Rep. Stoicheff gains passage of H 467 which excludes disability pensions from being considered as part of household income for disabled veterans qualifying for the circuit breaker. Democrats introduce H 528, providing an annual cost of living adjustment for the upper limit on the homeowner exemption and HB 529 to exempt 20 per cent of future increases in the taxable value of residential lots. Also H 619 to raise the qualifying income threshold for the circuit breaker by \$6,000 in four annual steps. These bills are killed by Republican votes in the Revenue and Taxation Committee.

2000

Reps. Robison, Stoicheff and Mary Lou Shepherd, D-Wallace, introduce H 426, to extend the circuit breaker to homeowners at age 62. It is held in the Revenue and Taxation Committee.

2001

Property tax relief is given to farms with elimination of the personal property tax on farm machinery. The revenue for local government is made up with \$13 million in state funds. With a large surplus on hand, the legislature passes a \$100 million tax relief package for individuals and business, mostly with changes in the income tax. Most of the relief goes to business and to higher income households.

2002

Rep. Robison introduces H 514 which would phase in at \$500 a year an exemption on residential lots, up to \$10,000. It is killed by near unanimous Republican votes in the House Revenue and Taxation Committee. Also killed are H 491 by Robison and Rep. Elmer Martinez, D-Pocatello, to freeze taxable value of homes for homeowners over age 65 and a Democratic bill to allow school districts to collect an impact fee of up to \$1,000 per dwelling unit to help pay for school classrooms.

2003

Sen Fred Kennedy, D-Mountain Home, introduces H172 to adjust the upper limit on the homeowner exemption for inflation and H 207, to freeze the taxable value of homes at age 65 for households under \$35,000 income. These bills are killed in the Revenue and Taxation Committee with all Republicans voting no.

2004

Kennedy tries again with H 826 to allow an annual adjustment for inflation for the homeowner exemption and H 825, similar to H 207 in the previous year. Results are the same. The bills are held in the House Revenue and Taxation Committee.

Over the last five years residential taxes have increased 49 per cent, growing 50 per cent faster than total tax collections (up 33 per cent) and nearly four times as fast as taxes on non-residential property, 13 per cent. In 2004 the \$62 million total Idaho residential tax increase exceeds the total increase in property taxes. The total for non-residential property goes down.

2005

With another round of large increases in residential taxes in 2004, another initiative movement is being readied in northern Idaho. Seven bills are introduced to help homeowners including three to raise the upper limit on the exemption. All seven are held. The Associated Taxpayers of Idaho advises legislators to do nothing in this session but to study the subject further. An interim study committee is created.

At 12 hearings around the state homeowners plead for action to curb excessive increases in the taxable value of homes. Committee members are asked to rank various proposals. The two receiving the most support are increasing the income threshold for the circuit breaker and updating the homeowner exemption.

However, by the time of the committee's final meeting many Republican members seem to have a change of heart. The committee has voted earlier to extend the homeowner exemption to the lot. But Republicans reject Democratic motions to raise the upper limit to \$100,000 or to \$75,000 and index it for inflation. Their favored plan is to replace part or all of the basic \$3 per \$1,000 school levy with state money. Without an increase in the upper limit on the exemption, this would give little or no tax relief to most homeowners. It would give tax relief to commercial, utility and farm property, because those values are rising more slowly. A compromise is struck by the interim committee, replacement of \$1.50 of the school levy and the upper limit on the homeowner exemption increased from \$50,000 to \$75,000 and indexed. The committee recommends increasing the qualifying income level for the circuit breaker to \$28,000 (from \$22,640) and giving school districts authority to collect impact fees on new construction.

Total Idaho residential taxable value rises a record 18.5 per cent, \$9.25 billion and residential property taxes increase by a record \$81 million. In two years total residential taxes are up \$143 million and total non-residential taxes \$15 million. In urban areas, total residential taxes are up 13.6 per cent for 2005. In five years total residential taxes are up 54 per cent, total property taxes 35 per cent and total non-residential taxes 13 per cent.

Real estate sales are brisk in many urban areas and average sale prices are up. Assessors will use 2005 sales figures to set residential values for 2006. So another huge increase in residential taxes can be projected for 2006.

A one per cent initiative movement seems to have lost momentum with a finding by the attorney general that parts of the proposed initiative are unconstitutional.

2006

Finally responding to property tax unrest, the legislature in the regular 2006 session:

1. Votes to raise the upper limit on the homeowner exemption from \$50,000 to \$75,000 and to index it for inflation with the Housing Price Index. Democrats propose to raise the upper limit to \$100,000 with indexing but their bills are held in committee. Democrats are successful in helping to amend the bill in the Senate to index the upper limit with housing prices rather than the Consumer Price Index.

2. Votes to raise the qualifying annual household income level for "circuit breaker" property tax relief from to \$28,000. Homeowners over age 65 and those under 65 who are disabled, disabled veterans, widows and orphans and former prisoners of war or hostages qualify for the circuit breaker. The amount of the tax savings ranges from \$1,300 a year to \$150, depending on income. Out of pocket medical expenses for the past year and certain other income may be deducted in determining qualifying income. People must apply for the circuit breaker with the county assessor each year by April 15, providing a copy of their past year income tax return. (Historically many people potentially eligible for the circuit breaker fail to apply.)

3. Rejects a proposal pushed by the industry lobby, the Idaho Association of Commerce and Industry, to raise the sales tax one cent and use state tax money to replace the basic \$3 per

\$1,000 public school levy. IACI argues that because homeowners are getting help with the homeowner exemption update, there should also be tax relief for business property. (In the previous five years total residential taxes increased 54 per cent, total non-residential taxes (business, utility and farm) increased 13 per cent.

Later the temporary governor, Jim Risch, calls a special session in August to enact the IACI tax proposal, which provides \$250 million in "property tax relief." Despite this relief, some homeowners see little or no tax relief because the benefit of the increased homeowner exemption and levy replacement are offset by another increase in assessed value. An alternative Democratic plan to limit levy replacement to owner-occupied homes, with no increase in sales tax, is held in committee.

With the homeowner exemption change, and with levy replacement, the three year numbers 2003-2006 are:

Total owner-occupied residential taxes up \$30 million.

Non owner-occupied residential taxes up \$32.4 million.

Total non-residential taxes down \$45.6 million.

Non owner-occupied residential property includes second homes and rentals, single family homes through fourplexes. Larger rental complexes, five units or more, are classed and commercial property rather than as residential property. A different method is used to determine the taxable value of the commercial residential rentals, with emphasis on income. Taxable values and taxes per unit are much less than for similar residential rentals classed as residential property.

--Ken Robison