

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 648

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO TAXATION; AMENDING SECTION 63-802, IDAHO CODE, TO REVISE PROVISIONS REGARDING LIMITATIONS ON A TAXING DISTRICT'S BUDGET LIMITATIONS; AND DECLARING AN EMERGENCY AND PROVIDING AN EFFECTIVE DATE.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 63-802, Idaho Code, be, and the same is hereby amended to read as follows:

63-802. LIMITATION ON BUDGET REQUESTS -- LIMITATION ON TAX CHARGES -- EXCEPTIONS. (1) Except as otherwise provided in this section, no taxing district shall certify a budget request for an amount of property tax revenues to finance an annual budget that exceeds the maximum sum permitted under this section:

(a) (i) The highest dollar amount of property taxes certified for its annual budget for any one (1) of the three (3) tax years preceding the current tax year, which amount may be increased by a growth factor of not to exceed three percent (3%) plus the amount of revenue calculated as described in this subsection. The taxing district shall determine what portion of the three percent (3%) increase permitted under this subparagraph that it requires and then calculate a preliminary levy rate based on the percent chosen. In calculating the preliminary levy rate, the most current taxable market value shall be used, except that for taxable market values of centrally assessed operating property, the prior year's valuation may be used instead of the current year's taxable market values. The preliminary levy rate shall be multiplied by the value shown on the new construction roll compiled pursuant to section 63-301A, Idaho Code, and by ninety percent (90%) of the value of annexation during the previous calendar year, as certified by the state tax commission for taxable market values of operating property of public utilities and by the county assessor; except for a fire protection district annexing property prior to July 1, 2021, pursuant to section 31-1429, Idaho Code, the new levy rate shall be multiplied by one hundred percent (100%) of the value of any such property annexed prior to July 1, 2021.

(ii) The total budget increase calculated under this paragraph must not exceed eight percent (8%), except that any distribution of funds to a taxing district as a result of the termination of a revenue allocation area of an urban renewal district pursuant to section 50-2909(4), Idaho Code, shall not be subject to such limitation.

(iii) Following the first year in which a fire protection district has annexed city property pursuant to section 31-1429, Idaho Code,

1 the city shall subtract an amount equal to the moneys spent on fire
2 protection services during the last full year the city provided
3 fire protection services to its residents from its budget limita-
4 tion under this section.

5 (b) If the taxing district has not imposed a levy for three (3) or more
6 years, the highest dollar amount of property taxes certified for its an-
7 nual budget for the purpose of paragraph (a) (i) of this subsection shall
8 be the dollar amount of property taxes certified for its annual budget
9 during the last year in which a levy was made.

10 (c) The dollar amount of the actual budget request may be substituted
11 for the amount in paragraph (a) of this subsection if the taxing dis-
12 trict is newly created, except as may be provided in paragraph (i) of
13 this subsection.

14 (d) This section does not apply to school district levies imposed in
15 section 33-802, Idaho Code.

16 (e) (i) In the case of a nonschool district for which less than the
17 maximum allowable increase in the dollar amount of property taxes
18 is certified for annual budget purposes in any one (1) year, such a
19 district may, in any following year, recover the forgone increase
20 by certifying, in addition to any increase otherwise allowed, any
21 or all of the increase originally forgone. Provided however, that
22 prior to budgeting any forgone increase, the district must provide
23 notice of its intent to do so, hold a public hearing, which may be
24 in conjunction with its annual budget hearing, and certify by res-
25 olution the amount of forgone increase to be budgeted and the spe-
26 cific purpose for which the forgone increase is being budgeted.
27 Upon adoption of the resolution, the clerk of the district shall
28 file a copy of the resolution with the county clerk and the state
29 tax commission. Said additional amount shall be included in fu-
30 ture calculations for increases as allowed, except as provided in
31 subparagraph (iii) of this paragraph.

32 (ii) If the forgone increase is budgeted for the purpose of main-
33 tenance and operations, the rate of recovering the reserved for-
34 gone moneys may increase the taxing district's budget by no more
35 than one percent (1%) per year. Provided, however, this cap shall
36 not apply to a taxing district that budgets its reserved forgone
37 moneys for the purpose of maintenance and operations as long as it
38 does not budget, or reserve as forgone, any portion of the three
39 percent (3%) increase otherwise allowed and does not budget any
40 new construction or annexation increases.

41 (iii) If the forgone increase is budgeted for a capital project or
42 projects, the rate of recovering the reserved forgone moneys may
43 not exceed three percent (3%) of the taxing district's budget for
44 the year in which the forgone increase is budgeted. Forgone moneys
45 budgeted for a capital project must be deducted from the taxing
46 district's forgone balance in the year in which it is budgeted.
47 Upon completion of such a capital project, the taxing district
48 shall certify such completion to the state tax commission and
49 county clerk. If, upon certification, the state tax commission
50 finds that the taxing district included forgone moneys for a capi-

1 tal project in calculating the increase permitted under paragraph
2 (a) of this subsection, the state tax commission shall direct the
3 taxing district to reduce its property tax budget for any year
4 in which the forgone moneys were used to calculate a budget in-
5 crease, in an amount equal to the forgone moneys budgeted plus any
6 increases attributed to the forgone moneys improperly included in
7 the taxing district's property tax budget. For the purpose of this
8 paragraph, a capital project includes:

- 9 1. The construction, expansion, renovation, or replacement
10 of public facilities, including the acquisition of land and
11 other site improvements;
- 12 2. The construction, expansion, or reconstruction of public
13 works improvements, including roads, bridges, water sys-
14 tems, sewer systems, and broadband systems; and
- 15 3. The purchase of equipment with a useful life of ten (10)
16 years or more.

17 (f) If a taxing district elects to budget less than the maximum allow-
18 able increase in the dollar amount of property taxes, the taxing dis-
19 trict may reserve the right to recover all or any portion of that year's
20 forgone increase in a subsequent year by adoption of a resolution spec-
21 ifying the dollar amount of property taxes being reserved. Otherwise,
22 that year's forgone increase may not be recovered under paragraph (e) of
23 this subsection. The district must provide notice of its intent to do
24 so and hold a public hearing, which may be in conjunction with its an-
25 nual budget hearing if applicable. The resolution to reserve the right
26 to recover the forgone increase for that year shall be adopted at the an-
27 nual budget hearing of the taxing district if the district has a budget
28 hearing requirement.

29 (g) In the case of cities, if the immediately preceding year's levy
30 subject to the limitation provided by this section is less than 0.004,
31 the city may increase its budget by an amount not to exceed the differ-
32 ence between 0.004 and actual prior year's levy multiplied by the prior
33 year's market value for assessment purposes. The additional amount
34 must be approved by sixty percent (60%) of the voters voting on the ques-
35 tion at an election called for that purpose and held on the date in May or
36 November provided by law and may be included in the annual budget of the
37 city for purposes of this section.

38 (h) A taxing district may submit to the electors within the district
39 the question of whether the budget from property tax revenues may be
40 increased beyond the amount authorized in this section, but not beyond
41 the levy authorized by statute. The additional amount must be approved
42 by sixty-six and two-thirds percent (66 2/3%) or more of the voters
43 voting on the question at an election called for that purpose and held
44 on the May or November dates provided by section 34-106, Idaho Code.
45 If approved by the required minimum sixty-six and two-thirds percent
46 (66 2/3%) of the voters voting at the election, the new budget amount
47 shall be the base budget for the purposes of this section.

48 (i) When a nonschool district consolidates with another nonschool
49 district or dissolves and a new district performing similar governmen-
50 tal functions as the dissolved district forms with the same boundaries

1 within three (3) years, the maximum amount of a budget of the district
2 from property tax revenues shall not be greater than the sum of the
3 amounts that would have been authorized by this section for the district
4 itself or for the districts that were consolidated or dissolved and in-
5 corporated into a new district.

6 (j) This section does not apply to cooperative service agency levies
7 imposed in sections 33-317 and 33-317A, Idaho Code.

8 (k) The amount of money received in the twelve (12) months immediately
9 preceding June 30 of the current tax year as a result of distributions of
10 the tax provided in section 63-3502B(2), Idaho Code.

11 (2) In the case of fire districts, during the year immediately follow-
12 ing the election of a public utility or public utilities to consent to be pro-
13 vided fire protection pursuant to section 31-1425, Idaho Code, the maximum
14 amount of property tax revenues permitted in subsection (1) of this section
15 may be increased by an amount equal to the current year's taxable value of the
16 consenting public utility or public utilities multiplied by that portion of
17 the prior year's levy subject to the limitation provided by subsection (1) of
18 this section.

19 (3) No board of county commissioners shall set a levy, nor shall the
20 state tax commission approve a levy for annual budget purposes, which ex-
21 ceeds the limitation imposed in subsection (1) of this section unless au-
22 thority to exceed such limitation has been approved by a majority of the tax-
23 ing district's electors voting on the question at an election called for that
24 purpose and held pursuant to section 34-106, Idaho Code, provided however,
25 that such voter approval shall be for a period of not to exceed two (2) years.

26 (4) The amount of property tax revenues to finance an annual budget does
27 not include revenues from nonproperty tax sources and does not include rev-
28 enue from levies for the payment of judicially confirmed obligations pur-
29 suant to sections 63-1315 and 63-1316, Idaho Code, and revenue from levies
30 that are voter-approved for bonds, override levies or supplemental levies,
31 plant facilities reserve fund levies, school emergency fund levies or for
32 levies applicable to newly annexed property or for levies applicable to new
33 construction as evidenced by the value of property subject to the occupancy
34 tax pursuant to section 63-317, Idaho Code, for the preceding tax year. The
35 amount of property tax revenues to finance an annual budget does not include
36 any property taxes that were collected and refunded on property that is ex-
37 empt from taxation, pursuant to section 63-1305C, Idaho Code.

38 (5) The amount of property tax revenues to finance an annual budget
39 shall include moneys received as recovery of property tax for a revoked pro-
40 visional property tax exemption under section 63-1305C, Idaho Code.

41 (6) For each taxing district beginning in tax year 2022, for the pur-
42 pose of determining the maximum amount of property tax revenues to finance
43 an annual budget pursuant to this section, the dollar amount of property tax
44 levied for the previous three (3) tax years shall each be reduced by fifty
45 percent (50%) of the amount by which the moneys received by the taxing dis-
46 trict for the twelve (12) month period ending June 30 of the current year ex-
47 ceeded the moneys received by the taxing district for the previous year pur-
48 suant to the provisions of section 63-3638(10), Idaho Code. Beginning in
49 tax year 2022, the reduced budget amount shall be the base budget for the
50 purposes of this section. The state tax commission shall certify the total

1 amounts for 2019, 2020, and 2021, and the proportional reductions to each
2 taxing districts by the second Monday in August.

3 SECTION 2. An emergency existing therefor, which emergency is hereby
4 declared to exist, this act shall be in full force and effect on and after
5 July 1, 2022.