

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, January 24, 2024

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Rabe, and Just

ABSENT/ EXCUSED: Senator Trakel

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 Local Government and Taxation Committee (Committee) to order at 3:02 p.m.

PASSED THE GAVEL: Chairman Ricks passed the gavel to Vice Chairman Schroeder.

DOCKET NO. 35-0103-2301 **Property Tax Administrative Rules (ZBR Chapter Rewrite) - Proposed Rule.** **Kathlynn Ireland**, Property Tax Specialist, Idaho State Tax Commission (Commission), presented this docket. **Ms. Ireland** outlined the process used by the Commission to rewrite these rules (Attachment 1). She stated that the only substantive change to these rules was Rule 810 which incorporated H 292 (2023) that provided for property tax relief. All other changes were nonsubstantive and simply removed redundant language, incorporated plain language, and removed obsolete rules.

DISCUSSION: **Senator Cook** asked why the depreciation schedule for recreational vehicles in Rule 20 was removed. **Ms. Ireland** explained that the schedule would still exist on their website. She further noted that subsection .01 of Rule 20 included a caveat that if no indices existed, the county assessors would determine market value from sale price or by using appraisal procedures as defined in Rule 217. **Senator Cook** expressed concern that if the depreciation table was removed to the Commission's website the legislature would lose oversight ability. **Ms. Ireland** assured Senator Cook that the Commission would work closely with their stakeholders before making any changes on their website. Furthermore, the depreciation schedules were within the Computer Aided Mass Appraisal (CAMA) system.

Senator Bernt also expressed a concern regarding legislative oversight. He asked whether there was a way to indicate the date of any changes on the links to the website in order to provide for more legislative oversight. **Ms. Ireland** stated that she would consult with the Division of Financial Management about that.

Vice Chairman Schroeder noted that Idaho Code § 49-446 addressed the concerns of Senator Cook and Senator Bernt. That statute provided that the market value of recreational vehicles was determined according to the rules of the Commission and that those rules shall use any standard industry indices of retail value of recreational vehicles to determine market value. **Ms. Ireland** added that Rule 20 further provided that if no such indices were available, the assessor would determine the market value from the sale price or by using the appraisal procedures in Rule 217 which defined market value. **Senator Cook** noted that Rule 20 stated that county assessors will administer and collect the recreational vehicle registration fee based on the market value calculated from the depreciation schedule for the types that were listed and then explained how to determine market value if there were no indices. **Vice Chairman Schroeder** responded that the rule may be inconsistent with the statute. **Ms. Ireland** repeated that if there were no indices available, assessors could determine market value based on other national standards.

Senator Grow asked why much of the language in Rule 802 was deleted. **Ms. Ireland** stated that Rule 802 dealt with budget certification for new construction and annexation. She explained that most of that language was stricken because it was redundant of statute. **Senator Grow** asked Ms. Ireland to explain the changes to Rule 961. **Ms. Ireland** explained that Rule 961 addressed homesite assessment and forestlands of less than 5 acres and contiguous. Subsection (.03) provided that a parcel of forestland less than 5 acres was not eligible for valuation and taxation as forestland unless granted forestland status by statute. If the parcel was less than 5 acres and a timber tax exemption was sought, the Commission would examine whether contiguous land was under common ownership in order to determine whether it qualified for the tax exemption..

Senator Grow asked Ms. Ireland to explain the reasons for the deletion in subsection .03 of Rule 989. **Ms. Ireland** explained that those provisions were in statute.

Chairman Ricks acknowledged the Committee's concern about removing examples from the rules and putting them on the Commission's website and the desire for legislative oversight. He shared that he had become more confident about moving the examples and tables to the website because of the links in the rules to the statutes. He commented that he had reached out to local accountants and his local Madison County assessor and they did not have any issues. **Chairman Ricks** asked to postpone the vote on these rules to a future meeting, probably in the next week.

Chairman Ricks asked Ms. Ireland to discuss Rule 810 relating to property tax relief which incorporated H 292 (2023). **Ms. Ireland** explained that Rule 810.05 addressed tax cancellations and levy corrections and procedures for remitting the overpayment of the property tax relief to the general fund. Rule 810 also set forth procedures for applying for property tax relief and procedures regarding the school district facilities fund. She further explained that money from the general fund used to provide property tax relief first went to school districts and was to be used in a specified order of priority..

TESTIMONY:

Brian Stender, Canyon County Assessor and chairman of the Assessor's Association rules committee, testified that he had been a part of this rulemaking process. He stated that, although he originally had concerns about moving examples to the Commission's website, he was now confident about that.

DISCUSSION: **Vice Chairman Schroeder** advised the Committee that he had also contacted several assessors and that they were comfortable with the examples being moved to the Commission's website. He further stated, regarding Senator Cook's concern about a possible discrepancy between the rules and statute, that he felt the amount of depreciation would default to standard depreciation.

PASSED THE GAVEL: Vice Chairman Schroeder passed the gavel back to Chairman Ricks.

PRESENTATION: City Budget Basics. Mayor John Evans of Garden City gave a presentation on city budgets. (Attachment 2). Slide one illustrated the population of cities. **Mayor Evans** noted that 42 cities grew from a population of 1000 to a population of between 1000 to 5000. Slide two included details on various funds which provided revenue to cities. Slide three explained the authority granted to cities by the legislature to levy property taxes and local option taxes. Slide four further explained the caps on property taxes. Slide five outlined areas of city expenditures. **Mayor Evans** noted that while the highway distribution account provided some revenue for road maintenance, it did not always cover the cost.

Slide six showed other intergovernmental and local sources of city revenue. Slide seven provided details regarding services that were common to all cities. Slide eight explained services which not all cities provided such as fire departments, police departments, libraries, sewer, water systems, and road maintenance. Slides nine and ten discussed the impact of growth on cities, and the need to provide increased infrastructure and services.

Slide 11 outlined tools for funding growth. **Mayor Evans** explained that cities could add to their tax base by new construction and annexation. He noted that the cap on property taxes shown on slide four had a greater impact on smaller cities than on larger cities.

DISCUSSION: **Senator Grow** asked Mayor Evans to explain how a community infrastructure district (CID) differed from a traditional subdivision. **Mayor Evans** explained that the CID assessment was in addition to the property tax assessed to homeowners in that district and was collected by the assessor. A CID was often used by developers to fund a project or subdivision. The CID assessment was collected over a period of years. **Vice Chairman Schroeder** further explained that CIDs were normally 15 years in length.

PRESENTATION: Mayor Evans discussed urban renewal districts, an additional tool for funding growth. He explained that when an urban renewal district was formed it had the value equal to the value of the property within that district. That value provided a base. As improvements were made, the difference between the base and the value of the improvements provided an increment which could be used for purposes outlined by statute. H 389 (2021) allowed the district to add ninety percent of the value of new construction to the base.

Slide 12 illustrated Garden City's projected revenues for fiscal year (FY) 2024 budget. He noted that property taxes comprised fifty percent of their projected revenue and that projected revenue from sales tax was significant.

DISCUSSION: **Senator Cook** asked Mayor Evans to explain how the sales tax was distributed to the cities. **Mayor Evans** explained that the state collected the sales tax and distributed 11.5 percent of the amount collected to local governments and other taxing districts based on population.

TESTIMONY: **Kelley Packer**, Executive Director of the Association of Idaho Cities, added that 1,100 taxing districts received a sales tax distribution.

DISCUSSION: **Chairman Ricks** asked Mayor Evans to further discuss the projected revenue from franchise fees and urban renewal districts. **Mayor Evans** explained that Garden City received franchise fees from TDS Cable, Idaho Power, and Republic Services. Regarding the revenue from the urban renewal district, the Urban Renewal Board met periodically to determine what infrastructure or other needs the district had. The city administered any contract and paid for projects the board approved and the board reimbursed the city.

PRESENTATION: Slide 13 charted the FY 24 expenses for Garden City. **Mayor Evans** stated that the largest expense for Garden City, and most cities, was for personnel. Slide 14 provided a more detailed breakdown of Garden City's projected expenses for FY 24,

DISCUSSION: **Senator Cook** asked if it was typical for cities to spend 53 percent of their budget on law enforcement. **Mayor Evans** responded that he wasn't certain.

TESTIMONY: **Kelley Packer** Executive Director of the Association of Idaho Cities, added that, regardless of the size of the city, they still needed to provide police and fire services. Often the smaller cities contracted for these services.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 4:30 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary