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Idaho

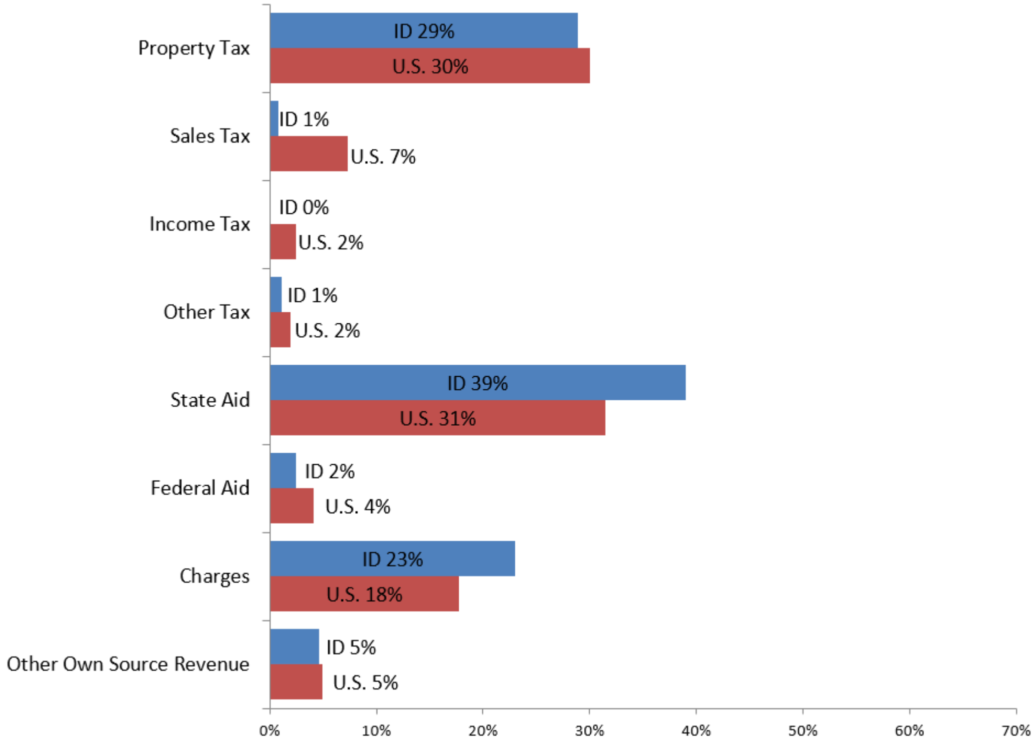
Highlights

State and local government revenue in Idaho is balanced among the three major taxes (sales, income, and property). State revenue is highly dependent on income and sales taxes, while local government revenue is highly dependent on property taxes, albeit slightly less dependent than other states on average (figure ID-1).

Historically, Idaho has relied primarily on state general fund appropriations to fund public education. Prior to a major change in fiscal year 2007, which shifted even more responsibility to the state, public schools in Idaho received 56 percent of their funding from the state with the remainder from local property taxes and federal aid. By fiscal year 2016, the percentage provided by the state had grown to 65.3 percent (U.S. Department of Education 2018).

The Idaho Constitution has a uniformity clause that has been interpreted by the courts to preclude a classification system, so there are no varying fractional assessment ratios for different classes of property. The same section of the Idaho Constitution grants the legislature exemption authority that has been broadly construed.

Figure ID-1
Sources of Local General Revenue, Idaho and U.S., 2017



Source: U.S. Census via Significant Features of the Property Tax

Property Tax Reliance

In 2017, property tax as a percent of state and local revenue was lower in Idaho than in most other states (table ID-1). However, the absence of significant local-option non-property taxes and the existence of more than 1,000 local taxing units of government, some of which have very limited alternate revenue sources, make the property tax a mainstay for local governments in Idaho.

Table ID-1
Selected Idaho Property Tax Statistics, 2017[1]

	Idaho	U.S. Average	Rank (of 51) *1 is highest*
Per capita property tax	$1,018	$1,618	*39*
Property tax percentage of personal income	2.4%	3.1%	*37*
Total property tax as percentage of state-local revenue	14.4%	16.2%	*30*
Median owner-occupied home value[2]	$192,300	$222,041	*25*
Median real estate taxes paid for owner-occupied home[2]	$1,382	$2,412	*38*
Effective tax rate, median owner-occupied home[3]	0.7%	1.1%	*38*

Sources: U.S. Census via Significant Features of the Property Tax, American Community Survey

[1] All revenue numbers in this table include the state government as well as local governments.

[2] The statistics for median owner-occupied home value and median real estate taxes paid for owner-occupied home are five-year average statistics for years 2014-2018.

[3] Calculated as the median real estate tax paid on owner-occupied homes as a percent of the median owner-occupied home value.

Administration and Assessment

All property in Idaho is subject to property tax unless statutorily exempt. The basis for the property tax is market value except when there are partial exemptions or specified assessment procedures.

Property taxes were levied by 964 local taxing districts out of the 1,112 that existed in Idaho in 2014 (Dornfest 2015). Local taxing districts include county governments, cities, school districts, highway districts, and special purpose districts, such as fire protection, ambulance, flood control, cemetery, community college, and library districts. In 2018, 89.4 percent of all property taxes were levied in support of counties, cities, schools, and highway districts (Idaho State Tax Commission 2018). Property tax payments are consolidated within counties, which bill taxpayers and distribute payments to the various taxing districts. State law prohibits a state property tax while the state sales tax is in effect.

Valuation of property subject to tax is largely a function of county government. The state has direct valuation (assessment) authority for operating property of public utilities, telecommunications companies, and certain transportation companies, including railroads, railcars, and barge lines. Except for very small railcar companies, the state apportions the values to each county and taxing district and for most taxing districts, this value is included when levies are set (Dornfest 2018b).

All property that is not exempt or otherwise subject to special statutorily provided assessment systems is assessed at 100 percent of market value. Assessments are redone annually, and locally assessed real property is physically inspected as part of required reappraisal at least once every five years. Operating property and personal property are reappraised annually.

Limits on Property Taxation

There are strict laws capping annual property tax budget increases (generally, the limit is 3 percent plus an allowance for new construction and annexation), and each district's property tax amount is subject to county and state review. Although the budget limits usually prevail, most taxing districts also have rate limits that they cannot exceed. For example, county rates for general purposes are limited to the greater of 2.6 mills or a rate sufficient to raise $250,000; cities are limited to 9 mills for general purposes (table ID-2) (Significant Features of the Property Tax).

Property Tax Relief and Incentives

A property tax circuit breaker program called the property tax reduction program provides general property tax relief to homeowners based on income, provided that certain criteria, including age, disability, or widow status can be met. The benefit can be a tax credit of up to $1,320 applied annually directly to a claimant's property tax bill. To qualify, income must be below $30,500 (fiscal year 2018 limits). There were 27,078 approved claimants in 2018, and the average claimant received a tax credit of about $665 (Dornfest 2018a). Tax credits appear on property tax bills and are subtracted before determining property taxes due from the taxpayer. Credits are not refundable. A property tax deferral program is also available provided the same status criteria are met as for the circuit breaker program (although there is a higher income ceiling), but few Idahoans take advantage of this program.

There are numerous property tax exemptions in Idaho. In addition to broad exemptions for most property owned by state and local governments, there are full exemptions for property used for educational purposes, for property owned by religious or charitable corporations and used for their religious and charitable purposes, and for agricultural equipment. There are also partial exemptions, such as for primary residences, farmland, pollution-control equipment, and personal property (nonagricultural).

In addition to exemptions, tax increment financing areas, which are present in more than half of all Idaho counties, are extensively used by the state.

Table ID-2
Idaho Property Tax Features, 2018

Feature	Idaho	Count for 50 states plus DC
Statewide classification of real property	No	25
Assessment of property primarily by county	Yes	31
Limits on property tax rates or levies	Yes	45
Limits on the rate of growth of assessed value	No	19
Circuit breaker property tax relief program	Yes	34

Sources: Significant Features of the Property Tax

Key Property Tax History

Property tax has been part of government finance in Idaho since the territory was created in 1863. As other major taxes such as income (1931) and sales taxes (1965) were added to the picture, property tax ceased to be a state tax. Following major changes in school funding in fiscal year 2007, the property tax has diminished somewhat as a local tax source as well. In 1962, prior to the enactment of the sales tax, for example, property tax constituted nearly 60 percent of all state and local tax revenue in the state. By 1982, this proportion had diminished to about 35 percent, due to major exemptions accompanied by replacement money derived from the sales tax and the first of many freezes and limits on property tax budget increases. In 2001, there was a major step toward reducing personal property taxes. At that time, agricultural equipment was made exempt, and the state again provided replacement money on an ongoing basis.

Effective fiscal year 2007, most school general operating funds were no longer supported by the property tax. The change was enacted during a one-day special session of the Idaho legislature, with an immediate 19 percent reduction in property taxes that would otherwise have been levied in fiscal year 2007. However, due to an increased state appropriation funded through an increase in the sales tax, the change was at first neutral to overall school funding. Over time, however, state-provided school funding proved inadequate, and use of voter-approved “supplemental” property tax levies increased significantly from fiscal year 2008 through fiscal year 2014 (Dornfest 2013).

Recent Developments

In 2013, the first broadly applicable partial personal property exemption was passed and implemented. The legislation provides for a $100,000 personal property exemption per taxpayer per county. In addition, “items” of personal property costing no more than $3,000 per item and acquired after January

1, 2013, are no longer taxable. The state provided replacement money for the $100,000 exemption ($18.9 million in 2016) and will continue to do so at the same amount except for certain allowable corrections (Dornfest 2016). There is no replacement money provision for the "item" exemption.

In 2016, the Idaho State Tax Commission began modernizing its nearly 40-year-old property tax assessment software and placing it on the web (Idaho State Tax Commission 2016). Also, a property tax exemption for electricity producers for geothermal or wind energy property was expanded to include solar energy property (Wolters Kluwer 2017).

In 2018, Idaho enacted a property tax credit in the amount of $1,320 for veterans with 100 percent service-connected disabilities. The credit may not exceed taxes owed (House Bill 492).

Resources

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