



When it comes to rising property taxes, it is a common sense goal to ensure struggling families aren’t taxed deeper into poverty. Property taxes are regressive, meaning they fall hardest on lower-income Idahoans than others. In every community, low-income families are under most pressure. Equitable ways of shouldering the property tax load would mean consistent support for local public services - such as roads, courts, and community colleges. An existing policy tool – the state Property Tax Reduction program, also known as the “circuit breaker” – could make property taxes fairer. It is a highly targeted tool that shields Idahoans who are the most affected at a time of soaring home prices and stagnating wages.

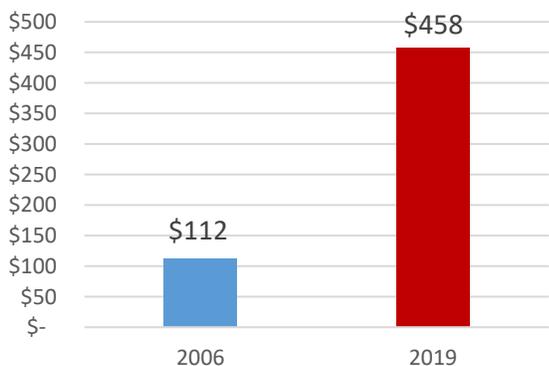
Circuit Breaker Overview

Low- and moderate-income homeowners and renters who are over 65 often struggle to pay their property taxes, either directly if they own their home or indirectly if they rent their home. Older Idahoans frequently rely on Social Security, pensions, and savings as primary income sources that have not kept pace with the rapid increase in home prices. In Idaho, 22.4 percent of senior-only couples and 49.1 percent of single seniors do not have enough income to achieve economic security in Idaho, whether they own their home with or without a mortgage, or rent their home.¹

Idaho’s circuit breaker provides a property tax credit for homeowners whose property taxes consume a disproportionately large share of their income. It is available to seniors, people with disabilities, and widowed people whose income was less than \$30,450 in 2019. The program provides a nonrefundable credit up to the maximum allowable amount of \$1,320.² It does not have separate income eligibility for single and married recipients. The income thresholds are adjusted annually based on a formula tied to poverty guidelines. Recipients can deduct unreimbursed medical expenses or insurance premiums from their income to qualify. Approximately 85 percent of recipients are over the age of 65. There is participation in every Idaho county (see table on page 3).

Low-Income Seniors Pay Four Times More In Property Taxes Even After Circuit Breaker Is Applied

Average paid after benefit applied, inflation-adjusted



Source: Idaho Center for Fiscal Policy analysis of Idaho Tax Commission data.

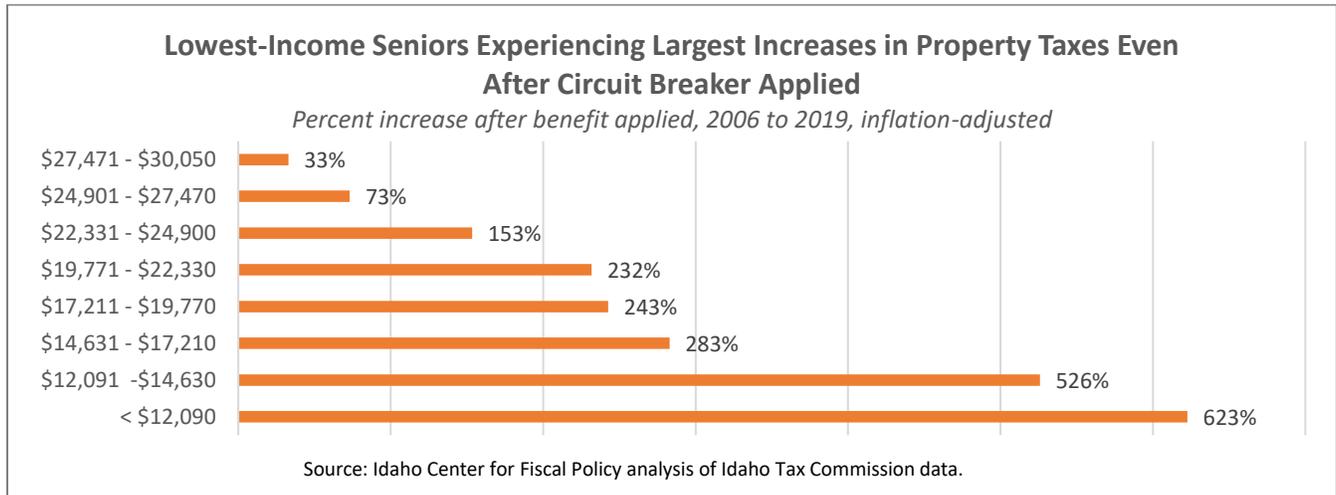
Circuit Breaker Losing Value Since 2006

The circuit breaker is quickly losing value. In 2019, the amount in property taxes recipients paid after the benefit was applied quadrupled compared with 2006. In that time, housing prices plummeted, rose as the market recovered from the recession, and quickly accelerated with the recent housing boom.

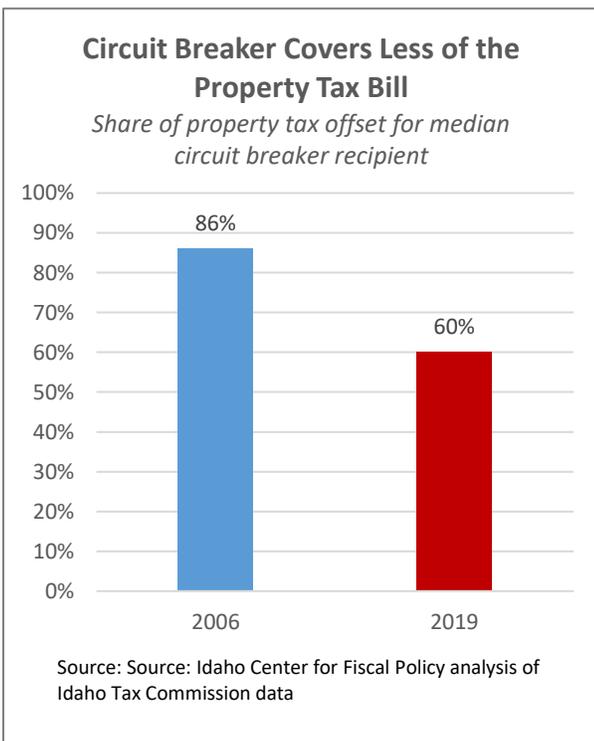
Notwithstanding, the circuit breaker credit maximum amount has been fixed to \$1,320 since 2006. The benefit has decreased in value over time while property taxes continue to increase.

The loss in value is more pronounced for the lowest-income recipients in the program. Households in the lowest income bracket - at \$12,250 or below (in 2006 the threshold was slightly lower) today pay 623 percent more, or seven times more, after the benefit is applied

compared with 2006. Though amounting to a few hundred dollars in increase, it is significant for a household with an income below \$30,450, the maximum allowable under the program.



The share of property tax offset by the circuit breaker has declined sharply. The circuit breaker now covers 60 percent of the typical recipient’s property tax bill compared with 86 percent in 2006.



Strengthening the Circuit Breaker’s Boost for Low-Income Idahoans

The circuit breaker is a powerfully targeted tool that curbs the effect of property taxes, particularly compared with other current proposals. A local government budget freeze or reduction on allowable new construction may constrain the supply of new homes built, which drives up home prices on existing housing stock. This would put more upward pressure on home prices and further widen the gap between fixed incomes and the rising cost of homes.

The state has fully funded Idaho’s circuit breaker program since 1987 with sales tax revenue, meaning the program does not shift property taxes to homeowners and other property owner types (commercial and others) who don’t qualify for the circuit breaker.³ The program cost \$19.5 million in 2019.

Policy Options

The circuit breaker program could be improved by:

- Making the maximum benefit of \$1,320 available to more recipients who qualify under the program already. The maximum benefit could only be claimed by people with a maximum income of \$12,250 in 2019. That threshold is only minimally adjusted each year and is easily exceeded by a senior couple filing jointly.
- Increasing the maximum income threshold. According to the Gerontology Institute at the University of Massachusetts, the minimal annual income to meet economic security for a senior-only couple in excellent health in Idaho is \$37,848. For couples in poor health, who pay additional medical expenses, that threshold is \$44,712. That is substantially higher than the current income cap of \$30,450.
- Including low- and moderate-income homeowners of any age. Though senior households and households of people with disabilities are under particular strain, other households of modest means are experiencing a dramatic increase in property taxes. Younger households are no less vulnerable to rapidly rising home prices, particularly those with children. Many other states make the circuit breaker available to homeowners regardless of age.
- Encouraging local governments to offer their own circuit breaker programs. No city or county in Idaho currently supplements the state circuit breaker program at the local level. Policymakers could examine current law to develop a streamlined method to creating these programs.

Ada	3,668	Butte	95	Gem	540	Minidoka	563	
Adams	141	Camas	28	Gooding	338	Nez Perce	808	
Bannock	1,147	Canyon	3,728	Idaho	648	Oneida	110	
Bear Lake	180	Caribou	114	Jefferson	346	Owyhee	255	
Benewah	333	Cassia	409	Jerome	425	Payette	629	
Bingham	619	Clark	8	Kootenai	2,990	Power	117	
Blaine	140	Clearwater	303	Latah	440	Shoshone	683	
Boise	198	Custer	162	Lemhi	330	Teton	47	
Bonner	1,042	Elmore	486	Lewis	135	Twin Falls	1,415	
Bonneville	1,333	Franklin	227	Lincoln	73	Valley	160	
Boundary	418	Fremont	294	Madison	255	Washington	394	
							State Total	26,774

Source: Idaho Tax Commission.

¹ Mutchler, Jan; Li, Yang; and Velasco Roldán, Nidya, "Living Below the Line: Economic Insecurity and Older Americans, Insecurity in the States 2019" (2019). Center for Social and Demographic Research on Aging Publications. Retrieved from: <https://scholarworks.umb.edu/demographyofaging/40>

² There is an additional benefit for 100 percent service-connected disabled veterans and those recipients made up 1.2 percent of all recipients.

³ Dornfest, Alan, "Property Tax Reduction (Circuit Breaker) Statistics, 2019" (2020). Idaho Tax Commission. Retrieved from: https://tax.idaho.gov/reports/EPB00089_02-10-2020.pdf