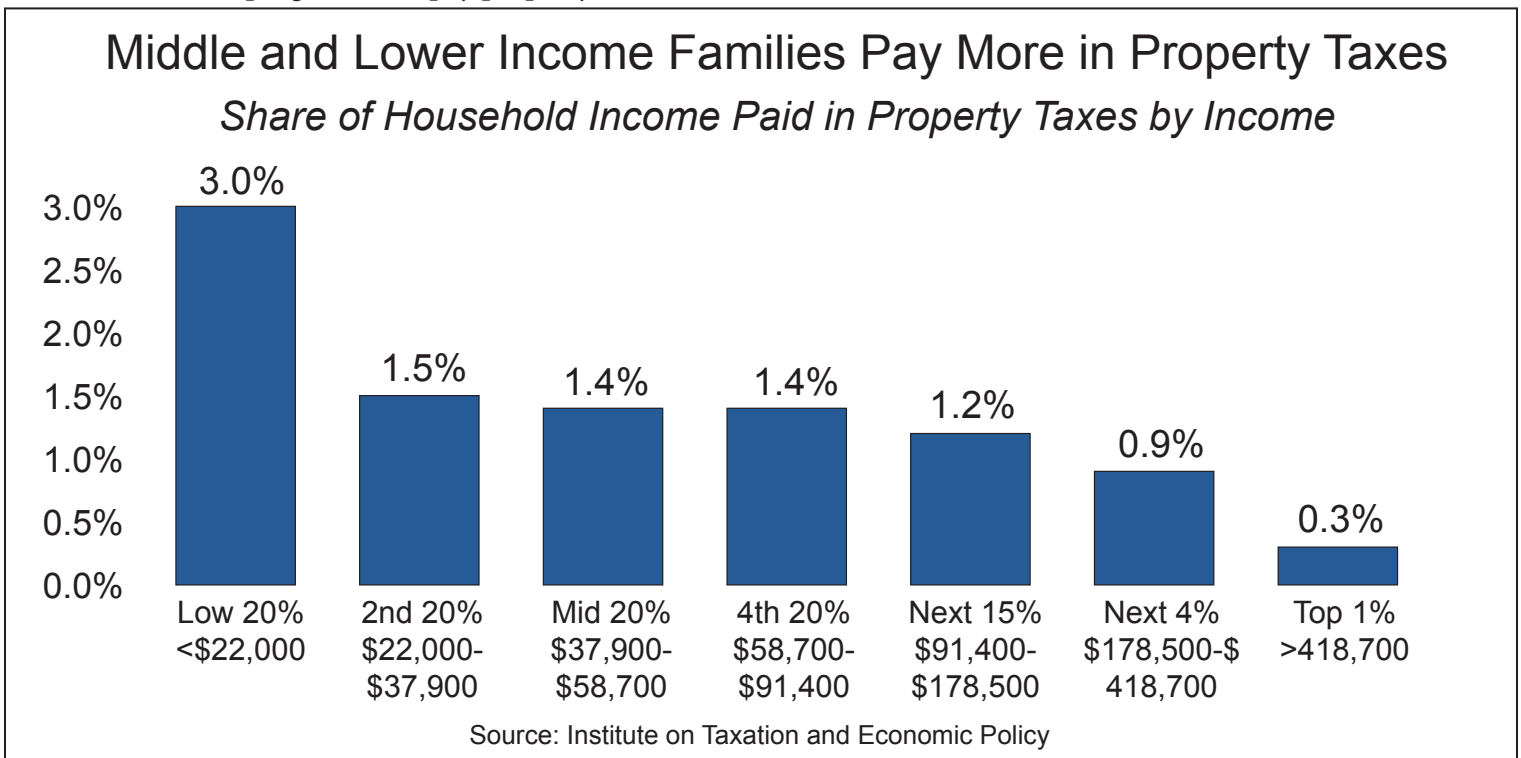




Idaho cities, towns, and counties provide critical support for first response, public safety, and other services. Property taxes are a crucial source of support for these services, and a reexamination of who carries the load – and the issues it raises about fairness - should be a key priority for Idaho lawmakers. Our tax system should not tax people with modest means further into poverty. Yet middle and lower income Idahoans pay much higher property taxes, as a percentage of their income, than more affluent Idahoans.

Idaho’s Property Tax System is Inequitable

Every Idahoan pays property taxes. Homeowners pay directly through their tax bill and renters pay a portion of a property owner’s property taxes in the form of higher rent. Many Idahoans over 65, including those who benefit from the circuit breaker program, also pay property taxes.



Idaho’s property tax system is regressive, meaning that middle and lower income Idahoans contribute a larger share of their family income toward property taxes compared with top-earners. The chart shows the share of income that families spend on property taxes by income threshold. The comparison shows that the wealthy pay a lower share of their income to property taxes than those with more modest means. For example, those making over \$418,700 pay 0.3 percent of their earnings to property taxes while Idahoans making \$37,900 to \$58,700 pay 1.4 percent, or over four times more, of their income to property taxes. For more modest earning households, the difference is more pronounced. Idahoans in the bottom twenty percent of earners pay ten times more property taxes, as a percentage of their income, than the top one percent of earners.

Idaho’s Circuit Breaker
The state property tax reduction program, commonly known as the “circuit breaker” program, is a highly targeted tool that shields Idahoans whose property tax bill consumes an outsize share of their income by providing a nonrefundable credit of up to \$1,320. It is available to people over 65, people with disabilities, and widowed people whose income was less than \$30,050 in 2019. About 85 percent of recipients are over 65 and there is participation in virtually every Idaho county.

Looking Ahead

As Idaho policy makers consider options to address property taxes, sharing the load more equitably across all income levels should be a key priority. Idaho's circuit breaker program is due for an update to reflect rising property values. For example, the credit amount could be increased, income thresholds re-targeted upward and separate income thresholds created for single and married recipients. An even more effective circuit breaker would include all modest-earning households regardless of age and include renters as well.¹

1. A 2018 policy brief by the Institute on Taxation and Economic Policy provides more ideas on designing effective circuit breakers: <https://itep.org/wp-content/uploads/091318-Property-Tax-Circuit-Breakers.pdf>