

House Bill 389 and Idaho's Property Tax Circuit Breaker

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House Bill 389 is a complicated bill that would affect many different components of the Idaho property tax statute. Revenue from property taxes, both for real property and business personal property, support local public services - such as roads, courts, and schools. Property taxes are regressive, meaning they fall harder on lower-income Idahoans than others. The state property tax reduction program, commonly known as the “circuit breaker” is a highly targeted tool that shields older and disabled Idahoans and widows who are the most affected at a time of soaring home prices and stagnating wages.

HB389 proposes two significant changes to the circuit breaker program:

- Raise the maximum allowable credit amount from \$1,320 to \$1,500.
- Add a new eligibility requirement based on the value of the applicant's home. In order to qualify, the value of the applicant's home could not exceed 125 percent of the median assessed value for all homes in the applicant's county. This new eligibility requirement would apply to current recipients as well as new potential recipients, meaning some people would be thrown off the program.

Circuit Breaker Overview

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 incomes were less than \$30,450 in 2019.¹ Approximately 85 percent of recipients are over the age of 65 and every county is represented (see table below). The income thresholds are adjusted annually based on a formula tied to poverty guidelines and recipients can deduct unreimbursed medical expenses or insurance premiums from their income to qualify.

The weaknesses of the current circuit breaker program are:

- Social Security and pensions 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.²
- The circuit breaker credit has not been updated since 2006 and therefore has lost its value.
- The circuit breaker does not have separate income eligibility for single and married recipients.

New Home Value Eligibility Requirement Presents Challenges

The asset test on the value of the applicant's home will cause some Idahoans, particularly those who live in counties where the home values are skyrocketing, to lose access to the program. The Tax Commission does not currently analyze median home values by county, which makes it difficult to estimate how many Idahoans would lose access to the circuit breaker if this bill were to pass. The bill sponsor estimates that 15 percent would lose the benefit; based on 2019 data, that would amount to about 4,000 Idaho households. For these primarily older Idahoans, HB389 will cause their property tax bills to increase. The most financially modest seniors, who currently qualify for the full value of the credit, would have to bridge a \$1,320 gap per year.

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Compared with other individual tax breaks, such as rate reductions, the circuit breaker program is relatively low cost at \$19.5 million in 2019. The savings from disqualifying people would be very low. It has been funded 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

Circuit Breaker Recipients by County, 2019

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	1,333	Franklin	227	Lincoln	73	Valley	160	
Boundary	418	Fremont	294	Madison	255	Washington	394	
							State Total	26,774

Source: Idaho Tax Commission

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

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