

Incremental Improvements to Property Tax Policy in the 2022 Legislative Session

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We can all agree every Idahoan needs a safe and affordable home. Recently, in conversations about affordable housing, property taxes have caused considerable concern and public outcry. The topic is especially pressing for Idahoans on fixed incomes in high-growth areas of the state. From late 2020 to late 2021, the cost of purchasing a home in Idaho went up 27 percent, which has had downstream impacts on property taxes. A shift in the property tax load from commercial and agricultural properties to residential properties has also worsened rising property tax costs to homeowners.

As the 2022 Idaho legislative session draws to a close, the Center is taking a moment to reflect on how policymakers in the state chose to address rising property taxes this year.

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To help Idahoans stay in their homes, we need thoughtful, targeted, and fiscally prudent policy solutions. These will ensure that we preserve state revenue and assist those who need it the most.

Who Needs Property Tax Relief

Rising home prices and skyrocketing rents have been extremely costly for Idahoans, especially those with low, moderate, and fixed incomes. Between March 2020 and August 2021, rents in Idaho grew by an astounding 31 percent.² While most Idaho homeowners can shoulder the

property tax increases resulting from rising home values, there are two groups of Idahoans who are disproportionately affected by the rising costs:

1. Idaho renters, who are more likely to have low and moderate incomes and to face more volatile housing costs, will feel the impacts of property tax increases as landlords pass on these costs to the households.
2. Older Idahoans on fixed incomes and Idahoans with disabilities also face greater financial hardship when property taxes increase.

Broad and costly property tax cuts and limits can provide assistance, but these policies put severe pressure on local governments' ability to deliver the services their residents expect and need, from schools and police to city parks. To avoid these costs and help the most vulnerable residents stay in their homes, Idaho lawmakers have enacted - and should continue to prioritize - targeted and fiscally prudent tax policy solutions, such as the state's circuit breaker program. Such policies allow state lawmakers to preserve the revenue needed to invest in essential public services and assist those who need the most help affording a home. In 2017, [14 states and the District of Columbia](#) used circuit breakers, and 15 other states provided property tax credits to certain low-income families.

Steps Lawmakers Took in 2022 to Address Rising Property Taxes

Circuit Breaker Program: Idaho’s circuit breaker program provides a tax refund to households whose property tax payments are deemed unaffordable and are at risk of losing their home if they do not receive help covering the cost of their property taxes. Circuit breakers provide targeted assistance to the homeowners who need it most while ensuring local governments are still able to fund schools and other essential services with property taxes. Lawmakers enacted three related bills this session: one will keep some Idahoans on the circuit breaker program who would have otherwise been kicked off of the program, another will allow an additional small and select group of Idahoans to qualify for the circuit breaker program, and a third bill will allow for local flexibility.

1. **Circuit Breaker Extensions:** House Bill 481 improves on House Bill 389, which was enacted in 2021 in part to reduce the number of people on the circuit breaker program in favor of the property tax deferment program. The fix provided by HB 481 will ensure almost 2,000 Idahoans remain on the circuit breaker program rather than face removal.
2. **Circuit Breakers for Caregivers:** Senate Bill 1289 is a long-awaited victory for certified caregivers in Idaho, most of whom have limited incomes. Income from the Medicaid program for caregiving work, though modest, often puts caregivers over the income eligibility cap for the circuit breaker program. The new law makes it easier for caregivers to enter the program because they are no longer required to report Medicaid earnings in the application.
3. **Local Discretion over Circuit Breakers:** House Bill 550 allows local governments with surplus reserves to develop their own circuit breaker programs for community members who are most in need.

Elimination of the Charity and Indigent Fund Property Tax Levy: House Bill 735 is a broad approach to property tax relief via elimination of a specific local levy that funds indigent criminal defense and charity medical care using local

dollars. The legislation eliminates this levy and replaces the estimated \$34 million in revenue the levy raises with state sales tax revenues. For the first two years, in fiscal years '23 and '24, the state will directly reimburse counties for the total amount previously raised through their medical charity care and indigent criminal defense levy.³ In 2025, when the Tax Relief Fund – which collects a subset of state sales tax revenue – is discontinued, the county and city funds will be routed through the sales tax distribution formula and at that point, the amount will fluctuate with the rise and fall of state sales tax revenues.

The following table provides a sampling of how much counties around the state levy through their charity and indigent fund levy.

Charity and Indigent Fund Levy Amounts

County	Levy Amount
Ada	\$2, 474,296
Adams	\$42,239
Bannock	\$2,063,706
Bear Lake	\$109,378
Benewah	\$8,431
Bingham	\$554,296
Blaine	\$249,540
Boise	\$272,540
Bonneville	\$200,00
Boundary	\$156,035
Camas	\$32,155
Canyon	\$5,250,000

Source: Idaho Tax Commission

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Idaho property owners could see up to a 5 to 6 percent decrease in their property taxes. The bill also tasks lawmakers

with making changes to the administration of the public defense system, now that it will be supported by state dollars instead of local dollars.

Harmful and Inequitable Property Tax Policy Fails

House Bill 741 and the very similar House Bill 816, which was introduced days before the end of the legislative session, would have increased the state sales tax by almost two percent and used nearly all the proceeds to offset property tax bills for homeowner households that hold a homeowner's exemption. The legislation included a \$75 increase in the grocery credit to partly offset the sales tax increase. Nonetheless, these tax cuts would have benefited higher income homeowners who are more likely to live in high-value homes and therefore reap bigger tax breaks. Meanwhile, the 25 percent of Idahoans who rent their homes – especially those with low and moderate incomes – would have paid almost 30 percent more in sales taxes on essential goods even after the grocery credit bump while still facing high rents.

Evidence from other states also suggests that broad property tax cuts are linked to reduced education funding. Michigan and South Carolina – two states that cut property taxes and offset the revenue losses with increases to their sales taxes – also cut per-pupil spending as a result of fluctuations in the sales tax revenues used to fund schools. Student performance dropped precipitously as a result. In South Carolina 8th grade math scores dropped from 20th in the nation to 39th after the tax swap passed in 2006.⁴

Conclusion

Idaho lawmakers were able to make incremental progress on rising property taxes during the 2022 legislative session. The failure of harmful sales tax increases has spared Idaho renters and children, especially those with low and modest incomes, from carrying even more of the tax load. Going forward, Idaho lawmakers should continue to prioritize residents who need the most help while maintaining property taxes as an important component of a healthy state-local revenue system.

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1. Federal Housing Finance Agency, Change in FHFA State House Price Indexes. Accessed on April 7, 2022, at: [https://www.fhfa.gov/DataTools/Tools/Pages/House-Price-Index-\(HPI\).aspx](https://www.fhfa.gov/DataTools/Tools/Pages/House-Price-Index-(HPI).aspx)
 2. <https://idahofiscal.org/untapped-federal-relief-critical-to-addressing-idaho-housing-issues/>
 3. Idaho Association of Counties, Accessed on April 4, 2022, at: <https://idcounties.org/what-to-watch-week-of-march-21-2022/>
 4. Lincoln Land Institute of Land Policy, "Property Tax Relief for Homeowners," Accessed on March 31, 2022 at: <https://www.lincolninst.edu/sites/default/files/property-tax-relief-for-homeowners-full.pdf> pg. 20 and 21