

Idaho State Tax Commission
PROPERTY TAX RULES COMMITTEE
Meeting Minutes
January 24, 2012
9:30 am – 12:30 pm, 1CR5

ATTENDEES: Alan Dornfest, Rick Anderson, Erick Shaner, Gene Kuehn, Glenna Young, Christopher Rich, Tom Katsilometes, Greg Heinrich, Shelley Sheridan, Janet James, Bob McQuade, June Fullmer, Brett Endicott, Dwight Davis, Brent Adamson, Ron Fisher, Sharon Worley, Terry Accordino, Dale Reynolds, Brenda Richards

LEGISLATIVE RULES REVIEW: Temporary Rule 995 relates to the additional amount generated by the consumer price index. The law was not clear, so Rule 995 clarifies that the additional amount is based on population. Idaho Association of Counties (IAC) was considering a legislation fix, however, since that didn't take place, Temporary Rule 995 was extended until the end of the 2013 legislative session. Alan expects IAC will propose a legislative fix next year. Other areas of Rule 995 will be worked on this year.

Alan noted that some legislators did not realize there were taxing districts that didn't levy on all property. There are currently three proposed rules related to properly set levies for these districts. A year ago or so, the rules committee debated the meaning of the language in the urban renewal law in that when there is a loss of an exemption, the lost exemption amount is added to the base value in urban renewal areas. The legal conclusion was that examples in Rule 804 did not address this appropriately and that the loss of the exemption language in the urban renewal law did not pertain to cases due to the decrease in the house price index application. Instead, language was added to state that loss of the exemption shall not be considered in cases where there is a partial exemption that gets reduced. The House had some objection and felt the language was not consistent with legislation dealing with base value determinations and how much money eventually goes from different changes to urban renewal versus how much is maintained in the tax base. The Tax Commission was tasked with researching a legislative solution. Alan noted there were two instances where this would arise; one is the homeowner's exemption, the other is in general values. The rule could be rejected, which would create conflicts with other areas of the statute, or the statute could be changed. Alan noted concern with the management of the changes to the statute and recommended discussion among the assessors. Janet James noted that timing is an issue if effective this year. Alan recommended making the base effective this year to prevent going back years.

Other than questions about Rule 804, Alan expects all rules to be approved.

MINUTES: Gene Kuehn made a motion to approve the minutes of June 16, 2011, July 21, 2011, and November 29, 2011. Chris Rich seconded the motion. The motion carried.

RULES STATUS REPORT: Rules 000 and 003 update references to Code sections and is on the agenda. Rule 006 adopts by reference IAAO standards. New mapping procedures will be in the next draft. Rule 006 is tabled until June.

Rule 313 relates to transient personal property; counts time property out-of-state but tax not paid to the other state. Rule 313 is on the agenda.

Rule 604 added language belongs in existing Rule 612 relating to 63-602J exemption for recreational vehicles – park model homes.

Rule 605 relates to property used for school or educational purposes and is on the agenda.

Rule 995 defines incorporated city for sales tax distribution and is on the agenda. Alan suggested possibly defining population.

Calculation in an example in Rule 220 was corrected by the Department of Administration.

Rule 225 may need to be amended to address elections in urban renewal agencies formed after July 1, 2011. Alan suggested adding Rule 225 to new business on agenda, along with new rule defining sufficient equity as used in the deferral program.

Rule 131 addresses use of foreclosure sales in ratio studies and is on the agenda.

OLD BUSINESS:

Subcommittee for Park Model Homes Rick Anderson stated the subcommittee included, Brent Saury, Melissa Stewart, Greg Himes, Rick Anderson, Sally Gossey, Charles Pickens, and Barry Takaguchi from ITD. Rick cited a previous memo from Harley Hinshaw which stated unlicensed recreational vehicles would be put on tax rolls. It was confirmed that ITD will not license anything wider than 8½ feet; park models/mobile homes that are more than 8½ feet wide cannot be licensed by ITD.

Subcommittee supported draft language in Rule 612 which states unlicensed recreational vehicles will be put on tax rolls.

June Fulmer noted that ITD made an exception for park models in Valley County and will license them for this year only. June noted additional issues regarding sales tax, classifying park models as RVs or residences, and the timing of licensing by the end of November to prevent canceling values. Alan asked if the timing issue was a policy or procedure problem. Rick noted that Rule 20 provides an August 31 due date and if not filed must cancel. Alan confirmed that if there is no registration fee, Rule 20 doesn't apply. Problem should go away now that ITD won't register park models wider than 8½ feet wide.

ITD is expected to prepare a memo reinforcing procedure. No further action needed on behalf of the Tax Commission other than to be kept informed.

Rule 612 Rule 612 clarifies that when license fee of a recreational vehicle is paid, tax must be paid and addresses width of 8½ feet or wider. Rule 612 supports Idaho Code 49-445 dealing with licensing, however, Alan suggested adding clarifying language stating that all such vehicles 8½ feet or wider shall be subject to property tax.

Rick noted ITD's responsibility to promulgate rule to address permit issue. ITD is on the agenda for the Assessors' Conference. Alan recommended Tax Commission dovetail with ITD rule and discuss further at February's rules committee.

Rule 995 Language in Subsection 995.04 citing the requirement of an incorporated city being recognized in the outdated Federal Revenue Sharing Program by the Census Bureau was deleted.

Rick is researching language for Subsection 995.05 to address when population needs to be changed for revenue sharing. Rule 995 will be tabled until information received from the Census Bureau. Alan will provide report at the Clerks' Conference.

Rule 605 Sections 1 and 2 of Idaho Code 63-602E provide for the exemption of property used for school or educational purposes. Issues arise regarding special use. First, charter school and store front lease space. The use provision permits section of the strip mall to receive exemption. Second, what does the proration apply to? The building or all property. And third, is property for educational use leased to schools but given to students exempt? The legal division of the Tax Commission suggested adding language to Rule 605 specifying exclusive use.

Alan noted the issue is based on use not ownership and stated Rule 605 needs to address land versus improvement by adding language from Homeowner's exemption rule. Gene noted agreement with language in Rule 605, however, asked how exclusive use is proven.

Alan requested the counties share with their legal staff and report back at February's rules meeting.

NEW BUSINESS:

Rule 000 Rule 000 corrects references to Chapters of Idaho Code. New Chapter 45 was added. Alan noted the last sentence referencing Idaho Code section 63-105A did not belong and recommended discussing draft 2 at next rules meeting.

Rule 003 Rule 003 had erroneous references to Idaho Code sections which hadn't been updated since 1993. Alan suggested adding a reference to the deferral program.

Rule 313 New language and example were added to Subparagraph 313.01.c.iv. to clarify that out-of-state transient personal property can be picked up in home county if tax not paid in other state. The statute is clear that the property is not taxable, but is it practical? Alan suggested rewording Subparagraph 313.01.c.iv. to state the principle then a sentence providing the example.

Terry Accordino noted the issue of property leaving the state for one month, would it be considered transient property? Alan stated the rule would not cure everything and that taxpayer involvement would be needed.

Rule 313 will be on next month's rules committee agenda.

Rule 131: Rick reviewed Illinois' statute citing key language relating to determining sales valid for ratio studies. Alan suggested adopting IAAO sales verification language or Illinois' language stating the use of sales if at least 20 or 25 percent. Alan requested the rules committee review the rule and proposed language. Rick will provide another draft at the next rules committee meeting.

Foreclosure
Sales/Ratio Studies

Definition of Improvements vs. Improved Property Alan noted the debate over what is considered improved and not improved land. Voters in Teton County approved language stating improvements included land, some improved, some not. The issue in Teton County was that most of Category 15 is unimproved, except for site improvements, but the debate is what is considered improved and not improved.

Rick cited Colorado's Land Manual which addresses what is vacant land and includes site improvements. Site improvement issue addressed in Rule 804. The question was if language was correct as it relates to levies. Alan would like to see a distinction between site improvements versus other improvements. Brett Endicott stated there was statutory language being proposed. Alan recommended promulgating a rule because fire districts are all doing something different. Brett will forward draft statutory language to Alan for review.

Distinction between Urban Renewal Agency and Revenue Allocation Area Alan recommended establishing distinction between the terms urban renewal agency and revenue allocation area and if election provision applies to new revenue allocation areas.

New Rule Addressing Sufficient Equity for Tax Deferral Alan stated the new rule needs to clarify that the two subsections of Idaho Code are tied together. The subsections state that the 50 percent market value must be met to qualify and 50 percent equity must be attained. Pam Waters will work with Rick to draft language for the next rules committee meeting.

NEXT MEETING: February 28, 2012, at 9:30 a.m. in 1CR5.

ADJOURNMENT: There being no further business, the meeting was adjourned.

Alan Dornfest
Chairman

Shelley Sheridan
Committee Secretary