PROPERTY TAX RULES COMMITTEE
AGENDA

The Committee convenes on Monday, March 20, 2017, at 9:30 a.m., at:

Idaho State Tax Commission
Room 1CR5 / Plaza IV / 800 Park Ave / Boise, Idaho

Welcome & Introductions

Committee Chair Alan Dornfest

Approval of Minutes – February 28, 2017 Meeting

Committee Chair Alan Dornfest

Legislative Report – Current Session

Committee Chair Alan Dornfest

Rules Status Report – March 20, 2017
Rick Anderson

Old Business:

Discussion: Proposed Rules

1) Verification of Abstracts of Value – Rule 509

2) The need for the Tax Commission to know of qualified investment exemptions (Q.I.Es) that are approved by the assessor’s office – Reference Rule 988

New Business:

Discussion: Rules which may be needed because of law changes

1) HB235 – 602NN $500,000 plant exemption – Rule 631

2) Others?

Set Next meeting date

Meeting adjourned

Other Open Property Tax Rules:

- Rule 006 - Incorporation by Reference standard changes – Tabled until June
- Rule 314 – County Valuation Program To Be Carried On By Assessor – Discussion tabled until April
- Rule 406 – Valuation of Rate Regulated Electric Utilities – ARRF submitted
- Rules 609 and 700Homeowner’s Exemption and Circuit Breaker partial ownership examples clarified and expanded – Tabled until May
- Rule 619 - Water or Air Pollution Control Exemption – Application filing date in rule for locally assessed property conflicts with general exemption code – 63-602(3)(b) – Tabled until April
- Rule 803 – Budget Certification – Budget Certification Form (L-2 Form) – Tabled until April
- Rule 804 - Setting levies when there is a refinancing of bonded indebtedness – Tabled until April
- Rule 995 - Sales tax distribution – payment of withheld funds from taxing districts now in compliance with I. C. 67-450E reporting requirements – Tabled until April

For more information, please contact the Committee Chair, or the Rules Coordinator at sherry.briscoe@tax.idaho.gov or at 208.334.7544. All agendas and rules related documents are posted on our website under the appropriate committee.
Minutes from the January 17, 2017 meeting were approved with two name spelling corrections (motion by Rick, second by Betty).

Alan gave a legislative review on:

- HB 0001 – law
- HB 0030 – law
- HB 0031 – law
- HB 0083 – Senate, silent for now
- HB 0114 – House, Transportation
- HB 0116 – House, Rev & Tax
- HB 0117 – House, silent for now
- HB 0153 – Senate, passed
- HB 0154 – House, amending orders
- HB 0156 – Senate, Transportation
- HB 0192 – House, 3rd reading
- HB 0198 – House, State Affairs
- HB 0207 – House, 3rd reading (this may need a Temporary Rule written)
- HB 0218 – printed (new bill)
- SB 1080 – House, Rev & Tax

Rick gave a brief review of the Rules Status Report.

**OLD BUSINESS:**

1. **RULE 509** – Verification of Abstracts of Value. Betty sent out information on this rule and asked for feedback, none was received. It was brought up at the Clerk’s Conference
as well, but no report back from there either. With no further discussion on this rule, the committee will review a final draft at the March 20, 2017 meeting.

2. **RULES 609 and 700** – Homeowner’s Exemption and Circuit Breaker partial ownership examples clarified and expanded. Still waiting on research data from Bob and Pam. Don with Ada County will also look into some research data, he can analyze how many would gain/lose by this rule. This will be deferred to the May, 2017 meeting.

**NEW BUSINESS:**
- I.C. 63-602GG Kathlynn queried the counties on properties eligible for tax credits, the response on how they view the tax credits was 50/50, and nobody really wanted a rule. will table this for now
- Rule 314, digital imaging technology. Kathlynn surveyed the counties and all respondents like the idea of substituting aerial photos for physical inspections. Steve recommended adding “if available, they need to be recent photos, within the last 5 years”. Rick and Kathlynn will start the draft on this. Submit at ARRF.
- Rule 988, it was suggested in section 7a, to change an ‘or’ to ‘and’…or in subsequent years… Rick and Terry will look into this and report back at the next meeting, to consider opening Rule 988.

**Next Meeting Date:** Monday, March 20, 2017, 9:30 a.m. in room 1CR5.

*Alan Dornfest*  
Chairman  
*Sherry Briscoe*  
Rules Coordinator
### Property Tax Rules Status Report

#### 2017-2018 Rules

**March 20, 2017**

<table>
<thead>
<tr>
<th>Rule #</th>
<th>Neg.</th>
<th>Subject Matter</th>
<th>Date PARF Approved By Agency</th>
<th>Date Sent to DFM Tracking Number</th>
<th>Date Approved By DFM</th>
<th>Rule Status</th>
<th>Most Recent Draft</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>006</td>
<td>No</td>
<td>Incorporation by Reference</td>
<td>Nov.17, 2016</td>
<td>A352-2017-7</td>
<td>Dec 13, 2016</td>
<td>Tabled until June meeting</td>
<td>Draft 1a, 1/18/17</td>
<td>Standard updates – complete with synopsis of change</td>
</tr>
<tr>
<td>314</td>
<td>Yes</td>
<td>County Valuation Program</td>
<td>March 7, 2017</td>
<td></td>
<td></td>
<td>Discussion to continue – April meet</td>
<td>None</td>
<td>Use of orthophoto images – tie to IAAO Standard?; Research cross reference to Brandon Bay decision</td>
</tr>
<tr>
<td>406 and 406T</td>
<td>No</td>
<td>Valuation of rate regulated electric utility companies</td>
<td>March 10, 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>HB-30, Rule 406.1.c needs to conform with I.C. 63-205b(c); URL to price deflator table</td>
</tr>
<tr>
<td>509</td>
<td>Yes</td>
<td>Abstracts of Value</td>
<td>Nov.17, 2016</td>
<td>A352-2017-5</td>
<td>Dec 13, 2016</td>
<td>On today’s agenda</td>
<td>Draft 1a, 3/13/17</td>
<td>Verification – i.e. signature – received comments - added words to sample document verification</td>
</tr>
<tr>
<td>609</td>
<td>Yes</td>
<td>Homeowner’s exemption</td>
<td>Nov.17, 2016</td>
<td>A352-2017-6</td>
<td>Dec 13, 2016</td>
<td>Tabled until May</td>
<td>None</td>
<td>Clarified or expanded examples of partial ownership</td>
</tr>
<tr>
<td>700</td>
<td>Yes</td>
<td>Circuit Breaker (PTR)</td>
<td>Nov.17, 2016</td>
<td>A352-2017-8</td>
<td>Dec 13, 2016</td>
<td>Tabled until May</td>
<td>None</td>
<td>Make circuit breaker and HOE rules conform</td>
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<tr>
<td>619</td>
<td>Yes</td>
<td>Water or Air Pollution Control exemption</td>
<td>Nov.17, 2016</td>
<td>A352-2017-10</td>
<td>Dec 13, 2016</td>
<td>Tabled until April meeting</td>
<td>Draft 1, 1/7/17</td>
<td>Make application date in Rule 619{March 15} correspond with date in I. C. 63-602(3)b. {April 15}</td>
</tr>
<tr>
<td>803</td>
<td>Yes</td>
<td>Budget Certification</td>
<td></td>
<td></td>
<td></td>
<td>Has HB 207 become Law?</td>
<td>None</td>
<td>Delete instruction to report local option sales tax .04.e.iv; Address forgoing offorgone HB 207</td>
</tr>
<tr>
<td>804</td>
<td>Yes</td>
<td>Tax Levy Cert. – Urban Renewal</td>
<td>Nov.17, 2016</td>
<td>A352-2017-9</td>
<td>Dec 13, 2016</td>
<td>Tabled until April meeting</td>
<td>Draft 1, 1/7/17</td>
<td>Setting levies when there is a refinancing of bonded indebtedness</td>
</tr>
<tr>
<td>995</td>
<td>Yes</td>
<td>Certification of sales tax distribution</td>
<td>Nov.17, 2016</td>
<td>A352-2017-11</td>
<td>Dec 13, 2016</td>
<td>Tabled until April meeting</td>
<td>Draft 2, 3/1/17</td>
<td>Withheld funds distributed not later than next quarterly distribution (make temporary provision permanent)</td>
</tr>
</tbody>
</table>

**added urban renewal provision**

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Note: The table above provides a summary of the property tax rules status report, detailing the dates and tracking numbers for each rule, along with comments on any updates or changes made.
<table>
<thead>
<tr>
<th>Issue</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>HB235 – 602NN Changes</td>
<td>Rule 631 revamp</td>
</tr>
</tbody>
</table>
01. Definitions. The following definitions apply for the purposes of testing for equalization under Section 63-109, Idaho Code, notification under Sections 63-301 and 63-308, Idaho Code, and reporting under Section 63-509, Idaho Code.

a. Increment Value. Increment value means, as defined in Section 50-2903, Idaho Code, the total value calculated by summing the differences between the current equalized value of each taxable property in the revenue allocation area and that property’s current base value on the base assessment roll, provided such difference is positive.

b. Primary Category. Primary category means the categories established and described by Subsections 130.02 through 130.06 of these rules and used by the State Tax Commission to test for equalization under Section 63-109, Idaho Code.

c. Secondary Category. Secondary category means the categories established and described by Rules 510, 511, and 512 of these rules and used by county assessors to list property values on the valuation assessment notice under Sections 63-301 and 63-308, Idaho Code, and report values to the State Tax Commission under Section 63-509, Idaho Code, and this Rule. Secondary categories may also be tested for equalization purposes, provided they meet the criteria in Subsection 131.05 of these rules.

d. Abstract. A document summarizing taxable (net taxable value) and market value for assessment purposes (full market value) by secondary category of property. Abstracts are prepared for the county, cities, the Boise School District, and any taxing district or unit of government which does not levy property tax against all otherwise taxable property. Abstracts are to be prepared for the property roll and the combined missed and subsequent property rolls.

02. Indicate Increment and Exemption Values. Additional Information to be Included. In addition to the taxable value and the market value for assessment purposes of property on the property rolls, the abstract must report the value of exemptions required to be reported under Section 63-509, Idaho Code, any increment value and the value of any exemption provided under Sections 63-602W(4), 63-602GG, 63-602HH, 63-602II, 63-602NN, 63-4502, 63-606A, and 63-3029B, Idaho Code. Increment value and exemption value thus reported shall be indicated and subtracted from the taxable market value for assessment purposes shown for each secondary category of property on each city and county abstract, and the Boise School District abstract. Increment value and the value of the exemptions found in this subsection shall also be indicated and subtracted from the taxable value for each secondary category subject to taxation by special districts and units of government which do not levy property tax against all otherwise taxable property.
03. Verification of Abstracts. For the purposes of this rule and meeting the requirements of Section 63-509, Idaho Code, the abstract of the property rolls prepared by the county auditor shall be considered duly verified provided that the auditor signs a document indicating:

   a. That the required summary information is based on the most current available information received from the assessor following the conclusion of the county board of equalization, and, (____)

   b. That the assessor certifies to the auditor that all changes, corrections, additions, and exemptions entered onto the rolls as a result of county board of equalization action have been duly entered. (____)

04. Nature of Verification Document. The abstract verification document shall include the signatures of the county assessor and auditor or duly appointed representatives. The substance of the verbiage in the document shall be equivalent to that found in the following sample:

(____)

(Name of county auditor), being first duly sworn, deposes and says that he/she is the duly qualified and acting auditor in and for the county of (Name), State of Idaho, and that the above and foregoing is a full, true and correct abstract of the valuation of all property entered on the property roll (alt: subsequent and missed property rolls) for the year (YEAR), as certified by the assessor to the auditor and equalized by the Board of County Commissioners of said county in session as a board of equalization. (____)

035. Submittal of Corrections to Erroneous Abstracts or Related Documents. When completing the procedures set forth in Section 63-810, Idaho Code, boards of county commissioners should submit the corrections to the taxable values submitted on the abstracts or related documents under provisions of Section 63-509, Idaho Code, and this rule, no later than when they submit the corrected levies under Section 63-810, Idaho Code. (4-2-08)

046. Cross Reference. See Rule 115 of these rules for requirements to submit city, Boise School District, and special district or unit of government abstracts. For the descriptions of the categories used to test for equalization, see Subsections 130.02 through 130.06 of these rules. For descriptions of secondary categories used to list and report land values, see Rule 510 of these rules, used to list and report the value of improvements, see Rule 511 of these rules, or used to list and report all property values other than that for land or improvements, see Rule 512 of these rules. For information relating to notification of corrections to erroneous levies, see Sections 63-809 and 63-810, Idaho Code, and Rule 809 of these rules. (3-29-12)
STATEMENT OF PURPOSE

RS25408C1

Property tax exemption for qualified projects is one of the few economic development tools available to county governments to support and encourage business expansion opportunities.

Over the past several years, county commissioners have suggested that the limited scope of the property tax exemption - namely, that it requires $3 million in capital investment and can be used only to support manufacturing projects - has been a limiting factor in supporting businesses that would have provided a boost to the local economy. This legislation enhances the project eligibility beyond manufacturing and creates a lower threshold for capital investment of not less than $500,000. County commissioners would retain sole discretion on whether to extend this exemption to an eligible project and would have the ability to annually establish a higher threshold. They would also be required to notify local taxing districts when considering a property tax exemption.

FISCAL NOTE

This legislation would not result in any direct impact to the general fund. However, it is anticipated that the expansion of the county property tax exemption for qualified projects could enhance the usage. There would be no property tax shift because the new value is not put onto the new construction roll until the exemption expires.

Contact:
Representative Mike Moyle
(208) 332-1000

DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).
LEGISLATURE OF THE STATE OF IDAHO
Sixty-fourth Legislature First Regular Session - 2017

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 235

BY REVENUE AND TAXATION COMMITTEE

AN ACT
RELATING TO PROPERTY TAX EXEMPTIONS; AMENDING SECTION 63-602NN, IDAHO CODE, TO PROVIDE APPLICATION OF A PROPERTY TAX EXEMPTION TO A CHANGE IN BASE VALUE OF CERTAIN NEW AND EXISTING PLANTS, TO REMOVE, REVISE AND ALPHABETIZE DEFINITIONS, TO REVISE TAX INCENTIVE CRITERIA, AND TO PROVIDE FOR EXECUTIVE SESSIONS AND NOTICE OF PUBLIC HEARINGS BY A BOARD OF COUNTY COMMISSIONERS CONSIDERING AN EXEMPTION.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 63-602NN, Idaho Code, be, and the same is hereby amended to read as follows:

63-602NN. PROPERTY EXEMPT FROM TAXATION -- CERTAIN BUSINESS PROPERTY. (1) During tax year 2008, and each year thereafter, a board of county commissioners may declare that all or a portion of the market value of a defined project based on investment in new plant and building facilities meeting tax incentive criteria as defined in subsection (2) of this section shall be exempt from property taxation provided that there is a plant investment that meets all tax incentive criteria as defined in subsection (2) of this section, the board of county commissioners may exempt all or a part of the change from the base value attributable directly to the plant investment.

(2) As used in this section:
(a) "Base value" means the assessed value on the county's property rolls of property associated with the plant investment from the year immediately preceding the year representing the beginning of the project period during which a plant investment pursuant to this section occurs.
(b) "Building or structural components of buildings" means real property improvements to land as defined in section 63-201(11), Idaho Code, that are owned or leased by the taxpayer and located in Idaho within the boundaries of the project site.
(c) "Defined project" means a written plan presented to the county commissioners by a taxpayer outlining projected investment in new plant for new plant and building facilities during a project period and located at a project site.
(d) "Plant investment in new plant" means investment in new or existing plant and building facilities that are. Such plant and building facilities include buildings or structural components of buildings, related parking facilities, food service facilities, business office facilities and other building facilities directly related to the business making the plant investment. Plant investment also includes investments in the personal property associated with the plant and its facilities.
   (i) Qualified investments; or
   (ii) Buildings or structural components of buildings.
(c) "New plant and building facilities" means a manufacturing facility or facilities and personal property related thereto, producing tangible personal property or intellectual property intended for ultimate sale at retail, including related parking facilities, food service facilities, business office facilities and other building facilities directly related to the manufacturing business.

(de) "Project period" means the period of time beginning at the earlier of a physical change to the project site or the first employment of new employees or contractors located in Idaho who are related to the activities at the project site, but no earlier than January 1, 2008.

(ef) "Project site" means an area or areas at which new the affected plant and building facilities are located and at which the tax incentive criteria have been or will be met and which are either:

(i) A single geographic area located in this state at which the new affected plant and building facilities owned or leased by the taxpayer are located; or

(ii) One (1) or more geographic areas located in this state if eighty percent (80%) or more of the plant investment required in subsection (2)(h) of this section is made at one (1) of the areas.

(f) "Qualified investment" shall be as defined in section 63-3029B, Idaho Code.

(g) "Building or structural components of buildings" means real property improvements to land as defined in section 63-201(11), Idaho Code, which are owned or leased by the taxpayer and located in Idaho within the boundaries of the project site.

(hg) "Tax incentive criteria" means a taxpayer at a project site meeting the requirements of subparagraphs (i) and (ii) of this paragraph the following conditions:

(i) During the project period, making capital investments in new plant of at least three million dollars ($3,000,000) at the project site. The board of county commissioners shall by ordinance establish an investment amount not less than five hundred thousand dollars ($500,000) at all project sites within the county for which the exemption and all exemptions thereafter granted shall apply, thereby providing uniformity to all taxpayers;

(ii) The taxpayer can demonstrate to the county that the plant investment will bring significant economic benefits will accrue to the county; and

(iii) The plant or building facilities will be for nonretail purposes that are either commercial or industrial.

(3) The board of county commissioners may grant the property tax exemption for all or a portion of the market value of the defined project for a period of up to five (5) years. The agreement shall be considered a contract arrangement between the county and the taxpayer for the exemption time period granted by the board of county commissioners and the annual approval provision contained in subsection (3) of section 63-602, Idaho Code, shall not apply to the exemption provided in this section as long as the contract enumerated in this section is valid and in force and effect. If, within the project period, the use or nature of the defined project or investment in the new plant changes such that the project would no longer qualify for the tax
exemption, the board of county commissioners may unilaterally terminate the
agreement and withdraw the tax exemption.

(4) When considering whether to grant the property tax exemption, the
board of county commissioners may consider trade secrets, as defined in
section 74-107(1), Idaho Code, in executive session as allowed in section
74-206(1)(d), Idaho Code.

(5) Before granting a property tax exemption under this section, the
board of county commissioners shall hold a public meeting regarding whether
to grant the exemption. The board of county commissioners shall provide
a summary of the application under consideration, a written notice of the
time, date and location of the public meeting, and an invitation to partici-
pate in the meeting to all affected taxing districts, urban renewal agencies
and the Idaho department of commerce at least five (5) calendar days before
the meeting.

(6) Property exempted under this section shall not be included on any
new construction roll prepared by the county assessor in accordance with
section 63-301A, Idaho Code, until the exemption ceases.

(57) The legislature declares this exemption necessary and just.
631. TAX EXEMPTION FOR INVESTMENT IN NEW PLANT AND BUILDING FACILITIES UPON COUNTY COMMISSIONERS’ APPROVAL (RULE 631).

Section 63-602NN, Idaho Code

01. **The Investment in Plant.** In order to qualify for this exemption a taxpayer must invest at least three million dollars ($3,000,000) in new plant or building facilities excluding the investment in land. See Section 63-602NN, Idaho Code. (Spring 17)

02. **The Exemption.** The board of county commissioners may exempt all or a portion of the market value of the defined project for a period of up to five (5) years. Land is not to be included in this exemption. See Section 63-602NN(2), Idaho Code. (Spring 17)

03. **Examples.** The exemption applies only to new plant or new building facilities in which the required investment has been made during the project period and which are located at the project site. The exemption does not apply to property existing prior to the execution of the contract to exempt. See the following clarifying examples.

   a. A company chooses your community to build a new manufacturing facility. The market value of the land purchased is three million dollars ($3,000,000). The market value of the new facility after construction is ten million dollars ($10,000,000), not including the land. The board of county commissioners may exempt all or a portion of the market value of the facility (ten million dollars ($10,000,000)) for up to five (5) years. They cannot exempt any portion of the land value.

   b. An existing company chooses to expand and build a new processing line. The existing building and land are valued at twelve million dollars ($12,000,000). The new processing line will increase the value of the building and land to sixteen million dollars ($16,000,000). The board of county commissioners may exempt all or a portion of the increase in value of the facility, which is four million dollars ($4,000,000) for up to five (5) years. They cannot exempt any portion of the original value of twelve million dollars ($12,000,000).

   c. A new company purchases an existing building. The existing building and land is valued at eight million dollars ($8,000,000). The company will purchase new equipment in the amount of three million dollars ($3,000,000). The existing property with the new equipment is now valued at eleven million dollars ($11,000,000). The board of county commissioners may exempt all or a portion of the increased value of the property, which is three million dollars ($3,000,000). They cannot exempt any portion of the original value of eight million dollars ($8,000,000).

034. **Cross Reference.** See Rule 802 of these rules for instructions relating to the valuation of new construction. (5-8-09)