

Property Tax Misunderstandings and Responses

Some common misunderstandings about the Idaho property tax system are:
Values must be limited to inflationary increases.
Averaging values over three years provides property tax relief.
A cap must be placed on budgets.

Any attempt to arbitrarily control the value of property by government regulation will not reflect the variables at work in the marketplace.

Not all property increases or decreases in value equally with the rate of inflation. Therefore, arbitrarily changing property values at the rate of inflation will create inequities. The longer the practice continues, the greater the inequities.

Averaging values perpetuates the errors from previous assessments throughout the averaging period. A more effective method for this type of value control is to set the date of value back in time. During times of increasing values, an older date of value is a lower value for most properties. Market value at a specific date for all property meets the constitutional requirements of uniformity and equity at that date. An additional advantage is that values at a previous date are more predictable than values at a future date. One problem is when values begin to decrease, the older date of value will exceed current market value. Another disadvantage is removal of property owner scrutiny. When values are at current market value, owners are more attentive. When the values are arbitrarily below market value, fewer owners pay any attention to their assessments. When inequities develop, less owner scrutiny is occurring and subsequently less attention by assessors.

Idaho law (sections 63-117 through 63-125) provides that certain people with low incomes are eligible for property tax relief. This is one correct method to provide property tax relief. Upon application eligible property owners have a portion (may be up to the total tax) of the tax paid by the state. The law could be amended to expand this property tax relief to all Idaho citizens below a certain level of income. Therefore, the relief would be available to both the senior citizens on fixed incomes (as is currently the case) and young property owners at low levels of income. Valuations are unregulated and allowed to follow the marketplace. Property taxes are partially kept affordable by state participation in the payment of the taxes.

The most important method to realize affordable property taxes is to control expenditures from property tax revenues. One method is to cap budget increases. Another is to lower the levy limits of taxing districts. A more effective method to control expenditures from property tax revenues is to require decreases in the levies as values increase. In this manner (over time) levies will decrease during cycles of increasing values well below levy limits and budgetary caps do not automatically become the basis for the budget requests from taxing districts. This can also make property taxes more affordable.