

Five myths about Idaho property taxes

How the property tax system works is one of the most misunderstood tax-related issues in Idaho. Here are common myths and the facts.

Myth #1

The State of Idaho levies property tax, collects it, and uses it to fund state services.

Facts

The State doesn't levy property taxes, and the Idaho State Tax Commission doesn't collect them. Property taxes don't pay for the state's budget.

Taxing districts – such as counties, cities, school districts, cemeteries, libraries, sewer districts, fire districts, local highway districts and others – levy property taxes to cover the property tax portion of their budgets. County treasurers collect property taxes and county clerks distribute them to the taxing districts. The taxing districts use the funds to pay for services they provide.

Myth #2

The assessed value on my property increased because the government wants more money.

Facts

By law, property assessments must reflect market value every year, not how much money the government wants.

County assessors assess the value of all property in their counties (with the exception of operating property such as railroads and power lines). The Tax Commission oversees the process to ensure all counties are assessing at market value and following Idaho law.

Myth #3

My property taxes are going to increase as much as my assessed value did.

Facts

Idaho has a budget-based property tax system, not one that uses fixed rates. So, for example, property taxes don't double if your property value doubles.

The process starts with each taxing district setting an annual budget and then subtracting all other revenue sources. The remaining financial need makes up the property tax budget. Property tax budgets can increase only by a maximum of 8% above the highest property tax budget of the previous three years. (That doesn't include amounts for any voter-approved bonds and levies school emergency funds, and similar increases.)

Once a taxing district finalizes its property tax budget, that amount is divided by the total taxable value of all property within the taxing district's boundary to find the property tax levy rate. The property tax levy rate is applied to each property's assessed value, minus exemptions. This determines the property taxes that individual properties owe.

Myth #4

If budgets are capped, my property tax bill can't increase more than 8% per year.

Facts

Your property tax bill can increase by more than 8%.

A taxing district's property tax budget can't grow greater than 8% over its highest property tax budget in the past three years. However, some items don't count in this limit. These include voter-approved levies, bonds, and similar increases. And that's only part of the equation.

Another factor is property value. Because values must follow market value, they can increase by more than 8%. If all properties' values increased at the same rate, property taxes wouldn't go up. But values don't increase at the same rate.

Idaho's property tax system is one of proportions. You'll pay more in property taxes if your property value increases at a faster rate than your neighbor's. So even if the taxing districts' budgets stayed the same as the previous year, your property taxes might go up.

Also, a sector of the real estate market whose value increases at a faster rate than another sector pays a larger portion of the total property tax bill. For example, Idaho's residential property sector has increased in value at a faster rate than the commercial sector. So, the residential property sector is paying a larger portion of the total property taxes.

- Residential properties paid 75.4% of all property taxes in 2022. This is an increase in the residential tax burden of 9.4% over 2021.
- The commercial sector pays 20.1% of property taxes. This is a reduction in the commercial property tax burden of 10.9% from 2021.

Myth #5

Homeowners pay all the property taxes.

Facts

Multiple groups pay property taxes. Here are the percentages of the total of all Idaho property taxes that each group paid in 2022 and the percentage of change from 2021:

51.1%	Primary residential properties (homeowners)
24.2%	Other residential properties, such as single-family rental units up to fourplexes
20.1%	Commercial sector
2.4%	Utilities such as power companies
1.7%	Agriculture land

- All residential properties combined (75.4%) paid 9.4% **more** of the total than in 2021.
- The commercial sector paid 10.9% **less** of the total in 2022 than in 2021.
- Agriculture land paid 16.8% **less** of the total in 2022 than in 2021.
- Utility properties paid 19.7% **less** of the total in 2022 than in 2021.