

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 842

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO BUDGET LIMITS; AMENDING SECTION 63-802, IDAHO CODE, TO REVISE  
2 PROVISIONS REGARDING LIMITATIONS ON BUDGET REQUESTS AND EXCEPTIONS;  
3 AMENDING SECTION 31-1423, IDAHO CODE, TO PROVIDE A CORRECT CODE REFER-  
4 ENCE; PROVIDING SEVERABILITY; AND DECLARING AN EMERGENCY AND PROVIDING  
5 RETROACTIVE APPLICATION.  
6

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

8 SECTION 1. That Section 63-802, Idaho Code, be, and the same is hereby  
9 amended to read as follows:

10 63-802. LIMITATION ON BUDGET REQUESTS -- LIMITATION ON TAX CHARGES --  
11 EXCEPTIONS. (1) Except as otherwise provided in this section, no taxing dis-  
12 trict shall certify a budget request for an amount of property tax revenues  
13 to finance an annual budget that exceeds the maximum sum permitted under this  
14 section:

15 (a) (i) The highest dollar amount of property taxes certified for  
16 its annual budget for any one (1) of the three (3) tax years preced-  
17 ing the current tax year, which amount may be increased by a growth  
18 factor of not to exceed three percent (3%) plus the amount of rev-  
19 enue calculated as described in this subsection. ~~The taxing dis-~~  
20 ~~trict shall determine what portion of the three percent (3%) in-~~  
21 ~~crease permitted under this subparagraph that it requires and then~~  
22 ~~calculate a preliminary levy rate based on the percent chosen. In~~  
23 ~~calculating the preliminary levy rate, the most current taxable~~  
24 ~~market value shall be used, except that for taxable market values~~  
25 ~~of centrally assessed operating property, the prior year's val-~~  
26 ~~uation may be used instead of the current year's taxable market~~  
27 ~~values. The preliminary previous year's levy rate shall be multi-~~  
28 ~~plied by the value shown on the new construction roll compiled pur-~~  
29 ~~suant to section 63-301A, Idaho Code, and by ninety percent (90%)~~  
30 ~~of the value of annexation during the previous calendar year, as~~  
31 ~~certified by the state tax commission for taxable market values of~~  
32 ~~operating property of public utilities and by the county assessor;~~  
33 ~~except for a fire protection district annexing property prior to~~  
34 ~~July 1, 2021, pursuant to section 31-1429, Idaho Code, the new levy~~  
35 ~~rate shall be multiplied by one hundred percent (100%) of the value~~  
36 ~~of any such property annexed prior to July 1, 2021.~~

37 (ii) ~~The~~ Except as provided in this subparagraph, the total budget  
38 increase calculated under this paragraph must not exceed eight  
39 percent (8%), ~~except.~~ For cities with a population of fewer than  
40 thirty thousand (30,000) people as shown in the most recent annual  
41 population estimate reported by the United States census bureau,  
42 and any fire protection district or ambulance service district

1 providing service to such a city, the total budget increase calcu-  
2 lated under this paragraph must not exceed fifteen percent (15%).  
3 Provided, however, that any increase in the amount of property tax  
4 revenue to finance an annual budget added as a result of the termi-  
5 nation, deannexation, plan modification of, or the withdrawal of  
6 certain taxing districts from, a revenue allocation area of an ur-  
7 ban renewal district pursuant to section 63-301A(3) (f), (i), (j),  
8 or (k), Idaho Code, or section 50-2908(1) (g), Idaho Code, shall  
9 not be subject to such limitation.

10 (iii) Following the first year in which a fire protection district  
11 has annexed city property pursuant to section 31-1429, Idaho Code,  
12 the city shall subtract an amount equal to the moneys spent on fire  
13 protection services during the last full year the city provided  
14 fire protection services to its residents from its budget limita-  
15 tion under this section.

16 (b) If the taxing district has not imposed a levy for three (3) or more  
17 years, the highest dollar amount of property taxes certified for its an-  
18 nual budget for the purpose of paragraph (a) (i) of this subsection shall  
19 be the dollar amount of property taxes certified for its annual budget  
20 during the last year in which a levy was made.

21 (c) The dollar amount of the actual budget request may be substituted  
22 for the amount in paragraph (a) of this subsection if the taxing dis-  
23 trict is newly created, except as may be provided in paragraph (i) of  
24 this subsection.

25 (d) This section does not apply to school district levies imposed in  
26 section 33-802, Idaho Code.

27 (e) (i) In the case of a nonschool district for which less than the  
28 maximum allowable increase in the dollar amount of property taxes  
29 is certified for annual budget purposes in any one (1) year prior  
30 to property tax year 2026, such a district may, in any following  
31 year, recover the forgone increase by certifying, in addition to  
32 any increase otherwise allowed, any or all of the increase origi-  
33 nally forgone. Provided however, that prior to budgeting any for-  
34 gone increase, the district must provide notice of its intent to do  
35 so, hold a public hearing that may be in conjunction with its an-  
36 nual budget hearing, and certify by resolution the amount of for-  
37 gone increase to be budgeted and the specific purpose for which the  
38 forgone increase is being budgeted. Upon adoption of the resolu-  
39 tion, the clerk of the district shall file a copy of the resolu-  
40 tion with the county clerk and the state tax commission. Said ad-  
41 ditional amount shall be included in future calculations for in-  
42 creases as allowed, except as provided in subparagraph (iii) of  
43 this paragraph.

44 (ii) If the forgone increase is budgeted for the purpose of main-  
45 tenance and operations, the rate of recovering the reserved for-  
46 gone moneys may increase the taxing district's budget by no more  
47 than ~~one percent (1%)~~ two percent (2%) per year.

48 (iii) If the forgone increase is budgeted for a capital project or  
49 projects, the rate of recovering the reserved forgone moneys may  
50 not exceed three percent (3%) of the taxing district's budget for

1 the year in which the forgone increase is budgeted. Forgone moneys  
2 budgeted for a capital project must be deducted from the taxing  
3 district's forgone balance in the year in which it is budgeted.  
4 Upon completion of such a capital project, the taxing district  
5 shall certify such completion to the state tax commission and  
6 county clerk. If, upon certification, the state tax commission  
7 finds that the taxing district included forgone moneys for a capi-  
8 tal project in calculating the increase permitted under paragraph  
9 (a) of this subsection, the state tax commission shall direct the  
10 taxing district to reduce its property tax budget for any year  
11 in which the forgone moneys were used to calculate a budget in-  
12 crease, in an amount equal to the forgone moneys budgeted plus any  
13 increases attributed to the forgone moneys improperly included in  
14 the taxing district's property tax budget. For the purpose of this  
15 paragraph, a capital project includes:

- 16 1. The construction, expansion, renovation, or replacement  
17 of public facilities, including the acquisition of land and  
18 other site improvements;
- 19 2. The construction, expansion, or reconstruction of public  
20 works improvements, including roads, bridges, water sys-  
21 tems, sewer systems, and broadband systems; and
- 22 3. The purchase of equipment with a useful life of ten (10)  
23 years or more.

24 (f) If a taxing district elects to budget less than the maximum allow-  
25 able increase in the dollar amount of property taxes for any property  
26 tax year prior to 2026, the taxing district may reserve the right to re-  
27 cover all or any portion of that year's forgone increase in a subsequent  
28 year by adoption of a resolution specifying the dollar amount of prop-  
29 erty taxes being reserved. Otherwise, that year's forgone increase may  
30 not be recovered under paragraph (e) of this subsection. The district  
31 must provide notice of its intent to do so and hold a public hearing that  
32 may be in conjunction with its annual budget hearing, if applicable.  
33 The resolution to reserve the right to recover the forgone increase for  
34 that year shall be adopted at the annual budget hearing of the taxing  
35 district if the district has a budget hearing requirement.

36 (g) In the case of cities, if the immediately preceding year's levy sub-  
37 ject to the limitation provided by this section is less than 0.004, the  
38 city may increase its budget by an amount not to exceed the difference  
39 between 0.004 and the actual prior year's levy multiplied by the prior  
40 year's market value for assessment purposes. The additional amount  
41 must be approved by sixty percent (60%) of the voters voting on the ques-  
42 tion at an election called for that purpose and held on the date in May or  
43 November provided by law and may be included in the annual budget of the  
44 city for purposes of this section.

45 (h) A taxing district may submit to the electors within the district  
46 the question of whether the budget from property tax revenues may be  
47 increased beyond the amount authorized in this section, but not beyond  
48 the levy authorized by statute. The additional amount must be approved  
49 by sixty-six and two-thirds percent (66 2/3%) or more of the voters  
50 voting on the question at an election called for that purpose and held

1 on the May or November dates provided by section 34-106, Idaho Code.  
2 If approved by the required minimum sixty-six and two-thirds percent  
3 (66 2/3%) of the voters voting at the election, the new budget amount  
4 shall be the base budget for the purposes of this section.

5 (i) When a nonschool district consolidates with another nonschool  
6 district or dissolves and a new district performing similar governmen-  
7 tal functions as the dissolved district forms with the same boundaries  
8 within three (3) years, the maximum amount of a budget of the district  
9 from property tax revenues shall not be greater than the sum of the  
10 amounts that would have been authorized by this section for the district  
11 itself or for the districts that were consolidated or dissolved and in-  
12 corporated into a new district.

13 (j) This section does not apply to cooperative service agency levies  
14 imposed in sections 33-317 and 33-317A, Idaho Code.

15 (k) The amount of money received in the twelve (12) months immediately  
16 preceding June 30 of the current tax year as a result of distributions of  
17 the tax provided in section 63-3502B(2), Idaho Code.

18 (2) In the case of fire districts, during the year immediately follow-  
19 ing the election of a public utility or public utilities to consent to be pro-  
20 vided fire protection pursuant to section 31-1425, Idaho Code, the maximum  
21 amount of property tax revenues permitted in subsection (1) of this section  
22 may be increased by an amount equal to the current year's taxable value of the  
23 consenting public utility or public utilities multiplied by that portion of  
24 the prior year's levy subject to the limitation provided by subsection (1) of  
25 this section.

26 (3) No board of county commissioners shall set a levy, nor shall the  
27 state tax commission approve a levy for annual budget purposes, which ex-  
28 ceeds the limitation imposed in subsection (1) of this section unless au-  
29 thority to exceed such limitation has been approved by a majority of the tax-  
30 ing district's electors voting on the question at an election called for that  
31 purpose and held pursuant to section 34-106, Idaho Code, provided however,  
32 that such voter approval shall be for a period of not to exceed two (2) years.

33 (4) The amount of property tax revenues to finance an annual budget does  
34 not include revenues from nonproperty tax sources and does not include rev-  
35 enue from levies for the payment of judicially confirmed obligations pur-  
36 suant to sections 63-1315 and 63-1316, Idaho Code, and revenue from levies  
37 that are voter-approved for bonds, override levies or supplemental levies,  
38 plant facilities reserve fund levies, school emergency fund levies, or for  
39 levies applicable to newly annexed property or for levies applicable to new  
40 construction as evidenced by the value of property subject to the occupancy  
41 tax pursuant to section 63-317, Idaho Code, for the preceding tax year. The  
42 amount of property tax revenues to finance an annual budget does not include  
43 any property taxes that were collected and refunded on property that is ex-  
44 empt from taxation, pursuant to section 63-1305C, Idaho Code.

45 (5) The amount of property tax revenues to finance an annual budget  
46 shall include moneys received as recovery of property tax for a revoked pro-  
47 visional property tax exemption under section 63-1305C, Idaho Code.

48 (6) For tax year 2023, before calculating the amount required in sub-  
49 section (1) (a) (i) of this section, the board of county commissioners shall  
50 reduce the approved property tax levy portion of its budget for the immedi-

1 ate prior three (3) years in an amount equal to the amount levied for indigent  
 2 public defense. The reduced budget amount shall be the base budget for the  
 3 purpose of subsection (1) (a) (i) of this section.

4 (7) (a) Notwithstanding any other provision of this section, the elec-  
 5 tors of cities may, if approved by the same percentage vote required for  
 6 passage of a budget increase pursuant to subsection (1) (g) of this sec-  
 7 tion, approve a reduction in the base budget of such city through the  
 8 initiative process set forth in section 34-1801B, Idaho Code.

9 (b) Notwithstanding any other provision of this section, the electors  
 10 of counties may, if approved by the same percentage vote required for  
 11 passage of a budget increase pursuant to subsection (1) (h) of this sec-  
 12 tion, approve a reduction in the base budget of such county through the  
 13 initiative process set forth in section 34-1801C, Idaho Code.

14 (c) An initiative measure approved pursuant to this subsection shall  
 15 specify the dollar amount or percentage by which the base budget shall  
 16 be reduced. The reduced base budget shall apply to the next city or  
 17 county budget required to be certified pursuant to section 63-803,  
 18 Idaho Code, following the voter approval of the initiative and shall  
 19 thereafter constitute the base budget for purposes of calculating al-  
 20 lowable increases under this section. For purposes of this subsection,  
 21 "base budget" means the highest dollar amount of property taxes from  
 22 which a city or county begins calculating its allowable annual budget  
 23 pursuant to subsection (1) of this section, prior to applying the growth  
 24 factor or any other additions in such subsection.

25 SECTION 2. That Section 31-1423, Idaho Code, be, and the same is hereby  
 26 amended to read as follows:

27 31-1423. LEVY -- RECOMMENDED LEVY -- ELECTION. (1) Each year, immedi-  
 28 ately prior to the annual county levy of taxes, the board of commissioners  
 29 of each fire protection district, organized and existing under this chapter,  
 30 may levy a tax upon all the taxable property within the boundaries of such  
 31 district sufficient to defray the cost of equipping and maintaining the dis-  
 32 trict of twenty-four hundredths percent (.24%) of market value for assess-  
 33 ment purposes, to be used for the purposes of this chapter and for no other  
 34 purpose. The levy shall be made by resolution entered upon the minutes of the  
 35 board of commissioners of the fire protection district, and it shall be the  
 36 duty of the secretary of the district, immediately after entry of the resolu-  
 37 tion in the minutes, to transmit to the county auditor and the county asses-  
 38 sor certified copies of the resolution providing for such levy. Said taxes  
 39 shall be collected as provided by section 63-812, Idaho Code.

40 (2) If two (2) or more fire protection districts consolidate into one  
 41 (1) district, the provisions of section 63-802, Idaho Code, shall apply to  
 42 the consolidated district's budget request. In addition, the consolidated  
 43 district shall receive the benefit of foregone increases accumulated by the  
 44 former districts under section ~~63-802(1)(a)~~ 63-802, Idaho Code.

45 SECTION 3. SEVERABILITY. The provisions of this act are hereby declared  
 46 to be severable and if any provision of this act or the application of such  
 47 provision to any person or circumstance is declared invalid for any reason,

1 such declaration shall not affect the validity of the remaining portions of  
2 this act.

3 SECTION 4. An emergency existing therefor, which emergency is hereby  
4 declared to exist, this act shall be in full force and effect on and after its  
5 passage and approval, and retroactively to January 1, 2026.