

## STATEMENT OF PURPOSE

RS33625 / H0842

This legislation addresses the limitations placed on the growth of property taxes by HB 389 (2021). These constraints have prevented cities, fire protection districts, and ambulance service districts in a small number of very fast-growing communities from being able to keep up with the public safety service demands of their growing populations. Specifically, this legislation:

- 1.) Increases the cap on overall property tax growth for cities under 30,000 people, as well as for fire protection districts and ambulance service districts that serve any of these smaller cities, from 8% to 15%, if enough new construction and annexed territory has been added to cover the cost of these extra property taxes.
- 2.) Increases the amount of foregone property tax revenue that can be added to the ongoing property tax budget above these caps, to 2%, replacing the current 1% limit.
- 3.) Provides that new construction and annexations are added to property tax budgets based on the prior year's levy rate, rather than the estimated current year levy rate.
- 4.) Prohibits the accumulation of additional foregone property tax balances in the future. Foregone property tax balances from prior to 2026 may continue to be retained and used in the future, subject to statutory limitations.
- 5.) Provides that city and county voters may utilize the existing local initiative process to reduce city or county property tax budgets, using the same threshold for passage that the law currently provides for voters to increase property taxes beyond statutory limits (2/3rds vote for counties, and 3/5ths vote for cities).

### FISCAL NOTE

No impact to the revenues or expenditures of any state fund. Very few of Idaho's smaller communities are growing fast enough to utilize the increase in the property tax growth cap, and for those that are, the annexation and new construction values would cover these extra property taxes, resulting in no shift to existing homeowners. Increasing the amount of foregone property taxes that can be added to budgets each year from 1% to 2% would allow such costs to be added to property taxes faster than they would be under current law. However, preventing future accumulations of foregone property taxes will allow property tax savings generated by a fiscally conservative governing board to be locked in in perpetuity. Potential property tax budget reductions enacted through the city and county initiatives process cannot be prognosticated.

#### Contact:

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**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).**