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In Idaho education reform talks, time and money are at issue

Idaho property tax for businesses disliked, but productive

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An Idaho agency's report shows that it will bring in an estimated \$141 million in 2012.

By JOHN MILLER AND BILL ROBERTS — THE ASSOCIATED PRESS

A push to eliminate Idaho's personal property tax on businesses could be more costly than first thought.

Business groups and many politicians are seeking elimination of the tax, saying it is the state's most hated levy and difficult for businesses to administer.

The big question is how to make up for the lost revenue.

An Idaho Tax Commission report released Wednesday shows that the tax, levied against business equipment, will bring in \$8 million more this year than was originally estimated.

The money is used by local governments to help fund courts, plow snowy roads, trim weeds at cemeteries, ensure that ambulances and fire trucks are ready in emergencies, and build schools.

In the Treasure Valley, Ada County gets about \$6 million from the tax — 7.5 percent of its total tax funding. And the Caldwell School District's \$738,000 represents about 16 percent of its property tax receipts.

Boise gets about \$10 million from personal property tax and Meridian about \$1.1 million, according to the study.

The state's former chief economist, Mike Ferguson, said many counties, taxing districts and schools are up against budget constraints now, so eliminating a significant pillar of their support will either force them to ask other classes of property taxpayers to make up the difference or to reduce essential services.

"There's not a lot of slack in these budgets," said Ferguson, who now runs the Idaho Center for Fiscal Policy, funded by a Minnesota-based poverty reduction group.

A partial repeal of the personal property tax in 2008 — on everything from office desks to big construction equipment — has never gone into effect, but the Idaho Association of Commerce and Industry said that now is the right time, with the economy again expanding, to eliminate the tax over the next six years.

Idaho Gov. Butch Otter backs the elimination.

The study shows that the tax is uneven.

Blaine County, for example, gets about \$133,000 in personal property tax, which is less than 2 percent of its total receipts.

In eastern Idaho's Caribou County, however, where agriculture giants Monsanto and Agrium Conda have lots of taxable machinery, it accounts for 43 percent. Schools in the county seat, Soda Springs, get about half their funding from taxes on business equipment.

Not surprisingly, Caribou County officials such as Commissioner Phil Christensen have been meeting with

local legislators ahead of the 2013 session to discuss the potential consequences.

"No matter how you look at it, taxes aren't a good thing, but they're a necessary thing. Everybody likes good roads and services," Christensen said, adding that even a phased repeal would be painful. "It's like cutting the dogs' tails off an inch at a time."

According to the new state study, Caribou County is the most dependent on personal property tax, but others are in the running. Power County, home of J.R. Simplot's big fertilizer plant west of Pocatello, relies on it for 38 percent of its revenue.

In Lincoln County, the tax comes to a third of revenue; Clark County gets more than a quarter of its money from the personal property tax.

"There's been so much talk about exempting personal property," said Alan Dornfest, property tax policy supervisor for the Idaho Tax Commission. "It's important that the policymakers have the information to make an informed decision."

Alex LaBeau, director of the Idaho Association of Commerce and Industry, is intensifying his group's repeal push in advance of the session.

LaBeau said this is the year to eliminate a tax that's not only onerous to administer but also monopolizes resources better spent on expanding a business' operations — and growing Idaho's economy. Stretching the repeal over six years would soften the hit to local governments, he said.

Meanwhile, an accompanying economic acceleration would help preserve necessary services that county commissioners fear losing, he said.

"The impact on the economy, based on the study we've done, is that for every dollar reduced in personal property tax, it increases the personal income of Idahoans by \$6," he said. "Those dollars don't stay stagnant; they're invested back to the company, into equipment and people."

So far, counties have reacted coldly to the IACI proposal, and the release of the new state data does nothing to assuage their concerns, said Dan Chadwick, Idaho Association of Counties director.

"Unless there's a replacement mechanism, whether it's in some kind of appropriation or a capture of state funds to replace those dollars ... there will be no support for this type of proposal from the counties," Chadwick said.

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