



IDAHO FREEDOM FOUNDATION

DIRECT RELIEF TO ALL IDAHOANS: DEVOTE FEDERAL RELIEF FUNDS TO PAY DOWN PROPERTY TAXES

POLICY BRIEF | APRIL 24
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OVERVIEW

The state of Idaho has received [\\$1.25 billion](#) from the federal government, to offer relief for the impact of COVID-19. The state wants to give a portion of these funds to local governments, because taxing districts, such as cities, only qualify for direct federal relief funds if they have a population of [500,000](#) or more. No Idaho cities have such a population.

Gov. Brad Little's Coronavirus Financial Advisory Committee plans to set aside 30% of the federal funds for local governments — totaling \$375 million.¹ The Idaho Freedom Foundation proposes that the state use most of this \$375 million heading for local governments to offer property tax relief to Idahoans.²

PROPOSAL

Coronavirus funds offered to localities should grant direct economic relief to residents, to the maximum extent possible. To achieve this goal, local governments should use the funds they receive to pay down property taxes for their residents. Providing Idahoans with property tax relief would help ameliorate a problem that started before the coronavirus pandemic, and will only get worse due to the economic consequences of government action in response to the virus.

The state government can offer property tax relief in one of two ways.³

1. Distribute all of the locally-devoted money proportionately (based on population) among all Idaho taxing districts, including cities, counties, and special taxing districts.
2. Distribute \$93.7 million (25% of the money) proportionately between all types of taxing districts. Use the remaining \$281.3 million (75% of the money) to stabilize the districts most affected by the virus, with the condition that, upon receiving that money, they do not raise property taxes on their residents at a rate higher than they did between calendar year (CY) 2018 and CY 2019.

The governor's Coronavirus Financial Advisory Committee seems poised to choose the second

option. During their April 17 meeting, committee members indicated a majority of the funds would go to the districts hardest hit by unexpected costs. A review panel would determine which local units of government would be awarded money on a case-by-case basis.

The Idaho Freedom Foundation asserts the best use of the federal funds would be to provide straightforward tax relief for Idahoans, without complicated measures and conditions.

DATA

Based on CY 2019 tax data, approximately 1,000 Idaho taxing districts collected a combined \$2,035,175,763 in property taxes from Idahoans. Assuming property tax collection for all taxing districts will continue to grow at the same rate that occurred between 2018 and 2019, the property tax bill for Idahoans in CY 2020 would be an estimated \$2,221,974,036.

Thus, in the first scenario above — distributing all \$375 million of locally-devoted federal funds to property tax relief — such money would reduce all Idahoans CY 2020 property tax bills by approximately 17%.

In the second scenario — where only \$93.7 million is used for direct property tax relief — such relief would cover 4.2% of Idahoans CY 2020 property tax bills. The rest of the funds would be devoted to budgetary relief for the hardest-hit local districts. Please refer to Appendix A for IFF's list of suggested district types that would be eligible for these funds and the reasoning behind their eligibility.

The second scenario does not offer as much direct relief to Idahoans as the first scenario. However, more relief is possible by adding a budgetary-growth limitation. If the state is going to award budgetary relief money to local governments, it should come with a condition. If a city, county, or special taxing district accepts relief money, then that taxing district cannot dramatically increase their CY 2020 property tax collection.⁴ For instance, setting the condition that they cannot increase their property tax collection at a rate higher than their increase between their CY 2018 and CY 2019 collection.

A budgetary-growth limitation is a reasonable condition for receiving budgetary relief. Given the economic hurt experienced by Gem State residents, local governments should not double dip by getting relief funds and raising taxes.

The amount of relief this condition would offer varies by taxpayer. The relief depends entirely on which taxing districts a taxpayer pays money to and what their property tax increase was between CY 2018 and CY 2019.

For instance, Elmore County actually decreased its property tax collection by 0.5% between CY 2018 and CY 2019. Thus, if Elmore County had planned to increase tax collection by 3% between CY 2019 and CY 2020, but instead accepted relief funds with a budgetary-growth limitation, that

would save county taxpayers from a tax increase. Elmore County would instead decrease its tax collection by 0.5%, instead of increasing it by 3%.

On the other hand, between CY 2018 and CY 2019, the city of Coeur d'Alene increased its tax collection by 4.7%. So, if the city accepted budgetary relief with a budgetary-growth limitation, the city could still significantly increase the tax burden on city residents, up to 4.7%.

CONCLUSION

Idaho's government officials need to look far down the road when spending these federal relief funds. The best form of relief: Put money back in Idahoans' wallets, purses, and bank accounts. Such action would foster the economy long-term.

The state should distribute most of the \$375 million in locally-devoted federal funds to direct property tax relief. This path would allow taxing districts to set their budgets through their normal process, but ensures that Idaho property taxpayers get the relief they deserve which will, in turn, lend a hand to restarting the state's economy.

ENDNOTES

1. According to federal guidance, Idaho could devote up to 45% of federal relief funds to local governments.
2. IFF's recommendation to use a majority of locally-devoted federal funds for property tax relief in no way precludes the state's ability to use remaining funds for other forms of tax relief, such as income tax relief, abatement of unemployment insurance taxes, or a sales tax holiday.
3. Either of the two property tax relief scenarios would likely require legislative action. Convening a special session of the Legislature would allow the amendment of Title 63, Chapter 8 of Idaho Code, to abate the collection of property taxes. The Legislature could also create a property tax relief fund under a new section similar to Title 63, Chapter 26 in Idaho Code which was repealed on or around 2009. Such changes would give taxing districts the authority to place the money they receive from the state in property tax relief funds and expend such money.
4. Local taxing districts are currently in the midst of preparing their FY 2021 budgets, which partially drive the CY 2020 property tax bills of Idahoans.

Appendix A: Taxing districts eligible for budgetary relief funds in scenario 2

Type of District	Eligible for Budgetary Relief?	Rationale
Ambulance	Yes	The COVID-19 pandemic represents an increased demand on health services.
Auditorium	No	Auditorium districts get revenue via lodging taxes. They do not collect property taxes.
Cemetery	Yes	Depending on the number of deaths resulting from COVID-19 and whether such individuals wished to be buried or cremated, there may be increased demand on these districts.
City	Yes	Cities anticipate COVID-19 related expenses.
Community College	Yes	Community colleges that offered physical classes experienced a sudden shift to online courses, which came with unexpected costs.
Community Infrastructure	No	Community infrastructure should be largely unaffected by the current pandemic, unless a district is located in a city that has imposed a local ordinance banning construction and infrastructure work.
County	Yes	Some county-run facilities, like jails, have increased risks of outbreaks. Thus their expenses may escalate as they try to prevent or curtail such outbreaks.
Drainage	No	There is no property tax data available for drainage districts.
Fire Protection	No	Fire districts should be largely unaffected by the current pandemic.
Flood Control	No	Flood control districts should be largely unaffected by the current pandemic.
Ground Water	No	There is no property tax data available for ground water or ground water management districts.
Highway	No	Highway districts should be largely unaffected by the current pandemic unless a district is located near a city that has passed a local ordinance to ban construction.
Hospital	Yes	The COVID-19 pandemic represents an increased demand on health services.

Irrigation	No	There is no property tax data available for irrigation districts.
Library	No	The governor's statewide stay-at-home order established that government services deemed essential could continue operations. Many libraries across the state, however, voluntarily chose to shut down instead of offering curbside service.
Mosquito Abatement/ Extermination	No	Extermination and abatement districts should be largely unaffected by the current pandemic.
Port of Lewiston	Yes	Due to travel restrictions, the Port of Lewiston may be affected by the current pandemic.
Recreation	No	The governor's statewide stay-at-home order states that outdoor activities are essential as long as individuals follow social distancing. Many recreation districts shut down parks and recreational facilities voluntarily.
School	Yes	Idaho public school districts and public charter schools experienced a sudden shift from physical classes to online classes, which came with unexpected costs.
Soil Conservation	No	There is no property tax data available for soil conservation districts.
Urban Renewal	No	Urban renewal districts should be largely unaffected by the current pandemic, besides some delays on beginning or finishing projects.
Water and Sewer	No	Water and sewer districts should be largely unaffected by the current pandemic.
Watershed Improvement	No	Watershed districts should be largely unaffected by the current pandemic.
Weather Modification	No	There is no property tax data available for weather modification districts.