

Property Taxation Review Committee  
Report of ISAC/League of Cities Property Tax Reform Proposal Subcommittee  
Wednesday, December 15, 2004

Members:

Senator Sievers  
Senator Quirnbach  
Mr. McGee  
Mr. Ralston  
Mr. Rouse  
Mr. Shepler  
Mr. Sigel  
Mayor Tedesco  
Mr. Veeder

Report of the Subcommittee

The Subcommittee used a handout from ISAC and the League of Cities entitled "Major Points in the ISAC/League Property Tax Reform Proposal" to focus its discussion. The handout divides the property tax reform proposal into three categories: 1) assessment and valuation, 2) budgeting and taxation, and 3) constraints and limitations.

1. Division 1—Assessment and Valuation--The Subcommittee believes that further consideration by the full Committee should be given to this division, especially in regard to the following:

- Elimination of the rollback and substitution of a 50 percent residential exemption for owner/occupied dwellings.
- Valuation exempted under the forest reserve exemption.
- Multiclassification of individual parcels of property.
- Implementation of equalization orders, especially in regard to the timing.
- Impact of changes on renters and low-income persons.
- Valuation of agricultural buildings.

2. Division 2-- Budgeting and Taxation—The Subcommittee recommends this division, as modified, for adoption by the full Committee. The modification was to add that any state savings from the elimination of the homestead credit reimbursement should be directed to property tax relief and tax relief to renters and low-income persons. The division, as modified, reads as follows:

- New budget publication form will highlight effect of budget on sample taxpayers
- Property tax credits – counties will no longer be the middlemen
  - Homestead credit is eliminated and the state savings realized from no longer reimbursing local governments for the homestead credit should be directed to property tax relief and tax relief aimed to renters and low-income persons
  - Ag land and family farm credits combined and changed to direct payment from state to taxpayer
  - Military credit/exemption transferred to refundable income tax credit
  - Elderly credit changed to direct payment from state to taxpayer

- Cities and counties will formally establish their own fund balance limitations
- Stronger unfunded mandate protection language
  - No exceptions, but still subject to “notwithstanding”
- Budget appeals will focus only on issues raised in budget protest petition

3. Division 3-- Constraints and Limitations—The Subcommittee does not recommend the specific language of Division 3, but does recommend that the full Committee agree with the general concept of a property tax revenue limitation that provides local governments with flexibility and that takes into account local differences and local circumstances. Additional consideration should be given by the full Committee to the following items contained in Division 3 as they relate to a property tax revenue limitation:

- Which funds would be covered by a revenue limitation.
- The number of signatures needed as the threshold for holding a reverse referendum.
- The carryover of unused levy authority under a revenue limitation.
- The calculation for the base year under a revenue limitation.