

## **MEMO FROM THE MAYOR**

### **SUBJECT: The Autopsy and Anatomy of Idaho Property Taxes, Part I**

#### **Emmett Has the Third Lowest Property Tax Levy Rate in the State!**

There are 199 municipalities in Idaho. Out of those 199 municipalities, Emmett has the third lowest property tax levy rate in the state. (I use “municipality” as the concept because, frankly, calling a town of 200 people a “city” confuses our new neighbors from you-know-where). Yet, when one learns which “urban areas” are one and two, one can easily conclude that Idaho residents getting the biggest bang for the buck, happen to live in Emmett!

The “urban areas” of Kootenai County barely beat us, while the “urban areas” of Blaine County really beat us. But it's easy to see how. Their cities have property assessed at values way above Emmett's. Hence, we can legitimately argue that when one considers the assessed value of Emmett compared to say, Coeur d'Alene or Sun Valley, Emmett not only practices good stewardship, it stretches tax dollars better than the two urban areas with lower levy rate than ours, simply because of the way our department heads utilize limited resources.

It would be exceedingly difficult to find any homeowner having something positive to say about *ad valorem* (property) taxes. Nevertheless, thanks to the incredible scholarship of Justin Ruen, Policy Analyst for the Association of Idaho Cities, who has been more than generous with sharing his research material on property taxes with this writer, the next couple of Memos should give residents a better understanding of property taxes, how they come about, and how they have played an important role in funding government in the Gem State since its inception.

So, what are property taxes? In Idaho, at least, they are the key and primary source of funding for what we commonly refer to as essential services. In Emmett, our Fire and Police Departments are primarily funded by property taxes. So are city parks and the cemetery. Indeed, *ad valorem* taxes chiefly fund Idaho's Best Public Library of 2022, namely, Emmett's. So, what are they? Whatever they are, to cities at least, they comprise an incredibly important and vital tool for funding the services city dwellers expect.

Nevertheless, in Idaho, cities don't assess property values for themselves; nor do they collect property taxes. Two county offices, the Assessor and the Treasurer, perform those functions. Therefore, when the Gem County Assessor goes about determining market value for every piece property in the county, including the property situated in Emmett, each separate taxing

district in our county, be it Emmet, the school district, fire district, mosquito or recreation—all are busy establishing their new budgets for the ensuing fiscal year.

Emmett’s budget process has been significantly streamlined since 2015 when this writer became mayor. We know what each department received in *ad valorem* taxes from the year before, coupled with other funding sources; so that becomes our start point for budget purposes. Then, each department looks at its “gotta-have” line items, followed by its “life-will-be-difficult-but-not-impossible” line items. Once each of the departments add up the cost of those two item types and, based upon the previous year, if—preliminarily—any department has some money left over, it will start looking at its “handy-to-have” list.

However, if a department is running a deficit after the first two line-item-type scrubs, it waits to see if another department has money left over and willing to contribute to its “life-will-be-difficult-without-them” line items. Additionally, the departments also determine if they can count on a three-per-cent “bump”, local government’s equivalent of a cost-of-living-allowance that typically comes, as well as a share of the “annexation/new build” *ad valorem* values that did not get added to the tax rolls in the previous year due to timing.

In the past, that has meant about \$50,000 added to the city coffers in addition to the three-per-cent bump. Three-per-cent caps the maximum increase available. In some years, it is less. It simply depends on the value of property in the taxing district compared to the previous year. Regrettably, the three-per-cent cap never really covers the increase of cost of doing business due to inflationary pressures; hence, Emmett’s department heads have learned the art of doing more with less.

### **Setting Levy Rates**

While setting levy rates is not the product of calculus or higher math, solid skills in addition, subtraction, multiplication and division are still a requirement—with or without the use of a calculator.

In Step 1, the County Assessor totals up the value of property present in every taxing district. Remember, many taxing districts overlap one another. This means, they all have to collectively share the value of the property. For illustrative purposes, consider that within Emmett’s city limits, there are only two houses (\$100,000 and \$200,000, respectively) and one commercial property valued at \$350,000. Hence, this means Emmett has \$650,000 of taxable property.

Step 2 of the process calculates the levy rate based upon the value of all property— but remember, Emmett at most can only get a three-percent raise regardless of value increase. Also, Emmett might not get any increase depending on the final assessed value. Plus, since last year, Emmett gets only 90-percent of the annexation/new build value added to the mix. So, if Emmett has a budget of \$200, that budget is divided by the \$650,000 property value in the city, for a total levy rate of .00031 percent. Therefore, on taxes attributable to the city, the \$100,000 homeowner will pay \$31; the \$200,000 homeowner will pay \$62; and the commercial building will be assessed at \$108.50. This means in the example, Emmett will receive \$1.50 more than the previous year, or, a bump of less than one percent—but any amount helps.

Part 2 will cover more tax history. So, please stay tuned.