



Idaho Home Builders Association

2026 Idaho Legislative report

Big Picture overview

The state budget was the dominant issue in the 2026 legislative session. This session marked a turning point in Idaho as the state faced a budget deficit, unlike the significant surpluses we've seen over the past several years. In response, the Governor's budget recommended a permanent 3% cut for most agency budgets. To further address the deficit, the legislature passed a budget resolution implementing a one-time, largely across the board reduction (described as a 4% holdback for most agencies).

The Legislature officially adjourned Sine Die on Thursday, April 2nd. The session lasted 81 days with 1018 pieces of legislation drafted, 704 introduced, and 261 bills passing both chambers. There were a total of 93 resolutions and memorials introduced, with 43 being adopted. Five bills were vetoed by Governor Little.

The 2026 session was a mixed bag for the homebuilding industry and our agenda items. While a handful of bills we supported were passed into law, and a handful of bills we opposed were successfully stopped, there were a few we hoped to accomplish that did not make it through the process.

Bills that became law:

HB 389 "fix" bill – the IHBA advocated hard for a legislative solution to the impacts of 2021's House Bill 389 property tax law that among other things limited a taxing district's year-over-year budget

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growth to 8%. The impact of this law is negatively affecting our industry in small- and medium-sized, fast-growing cities. We are seeing efforts in these areas to increase impact fees, levy new impact fees where none existed prior, increases in water and sewer hookup fees, etc. to find more money.

An aggressive effort to resolve this issue was introduced by Speaker of the House Mike Moyle, but the bill contained many elements that were not popular. The IHBA supported the bill, but it was opposed by the Association of Idaho Cities (and other taxing districts). That bill failed on a House floor vote.

A second bill was introduced by the Speaker that applied only to Fire Districts and Ambulance Service Districts. This bill (H959) allows those two taxing districts, in fast-growing areas, to increase their year-over-year budgets by up to 15%. We also supported and lobbied for this bill. It ultimately was one of the very last bills passed by the legislature and was signed into law.

Housing Supply and Affordability:

A number of bills were introduced this year as a result of the Interim Study Committee on Land Use and Housing, of which Ken was appointed to represent the IHBA. A few of those bills did become law, and while they may not directly affect our members, we supported these bills as a way to expand and diversify housing stock options for middle-income earners.

Accessory Dwelling Unit (ADU) ease of restrictions – numerous versions of this bill were introduced and amended to try to satisfy critics, but ultimately a bill was passed and signed into law. This bill (S1354) limits a city's ability to ban or unreasonably restrict ADUs in single-family zoned areas. It only applies to cities of 10,000 population or greater, and has exceptions due to water or sewer limitations. Cities must amend their comprehensive plans to abide by this law by February 1, 2027

Small lot/Starter Home Community ease of restrictions – This bill (S1352) limits a city's ability to ban or restrict small lot/starter home subdivisions. It limits ability to require minimum lot sizes, allows for tighter setback and lot dimension requirements. Also applies only to cities of 10,000 population or greater. Cities must amend Comprehensive plans to accommodate this law by February 1, 2027.

Land Divisions process – This legislation creates a new administrative pathway for limited land divisions to facilitate separate ownership or financing of property containing an existing or approved accessory dwelling unit or similar secondary structure. Allows homeowners, builders, and lenders to divide lots for mortgage or financing purposes without triggering a full subdivision platting process.

Third-party inspections for mechanical, plumbing, HVAC. Allows for an applicant to hire a qualified third-party inspector in the case where the jurisdiction cannot conduct inspection within 48 hours. This is a follow-up bill to similar legislation from last year pertaining to electrical inspections.

Community Infrastructure Districts – Allows the creation and implementation of Community Infrastructure Districts in unincorporated areas of a county. Current law limits CIDs to only within the Area of Impact of a City. We are aware of only three instances where this tool has been utilized, and this law will allow for greater possibilities of funding infrastructure outside of city areas of impact.

LAUNCH funding – The program saw a temporary \$10 million reduction for this fiscal year, but no policy changes were made. It preserves the structure and intent of the program, ensuring continued progress in building Idaho’s workforce.

Small Claims Court limits – a bill lifting the small claims court limits from the current \$5,000 to \$15,000 became law this year.

Bills that did not become law:

Building Code updates rejected by House Business Committee – The proposed building code update rule that came out of a long negotiated rule-making process was rejected by the House Business Committee this year. The IHBA supported the updates and spent a great deal of time and effort through the negotiated process to include changes that would provide greater flexibility to our members.

Major HB389 “fix” bill dies on the House floor – As noted, a real and significant change to the H389 property tax law did not get adopted. We anticipate further challenges in our dealings with cities moving forward without this fix.

E-verify requirement for all Idaho Employers did not pass – the IHBA, along with our coalition partners in the agriculture and dairy industries, opposed any overly-restrictive immigration processes. Requiring all Idaho employers to use the Federal E-verify process did not become law this year, which is a victory for the IHBA.

“Bad Actor” contractor enforcement bill did not advance – a bill sponsored by the IHBA to give greater authority for the Contractor Registration Board to discipline true “Bad Actor” contractors did not get a hearing in the House Business Committee this year.

Development impact fees to replace Fire Apparatus stopped in Senate Committee – the IHBA opposed and ultimately stopped a bill to allow fire districts to use development impact fees to pay for up to 50% of the cost of *replacement* fire apparatus.

Permitting reform bill never introduced – one priority item for the IHBA from the interim study committee on housing was to place timelines on the permitting process for new development/housing. This issue proved to be complicated to get together and will be a priority for us leading into the 2027 legislative session.

Looking forward:

Some items the IHBA is looking to do some work through the summer in preparation for the 2027 legislative session

Building Code Update – The Idaho Building Code Board will necessarily have to re-address proposed updates to the Idaho Building Codes

Impact Fee Law – through some recent experiences with cities stretching the boundaries of what constitutes legal use of development impact fees, we have identified some changes we would like to make to the law.

Permitting shot clock – as mentioned above, this is an issue we will continue to pursue.

Water – we are expecting some water panic this summer that will ultimately impact the homebuilding industry.

HOA sunset – a couple legislators floated draft legislation this year that would cause HOA's to dissolve after a certain time period, which the IHBA expressed concern with conceptually. A bill was never introduced, but we expect further discussions on this matter throughout the summer.

2026 an election year:

All of the State Constitutional officers (Governor, Lt. Governor, etc.) are up for election this year as is all 105 seats in the Idaho Legislature. Of the 10 members of the Legislature all but four are running again for their seats – or in two cases, a House member running for a Senate seat. There are a handful of competitive Primaries across the state this year. That election is May 19, 2026. I urge all IHBA members to educate yourself on the candidates and issues and be sure to vote in the Primary election.

As we look ahead, one thing is clear: The advocacy efforts of the Idaho Home Builders Association is crucial to shaping practical, pro-growth policies in the state. With your support, we'll keep building on that momentum.



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