

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Wednesday, January 10, 2018

SUBJECT	DESCRIPTION	PRESENTER
	Organizational Meeting	

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Hartgen
Rep Kauffman, Acting Vice Chairman	Rep Chaney
Rep Moyle	Rep Nate
Rep Raybould	Rep Thompson
Rep Anderst	Rep Gestrin
Rep Dayley	Rep Stevenson

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 10, 2018
TIME: 9:30 A.M.
PLACE: Room EW42
MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon
**ABSENT/
EXCUSED:** None
GUESTS: Jason Kreizenbeck, Lobby Idaho LLC; Brody Aston, Westerberg & Associates; Jack Lyman, IHA

Chairman Collins called the meeting to order at 9:30 a.m.

Chairman Collins welcomed the committee to the start of another legislative session. He introduced **Rep. Gibbs** as a new member of the committee. He also introduced Secretary **Susan Steed** and Page **Maria Pinzon** who will be assisting the committee this session.

Chairman Collins stated the Administrative Rules and **RS 25718** would be reviewed in the next committee meeting.

Chairman Collins stated the committee will not meet Friday, but will meet Monday, January 15, 2018.

In response to committee questions pertaining to the rules, **Chairman Collins** stated it is the intent to go over the rules as a whole committee.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:34 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 11, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS25718	Relating to the employment security law	Representative Moyle
Docket No. 35-0101-1701	Income Tax Administrative Rules	Cynthia Adrian, Idaho Tax Commission
Docket No. 35-0102-1701	Idaho Sales and Use Tax Administrative Rules	Tom Shaner, Idaho Tax Commission
Docket No. 35-0102-1702	Idaho Sales and Use Tax Administrative Rules	Tom Shaner, Idaho Tax Commission
Docket No. 35-0102-1703	Idaho Sales and Use Tax Administrative Rules	Tom Shaner, Idaho Tax Commission

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
 Rep Kauffman, Acting Vice
 Chairman
 Rep Moyle
 Rep Raybould
 Rep Anderst
 Rep Dayley

Rep Hartgen
 Rep Chaney
 Rep Nate
 Rep Thompson
 Rep Gestrin
 Rep Stevenson

Rep Troy
 Rep Gibbs
 Rep Erpelding
 Rep Gannon

COMMITTEE SECRETARY

Susan Steed
 Room: EW54
 Phone: 332-1125
 email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 11, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** Rep. Anderst

GUESTS: Cynthia Adrian, Idaho State Tax Commission; Tom Shaner, Idaho State Tax Commission, Brody Aston, Westerberg and Associates; Wayne Hammon, AGC; Betsy Russell, Spokesman-Review; Matt Warnick, DFM

Chairman Collins called the meeting to order at 9:00 a.m.

RS 25718: **Rep. Moyle** presented **RS 25718**, relating to the employment security law. This proposed legislation reduces the taxable wage rate used for determining unemployment insurance taxes by adjusting the wage index down. Rep. Moyle stated the legislation allows the director to issue credits instead of refunds, it moves the divisor down and declares an existing emergency to make the legislation retroactive to January 1, 2018.

MOTION: **Rep. Gestrin** made a motion to introduce **RS 25718**. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1701: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0101-1701**, Income Tax Administrative Rules, which was not part of the negotiated rules process. **Rule 075** is amended by deleting tax year 2012 and adding tax year 2015. **Rule 263** adds the tax year 2017 and the amount. **Rule 771** in reference to the grocery tax, adds a line stating "for tax years 2015 and after, the credit is one hundred dollars (\$100)". In response to a question concerning the tax year 2017 and the amount, Ms. Adrian clarified that the amount is tied to the consumer price index for the calendar year.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0101-1701**. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1701: **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0102-1701** Idaho Sales Tax and Use Tax Administrative Rules, relating to data cabling installed in a building. **Rule 067** states fiber optic and communication cable installed in a building is presumed to be a real property improvement.

MOTION: **Rep. Kauffman** made a motion to approve **Docket No. 35-0102-1701**. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1702: **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0102-1702. Rule 013** adds various examples relating to road and paving issues clarifying when taxes are owed and statutory reference. Mr. Shaner responded to a question regarding clarification of public entities by stating they are addressed in the rule. In response to questions regarding dissenting comments and reason for addressing the issue, Mr. Shaner stated most contractors comply and the statement was added for clarification purposes. **Rule 044** rearranged language to address recreational vehicles by replacing park trailer with park model recreational vehicle and statutory reference. **Rule 061** adds statutory reference. **Rule 079** added statutory reference and added a park model recreational vehicle. **Rule 099** adds statutory reference. **Rule 107** added statutory reference and added park model recreational vehicles. **Rule 128** removed a list of individual items and added statutory reference. **Leah Parsons**, Idaho State Tax Commission, gave testimony confirming ST-103 is obsolete.

MOTION: **Rep. Gannon** made a motion to approve **Docket No. 35-0102-1702. Motion carried by voice vote.**

DOCKET NO. 35-0102-1703: **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0102-1703. Rule 028** adds short-term or vacations rental and added statutory reference. Mr. Shaner confirmed the public was made aware by using a marketing campaign, reaching out to realtor's associations and posting the notice on the Idaho State Tax Commission's website. **Rule 103** deleted the rule.

MOTION: **Rep. Thompson** made a motion to approve **Docket No. 35-0102-1703. Motion carried by voice vote.**

ADJOURN : There being no further business to come before the committee, the meeting was adjourned at 9:37 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, January 15, 2018

SUBJECT	DESCRIPTION	PRESENTER
<u>RS25731</u>	Relating to the Internal Revenue Code Conformity Bill	Representative Moyle
<u>H 335</u>	Relating to the Employment Security Law	Representative Moyle
Docket No. <u>35-0103-1701</u>	Property Tax Administrative Rules	Alan Dornfest, IdahoTax Commission
Docket No. <u>35-0103-1704</u>	Property Tax Administrative Rules	Alan Dornfest, IdahoTax Commission
Docket No. <u>35-0103-1706</u>	Property Tax Administrative Rules	Alan Dornfest, IdahoTax Commission
Docket No. <u>35-0103-1707</u>	Property Tax Administrative Rules	Alan Dornfest, IdahoTax Commission
Docket No. <u>35-0103-1709</u>	Property Tax Administrative Rules	Alan Dornfest, IdahoTax Commission
Docket No. <u>35-0106-1701</u>	Hotel/Motel Room and Campground Sales Tax Administrative Rules	Tom Shaner, Idaho Tax Commission
Docket No. <u>35-0106-1702</u>	Hotel/Motel Room and Campground Sales Tax Administrative Rules	Tom Shaner, Idaho Tax Commission

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

- DATE:** Monday, January 15, 2018
- TIME:** 9:00 A.M.
- PLACE:** Room EW42
- MEMBERS:** Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon
- ABSENT/
EXCUSED:** None
- GUESTS:** Alan Dornfest, ISTC; Brian Stender, Canyon County Assessor; Tom Shaner, ISTC; Nick Veldhouse, IAHD; Savannah Renslow, IAHD; Jack Lyman, Idaho Housing Alliance; Alex LaBeau, IACI; John Eaton, IACI; Melinda Smyser, IDOL; Kelli Brassfield, IAC; Laura Lantz, ID Society of CPAs; John Watts, Chamber Alliance
- Chairman Collins** called the meeting to order at 9:00 a.m.
- RS 25731:** **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission presented **RS 25731**. This bill relates to income taxes. It is the annual bill to update references to the Internal Revenue Code (IRC). The bill will conform the Idaho income tax code to changes made to the IRC that affect the 2017 taxable year. The Idaho income tax code is based on using the federal adjusted gross income as a starting point for both businesses and individuals. In response to an inquiry about the child tax credit not being a part of conformity with the federal tax law, Mr. Shaner confirmed that Idaho conforms to the federal taxable income as a starting point, modifications are made according to Idaho law to the Idaho taxable income and the federal tax credits take place after the starting point and we've never conformed to that.
- MOTION:** **Rep. Anderst** made a motion to introduce **RS 25731**. **Motion carried by voice vote.**
- H 335:** **Rep. Moyle** presented **H 335** amends Section 72-1350, Idaho Code, to reduce the taxable wage rate used for determining employers' unemployment insurance taxes by adjusting the unemployment fund size multiplier downward. This bill will result in a substantial net tax savings to Idaho's covered employers. Rep. Moyle stated that this bill would allow the state to have an estimated \$900 million in the fund by the year 2020. He also stated the balance is bigger than it was during the recession and it should be enough to protect the fund.
- Alex LaBeau**, President, Idaho Association of Commerce & Industry, spoke **in support** of **H 335** stating Idaho is one of sixteen states that is solvent concerning unemployment funds which is important to employers in an economic downturn as well as the government.
- John Watts**, Partner, Veritas Advisors, spoke **in support** of **H 335** stating that the issue of reducing the taxable wage rate was discussed in forums throughout the state of Idaho and approved by all employers who attended.
- Melinda Smyser**, Director, Idaho Department of Labor, spoke **in support** of **H 335** stated the entire staff worked with the business communities and chambers to make sure that it's acceptable.
- MOTION:** **Rep. Thompson** made a motion to send **H 335** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

**DOCKET NO.
35-0103-1701:**

Alan Dornfest, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **Docket No. 35-0103-1701**, Property Tax Administrative Rules, **Rule 509** defines abstract as a document summarizing taxable and market value for assessment purposes by secondary categories and outlined the signature requirements. **Rule 609** changes deal with partial ownerships and instructs to count the community property interest as 50% interest in the property rather than 66 2/3%. **Rule 619** changes date from April 15 to March 15. **Rule 700** changes deal with partial ownership and instructs to count the community property interest as 50% interest in the property rather than 66 2/3%. **Rule 804** covers levy setting when there is refinancing of bonded debt. Since this is not considered new debt it may still generate revenue for urban renewal agencies depending on the year incurred. Also, the urban renewal attestation of the plan's modification due date is changed to first Monday in June to match law. **Rule 995** states the Sales Tax Distribution makes the payment no later than next quarterly sales tax distribution due date. Mr. Dornfest confirmed that the legal opinions were all in concert of the rule changes and that counties can now avoid further discrepancies. He reiterated that these are instructions to the county clerks. Mr. Dornfest explained that every taxing district with a bond fills out a special form and it's used as a means of reporting details to the Tax Commission and he will do a follow up and report back after contacting the finance director of the Department of Education concerning rules about school bonds.

MOTION:

Rep. Kauffman made a motion to approve **Docket No. 35-0103-1701**. **Motion carried by voice vote.**

**DOCKET NO.
35-0103-1704:**

Alan Dornfest, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **Docket No. 35-0103-1704**, Property Tax Administrative Rules, **Rule 314** This is relating to county valuation program to be carried on by assessor and it addresses the use of aerial photographs and other digital imaging technology tools. These tools may supplement but not replace physical site inspections. The IAAO Standard on Mass Appraisal suggests such tools and applies to the extent that resources are available. Deletes the Idaho Supreme Court Brandon Bay case cross reference concerning section 42 properties. **Rule 404** relates to day for day penalty extension for date to file the operator's statement applies only to geographic information and not to financial information. **Rule 612** relates to property exempt from taxation - motor vehicles, recreational vehicles, and vessels properly registered. **(H 156)** park model recreational vehicles - the assessor makes the determination that the park model is permanently attached to a foundation, has attached building addition or has been substantially modified and no longer meets the definition of a park model recreational vehicle. In these cases, as provided by statute, the vehicle is subject to property tax and cannot be licensed. **Rules 631 (H 235)** addresses the BOCC resolution to establish minimum investment requirement of not less than \$500,000. It expands the examples to explain the base value, which is the value during the year immediately preceding the first year of exemption. **Rule 803** allows taxing districts to disclaim forgone accumulation from the previous year rule change also deletes requirements related to county property tax relief related to local sales taxes. In relation to **Rule 314**, Mr. Dornfest confirmed the field inspection technology is only for an exterior inspection and that it is not a substitute, but an enhancement tool. He confirmed that the 5 year inspection requirement remains the same and this rule only alerts the appraisers that they have additional ways to enhance the inspection. In response to a question concerning the use of drones, Mr. Dornfest stated that drones were not discussed in meetings concerning aerial photography. He confirmed counties administer the inspections based upon the resources they have. Relating to **Rule 631**, Mr. Dornfest responded to a question by reiterating the counties have the authority to grant or not to grant the exemption and the Idaho Tax Commission has a bit of oversight, but the county is the determining

body. In reference to **Rule 803**, Mr. Dornfest confirmed districts did not take their forgone this year and this area is looked at closely by the Idaho Tax Commission.

ORIGINAL MOTION:

Rep. Nate made a motion to approve **Docket No. 35-0103-1704** with the exception of **Section 314.03, Field Inspections**.

Rep. Nate stated the expanding of the appraisal technique to include drone technology might create concerns for property owners and this may be a leap to far to do through a rule change. He would rather see this come through statute where it could be fully vetted and get testimony from both sides. **Rep. Hartgen** supports the motion and agrees with **Rep. Nate**. Mr. Dornfest responded to a concern about privacy by reiterating that discussions of drones never came up with the county accessors and their groups. **Mr. Dornfest** deferred to **Brian Stender, Canyon County Assessor**, to respond to a question about the rule. Mr Stendor confirmed they are able to take and they do use aerial photos now. Mr. Dornfest stated again that this is an alerting rule and that most of our accessors are members of the national organization which has this language in its mass appraisal standard.

SUBSTITUTE MOTION:

Rep. Erpelding made a motion to approve the entire **Docket No. 35-0103-1704**.

Rep. Erpelding stated there is no mention of drones in the entire docket and you have Google Imaging, Google Earth and satellite imaging. **Mr. Dornfest** confirmed that the standards are voluntary, not mandatory so they don't bind the accessors and they don't conflict and they all contain a disclaimer stating state law will prevail. He also stated the standards are designed as an alert accessing officers around this country that this added technology exists and there's no design to substitute or take away that technology for the inspection. The inspections are still required. **Mr. Stendor** responded to a question by stating they currently use digital maps to contribute to the inspection process and that this rule is mirroring what the IWAO standard is to what we currently do. He also stated he does not assume the rule to give him permission to use drone technology and has no intent to use it in the foreseeable future. Mr. Stendor explained that drone use had never been addressed. In reference to the substitute motion, **Rep. Nate** stated he does not see how we can read the language on aerial photographs and other digital imaging technology to not be interpreted as including drones at some point. He stated to approve the rule docket except for **Section 314.03** where we can come back and fully vet it and he agrees with **Rep. Moyle** that incorporation by reference is a dangerous thing that we do time to time again in state law. Rep. Nate stated he is against the substitute motion and is for the original motion. **Rep. Kauffman** stated he is in favor of the substitute motion.

ROLL CALL VOTE ON SUBSTITUTE MOTION:

Roll call vote was requested. **Substitute Motion failed by a vote of 4 AYE and 11 NAY, 1 Absent/Excused. Voting in favor of the motion: Vice Chairman Kauffman, Reps. Anderst, Stevenson, Erpelding. Voting in opposition to the motion: Reps. Moyle, Raybould, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Troy, Gannon, Chairman Collins.**

VOTE ON ORIGINAL MOTION:

Chairman Collins called for a vote on the motion to approve **Docket No. 35-0103-1704** with the exception of **Section 314.03, Field Inspections. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:46 a.m.

Representative Collins
Chair

Susan Steed
Secretary

JOINT
HOUSE REVENUE & TAXATION COMMITTEE
AND
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
8:30 A.M.
Lincoln Auditorium
Tuesday, January 16, 2018

SUBJECT	DESCRIPTION	PRESENTER
	Conformity Overview	Ken Roberts, Chairman, Idaho Tax Commission
	Tax Year 2017 Conformity	Doreen Warren, Idaho State Tax Commission
	Tax Year 2018 Conformity: Individuals	Cynthia Adrian, Idaho State Tax Commission
	Tax Year 2018 Conformity: Business	Tom Shaner, Idaho State Tax Commission

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Hartgen
Rep Kauffman, Acting Vice Chairman	Rep Chaney
Rep Moyle	Rep Nate
Rep Raybould	Rep Thompson
Rep Anderst	Rep Gestrin
Rep Dayley	Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
JOINT MEETING
HOUSE REVENUE & TAXATION COMMITTEE
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, January 16, 2018
TIME: 8:30 A.M.
PLACE: Lincoln Auditorium
MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon
Chairman Johnson, Vice Chairman Bayer, Senators Hill, Siddoway, Rice, Vick, Patrick, Burgoyne, Nye
**ABSENT/
EXCUSED:** None
GUESTS: Nathan Beckman; Doreen Warren, Idaho State Tax Commission (Commission); Miguel Legarreta, ATI; Ben Davenport, Idaho Mining Association; Tom Shaner, Commission; Cynthia Adrian, Commission; Russell Westerberg, RWD.

Chairman Collins called the joint meeting of the House Revenue and Taxation Committee and the Senate Local Government Committee to order at 8:30 p.m. Chairman Collins explained the meeting was an open forum to discuss the complexities and provide information and guidelines on the impacts to Idaho because of federal tax reform.

Ken Roberts, Chairman, Commission, stated the Tax Cut and Jobs Act of 2017 (Act), signed into law by the President of the United States on December 22, 2017, has provisions that will impact Idaho tax payers in both 2017 and 2018. Because Idaho's Income Tax Code uses the Internal Revenue Code (IRC) as a starting point, Idaho's income tax returns begin with a federally adjusted gross income (AGI). The Idaho Income Tax Act, Idaho Code § 63-3002, declares it is the intent of the Legislature, "to make provisions of the Idaho act identical to the Internal Revenue Code relating to the measurement of taxable income . . ." Because Idaho conforms to the federal calculation of taxable income, any changes affecting the calculations will impact the Idaho return and Idaho revenue, and the Legislature decides whether or not to conform to the change. Conformity prevents having two different systems in taxation, and thereby creating more work for CPAs and tax preparers. Conformity does not mean that all changes at the federal level have an impact on what happens at the state level. Changes to federal tax rates or credits, individual and business, including: tax brackets, corporate tax rates, Alternative Minimum Tax, Federal Net Operating Loss (NOL), and bonus depreciation rules have no Idaho impact. Mr. Roberts advised that it is the Legislature's challenge as policy makers to set the policy so that Idaho citizens know what the tax impact is going to be on the dollars they are earning today. Idahoans are already earning in 2018, and they need to know what the tax structure and policy is going to be.

Doreen Warren, Public Information Director, Commission, advised the Act has some retroactive provisions affecting the 2017 tax year and are included Idaho's conformity bill. The federal changes to the personal itemized medical expense deduction takes effect for tax years after December 31, 2016 and sunsets December 31, 2018, and reduces the threshold for all taxpayers from 10% to 7.5% of their AGI for itemizing their medical expenses. The 7.5% threshold is valid for tax years 2017 and 2018 and returns to the 10% threshold for 2019. If Idaho conforms, new forms for tax preparers will not be required, but instructions will need to be updated and communicated. The fiscal impact for FY2018 is approximately \$6.4 million and \$1.8 million for FY2019. Conformity does not require the Commission to make any internal processing system changes but will require any company using software like TurboTax to make changes to their system. If Idaho doesn't conform to the Act's threshold for itemizing medical expenses, the Commission will need to provide outreach and specific instruction for Idahoans to calculate a modified Schedule A.

Ms. Warren said there are some significant and unprecedented federal retroactive provisions for businesses involving changes to the treatment of foreign income of affiliates and income received from foreign subsidiaries. The changes are retroactive to 2017, are in place at the signing of the Act, and require tax payers to report and pay taxes on previously unreported overseas earnings or profits from domestically owned foreign corporations. Prompt action by the Idaho Legislature would provide much needed guidance to Idaho taxpayers. These provisions have some unknown affects on multinational corporations that file Idaho income tax returns, and it is really difficult to estimate changes that will occur. The tax reform legislation creates some new IRC sections as well. The retroactive changes will generate a positive fiscal impact, but there is no historical data from which to make projections.

Tom Shaner, Tax Policy Manager, Commission, was introduced to respond to house and senate committee questions. Concerning the Commission's conformity impact analysis of a positive unknown for the 2017 retroactive business provisions, Mr. Shaner explained the apportionment process utilized by the Commission to calculate the revenue impact of conformity and the lack of a basis to identify a specific amount that would be creditable. He stated that revenue projections going forward would be problematic because multinational companies report this revenue with dividends making it difficult to delineate sure revenue with accuracy. Mr. Shaner was unaware of any other states making a dollar estimate and such an estimate would not apply to Idaho. Mr. Shaner clarified that repatriation represents a shift from a worldwide taxing system at the federal level to a more common territorial system. Failure to conform would put Idaho at a disadvantage with multistate and national companies. He said Idaho business will begin changing their federal withholding affecting paychecks, and Idaho withholding will depend on Legislative action, which the Commission typically follows with withholding tables done by May. He advised that administrative changes and higher costs would result from a nonconformance by Idaho to one of the federal retroactive provisions, and adding an Idaho child tax credit would require statutory action.

Cynthia Adrian Tax Policy Specialist, Commission, spoke about 2018 individual tax conformity. The federal standard deduction increased, and Idaho conformity would reduce Idaho revenue by \$340.5 million. The Act eliminated the personal exemption and dependent exemptions, and conformity to eliminating Idaho's personal exemption would increase Idaho revenue by \$272.3 million, and eliminating Idaho's dependent exemptions would increase Idaho revenue by \$139.5 million. Most federal itemized deductions were eliminated or capped, and Idaho conformity would result in an increase in Idaho revenue of \$55.3 million. The definitions were changed for qualified expenses from a federal 529 Education Savings account, and if Idaho conforms, it would reduce Idaho revenue by approximately \$6 million. Idaho conformity to all these federal changes would be an increase of \$118.8 million. IRS announced it will temporarily implement and work with changes to the existing W-4 forms to be published in January and implemented in February. The Commission will communicate and provide guidance to Idaho employers and employees based upon current legislative action.

Mr. Shaner, addressed the business effects of the Act stating the expense limits increased from \$500,000 to \$1 million via an accelerated depreciation method in effect since 1958, to which Idaho conforms, and the phase-out increased from \$1 million to \$2.5 million. The change is different from the bonus depreciation introduced as a temporary measure in 2001, reintroduce in 2007, and to which Idaho does not conform. Idaho's conformity to these changes will reduce Idaho revenue by \$6 million. Federal simplified accounting increases the threshold for a small business to use accrual basis accounting from \$5 million in gross receipts to \$25 million. Idaho conformity will reduce Idaho revenue by \$12.8 million. The federal interest expense deduction is limited to 30% of the sum of adjusted taxable income and taxable interest income. The excess will be carried forward in the NOL, to which Idaho does not conform, and it will need to be addressed if the Legislature chooses to allow businesses to carry the excess over. Conformity would increase Idaho revenue by \$14.2 million.

Tax deferred 1031 exchanges are limited to real estate. Idaho conformity increases Idaho revenue by \$800,000. There is a change in the S corporation to C corporation conversion, and Idaho conformity brings a negative \$800,000 impact. Federal inclusion of income rules have changed, and Idaho conformity increases Idaho revenue by \$2 million. The domestic production deduction originally meant to encourage investment in domestic facilities provision is not needed anymore because a lot of the foreign repatriation changes accomplish the same thing. Idaho conformity increases Idaho revenue by \$7.3 million.

The employee entertainment expense and recreational membership deductions are no longer allowed, and Idaho conformity increases Idaho revenue by \$2.7 million. Employee commuting and parking expenses are no longer allowed, and Idaho conformity increases Idaho revenue by \$2 million, although the business travel deduction is still allowed. The Act reduces pass-through income by 20% on the owner's income tax return, but because Idaho's top tax rate for individuals and the tax rate for corporations are the same, the federal justification doesn't exist for Idaho. Because of the way the federal legislation is written, Idaho's conformity would pick up this provision, and the Legislature needs to take specific action in a separate bill to not conform to this provision. The net of Idaho conformity to all the business expenses is a reduction of \$21.4 million.

Mr. Shaner informed the committees, in response to their questions, that the Commission strived to be as accurate as possible in their estimates, but spending projections are economic and cannot be taken into account. The Commission does a one-year-at-a-time fiscal impact and conformity analysis. The impact of Idaho conformity from accelerated depreciation and cash versus accrual accounting would have a \$6 to 12 million impact the first year but not in subsequent years, so it would not be an ongoing loss. Also, a federal inclusion of income rules increase in 2018 will not occur again in 2019 and would not be ongoing.

Mr. Shaner further replied to committee member questions saying no federal information is available on the implications of federal tax liability for Idaho individuals and businesses, but the corporate tax rates have dropped dramatically, and most taxpayers will have a lower taxable liability. Regarding personal income tax, the Commission looked at which Idahoans and how many will be effected by the state and local tax limit in the new \$10,000 federal law, and they are having property tax research done because the real impact is going to be on people who have over \$10,000 property tax on a residence, which could include a second home. The Commission expects the pool of people who itemize to shrink from about 145,000 to 135,000.

Regarding committee member questions concerning changes to the federal standard dependent deduction, **Mr. Shaner** said Idaho conformity is at a neutral baseline and anything else is a policy decision. Mr. Shaner also responded that lowering the corporate tax rate in Idaho is a policy choice and a disparity between wage earners and business owners would still exist.

Chairman Roberts advised that later this week the Economic Revenue Assessment Committee will meet to address the fiscal effects of increased economic activity on revenue projections.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:39 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 17, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS25742	Income Taxes, To Provide for a Shortline Railroad Nonrefundable Tax Credit for Qualified Railroad Expenditures	John Watts, Veritas Advisors
Docket No. 35-0103-1706	Property Tax Administrative Rules	Alan Dornfest, Idaho State Tax Commission
Docket No. 35-0103-1707	Property Tax Administrative Rules	Alan Dornfest
Docket No. 35-0103-1709	Property Tax Administrative Rules	Alan Dornfest
Docket No. 35-0106-1701	Hotel/Motel Room and Campground Sales Tax Administrative Rules	Tom Shaner, Idaho State Tax Commission
Docket No. 35-0106-1702	Hotel/Motel Room and Campground Sales Tax Administrative Rules	Tom Shaner

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Hartgen
Rep Kauffman, Acting Vice Chairman	Rep Chaney
Rep Moyle	Rep Nate
Rep Raybould	Rep Thompson
Rep Anderst	Rep Gestrin
Rep Dayley	Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 17, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representative(s) Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** Representative(s) Moyle

GUESTS: Russell Westerberg, RMP; Tom Shaner, ISTC; Alan Dornfest, ISTC; Brian Stender, Canyon County Assessor; Logan Stanley, Intern Kauffman; John Watts, Veritas Advisors; Jack Lyman, Idaho Housing Alliance; Miguel Legarreta, ATI; Amber Pence, City of Boise; Jay Shaw, Admin Rules

Chairman Collins called the meeting to order at 9:00 a.m.

RS 25742: **John Watts**, Partner, Veritas Advisors presented **RS 25742**. The purpose of this legislation is to authorize a non-refundable income tax credit for shortline transportation investment and maintenance into Idaho's shortline railroad infrastructure. Improvised shortline rail infrastructure will allow heavier and fully loaded rail cars to move more product for less cost to a shipper, and improved railroad infrastructure will increase safety, efficiency and reliability. This legislation provides 50% income tax credit on the value of investment, capped at \$3,500 per mile track owned/operated by the shortline railroad in Idaho. If not used by the shortline railroad, credit is transferable only to railroad customers and vendors. The effective date is January 1, 2019 and sunsets in five years in 2024. In reference to eligible vendor, Mr. Watts reiterated that a vendor is not eligible unless they file taxes in the state of Idaho. He also confirmed that rolling stock would not qualify because it is not an infrastructure investment.

MOTION: **Rep. Kauffman** made a motion to introduce **RS 25742**. **Motion carried by voice vote.**

**DOCKET NO.
35-0102-1706:** **Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **Docket No. 35-0102-1706 Rule 610** relating to property exempt from taxation, residential improvements - special situations, changes deal with partial ownerships; instructs to count the community property interest as 50% interest in the property rather than 66 2/3%. **Rule 709** relating to Property Tax Reduction Benefit Program - Special Situations, changes deal with partial ownerships; instructs to count the community property interest as 50% interest in the property rather than 66 2/3%. Mr. Dornfest yielded to **Deputy Attorney General George Brown** to respond to a question concerning Idaho Code 63-701, to justify the change of the rule. Mr. Brown stated that 63-701 merely recognizes the community property interest and that the rule was changed to reflect the practice that everyone seems to want to follow. He also confirmed that you only qualify for the home owners exemption if you are on the deed and living in the home and any transfer of ownership is only recognized if it is recorded properly with the recorders office.

MOTION: **Rep. Nate** made a motion to approve **Docket No. 35-0102-1706**. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1707: **Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **Docket No. 35-0102-1707 Rule 020** relating to the value of recreational vehicles for annual registration and taxation of unregistered recreational vehicles. It sets out methods to value park model recreational vehicles as defined in **H 156**. Confirms the requirement to value park model recreational vehicles using any available standard indices of retail value. If an index is not available the procedures outlined in Rule 217 must be used.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0102-1707. Motion carried by voice vote.**

DOCKET NO. 35-0102-1709: **Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **Docket No. 35-0102-1709 Rule 006** relates to Incorporation by Reference. This rule is being amended to update references to current editions of the railway equipment register used to identify railcar ownership. The amendment also confirms the link to all referenced IAAO standards. Effective January 1, 2018. **Rule 406** relates to rules pertaining to market value of operating property of rate regulated electric utility companies. (**H 30**) - flotation cost factor of 0.2% added to the discount rate. Also deletes an obsolete URL (link) to a table showing the U.S. Dept. of Commerce's GDP price deflator.

MOTION: **Rep. Anderst** made a motion to approve **Docket No. 35-0102-1709. Motion carried by voice vote.**

DOCKET NO. 35-0106-1701: **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission presented **Docket No. 35-0106-1701 Rule 001** relating to Title and Scope. The proposal is to change the rule to include the terms introduced by 2017, **H 216**, the Short-Term or Vacation Rental Act. **Rule 018** relates to Returns. The proposal is to change the rule to include the terms introduced by 2017, **H 216**, the Short-Term or Vacation Rental Act. **Rule 019** relates to Penalties, Collections and Enforcement. The proposal is to change the rule to include the terms introduced by 2017, **H 216**, the Short-Term or Vacation Rental Act. Mr. Shaner confirmed that the Greater Boise Auditorium District is the only one impacted because it is the only one that the Idaho State Tax Commission administers. Mr. Shaner deferred to **Leah Parsons**, a tax policy specialist with the tax commission, to confirm that the language "lodging operator" is in **H 216**. Tom Shaner responded to a question about the attendance of the rule making process by stating it was very well attended. He reiterated that if a taxpayer doesn't understand that they must file an income tax form, they will be informed of such in the audit process.

MOTION: **Rep. Chaney** made a motion to approve **Docket No. 35-0106-1701. Motion carried by voice vote.**

DOCKET NO. 35-0106-1702: **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission presented **Docket No. 35-0106-1702 Rule 006** relating to Hotel/Motel Room Sales Tax-Rule 006 - Lodging Operators and Short-Term Rental Marketplaces. The current proposal is to add this new rule to reference the new statutes created by 2017, **H 216**. Also to state in the rules that sales taxes and any local government taxes apply to this type of rental.

MOTION: **Rep. Gannon** made a motion to approve **Docket No. 35-0106-1702. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:43 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 18, 2018

SUBJECT	DESCRIPTION	PRESENTER
Docket No. 35-0109-1701	Idaho County Option Kitchen And Table Wine Tax Administrative Rules	Cynthia Adrian, Idaho State Tax Commission
Docket No. 35-0109-1702	Idaho County Option Kitchen And Table Wine Tax Administrative Rules	Cynthia Adrian
Docket No. 35-0110-1701	Idaho Cigarette and Tobacco Products Tax Administrative Rules	Cynthia Adrian
Docket No. 35-0112-1701	Idaho Beer Tax Administrative Rules	Cynthia Adrian
Docket No. 35-0112-1702	Idaho Beer Tax Administrative Rules	Cynthia Adrian
Docket No. 35-0201-1701	Tax Commission Administration and Enforcement Rules	Cynthia Adrian
Docket No. 35-0201-1703	Tax Commission Administration and Enforcement Rules	Cynthia Adrian

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
 Rep Kaufman, Acting Vice Chairman
 Rep Moyle
 Rep Raybould
 Rep Anderst
 Rep Dayley

Rep Hartgen
 Rep Chaney
 Rep Nate
 Rep Thompson
 Rep Gestrin
 Rep Stevenson

Rep Troy
 Rep Gibbs
 Rep Erpelding
 Rep Gannon

COMMITTEE SECRETARY

Susan Steed
 Room: EW54
 Phone: 332-1125
 email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 18, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** Representative(s) Gestrin, Gibbs

GUESTS: Cynthia Adrian, ISTC; Don Williams, ISTC; Roger Batt, Idaho Grape Growers and Wine Producers; Tom Shaner, ISTC; Brody Aston, Westerberg & Associates; Andrew Gleaton, Bilbao & Co., Jay Shaw, Administrative Rules; Russell Westerberg, Cigar Association

Chairman Collins called the meeting to order at 9:00 a.m.

DOCKET NO. 35-0109-1701: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **Docket No. 35-0109-1701**, Idaho County Option Kitchen and Table Wine Tax Rules. **Rule 017** Redetermination, Collection, and Enforcement is being stricken and incorporated into **Rule 003** Administrative Appeals and **Rule 006** Incorporation by References, to meet the Department of Administration's rule writing guidelines.

MOTION: **Rep. Anderst** made a motion to approve **Docket No. 35-0109-1701**. **Motion carried by voice vote.**

DOCKET NO. 35-0109-1702: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **Docket No. 35-0109-1702**. Idaho County Option Kitchen and Table Wine Tax Rules. **Rule 011** relating to sales subject to wine tax. This rule describes when dispositions of wine are subject to the wine tax. The intent of amending the rule is to give instruction on maintenance of inventory for tax purposes. **Rule 015** relating to wine tax permit reporting number. This rule authorizes the issuing of a wine tax permit. The intent of amending the rule is to allow cancellation of inactive permits. Ms. Adrian confirmed that during an audit the winery would have to provide evidence of paying the tax when purchasing the wine to supplement their inventory.

MOTION: **Rep. Dayley** made a motion to approve **Docket No. 35-0109-1702**. **Motion carried by voice vote.**

DOCKET NO. 35-0110-1701: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **Docket No. 35-0110-1701** Idaho Cigarette & Tobacco Products Administrative Rules. **Rule 006** relating to incorporation by reference. This rule incorporates by reference IDAPA 35.02.01.

MOTION: **Rep. Kauffman** made a motion to approve **Docket No. 35-0110-1701**. **Motion carried by voice vote.**

DOCKET NO. 35-0112-1701: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **Docket No. 35-0112-1701** relating to administrative rules. **Rule 014** Redetermination, Collection, and Enforcement is being stricken and incorporated into **Rule 003** Administrative Rules and **Rule 006** Incorporation by References, to meet the Department of Administration's rule writing guidelines.

MOTION: **Rep. Thompson** made a motion to approve **Docket No. 35-0112-1701**. **Motion carried by voice vote.**

DOCKET NO. 35-0112-1702: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **Docket No. 35-0112-1702 Rule 011** relating to sales subject to beer tax. This rule describes when dispositions of beer are subject to the beer tax. The intent of amending the rule is to give instruction on maintenance of inventory for tax purposes. **Rule 016** relating to beer tax permit reporting number. This rule authorizes the issuing of a beer tax permit. The intent of amending the rule is to allow cancellation of inactive permits.

MOTION: **Rep. Anderst** made a motion to approve **Docket No. 35-0112-1702. Motion carried by voice vote.**

DOCKET NO. 35-0201-1701: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **Docket No. 35-0201-1702 Rule 326 Rule 327 Rule 328** are being promulgated to provide guidance for the appeals process. These rules will establish definitions, provide restrictions, exceptions, permitted communications and procedures for a taxpayer to participate in communication between the appeals unit and the originating division and others during the redetermination process.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0201-1701. Motion carried by voice vote.**

DOCKET NO. 35-0201-1703: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **Docket No. 35-0201-1703 Rule 310** is being amended to add the interest rate for calendar year 2018 and the Revenue Ruling where the federal rate for the calculation can be found. Ms. Adrian confirmed the interest rate is calculated as 2% plus the rate determined under the Internal Revenue Code by the Treasury Secretary. It's the midterm federal rate as it applies on September 15 of the immediately preceding calendar year rounded to the nearest whole number.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0201-1703. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:17 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Friday, January 19, 2018

SUBJECT	DESCRIPTION	PRESENTER
H 355	Relating to Internal Revenue Code Conformity 2017	Tom Shaner, Idaho State Tax Commission

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Hartgen
Rep Kauffman, Acting Vice Chairman	Rep Chaney
Rep Moyle	Rep Nate
Rep Raybould	Rep Thompson
Rep Anderst	Rep Gestrin
Rep Dayley	Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, January 19, 2018
TIME: 8:30 A.M.
PLACE: Room EW42
MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon
ABSENT/EXCUSED: Representative(s) Gibbs
GUESTS: Tom Shaner, ISTC; Ken McClure, ISCPA; Elizabeth Criner, FWAA/NWPA/ISDA
Chairman Collins called the meeting to order at 8:30 a.m.

H 355: **Tom Shaner**, Idaho State Tax Commission, explained provisions within the new federal tax act have provisions affecting the 2017 tax year. The first lowers the threshold claim on medical expenses from 10% to 7.5%. Based on the Joint Finance and Appropriation Committee estimate the Idaho impact is expected to be a reduction in Idaho revenue of \$6.4 million. There is also a provision that requires taxpayers to report and pay tax on previously unreported overseas earnings. The fiscal impact of both is unknown.

In answer to questions relating to the new tax code **Tom Shaner** explained currently there is no reliable way to accurately calculate fiscal impact

MOTION: **Rep. Thompson** made a motion to send **H 355** to the floor with a **DO PASS** recommendation.

Rep. Nate spoke in **opposition** to language in Section 1: Subsection C; regarding what constitutes marriage.

VOTE ON MOTION: **Chairman Collins** called for the vote on the motion to send **H 355** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Thompson** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 8:42 a.m.

Representative Collins
Chair

Karen Westen
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, January 22, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS25668	Relating to Tobacco Permits	Cynthia Adrian, Idaho State Tax Commission
RS25671	Relating to Income Taxes	Tom Shaner, Idaho State Tax Commission
RS25672	Relating to Income Taxes	Tom Shaner
RS25674	Relating to Cigarette and Tobacco Product Taxes	Cynthia Adrian, Idaho State Tax Commission
RS25675	Relating to Income Taxes	Tom Shaner, Idaho State Tax Commission

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

- DATE:** Monday, January 22, 2018
- TIME:** 9:00 A.M.
- PLACE:** Room EW42
- MEMBERS:** Chairman Collins, Acting Vice Chairman Kauffman, Representative(s) Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon
- ABSENT/
EXCUSED:** Representative(s) Moyle, Erpelding
- GUESTS:** Cynthia Adrian, ISTC; Tom Shaner, ISTC; Don Williams, ISTC; Roger Seiber, Capital West; Nick Veldhouse, IAHD; Andrew Gleaton, Bilbao & Co
- Chairman Collins** called the meeting to order at 9:00 a.m.
- RS 25668:** **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **RS 25668** relating to tobacco permits. This proposed legislation allows the Tax Commission to cancel a tobacco permit after 12 months of inactivity. They will reach out to permit holders during an annual review process and permits would be closed after two warning letters were sent advising the permit holder of the pending action. Permit holders can request the account to stay in effect. There are thirteen inactive permits as of today. Ms. Adrian stated that the Tax Commission had not had the opportunity to ever cancel the permits and that this is basically a clean up of their accounts.
- MOTION:** **Rep. Dayley** made a motion to introduce **RS 25668**. **Motion carried by voice vote.**
- RS 25671:** **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission presented **RS 25671** relating to income taxes. This proposed legislation provides a correct code reference relating to charitable contribution deduction calculations for part-time residents and nonresidents and to make a technical correction.
- MOTION:** **Rep. Kauffman** made a motion to introduce **RS 25671**. **Motion carried by voice vote.**
- RS 25672:** **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission presented **RS 25672** relating to income taxes. This proposed legislation extends the deadline for taxpayers to report a change in their federal taxable income from 60 days to 120 days. Mr. Shaner clarified Idaho Code states to report immediately and the Tax Commission has proposed the change from 60 to 120 days which gets ahead of the Internal Revenue Service's (IRS) 90 day audit appeal deadline. Tom Shaner confirmed the Tax Commission does not impose penalties unless needed and that taxpayers' penalties are waived if they cooperate in a timely manner.
- MOTION:** **Rep. Thompson** made a motion to introduce **RS 25672**. **Motion carried by voice vote.**
- RS 25674:** **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **RS 25674** relating to cigarette and tobacco product taxes. This proposed legislation adds the reference to 63-3045B to sections 63-2516 and 63-2563, Idaho Code.
- MOTION:** **Rep. Kauffman** made a motion to introduce **RS 25674**. **Motion carried by voice vote.**

RS 25675: **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission presented **RS 25675** relating to income taxes. This proposed legislation allows taxpayers to use available loss and credit carryovers in years beyond the normal statute of limitations if there is an increase in taxable income due to a bonus depreciation adjustment. Mr. Shaner confirmed there are no pending instances impacted by this change.

MOTION: **Rep. Dayley** made a motion to introduce **RS 25675**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:17 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 23, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS25676	Relating to Property Taxes	Alan Dornfest, Idaho State Tax Commission
RS25677	Relating to the Idaho State Tax Commission	Alan Dornfest
RS25681	Relating to Energy Taxes	Alan Dornfest

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 23, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** None

GUESTS: Russell Westerberg, Cigar Association; Alan Dornfest, ISTC; Nick Veldhouse, IAHD
Chairman Collins called the meeting to order at 9:00 a.m.

MOTION: **Rep. Gannon** made a motion to approve the minutes of January 10, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Dayley** made a motion to approve the minutes of January 11, 2018. **Motion carried by voice vote.**

RS 25676: **Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **RS 25676** relating to the administration of property taxes. This proposed legislation would remove the requirement that county auditors deliver the abstracts of property tax rolls to the State Tax Commission via "certified mail."

MOTION: **Rep. Gannon** made a motion to introduce **RS 25676**. **Motion carried by voice vote.**

RS 25677: **Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **RS 25677** relating to the Tax Commission duties regarding the errors in its assessment of operating property, this proposed legislation would provide more time for the counties to correct any errors and calculate the proper tax levies. Mr. Dornfest affirmed this only affects actions that the Tax Commission takes and does not affect any actions the counties take.

MOTION: **Rep. Anderst** made a motion to introduce **RS 25677**. **Motion carried by voice vote.**

RS 25681: **Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **RS 25681**. This propose legislation eliminates conflicts between section 63-803 and Chapter 35, Title 63, Idaho Code, regarding dates by which tax amounts to be distributed to taxing districts are calculated and reported. It also provides for notice of amounts of solar tax distributions so that these amounts can be accounted for consistently with other distributions prior to setting property tax levy rates. The proposed legislation moves the date for the county to notify affected taxing districts from the third to the first Monday in August. Mr. Dornfest stated the Tax Commission felt there was a need to provide a date to notify by from the counties because the term immediately was too vague in this instance.

MOTION: **Rep. Kauffman** made a motion to introduce **RS 25681**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:11 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 25, 2018

SUBJECT	DESCRIPTION	PRESENTER
H 380	Relating to Tobacco Permits	Cynthia Adrian, Idaho State Tax Commission
H 381	Relating to Income Tax Charitable Contribution	Tom Shaner, Idaho State Tax Commission
H 382	Relating to Income Tax Notification Time	Tom Shaner
H 383	Relating to Cigarette and Tobacco Taxpayers	Cynthia Adrian, Idaho State Tax Commission
H 384	Relating to Income Taxes Adjustments	Tom Shaner, Idaho State Tax Commission
H 390	Relating to Property Taxes Mailing Requirement	Alan Dornfest, Idaho State Tax Commission
H 391	Relating to Tax Commission Reporting Date	Alan Dornfest
H 392	Relating to Energy Tax Notification Dates	Alan Dornfest

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
 Rep Kauffman, Acting Vice
 Chairman
 Rep Moyle
 Rep Raybould
 Rep Anderst
 Rep Dayley

Rep Hartgen
 Rep Chaney
 Rep Nate
 Rep Thompson
 Rep Gestrin
 Rep Stevenson

Rep Troy
 Rep Gibbs
 Rep Erpelding
 Rep Gannon

COMMITTEE SECRETARY

Susan Steed
 Room: EW54
 Phone: 332-1125
 email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 25, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representative(s) Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** Representative(s) Moyle, Anderst, Chaney, Thompson, Gibbs

GUESTS: Alan Dornfest, ISTC; Brody Aston, Westerberg & Associates; Laura Luntz, ISCPA; Cynthia Adrian, ISTC

Chairman Collins called the meeting to order at 9:01 a.m.

H 380: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **H 380**. This bill would allow the Tax Commission to cancel a tobacco permit after 12 months of inactivity. Currently there are thirteen known inactive permits. The Tax Commission will reach out to permit holders during an annual review process and permits would only be closed after two warning letters were sent advising the permit holder of the pending action. Permit holders can request the account to stay in effect.

MOTION: **Rep. Gannon** made a motion to send **H 380** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Gannon** will sponsor the bill on the floor.

H 383: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **H 383**. This bill adds a reference to the code section that describes how an audit report becomes final unless there is an appeal and does some housekeeping to make the statute easier to read by referencing a range of statutes instead of listing each separately.

MOTION: **Rep. Troy** made a motion to send **H 383** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Troy** will sponsor the bill on the floor.

H 390: **Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **H 390** relating to the administration of property taxes. This change would remove the requirement that county auditors deliver the abstracts of property tax rolls to the State Tax Commission via "certified mail."

MOTION: **Rep. Gestrin** made a motion to send **H 390** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Gestrin** will sponsor the bill on the floor.

H 391: **Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **H 391** concerning Tax Commission duties relative to the errors in its assessment of operating property. In reference to the deadline for notifying county auditors and tax collectors of such errors, this will provide more time for the counties to correct any errors and calculate the proper tax levies.

MOTION: **Rep. Stevenson** made a motion to send **H 391** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Stevenson** will sponsor the bill on the floor.

- H 392:** **Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **H 392**. This legislation eliminates conflicts between section 63-8036 and Chapter 35, Title 63, Idaho Code, regarding dates by which tax amounts to be distributed to taxing districts are calculated and reported. It also provides for notice of amounts of solar tax distributions so that these amounts can be accounted for consistently with other distributions prior to setting property tax levy rates. The amendments further move the date for the county to notify affected taxing districts from the third to the first Monday in August. Mr. Dornfest confirmed that the reference to tax paid on gross earnings is in lieu of property that would ordinarily be levied is found in section 63-602JJ and that the rates are found elsewhere in another chapter.
- MOTION:** **Rep. Erpelding** made a motion to send **H 392** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Erpelding** will sponsor the bill on the floor.
- MOTION:** **Rep. Kauffman** made a motion to approve the minutes of January 19, 2018. **Motion carried by voice vote.**
- H 381:** **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **H 381**. This bill remedies an incorrect reference by replacing the reference to paragraph (4) with a reference to paragraph (6) in 63-3026A.
- MOTION:** **Rep. Nate** made a motion to send **H 381** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nate** will sponsor the bill on the floor.
- H 382:** **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **H 382**. This bill extends the deadline from 60 to 120 days for taxpayers to report a change in their federal income or any tax paid to another state.
- MOTION:** **Rep. Kauffman** made a motion to send **H 382** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.
- H 384:** **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission presented **H 384**. This bill allows taxpayers to use available loss and credit carryovers in years beyond the normal statute of limitations if there is an increase in taxable income due to a bonus depreciation adjustment.
- MOTION:** **Rep. Troy** made a motion to send **H 384** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Hartgen** will sponsor the bill on the floor.
- ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 9:23 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, January 29, 2018

SUBJECT	DESCRIPTION	PRESENTER
H 375	Relating to Income Tax Credit Railroads	John Watts, Veritas Advisors
RS25725	Relating to Income Taxation Bullion	Representative Moyle
RS25937	Relating to Budgets Taxing Districts	Representative Harris
RS25807	Relating to Tax Credits Medical Residency Placement	Representative Erpelding
RS25806	Relating to Regulation of Short-Term Rentals	Representative Nate
RS25936	Relating to Adoption Expenses Tax Deduction	Representative Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 29, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** None

GUESTS: John Watts, Veritas; Ryan Pidde, Mickelson & Co.; Dan DeGon, St. Maries RR/Washington & Idaho RR/BGCM; Jeff Short, Idaho Northern & Pacific RR; Benjamin Kelly, Food Producers of Idaho; Jon Watson, J.C. Watson Co. Parma; Margaret Watson, J.C. Watson Co. Parma; James C. Lynch, Lynch Oil Inc; Scott B. Lynch, Lynch Oil Inc; Russell Westerberg, RMP; Lucas Bellamy, Watco; Rich Gardner, IGPA; Stacey Satterlee, Idaho Grain Producers; Ted Kadau, Watco; Dennis Tanikuni, Idaho Farm Bureau; Kelli Brassfield, IAC; Alex LaBeau, IAC; Jack Lyman, Idaho Housing Alliance

Chairman Collins called the meeting to order at 9:00 a.m.

MOTION: **Rep. Kauffman** made a motion to approve the minutes of January 22, 2018.
Motion carried by voice vote.

H 375: **John Watts**, Partner, Veritas, presented **H 375**. This legislation is to authorize a non-refundable income tax credit for short line transportation investment and maintenance into Idaho's short line railroad infrastructure. Improved short line rail infrastructure will allow heavier and fully loaded cars to move more product for less cost to a shipper, and improved railroad infrastructure will increase safety, efficiency and reliability. This legislation provides 50% income tax credit on the value of investment, capped at \$3,500 per mile of track owned/operated by the short line railroad in Idaho. If not used by the short line railroad, credit is transferable only to railroad customers and vendors. The effective date is January 1, 2019 and sunsets in five years in 2024.

Ryan Pidde, Mickelson & Associates, spoke **in support** of **H 375**. Mr. Pidde stated how transfers work between transferrer and transferee. He also spoke about how the market works and gave examples of reinvestment activity with railroads and customers.

Ted Kadau, Great Northwest RR and Boise Valley RR, spoke **in support** of **H 375**. Mr. Kadau gave an overview of infrastructure requirements for the railroad. He gave examples of how Great Northwest RR and Boise Valley RR would use the credit and it would work for customers.

Jeff Short, Idaho Northern and Pacific RR, spoke **in support** of **H 375** and gave an overview of infrastructure requirements for the railroad. He gave examples of how Idaho Northern RR and Pacific RR would use the credit and it would work for customers in the Emmett, New Plymouth, Payette and the Horseshoe Bend area.

Jon Watson, J.C. Watson Co., spoke **in support** of **H 375** and gave background on his use of the short line railroad with his business and how he would use transferred tax credit dollars.

Margaret Watson, J.C. Watson Co., spoke **in support** of **H 375** stating that as the ex-Mayor of Parma, she knows how important the short line is to rural America. She spoke about the negative affects that a lack of a short line railroad has on rural communities and that having a short line railroad is an incentive for bringing in businesses.

Stacey Satterlee, Idaho Grain Producers, spoke **in support** of **H 375** by stating wheat and barley are among the top ten products moved by a short line railroad and overall railroads move about 36% of Idaho's wheat to market. Ms. Satterlee said this maximum 3.1 million dollar credit would provide a timely and prudent investment by the state to improve the overall transportation infrastructure and without using rail to ship, the amount of trucks on the roads would be tremendous.

Dan Degon, St. Maries, Washington & Idaho and BGCM railroads, spoke **in support** of **H 375**, he explained what track credit means to them by stating it allows them to focus on growth and new business and maintaining support to their customers.

Benjamin Kelly, Food Producers of Idaho, spoke **in support** of **H 375** stating the bill will benefit agricultural producers by creating an incentive for short line railroads to invest in their infrastructure, allowing them to continue carrying commodities into their future.

Alex LaBeau, President, Idaho Association of Commerce & Industry, spoke **in support** of **H 375** stating that Idaho is clearly an exporting state. He confirmed there are four ways goods go out of the state, by way of air, water, truck and rail. Three of the four is operated and supported by the government and supported by government taxation. Rail is different and because it is owned by the private sector, it requires a unique way of financing the product itself.

Chairman Collins called upon **John Watts** to conclude his presentation of **H 375**. In response to questions, Mr. Watts confirmed the Idaho Tax Commission has reviewed this and they have forms and agreements that the short line railroad would be subject to the rules written by the tax commission. He stated that other eligible items identified on Page 2, lines 3 through 11 are the qualifying expenditures. Mr. Watts confirmed each railroad is an individual and would not be a group. He stated the 6.2 million dollars is an aggregate representation of \$3,500 per mile which is the cap times the 885 miles of the railroad in the state. Mr. Watts reiterated the federal program sunsetted in 2016 and this bill applies to the federal income tax not the Idaho state tax. He confirmed that Broadband Investment Tax credit can be transferred to anyone and it costs an average of \$14,000 per mile for maintenance. Mr. Watts reiterated that because bonds and loans are leveraged and collateralized, it's better to do the tax credit because it's a revenue generator. He yielded to **Ryan Pidde** who responded to a question, by confirming there is nothing to prevent a railroad from deducting expenses and also taking the tax credit. Mr. Watts stated this bill is a means to generating the money from everyone that is participating in this piece of transportation infrastructure to allow for an expenditure into the ground. This is means to generate additional revenue from a private partner in the business.

MOTION: **Rep. Hartgen** made a motion to send **H 375** to the floor with a **DO PASS** recommendation.

Reps. Kauffman and Thompson spoke **in support** of the motion. **Rep. Moyle** spoke **in opposition** of the motion.

VOTE ON MOTION: **Motion carried by voice vote. Reps. Moyle, Troy and Erpelding** requested their **NAY** vote be recorded. **Rep. Kauffman** will sponsor the bill on the floor.

RS 25725: **Rep. Moyle** presented **RS 25725**. This proposed legislation will exempt the sale of precious metals bullion from being subject to capital gains.

- MOTION:** **Rep. Gibbs** made a motion to introduce **RS 25725. Motion carried by voice vote.**
- RS 25937:** **Rep. Harris** presented **RS 25937.** Taxing districts, such as cities and counties, may elect to disclaim any or all their forgone balance for the current year. This proposed legislation adds flexibility as to when the district may adopt such a resolution. It also requires that the resolution be filed with the county clerk and the state tax commission.
- MOTION:** **Rep. Erpelding** made a motion to introduce **RS 25937. Motion carried by voice vote.**
- RS 25807:** **Rep. Erpelding** presented **RS 25807.** This proposed legislation provides an income tax credit for charitable contributions made to Idaho-based medical residency placement organizations, accredited by the Accreditation Council for Graduate Medical Education or the American Osteopathic Organization.
- MOTION:** **Rep. Thompson** made a motion to introduce **RS 25807. Motion carried by voice vote.**
- RS 25806:** **Rep. Nate** presented **RS 25806.** This proposed legislation amends section 67-6539, of the Idaho Code, to align the law with the original intent of **H 216** (2017 Session). The word "throughout" and the phrasing of what regulation is allowable, with limitations, left ambiguity about whether some prohibitions on short-term rentals were legal. This legislation revises the language to eliminate the ambiguity. In response to a question, Rep. Nate confirmed that his community of Rexburg is wanting clarification of the language.
- MOTION:** **Rep. Erpelding** made a motion to introduce **RS 25806. Motion carried by voice vote.**
- RS 25936:** **Rep. Moyle** presented **RS 25936.** This proposed legislation will raise the amount of legal fees, medical expenses and other costs that adoptive parents may deduct from their taxable income.
- MOTION:** **Rep. Thompson** made a motion to introduce **RS 25936. Motion carried by voice vote.**
- ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 10:49 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 30, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS25830	Relating to Property Tax Relief for Certain Disabled Veterans	Rep. Priscilla Giddings
RS25939	Relating to Forest Lands Taxation	Rep. Clark Kauffman
RS25996	Relating to Income Taxes Conformity 2018	Rep. Mike Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 30, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:**

GUESTS: Fred Birnbaum, Idaho Freedom Foundation; Russell Westerberg

Chairman Collins called the meeting to order at 9:00 a.m.

RS 25830: **Rep. Giddings** presented **RS 25830** which provides a special property tax reduction of \$1,320 to veterans who have a 100% service-connected disability. The proposed reduction is separate from the circuit breaker deduction and is independent income. The Idaho Tax Commission estimates there could be 960 new veteran claims receiving approximately \$900 each, and 700 current veteran claims that are part of the circuit breaker program who would each receive an additional \$285 benefit. If an additional staff person is needed, added to the claimed reduction costs, the estimated fiscal assessment is \$1.1 million. The combined property tax reduction cannot exceed the amount of a 100% of the disabled veteran's property and can pass to a surviving spouse, but not to children or grandchildren. Idaho Code Section 63-705A is new section of code.

In response to committee questions about how the tax reduction process would work, **Rep. Giddings** responded that each spring, veterans initiate the process which may be by filling out a form with the county assessor or by filing out a section added to the circuit breaker form. Once the special property tax reduction has been initiated, reminders will be sent to applying veterans in the following years. County assessors will send the forms to the state who will credit it out of the general fund. **Rep. Giddings's** response to committee questions on proportional property ownership and spousal transfers of the tax reduction was that the reduction would apply only to a veterans portion of the taxable property, and a surviving spouse retains the credit until the spouse no longer has tax levied on the homestead. **Rep. Giddings** agreed that the tax year of 2018 printed in Section 63-705A conflicts with its effective date of July 1, 2018.

MOTION: **Rep. Nate** made a motion to introduce **RS 25830** with the following change: on Page 1, Line 38, Section 63-705A, change the year from 2018 to 2019.

Rep. Giddings replied to committee questions advising tax relief would come from the general fund.

**VOTE ON
MOTION:** **Motion carried by voice vote.**

RS 25939: **Rep. Kauffman** presented **RS 25939** that addresses the way large tracts of forest lands of over 5,000 acres or more are taxed utilizing a formula developed by the Committee of Forestland Taxation Methodology (CFTM) that takes into consideration the time of growing and harvesting of trees, amortizing the process. One of the formula variables is the value on the market of timber which dropped in price during the recession and drove timberland values down dramatically so that in 2012, the CFTM set a floor and ceiling agreement on the values for 10 years at Idaho Code 63-1705(3)(a). In that agreement, landholders agreed they would artificially hold their land values to not less than 2011 levels for taxation purposes for 10 years even if the real values declined further, which they did. In exchange for the landholder agreement, it was agreed that when the economy recovered, landholders tax values for taxation purposes would not increase by more than 30% above the 2011 levels with the values not increasing or decreasing by more than 5% in a given year. Another variable in the formula divided the state into 4 regions with each parcel of timberland being further divided into poor, medium or good classifications. After the recession ended, the process county assessors needed to go through to change a parcel's productivity classification was unclear, and some assessors unilateral changed classifications for parcels and even ignored the floor and ceiling agreement. Landowners were not notified that tests or investigations would be conducted on their property and were surprised when their assessed land values took a jump. To resolve the situation, CFTM will develop a process where county assessors can change a parcel's productivity classification and which involves notifications to landowners, outlines qualifications of those performing the field tests and requires county assessors to keep field test notes. In the meantime, productivity classifications will revert to the 2016 levels until an agreement is reached and set forth in Tax Commission rules.

MOTION: **Rep. Troy** made a motion to introduce **RS 25939**. **Motion carried by voice vote.**

RS 25996: **Rep. Moyle** presented **RS 25996** as the tax reduction conformity bill of 2018 that conforms the Idaho income tax code to changes made to the Internal Revenue Code for the 2018 taxable year. He informed the committee that Idaho is going to gain approximate revenue of \$118/119 million dollars. The amount the corporations receive is reduced, the total impact is a positive \$97.4 million, and this legislation turns around and gives back \$201 million for a net effect on the General Fund of \$104.5 million. **RS 25996** conforms to new federal tax deduction, allows net operating losses to be carried forward, sets out seven individual rate income tax reductions with bands reduced by 0.475%, reduces corporate taxes 0.475%, creates a new child tax credit of \$130, and aligns Idaho's education savings tax with changes made to the 529 federal education savings tax that now allows it be used for Kindergarten through Twelfth Grade students. The federal 529 is a \$10,000 tax credit and Idaho's is \$6,000. Rep. Moyle advised that in 2000, high-end income was \$7,500, and in 2000 it was adjusted for inflation and raised to \$11,043. The proposed legislation's effective date is January 1, 2018.

In response to committee questions, **Rep. Moyle** replied that it is not uncommon to have a conformity bill when the federal changes are this big, and he stated it is wise to generate it now because new education is required, its a lot to digest, and it generates income for the tax cut going forward. Rep. Moyle advised the committee that this conformity bill does not address all the federal changes and exemptions, just to the child tax code.

MOTION: **Rep. Raybould** made a motion to introduce **RS 25996**. **Motion carried by voice vote.** **Reps. Erpelding and Gannon** requested to be recorded as voting **NAY**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:32 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Thursday, February 01, 2018

SUBJECT	DESCRIPTION	PRESENTER
H 462	Relating to Forest Lands Taxation	Representative Kauffman
H 405	Relating to Unfair Sales Act	Representative Harris
H 451	Relating to Tax Credits Medical Residency Placement	Representative Erpelding

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 01, 2018

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** Representative(s) Moyle, Thompson

GUESTS: Melinda Merrill, NW Grocery Association; Jim Riley, Riley Stegner & Associates; Steve Thomas, IFG; Seth Grigg, IAC; Jim Lynch, Mr. Gas; Ken McClure, IMA; Pam Eaton, Idaho Retailers Association; Fred Birnbaum, IFF; Suzanne Budge, IPM & CSA

Chairman Collins called the meeting to order at 8:33 a.m.

MOTION: **Rep. Gannon** made a motion to approve the minutes of January 18, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Gannon** made a motion to approve the minutes of January 23, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Gannon** made a motion to approve the minutes of January 25, 2018. **Motion carried by voice vote.**

H 462: **Rep. Kauffman** presented **H 462**. Property taxes for timberland owners with more than 5,000 acres are taxed differently than other types of property. Owners of 5,000 or more acres pay county property taxes according to a formula developed by the Committee of Forestland Taxation Methodology, which is codified in Title 63, Chapter 17. The formula takes into account several variables. One variable is how productive a particular parcel of land is for growing timber. Based on the results of several different forestry measurements, a parcel is classified as either poor, medium, or good for this purpose, which is referred to as the land's productivity classification. The Tax Commission and the Committee on Forestland Taxation set rules and procedures for county assessors to follow when considering changes to a parcel's productivity classification. The current rules have not provided a consistent, objective, or transparent process. Landowners in some counties have received assessment notices reflecting substantial (50% to 200%) increases in valuations due to productivity class changes, but no documentation exists to show the forest measurements required by the current rule were ever performed. This bill would require the Idaho Tax Commission and the Committee on Forest Land Taxation to review and revise the rule for forestland productivity classification to provide a professional and consistent process for all counties, including notification to landowners, qualifications for those conducting forestry measurements, and standards for documentation and retention. The bill would set productivity classifications at their 2016 levels until the rule is complete and approved by the legislature.

Jim Riley, Principal, Riley Stegner & Associates spoke **in support** of **H 462** stating the proposed legislation resets the status quo until such time when rules can be issued that are agreed upon and that every county does things consistently, fairly and transparently for the landowners. Mr. Riley stated that 79 parcels are affected by reverting this back to 2016 values. He reiterated that there were issues in three counties where their productivity classification changed and it increased the assessed value for their parcels. Mr. Riley confirmed the reversion does not apply retroactively from this point going forward; it's not a tax credit, it's a tax refund. He reiterated this requires a rule to talk about the guidelines for how land owners are notified for when one of those assessments reviews are going to be undertaken, what kind of documentation has to occur with the counties so the landowner can avail themselves of that and what type of credentials are necessary for somebody to go out and do such reviews.

Seth Grigg, Idaho Association of Counties spoke **in opposition** of **H 462** stating there is a process set forth in the Idaho Code for those 79 parcels and appeal process. He wants clarifying language, proper notification to the landowners, records retention, qualification of those going out and determining the productivity classification. Mr. Grigg has concerns there is no sunset clause and thinks there are some frameworks that we can work with within the statute. In response to questions, he stated the CFTM would have to meet to make recommendations to the tax commission and the rules would be promulgated thereafter. Mr. Grigg confirmed that the 5% annual ceiling does not apply to the parcel, but it applies to the productivity classification. Mr. Grigg deferred to **Steve Fiscus**, Idaho State Tax Commission, to respond to other questions. Mr. Fiscus replied to a question stating line 38 sets the values by four zones in the state for ten years; values are being set on the four zones, not on individual parcels.

MOTION: **Rep. Troy** made a motion to send **H 462** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.

H 405: **Rep. Harris** presented **H 405**. The purpose of this legislation is to repeal the Unfair Sale Act, Chapter 4, Title 48, Idaho Code. This depression-era statute became law in 1939 and, with limited exceptions, required merchandise to be marked-up over cost by a minimum, statutorily-set amount. Today, it is common for merchants to offer their wares at or below cost as an inducement to patronize the merchandiser and purchase other goods. Other merchants, such as grocery stores, commonly set prices at very low margins, making their profits through high volume. Although the law is generally not enforced, its violation is a misdemeanor carrying fines and jail time. As the enforcement of such a price-fixing scheme would harm consumers and reduce competition, this Act should be repealed.

Sen. Burgoyne spoke **in support** of **H 405**. He stated this bill gets people off the hook for technically violating the law simply because they are, doing every single day, what we expect them to do in the marketplace by pricing their products competitively and not marking their products up at 6% over their cost. Sen. Burgoyne reiterated that there was a case where the statute was used in court, so it does present a danger of possibly others that could be brought forth. He confirmed that the petroleum industry is concerned because they have attempted to use this statute occasionally demanding legal action when someone is engaged in predatory pricing and stating this is not the right statute to cite.

Jim Lynch, Mr. Gas, spoke **in opposition** of **H 405**. He stated he can't compete with the larger businesses and that he needs this current law to protect him and keep him in business. In response to questions, Mr. Lynch stated with the current law, the small businesses are at a disadvantage.

Pam Eaton, Idaho Retailers Association, spoke **in support** of **H 405**. Ms. Eaton stated she represents retailers of all sizes and none of them support the current law. She stated she is nervous about the possibilities of law suits because of the current law and the new one will protect retailers.

Suzanne Budge, Idaho Petroleum Marketers Association and Convenience Store Association, spoke **in opposition** of **H 405**. She stated petroleum marketers do their business differently and removing this bill removes a tool that protects them from predatory pricing and her members will not be protected if this law is repealed.

MOTION: **Rep. Nate** made a motion to send **H 405** to the floor with a **DO PASS** recommendation.

ROLL CALL VOTE: **Chairman Collins** requested a **roll call vote** on the motion to send **H 405** to the floor with a **DO PASS** recommendation. **Motion carried** by a vote of **10 AYE, 4 NAY, 2 ABSENT**. **Voting in favor** of the motion: **Reps. Kauffman, Raybould, Anderst, Dayley, Chaney, Nate, Gibbs, Erpelding, Gannon and Chairman Collins**. **Voting in opposition** to the motion: **Reps. Hartgen, Gestrin, Stevenson and Troy**. **Reps. Moyle and Thompson** were absent/excused. **Rep. Harris** will sponsor the bill on the floor.

H 451: **Rep. Erpelding** said this legislation provides an income tax credit for charitable contributions made to Idaho-based medical residency placement organizations, accredited by the Accreditation Council for Graduate Medical Education or the American Osteopathic Organization. Residency placement programs are essential to the final stages of M.D. and D.O. educational processes, and residency placement programs enhance programs like WWAMI by encouraging doctors to stay in the state of Idaho.

MOTION: **Rep. Anderst** made a motion to send **H 451** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Erpelding** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:21 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, February 05, 2018

<u>SUBJECT</u>	<u>DESCRIPTION</u>	<u>PRESENTER</u>
H 463	Relating to Income Taxes Conformity 2018	Representative Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 05, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** None

GUESTS: Darcy James, The Interfaith Roundtable Against Hunger; Fred Birnbaum, Idaho Freedom Foundation (IFF); Dustin Hunst, IFF; Ned Burns, Idaho Realtors/Sun Valley Board of Realtors; Tom Shaner, Idaho State Tax Commission; Alex LaBeau, IACL; Russell Westerberg, RMP; Brody Aston, RMP; Laura Lantz, ISCPA; Doug Paddock, IORC; Julie Page, IORC; Tamara L. Green, Sotheby's; John Watts, Idaho Chamber Alliance; Miguel Legarreta, ATI

Chairman Collins called the meeting to order at 9:01 a.m.

MOTION: **Rep. Dayley** made a motion to approve the minutes of the January 22, 2018, meeting. **Motion carried by voice vote.**

MOTION: **Rep. Anderst** made a motion to approve the minutes of the January 30, 2018, meeting, with the following correction: Rep. Anderst was present and his being listed absent should be amended. **Motion carried by voice vote.**

H 463: **Rep. Moyle** presented **H 463** saying it is the largest tax reduction bill in Idaho history that mirrors the tax reduction bill passed by the federal government that addresses some concerns and how they affect Idaho citizens and the taxes they pay. The bill deals with conformity, including to the standard deduction increase, personal and dependent exemption elimination and business income tax changes such as net operating losses, allowing for limited losses to be carried forward and income tax reductions that propose to reduce all the bands from the lowest income rates to the highest income rates by .475%, which is a substantial increase for those in the lower bands because the percentage decrease in their tax liability is far greater than those in the upper bands. An Idahoan with a taxable income of \$11,043 is in the upper band at 7.4% because Idaho bands are pretty narrow. A new section is created for a non-refundable child tax credit of \$130 because some Idaho families who previously did not have a tax liability will now, and the child tax credit will help ease their tax liability. **H 463** also addresses the 521 savings education program, which used to allow up to \$10,000 for higher education, but now allows Idahoans to use the funds for K-12. It is still capped at \$6,000 with a retroactive date of January 2018. Conforming to the Internal Revenue Code affects the 2018 taxable year and is necessary now for accountants and taxpreparers in Idaho.

In response to committee questions, **Rep. Moyle** said overall this is a substantial tax reduction. He informed the committee federal code changes forced an income tax increase against Idaho citizens because their income tax rates are so high, so the \$130 child tax credit is a good thing and there are going to be deductions at the federal level. Rep. Moyle reiterated **H 463** is a reasonable compromise of all parties and because of the national tax code changes, Idaho has to adjust to be more competitive and help its large families.

Alex LeBeau, Idaho Association of Commerce and Industry; **John Watts**, Idaho Chamber Alliance; **Fred Birnbaum**, Idaho Freedom Foundation; and **Miquel Legarreta**, Associated Taxpayers of Idaho spoke **in support** of **H 463** because it is good for the corporate tax rate and is one of the biggest and most productive steps toward a 5% flat tax for which Mr. Legarreta has been working for a long time. The bill also balances conformity with tax relief. Mr. Birnbaum supports the net tax cut of more than \$100 million that they have been advocating for a number of years, but is against adding the credits in **H 463** because they complicate the tax code.

Julie Page, Idaho Organization of Resources Council; **Darcy James**, Idaho Interfaith Roundtable Against Hunger, spoke **in opposition** to **H 463** because it uses conformity to make tax cuts that should be addressed separately, and the bill uses a huge unanticipated windfall for a tax break that barely reaches those in need.

Rep. Moyle stated every Idahoan who pays taxes benefits from this bill. It lowers taxes for everyone who pays taxes in the state of Idaho and makes Idaho a better place to do business. It doesn't provide all of what everyone wants but presents a good balance.

MOTION: **Rep. Gibbs** made a motion to send **H 463** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Erpelding** and **Gannon** requested to be recorded as voting **NAY.** **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:10 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, February 06, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS25811	Relating to Sales Tax, Free and Charitable Clinics	Representative Kauffman
H 449	Relating to Income Taxation, Bullion	Representative Moyle
H 450	Relating to Budgets, Taxing Districts	Representative Harris

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 06, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon(17)

**ABSENT/
EXCUSED:** None

GUESTS: Fred Birnbaum, Idaho Freedom Foundation; John Evans, AIC; Jess Harrison, AIC; Russell Westerberg, RMP; Amber Pence, City of Boise; Laura Lantz, ISCPA

Chairman Collins called the meeting to order at 9:00 a.m.

RS 25811: **Rep. Kauffman** presented **RS 25811** stating the purpose of this legislation is to provide a sales and use tax exemption for sales to or purchased by the Idaho Association of Free and Charitable Clinics and clinics who are members of the Idaho Association of Free and Charitable Clinics.

MOTION: **Rep. Anderst** made a motion to introduce **RS 25811**. **Motion carried by voice vote.**

H 449: **Rep. Moyle** presented **H 449** stating the framers of our nation established that gold and silver are money, but federal taxing authorities in recent decades have required taxpayers to report nominal capital "gains" and "losses" when exchanging this form of money for Federal Reserve Notes. Idaho already exempts precious metals sales from the sales tax. This bill will exempt the sale of precious metals bullion from being subject to capital gains.

Fred Birnbaum spoke in support of **H 449** stating this bill exempts the capital gains tax in it's application to bullion because it is sales tax exempt. It does not include jewelry, but can include gold bars and the key difference is the metal has been refined. Gold is a good liquid way to protect individuals against inflation. This bill speaks to not taxing someone for the decline in the value of the dollar in a period of inflation. Mr. Birnbaum confirmed the difference between stocks and gold is some stocks pay dividends and gold does not. He stated nothing is earned while holding gold and it is a hedge against inflation.

MOTION: **Rep. Anderst** made a motion to send **H 449** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Gannon** requested he be recorded as voting **NAY**. **Rep. Moyle** will sponsor the bill on the floor.

H 450: **Rep. Harris** presented **H 450** stating taxing districts, such as cities and counties, may elect to disclaim any or all of their forgone balance for the current year. This bill adds flexibility as to when the district may adopt such a resolution. It also requires that the resolution be filed with the county clerk and the state tax commission. **Rep. Harris** confirmed the elected officials have the right to disclaim the forgone balance for that year.

John Evans, Mayor of Garden City, Idaho, spoke **in opposition** to **H 450** stating forgone balances represent a fail safe in our system. He said forgone balances don't create a tax burden on the electorate unless the elected body chooses to appropriate them. Mr. Evans stated most cities in Idaho do not have programs where they can draw down from to take care of emergencies. There is a formalized public hearing that's required before passage of an appropriations ordinance and typically numerous open meetings that take place during the cycle. He stated, unless you can see into the future, this is risky legislation. In response to questions, Mr. Evans reiterated the spending is controlled by the appropriations ordinance. Cities are not limited on the timing of how they spend that appropriation. The limitation is the lump sums received in February and July from the property tax.

MOTION: **Rep. Nate** made a motion to send **H 450** to the floor with a **DO PASS** recommendation.

SUBSTITUTE MOTION: **Rep. Erpelding** made a motion to **HOLD H 450** in committee.

VOTE ON SUBSTITUTE MOTION: **Chairman Collins** called for a vote on the substitute motion to **HOLD H 450** in committee. **Substitute Motion failed by voice vote.**

VOTE ON ORIGINAL MOTION: **Chairman Collins** called for a vote on the motion to send **H 450** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Reps. Kauffman, Troy, Gibbs, Erpelding and Gannon** requested to recorded as voting **NAY. Rep. Harris** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:48 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW40
Wednesday, February 07, 2018

SUBJECT	DESCRIPTION	PRESENTER
<u>RS26025C1</u>	Relating to Income Tax, College Savings	Christine Stoll, Idaho College Savings Program
<u>RS26059</u>	Relating to Sales Tax, Vehicles	Representative Kauffman
<u>RS26068</u>	Relating to Motor Vehicle Rentals	Brody Aston, Westerberg and Associates
<u>RS26016</u>	Relating to Taxation, Capital Gains	Kenneth McClure, Idaho Society of CPA's
<u>H 452</u>	Relating to Short-Term Rentals, Regulation	Representative Nate
<u>H 453</u>	Relating to Adoption Expenses, Tax Deduction	Representative Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 07, 2018

TIME: 8:30 A.M.

PLACE: Room EW40

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon(17)

**ABSENT/
EXCUSED:** None

GUESTS: Jonathan Parker, IAHD

Chairman Collins called the meeting to order at 8:30 a.m.

RS 26025C1: **Christine Stoll**, Idaho College Savings Program, presented **RS 26025C1** stating this legislation amends Idaho Code section 63-3022 to tax the earnings portions only of a non-qualified withdrawal from the Ideal- Idaho 529 College Savings Program. The federal 529 law stipulates that all college savings contributions are deposited post-tax. This is observed in Idaho as well. Currently, federal and Idaho 529 laws treat non-qualified withdrawals differently. The federal law states that non-qualified withdrawals are taxed on the earnings portion only as the principle has been previously taxed. Idaho Code 63-3022 requires that a non-qualified withdrawal from the Idaho College Savings Program be taxed on the entire amount withdrawn. This legislation changes Idaho code to tax the earnings portion only of non-qualified withdrawals. This alleviates a double tax on principle contributions. It also ensures that the treatment of non-qualified withdrawals are consistent in federal and state laws and compare equally with all other 529 counterparts nationally. The Federal Tax Cuts and Jobs Act of 2017 included text to allow for rollovers from a state qualified tuition program (Idaho's College Savings Program) to a qualified Achieving a Better Life Experience (ABLE) program account. This legislation adds a recapture provision for a two-year period for contributions previously deducted through the Idaho College Savings Program ensuring that the treatment of rollovers to other programs are consistent. Idaho does not have an Achieving a Better Life Experience (ABLE) program. Data is not available in Idaho or from the social security administration indicating how many Idahoans possibly have an ABLE account in another state.

MOTION: **Rep. Chaney** made a motion to introduce **RS 26025C1**. **Motion carried by voice vote.**

RS 26059: **Rep. Kauffman** presented **RS 26059** stating this legislation serves as a pilot project that supports the adoption of alternative fuel vehicles in the State of Idaho. Expanding the adoption of Natural Gas, propane or electrically propelled and other alternative fuel vehicles allows Idahoans to consume Idaho-produced fuels, helping to reduce Idaho's current reliance on imported transportation fuels. This legislation may also encourage automobile manufacturers to deliver more vehicles to Idaho to be sold by Idaho dealers, in turn spurring the Idaho economy. This legislation also seeks to mitigate the issues surrounding non-attainment for air quality standards throughout Idaho. Alternatively fueled vehicles produce less particulates and nitrogen oxides that are a leading cause of Idaho's air quality challenges. This proposed legislation accomplishes all of this by adding a new section of code that allows purchasers of new vehicles, propelled by alternative fuels (compressed

natural gas, liquid natural gas, propane or plug in electric) to pay 50% less sales tax, if the vehicle is originally registered in Idaho.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 26059**. **Motion carried by voice vote.**

RS 26068: **Brody Aston**, Westerberg & Associates, presented **RS 26068** stating this legislation protects the private property rights of Idaho vehicle owners by ensuring the right to rent their vehicle is maintained. The legislation further requires vehicle rental marketplaces, that contract with Idaho vehicle owners, to collect and remit all applicable taxes to the state and local governments which are currently due. Mr. Aston reiterated there's a lot more taxes that are liable in the lodging environment and in the rental marketplace there is only sales or local option tax that is due. He stated it's unclear who is liable for collecting the tax and believes it is not currently being collected. Mr. Aston confirmed other states have rental car acts and Idaho does not, therefore a sales tax is the best approach for Idaho.

MOTION: **Rep. Thompson** made a motion to introduce **RS 26068**. **Motion carried by voice vote.**

RS 26016: **Kenneth McClure**, Idaho Society of CPA's, presented **RS 26016** stating this Legislation aligns Idaho treatment of capital gains with the treatment afforded by the Internal Revenue Code. The IRC allows capital gains treatment for sale of a real estate partnership interest. Idaho does not. In order to qualify for capital gains treatment under current Idaho law a taxpayer needs to have the partnership distribute the property to its partners as tenants in common who then sell the TIC interests. This is an unnecessary step and can catch taxpayers unaware, making this a tax almost exclusively on the unwary who assume that Idaho law is the same as federal law. Mr. McClure confirmed this is historic and has been here for a long time.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26016**. **Motion carried by voice vote.**

H 452: **Rep. Nate** presented **H 452** stating this legislation amends section 67-6539, of Idaho Code, to align the law with the original intent of H 216 (2017 Session). The word "throughout" and the phrasing of what regulation is allowable, with limitations, left ambiguity about whether some prohibitions on short-term rentals were legal. This legislation revises the language to eliminate the ambiguity. Rep. Nate confirmed that because of the word "throughout" was used, they said this could prohibit them in some neighborhoods.

MOTION: **Rep. Anderst** made a motion to send **H 452** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nate** will sponsor the bill on the floor.

H 453: **Rep. Moyle** presented **H 453** stating this legislation will raise the amount of legal fees, medical expenses and other costs that adoptive parents may deduct from their taxable income. If this legislation passes, adoptive parents will be able to deduct \$10,000 rather than \$3,000. Rep. Moyle reiterated that actual expenses up to \$10,000 can be deducted and the typical costs of an adoption is an unknown being that they are all different. Rep. Moyle deferred to **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission. She confirmed the federal tax law did not change anything on the adoption, and it would still be an itemized deduction on the federal return. This is a line item for the 39R for the state return. This only changes the amount from \$3,000 to \$10,000. Rep. Moyle stated legal fees and medical expenses related to the adoption of a child qualify for this deduction.

Jonathon Parker, IAHD, spoke **in support** of **H 453**. Mr. Parker said he and his wife have gone through the adoption process and agree it's emotional and very expensive. He stated he is very appreciative of this effort.

MOTION: Rep. Gibbs made a motion to send H 453 to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** Rep. Moyle will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:01 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Monday, February 12, 2018

SUBJECT	DESCRIPTION	PRESENTER
H 513	Relating to Sales Tax, Free/Charitable Clinics	Representative Kauffman
H 492	Relating to Property Taxes, Disabled Veterans	Representative Giddings
RS25976	Relating to County Justice Fund, Tax Rate	Seth Grigg, Idaho Association of Counties
RS26023	Relating to Tax Exemption, County Option	Representative Moyle
RS25989C2	Relating to Grocery, Sales, Income Tax Rates	Representative Babieri
RS26127	Relating to Income Taxes, 2018 Conformity	Senator Siddoway
RS26054	Relating to Tax Exempt Property	Representative Moyle
RS26044	Relating to Bond Elections, Ballot Language	Representative Nate
RS26028	Relating to Income Tax, Revenue, Growth, Reduction	Representative Monks

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Hartgen
Rep Kauffman, Acting Vice Chairman	Rep Chaney
Rep Moyle	Rep Nate
Rep Raybould	Rep Thompson
Rep Anderst	Rep Gestrin
Rep Dayley	Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

- DATE:** Monday, February 12, 2018
- TIME:** 8:30 A.M.
- PLACE:** Room EW42
- MEMBERS:** Chairman Collins, Acting Vice Chairman Kauffman, Representative(s) Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon
- ABSENT/
EXCUSED:** None
- GUESTS:** Jonathan Packer, IAHD
- Chairman Collins** called the meeting to order at 8:30 a.m.
- MOTION:** **Rep. Dayley** made a motion to approve the Minutes of the January 17, 2018 meeting. **Motion carried by voice vote.**
- H 513:** **Rep. Kauffman** presented **H 513**. This legislation is to provide a sales and use tax exemption for the Idaho Association of Free and Charitable Clinics and its member clinics.
- Arne Walker**, Executive Director of the Wellness Tree Community Clinic in Twin Falls, ID and the President of the Idaho Association of Free and Charitable Clinics spoke **in support** of **H 513**. In response to committee questions, Mr. Walker indicated that none of the free and charitable clinics offer abortions and a majority of the clinics are operated by faith-based entities.
- Rep. Kauffman** stated there were 18,000 encounters to the clinics at an estimated value of \$160 per visit. There was an estimated savings to state and counties of \$4.2 million by just 20% of those encounters using the free and charitable clinics instead of using emergency rooms. Rep. Kauffman also responded to committee questions stating there are health-related industries that are non members of the free and charitable clinics that may receive the tax exemption, also.
- MOTION:** **Rep. Hartgen** made a motion to send **H 513** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nate** requested to be recorded as voting **NAY.** **Rep. Kauffman** will sponsor the bill on the floor.
- H 492:** **Rep. Giddings** presented **H 492**. This legislation provides disabled Veterans who have 100% service-connected disability to receive a special property tax reduction of \$1320, not to exceed the amount of the Veteran's actual property taxes. The \$1320 flat credit is independent of the Veteran's income. This credit is separate from the circuit-breaker reduction.
- In response to committee questions, **Rep. Giddings** clarified that the credit cannot benefit other living relatives other than the Veteran's surviving spouse. A surviving spouse would continue to receive the credit as long as he/she is paying the property taxes.
- Rep. Giddings** also responded to committee questions by stating that a Veteran's maximum monthly pay for 100% service-connected disability is just under \$3000 per month. The maximum monthly pay if the Veteran has dependents is just under \$3500 per month.

Rep. Giddings discussed the fiscal impact in response to committee questions. She stated that the \$1.1 million was the amount the Tax Commission estimated to reimburse the counties for the claims of potentially 1,000 to 1,500 new beneficiaries and, if needed, to hire an additional staff member to process those claims.

Those speaking **in support** were **Dr. Daniel Hamry**, 100% service connected disabled Veteran and general trauma surgeon; and **Rick Harper** representing 13,000 members of the American Legion in Idaho and 7,000 Veterans of Foreign Wars in Idaho.

Alan Dornfest, Property Tax Policy Bureau Chief with the Idaho State Tax Commission, answered committee questions pertaining to Veterans owning a property in a living trust or in a trust to see if they would qualify for the special property tax reduction. He stated in certain trust ownership situations and if the beneficial interest is still retained by the claimant, then the claimant or the surviving spouse would qualify for the special property tax reduction.

Pam Waters, coordinator of the Property Tax Reduction program for the Idaho State Tax Commission, answered committee questions. She stated there are accommodations for living trusts and other types of ownerships, if the property is owned by the trust. As long as the surviving spouse is a beneficiary of that trust they would retain the claimant status to receive the special property tax reduction. No other relatives would qualify.

Rep. Stevenson voiced concern regarding the \$1.1 million fiscal note as it pertains to the vagueness of the administrative costs.

MOTION: **Rep. Anderst** made a motion to send **H 492** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Giddings** will sponsor the bill on the floor.

RS 25976: **Seth Grigg**, on behalf of the Idaho Association of Counties presented **RS 25976** This proposed legislation will increase the statutory limit on the county justice levy to twenty-five hundredths of a percent of taxable market value (.0025).

The county justice levy was established to allow counties to levy a dedicated property tax to fund county justice related services. The current county statutory levy limit of the county justice levy is twenty hundredths of a percent of a taxable market value (.002). Thirty-two counties currently levy a justice levy. Of these 32 counties, 16 are at or near statutory levy limits, thus capping their ability to raise revenues to pay for necessary justice related services.

In response to committee questions, **Seth Grigg**, explained that 9 of the 16 counties have a forgone balance. The smaller counties typically don't have a forgone balance. He also explained a levy increase does not necessarily mean the budget will increase. The budget system in Idaho is not dependent on the rate but the budget of the entity itself.

MOTION: **Rep. Thompson** made a motion to introduce **RS 25976.** **Motion carried by voice vote.** **Rep. Moyle** requested to be recorded as voting **NAY.**

RS 26023: **Alex LaBeau**, President of the Idaho Association of Commerce and Industry, presented **RS 26023.** This proposed legislation gives local control of personal property tax. It provides county commissioners the opportunity to grant complete exemption of the personal property tax on those businesses within their county boundaries that are still tracking and paying the tax. County commissioners have the authority to grant the exemption for a time certain after public meetings have been held.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26023.** **Motion carried by voice vote.**

RS 25989C2: **Rep. Barbieri** presented **RS 25989C2**. This proposed legislation repeals the sales tax on food sold for human consumption, using the definition of food products provided under the Federal Supplemental Nutrition Assistance Program (SNAP). To offset the reduction in General Fund revenue, the proposal will repeal the Grocery Tax Credit. Revenue sharing with local governments is increased from 11.5% to 13.2% to mitigate the lower sales tax collections. Local governments are kept whole.

This legislation lowers individual tax rates by .5% through all income brackets. The corporate income tax rate is reduced from 7.4% to 5.0%. There is no conformity in this bill.

In answer to committee questions, **Rep. Barbieri** stated full conformity will injure Idaho families and should be addressed as a separate matter as a follow-up bill. In addition, he stated that he does not believe that **RS 25989C2** penalized businesses and we have to start somewhere by making it friendly to bring in business to help grow the economy.

MOTION: **Rep. Nate** made a motion to introduce **RS 25989C2**.

ROLL CALL VOTE: **Chairman Collins** requested a roll call vote on **RS 25989C2**. **Motion carried by a vote of 9 AYE, 6 NAY, 1 Absent/Excused. Voting in favor** of the motion: **Reps. Dayley, Hartgen, Nate, Gestrin, Stevenson, Troy, Erpelding, Gannon, Collins. Voting in opposition** to the motion: **Reps. Kauffman, Moyle, Raybould, Anderst, Thompson, Gibbs. Rep. Chaney was absent/excused. Rep. Barbieri** will sponsor the bill on the floor.

RS 26127: **Sen. Siddoway** presented **RS 26127**. This proposed legislation relates to income taxes. The bill will conform the Idaho tax code to changes made to the Internal Revenue Code that affect the 2018 taxable year, including but not limited to standard deduction increase, personal exemption elimination, itemized deduction cap, 529 savings plan definition, and miscellaneous business income tax changes. The Idaho income tax code is based on using the federal taxable income as a starting point for both business and individual income tax returns. There is no child tax credit in this bill.

MOTION: **Rep. Moyle** made a motion to introduce **RS 26127. Motion carried by voice vote.**

RS 26054: **Rep. Moyle** presented **RS 26054**. This proposed legislation will provide for a provisional property tax exemption on property that is under construction for a tax exempt purpose.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26054. Motion carried by voice vote.**

RS 26044: **Rep. Nate** presented **RS 26044**. This proposed legislation amends Title 63, Chapter 8 of Idaho Code by adding a new section with a requirement for bond election ballot questions. When taxing district proposes a bond election, the ballot will include a disclosure statement indicating the term of the bond and the anticipated average annual tax increase per \$100,000 of property value (based on the amount of the bond, net interest costs, the term of the bond, and the most recent valuation of taxable property in the taxing district). The district will provide information to the county clerk, and the county clerk will make the calculation and include the financial information on the disclosure statement on the bond ballot.

MOTION: **Rep. Moyle** made a motion to introduce **RS 26044. Motion carried by voice vote.**

RS 26028: **Rep. Monks** presented **RS 26028**. This proposed legislation creates a plan to reduce taxes while acknowledging that sufficient funds must be available to sustain government services and functions and that additional funds are also necessary for inflation and population growth within the State.

This legislation will reduce corporate and all individual tax brackets by 0.1% when revenue growth from year to year exceeds 6%. This process will repeat until the corporate tax rate and the top individual tax rate bracket reaches 6%.

In addition, this legislation provides for a safety value that allows the governor and legislature to forgo the reduction if economic conditions necessitate.

MOTION: **Rep. Thompson** made a motion to introduce **RS 26028**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the Committee, the meeting was adjourned at 10:00 a.m.

Representative Collins
Chair

Shellie Coates
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, February 13, 2018

SUBJECT	DESCRIPTION	PRESENTER
H 514	Relating to Taxation, Capital Gains	Kenneth McClure, Idaho Society of CPA's
H 515	Relating to Income Tax, College Savings	Christine Stoll, Idaho College Savings Program
RS26123	Relating to Sales and Use Tax	Representative Clow

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 13, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** Representative(s) Thompson, Nate

GUESTS: Ken McClure, ISCPA; Laura Lantz, ISCPA; Michael Lindstrom, Eide Bailly, LLP; Alex Heiner, Poston, Denney & Killpack, LLC; Christine Stoll, Idaho 529; Russell Westerberg, RMP

Chairman Collins called the meeting to order at 9:00 a.m.

H 514: **Kenneth McClure**, Idaho Society of CPAs, introduced **H 515** stating its purpose is to align Idaho treatment of capital gains on the sale of real estate partnership interests with the treatment given in the federal Internal Revenue Code. Mr. McClure informed the committee there is an oddity in Idaho law that makes it dissimilar and causes the unwary to pay tax the way doesn't, and to the degree Idaho Code can align with the Internal Revenue Code, it is a good thing. Under federal law, if a partnership interest in a real estate partnership is sold, the seller is qualified to claim capital gains interest for the sale, but it is not the case in Idaho law. The rationale for Idaho's law is the sale of a real estate interest qualifies for capital gains but a partnership interest does not, so if a partnership asset is real estate currently taxed in Idaho, it does not qualify for capital gains because it is the sale of a partnership interest and not the sale of real property. The federal government looks through that saying if it is real estate then it qualifies and gets capital gains treatment. It is a tax that sophisticated taxpayers with the help of accountants and attorneys avoid and unsophisticated independent taxpayers do not avoid which is not good tax policy.

Michael Lindstrom, CPA, Boise, ID and **Alex Heiner**, CPA, Idaho Falls, spoke in **support** of **H 514** opining that it would provide equity to all Idaho taxpayers, make the Idaho Tax Code simpler, and allow family businesses to be passed onto another generation and grow without dissolution of the partnership and multiple costs.

In response to committee questions, **Mr. McClure** said although rare, CPAs deal with this issue a couple of times a year. Mr. McClure clarified the fiscal statement of purpose by saying the Tax Commission has no data to base fiscal analyses upon, and that the \$500,000 was the lowest estimate to be given and one which it is anticipated will not be reached.

MOTION: **Rep. Chaney** made a motion to send **H 514** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Chaney** will sponsor the bill on the floor.

H 515

Christine Stoll, Executive Director, Idaho College Savings Program (ICSP), stated that **H 515** amends Idaho Code § 63-3022(o) to tax only the earnings portions of non-qualified withdrawals from the Ideal-Idaho 529 College Savings Program (529). Each year ICSP routinely reviews public facing documents, and this year, with the Idaho State Tax Commission, they discovered an error on Form 170 that this amendment fixes. Currently, Idaho taxes the entire non-qualified withdrawal from the 529, and the amendment prevents a double tax for Idaho families by taxing only the earner portion of the withdrawal. **H 515** also amends § 63-3022(p) to close a potential loophole for a tax deduction. A new federal tax law allows 529 funds to be rolled into a 529A account which is an ABLE (Achieving a Better Life Experience) account. ABLE allows disabled families to save for anything they might need up to \$100,000 without infringing on their disability. Idaho is asking for a 2-year recapture provision so that people do not use their 529 just to get a tax deduction before rolling it to an ABLE account. Idaho does not have an ABLE account so it would be rolled to an out-of-state program. The fiscal impact could be about \$108,742, which is the amount deemed over taxed. There is no fiscal impact on ABLE accounts

MOTION:

Rep. Troy made a motion to send **H 515** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Troy** will sponsor the bill on the floor.

RS 26123:

Rep. Clow said that affiliated retailers engaged in business in Idaho have an obligation to collect and remit taxes upon taxable Idaho purchases. **Rep. Clow** presented a history of court cases pertaining to the relationship of a retailer's nexus, both economic and physical, to Idaho impacting their obligations to collect and remit sales taxes from Idaho purchasers. **RS 26123** expands the definition of a retailer engaged in business in Idaho and establishes that a retailer selling tangible personal property to Idaho customers is engaged in business in Idaho if the out-of-state retailer generates sales of \$10,000 or more through affiliated Idaho persons. **RS 26123** also provides the retailer a rebuttable presumption that allows the retailer to apply for relief through appeal to the Tax Commission. **Rep. Clow** stated this legislation brings some fairness to the marketplace and addresses the unfair impact of Idaho access without equal treatment under the sales tax laws. An Idaho retailer who sells to an Idaho purchaser must collect tax but if that same retailer sells through the internet to the same purchaser, they must also collect and remit sales tax.

Rep. Clow addressed committee questions on why the Legislature should not wait for the June U.S. Supreme Court decision to gain additional parameters on these issues by saying the ruling on the South Dakota case before the U.S. Supreme Court won't be until June, and the South Dakota law is about economic nexus, and he is trying to follow the *Quill v North Dakota* U.S. Supreme Court decision about a physical nexus.

MOTION:

Rep. Erpelding made a motion to introduce **RS 26123.** **Motion carried by voice vote.**

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 9:25 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, February 14, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS26084	Relating to Tax Exemption, Capital Investments	Ken McClure, UAMPS
RS26150	Relating to Idaho National Lab, Sales Tax	Ken McClure, UAMPS
RS26062	Relating to Church-Owned Properties, Management	Representative Anderst
RS26156	Relating to Tax Exempt Property, Hop Crops	Representative Anderst

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 14, 2018
TIME: 9:00 A.M.
PLACE: Room EW42
MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon
ABSENT/EXCUSED: Representative(s) Hartgen, Erpelding
GUESTS: None
Chairman Collins called the meeting to order at 9:00 a.m.
MOTION: **Rep. Dayley** made a motion to approve the minutes of the January 17, 2018 meeting. **Motion carried by voice vote.**
RS 26084: Relating to technical changes to the tax exemption for new capital investments of at least one billion dollars; presented by **Ken McClure**, UAMPS.
MOTION: **Rep. Thompson** made a motion to introduce **RS 26084**. **Motion carried by voice vote.**
RS 26150: Relating to Idaho National Lab sales tax exemption for research and development activities conducted at INL; presented by **Ken McClure**, UAMPS.
MOTION: **Rep. Thompson** made a motion to introduce **RS 26150**. **Motion carried by voice vote.**
RS 26062: **Rep. Anderst** explained the intent of the legislation is to exempt church-owned and operated rental facilities from the requirement that the facility be managed specifically by the owner or a related non-profit organization and to allow management by a property manager.
MOTION: **Rep. Gibbs** made a motion to introduce **RS 26062**. **Motion carried by voice vote.**
RS 26156: **Rep. Anderst** explained this legislation exempts hop crops production machinery and equipment from property taxation bringing hop crops machinery and equipment into alignment with other agricultural machinery and equipment.
MOTION: **Rep. Kauffman** made a motion to introduce **RS 26156**. **Motion carried by voice vote.**
ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:26 a.m.

Representative Collins
Chair

Karen Westen
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, February 15, 2018

SUBJECT	DESCRIPTION	PRESENTER
H 556	Relating to Tax Exemption, County Option	Representative Moyle
H 560	Relating to Bond Elections, Ballot Language	Representative Nate
H 559	Relating to Tax Exempt Property	Representative Moyle
H 561	Relating to Income Tax, Revenue Growth Reduction	Representative Monks

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 15, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** Representative(s) Thompson

GUESTS: Dave Jones, Canyon Highway District #4; Ryan Armbruster, Elam Burke; Nick Veldhouse, IAHD; Savannah Renslow, IAHD; Russell Westerberg, RMP; Amber Pence, City of Boise; Chad Houck, Idaho Secretary of State's Office; Phil McGrane, Ada County Clerks' Office; Austin Baldwin, Gooding County Assessor; Brian Stutzman; Larry Lyon; Kelli D. Brassfield, IAC; Johathan Parker, IAHD

Chairman Collins called the meeting to order at 9:00 a.m.

MOTION: **Rep. Gannon** made a motion to approve the minutes of January 15, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Moyle** made a motion to **HOLD H 556** for time certain at the discretion of the chair. **Motion carried by voice vote.**

H 559: **Rep. Moyle** said **H 559** involves new construction on buildings constructed for non-tax or tax exempt purposes such as a school, church or hospital. As the building is constructed over time, some counties levy property taxes on it until it is completed and the owners procure a tax exemption. If a building is tax exempt, because it has been accessed property tax over time, those taxes go on the new construction roll and create a tax increase to the homeowners and other businesses within the taxing district where the building has been exempted. **H 559** makes it clear when an owner of a building gets their building permit for property that is going to be tax exempt, taxing districts are prevented from taxing that building during construction and subsequently shifting the tax to other district property owners upon completion.

In response to committee questions, **Rep. Moyle** explained the January 1, 2016 retroactive effective date avoids affecting an Idaho Supreme Court case still to be decided regarding accessed property taxes during construction on the planned tax-exempt Jump building. Also, when the intended tax exempt purposes are not kept, the bill has a section that recaptures a portion or all of the property tax in such instances.

MOTION: **Rep. Chaney** made a motion to send **H 559** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor

H 560:

Rep. Nate stated last year he proposed legislation allowing tax payers to know the exact cost to them of a successful bond. Counties stood against the legislation citing difficulties in separating bonds on notices, in changing forms and doing exact calculations for each property owner. **H 560** provides a solution for the counties, taxpayers and bonding districts. When taxing districts propose bond elections, a disclosure statement will be included on the ballot indicating the term of the bond and the anticipated average annual tax increase per \$100,000 of property value, which will be based on the amount of the bond, net interest costs, the term of the bond, and the most recent valuation of taxable property in the taxing district. Provided with this information, county clerks will make the calculations and include the financial information on the disclosure statements on the bond ballots. When a district asks voters for funds, it should provide full disclosure and not use expiring loans as an offset in order to say the loan funds they are seeking will cost taxpayers nothing. Disclosure is simply transparency.

In response to committee concerns about differences between the county and district in calculation results, **Rep. Nate** replied **H 560** has an example problem with four elements for that reason and the county only adds the taxable property in the district. The county as a third party gives voters confidence. Rep. Nate further replied the bond information is included in newspaper publications except for the breakdown of the cost to a taxpayer's property tax bill.

Brian Stutzman, taxpayer; **Larry Lyon**, Idaho Falls spoke **in support** of **H 560** because it helps solve a problem of disclosing costs of proposed bonds in a way taxpayers can understand, avoids inflated growth projections, needs to comply with Truth-in-Lending Act disclosures, and adds an element of consumer protection currently lacking.

Chad Houck, Deputy Secretary of State and **Phil McGrane**, Chief Deputy, Ada County Clerks' Office, spoke **in opposition** to **H 560** because the proposed location of the disclosure on the ballot makes it longer by adding another paragraph to already lengthy federally-required bond language on ballots, ballots are not intending to educate, would impact counties' general funds if extra page required in printing longer ballots, add to voting time, would not add clarity to voters and there are other opportunities to inform voters of this information, including tax notices. Mr. McGrane suggested the disclosure be integrated into the existing bond language on ballots.

In response to committee questions, **Mr. McGrane** said that they could not put disclosure language in the legally required bond language established by the bond counsel. Mr. McGrane opined that committee suggestions that the disclosure be reformatted and presented on the ballot consistent with the format of the smaller Truth In Lending statements is palatable and can be done.

Rep. Nate closed by reiterating that it is important for voters to know the costs to themselves, and this is the lowest cost way to achieve transparency. Last year the counties were against putting it on tax notices, and the Idaho Association of Counties has not taken an official position on the disclosure.

MOTION:

Rep. Hartgen made a motion to send **H 560** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Kauffman, Dayley, Erpelding,** and **Gannon** requested to be recorded as voting **NAY.** **Rep. Nate** will sponsor the bill on the floor.

H 561: **Rep. Monks** informed the committee **H 561** is a tax reduction plan that comes into play when the state can afford it and not in 2018 since the effective date is 2019. If Idaho has revenue growth year over year in excess of 6%, it will take 0.1% off across all brackets in the individual tax rate and the corporate tax rate. When the Legislature decides it does not want that reduction to happen in a given year, it can pass a resolution, signed by the Governor, and it would not happen for that particular year. Six percent growth equals about \$204 million currently. A 0.1% tax reduction in the corporate rate is about \$3.5 million, and 0.1% tax reduction on all individual income tax brackets is about \$33 million, for a total reduction of about \$36.5 million, which is a positive to the general fund of about \$165 million if the state received more than \$200 million revenue for a given year.

Rep. Monks answered committee questions regarding the definition of 'year' in the legislation, and stated that a 6% increase in growth was the figure selected because a 2 to 3% increase in growth provides maintenance and a 4 to 5% increase in growth goes into budget stabilization.

MOTION: **Rep. Anderst** made a motion to send **H 561** to the floor with a **DO PASS** recommendation.

In response to committee questions, **Rep. Monks** stated that the surplus eliminator is a sweep account and has nothing to do with Idaho's revenue growth rate. Sweep accounts are one-time fees or monies that can help out, not funds to be used for a building plan or a one-time fix for roads. Also, any revenue up to a 5% increase in growth goes into budget stabilization to help keep transportation whole.

SUBSTITUTE MOTION: **Rep. Hartgen** made a substitute motion to **HOLD H 561** for time certain at the discretion of the chair.

MOTION WITHDRAWN: **Rep. Hartgen** withdrew his substitute motion to **HOLD H 561** for time certain at the discretion of the chair.

VOTE ON ORIGINAL MOTION: **Motion carried by voice vote. Reps. Erpelding and Gannon** requested to be recorded as voting **NAY**. **Rep. Monks** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:16 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Friday, February 16, 2018

SUBJECT	DESCRIPTION	PRESENTER
H 517	Relating to Motor Vehicle Rental Marketplaces	Brody Aston, Westerberg and Associates

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Hartgen
Rep Kauffman, Acting Vice Chairman	Rep Chaney
Rep Moyle	Rep Nate
Rep Raybould	Rep Thompson
Rep Anderst	Rep Gestrin
Rep Dayley	Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 16, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate (King), Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** Representative(s) Gibbs

GUESTS: Michelle Peacock, Turo; Sara Bettwieger, Turo; Brody Aston, Enterprise; Brian Church, Enterprise/ ACRA; Mandy Murphy, Enterprise Rent-A-Car; Ben Davenport, IMA.

Chairman Collins called the meeting to order at 9:01 a.m.

MOTION: **Rep. Dayley** made a motion to approve the minutes of the meeting held on February 14, 2018. **Motion carried by voice vote.**

H 517: Relating to motor vehicle rental marketplaces, **Brody Aston**, Enterprise/Westerberg and Associates, explained this legislation protects the private property rights of Idaho vehicle owners ensuring the right to rent their vehicle is maintained, clarifies taxes due on vehicle rental income and subjects vehicle rental marketplaces contracting with Idaho vehicle owners to collect and remit all applicable taxes to state and local governments.

In response to committee questions related to shared economy **Brody Aston** explained this legislation is industry specific to the motor vehicle and recreational vehicle rental marketplace only. Mr. Aston stated the emergence of new technology supporting shared economy rentals may require expanded consideration for the variety of items property owners offer for rent.

In response to committee questions related to insurance liability and collection of tax dollars payable to the state tax commission **Brody Aston** explained vehicle rental marketplace platforms would act as intermediary collecting tax dollars, insurance and fees at the point of sale. The intermediary disperses applicable taxes to the state tax commission, state and local governments, the insurer and the property owner. Mr. Aston also stated the legislation does not address issues related to taxes due by the intermediary on income generated from the fees collected for providing the intermediary service.

Michelle Peacock, explained Turo's business model is a market place platform connecting vehicle owners with individuals desiring vehicles to rent. In Idaho, Turo has approximately one hundred vehicle owners offering vehicles to approximately six thousand potential vehicle renters. Turo's platform offers insurance options to vehicle owner's and vehicle renters covering potential accidents. Ms. Peacock explained Turo does not collect tax in Idaho because the company does not have a physical location in the State. Additionally, Ms. Peacock explained Turo does not collect taxes in any of the jurisdictions in which they operate, they are not tax professionals and therefore can not provide tax advice and the investment in tax collection software would be too costly. All tax responsibility and obligations rest with vehicle owner and rental customer. Ms. Peacock feels Enterprise Rental Car has introduced this legislation to prevent growth of the Turo platform and stated Turo is vigorously opposed to this legislation.

Brian Church, Enterprise Rental Car stated the objective of the legislation is to insure, that as technology progresses allowing individuals to rent out their vehicles, the participants in the vehicle rental industry operate under the same provisions of collecting and remitting taxes due to the state tax commission. Low costs associated with private rental programs should not deprive the state of tax revenue. In response to committee questions Mr. Church explained, Enterprise Rental Car is a licensed dealer that follows all code related to taxes when purchasing vehicles, they encourage renters of vehicles to become licensed in order to receive all tax benefits and exclusions.

In response to committee questions **Brody Aston** stated sales tax on vehicle purchased by Enterprise Rental Car comply with Idaho tax law, vehicles purchased by Enterprise are specifically for rental purposes and do not include personal use, and that an industry with one thousand vehicles available for rent should be capable of figuring out how to pay out tax for service.

MOTION: **Rep. Thompson** made a motion to send **H 517** to the floor with a **DO PASS** recommendation.

MOTION: **Rep. Erpelding** made a motion to hold **H 517** for time certain, February 19, 2018.
Motion carried by roll call vote.

Representative Collins
Chair

Karen Westen
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Monday, February 19, 2018

SUBJECT	DESCRIPTION	PRESENTER
<u>H 591</u>	Relating to Tax Exemption, Capital Investments	Kenneth McClure, UAMPS
<u>H 592</u>	Relating to Idaho National Lab, Sales Tax	Kenneth McClure, UAMPS
<u>H 578</u>	Relating to Sales and Use Tax	Representative Clow
<u>H 558</u>	Relating to Income Taxes, Conformity 2018	Senator Johnson

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 19, 2018
TIME: 8:00 A.M.
PLACE: Room EW42
MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon
**ABSENT/
EXCUSED:** None
GUESTS: Douglas Hunter, UAMPS; Russell Westerberg, RMP; Melinda Merrill, Nuscale/UAMPS; Pam Eaton, ID Retailers Assn; John Eaton, IACI; John Watts, Chamber Alliance; Sarah Bettwieser, Turo; Fred Birnbaum, Idaho Freedom Foundation

Chairman Collins called the meeting to order at 8:00 a.m.

H 591: **Kenneth McClure**, UAMPS, presented **H 591**. This Legislation makes three technical changes to the tax exemption for new capital investments of at least \$1 billion. First, it clarifies that the exemption applies to any investment in real or personal property, regardless of how or by whom the property is assessed. Second, it changes the beginning of the qualifying period during which the investment must be made to start with the issuance of a building permit rather than the first inspection of an improvement on the property. Third, it confirms that the qualifying investment includes personal property and fixtures constructed off site but installed on site. Mr. McClure confirmed this exemption will apply statewide.

MOTION: **Rep. Thompson** made a motion to send **H 591** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Gannon** requested to be recorded as voting **NAY.** **Rep. Moyle** will sponsor the bill on the floor.

H 592: **Kenneth McClure**, UAMPS, presented **H 592**. This Legislation changes the sales tax exemption for research and development activities conducted at INL. Under current law, property used at INL "primarily" for research and development (R&D) financed by the United States is exempt from sales tax. If R&D activity at INL is conducted in a public-private partnership in conjunction with other non-R&D activities, when the R&D component is not the "primary" use of the entire property, no sales tax exemption is allowed for the research at all. This legislation changes existing law to provide that the portion expended on research will continue to be exempt from sales tax even though non-R&D activities may also be conducted at the property. The property devoted to those non-R&D activities, of course, is not exempt from sales tax. Mr. McClure confirmed this is a three billion dollar undertaking and that other states want this because it is being viewed as cutting edge.

MOTION: **Rep. Gannon** made a motion to send **H 592** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Raybould** will sponsor the bill on the floor.

H 578: **Representative Clow** presented **H 578**. This amendment to Title 63, Chapter 36, Idaho Code revises the section 63-3611 by expanding the definition of a "retailer engaged in business in this state". This bill establishes that a retailer, selling tangible personal property to Idaho customers, is engaged in business in Idaho, if the out-of-state retailer generates sales of \$10,000 or more through affiliated Idaho persons. It also provides a rebuttable presumption for the retailer. The rebuttable presumption will allow a retailer, so identified, to apply for relief by presenting their rebuttable facts to the Tax Commission. Since 1992, when the Supreme Court decision in Quill vs. North Dakota defined nexus, retailers have embraced technologies that removed the burdens of compliance that was identified in 1992. In 2009 the U. S. Supreme Court upheld a New York Supreme Court decision in Amazon vs. New York State Department of Taxation and Finance. The New York law required out of state retailers to collect and remit sales/use tax on sales to New York customers, if there was an affiliated nexus to New York through sales agreements and other business relationships. On February 22, 2016 in a Colorado case Direct Marketing Association vs. Barbara Brohl (Colorado) the 10th U.S. Court of Appeals upheld a Colorado Law. The case was later denied an appeal to the U.S. Supreme Court.

Pam Eaton, Idaho Retailers Association, spoke **in support** of **H 578**. She reiterated that the bill is so important to retailers here in Idaho and it is a fairness issue. Idaho retailers are the ones that sponsor and support local youth programs, sport teams and girl scouts. Ms. Eaton confirmed they are the first in line to help out if there's a natural disaster or local emergency. She stated we are supporting the out of state retailers more than we are the in state retailers and that by not passing this, we are giving out of state retailers more of an advantage than in state retailers.

John Watts, Idaho Chamber Alliance, spoke **in support** of **H 578**. He stated this is another attempt to try to level the playing field for retailers and store front businesses in the state of Idaho and it's necessary for fairness and stability in Idaho's business tax environment.

John Eaton, Vice President, Idaho Association of Commerce & Industry, spoke **in support** of **H 578**. He stated this would maintain the integrity of the sales tax system and has been identified as a trend by being passed in twenty other states.

MOTION: **Rep. Anderst** made a motion to send **H 578** to the floor with a **DO PASS** recommendation.

SUBSTITUTE MOTION: **Rep. Hartgen** made a substitute motion to postpone, to amend **H 578** to eliminate the words "in this state" on page 1, line 38 and page 2, line 8.

SUBSTITUTE MOTION WITHDRAWN: **Rep. Hartgen** withdrew his substitute motion to postpone, to amend **H 578**.

SUBSTITUTE MOTION: **Rep. Hartgen** made a substitute motion to send **H 578** to General Orders with the proposed amendment to eliminate the words "in this state" on page 1, line 38 and page 2, line 8.

Rep. Erpelding stated he wants to debate against the motion stating the definition is what is important here and eliminating the words "in this state" does not address the fact that the actual agreement, that which makes them pay the tax, is defined on page 2, line 15, (g) (i).

VOTE ON SUBSTITUTE MOTION: **Chairman Collins** called for a vote on the substitute motion to send **H 578** to General Orders with the proposed amendment to eliminate the words "in this state" on page 1, line 38 and page 2, line 8. **Motion failed by voice vote.**

VOTE ON ORIGINAL MOTION:

Chairman Collins called for a vote on the motion to send **H 578** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Clow** will sponsor the bill on the floor.

H 558:

Sen. Johnson presented **H 558**. This bill relates to income taxes. The bill will conform the Idaho tax code to changes made to the Internal Revenue Code (IRC) that affect the 2018 taxable year, including but not limited to standard deduction increase, personal exemption elimination, itemized deduction cap, 529 savings plan definition, and miscellaneous business income tax changes. The Idaho income tax code is based on using the federal taxable income as a starting point for both business and individual income tax returns. Additionally, it reduces the personal income tax rate by 0.30% in all tax brackets, and it reduces the corporate income tax rate by 0.30%. In response to a question about reducing the budget by \$95.9 million, Sen. Johnson stated the state is on a trajectory and we can afford it with additional revenues projected in the future. He confirmed that Idaho would be the first state to conform to Section 199A.

Fred Birnbaum, Idaho Freedom Foundation, spoke **in opposition** to **H 558**. He stated a third bill is needed to take the goodness out of **H 463** and **H 558**.

MOTION:

Rep. Erpelding made a motion to send **H 558** to the floor with a **DO PASS** recommendation. **Motion failed by voice vote.**

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 9:56 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Wednesday, February 21, 2018

SUBJECT	DESCRIPTION	PRESENTER
<u>RS26210</u>	Relating to Elections to Authorize Bonded Indebtedness	Representative Nate
<u>RS26248</u>	Relating to Opioid Tax	Representative Luker
<u>H 517</u>	Relating to Motor Vehicle Rentals	Brody Aston, Westerberg & Associates
<u>H 555</u>	Relating to County Justice Fund, Tax Rate	Seth Grigg, Idaho Association of Counties
<u>S 1230</u>	Relating to Property Taxes, Delinquency	Donna Peterson, Payette County Treasurer
<u>S 1231</u>	Relating to Property Taxes, Late Charges	Donna Peterson, Payette County Treasurer

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate(King)
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 21, 2018

TIME: 8:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** None

GUESTS: Brody Aston, Enterprise; Chris Goetz, IAC; Carrie Byrd, IAC; Vicky McIntyre, IACT; Mandy Murphy, Enterprise; Russell Westerberg, Enterprise; Donna Peterson, IAC; Tracie Lloyd, IACT; Alex Adams, Board of Pharmacy; Mike Kane, ISA; Sarah Bettwieser, Turo

Chairman Collins called the meeting to order at 8:06 a.m

RS 26210: **Rep. Nate** presented **RS 26210**. This legislation amends Title 34, Chapter 4 of Idaho Code by amending language and adding a new subsection with a requirement for bond election ballot questions. When a taxing district proposes a bond election, the ballot will include a disclosure statement indicating the term of the bond and the anticipated average annual tax increase per \$100,000 of property value (based on the amount of the bond, net interest costs, the term of the bond, and the most recent valuation of taxable property in the taxing district). The county clerk will make the calculation and include the financial information on the disclosure statement on the bond ballot. In response to a question deferred to **Seth Grigg**, Idaho Association of Counties, confirmed that all involved are good with the language of the proposed legislation.

MOTION: **Rep. Chaney** made a motion to introduce **RS 26210** and recommend that it be sent to the Second Reading Calendar with an amendment as follows: Page 2, Line 26, strike the word New and insert the word A. **Motion carried by voice vote.** **Rep. Nate** will sponsor the bill on the floor.

RS 26248: **Rep. Luker** presented **RS 26248**. This legislation is designed to fund and provide services to prevent and treat opioid addiction in Idaho. The bill imposes on opioid distributors into the state a one-half cent tax per MME (morphine milligram equivalents) based upon the potency and quantity of various opioid drugs. The state tax commission would oversee collection of the tax. The funds would be distributed to several opioid addiction programs in the state including the board of pharmacy for education and medical provider outreach; to the public health districts to fund local recovery centers specifically related to treatment and prevention of opioid addiction; to the division of behavioral health for its medication-assisted treatment program specific to opioid addiction, and any balance to the Department of Health and Welfare for other opioid treatment and prevention programs. In response to a question, Rep. Luker stated it is a tax upstream, so this would be outside of that exemption, it's a new tax and it's using money having a nexus with the problem. He confirmed the up front implementation cost is \$119,300 and then the ongoing would be \$77,300 per year. **Alex Adams**, Director, Board of Pharmacy, responded to a question deferred to him, by confirming products used for treatment should not be taxed.

MOTION: **Rep. Chaney** made a motion to introduce **RS 26248. Motion carried by voice vote.**

H 517: **Brody Aston**, Enterprise, presented **H 517**. This legislation protects the private property rights of Idaho vehicle owners by ensuring the right to rent their vehicle is maintained. The legislation further requires vehicle rental marketplaces, that contract with Idaho vehicle owners, to collect and remit all applicable taxes to the state and local governments which are currently due. In response to questions, Mr. Aston confirmed that this proposed legislation covers one specific industry.

ORIGINAL MOTION: **Rep. Thompson** made a motion to send **H 517** to the floor with a **DO PASS** recommendation.

SUBSTITUTE MOTION: **Rep. Hartgen** made a substitute motion to **Hold H 517** in committee.

ROLL CALL VOTE ON SUBSTITUTE MOTION: Roll call vote was requested. **Substitute Motion failed by a vote of 3 AYE and 11 NAY, 2 ABSENT/EXCUSED. Voting in favor** of the motion: **Reps. Hartgen, Nate, Erpelding. Voting in opposition** to the motion: **Vice Chairman Kauffman, Reps. Moyle, Raybould, Anderst, Dayley, Thompson, Gestrin, Stevenson, Gibbs, Gannon, Chairman Collins. Absent/Excused: Reps. Chaney and Troy.**

VOTE ON ORIGINAL MOTION: **Chairman Collins** called for a vote on the original motion to send **H 517** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Reps. Nate, Hartgen and Erpelding** requested to be recorded as voting **NAY. Rep. Thompson** will sponsor the bill on the floor.

H 555: **Seth Grigg**, Idaho Association of Counties presented **H 555**. The county justice levy was established to allow counties to levy a dedicated property tax to fund county justice related services including sheriffs patrol, jail operations, juvenile detention, misdemeanor and juvenile probation, prosecution, public defense, and certain court related personnel costs. The current statutory levy limit for the county justice levy is twenty hundredths of a percent of a taxable market value (.002). Thirty-two counties currently levy a justice levy. Of these 32 counties, 16 are at or near statutory levy limits, thus capping their ability to raise revenues to pay for necessary justice related services. This legislation will increase the statutory limit on the county justice levy to twenty-five hundredths of a percent of taxable market value (.0025). Mr. Grigg confirmed that some of the forgone is unavailable due to the levy cap. He stated there has not been an increase since it was instituted in 1990. He clarified this provides the counties with the flexibility to move their funds around internally as they need to.

Chris Goetz, Clearwater County Sheriff and the Legislative Chair for the Idaho Sheriffs Association, spoke **in support** of **H 555**. He stated the increasing medical costs require a shift from other areas of the budget and this bill would give the county commissioner the authority and ability to calculate the expense from the justice fund instead of spreading it from other places.

Carrie Byrd, spoke **in support** of **H 555**. She stated increasing the justice fund levy rate will allow counties to levy for the needs within the justice fund itself, rather than forcing counties to move those expenses and revenue to other funds like the current expense fund when they are up against the maximum levy rate. Keeping the justice funds expenses within the justice fund allows counties to track and account for the enforcement and prosecution expenses within that justice fund, which is the appropriate fund for those expenses.

MOTION: **Rep. Gestrin** made a motion to send **H 555** to the floor with a **DO PASS** recommendation.

- ROLL CALL VOTE:** Chairman Collins requested a roll call vote on **H 555**. **Motion carried by a vote of 8 Aye and 6 NAY, 2 Absent/Excused.** Voting in favor of the motion: **Vice Chairman Kauffman, Reps. Raybould, Thompson, Gestrin, Stevenson, Gibbs, Erpelding, Gannon.** Voting in opposition to the motion: **Reps. Moyle, Anderst, Dayley, Hartgen, Nate and Chairman Collins.** **Reps. Chaney and Troy were absent/excused.** Rep. Kauffman will sponsor the bill on the floor.
- S 1230:** Donna Peterson, Payette County Treasurer, presented **S 1230**. Idaho Code § 63-1002(2) states delinquent tax payments "may" be paid and accepted upon the oldest delinquency. Some counties have interpreted the statute to say the taxpayer can decide to pay whatever year they want rather than the most delinquent. This legislation would require that delinquent tax payments "shall" be paid and accepted upon the oldest delinquency.
- MOTION:** Rep. Kauffman made a motion to send **S 1230** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** Rep. Kauffman will sponsor the bill on the floor.
- S 1231:** Donna Peterson, Payette County Treasurer, presented **S 1231**. Idaho Code specifies that interest on property taxes is applied from January 1st of the current year, except for the supplemental and missed property rolls. This legislation would require interest for supplemental and missed property taxes to be applied and collected the same as all other property taxes.
- MOTION:** Rep. Thompson made a motion to send **S 1230** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** Rep. Thompson will sponsor the bill on the floor.
- ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 9:30 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Thursday, February 22, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS26207	Relating to Taxes, Trailer Bill	Tom Shaner, Idaho State Tax Commission
RS26161	Relating to Administrative Procedures Act	Representative Luker
RS26144	Relating to Taxes, Ambulance	Representative Miller

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 22, 2018

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:** Rep. Chaney, Rep. Erpelding

GUESTS: Tom Shaner, ISTC

Chairman Collins called the meeting to order at 8:33 a.m.

RS 26207: **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission presented **RS 26207**. This bill relates to income taxes. This is a supplement to the annual bill to update references to the Internal Revenue Code (IRC). The Idaho income tax code is based on using the federal taxable income as a starting point for both businesses and individuals. This bill will conform the Idaho income tax code to changes Congress made to the IRC that affect the 2017 taxable year with the Bipartisan Budget Act of 2018. These are all deductions that Idaho conformed to in the past prior to their expiring. There are several federal laws that expired at the end of 2016. The federal law signed on February 9, 2018, changes these sunset dates to December 31, 2017. There are eleven deductions in this bill that Idaho has previously conformed to. Two of those deductions are in the same code section so it was only necessary to add ten references to the statute. This will help avoid confusion for taxpayers and tax preparers. In response to a question about the fiscal impact, Mr. Shaner confirmed that this is a one time cost for the 2017 tax year. He also stated tax payers will get notified via a market campaign.

MOTION: **Rep. Moyle** made a motion to introduce **RS 26207**. and recommend it be sent to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

RS 26161: **Rep. Luker** presented **RS 26161**. This legislation originates from the Administrative Hearing Officer Interim Committee. It is designed to address concerns over due process, conflicts of interest and impartiality in contested administrative proceedings. The legislation updates processes under the Administrative Procedure Act to better delineate preliminary review and initial agency actions from contested case proceedings. In order to provide impartiality in the contested case process, particularly with reference to fact finding, an office of Administrative Hearings is established with an independent chief hearing officer and hearing officers housed in the Department of Self Governing Agencies. All contested case proceedings will be handled through the Office of Administrative Hearings, except for the Public Utilities Commission, Industrial Commission, Department of Water Resources, and such other proceedings specifically exempt by law. Department heads continue to have final review over all policy and remedy portions of contested cases. Additional changes updates and additions to definitions, limited new discovery and subpoena powers, and emergency hearing processes.

MOTION: **Rep. Gibbs** made a motion to introduce **RS 26161**. **Motion carried by voice vote.**

RS 26144: **Rep. Kauffman** presented **RS 26144**. This legislation amends Idaho Code, Section 31-3908 to revise the amount of tax that may be levied by Boards of County Commissioners for certain ambulance service districts.

MOTION: **Rep. Moyle** made a motion to return **RS 26144** to the sponsor. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:02 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW41
Monday, February 26, 2018

SUBJECT	DESCRIPTION	PRESENTER
<u>RS26221</u>	Relating to Honoring Michael Nugent	Representative Youngblood
<u>RS26144</u>	Relating to Taxes, Ambulance	Representative Miller
<u>H 593</u>	Relating to Church-Owned Properties, Management	Representative Anderst
<u>H 594</u>	Relating to Tax Exempt Property, Hop Crops	Representative Anderst
<u>H 383</u>	Relating to Cigarette and Tobacco Products Taxes	Representative Troy

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

- DATE:** Monday, February 26, 2018
- TIME:** 8:00 A.M.
- PLACE:** Room EW41
- MEMBERS:** Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Anderst, Dayley, Hartgen, Chaney, Nate, Gestrin (Walton), Stevenson, Troy, Gibbs, Erpelding, Gannon
- ABSENT/
EXCUSED:** Reps. Raybould, Thompson
- GUESTS:** Brian Stender, Canyon County Assessor; Joe Cox, Canyon County Assessor; Tami McHugh, Trinity New Hope; Diane Gooding, ID Growers Association; Jerry Jackson, ID Growers Association; Mike Gooding, ID Growers Association; Michelle Gooding, ID Growers Association; Maria Kenndy, ACLU
- Chairman Collins** called the meeting to order at 8:02 a.m.
- RS 26221:** Honoring **Michael Patrick Nugent**, Manager of the Division of Research and Legislation of the Legislative Services Office, for his forty-one years of service to the Legislature, upon his retirement in May 2018.
- MOTION:** Due to a drafting error, **Chairman Collins** made a motion to return **RS 26221** to the sponsor. **Motion carried by voice vote.**
- RS 26144:** **Rep. Miller** presented **RS 26144**. This legislation amends Idaho Code, Section 31-3908 to revise the amount of tax that may be levied by Boards of County Commissioners for certain ambulance service districts. In response to a question concerning the \$500 million dollar value, a county must be under this value to have the vote.
- MOTION:** **Rep. Kauffman** made a motion to introduce **RS 26144**. **Motion carried by voice vote.**
- H 593:** **Rep. Anderst** presented **H 593**. The intent of this bill is to exempt facilities, owned and operated by a bona fide church, from the requirement that the facility be managed by the owner or a related nonprofit organization. This exception is believed to have limited application but will give churches that own such facilities more flexibility in finding qualified management. He stated the property must be solely owned. Rep. Anderst confirmed the meaning of bona fide church as verified or certified by the commission.
- Joe Cox**, Canyon County Assessors Office, spoke **in opposition** of **H 593**. Mr. Cox stated he is concerned about non-profit people hiring for-profit management companies. He provided an example by stating the management companies created their own plumbing, painting and landscaping businesses and used this as a way to syphon off, through the expenses, most of the profit, which left less income at the bottom. Further stating, when that smaller income is capitalized, it comes out with less assessment on it. The assessors office wanted the churches to take care of the ultra poor by managing it themselves to qualify for the exemption.

Tami McHugh, Trinity New Hope, spoke **in support** of **H 593**. Ms. McHugh stated Idaho Housing requested they be professionally managed. Through research, they found that the law had changed and the church would have to self-manage in order to qualify for the exemption. She clarified the church is asking for the ability, should they need to hire a property manager, that the church have the right to do so without losing their property tax exemption.

MOTION: **Rep. Gibbs** made a motion to send **H 593** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderst** will sponsor the bill on the floor.

H 594: **Rep. Anderst** presented **H 594**. This legislation exempts hop crops production machinery and equipment from property taxation bringing hop crops machinery and equipment into alignment with other agricultural machinery and equipment.

Joe Cox, Canyon County Assessors Office, spoke **in opposition** of **H 594**. Mr. Cox stated they are wanting a dialogue with the hop growers to define where the exemptions end and where they start and need clarification of the gray areas. He stated this bill will give the hop growers an advantage over other agricultural industries. Mr. Cox clarified when equipment is exempt under certain circumstances.

Jerry Jackson, Certified Public Accountant, spoke **in support** of **H 594**. Mr. Jackson stated it seems to him that under the current statute, it should be treated as agricultural equipment and some clarification is needed with this change.

Mike Gooding, Idaho Growers Association, spoke **in support** of **H 594**. Mr. Gooding confirmed the equipment is strictly used for the purpose of harvesting hops and all of the equipment utilized has an agricultural use.

Brock Obendorf, Obendorf Farms, spoke **in support** of **H 594**. Mr. Obendorf stated this bill would greatly affect these facilities and the way they farm.

MOTION: **Rep. Moyle** made a motion to send **H 594** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderst** will sponsor the bill on the floor.

H 383aaS: **Rep. Troy** presented **H 383aaS**. She stated the Senate did not like the range of codes that were included in the original bill and they are asking to include every code number specifically reiterating if something within that range was added at a later date, there's a possibility it wouldn't get the same evaluation it warranted.

UNANIMOUS CONSENT REQUEST: **Chairman Collins** made a unanimous consent request to concur with the amendments made in the Senate to **H 383aaS**. There being no objection, the request was granted.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:57 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AMENDED AGENDA #2
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Friday, March 02, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS26226C1	Relating to Taxes, Foreign Income	Alex LaBeau, Idaho Association of Commerce and Industry
RS26242	Relating to Tax Distribution to Cities and Counties	Representative Monks
H 625	Relating to Opioid Tax	Representative Luker
RS26283	Relating to Field Inspections, Rule Rejections	Representative Nate

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney(Chaney)
Rep Nate
Rep Thompson
Rep Gestrin(Walton)
Rep Stevenson

Rep Troy(Goesling)
Rep Gibbs
Rep Erpelding
Rep Gannon(17)

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 02, 2018

TIME: 8:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney (Chaney), Nate, Thompson, Stevenson, Troy (Goesling), Gibbs, Erpelding, Gannon(17)

**ABSENT/
EXCUSED:** Reps. Gestrin (Walton)

GUESTS: Blake Leonard, Gem County Rec. Com Ctr; Brandi Allison Peer Wellness Center; Keith Johnson, Gem Co. Rec Comm Ctr; Frank Hendry, Canyon Clinic Wellness; Victoria Patterson, Canyon County Clinic Wellness; Don Hayes, Peer Wellness Center; Monica Forbes, The Recovery Center; Jeff Peterson, Peer Wellness Center; Zen Curtis, Peer Wellness Center; Carlos DeLeon, Jr., Ada County Sheriffs Office; Russell Westerberg, RMP; Cherie Larrieu, Canyon Clinic Wellness; Laura Lantz, ISCPA; Alex LaBeau, IACI; Luke Cavener, ACSCAN; Chris Hahn, IDHW; Larry Maneely, Ada BOCC; Sandy Jones, Parole Comm., Emily Patchin, PWRMA, Jeremy Pisca, PWRMA

Chairman Collins called the meeting to order at 8:01 a.m.

MOTION: **Rep. Dayley** made a motion to approve the minutes of the February 1, 2018, meeting. **Motion carried by voice vote.**

MOTION: **Rep. Kauffman** made a motion to approve the minutes of the February 15, 2018, meeting. **Motion carried by voice vote.**

MOTION: **Rep. Dayley** made a motion to approve the minutes of the February 21, 2018, meeting. **Motion carried by voice vote.**

MOTION: **Rep. Kauffman** made a motion to approve the minutes of the February 22, 2018, meeting. **Motion carried by voice vote.**

RS 26242: **Rep. Monks** presented **RS 26242**. He stated the purpose of this legislation is to correct the inequities that exist with regards to how much each city and county receives from the sales tax distribution formula. The current formula for determining how much each city and county is partially based on the antiquated system of historical calculations based on the now non-existent personal property tax assessed to every Idaho citizen which included among other things, the number of pigs, chickens, cows, silverware and other personal items. The current system creates additional inequities because it relies on property values. This has created a situation where some cities and counties receive ten times the amount than other cities and counties receive when compared to how much they would receive if calculated based solely on population. This legislation freezes the current distribution to cities and counties and distributes new revenue based on population. If the state collects more revenue than the previous year, the excess funds are distributed to cities and counties that receive less than their respective counterparts based on per capita calculation.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26242**. **Motion carried by voice vote.**

RS 26226:

Alex LaBeau, Idaho Association of Commerce & Industry, presented **RS 26626** stating this trailer bill to **H 463** creates better consistency in policy between worldwide and "water's edge" filing methodologies. Historically, the U.S. federal tax system has partially double-taxed foreign earnings, and Idaho also partially double-taxed foreign earnings using a more simplified methodology (for water's edge filers) so Idaho would conform to federal law. The federal system is no longer double taxing foreign earnings in order for U.S. multinational companies to be competitive with non-U.S. companies. This bill creates conformity to the new federal law to keep Idaho multinational companies competitive. Additionally, the majority of states historically do not double-tax foreign dividends, and currently Idaho is not competitive with those other states. Legislative history in Idaho from 2004 allowed a reduced level of tax on foreign dividends. The 2004 repatriation act allowed companies the option to repatriate with a federal double-tax burden. The new law requires federal tax on all unremitted earnings, with a similar reduced federal double-tax burden. This bill follows Idaho's own legislative historical precedent and provides for discounted double-tax on historical earnings. If Idaho's tax law maintains the status quo, it will be penalizing these companies with incremental double-tax liabilities compared to historical levels, so this bill resolves that double-tax issue. Finally, the new Federal Foreign Derived Intangible Income (FDII) provisions provide a "booster" deduction to incentivize U.S. companies to manufacture domestically, rather than manufacture offshore. This bill includes an adoption of this policy by Idaho as well.

MOTION:

Rep. Gibbs made a motion to introduce **RS 26226**. **Motion carried by voice vote.**

H 625:

Rep. Luker presented **H 625** stating this legislation is designed to fund and provide services to prevent and treat opioid addiction in Idaho. The bill imposes on opioid distributors into the state a one-half cent tax per MME (morphine milligram equivalents) based upon the potency and quantity of various opioid drugs. The state tax commission would oversee collection of the tax. The funds would be distributed to several opioid addiction programs in the state including the board of pharmacy for education and medical provider outreach; to the public health districts to fund local recovery centers specifically related to treatment and prevention of opioid addiction; to the division of behavioral health for its medication-assisted treatment program specific to opioid addiction, and any balance to the department of health and welfare for other opioid treatment and prevention programs.

Rep. Kingsley continued presentation of **H 625** by reiterating addiction is a problem in Idaho. Eighty-five percent of people in prison claim their incarceration is related to addiction. He stated 85 percent of inmates can relate their incarceration to either alcohol or drugs. This bill can save the state money if the response happens now. There are nine fledgling recovery centers in Idaho, staffed with volunteers. Funds are needed to keep the recovery centers open. This bill will provide 9 million dollars which would be about \$150,000 to \$200,000 per center to fund a volunteer coordinator and a director. The recovery centers provides phenomenal results that provide an atmosphere to empower people. In response to a question about other funding options, Rep. Kingsley stated the Millennium Fund has been a catalyst to get these centers started. Upon request, a center can receive funds in small amounts. There will be no funding from the Millennium Fund this year and without this bill these centers will not receive any funding. The funding for this bill will start in 2019, in the meantime the centers are being partially funded by Idaho's Response to the Opioid Crisis (IROC) for a very short time.

Victoria Patterson, Canyon County Clinic Wellness, spoke **in support** of **H 625**. Ms. Patterson stated getting opioids through a pharmacy is cheaper and easier than getting them "on the streets." She confirmed the recovery centers are helpful and necessary and it's because of them she has found success in dealing with her addictions.

Monica Forbes, The Recovery Center, spoke **in support** of **H 625** stated there are not a lot of options for people with addictions and with an opioid addiction your life is at risk at a much faster rate than most other forms. She stated 174 deaths occur daily in the united states from this biopsychosocial disease that happens with no warning. Ms. Forbes reiterated it makes sense to put a very small tax on something that doesn't affect the consumer or the patients taking the medication, but takes that money and puts it to the most benefit possible out in the community.

Cheri Larrieu, Canyon County Clinic Wellness, spoke **in support** of **H 625** stating her life would be drastically different today if the resources had been available to her and her family back when they were dealing with addiction. Ms. Larrieu confirmed she suffered a lot of complex drama and had no resources available in the community at the time she was growing up with the addiction in the family.

Luke Cavener, Idaho Director of Government Affairs, American Cancer Society Cancer Action Network, spoke **in opposition** of **H 625** stating as an advocate of cancer patients, it's important to show how this bill will unintentionally and negatively impact law abiding cancer patients across our state. Mr. Cavener confirmed opioids are some of the most effective treatment for severe pain and is part of a standard of care for cancer patients. He stated there are much better mechanisms to accomplish the same results that everyone is looking to achieve.

Rosie Andueza, Idaho Department of Health and Welfare, Division of Behavioral Health, responded to a question why some opioids are exempted from the tax by confirming they are for treatment of withdrawals from opioid addiction.

Rep. Luker closed his presentation by responding to questions stating general funds would be gladly accepted if the committee wanted to amend the bill to do so. He reiterated this format is here to have accountability and nexus to show where the money is going.

MOTION: **Rep. Hartgen** made a motion to **HOLD H 625** in committee.

SUBSTITUTE MOTION: **Rep. Gannon** made a motion to send **H 625** to General Orders.

ROLL CALL VOTE ON SUBSTITUTE MOTION: **Rep. Hartgen** requested a roll call vote on **H 625**. **Substitute Motion failed by roll call vote of 2 AYE, 13 NAY and 1 Absent/Excused. Voting in favor** of the motion: **Reps. Erpelding and Gannon(17)**. **Voting in opposition** of the motion: **Chairman Collins, Acting Vice Chairman Kauffman, Reps. Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Stevenson, Troy, Gibbs. Rep. Gestrin was absent/excused.**

ROLL CALL VOTE ON ORIGINAL MOTION: **Rep. Hartgen** requested a roll call vote on **H 625**. **Motion carried by roll call vote of 14 AYE, 1 NAY and 1 Absent/Excused. Voting in favor** of the motion: **Chairman Collins, Acting Vice Chairman Kauffman, Reps. Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Stevenson, Troy, Gibbs. Voting in opposition** to the motion: **Rep. Gannon(17)**. **Rep. Gestrin was absent/excused.**

RS 26283: **Rep. Nate** presented **RS 26283** stating this is a Concurrent Resolution to reject Section 314., Subsection 03 pending rule under **Docket No. 35-0103-1704** of the Idaho State Tax Commission relating to Property Tax Administrative Rules.

MOTION: **Rep. Gannon** made a motion to return **RS 26283** to the sponsor. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:55 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW40
Thursday, March 08, 2018

SUBJECT	DESCRIPTION	PRESENTER
<u>S 1220</u>	Relating to Sales Tax	Tom Shaner, Idaho State Tax Commission
<u>S 1253</u>	Relating to Income Tax Credits	Senator Johnson

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon(17)

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 08, 2018

TIME: 8:00 A.M.

PLACE: Room EW40

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon(17)

**ABSENT/
EXCUSED:** Representative(s) Chaney, Troy

GUESTS: Tom Shaner, ISTC; Russell Westerberg, RMP
Chairman Collins called the meeting to order at 8:00 a.m.

MOTION: **Rep. Anderst** made a motion to approve the minutes of January 29, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Kauffman** made a motion to approve the minutes of February 13, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Gannon** made a motion to approve the minutes of February 19, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Anderst** made a motion to approve the minutes of February 26, 2018. **Motion carried by voice vote.**

S 1253: **Sen. Johnson** presented **S 1253**. This legislation repeals Idaho Code § 63-3029J, relating to the incentive income tax investment credit. The statute limits the credit to tax year 2001 only and allows excess amounts to be carried forward for a period not to exceed the following 14 taxable years. The provision expired in 2015 and is now obsolete.

MOTION: **Rep. Moyle** made a motion to send **S 1253** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Gannon** will sponsor the bill on the floor.

S 1220: **Tom Shaner**, Idaho State Tax Commission, presented **S 1220** stating Section 63-3638, Idaho Code, governs the distribution of sales tax revenue to various agencies and entities. This bill amends section 63-3638, Idaho Code, to more clearly articulate the established process for distributing the sales tax revenue. Mr. Shaner confirmed these edits are not making any changes in the amounts that are being distributed. In response to questions from committee members to **Rep. Moyle**, it was confirmed that this legislation is to clarify that special taxing districts use the revenue it receives for it's intended purpose.

MOTION: **Rep. Moyle** made a motion to send **S 1220** to General Orders. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:22 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Friday, March 09, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS26302	Relating to Child Tax Credit	Representative Moyle
RS26342	Relating to Income Tax, Intangible Property	Representative Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon(17)

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 09, 2018

TIME: 8:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon(17)

**ABSENT/
EXCUSED:** Representative(s) Thompson, Troy

GUESTS: Jonathan Parker, PPA; Betsy Russell, The Spokesman Review
Chairman Collins called the meeting to order at 8:00 a.m.

MOTION: **Rep. Dayley** made a motion to approve the minutes of February 5, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Gannon** made a motion to approve the minutes of February 12, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Anderst** made a motion to approve the minutes of February 16, 2018. **Motion carried by voice vote.**

RS 26302: **Rep. Moyle** presented **RS 26302**. This legislation raises the child tax credit from \$130 to \$205. Rep. Moyle reiterated the \$205 helps most of large families, but it may not help the very wealthy families. He stated \$205 is a fair compromise based on other's input.

MOTION: **Rep. Gibbs** made a motion to introduce **RS 26302**.

**SUBSTITUTE
MOTION:** **Rep. Nate** made a substitute motion to introduce **RS 26302** with an amendment to change the amount from \$205 to \$280 in the Statement of Purpose.

**VOTE ON
SUBSTITUTE
MOTION:** **Chairman Collins** called for a vote on the substitute motion to introduce **RS 26302** with an amendment to change the amount from \$205 to \$280 in the Statement of Purpose. **Motion failed by voice vote.**

**VOTE ON
ORIGINAL
MOTION:** **Chairman Collins** called for a vote on the original motion to introduce **RS 26302**. **Motion carried by voice vote.**

RS 26342: **Rep. Moyle** presented **RS 26342**. This legislation allows taxpayers to deduct 60% of the capital gain net income from the sale or exchange of intangible personal property held at least twelve (12) months.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26342**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:19 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Monday, March 12, 2018

SUBJECT	DESCRIPTION	PRESENTER
RS26355	Relating to Income Taxes, IRS Coding	Representative Moyle
H 675	Relating to Child Tax Credit	Representative Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon(17)

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 12, 2018

TIME: 8:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon(17)

**ABSENT/
EXCUSED:** Representative(s) Chaney, Gibbs

GUESTS: Fred Birnbaum, ID Freedom Foundation; Tom Shaner, ISTC; Alex LaBeau, IACI; Russell Westerberg, RMP; Jonathan Parker, PPA

Chairman Collins called the meeting to order at 8:00 a.m.

RS 26355: **Rep. Moyle** presented **RS 26355**. This legislation provides for the conformance to the section of the new federal Tax Cuts and Jobs Act that requires the taxation of previously untaxed foreign earnings from 1986 until 2017 for U.S. multinational taxpayers. This bill creates conformity to the new federal law to keep Idaho multinational companies competitive with other states. Rep. Moyle confirmed there will be money coming in, but the amount is unknown and that this proposed legislation only deals with 2017.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26355**. **Motion carried by voice vote.**

H 675: **Rep. Moyle** presented **H 675**. This legislation raises the child tax credit from \$130 to \$205. Rep. Moyle clarified the fiscal note in the Statement of Purpose should be changed from \$25,000,000 to the general fund to \$25,000,000 reduction from the general fund. He reiterated that all sides were worked with and compromises were met to come up with the \$205 figure and this will leave a remainder of \$50,000,000. In response to a question Rep. Moyle stated the reason why families are affected by the taxes in Idaho is because the rates are too high.

Fred Birnbaum spoke in support of **H 675**. He stated the ending balance is over \$100,000,000 and the notion that we have insufficient revenue to fund the child tax credit is just not supported by the data. Mr. Birnbaum reiterated the money is there and we could do at least \$75,000,000 for the people of Idaho. In response to a question, Mr. Birnbaum stated there is \$200,000,000 of additional appropriation over fiscal year 2018, which is the growth in the spending to accommodate the roughly 2% population growth. He confirmed this tax credit is affordable.

MOTION: **Rep. Thompson** made a motion to send **H 675** to the floor with a **DO PASS** recommendation.

**ROLL CALL
VOTE:** **Rep. Hartgen** requested a roll call vote on **H 675**. **Motion carried by a vote of 14 AYE, 2 Absent/Excused.** Voting in favor of the motion: **Chairman Collins, Acting Vice Chairman Kauffman, Reps. Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon(17).** **Reps. Chaney and Gibbs were absent/excused.** **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:41 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Tuesday, March 13, 2018

SUBJECT	DESCRIPTION	PRESENTER
H 684	Relating to Income Taxes, Corporate Tax	Alex LaBeau, Idaho Association of Commerce and Industry

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon(17)

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 13, 2018

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon(17)

**ABSENT/
EXCUSED:** Representative(s) Chaney, Thompson

GUESTS: Laura Lantz, ISCPA; Tom Shaner, ISTC; Elizabeth Criner, Food Northwest; Alex LaBeau, ISCI

Chairman Collins called the meeting to order at 8:32 a.m.

H 684: **Alex LaBeau**, Idaho Association of Commerce and Industry, presented **H 684**. This legislation provides for the conformance to the section of the new federal Tax Cuts and Jobs Act that requires the taxation of previously untaxed foreign earnings from 1986 until 2017 for U.S. multinational taxpayers. This bill creates conformity to the new federal law to keep Idaho multinational companies competitive with other states. In response to a questions concerning percentages, it's the remaining 8% that is taxable. Mr. LaBeau reiterated that it does not vary where the money has been invested and this captures the time from 1986 to 2017.

MOTION: **Rep. Kauffman** made a motion to send **H 684** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:50 a.m.

Representative Collins
Chair

Susan Steed
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Friday, March 16, 2018

SUBJECT	DESCRIPTION	PRESENTER
	Minutes Approval	

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep Kauffman, Acting Vice
Chairman
Rep Moyle
Rep Raybould
Rep Anderst
Rep Dayley

Rep Hartgen
Rep Chaney
Rep Nate
Rep Thompson
Rep Gestrin
Rep Stevenson

Rep Troy
Rep Gibbs
Rep Erpelding
Rep Gannon(17)

COMMITTEE SECRETARY

Susan Steed
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 16, 2018
TIME: 8:30 A.M.
PLACE: Room EW42
MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives, Raybould, Dayley, Hartgen, Chaney, Nate, Gestrin, Stevenson, Troy, Gibbs, Gannon(17)
**ABSENT/
EXCUSED:** Representatives Moyle, Anderst, Thompson, Erpelding
GUESTS: None
Chairman Collins called the meeting to order at 8:30 a.m.
MOTION: **Rep. Kauffman** made a motion to approve the minutes of February 6, 2018. **Motion carried by voice vote.**
MOTION: **Rep. Dayley** made a motion to approve the minutes of February 7, 2018. **Motion carried by voice vote.**
MOTION: **Rep. Gannon** made a motion to approve the minutes of March 2, 2018. **Motion carried by voice vote.**
MOTION: **Rep. Troy** made a motion to approve the minutes of March 8, 2018. **Motion carried by voice vote.**
MOTION: **Rep. Kauffman** made a motion to approve the minutes of March 9, 2018. **Motion carried by voice vote.**
MOTION: **Rep. Dayley** made a motion to approve the minutes of March 12, 2018. **Motion carried by voice vote.**
MOTION: **Rep. Raybould** made a motion to approve the minutes of March 13, 2018. **Motion carried by voice vote.**
ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:36 a.m.

Representative Collins
Chair

Susan Steed
Secretary