

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 23, 2021

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Harris, Vice Chairman Addis, Representatives Moyle, Chaney, Gestrin, Dixon, Nichols, Kauffman, Adams, Cannon, Hartgen, Manwaring, Okuniewicz, von Ehlinger, Weber, Necochea, Ruchti

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

GUESTS: Jake Cluff, BB&A; Brad Wills, Twin Falls County Assessor; Linda Knight; and Justin Baldwin.

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

MOTION: **Rep. Weber** made a motion to approve the minutes of the February 16, 2021 meeting. **Motion carried by voice vote.**

H 210: **Rep. Terry Gestrin** said **H 210** relates to sales and use taxes charged to out-of-state purchasers of cars, motorcycles, trucks, trailers, snowmobiles, all-terrain vehicles and off-highway vehicles (vehicles) who take and title them out of state. The Idaho State Tax Commission (ISTC) changed their policies regarding taxing corporations and businesses from outside Idaho for vehicle purchases. **H 210** clearly defines in statute that a corporation or business not formed in Idaho, with owners who are citizens of another state, be treated the same as out-of-state individuals for sales tax purposes on purchases of vehicles. Any individual or corporation who buys vehicles cannot operate them in Idaho for more than 90 days of time anytime during a year. Many people from Washington and Oregon cross the border into Idaho to purchase vehicles and this legislation will help Idaho businesses.

In response to committee questions, **Rep. Gestrin** replied even though California charges Idahoans taxes on vehicles purchased in California, it is better for Idaho not to tax out-of-state purchasers because Idaho businesses would lose business from vehicle purchasers from Oregon, which does not charge sales tax,

Rep. Addis declared a Rule 80 possible conflict.

MOTION: **Rep. Dixon** made a motion to send **H 210** to the floor with a **DO PASS** recommendation.

Rep. Addis spoke in support of **H 210** saying people will not come to Idaho to buy vehicles which would hurt Idaho businesses, and the policy needs to be changed.

VOTE ON MOTION: **Motion carried by voice vote. Rep. Gestrin** will sponsor the bill on the floor.

H 211:

Rep. Jim Addis presented **H 211** which states if, on appeal, a residential property owner has evidence they purchased property in the previous 12 months in an arm's length transaction, that arm's length transaction price shall be considered market value for the property for assessment purposes in the coming year. Rep. Addis defined an arm's length transaction as a business deal where buyers and sellers act independently, without influence, in their own self interest, not under pressure from the other party, and having no preexisting relationship with each other. It ensures there is no collusion between the buyer and seller and the properties are priced at their fair market value. He shared a copy of the Kootenai County Board of Equalization Comparable Property Sales Form [Attachment A] that defines an *ad valorem* assessment that is basically the same as an arm's length transaction. Idaho Code §63-205 says market value for assessment purposes shall be determined according to the requirements of the title or the rules promulgated by the ISTC, and **H 211** puts the determination into statute, taking it out of rules which can change anytime. It does not keep an assessor from rightfully looking at and valuing property additions or otherwise change the way assessors do their job, but it changes the right of a taxpayer on appeal, rightfully aligning a property owners arm's length transaction value with the existing *ad valorem* assessment definition of market value currently in statute.

Answering committee questions, **Rep. Addis** said in current law, a homeowner goes back to the value of the home on January 1st of the past year which becomes the value for the next year. The twelve-month period is valid because the assessors use the entire period to develop and make a wholly valid value to put on a property. Assessors that use a mass appraisal process that looks at a large group of properties and applies percentages which can be on or off is a concern. The best way to get a true market value is to have a fee appraisal done. Idaho is clear on what market value is, and **H 211** aligns with that.

MOTION:

Rep. Okuniewicz made a motion to send **H 211** to the floor with a **DO PASS** recommendation.

Brad Wills, Twin Falls County Assessor, spoke **in support** of **H 211** saying Idaho county assessors are not opposed to the legislation because they already use arm's length transactions to determine values, but with forty-four assessors in forty-four counties they will not implement it the same way without some clarifications. He would ask that he and **Brian Sender**, the Canyon County Assessor, have a chance to work with **Rep. Addis** to add clarity regarding what kind of sales price documentation they are allowed to ask for since Idaho is a non-disclosure state. Typically they ask for a purchase and sales agreement or a closing statement from a title company. Also, clarification is needed regarding time adjusted sales. They do appraisals based on the values as of the first day of January in the year in which the property taxes are levied, and they time adjustment both fee appraisals and mass appraisals to compare sales in January to sales in June to sales in December because in an appreciating market, values can be vastly different. Additional clarity is needed regarding the timing of "the previous 12 months" because it is important they adjust to that January 1st lien date.

In response to committee questions, **Mr. Wills** replied that the clarifications could not be done by rule changes.

Justin Baldwin, Gooding County Assessor, also spoke **in support** of **H 211** saying he would echo **Mr. Wills** regarding the importance of time adjustment and would like to see language added addressing a time adjustment.

Rep. Addis closed saying proof of transactions vary as does ways to buy and sell property, and the documentation is up to those at the local level to decide. The time frame is set in statute and has not or is not being changed. The mass appraisal system is a necessary evil in valuation of what in increase in value could be and can be valid in most situations but a what-I-paid valuation is clear, simple and transparent. **H 211** makes the appeal process easier and fairer for the taxpayer.

Rep. Necochea spoke in opposition to **H 211** saying it should be amended because the legislation gives opportunities for buyers to appeal back value for 12 months while existing homeowners do not have that option, which would shift the tax burden to those living in the same house over time.

VOTE ON MOTION:

Motion carried by voice vote. Rep. Addis will sponsor the bill on the floor.

H 217:

Rep. James D. Ruchti said **H 217** creates a rebuttable presumption that a taxpayer's statement or invoice from a credit card company or other financial institution reflecting their expenditure serves as evidence the expenditures were made by the taxpayer. In sharing evidence such as a statement in front of a tribunal, that presumption would be correct, but it is rebuttable and can be overcome by an auditor with evidence otherwise. The legislation sets tax policy to reflect the modern way finances are done.

MOTION:

Rep. Addis made a motion to send **H 217** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Manwaring** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 9:40 a.m.

Representative Harris
Chair

Lorrie Byerly
Secretary