

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 12, 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) Ruchti

GUESTS: Brody Aston, Westerberg and Associates.

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

MOTION: **Rep. Weber** made a motion to approve the minutes of the March 8, 2021 meeting.
Motion carried by voice vote.

Chairman Harris turned the gavel over to **Vice-Chairman Addis**.

RS 28827: **Rep. Steven Harris** said **H 199**, previously presented to this committee, reduced income tax brackets, as well as had sales tax relief. **RS 28827** turns the sales tax relief into a tax rebate. He presented information on the sources and amount of those resources that will be used to fund the proposed tax relief, as well as the sources of funding that will not be used. In February of this year, Idaho exceeded its estimated tax collection by \$114 million. **RS 28827** brings down the top tax bracket from 6.925% to 6.5% and lowers all the brackets, of which there are seven, with the lower brackets coming down with larger percentages. The first bracket comes down 12%. It is a tax break for everyone who pays taxes. Rep. Harris shared information on the percentage of income collected in specific brackets, and said the proposed relief is an ongoing reduction of about \$170 million per year. The second portion of **RS 28827** provides a tax rebate. A rebate is not a transfer payment, a subsidy or a transfer of wealth. A rebate is tax money from the state being returned to taxpayers. A taxpayer who files a return with zero liability would receive a rebate. The rebate is \$50 per taxpayer and dependent, so the rebate for a family of four would be \$200. Taxpayers with liability who pay income tax can claim a rebate of 9% of their 2019 tax return or \$50 per person and dependent, whichever is greater. The rebate for a taxpayer with \$2,500 of tax liability would be \$225.00. It can be looked at as a rebate of income tax, sales tax or property tax. A rebate of \$200 for a family of four represents about \$37,000 in sales taxable purchases based on a 9% rebate. If that family of four has no income upon which to pay taxes and spends less than \$37,000, their rebate is greater than 9%.

Answering committee questions, **Rep. Harris** said the income tax credit and the grocery tax apply to a taxpayer's liability, and lowering the income tax brackets does not touch that. He also replied to questions regarding the application of restrictions placed upon state tax relief by the new federal American Rescue Plan Act by saying the funding for this tax relief is not coming from past or present federal Cares Act funds but from Idaho state sales and income tax. The funds are not federal replacement money but money sitting in Idaho's coffers, and the appropriate thing to do is to return it to Idaho citizens.

MOTION: **Rep. Chaney** made a motion to introduce **RS 28827**.

In response to committee questions, **Rep. Harris** said **RS 28827** is not welfare, transfer or subsidy legislation but tax relief legislation that does not address subsidies, backfills or transfers. It takes existing tax revenue and distributes it as a rebate instead.

Rep. Necochea spoke **in opposition** to **RS 28827** saying she has some serious concerns about the way the tax rebate is constructed because it seems to hit middle income taxpayers much harder and rewards the wealthy with a much larger rebate compared to the \$50 for low-income taxpayers.

Reps. Nichols spoke **in support** of **RS 28827** but said she would like to see a legal opinion regarding impacts of the American Rescue Plan Act.

**VOTE ON
MOTION:**

Motion carried by voice vote.

ADJOURN:

Vice Chairman Addis turned the gavel over to **Chairman Harris**.

There being no further business to come before the committee, the meeting adjourned at 9:26 a.m.

Representative Addis
Chair

Lorrie Byerly
Secretary