

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Tuesday, February 15, 2022

**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, Weber, Shepherd, Necochea, Ruchti

**ABSENT/  
EXCUSED:** Representative(s) Addis, Adams

**GUESTS:** The sign-in sheet will be retained in the committee secretary's office; following the end of the session, the sign-in sheet will be filed with the minutes in the Legislative Library.

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

**RS 29509:** **Rep. Moyle** introduced **RS 29509**. This proposed legislation relates to property tax and revenue sharing. Each year the state collects 6% sales tax; of the amount of sales tax collected, 11.5% is distributed to local taxing districts. Last year this portion had a value of \$23.5 million. This legislation states that 50% of any new year-over-year increase in revenue sharing with local taxing districts, shall be dedicated to property tax relief.

No fiscal impact to the state because the funds are already being distributed to local taxing districts, and that distribution will not change. This legislation will apply only to future increases. The taxing districts receive the highest of the previous three years' budget and keeps the 3%. The Tax Commission will reset the bases for those three years, based on the amount that is sent to the taxing districts. If there is an increase, half of this goes to the tax relief fund.

**MOTION:** **Rep. Okuniewicz** made a motion to introduce **RS 29509**. **Motion carried by voice vote.**

**H 550:** **Rep. Gannon** introduced **H 550** which allows a city to rebate excess property taxes on a voluntary bases and parameters, determined by the city council. The parameters require the rebate must be by ordinance and must state the amount of the money that is being put into the rebate fund, and the parameters for its distribution. The ordinance requires a public hearing and reading three times. This ensures public notice and public participation. No property must receive benefits which are more than the property tax. The Tax Commission provides the list of those who receive the circuit breaker if the city plans to use that information for some purposes.

**Dave Kangas**, representing himself, expressed his support for the bill because it is simple and allows citizens to persuade the city to address specific issues and needs with the funds now available.

**Tamar Hunter**, representing herself, expressed her support for the bill as the property taxes are becoming an issue for personal financial planning. The bill can help citizens to receive some of their tax money back to help these financial situations.

**MOTION:** **Rep. Manwaring** made a motion to send **H 550** to the floor with a **DO PASS** recommendation. **Motion carried by a voice vote.** **Rep. Moyle** and **Rep. Gannon** will sponsor the bill on the floor

**H 563:**

**Rep. Manwaring** introduced **H 563** regarding income tax paid by businesses with sales in multiple states. It resolves the double taxes and the out-of-state sales issues. Currently in Idaho income taxes are determined using a cost-of-performance method that defines sales revenue to the location with the greater location of the services performed. The majority of the states are now using a market-based method that defines the tax proportion based on where the service is provided. The bill is changing the income tax from cost-of-performance to market-bases methods.

The second change the bill is applying is a change from a current complex method of determining income tax (three-factor method), to a more simple method called simple-factor sale. This method is using the location of sale to determine the tax amount. The bill will bring a more simplified tax methodology to Idaho.

This bill will make the Idaho providers pay taxes to other states based on out-of-state sales. In exchange, out-of-state companies will pay income taxes in Idaho for their sales into the state. The fiscal note assumes there is a neutral impact across the different cases.

As Idaho uses a cost-of-performance methodology, this may lead to double taxation for the providers that have sales to states using a market-based method.

**Mark Wynn** , representing Idaho Association of Commerce & Industry(IACI), Associated Taxpayers of Idaho (ATI), and Lamb Weston, expressed his support for the bill. This bill benefits the Idaho companies operating and exporting out of state as they can avoid double taxation and follow simpler tax legislation. Furthermore, Idaho will adopt the same methodology already being used by 80%-85% of states. Manufacturers are already using a market-based methodology. Lamb Weston company will benefit from this bill as well. A rule-making process is needed to make sure the bill will be fairly implemented as intended. Special industries can elect to use the newly proposed methodology or to remain with the current methodology.

**Tom Shaner**, resource manager for the State Tax Commission, explained that special industries are benefiting from specific rules granted for many years due to their specific situation, so they have the option to request to maintain these rules.

**MOTION:**

**Rep. Weber** made a motion to send **H 563** to the floor with a **DO PASS** recommendation. **Motion carried by a 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 10:02 a.m.

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Representative Harris  
Chair

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Anna Maria Mancini  
Secretary