

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 03, 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) Chaney, Okuniewicz

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 29669: **Rep. Weber** presented **RS 29669**. This proposed property tax relief legislation would relieve \$20.9 million in property tax by repealing the county charity levy and dedicating non-property tax revenues to pay for public defense. FY 2023 and 2024 would be reimbursed to the counties up to \$20.9 million from the State General Fund to keep the counties whole while they continue to provide public defense service. It routes the fund money through the tax distribution formula and additionally starting in FY 2025, this bill would transfer \$9 million to the public defense fund created in this bill. This bill does not, at this time, establish an alternative public defense structure. It does direct the legislature to work on an alternative public defense delivery system. The stakeholders will have the opportunity to negotiate in the interim what that system may look like, either through a state system, regional system, or a hybrid of the two. This new system would need to be in place by 2024.

MOTION: **Rep. Gestrin** made a motion to introduce **RS 29669**. **Motion carried by a voice vote.**

H 673: **Sen. Guthrie** introduced **H 673**. This bill is relative to new construction roles. The bill clarifies that the description of the land or change in use will not be placed on the new construction rolls. As those values increase because of the zoning change, the taxes would be appropriately applied and the tax district would get the taxes, but it wouldn't be recognized on the new construction rolls. In the event of a reduction in value from a description or change in use, it would not be deducted from the new construction rolls. Furthermore, the project needs to be completed and taxable before it's shown on new construction rolls.

Mr. Russ Hendricks, representing the Idaho Farm Bureau, expressed support for the bill. He explained this bill will not affect the tax that's collected on any parcel of land or project, but is just a helpful clarification for budgeting capacity.

MOTION: **Rep. Shepherd** made a motion to send **H 673** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Harris** will sponsor the bill on the floor

H 713: **Rep. Addis** introduced **H 713**. The bill is a clarification for last year's bill **H 317** that allowed individuals to be able to deduct all their state and local sales taxes on their federal tax return, and for current year's bill **H 510** that allowed Idaho partnerships, LLCs, and S corporations to be able to do the same thing. This bill addresses some unintended consequences. It clarifies a pass-through entity to qualify for this work-around, simplifies the process of making an election to use the workaround, clarifies the qualification by eliminating some ambiguous language reported by the Tax Commission, and clarifies the \$10 permanent building tax needs to be paid only once, not multiple times.

Mr. Ken McClure, representing the Idaho Societies of CPAs, explained that **H 510** had not fully achieved the intended objective, and this new language would address the remaining issues.

MOTION: **Rep. Nichols** made a motion to send **H 713** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Addis** will sponsor the bill on the floor.

H 714: **Rep. Kauffman** introduced **H 714**. This bill is relative to last year's **H 276**, which clarified the bonus depreciation taken on federal income tax returns, but not allowed on a state return to make sure that it doesn't create income under the Idaho law. **H 276** was effective as of January 1st, 2021. This new legislation reaffirms the policy enacted last year and clarifies the legislation is retroactively applicable to all taxpayers who have filed returns consistent with this policy.

Mr. Ken McClure, representing the Idaho Societies of CPAs. This bill addresses issues of last year's legislation and clarifies how historical cases should be handled. It clarifies circumstances where there are other tax concerns, net operating losses, and the order in which the individual credits and adjustments will occur.

MOTION: **Rep. Cannon** made a motion to send **H 714** the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.

H 715: **Rep. Cannon** introduced **H 715**. This bill will level the playing field in tax reform. This legislation would amend title 63, chapter 30 of the Idaho Code, where it provided a three-year statute of limitations on claims for credit or refund of overpayment of income taxes. The State Tax Commission, by contrast, has the ability to look back ten years in order to file claims against taxpayers for underpayment of taxes. This legislation would expand the window from three years to ten years for the purposes of claims for credit for overpayment of income taxes in certain categories

MOTION: **Rep. Shepherd** made a motion to send **H 715** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Cannon** will sponsor the bill on the floor.

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

Representative Harris
Chair

Anna Maria Mancini
Secretary