

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, January 16, 2024

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Bruner (Adams), Bernt, Trakel, Rabe, and Just

**ABSENT/
EXCUSED:** None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Ricks** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 3:01 p.m.

GUBERNATORIAL APPOINTMENT: **Paul Woods to the Idaho State Tax Commission. Mr. Woods** introduced himself and shared some of his background and experience (see attachment 1). Much of his experience was in public service and included serving as an Ada County Commissioner and an Ada County Highway District Commissioner.

DISCUSSION: **Senator Bernt** stated that he knew Mr. Woods and commended him on his public service.

Senator Cook asked Mr. Woods why he wanted to be on the Idaho State Tax Commission. **Mr. Woods** responded that public service was important to him. **Senator Cook** then asked Mr. Woods to discuss his role at the Idaho State Tax Commission (Commission). **Mr. Woods** explained that the Commission collected and administered the sales tax program and oversaw the property tax system. In addition, the Commission ensured equalization in assessment of properties.

Senator Grow stated that he had known Mr. Woods for many years and appreciated his responsiveness when he had requests for information. **Senator Grow** expressed hope that anyone who served on the Commission would be responsive to constituents.

Chairman Ricks asked Mr. Woods to more specifically describe what his duties would be on the Commission. **Mr. Woods** replied that he would be with the property tax division. He explained that the property tax division oversaw the administration of assessments by counties to ensure that the assessed value related to sales value and that levy rates were appropriate. In addition, they oversaw the assessment of operating properties such as railroads and utilities. Finally, **Mr. Woods** stated that he would preside over the Board of Equalization as president, but not a voting member.

Senator Just acknowledged that he and Mr. Woods had gone through the MBA program together and that Mr. Woods was a good student. He further asked him to define "equalization." **Mr. Woods** explained that the Idaho Constitution required that properties be assessed at market value. That was measured by examining a portion of actual sales of property and through statistical analysis ensured that assessments were reflective of market value.

INTRODUCTION:

Senate Page Owen Allen. Mr. Allen introduced himself and shared about himself. He was a sixth generation Idahoan. He was interested in local politics and hoped to possibly pursue a law degree in the future.

Senator Cook inquired about how Mr. Allen became interested in being a page. Mr. Allen explained that he had heard about the page program during the American Legion Boys' State program this past summer and felt it would be a good opportunity to learn more about local politics.

Senator Grow asked Mr. Allen what kind of law he wanted to practice. He responded that he was interested in criminal law because he wanted to ensure that those who are guilty of a crime went to jail and those who were unjustly accused did not.

Senator Rabe asked Mr. Allen what high school he attended and what his interests were. Mr. Allen stated that he attended Renaissance High School in Meridian and that he enjoyed chess and weightlifting.

PRESENTATION:

Erin Phipps, Revenue Details and Forecast. Erin Phipps, Research analyst for the Legislative Services office, first provided an overview of the revenue details dashboard included among the four fiscal dashboards on the Legislative Services Office website. The revenue details dashboard included information on the three main sources of revenue: sales tax, individual income tax and property tax. There were three levels of information regarding each type of revenue, the 101, 201, and 301 pages. These pages provided details regarding the percentage of total revenue each source provided, history of collections from each source of revenue, distributions from each source of revenue and other information.

Next, **Ms. Phipps** discussed a PowerPoint Presentation on Revenue Projections, (see attachment 2). Slide two showed the general fund revenues for fiscal years (FY) 22 and 23 broken out by the five major categories: sales tax, individual income tax, corporate income tax, miscellaneous revenue, and product tax. **Ms. Phipps** explained that the dip in revenue in FY 23 was largely due to a decrease in the individual income tax rate from a top rate of six percent to a flat rate of 5.8 percent. Slide three showed the actual revenue received so far in FY 24 and a projection by the Division of Financial Management (DFM) for the remainder of FY 24. Slide four showed revenues to the general fund from FY 10 through FY 23 and the projections for FY 24 and FY 25. **Ms. Phipps** explained that the larger amount of revenues in FY 23 was due to an influx of federal funds. Slide five showed a projection for revenues in FY 24 and FY 25 by revenue categories. **Ms. Phipps** explained that individual income tax revenues were projected to increase while the corporate income tax revenues were projected to decrease. In addition, sales tax revenues were also projected to decline.

Slide six provided a comparison of actual individual income tax revenues through November of FY 24 and individual income tax revenues for those same months in FY 23. Slide seven illustrated actual income tax revenues through November of FY 24 and DFM's projected individual tax revenues for the remainder of FY 24. Slide eight added the FY 23 actual income tax revenues in teal. **Ms. Phipps** noted that the actual revenues in October of FY 24 were less than those in that same month in FY 23. In addition, the projections for individual income tax revenues in June of FY 24 were less than actual revenues in June of FY 23. Part of the reason why individual income tax revenues for FY 23 exceeded those in FY 21 and FY 22 was likely due to employer income tax withholding. Slide ten showed an increase in the actual and projected withholding for FY 24.

Slide 11 showed actual individual income tax refunds in FY 21 through FY 23 and a projected increase in individual income tax refunds for FY 24. **Ms. Phipps** explained that the large increase in refunds from FY 22 to FY 23 was likely due to the salt workaround. A mechanism of the salt workaround, which applies to corporate filers, is a net neutral policy that holds that when corporate income taxes increase so do individual income tax refunds. Slide 12 illustrated the actual and projected individual income tax refunds in FY 24. Slide 13 added the actual individual income tax refunds for FY 23. The increase in individual income tax refunds was likely due to employers withheld at the same rate, while individual income tax rates decreased. Slide 14 compared actual net sales tax revenues through November of FY 24 with the same months of FY 23. Slide 15 showed actual and projected net sales tax revenues for FY 24. Slide 16 added a teal line which illustrated the actual sales tax revenues for FY 23. **Ms. Phipps** explained that the increase in sales tax revenues was likely the result of job growth and increased spending. Slide 17 provided details on actual and projected sales tax revenues for FY 24. Slide 18 illustrated the additional sales tax distributions that were added by H 1 (2022) in pink and H 292 (2023) in teal. H 1 allocated 330 million to the public school income fund. H 292 provided that, after certain other distributions, 4.5 percent of sales tax revenues were split equally between the school district facilities fund and homeowners' property tax relief.

- DISCUSSION:** **Senator Just** asked Ms. Phipps why sales tax revenue projections for December were lower than other months. **Ms. Phipps** explained that while many spend for Christmas in December, November sees more spending with Black Friday, Prime days, and other sales.
- INTRODUCTION:** **Senator Bruner. Chairman Ricks** introduced Senator Bruner who was a substitute for Senator Adams and thanked him for his service. **Senator Bruner** stated that it was an honor to serve.
- ADJOURNED:** There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:50 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary