

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

**DATE:** Wednesday, January 23, 2019

**TIME:** 3:00 P.M.

**PLACE:** Room WW53

**MEMBERS PRESENT:** Chairman Rice, Vice Chairman Grow, Senators Hill, Vick, Anthon, Lakey, Cheatham, Burgoyne, and Nye

**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 Rice** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:00 p.m.

**PASSED THE GAVEL:** Chairman Rice passed the gavel to Vice Chairman Grow.

**H 13** **Tom Shaner**, Tax Policy Manager, presented **House Bill 13 (H 13)** the annual bill to conform to the Internal Revenue Code. As of January 1, 2018, this bill would make the change effective January 1, 2019, which would enable the preparation of the 2018 income tax returns. It would use the federal taxable income as a starting point, allowing taxpayers to take the withholding amount from their Idaho return. They would make adjustments that are required by Idaho law instead of having to replicate work by preparing their federal income tax return first. The fiscal impact of **H 13** is estimated at \$320,000, based on an estimation prepared by the Joint Meeting of the House Revenue and Taxation Committee and Senate Local Government Taxation Committee, then reduced by size to fit the Idaho economy. **Mr. Shaner** respectfully requested that the Committee approve **H 13** and send it to the floor with a **do pass** recommendation.

**Senator Hill** asked for clarification that the only changes being made through this bill are changes from 2018, not changes resulting from federal law. **Mr. Shaner** affirmed that these were the only changes. He stated they had done a trailer bill when the February statutes were updated and they missed this. This bill will pick up those changes.

**Senator Hill** asked why they had not exempted out the portion regarding repatriated dividends since it wasn't adopted, and if it had any effect on the tentative decision made last year not to allow the section 250 deduction. **Mr. Shaner** stated there were a couple of separate conformity bills last year because of the tax reform.

**Senator Hill** asked if by adopting **H 13** the Committee would be conforming to repatriating the dividends, or would they still have the decision to make in another portion of the code. **Mr. Shaner** stated that in the conformity statute they did conform to the 965 being counted as income. What he believed was being referred to was in subtraction statute Idaho Code § 63-3022. They had them add back the federal 250 deduction and then utilize the Idaho dividends deduction. **Senator Hill** asked if there would be a future policy issue the Committee would have to decide on. **Mr. Shaner** affirmed that was correct.

**Vice Chairman Grow** asked if the amended language was recognized in the Idaho State Constitution. He asked for clarification regarding any financial impact and if it was a part of the \$320,000 budget. **Mr. Shaner** stated there was no financial impact.

**Senator Burgoyne** asked if the definition in Idaho Code § 63-3041 is what the Committee is conforming to. **Mr. Shaner** stated that they do adhere to other provisions and there are six statutes that are involved with the conformity process.

**Senator Burgoyne** asked if, in the six statutes referred to, there were any provision clarifying that by conforming to the code means we are conforming to the federal decisional law to the internal revenue code, revenue rulings, and to IRS regulations. **Mr. Shaner** stated to the end that the taxable income reported each taxable year by a taxpayer per the internal revenue code to the internal revenue service shall be the identical sum reported to the state subject only to the modifications contained in the Idaho law.

**Senator Hill** opened a discussion to express his concerns and agreed with Senator Burgoyne concerning Idaho Code § 63-3002. He commented that he wanted to vote on conforming to the revenue code statute.

**Chairman Rice** commented regarding what's being done when there's an adoption code section from another jurisdiction. He stated the interpretational decisional law is informative to the court when making a decision interpreting that code section.

**Senator Burgoyne** raised concerns about change in the federal courts and how it will affect tax year 2019. **Chairman Rice** clarified that they weren't adopting the decisional law, but it is used by the court in cases as interpretation. It is not binding; it is authoritative but it never becomes part of the code of either jurisdiction.

**MOTION:** **Senator Hill** moved to send **HB 13** to the floor with a **do pass** recommendation. **Vice Chairman Grow** seconded the motion. Motion carried by voice vote.

**GUBERNATORIAL APPOINTMENT:** **Chairman Rice** took up the Gubernatorial appointment of **Leland Heinrich** to the Idaho Board of Tax Appeals, commencing June 30, 2018, expiring June 30, 2021. Mr. Heinrich introduced himself. After completing six years on the Board of Tax Appeals he has thoroughly enjoyed providing a resource for the taxpayer to pursue appeals of their tax problems.

**ADJOURNED:** There being no further business at this time, **Chairman Rice** adjourned the meeting at 4:00 p.m.

---

Senator Rice  
Chair

---

Carol Waldrip  
Secretary