

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

- DATE:** Monday, February 10, 2020
- TIME:** 9:00 A.M.
- PLACE:** Room EW42
- MEMBERS:** Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Kiska, Ellis, Mason, Necochea
- ABSENT/
EXCUSED:** None
- GUESTS:** Russell Westerberg, RMP; Jack Lyman, IMHA; Tom Shaner, Idaho State Tax Commission; Melinda Merrill, NW Grocery Association; and Peter Lichtenstein, HRAH.
- Chairman Collins** called the meeting to order at 9:00 a.m.
- MOTION:** **Rep. Stevenson** made a motion to approve the minutes of the February 3, 2020 meeting, the February 4, 2020 meeting, and the February 6, 2020 meeting. **Motion carried by voice vote.**
- RS 27644:** **Rep. Giddings** said **RS 27644** defines food for human consumption by taking out prepared food from the SNAP definition. Lines 26 and 27 on page 1 adds exemptions for two or more food ingredients mixed for a single sale and food sold with an eating utensil. She discussed how other states define food. Page 1 also adds language that the reduction in revenue to the General Fund will be covered by the state controller transferring the balance in the Tax Relief Fund to the General Fund at the end of the year. Line 28, page 3, has to do with revenue sharing with local districts. If the grocery tax is repealed and revenue sharing stays at 11.5%, the cost to counties would be \$27 million. If the state wanted to keep counties from losing any revenue because of the grocery tax repeal, revenue sharing could be raised to 12.9%. If the state decides that local jurisdictions should share the cost burden, local revenue sharing could be raised to 12.4%, and local revenue sharing lose would be approximately \$10 million. Page 6 introduces an emergency clause for the reason that the grocery tax repeal in FY 2021 would start on July 1st. Currently, grocers tax collection is stopped on June 1st, and the emergency clause starts the FY 2021 grocery tax repeal on June 1, 2021 to align with grocer practices and prevent a one-month reporting cycle. The estimated cost to the General Fund for repeal of the grocery tax and grocery tax credit process would be a reduction of approximately \$47 1/2 million. \$16.9 million is another reduction to the General Fund for local revenue sharing, making the total estimated offset to the General Fund \$64.5 million. The Tax Relief Fund is anticipated to be approximately \$70 million, which when transferred to the General Fund, would leave no fiscal impact.
- In response to committee questions, **Rep. Giddings** said she did not contact the Joint Finance Appropriations Committee or other legislative sources to asses the impact of transportation plans on the Tax Relief Fund because it is a legislative decision on where to utilize Tax Relief Fund monies. She further said that constant amending of the definition of foods by other states can be avoided in Idaho if we guide our intent and just tax prepared food.
- MOTION:** **Rep. Nichols** made a motion to introduce **RS 27644**.

**ROLL CALL
VOTE:**

Roll call vote was requested. **Motion failed by a vote of 7 AYE, 9 NAY, 0 Absent/Excused. Voting in favor of the motion: Reps. Chaney, Dixon, Giddings, Nichols, Ellis, Mason and Necochea. Voting in opposition to the motion: Chairman Collins, Vice Chairman Stevenson, Reps. Moyle, Anderst, Gestrin, Addis, Furniss, Ricks and Kiska**

RS 27661:

Rep. Armstrong informed the committee that, according to the Legislative Services Office, Idaho will collect \$2.1 billion dollars in sales taxes for 2021. Elimination of tax on groceries will have a fiscal impact but the narrower the description is for food, the less it will impact the budget. Rep. Armstrong indicated the definition of food in **RS 27661** is added as a new section in Idaho Code § 63-3622H and which is the Idaho Nutritional Index provided by Idaho State University. The definition of groceries does not include candy, soda pop or anything from the deli but things needed to sustain life. The percentage of sales tax derived from groceries is usually estimated at 12.7% but the narrower definition of groceries makes 10.9% a more accurate number. The list will not need to be changed often because it is just basic food.

In response to committee questions regarding the fiscal note, **Rep. Armstrong** agreed the fiscal note does not address the fiscal impact of revenue sharing because it will be a small impact due to the limited definition of groceries to be taxed, but it can be added, although it would be an arbitrary figure because no one knows precisely what the impact would be. He also confirmed the \$70 million would be an impact on the General Fund not the Tax Relief Fund and includes revenue sharing impact. **RS 27661** eliminates the tax credit, but he opined Idahoans would not pay more because it depends on how much of their budget is spent on groceries.

MOTION:

Rep. Dixon made a motion to introduce **RS 27661**.

**ROLL CALL
VOTE:**

Roll call vote was requested. **Motion failed by a vote of 5 AYE, 11 NAY, 0 Absent/Excused. Voting in favor of the motion: Reps. Chaney, Dixon, Giddings, Nichols, and Mason. Voting in opposition to the motion: Chairman Collins, Vice Chairman Stevenson, Reps. Moyle, Anderst, Gestrin, Addis, Furniss, Ricks, Kiska, Ellis and Necochea.**

RS 27695:

Rep. Moyle stated taking sales tax off of food is a bad idea. Sellers of food in Idaho don't care if grocery tax is removed because their profit margins will go up. People from out-of-state go to the grocery store and pay tax, which is a good reason to keep grocery tax and is why you have a \$110 million hold if you try and take sales tax off of groceries. If it is the decision of this body to proceed with removing sales tax on groceries, then impacts need to be looked at. When sales tax is taken off of groceries, everyone's income tax rate increases. The effective rate in Idaho now is 6.7% and not 6.925% because of the grocery tax credit. **RS 27695** lowers the tax rates on income tax to 6.4 by making a flat tax saying everyone with income over \$4,000 pays 6.4% instead of the 6.925% upper brackets pay now. Regarding raising the percentage the state pays of sales tax to local jurisdictions, Idaho currently sends 11.5% or \$610 billion a year to local government and **RS 27695** does not raise it to 12.4% but will keep locals whole for 3 years. The Tax Relief Fund currently has about \$50 million in it and will continue to grow. **RS 27695** uses the SNAP definition except for pop or sugared drinks. Rep. Moyle asked to withdraw **RS 27695**.

Chairman Collins pronounced **RS 27695** withdrawn.

RS 27634:

Rep. Anderst said the purpose of **RS 27634** is to foster savings for first-time home buyers and to help create a stable buyer. The amount of money people put into their first home purchases is decreasing while values increase, which creates unstable buyers over the long run. This has been seen as a problem in previous recessions. The savings accounts are a tool to allow an individual to deposit \$15,000, or a couple \$30,000, a year in savings which is a deduction on their net taxable income.

MOTION: Rep. Dixon made a motion to introduce **RS 27634**. **Motion carried by voice vote.** Reps. Giddings and Nichols requested to be recorded as voting **NAY**.

RS 27408: Rep. Moyle informed the committee **RS 27408** concerns the impact urban renewal expansion throughout the state is having on roads. It says before an urban renewal area can take money from a highway district, they must get the highway district's permission. Sometimes urban renewals are doing road projects, and it may be a benefit to the highway district. If not, they can work out a solution or the highway district can keep their funds. In looking for new revenues to help roads, one of the worries is the ingratiation of urban renewals with property tax money that would have gone to the highway districts if that urban renewal had not been created. **RS 27408** fixes that.

MOTION: Rep. Addis made a motion to introduce **RS 27408**. **Motion carried by voice vote.**

RS 27660: Rep. Gannon said the resolution addresses exempt property that does not pay its fair share of property taxes. It is the first exemption in Idaho Code § 63-602A out of about 35. Unfortunately the exemption cannot be changed through the bill process but must be done through a constitutional amendment. **RS 27660** authorizes the legislature to change the code section to allow taxation of public property leased to private entities. The resolution provides the additional revenue that locals would get to be used to reduce the levy rate, so it will apply to property tax reduction. Rep. Gannon gave examples of 35 properties at the Boise airport that have partial or significant exemptions, and all the Hewlett Packard buildings, which reduced the taxes paid into the pool by about \$800,000 a year. Rep. Gannon provided examples of the taxable value of like-businesses with the exemption and without. **RS 27660** does not apply to endowment lands. There is no increase to local budgets, and taxes will be allocated to property tax relief. Estimating the amount of relief is difficult because the lands are not assessed because the assessor does not assess these types of land, and no one has ever cataloged all the public properties leased to private entities.

In response to committee questions. Rep. Gannon replied that he has a law review article that shows most states have been able to tax public property leased to private entities because they did not have the constitutional provision that Idaho does.

MOTION: Rep. Anderst made a motion to introduce **RS 27660**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:11 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary