

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 11, 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: The sign-in sheet will be retained with the minutes in the committee secretary's office until the end of the session. Following the end of the session, the sign-in sheet will be filed with the minutes in the Legislative Services Library.

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

RS 27694: **Rep. Scott Bedke**, Speaker of the House, said **RS 27694** is a third reiteration of proposed legislation increasing the grocery tax credit. It clarifies some ambiguity found by the Idaho State Tax Commission regarding administration not being by rule and the flow of money from the Tax Relief Fund into the state refund accounts to administer the incremental increase of \$35 for Idaho non-seniors and \$15 for Idaho seniors for a total food tax credit of \$135 per Idaho citizen. **RS 27694** removes the effects of sales tax for food for Idahoans by putting money back into the pockets of Idahoans with no discounts for out-of-staters.

MOTION: **Rep. Ellis** made a motion to introduce **RS 27694**. **Motion carried by voice vote.**
In response to committee questions, **Rep. Bedke** stated if an elderly Idahoan did not owe taxes, they would need to file an income tax return to get the \$135 credit because the benefits only accrue to those who file an income tax return.

RS 27611: **Rep. Megan Blanksma** stated current valuations for production values when it comes to agricultural land assessments are currently administered by rule. **RS 27611** puts the common practice of valuing agricultural land by production value in statute because the Idaho State Tax Commission continues to change the rule which makes producing the correct valuation like trying to hit a moving target.

MOTION: **Rep. Chaney** made a motion to introduce **RS 27611**. **Motion carried by voice vote.**

RS 27593: **Rep. Linda Wright Hartgen** stated **RS 27593** exempts sales tax on custom meat processing and packing services on domestic or wild game when the customer presents their own animal to process for personal consumption and not for resale. Currently, if you hunt and take your meat to be processed, you are charged sales tax on something you own.

MOTION: **Rep. Addis** made a motion to introduce **RS 27593**. **Motion carried by voice vote.**

Rep. Mike Moyle gave a brief history of addressing Idaho's property tax concerns. He said citizens who have lived in Idaho their whole life cannot be driven out of their homes because of sky rocketing new construction. Some local cities and counties have low levies, city or county commissioners or managers doing a good budgeting job so that taxes on property are not out of control and some are on a spending spree. There is no reason for a city and county to increase their budget by 11% or 14% which has been done. A freeze does not mean local taxes will not go up because value fluctuations could take them up or down. Neither is it true there will be no increase in local budgets because of the freeze. Cities get 11.5 % of state sales tax, occupancy tax, and \$650 million in state mandated funds. Locals do not know the freeze will take away a certain amount of their budget, and they will get what they got last year and more because every new house will have an occupancy tax on it. They will just not get the compound of annexations, new construction, change in classifications, and 3% for one year. Property taxes are complicated. If the legislature does not act the people will act. The property taxes will not be frozen and can still go up. Local communities provide certain services that are important, but it is hoped they will come up with a solution. It is better for all Idahoans to find a solution.

In response to committee questions, **Rep. Moyle** replied that **H 409** looks at the revenue of local taxing entities, who will get occupancy tax and sales tax. Their costs are not frozen, and they can tighten their budget. **H 409** will try and force transparency since, as stated here, the city and county operating budgets are difficult to find, may include federal payment offsets or new home values could be inflated with no audit functions. Urban renewal pulls out taxes in districts putting burden on others. Property taxes are complex, are not easily understood and local government and schools need to come up with a solution.

Those speaking **in support** of **H 409** were **Mr. Darryl Ford**, Caldwell; **Fred Birnbaum**, Idaho Freedom Foundation; Ron Harriman, Chairman, Concerned Citizens of Canyon County, speaking for himself; and **David DeHaas**, Boise. They stated Idahoans on a fixed income are being taxed out of their homes; it is important to have a freeze to bring people to the table to address property growth which has been increasing at an unsustainable rate; property tax growth of 6.5% a year cannot be sustained when income growth is 3% to 4%; if budgets to be levied are not restricted, property taxes will continue to rise; urban renewal is a big problem which is a tax shift picked up by taxpayers; commercial property assessments have not increased throwing a larger share of the property tax burden to residential properties; cities have cash reserves they can fall back on.

In response to committee questions, **Mr. Birnbaum** shared statistical information supporting the unsustainability statewide of the increase in property taxes and addressed problems regarding valuation of commercial property and its impact on residential property. He said raising the homeowner's exemption might help some property owners but cause others' tax burden to rise. He indicated that if we don't address growing property taxes now, we will never get it resolved.

Those speaking in opposition to H 409 were **Bill Lewis**, Oneida County Commissioner; **Doug Racine**, Director of Finance, City of Nampa; **Debbie Kling**, Mayor, City of Nampa; **Terrel Tovey**, Bannock County Commissioner; **Roy Hubert**, Lincoln County Commissioner; **Kirk Chandler**, Washington County Commissioner; **Brent Mendenhall**, Madison County Commissioner; **Wayne Butts**, Custer County Commissioner; **Donald Powell**, Mayor, City of St. Anthony; and **Jason Kinley**, Gem County Mosquito Abatement District and Idaho Mosquito Control Division who stated that a freeze will not freeze costs that are going up for some counties; bonds have failed and counties are limited to bonds or property tax funding to cover their costs; many services, such as police and fire, are safety oriented and cannot be cut; road infrastructure cannot be cut; the levy rate will not go down until meaningful reform is enacted; local districts are not driving increases in property tax; funds are needed for fire insurance for fire coverage; until there is a state solution on what drives how property taxes are assessed, property taxes will not decrease; property evaluation drives the assessments which drive the levies; cities have mandated investment requiring upgrades on aging infrastructure; the crises today is exacerbated by rising values and the ongoing tax burden to residential properties; the circuit breaker exemption for seniors should be used instead of a freeze; state mandates such as the Odyssey program for driver's licenses and new election programs, jails and public defenders are not fully funded so states need to fund their mandates; and mosquito abatement districts are 87% funded from property taxes and have no room for a one-year freeze.

In response to committee questions, **Director Racine** indicated Nampa budgeted for increased new property construction in 2020 for \$190 million of valuation with a tax benefit of approximately \$1.4 million just from new construction. The Amazon facility will bring in property tax impacts of about \$1.9 million. Amazon will bring in more jobs and more cost for the city with the growth. They anticipate the occupancy tax from Amazon to be approximately \$1.4 million. He further indicated Nampa raised fees for water and sewer but the utility fees are being used for EPA-mandated upgrades to aging infrastructure.

In response to committee questions, **Mayor Kling**, said Nampa has imposed impact fees because citizens want new growth to cover new growth, but the impact fees only cover infrastructure, not the labor costs of police, fire and safety services that come out of the city's General Fund. She further responded negatively to committee questions regarding whether urban renewal fees and urban renewal increment financing take away additional costs for labor and for police to satisfy that new growth that urban renewal districts bring in. She specified that any revenues from urban renewal go to pay down the bonds Nampa has and will not cover additional costs at this time

Chairman Collins said that due to time constraints, **H 409** will be carried over to the meeting of February 12, 2020, at 8:30 a.m.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 11:06 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary