

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Thursday, January 28, 2021

**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, von Ehlinger, Weber, Necochea, Ruchti

**ABSENT/  
EXCUSED:** Representative(s) Nichols

**GUESTS:** Wayne Richey; Carson Tester, Westerberg & Associates; and Jake Cluff, BB&A.  
**Chairman Harris** called the meeting to order at 9:00 a.m.

**MOTION:** **Rep. Necochea** made a motion to approve the minutes of the January 25, 2021 meeting. **Motion carried by voice vote.**

**H 21:** **Rep. Nate** presented **H 21** saying it adds a new subsection to Idaho Code §50-307 exempting businesses owned and operated by persons under eighteen years of age from licensing, permitting or fee requirements imposed by a city. It also adds language to Idaho Code §63-3622K (9) that exempts businesses owned and operated by persons under eighteen years of age whose gross receipts do not exceed \$10,000 from taxes on sales. There is no fiscal impact.

In response to committee questions, **Rep. Nate** said the \$10,000 limit was to ensure adult-run businesses do not operate under the shell of a youth-run business while allowing youth to make a decent amount. The cutoff age of 18 limits the operation of a year-round business because of school attendance. To committee questions regarding restrictions on minors owning property in their own name, he replied that is why business registration was not addressed, and **H 21** says, "exclusively owned and operated by youth."

**MOTION:** **Rep. Addis** made a motion to send **H 21** to the floor with a **DO PASS** recommendation.

**Rep. Kauffman** and **Rep. Manwaring** spoke in **Opposition** to **H 21**, expressing concern that cities may have technical problems associated with whether a business is minor owned or not.

**Rep. von Ehlinger** and **Rep. Ruchti** spoke in **support** of **H 21** because it supports American virtues and capitalism, as well as reduces barriers to youth entrepreneurship.

**VOTE ON  
MOTION:** **Chairman Harris** called for a vote on the motion. **Motion carried by voice vote.**  
**Rep. Nate** will sponsor the bill on the floor.  
**Chairman Harris** turned the gavel over to **Vice Chairman Addis**.

**RS 28325:**

**Rep. Harris** said **RS 28325** is proposed conformity legislation presented to the committee year to year. Many states conform to the Idaho Revenue Code on an ongoing basis while some, like Idaho, do not. States can conform to all of it, some of it or none of it. Some years the only change is the effective date for full conformity, which, according to statute, is the goal. Conformity is what occurs in the federal realm in calculating the total gross income on the federal Form 1040 which is transferred to the Idaho Form 40. There were a lot of changes in the federal 2017 Tax Cut and Jobs Act (TCJA) that impacted Idaho conformity both negatively and positively, and Idaho conformity with the federal CARES Act and December 2020 Stimulus Bill this year have a positive impact for taxpayers and a negative impact to the Idaho General Fund.

Changes that apply to federal income tax calculations that lead to the gross income number are: the age for stopping contributions and taking distributions from IRAs changes from 70½ to 72 years of age; a charitable contribution of \$300 that happens before schedule A and "above the line"; the deduction for charitable contributions has risen from 60% to 100% of taxable income; operating interest that businesses can deduct from their taxable income increased from 30% to 50% for tax years 2019 and 2020; the threshold for medical expenses is changed from 10% to 7.5% of adjusted gross income; employers can gain a tax advantage by paying tuition for their employees, and the temporary ability of employers to pay student loans is extended; the non-residential property depreciation schedule for 39 years has been adjusted to 30 years; business meal deduction expenses went up from 50% to 100%; allowance of an extra depreciation expense for NASCAR and other motor sports facilities; allowance of additional expenses allowed for live theaters; extension of expanded deductions for expenses available to investors in "Empowerment Zones" expanded by the TCJA and overseen by the Idaho Department of Commerce; and relaxed rules for depreciation of non-Indian owned businesses residing on an Indian reservation.

There are several other changes that are not very significant. There is one item to which Idaho will not conform, which is the most expensive piece of full conformity. It is where non-corporate pass-through and Sub Chapter S Corporation businesses are allowed to take \$250,000 of loss for a single person or \$500,000 if filing jointly in a given year and carry that forward year to year. Conformity to the new adjustment means there is not a limit to the \$250,000 singly or the half million dollars jointly, but the full loss may be taken in 2020 as well as in 2019 and 2018 by an amended return that takes the loss in those years in the same manner. The cost for Idaho to conform to this section is very expensive at about 55% of the entire cost of conformity. Because these are loss carry forwards, the state will eventually reap those revenues, but to have them take a huge hit in a single year is too much to take. It is preferable to see those revenues more evenly distributed, so Idaho will allow what is currently allowed and not allow the go back to take the full amount of the loss for previous years. The cost savings for non-conformance to this section would save Idaho approximately \$26 million per year.

In response to committee questions, **Chairman Harris** stated he did not know the cost of conformity to Idaho last year.

**MOTION:**

**Rep. Gestrin** made a motion to introduce **RS 28325**. **Motion carried by voice vote.**

**Vice Chairman Addis** turned the gavel over to **Chairman Harris**.

**H 14:**

**Rep. Okuniewicz** stated **H 14** is to change the term "municipality" to "taxing district." The reason for the change is some municipalities do not levy taxes, and the change to code is to exclude them from being able to file for bankruptcy. **H 14** repeals sections of code no longer necessary because of the change.

In response to committee questions, **Rep. Okuniewicz** replied he did not know the reason for the emergency clause or specific reasons for deletions of portion of code.

**MOTION:** **Rep. Chaney** made a motion to send **H 14** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Okuniewicz** will sponsor the bill on the floor.

**ADJOURN:** There being no further business to come before the committee, the meeting adjourned at 9:39 a.m.

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Representative Harris  
Chair

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Lorrie Byerly  
Secretary