

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 02, 2022

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, Weber, Shepherd, Necochea, Ruchti

**ABSENT/
EXCUSED:** Representative(s) Kauffman, Gestrin, Hartgen

GUESTS: The sign-in sheet will be retained in the committee secretary's office; Following the end of the session, the sign-in sheet will be filed with the minutes in the Legislative Library.

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

H 480: **Rep. Addis** presented **H 480**. The purpose of this bill is to clarify the scope of a sales tax exemption available for "personally owned" vehicles and other property brought to Idaho by new residents of the state. Specifically to confirm that "personally owned" property includes property owned through a grantor trust. For all practical purposes, and for income tax purposes, property owned by a grantor trust is treated as personally owned by the individual. This bill will resolve disputes between taxpayers and the State Tax Commission that have arisen.

There is no fiscal impact for this bill if it is recognized that property held in grantor trusts already meets the requirement of the statute that the property must be personally owned, and that this bill is a clarification and confirmation of that conclusion. Additionally, it is probable that a prior Idaho Supreme Court decision would uphold the result that this amendment clarifies. Therefore, this amendment would eliminate audit and the cost of appeals. If that were not the case, the fiscal impact would still be de minimus.

Mr. Smith, representing the Hawley Troxell law firm, explained how the grantor trust works and how this bill is important in treating it as an individual.

In answering committee questions regarding how other states are managing similar situations, **Mr. Smith** replied he does not have the information at the moment, but he believes other states are using a similar approach.

Answering another committee question regarding if people who buy a vehicle out of state and bring it in Idaho are still subject to sales tax in Idaho, **Mr. Smith** explained the tax exemption is only available if the property is bought by a non-resident at least three months before becoming an Idaho resident.

Rep. Manwaring declared **Rule 80**.

MOTION: **Rep. Addis** made a motion to send **H 480** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.**

Rep. Addis will sponsor the bill on the floor.

H 481: **Rep. Shepherd** introduced **H 481** and explained the bill is for a tax reduction to create a threshold of \$300,000 or 150% of the median assessed value in each county. The reason for this legislation is to try to help some of the lower-income residents who are on a fixed income and are not able to pay the property taxes based on the current regulation.

In answer to committee question regarding how many applications for hardship have been submitted and how many have been approved, **Rep Shepherd** replied Idaho County received 617 requests for hardship, at the moment the information on how many have been approved is not available; he will follow up on getting this detail.

Mr. Jerry White, Shoshone County assessor, shared that Shoshone County has a population of 12,500, 2,057 received homeowners exemption, and 647 of them qualified for the circuit-breaker last year. This bill will help 91 residents, many of whom would not be able to stay in their homes if they have to pay the property tax as they live on less than \$32,000 a year. This program is one of the most positive things the assessor's office can offer to the senior citizens.

Mr. John Dison, Elmore County assessor representing the Idaho Association of County Assessors, shared how in 2021 the median assessed value for properties in Elmore County was \$226,000. The current factor of 125% would bring the limit to \$283,000, this amount is still low and would remove the circuit breaker benefit to 30 applicants, 6.5% of the people who are currently in the program. Unfortunately, there is no correlation between the higher value of their house with a higher income, so these people would not be able to pay the property taxes. The new limits of 150% or \$300,000 would put Elmore County's median assessed value to \$339,000 and this will help the above people.

A committee member requested confirmation if moving the limit of 125% to 150% would reduce the number of people who will exit from the program from 6.5% to 2%. **Mr. Dison** confirmed the number, explaining that with the 150% the people who will exit the program would reduce from 30 to 10, and with a limit of 200%, the number will drop to one.

A committee member asked how many applications for hardship have been submitted in Elmore County, and how many have been approved. **Mr. Dison** replied that there are not many. The committee member followed up by asking why the counties are not using the hardship program to solve the problem. **Mr. Dison** clarified the county is not receiving many hardship applications as the people have the opportunity to apply for the circuit breaker because it is more helpful and easier.

A committee member asked if the process is going to change for the current of the previous year, or if there is an opportunity to appeal the property valuation. **Mr. Dison** replied the program is looking at the property value of the previous year, and the people may qualify for the current year.

Rep. Necochea followed up, by asking if the program would impact the taxes to other property owners or the services provided by the county. **Mr. Dison** confirmed the agency will receive fewer funds and the districts may be impacted.

MOTION:

Rep. Weber made a motion to send **H 481** to the floor with a **DO PASS** recommendation.

Rep. Nichols expressed support for the motion but reserved her right to change her vote on the floor.

Rep. Addis expressed support for the motion, expressing concern about the ability of the counties to address this problem without the help from the State's General Fund.

Motion carried by voice vote.

H 482:

Rep. Addis introduced **H 482**. The bill will increase the distribution schedule from quarterly to monthly, improving the cash flow and budget efficiency of Idaho's local taxing entities. For Fiscal Year 21, the revenue shared to the local taxing entity was \$274 million, hence the quarterly distributions were \$91 million. With a monthly distribution, the amount would be \$30 million per month.

In answer to committee question regarding if the current schema is letting the agencies increase their funds' balance by collecting more property tax than they need, **Rep. Addis** explained the bill is just another tool in the hand of the agencies and would not force them to work differently, but will help them to be more efficient in managing the funds. Furthermore, the Tax Commission is confident it would not have any impact on the General Fund.

Rep. Moyle commented that the previous year the revenue sharing to the local districts increased. At the same time, very few entities used the dollars in any form of tax relief.

Rep. Manwaring declared **Rule 80**.

MOTION:

Rep Dixon made a motion to send **H 482** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep Addis** will sponsor the bill on the floor

ADJOURN:

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

Representative Harris
Chair

Anna Maria Mancini
Secretary