

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 09, 2019

SUBJECT	DESCRIPTION	PRESENTER
	Organizational Matters	
<u>35-0101-1801</u>	Income Tax Administrative Rules	Cynthia Adrian, Income Tax Policy Specialist, Idaho Tax Commission
<u>35-0101-1804</u>	Income Tax Administrative Rules	Cynthia Adrian
<u>35-0201-1801</u>	Tax Commission Administration and Enforcement Rules	Cynthia Adrian

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 09, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: Steve Wallace, Board of Tax Appeals; Cynthia Adrian, Idaho State Tax Commission (ISTC); Tom Shaner, ISTC; Jack Lyman, Idaho Housing Alliance; Liz Hatter; Brody Aston; Brad Hunt, OARCC; Miguel Legarreta, ATI.

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

Chairman Collins welcomed the committee and introduced new members to the committee **Rep. Jim Addis, Rep. Sage Dixon, Rep. Rodney Furniss, Rep. Priscilla Giddings, Rep. Tammy Nichols, Rep. Doug Ricks, Rep. Jake Ellis** and **Rep. Rob Mason**. He also introduced the temporary page, **Bradley Chrysler**, and Secretary, **Lorrie Byerly**. Chairman Collins discussed the committee Administrative Rule Process.

DOCKET NO. 35-0101-1801: **Cynthia Adrian**, Tax Policy Specialist, ISTC, began by presenting Rules 15, 17 and 75 as part of **Docket No. 35-0101-1801**. Rule 015 addresses Idaho's application of federal retroactive and uncodified provisions, clarifying that uncodified provisions of federal law are included in calculating Idaho taxable income. Rule 17 is a new rule instructing Idaho taxpayers how to report Internal Revenue Code (IRC) Section 965 Subpart F deemed repatriation income on an Idaho return. Subpart F, Income and Related Exclusions, was a part of federal tax reform that passed last year, and Rule 075 is the tax bracket rule which is being amended to remove the information for year 2013 and add new tax brackets for year 2018.

In response to committee questions, **Ms. Adrian** confirmed that IRC Section 965 Subpart F is part of the federal return Idaho tax payers need to pick up for Idaho.

Ms. Adrian continued presenting **Docket No. 35-0101-1801** stating Rules 108 and 253 were amended to comply with **H 515**. Rule 108 adds a statement that the additional taxable income for a non-qualified withdrawal from a college savings plan is limited to any contributions previously exempt from Idaho income tax and to earnings the college savings plan generates. The earnings can't already be included in federal adjusted gross income. Rule 253 addresses the same issue. Rule 185 is amended to comply with **H 514** that increased adoption expenses last year from 3,000 to 10,000 per adoption. Rule 263 adds 2018 data to a table of amounts of guaranteed payments that are sourced as compensation for services, which are re-calculated annually. The amount for 2018 is \$263,000. Rule 300 adds a table for corporate income tax rates for 2001 to 2018. The statute which goes back to 2001 confuses tax payers, and the new table clarifies the rate for taxpayers to use. Rules 745-748 Credit for Qualifying New Employees; Rules 755-759, Hire One Act Credit for Qualifying New Employees; Rules 760 and 763, Idaho Incentive Investment Tax Credit; Rules 765-767, Biofuel Infrastructure Investment Tax Credit; Rules 790, 791 and 793, Transfer of Credit; and Rule 799, Priority Order of Credits and Adjustment to Credits were all deleted because they related to expired statutes or references to expired statutes. Rule 799 also added the new child tax credit.

Rule 830 changes the date that income tax withholding reconciliation returns must be filed from the last day of February to the last day of January. Rules 890 and 891 were amended to align with **H 382** by modifying the time period a taxpayer has to notify ISTC of a change in federal taxable income or tax paid to another state from 60 days to 120 days. Since IRS gives taxpayers 90 days, this rule change gives taxpayers more time.

In response to committee questions **Ms. Adrian** stated that an uncodified provision of federal law is a federal rule that ISTC would use for Idaho income tax purposes that is not actually in code. To provided examples and further respond to committee questions, she introduced **Tom Shaner**, Tax Policy Manager, ISTC, who provided examples and addressed the challenges involved in conformity timing of Idaho and federal tax laws.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0101-1801**. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1804: **Cynthia Adrian**,, ISTC, presented **Docket No. 35-0101-1804** which amends Rule 171 to comply with **H 514** by modifying the reference to partnership interest as non-qualifying property for the Idaho capital gains deduction and adds a subsection dealing with the sale of a partnership interest. The rule explains how to determine the gain in a way that aligns with federal code layout.

MOTION: **Rep. Moyle** made a motion to approve **Docket No. 35-0101-1804**. **Motion carried by voice vote.**

DOCKET NO. 35-0201-1801 **Cynthia Adrian**,, ISTC, said that Rule 310, **Docket No. 35-0201-1801**, is an interest rate rule that is changed statutorily every year. For 2018, a 5% interest rate is added.

In response to Committee questions, **Ms. Adrian** said the interest is imposed on tax after the fact, if a refund payout is made, it is the amount of interest. The rate formula is set out in Idaho Code § 63-3045.

MOTION: **Rep. Anderst** made a motion to approve **Docket No. 35-0201-1801**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:40 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 10, 2019

SUBJECT	DESCRIPTION	PRESENTER
35-0102-1801	Idaho Sales and Use Tax Administrative Rules	Tom Shaner, Idaho Tax Commission
35-0102-1802	Idaho Sales and Use Tax Administrative Rules	Tom Shaner
35-0102-1803	Idaho Sales and Use Tax Administrative Rules	Tom Shaner
35-0106-1801	Hotel/Motel Room and Campground Sales Tax Administrative Rules	Tom Shaner
35-0109-1801	Idaho County Option Kitchen and Table Wine Tax Administrative Rules	Tom Shaner
35-0110-1801	Idaho Cigarette and Tobacco Products Tax Administrative Rules	Tom Shaner
35-0110-1802	Idaho Cigarette and Tobacco Products Tax Administrative Rules	Tom Shaner
35-0114-1801	Prepaid Wireless E911 Fee Administrative Rules	Tom Shaner

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 10, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Tom Shaner, Idaho State Tax Commission (ISTC); Miguel Legarretam ATI; Jay Shaw, Idaho Department of Administration, Rules.

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

Chairman Collins introduced the committee page, **Arianna Carlson**.

DOCKET NO. 35-0102-1801: **Tom Shaner**, Tax Policy Manager, ISTC, said **Docket No. 35-0102-1801** contained three rules, with Rule 037 and Rule 049 being connected and having to do with the sale of airplane parts to nonresidents. He explained when a nonresident had a plane repaired in Idaho, it was exempt, but a question arose about warranty and insurance plans that ISTC reviewed. Rule 037 clarifies the exemption with an additional statement that the exemption is valid when a warranty or service-agreement provider makes the purchase on behalf of the nonresident. Rule 049 is amended to add a reference to Idaho Code § 63-3613 and to Rule 037. Rule 068 is amended to add a reference to Idaho Code §63-3619. Rule 068 provides retailers with schedules for collection of tax on sales, and the 5% sales tax schedule was removed since it is no longer used, which then necessitated the renumbering of subsequent paragraphs.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0102-1801**. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1802: **Tom Shaner**, ISTC, said **Docket No. 35-0102-1802** adds relevant statute citations and cross references to Rule 003 to provide guidance for finding the applicable appeal processes available to taxpayers. He further shared that in the past when exception forms were printed rather than used electronically, the forms were combined on a page to save paper. Now that usage is electronic, housekeeping changes split apart pages with new form numbers, and Rule 107 makes sure titles to the rules match, as well as cleans up terms, form names and references. The title to Rule 110 includes "county assessors," but the focus is on financial institutions. All the statutes and rules refer to retailers, and since county assessors are not retailer, it causes confusion. The rule adds guidance directing financial institutions to obtain a permit and an account to facilitate reporting

MOTION: **Rep. Gestrin** made a motion to approve **Docket No. 35-0102-1802**. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1803: **Tom Shaner**, ISTC, presented six rules in **Docket No. 35-0102-1803**. Rule 018 defines "retailer" to be consistent with **H 578**, as well as adds statutory references. Rule 018 also adds to the list of entities that are retailers the designation out-of-state sellers that must overcome the presumption defined by Idaho Code §63-3611.

In response to committee questions **Mr. Shaner** said the presumption of retailer is made when the out-of-state seller has an agreement with an in state seller and gives referrals and pays. They can overcome that, but the burden has shifted to them.

Mr. Shaner continued presentation of **Docket No. 35-0102-1803** at Rule 041, which is amended to move a subparagraph regarding purchases by establishments selling meals or beverages from the taxable to the nontaxable paragraph. Rule 077, which is based upon **H 592**, added a new section amending the exemption for research and development at the INL that allows them the sales tax exception for research even though their facility is not predominately for research. Rule 106, regarding motor vehicle rentals and leases, added a reference in the title to match new form numbers and names. It also addressed that when there is a low bill of sale, no bill of sale, or a barter or exchange for a vehicle sale, the Idaho Division of Motor Vehicles would no longer establish taxable value using the "Clean Retail Value" but use the National Automobile Dealers Association (NADA) average trade-in price. Rule 117 deals with the three-year statute of limitations for requesting a refund of sales tax related to bad debt or a taxpayer payment in error. The rule adds relevant statutory references, as well as reformats the paragraph detailing the elements for refund claims into a list. Changes to Rule 128 put it into logical sequential order with no additions or deletions, although the term "purchaser" is changed to "buyer" to be consistent with forms and other rules.

MOTION: **Rep. Dixon** made a motion to approve **Docket No. 35-0102-1803**. **Motion carried by voice vote.**

DOCKET NO. 35-0106-1801: **Tom Shaner**, ISTC, indicated that Rule 003 in **Docket No. 35-0106-1801** adds statutory and cross references to rules.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0106-1801**. **Motion carried on voice vote**

DOCKET NO. 35-0109-1801: **Tom Shaner**, ISTC, informed the committee that Rule 003 in **Docket No. 35-0109-1801** corrected the term "wholesaler" to "distributor" to conform with the County Option Kitchen and Table Wine Act.

MOTION: **Rep. Anderst** made a motion to approve **Docket No. 35-0109-1801**. **Motion carried by voice vote.**

DOCKET NO. 35-0110-1801: **Tom Shaner**, ISTC, stated **Docket No. 35-0110-1801** edits Rule 015 to add relevant statutory references and to clarify there is limit, not to exceed two times their average monthly tax liability, on the amount of unused cigarette stamps a wholesaler can hold when a newly permitted dealer.

MOTION: **Rep. Dayley** made a motion to approve **Docket No. 35-0110-1801**. **Motion carried by voice vote.**

DOCKET NO. 35-0110-1802: **Tom Shaner**, ISTC, presented **Docket No. 35-0110-1802**, which amended two rules. Rule 003 adds statutory references, and Rule 018, corrects the titles of "distributor" and "wholesaler."

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0110-1802**. **Motion carried by voice vote.**

DOCKET NO. 35-0114-1801: **Tom Shaner**, ISTC, indicated that **Docket No. 35-0114-1801** adds cross references to rules.

MOTION: **Rep. Mason** made a motion to approve **Docket No. 35-0114-1801**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:44 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, January 14, 2019

SUBJECT	DESCRIPTION	PRESENTER
<u>RS26441</u>	Internal Revenue Code Updates	Tom Shaner, Tax Policy Manager, Idaho State Tax Commission
<u>RS26442</u>	Income Tax, Net Operating Loss	Tom Shaner
<u>RS26443</u>	Sales and Use Tax, Public Records	Tom Shaner
<u>RS26444</u>	Income Tax, Withholding Allowance	Tom Shaner
<u>RS26450</u>	Child Tax Credit, Residency Requirements	Tom Shaner
<u>RS26451</u>	Grocery Tax Credit, Deductions	Tom Shaner

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 14, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Cynthia Adrian, Idaho State Tax Commission (ISTC); Tom Shaner, ISTC.

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

RS 26441: **Tom Shaner**, Tax Policy Manger, ISTC, presented **RS 26441**, which is the annual bill updating references to the Internal Revenue Code (IRC) and conforming the Idaho Income Tax Code to changes made to the IRC affecting the 2018 taxable year. Currently, Idaho is aligned with the IRC up to January 2018 and the federal extended bill. The proposed bill aligns Idaho to federal changes up to January 2019. The Idaho income tax code uses federal adjusted gross income as a starting point for both businesses and individuals. Idaho uses a static conformity to a specific dated, January 1, 2018. Conforming to federal law saves both the ISTC and Idaho taxpayers a lot of tax preparation work.

MOTION: **Rep. Chaney** made a motion to introduce **RS 26441**. **Motion carried by voice vote.**

RS 26442: **Tom Shaner**, ISTC, informed the committee that **RS 26442** makes slight corrections to the income tax reform of 2018 at **H 463**, making it a little easier to handle and understand. **H 463** allowed a deduction for the IRC § 461 loss limitation related to excess business losses. The proposed bill provides that IRC § 461 loss limitations be added back to compute the Idaho net operating loss (NOL). It keeps the 20% from creating or extending an operating loss. It would be unusual to create the expense on the federal return and not earn it on the Idaho return. It is more appropriate for this amount to be subtracted to ensure the taxpayer gets the benefit of the limited loss for Idaho in case there is no Idaho NOL. Also the amount of the subtraction allowed should be limited to the excess business loss under IRC § 461(1)(1)(B), rather than to all amounts limited by the section. **H 463** allowed a new non-corporate business expense under IRC § 199A, and **RS 26442** requires any expense allowed by IRC § 199A to be added back in Idaho Code § 63-3021(b)(5) so the expense does not create or increase the Idaho NOL. At the federal level, it is for losses greater than \$250,000, which are carried over, and Idaho conformed.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 26442**. **Motion carried by voice vote.**

RS 26443: **Tom Shaner** said **RS 26443** makes clear that sales tax not be imposed on official documents. Idaho Code § 63-03622AA established a sales tax exemption for official documents. Agencies charging by the page were not covered, so this proposed legislation amends Idaho Code § 63-03622AA to make it clear that purchasing copies under a public records request is exempt from sales tax, whether a fee is set or not. **RS 26443** promotes government transparency. The fiscal costs are estimated at \$10,000, allowing \$5,000 for taxes collected and \$5,000 for agency notice mailings.

In response to committee questions regarding whether some Idaho agencies were charging and submitting taxes on fees, **Mr. Shaner** responded that some agencies have been charging tax, and correctly so by statute.

MOTION: **Rep. Ellis** made a motion to introduce **RS 26443**.

In response to committee questions about how many other document fees are imposed by Idaho Code and exempted for a long time as shown in lines 9 and 10 of **RS 26443**, **Mr. Shaner** responded that he did not have that information, that the statute is specific to documents and not connected with things like parking. Upon committee request, Mr. Shaner stated he can try to get information on fees set by the state of Idaho.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion. **Motion carried by voice vote.**

RS 26444: **Tom Shaner**, ISTC, presented **RS 26444** to amend the Idaho withholding statute, Idaho Code § 63-3035, which contains the obsolete term "exemption" and changed the term to "allowances" to make sure that any references to the federal tax code will not interfere with Idaho developing a state-specific W-4. He further stated that Idaho now uses a number of exemptions for child tax credit.

MOTION: **Rep. Dixon** made a motion to introduce **RS 26444**. **Motion carried by voice vote.**

RS 26450: **Tom Shaner**, ISTC, said **RS 26450** relates to income taxes. **H 463** created a child tax credit that was later increased by **H 675**, codified at Idaho Code §63-3029L. The statutory language did not limit the credit to Idaho residents. **RS 26450** amends Idaho Code § 63-3029L by adding: "this credit is only available to Idaho residents. Any part-year resident entitled to a credit under this section shall receive a proportionate credit reflecting the part of the year in which he was domiciled in this state." It is a technical correction with no fiscal impact.

In response to committee questions whether the amendment needed to date back to January 1, 2018 rather than January 1, 2019 as stated in **RS 26450**, **Mr. Shaner** replied that it would be ISTC's preference if it did so, but ISTC was asked to stay within the current year.

MOTION: **Rep. Moyle** made a motion to introduce **RS 26450** with the following change: on Page 1, Line 37, change the year portion of the date from 2019 to 2018. **Motion carried by voice vote.**

RS 26451: **Tom Shaner**, ISTC, said they are proposing to change language in Idaho's grocery credit statute, Idaho Code § 63-3024A, to align it with the 2018 tax reform that eliminated personal exemptions by removing obsolete references about personal exemptions and adding "the taxpayer, taxpayer's spouse, and each dependent." **RS 26451** will have no fiscal impact and will maintain the status quo on grocery tax.

MOTION: **Rep. Dayley** made a motion to introduce **RS 26451**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:23 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 15, 2019

SUBJECT	DESCRIPTION	PRESENTER
<u>35-0103-1801</u>	Property Tax Administrative Rules	Alan Dornfest, Property Tax Policy Bureau Chief, Idaho Tax Commission; Kathlynn Ireland
<u>35-0103-1802</u>	Property Tax Administrative Rules	Alan Dornfest
<u>35-0103-1803</u>	Property Tax Administrative Rules	Alan Dornfest

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 15, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Alan Dornfest, Idaho State Tax Commission (ISTC); Kathlynn Ireland, ISTC; Brian Stender, Canyon County Assessor; Trevor Buller, Taylor & Company; Brad Hunt, O.A.F.C.

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

MOTION: **Rep. Mason** made a motion to approve the minutes of January 9, 2019. **Motion carried by voice vote.**

**DOCKET NO.
35-0103-1801:** **Alan Dornfest**, Tax Policy Bureau Chief, ISTC, stated **Docket No. 35-0103-1801** amends Rule 312 to treat formerly exempt government property uniformly with other previously exempt property that loses their exemption during the year by taxing it on a prorated basis for the portion of the year remaining after the exemption is lost.

In response to committee questions on how a previous exempt government property that becomes non-exempt goes on construction rolls each quarter, **Mr. Dornfest** responded that Rule 312 has nothing to do with the new construction rule and concerns consistent treatment between government property and non-government property. Mr. Dornfest stated in response to further committee questioning that the rule's effective date is January 1, 2019.

Mr. Dornfest, said Rule 408 is amended so that assessors can request re-examination of operating property values based upon preliminary, rather than final, values which makes it possible for the ISTC to handle assessor requests prior to the State Board of Equalization meeting when the values are finalized. This gives counties the opportunity to meet potential complaint deadlines.

Mr. Dornfest stated Rule 610 is amended to provide that percentages of ownership set out in the deed determine partial ownership interests in relation to the homeowner's exemption. The rule also provides examples of how much of a home owner exemption may be granted in multiple-owner properties.

Mr. Dornfest informed the committee that Rule 613 and 614 are companion rules with extensive changes that are the result of a year of work from a team of stakeholders who made valid clarifications to Rule 613 procedures. There are no changes in Rule 613, just clarifications. Rule 613 describes the process by which agricultural land is valued for assessment purposes. Specifically, Rule 613 amends and clarifies agriculture land valuation. It defines an agricultural area to better respond to localized crops and provides clarification of the calculation of net operation income. An agricultural area may have different patterns of areas of crops grown of which the assessor needs to be cognizant and address those specific areas as agricultural areas within their county. Also, income attributable to exempt irrigation equipment has to be subtracted as part of the expenses required by law. The clarification was based on concern that some counties were inconsistently subtracting the entire cost of irrigation equipment resulting in inconsistent results.

Mr. Dornfest introduced **Kathlynn, Ireland**, Tax Policy Specialist, ISTC, to address farmland value changes. Ms. Ireland said Rule 613 clarifications mostly itemize the typical expenses that farmers have in their practice that would be deducted from gross income. Ms. Ireland indicated there was some confusion with the assessors valuing agricultural land in determining how to calculate out the income attributable to the exempt irrigation equipment, so a rent calculation example was included. She said a step-by-step process on how to calculate the exempt income associated with equipment and the process and a table are included as well.

In response to committee concerns about the costs imposed and concern about how things are valued by the rule changes, **Ms. Ireland** responded, the procedures were not changed at all, and the calculations an assessor must go through to arrive at a value per acre is the same as the current rule. She informed the committee, ISTC developed templates that can be utilized to calculate the costs of irrigation equipment that would go into the calculation of the income to be deducted. She doesn't see any additional costs at the county level.

Ms. Ireland responded to committee questions regarding determining agricultural area, irrigation equipment depreciation exemptions based on an income approach value and reduction of gross income attributable to irrigation equipment, determination of economic rent, and the elements involved in localization of the definition of the term "typical farm."

Brian Stender, Canyon County Assessor, stated he has worked with these rules for eighteen years. In his county the rates won't be changed, but Idaho's county assessors are afraid of following the new rule with the smaller capitalized value and increased costs to the Idaho farmer. He agrees with most of Rule 613, but he is concerned about the reserve calculation rate. He would like the rule rejected and worked on another year.

In response to committee questions whether Rule 613 would raise values, **Mr. Stender** responded it would only add \$2.32 in Canyon County but might increase more in other counties. In response to committee questions regarding what he would do to change the rule to make counties happy, Mr. Stender indicated that Idaho's county assessors were not uniform in their methods for making assessments, but he believed assessments would go up.

Mr. Dornfest reiterated it is the belief of ISTC that if counties were assessing based on current rules used the way they are written, the same effect would occur.

Mr. Dornfest addressed Rule 614, a companion rule to Rule 613. He said Rule 613 spells out procedure and Rule 614 shows examples of the procedures.

In response to committee questions, on where the increased value on the examples came from, **Mr. Dornfest** yielded to **Ms. Ireland** who informed the committee the examples came directly from the farm whose 2017 assessment was the impetus to address these rule changes.

Mr. Dornfest presented Rule 630, which implements **H 591** and provides application procedures for taxpayers, counties and the ISTC for the exemption for new capital investments, which is a special exemption that requires a \$1 billion investment before it can be made. Once the exemption is made, the taxable value of the property in the county cannot exceed \$400 million. Centrally assessed and locally assessed property are eligible for the exemption. Previously, application was made to county commissioners which is not appropriate in dealing with centrally state assessed property. Clarification language about notification to county officials was included.

In response to committee questions on Rule 630's impact on larger businesses coming into Idaho, **Mr. Dornfest**, replied the rule in law did not change for property that would be locally assessed, so if a big corporation were moving to Idaho there is no change, even if they invest \$1 million. Last year's law allowed an expansion or inclusion of properties that were operating property such as public utilities, and there was no previous procedure for including those properties in the exemption, which Rule 630 rectifies.

Mr. Dornfest said Rule 709, the circuit breaker property tax reduction rule, is being amended in concert with rule 610 to provide that any specific ownership interest found in a deed will be used for determining qualifying interest exactly the same as in Rule 610.

Mr. Dornfest, stated Rule 802 provides procedures for counties and taxing districts to use when they add or deduct property to or from the new construction roll, which has the purpose of establishing the maximum property tax budget for taxing districts. It does not, in itself, lead to whether a property is taxable or non-taxable. Eligible new construction adds to budget capacity. Mr. Dornfest added that sometimes deductions are required and he gave examples. **H 559** set up a provisional look-forward exemption on property considered taxable saying those properties have to come off the tax roll and cannot be added to a new construction roll. There has to be a deduction for any property that was included under the former law and subsequently taken off. There is a five-year look back in the law, but the law is retroactive to January 1, 2016. Rule 802 also deals with property otherwise qualifying for the new construction rule being granted an exemption found in Idaho Code § 63-602NN. For development over \$500,000, depending upon county ordinances, there can be exemptions for those investments. When the exemptions are lost, the properties can be added to the new construction roll. Mr. Dornfest discussed the rules impact and Idaho Code § 63-602NN procedures regarding exemptions and credits for property annexations into urban renewal areas. Rule 802 also specifies procedures for a proration systems when there are de-annexations or dissolutions to revenue allocations in areas of urban renewal.

In response to committee questions on the new construction roll in a revenue allocation area, **Mr. Dornfest** responded all new construction within the area counted for the budget side and did not count for the levy side and drove up tax rates. In 2007, Idaho Code § 63-301A, which is the new construction roll law, said the county is not going to count new construction within the urban renewal area until dissolution or de-annexation and added the value of increment to both sides which enhanced budget capacity, but since the tax base also grows, it makes it neutral. The current system doesn't promote levy rates going down or up, which follows the statute and gives credence to Idaho Code §63-602NN provisions. When an urban renewal district dissolves, Idaho Code §63-301A requires that new value go into the existing tax districts as new construction.

MOTION: **Rep. Moyle** made a motion to hold **Docket No. 35-0103-1801** for time certain of one week. Discussion on the motion was held.

VOTE ON MOTION: **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:36 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 16, 2019

SUBJECT	DESCRIPTION	PRESENTER
<u>35-0103-1802</u>	Property Tax Administrative Rules	Alan Dornfest, Idaho State Tax Commission
<u>35-0103-1803</u>	Property Tax Administrative Rules	Alan Dornfest

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 16, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: Alan Dornfest, Idaho State Tax Commission (ISTC); Brian Stender, Canyon County Assessor; Jay Shaw, Idaho Department of Administration.

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

MOTION: **Rep. Anderst** made a motion to approve the minutes of January 10, 2019. **Motion carried by voice vote.**

MOTION: **Rep. Mason** made a motion to approve the minutes of January 14, 2019. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1802: **Mr. Dornfest**, Tax Policy Bureau Chief, ISTC, informed the committee **H 492** created a property tax reduction benefit for veterans with a one-hundred percent service-connected disability, and Rule 702 declares the benefit continues for a surviving spouse if they stay in the homestead. It also clarifies a spouse may file on behalf of the deceased in the year they were deceased.

MOTION: **Rep. Dixon** made a motion to approve **Docket No. 35-0103-1802**. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1803: **Mr. Dornfest** stated Rule 600 provides procedures for counties and taxpayers relating to exemption application and notification. The rule is amended to implement the new provisional exemption that was enacted in **H 559**. The exemption is granted based on prospective use for exempted purposes, but the statute restricts the exemption to property under renovation or construction. So existing property or adjoining property on the same parcel not undergoing renovation and already on the tax rolls would remain on the tax rolls, as all other existing property does, by changes of ownership during the year, until the following year. This is consistent with what is done with any otherwise taxable property purchased by a non-government entity. There is a difference for property that was on the tax rolls at the beginning of the year but purchased by a governmental entity because there is no way to enforce a lien against the government. The provisional exemption that law passed last year pertaining to construction had no deadline so ISTC had to write around the deadline. The rule gives clarification in case of third-party ownership so that a property owner can include a builder in the exemption and the third-party can apply.

In response to committee member questions, **Mr. Dornfest** confirmed if the state buys a property on the tax rolls, it comes off the tax rolls the moment it is bought because there is no way to put a lien on it, which is not true on any other exemption. The language of the law relates to property under renovation or construction. It was designed to implement the provisions of the law which is interpreted to pertain to property under construction or renovation on the site and not on other property on the site, which is why the existing property on the site would be treated just as if there was no construction and the provisional exemption would not apply. In the case of property with no construction, purchased by an exempt entity and used for its exempt purpose, in every case, except government property, the property status is established on January 1st with no roll off until the following January.

In opposition to approving **Docket No. 35-0103-1803**, **Rep. Moyle** opined that it is not right the government gets an immediate exemption and homeowners do not and the rule should not be approved when the statute needs to be changed.

MOTION: **Rep. Moyle** made a motion to reject **Docket No. 35-0103-1803**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:25 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 17, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS26425	Insurance Companies, Premium Tax	Dean Cameron, Department of Insurance
H 0013	Internal Revenue Code Updates	Tom Shaner, Tax Policy Manager, Idaho State Tax Commission
H 0014	Income Tax, Net Operating Loss	Tom Shaner
H 0015	Sales and Use Tax, Public Records	Tom Shaner
H 0016	Income Tax, Withholding Allowance	Tom Shaner
H 0017	Grocery Tax Credit, Deductions	Tom Shaner

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 17, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson (Lohman) , Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: Dean Cameron, Idaho Department of Insurance (DOI); Terry Easley, DOI; Renee Iverson, DOI; Tom Shaner, Idaho State Tax Commission (ISTC); Russell Westerberg, RMP; Liam Stickers, Veritas; Melinda Merrill, Northwest Grocery.

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

RS 26425: **Dean Cameron**, DOI, informed the committee that every year insurance companies pay a premium tax to the DOI in lieu of income tax. **RS 26425** would require premium tax returns from insurers to be rounded up or down to the nearest whole dollar. Considerable time and effort is spent by insurance companies and the DOI staff in preparation and auditing the premium tax returns and other reports to the specific penny. These efforts are not commensurate with the value gained by such level of detail. If **RS 26425** was in place last year, it would have generated approximately \$22, but at the cost of hours of labor processing.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26425**. **Motion carried by voice vote.**

H 13: **Tom Shaner**, Tax Policy Manager, ISTC, stated **H 13** is the annual bill conforming Idaho income tax code to the Internal Revenue Code, with current alignment to January 2018 and **H 13** moving it to January 2019. Idaho's income tax code is based on starting with the federal taxable income, and Idaho returns begin with adjusted gross income. Idaho is able to use most of the federal definitions and doesn't have to start by scratch to define all the basic elements. Using the same starting point of income saves taxpayers effort. The \$320,000 fiscal note has to do with extender bills passed last February and is based on estimates from the Joint Committee of Taxation and reduced to Idaho's economy.

MOTION: **Rep. Erpelding** made a motion to send **H 13** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Giddings** requested to be recorded as voting **NAY**. **Rep. Erpelding** will sponsor the bill on the floor.

H 14: **Tom Shaner** said **H 14** makes slight corrections to tax reform measures passed in 2018, including the 20% pass through expense, which is limited to taxable income. By adding it back in calculating a net operating loss (NOL), it keeps the 20% expense from creating or expanding a NOL, so it is not an operating expense but a deduction based on the amount of qualified business income. Corrections were made to the excess non-corporate business loss limitation which was allowed to be used up to the limits and excesses carried over to following year, but federal uses in NOL and Idaho do not conform so language was added about subtracting it in the second year. These changes make the law function as intended. There is no fiscal cost.

In response to committee questions about why there was no fiscal cost, **Mr. Shaner** replied that they were counted last year.

- MOTION:** **Rep. Ellis** made a motion to send **H 14** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Ellis** will sponsor the bill on the floor.
- H 15:** **Tom Shaner** informed the committee **H 15** makes it clear that sales tax cannot be imposed on copies of official documents by amending Idaho Code §63-3622AA to exempt documents from taxes for sales of public records responsive to public records act requests. The fiscal note is estimated at \$10,000 because all state, city and county governments that collect taxes on copy charges will be impacted by approximately \$5,000 and mailing of notification costs are estimated at \$5,000.
- MOTION:** **Rep. Anderst** made a motion to send **H 15** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nichols** will sponsor the bill on the floor.
- H 16:** **Tom Shaner** said that because federal tax reforms made the exemptions worth zero and no longer of use in the withholding process, **H 16** amends the language, taking out the word "exemption" and replacing with the word "allowance." **H 16** has no fiscal impact.
- MOTION:** **Rep. Anderst** made a motion to send **H 16** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Ricks** will sponsor the bill on the floor.
- H 17:** **Tom Shaner** stated the word "exemption" in the grocery credit statute, Idaho Code §63-3024A is replaced with the word "allowance" on tax returns where it will be a mechanism to count the number of people in a household on tax returns and print the appropriate credit. There is no fiscal impact.
- MOTION:** **Rep. Erpelding** made a motion to send **H 17** to the floor with a **DO PASS** recommendation.
- In response to committee questions on whether this section was to be eliminated from the Internal Revenue Code, **Mr. Shaner** responded it was not eliminated, including exemptions, they were just set at zero value. This is a label change with no function change and does not change anything regarding the new credit for child exemption.
- VOTE ON MOTION:** **Motion carried by voice vote.** **Rep. Erpelding** will sponsor the bill on the floor.
- ADJOURN:** There being no further business to come before the committee, the meeting adjourned at 9:26 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 22, 2019

SUBJECT	DESCRIPTION	PRESENTER
35-0103-1801	Property Tax Administrative Rules	Alan Dornfest, Property Tax Policy Bureau Chief, Idaho State Tax Commission
H 0019	Child Tax Credit, Residency Requirements	Tom Shaner, Tax Policy Manager, Idaho State Tax Commission
H 0027	Insurance Companies, Premium Tax	Dean Cameron, Director, Department of Insurance

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Vice Chairman
Stevenson(Lohman)
Rep Moyle
Rep Anderst
Rep Dayley
Rep Chaney

Rep Gestrin
Rep Addis
Rep Dixon
Rep Furniss
Rep Giddings
Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 22, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Dean Cameron, Idaho Department of Insurance (DOI); Terry Easley, DOI; Renee Iverson, DOI; Laura Lantz, ISCPA; Cynthia Adrian, Idaho State Tax Commission (ISTC); Tom Shaner, ISTC; Trevor Buller, Taylor & Company; Alan Dornfest, ISTC; Russell Westerberg, RMP; Brody Aston, Westerberg Associates; Brian Stender, Canyon County Assessor; Dennis Stevenson, Idaho Department of Administration.
Chairman Collins called the meeting to order at 9:00 a.m.

MOTION: **Rep. Mason** made a motion to approve the minutes of January 15, 2019. **Motion carried by voice vote.**

MOTION: **Rep. Stevenson** made a motion to approve the minutes of January 16, 2019. **Motion carried by voice vote.**

H 27: **Dean Cameron**, Director, DOI, indicated **H 27** requires insurance company premium tax returns to be rounded to the nearest whole dollar. Premium tax returns are filed each year, and the DOI reconciles the funds collected. The collected funds all go to the General Fund with none being kept by DOI. Whole dollar rounding revenue for Idaho in FY2017 is calculated at \$22.68, however, **H 27** creates a reduction in the reconciliation process and in the labor involved. Whole dollar rounding conforms with ISTC procedures, and all the Idaho insurance carriers are in support of **H 27** because it saves them time and effort as well.

MOTION: **Rep. Dixon** made a motion to send **H 27** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Dixon** will sponsor the bill on the floor.

H 19: **Tom Shaner**, Tax Policy Manager, ISTC, stated **H 19** adds a sentence to Idaho Code §63-3029L which says the child tax credit is available only to Idaho residents and any part-year resident entitled to the credit shall receive a proportionate credit for the partial year they were domiciled in Idaho. **H 19** has no fiscal impact.

MOTION: **Rep. Moyle** made a motion to send **H 19** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Ricks** will sponsor the bill on the floor,

DOCKET NO. 35-0103-1801: **Chairman Collins** informed the committee that Rules 613 and 614 of **Docket No. 35-0103-1801** are being withdrawn by the ISTC. **Alan Dornfest**, Property Tax Policy Bureau Chief, ISTC was called upon to confirm the withdrawal of Rules 613 and 614. Mr. Dornfest informed the committee ISTC decided it was prudent to allow more time for further discussion on these rules.

Alan Dornfest, said Rule 803 provides procedures for taxing districts to use when they submit property tax budget information to counties for levying purposes. The rule clarifies additions and subtractions they must show when there is property tax replacement money or, in lieu of money, such as from solar farms. The rule amendments relate to **H 559**, the provisional property tax exemptions, **H 392**, which deals with dates regarding solar farm revenue paid in lieu of tax, and **H 567**, which deals with consolidating cemetery districts and procedures establishing maximum property tax budgets for consolidating cemetery districts. With regard to provisional exemptions, if there are refunds that are made to taxing districts because of revoked provisional exemptions, then any money recaptured as a result of an improperly claimed provisional exemption has to be included by the taxing districts. They may include these amounts for future budget calculations but have to subtract them before determining the property tax that can be levied so there is no double dipping. This is consistent with all replacement money except for solar farm replacement monies which have a provision to subtract them. When refunds are made to taxpayers for the provisional exemption, then prorated shares of the refund are calculated for each of the underlying taxing districts. However, ISTC would bill the amounts for the refund to those taxing districts, but the districts are not granted any additional budgeting authority or levying authority. So the districts have a bill, but they cannot pass that along to any other taxpayers. Rule 803 also amends the reporting date for solar farm revenue to June 30th to align with **H 392** and contains special provisions for consolidating cemetery districts.

In response to committee questions, **Mr. Dornfest** responded that the rules state each taxing district's proportionate share of refunds, as refunded, must be subtracted from the maximum amount permitted, and the maximum amount permitted is the maximum amount of their budgets, so he is certain the rule requires them to do the subtraction mentioned.

Mr. Dornfest said Rule 804 clarifies procedures for establishment and adjustment of base increment values within revenue allocation areas (RAA) of urban renewal districts. In principal, when a property value is assigned to the base, the tax value goes to the taxing districts where most revenue that is generated on property value assigned to the increment goes to the urban renewal agency, but that is not totally true. Some of the revenue that comes in on increment and does go to the taxing district is specialized. The rule is amended to provide special treatment for properties subject to the treatment of Idaho Code § 63-602NN's development exemption and the subsequent loss of the exemption. This is an exemption that can only last five years. Counties can grant it for different developments in their county, but it only lasts five years. **Mr. Dornfest** discussed what would happen upon loss of the exemption under Rule 804 to properties in RAAs whether already in the RAA, added through annexation, or added to the RAA by the means of a new RAA or an annexation to an existing RAA.

In response to committee questions concerning whether the exemption shifts payment of taxes to others and puts the property on the new construction rolls, **Mr. Dornfest** informed the committee that once property goes into the increment value, it does not go on new construction rolls until dissolution and the increment is paid to the urban renew area. Whether granted an exemption or not, property within an RAA always goes to the increment. Any value already there stays and an exemption only applies to the added property. The added property goes to the increment and not the base, so the tax rates are calculated ignoring the added property anyway. No one is paying for tax, and at the tail end it goes back into the increment, where it would have gone into in the first place. So until dissolution of the RAA, it is a wash.

Mr. Dornfest said Rule 962, is amended in response to **H 462** which required the Committee on Forrest Land Taxation Methodology (CFTM), which ISTC chairs per statutory function, to agree on rules related to document retention, inspector qualification and land owner notification before forest land could be reclassified as good, medium or poor. The rule provides an alternate procedure to be used for reclassification upon agreement by the landowner and the assessor. The rule is the result of several meetings with the CFTM, which represents both landowners and assessors, all of whom agreed with the rule.

MOTION: **Rep. Moyle** made a motion to reject **Docket No. 35-0103-1801**. **The motion carried by voice vote. Reps. Erpelding and Mason** requested to be recorded as voting **NAY**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:33 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 24, 2019

SUBJECT	DESCRIPTION	PRESENTER
	Budget Briefing	Paul Headlee, LSO, Budget and Policy Analysis Division Manager; Keith Bybee, LSO, Budget and Policy Analysis Division Deputy Manager

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 24, 2019
TIME: 9:00 A.M.
PLACE: Room EW42
MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason
**ABSENT/
EXCUSED:** Representative(s) Chaney
GUESTS: Laura Lantz, ISCPA; Cynthia Adrian, ISTC; Tom Shaner, ISTC
Chairman Collins called the meeting to order at 9:00 a.m.
Keith Bybee, LSO Budget and Policy Analysis Division Deputy Manager and Policy Analyst, presented the LSO Budget Briefing. Mr. Bybee explained the annual State of Idaho budgeting process, the Idaho Decision Unit Budget Model, the General Fund Summary for Fiscal Year 2019/ 2020 and the General Fund Revenue Collections/ Estimates as they related to the State Tax Commission.
ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:03 a.m.

Representative Collins
Chair

Karen Westen
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 29, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS26564C1	Shortline Railroad Infrastructure Income Tax Credit	Rep. Clark Kauffman
RS26538	Property Tax Exemptions	Sen. Grant Burgoyne

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 29, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** Representative(s) Moyle, Dayley, Chaney, Erpelding

GUESTS: None

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of January 17, 2019.
Motion carried by voice vote.

MOTION: **Rep. Stevenson** made a motion to approve the minutes of January 22, 2019.
Motion carried by voice vote.

MOTION: **Rep. Stevenson** made a motion to approve the minutes of January 24, 2019.
Motion carried by voice vote.

RS 26564C1: **Rep. Clark Kauffman**, said **RS 26564C1** authorizes a non-refundable income tax credit for shortline railroad infrastructure investment and maintenance by providing a 40% income tax credit on the value of up-front, qualified infrastructure investment. The credit is capped at \$3,500 per mile of shortline railroad track in Idaho. Improved shortline railroad infrastructure will allow heavier and fully loaded rail cars to move more commodity product at less cost to a grower or shipper. The improved and continually maintained railroad infrastructure will increase safety, efficiency and reliability for commodity shippers. If the income tax credit is not used by the shortline railroad, the credit may be transferred one time to railroad customers and vendors, but it is directed to go back into the railroad infrastructure. The Idaho State Tax Commission will administer the program and report approved investments and corresponding value. The effective date is January 1, 2020 and the legislation sunsets after five years.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 26564C1**. **Motion carried by voice vote.**

RS 26538: **Senator Grant Burgoyne** stated **RS 26538** fixes how a circuit breaker or a one-hundred percent veterans property tax exemption is applied to property taxes. The occupancy tax stands in for property tax during the first year of new construction on an occupied residence so the exceptions do not apply. Although circuit breaker and disabled veterans exemptions are applicable to residential property taxes, current law does not make them applicable to the occupancy tax. Because the benefit is not available to a newly constructed resident during the year of construction, it is subject to the occupancy tax and not property tax. **RS 26538** corrects this oversight. These exemptions are funded by the state from General Funds and counties do not pay for them. The estimated fiscal impact is \$68,000. He discussed eligibility requirements for the circuit breaker exemption, informing the committee it is an income-based exemption that declines as income increases. The proposed legislation includes housekeeping changes such as amending titles, notification requirements, language correction provisions, a retroactive effective date and reference updates to Idaho Code and federal law.

MOTION: Rep. Anderst made a motion to introduce **RS 26538. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:18 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Friday, February 01, 2019

SUBJECT	DESCRIPTION	PRESENTER
<u>H 0062</u>	Property Tax Exemptions	Senator Grant Burgoyne
<u>RS26669C1</u>	Sales Tax Exemption	Representative Mike Moyle
<u>RS26687</u>	Agricultural Personal Property Assessment	Representative Mike Moyle
	Urban Renewal and Its Affect on Property Taxes	Alan Dornfest, Property Tax Policy Bureau Chief, Idaho State Tax Commission

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Gestrin
Vice Chairman Stevenson	Rep Addis
Rep Moyle	Rep Dixon
Rep Anderst	Rep Furniss
Rep Dayley	Rep Giddings
Rep Chaney	Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 01, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** Representative(s) Chaney, Erpelding

GUESTS: Alan Dornfest, Idaho State Tax Commission (ISTC); Chelsea Wilson, PPA; Russell Westerberg, RMP; Marv Patten, Milk Producers of Idaho; Fred Birnbaum, IFF.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of January 29, 2019.
Motion carried by voice vote.

H 62: **Sen. Grant Burgoyne** informed the committee that **H 62** amends the existing circuit breaker and 100% disabled veterans residential property tax exemptions to the occupancy tax and requires residential property owners to be notified of their right to apply for these exemptions. Newly constructed and occupied residential property is not subject to property taxes during the year of construction, but is subject to occupancy tax. The General Fund impact would be approximately \$68,000.

In response to committee questions, **Sen. Burgoyne** replied that whose eligible and the percentage of disability eligible for the circuit breaker exemption is set out in Idaho Code. He provided examples of tax reduction income brackets utilized for the 100% disabled veterans' residential property tax exemption, and said the history of the circuit breaker exemption is that it has been state funded.

MOTION: **Rep. Anderst** made a motion to send **H 62** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Giddings** will sponsor the bill on the floor.

RS 26669C1: **Rep. Mike Moyle** presented **RS 26669C1**, saying it provides a sales tax exemption for the labor cost of adding accessories to a new vehicle. The fiscal impact from lost sales tax revenues is estimated at less than \$1 million. If you buy a new pickup truck, and the dealer puts new wheels on it before it is taken home, it is taxable for sales tax purposes. Rep. Moyle spoke to an ISTC representative who advised him to take the vehicle home, bring it back the next day and it won't be taxed. **RS 26669C1** ensures new vehicle add-ons are not taxed for the add-ons.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26669C1**. **Motion carried by voice vote.**

RS 26687:

Rep. Mike Moyle stated **RS 26687** clarifies Idaho Code §63-02EE to ensure that all agricultural operations are treated consistently and equitably when agricultural personal property is assessed for property tax purposes. **RS 26687** takes tax off of farm equipment. Rep. Moyle gave a brief history of this and connected legislation, and discussed the legislative intent of Idaho Code §63-02EE "to ensure that county assessors treat all farming operations fairly and consistently throughout the state." The proposed legislation defines "harvest" so that hops and other crops are covered. There is no impact to the General Fund, and counties that levied property tax on personal property that should have been exempt under Idaho Code §63-602EE will have a de minimum shift in property taxes.

In response to committee questions, **Rep. Moyle** said that mint was included in the "harvest" definition.

MOTION:

Rep. Stevenson made a motion to introduce **RS 26687**. **Motion carried by voice vote.**

Alan Dornfest, Property Tax Policy Bureau Chief, ISTC, gave an informative presentation on urban renewal and tax increment financing in Idaho. He began by defining terminology, what levy revenue does not go to Urban Renewal Agencies (URA), and the hierarchal authority between municipalities and Revenue Allocation Areas (RAA)s. He reported in 2018 there were 79 separate RAAs with \$5.86 billion in taxable value of increment and \$153.2 billion net taxable value, which is the base value only, after subtracting exempt personal property. Mr. Dornfest provided information on the duration and area limitations of Idaho RAAs, as well as the status of URA funding and the overall effect of urban renewal on taxpayers. He explained Tax Increment financing (TIF) concepts where the base value of the RAA goes to the taxing district and increment value goes to the URA, so there is generally no loss of revenue to taxing districts. Mr. Dornfest included information on what happens at dissolution of an RAA, the impact of new construction outside the RAA, and how the Idaho Code §63-602NN, exemption impacts RAAs and taxing districts.

In response to committee questions, **Mr. Dornfest** informed the committee twelve or thirteen Idaho RAAs have been dissolved with a good consistency on how the base and increment are settled; the original law did not limit how long an RAA could last, but over the years different laws have been limiting the time; the base value in all of a municipality's RAAs cannot exceed ten percent of taxable value in the municipality but there is no limit on increment value; RAAs have no levy authority; buildings built in RAAs do not count as new construction; two separate RAAs cannot overlap; if a dissolved RAA starts up again, the original increment is added into the base, and increment value has to be taxable value. He said if an RAA formed, there is no effect on taxing district budgets usually because the rate calculated does not include the increment value in the taxing district budget. The effect on tax payers is generally neutral if the values in the RAA would not have increased without urban renewal. Mr. Dornfest further stated the ISTC has no resources to audit counties.

Brian Sender, Canyon County Assessor was called upon to answer a question from the committee regarding whether RAA funds were used to build Canyon County municipal buildings. He explained the library was built with RAA funds.

Chairman Collins responded the Canyon County justice center was built with RAA funds, and since they are used for public administration today, they are not on the tax rolls.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:19 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, February 06, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS26727	Tax Commission - Procedures	Representative Megan Blanksma
RS26678	Levy Elections - Disclosure	Representative Doug Ricks
H 0086	Sales Tax - Vehicle Accessories	Representative Mike Moyle
H 0087	Property Taxes - Farm Equipment	Representative Mike Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 06, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Roger Batt, Idaho Mint Growers Association; Brian Stender, Canyon County Assessor; Marv Patten, MPI; Tom Shaner, Idaho State Tax Commission (ISTC); Leah Parsons, ISTC; Russ Hendricks, Farm Bureau; Rebecca Word, Lincoln County; Brenda Farnsworth, Lincoln County; Brenda Armstrong, Lemhi County; Benjamin Kelly, Idaho Honey Industry Association; Pam Eaton, Idaho Retailers Association.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of February 1, 2019. **Motion carried by voice vote.**

RS 26727: **Rep. Megan Blanksma** presented **RS 26727** which proposes to make decisions of the State Tax Commission subject to the Administrative Procedures Act (APA). Currently their decisions are not appealable. There is a de minimus impact to the General Fund.

In response to committee questions, **Rep. Blanksma** said she was not able to find out why State Tax Commission decisions were not part of the APA.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 26727**. **Motion carried by voice vote.**

RS 26678: **Rep. Doug Ricks** said **RS 26678** amends Idaho Code §34-439 by adding a new subsection with a disclosure requirement for property tax levy election ballot questions. When a taxing district authorizes a levy election, the ballot must include a disclosure statement indicating the estimated average annual cost to a property owner per \$100,000 of property value and the length of time. The county clerk will make the calculation and include the fiscal information on the disclosure statement for the levy ballot. There is no fiscal impact. There was a similar bill considered last year but it dealt with bond elections

MOTION: **Rep. Addis** made a motion to introduce **RS 26678**. **Motion carried by voice vote.**

H 87: **Rep. Robert Anderst** indicated **H 87** deals with the taxation of personal property relating to the agricultural exemption. There has been some confusion regarding what is and is not exempt, and **H 87** puts in extra guidance for counties on how property should be viewed and removes and replaces its sunset provision. The definition of harvest is amended to state "shall include all activities necessary for a raw agricultural commodity to be put into its most basic salable form and shall also include on-farm storage of the commodity before it is first handled in the primary channels of trade." **H 87** tries to get to the intent of the original legislation.

In response to committee questions, **Rep. Anderst** replied the sunset law provisions in the previous legislation were not added for the purposes of a two-year hiatus from something but for a continuation in figuring out the best steps forward, allowing time to find a solution. He provided a brief history of exemption applications for the last two years. He indicated the issue was when is harvest complete and whether it was the intent of the agricultural exemption to get the harvest to its saleable form. There was a difference of opinion among assessors, especially regarding crops involving more steps.

Rep. Moyle was called upon to further address committee questions, and he stated Idaho counties did not treat everything the same and some counties taxed farm equipment and some did not, and clarification was needed to ensure consistent and equitable treatment.

MOTION:

Rep. Furniss. made a motion to send **H 87** to the floor with a **DO PASS** recommendation.

Speaking **in opposition**, **Brian Stender**, Canyon County Assessor, said the assessors agree on the intent of the bill, but they have an issue with Idaho Code §63-602EE(4) that says they need to broadly construe in favor of granting exemptions moving forward. In their industry exemptions are to be narrowly construed, which seems inconsistent, and **H 87** is supposedly about being consistent.

In response to committee questions on what the assessors would consider consistent, **Mr. Stender** responded they would like that section stricken. The intent from his county is that they will exempt until the saleable time.

Those speaking **in support** were **Roger Batt**, Idaho Mint Growers Association; **Russ Hendricks**, Idaho Farm Bureau Federation; **Benjamin Kelly**, Idaho Honey Industry Association; and **Marv Patten**, Milk Producers of Idaho, who stated **H 87** provides uniformity and accomplishes the goal of the exemptions for agricultural machinery being received by those who had received it previously and those who felt they should have been covered in 2001, without expanding it. They informed the committee they were involved with representatives from the State Tax Commission and county assessors in the process of finding common ground in their understanding of where the harvest process begins and ends. Mr. Hendricks said they recognize broadly construing an exemption is different from county assessors' normal narrow construction, but the State Tax Commission advised there was no reason it can't be broadly construed.

Rep. Anderst closed by remarking **H 87** provides more clarification for assessors and the State Tax Commission

VOTE ON MOTION:

Motion carried by voice vote. Rep. Moyle will sponsor the bill on the floor.

H 86:

Rep. Mike Moyle reported a business selling ATVs in Idaho was audited and fined for not charging tax for the labor cost of adding accessories to a new ATV purchase. A vehicle purchased and then brought back the day after purchase could have accessories installed without having taxes added to the labor cost of adding the accessories. **H 86** provides a sales tax exemption so that when an automotive dealers adds an accessory to a vehicle purchase they cannot charge tax for the labor costs.

In response to committee questions, **Rep. Moyle** responded that the \$1 million fiscal impact was a figure the State Tax Commission calculated at his request, but he thinks it will be a great deal less.

Pam Eaton, Idaho Retailers Association, spoke **in support** of **H 86** opining that it clarifies and makes the tax exemption clear.

MOTION: Rep. Addis made a motion to send H 86 to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** Rep. Moyle will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:40 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, February 07, 2019

SUBJECT	DESCRIPTION	PRESENTER
H 0061	Shortline Railroad Infrastructure Income Tax Credit	Rep. Clark Kauffman

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 07, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Curtis Schmitz, Smart Transportation; Alex LeBeau, IACI; Jeff Short, INPR; Dan DeGon, BGCM, STMA, WJR, Roadwise, Inc; Mark Mickelson; EIRR; Sean Ellis, Idaho Farm Bureau; Laura McNichol, Watco; Fred Birnbaum, Idaho Freedom Foundation; Elizabeth Criner, Simplot and Clearwater Paper; Rich Garber, Idaho Wheat & Barley Growers; John Watts, Veritas.

Chairman Collins called the meeting to order at 9:02 a.m.

H 61: **Rep. Clark Kauffman** presented **H 61** as an infrastructure bill incentive for railroad infrastructure, specifically short line railroad in Idaho. It provides a 40% income tax credit up front. Railroads have to put money into the railroad before they can get the credit, and the credit has to be put back into railroad infrastructure. The credit can be transferred, but it has to go back into railroad infrastructure. The maximum credit is \$3,500 per mile of short line track in Idaho. **H 61** is effective January 2020 and has a 5-year sunset provision when it can be re-evaluated.

Rep. Kauffman introduced **John Watts**, Veritas Advisors, who informed the committee he was appearing on behalf of Idaho Short Line Railroads, which includes Class II and Class III railroads that he listed and outlined the areas in Idaho which they served. He stated **H 61** provides a 40% income tax credit on the value of investment of a Class II or Class III short line railroad owned or operated in Idaho, capped at \$3,500 per railroad mile. Any tax credits not retained are transferable only to short line railroad customers and vendors, and funds received from the transfer must be reinvested in Idaho railroad infrastructure. The credit transfer is limited to one time by the taxpayer and not transferable by a transferee. A railroad expenditure claimed for the Idaho tax credit shall not be used to claim a federal tax credit under 26 U.S.C. 45G. Qualified expenditures are defined, and the ISTC will review and determine whether the qualifications are met after a short line rail road's investments are made in the ground. ISTC is empowered to oversee the entire program, promulgate rules, administer compliance and report to the Legislature yearly. The tax credit can be carried forward for 5 years. **H 61**'s effective date is January 1, 2020, and it sunsets in five years on December 31, 2024. He opined the credit would help lower the costs of rail infrastructure updates and preserve the rail lines so they are not taken up any more. Shippers stay connected to Idaho and their rural towns, keeping them connected to national and international markets which is important because Idaho is an export state. Per mile of track, the short line railroads need to invest \$8,750 in railroad infrastructure up front before they can apply for the \$3,550 credit. The net fiscal impact to Idaho will never exceed \$3.1 million each year. Idaho has spent over \$300 million on Idaho road and bridge infrastructure and zero on Idaho railroad infrastructure. Short line railroads help Idaho commodity growers.

In response to committee questions, **Mr. Watts** informed the committee to be eligible for the credit again, another cash reinvestment going back into the infrastructure would be required, and the reinvestment is a different dollar, not the same dollar. He explained how the loss of value over time occurs when a credit is transferred. He went on to explain the larger Class I railroads are ineligible to participate because short line railroads operate on margins with very narrow profit points and need help keeping up old railroad tracks. Mr. Watts replied to committee questions concerning ISTC oversight by indicating the ISTC has audit power for enforcement.

Those speaking **in support** of **H 61** were **Alex LeBeau**, President, Idaho Association of Commerce and Industry; **Jeff Short**, Idaho Northern & Pacific Railroad; **Dan DeGon**, Washington & Idaho Railway, Bountiful Grain & Craig Mountain Railroad and St. Maries River Railroad; **Laura McNichol**, Watco Companies, Union Pacific and Great Northwest Railroad; **Rich Garber**, Idaho Wheat and Barley Growers; and **Mark Mickelson**, Mickelson and Company, who said **H 61** is worthy of support to ensure Idaho's short line rail and bridge infrastructure is updated from the original owner under-invested lines. Idaho commerce and agricultural industries use airports, waterways and rails, and short line rails are the most fuel efficient mode of transportation with a 4 to 1 ratio compared to long haul trucking. Short lines serve Idaho's smallest to largest shippers, are the first and last mile for a lot of shipments, and give shippers options to keep prices down. They keep freight off of the highways, which saves costly road infrastructure and makes them safer, and keep rural communities connected to the national network. Every mode of transportation is subsidized, and they are not, although they provide a public value. Having this credit for short lines is an appropriate investment that puts no risk on the state and adds to efficiency, which is key to Idaho's competitiveness. Mr. Short remarked Idaho Northern & Pacific Railroad is a short line railroad, where he is a working manager, conductor and engineer, that puts every dollar every day in the ground to keep the railroad moving, and their workers support **H 61**.

In response to committee questions, **Mark Mickelson** informed the committee short line railroads cannot charge more for capital investment to keep them running because it is Class I railroads who have the pricing interchange and the short lines are held captive to the Class I interchange. He further replied to committee questions remarking that the **H 61** credit could be taken off the short line's taxes depending upon whether it was a deductible expenditure or a capital investment which is based on whether the credit was for maintenance or rail improvement. Rails that are kept up are more reliable and safer.

Those speaking **in opposition** to **H 61** were **Curtis Schmitz**, Smart Transportation, and **Fred Birnbaum**, Idaho Freedom Foundation, opining the railroad property owners should be responsible for rail upkeep and not the tax payers, and passing **H 61** would establish a policy of favoring some businesses over other Idaho businesses wanting to pay less tax. Mr. Birnbaum remarked it is better tax policy to reduce credits and lower marginal rates for everyone Mr. Schmitz informed the committee Smart Transportation represents 791 active and inactive union members for railroad Class I engineers, brakemen and other railroad positions, and they oppose **H 61**.

In response to committee questions, **Mr. Birnbaum** stated the railroad infrastructure should be distinguished from highway infrastructure because the short line railroad track cannot be used by the public and is a narrow sliver of Idaho infrastructure that has an operating expense deduction for a tax credit.

MOTION:

Rep. Furniss made a motion to send **H 61** to the floor with a **DO PASS** recommendation.

Rep. Kauffman closed by remarking **H 61** short line railroads are the ones keeping the rails operating, so they don't become trails. He said the legislation has accountability and a sunset clause.

In support of the motion, **Rep. Ricks** and **Rep. Chaney** addressed the impact of the loss of rails to their districts, the increased costs to the counties for highway maintenance and the devastating impact on the farmers. Rep. Ricks said there is a sunset clause and ignoring the railroad assets would have a greater cost down the road.

**ROLL CALL
VOTE:**

Rep. Nichols requested a roll call vote on **H 61**. **Motion carried by a vote of 13 AYE, 2 NAY and 1 absent/Excused. Voting in favor of the motion: Chairman Collins, Reps. Stevenson, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Ricks, Erpelding, Ellis, and Mason. Voting in opposition to the motion: Reps. Giddings and Nichols. Rep. Moyle was absent/excused. Rep. Kauffman** will sponsor the bill on the floor

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 10:47 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, February 11, 2019

SUBJECT	DESCRIPTION	PRESENTER
H 102	State Tax Commission, Procedures	Representative Megan Blanksma
H 103	Levy Elections, Disclosure	Representative Doug Ricks

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 11, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: Brian Stutzman; Russ Hendricks, Idaho Farm Bureau.

Chairman Collins called the meeting to order at 9:01 a.m.

MOTION: **Rep. Mason** made a motion to approve the minutes of February 6, 2019. **Motion carried by voice vote.**

H 102: **Rep. Blanksma** informed the committee **H 102** makes Idaho State Tax Commission (ISTC) decisions subject to the Administrative Procedures Act (APA). The impetus for the legislation arose from some counties challenging assessment values to agricultural land made by the State Board of Equalization based upon national data without the counties being allowed to present local data due to timing constraints. The counties were not given an opportunity to refute the decision because ISTC decisions are not appealable.

In response to committee questions, **Rep. Blanksma** replied she was unable to locate the reason the ISTC was not subject to the APA initially, and she had no knowledge about any other similarly situated agency bodies or other states except for the Idaho public health districts who became subject to the APA last year. In reply to committee questions on whether there would be a rules process to clarify how the statutory change would work on implementation of a State Board of Equalization order under the APA or if the order would remain in question possibly causing a tax shift, Rep. Blanksma replied there would be a tax shift and should be a tax shift. She remarked a lot of things could potentially happen on a daily basis that would fiscally impact the General Fund, and ISTC does not have a valid argument and has overstated the numbers concerning the potential fiscal impact caused by the need for ISTC to hire additional attorneys.

MOTION: **Rep. Chaney** made a motion to send **H 102** to the floor with a **DO PASS** recommendation.

In support of the motion, **Reps. Ricks, Chaney** and **Moyle** said counties should have the ability to appeal when they need to, the costs will not be as much as the fiscal note, and the ISTC had an opportunity to testify and did not.

In opposition to the motion, **Rep. Giddings** remarked the need is understandable, but she is not comfortable with the information presented and would like to hear from the ISTC whether costs will be \$2 million.

VOTE ON MOTION: **Motion carried by voice vote. Rep. Blanksma** will sponsor the bill on the floor.

H 103: **Rep. Ricks** presented **H 103** that adds a disclosure on a voting ballot stating the amount a levy will cost a person on their taxes. Currently ballots state the total amount of the levy and not the cost over time to homeowners.

In response to committee questions, **Rep. Ricks** stated he anticipated seeing the disclosure in the question or the disclosure section of the ballot. Rep. Ricks gave an example how to calculate the estimated average annual cost to a property owner per \$100,000 of property value.

MOTION: **Rep. Anderst** made a motion to send **H 103** to the floor with a **DO PASS** recommendation.

Those speaking **in support** of **H 103** were **Brad Stutzman**, Idaho Falls, and **Russ Hendricks**, Idaho Farm Bureau, who opined the legislation provides more transparency for taxpayers before they vote by informing them what a particular levy will cost in terms they can understand and will ensure honesty in the process.

VOTE ON MOTION: **Motion carried by voice vote. Rep. Ricks** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:34 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, February 13, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS26808	Sales Tax, Revenue Distribution	Representative Jason Monks

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 13, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Chelsea Wilson, PPA; Brody Aston, Westerberg Associates; Liam Stokes, Veritas LLP; Amber Pence, City of Boise, Jess Harrison, AID.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of February 7, 2019 and February 11, 2019. **Motion carried by voice vote.**

RS 26808: **Rep. Jason Monks** gave a history of sales tax in Idaho, including the distribution bases and formula updates, and discussed sales tax revenue sharing to local taxing districts. Rep. Monks remarked **RS 26808** does not address special purpose taxing districts at all. He stated there was concern when the sales tax proposal was first put together it would not follow population as well as it should. The formula does account for population, but begins with an old base, a property value component that is carried forward. So where a community's property value is sky rocketing, they receive a big boost, and communities that are not, receive less. **RS 26808** sets the base at what cities and counties are getting now. If there is zero growth the next year, nothing changes, and if there is growth, it will be divided based upon population, going to counties below the average. If sales tax decreases, everyone gets less, both under this legislation's formula and as things are currently. The formula in **RS 26808** will bring everyone closer and closer in amount, and it will be done through growth.

In response to committee questions, **Rep. Monks** stated it is not known where purchases are made when a business has multiple store locations in Idaho, such as Albertson's.

MOTION: **Rep. Dayley** made a motion to introduce **RS 26808**.

In response to committee questions about the formula, **Rep. Monks** explained the central formula is a per capita number they look at every quarter of every year and calculate what the average number is. Then they look at the amount of money they have and distribute it based upon population. If you are above the average number, you are not going to get any of the first monies distributed. If you are below the average, you will receive money until you get up to the average. The average is recalculated every year, so it is a new average each year which shrinks down the spread. Rep. Monks indicated some cities love the new formula and some hate it. He further opined looking where money started would be a non-starter, especially for small communities. Revenue generated in the Treasure Valley spreads all over the state in things like roads. Upon committee requests for a predictive yearly comparison, Rep. Monks outlined the difficulties involved in future projecting, but said they could do a five-year look-back comparison if **RS 26808** is introduced for printing.

**VOTE ON
MOTION:**

Motion carried by voice vote.

Chairman Collins recognized and thanked the page, **Arianna Carlson**, for her help with the committee.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 9:30 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Friday, February 15, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS26870	Board of Equalization, Appeals	Seth Grigg, Idaho Association of Counties
RS26871	Property Assessments, Equalization	Seth Grigg
RS26839	Income Tax Refund, Trust Funds	Representative Mike Moyle
35-0101-1901	Income Tax Administrative Rules	Cynthia Adrian, Tax Policy Specialist, Idaho State Tax Commission

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 15, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Cynthia Adrian, Idaho State Tax Commission (ISTC); Jayson Ronk, Micron.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of February 13, 2019.
Motion carried by voice vote.

RS 26870: **Seth Grigg**, Executive Director, Idaho Association of Counties, said under Idaho law currently, a county assessor assigns a value to each taxable property and is required to send out a notice to the property owner in the spring. If the taxpayer does not agree with the assessment, they have an opportunity to appeal to their county commissioners acting as a Board of Equalization. At that point, if the taxpayer disagrees with the county's decision, they can appeal to district court or they can appeal to the Idaho State Tax Board acting as the State Board of Equalization, which is separate from the county commissioners' Board of Equalization. The State Board of Equalization meets in the summer and are required to equalize all appealed properties. **RS 26870** proposes after the State Board of Equalization equalizes property across the state, if a county disagrees with their decision, they can appeal to district court, and if a taxpayer disagrees, they can appeal to the Board of Tax Appeals or district court.

In response to committee questions regarding the possible complimentary or alternative nature of **RS 26870** in relation to **H 102**, **Mr. Grigg** replied **H 102** deals with the Administrative Procedures Act (APA) governing the ISTC, and APA oversight is not something dealt with at the county level and does not clarify their issues. In response to further committee questions, he explained the current taxpayer appeal process and discussed the history counties have had with the State Board of Equalization.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 26870**. **Motion carried by voice vote.**

RS 26871: **Seth Grigg** said **RS 26871** proposes setting a process where the ISTC by April 1st each year notifies county assessors and commissioners that they believe a category of property in their county has been improperly assessed. The notice must include the basic information regarding why they believe the property was improperly assessed.

In response to committee questions, **Mr. Grigg** responded the ISTC is working on a process following **RS 26871** guidelines and has had input on the legislation.

MOTION: **Rep. Ricks** made a motion to introduce **RS 26871**. **Motion carried by voice vote .**

RS 26839: **Melinda Merrill**, member of the Board of Directors, Idaho Chapter of the American Red Cross, informed the committee **RS 26839** changes the minimum amount of the threshold level of annual contributions a nonprofit must receive to remain listed as a designated trust fund recipient on Idaho income tax forms. There are currently only a handful of charities listed on the tax forms to whom taxpayers can donate refunds. Each of these charities must receive \$25,000 a year for two consecutive years in income tax refund contributions or they will be removed from the list. **RS 26839** lowers the threshold contribution from \$25,000 to \$20,000 a year. Lowering the threshold will prevent the American Red Cross and some other worthy charities from being removed from the list. All refund contributions are required to be used for projects in Idaho.

In response to committee questions, **Ms. Merrill** informed the committee each charitable organization currently listed had to be approved to get on the list and other organizations could be added, but none have applied yet.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26839**. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1901: **Cynthia Adrian**, Tax Policy Specialist, ISTC, said **Docket No. 35-0101-1901** is a temporary rule docket for which they are requesting an extension. Temporary rules usually expire at the end of the legislation session, and ISTC wants **Docket No. 35-0101-1901** extended until it can be brought before this committee the next legislative session as a pending rule. The rule involves a water's edge treatment of dividends. Water's edge means income is included from both water's edges, the Atlantic to the Pacific. If a taxpayer is not filing on water's edge, it would be worldwide. If a taxpayer files on a water's edge basis and has foreign dividends that need to be reported to the ISTC, they can actually get an 80-85% deduction for those dividends, but they have to file a disclosure spreadsheet. Then a taxpayer would only pay tax on the remaining 15 or 20%. The way it is currently worded, it is unclear what happens to the 15 or 20% upon which taxes have already been paid. **Docket No. 35-0101-1901** says if those amounts were included in Idaho income in a previous year, ISTC is not going to tax it again. This actually deals with Internal Revenue Code (IRC) §§951 and 951 A, which is the federal foreign dividend or Global Intangible Low Tax Income (GILTI) provision. Under the temporary rule, if the 15 or 20% was included in Idaho income in a previous year, ISTC will not ask the taxpayer to include it again.

MOTION: **Rep. Furniss** made a motion to approve **Docket No. 35-0101-1901**.

John Eaton, Idaho Association of Commerce and Industry, was called on to answer a question from the committee regarding the relationship of **Docket No. 35-0101-1901** to proposed legislation from last year's legislative session that addressed IRC §§951 and 951 A, and he responded that this is different from the previous proposed legislation.

VOTE ON MOTION: **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:29 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, February 21, 2019

SUBJECT	DESCRIPTION	PRESENTER
<u>RS26878</u>	Taxes, Corporate Foreign Income	John Eaton and Alex LaBeau, Idaho Association of Commerce and Industry
<u>RS26909</u>	Government Audits	Representative Mike Moyle
<u>H 165</u>	Income Tax Refund, Trust Funds	Melinda Merrill, Eiguren Ellis Public Policy

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 21, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Tom Shaner, Idaho State Tax Commission (ISTC); Cynthia Adrian, ISTC; Russell Westerberg, RMP; Colin Nash.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of February 15, 2019.
Motion carried by voice vote.

Chairman Collins introduced the new page, **Chad Majors**.

RS 26878: **Alex LeBeau**, President, Idaho Association of Commerce and Industry (IAOCI), presented **RS 26878** indicating it is basically a conformity bill to the 2017 Tax Cut and Jobs Act that deals with repatriation of foreign derived income. The Statement of Purpose for **RS 26878** has a 10-year fiscal note that goes into conceptual detail regarding why Congress and the President of the United States made the determination of how we would change the way we deal with corporate taxation, particularly for foreign derived income around the world. It is basically a whole new system, and it is important for the state of Idaho to conform. It is a very complicated issue.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26878**.

In response to committee questions, **Mr. LeBeau** replied there will be an increase in revenue to the state of Idaho from the amount of the 2017 windfall from the change in the way corporate taxation is handled. The Tax Cut and Job Act is the first major corporate tax reform since 1987 and now requires every single corporation that has any operations overseas, whether export or actually overseas production, to report and pay tax on every dollar made and all tangible and intangible property acquired since 1986. There are associated federal deductions and credits which is why conformity is pretty important. Mr. LeBeau further opined refunds for prior years would not be likely since most corporations operate behind on fiscal years rather than on actual years. None of these dollars have been included in any sort of revenue forecasting.

**VOTE ON
MOTION:** **Motion carried by voice vote.**

RS 26909: **Rep. Moyle** said **RS 26909** deals with audits. Currently, governing agencies with annual budgets or expenditures of over \$100,000 are required to do biannual audits and above \$250,000, they are required to do an audit each year. The cheapest audit cost he could find was one done for \$6,500, with most being about \$10,000. The problem is when there is a small agency with a \$10,000 budget, 10% of their budget is taken to do an audit. **RS 26909** moves the annual budget limit to \$150,000 before agencies are subject to audit, which helps about 28 different taxing districts.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 26909**. **Motion carried by voice vote.**

H 165: **Melinda Merrill**, member of the Board of Directors, Idaho Chapter of the American Red Cross, stated **H 165** changes the dollar threshold for seven non-profit funds listed on income tax refund forms. Idahoans can donate their refund to those listed on the form. The threshold to be on the form is \$25,000 in refund donations for two years or the non-profit can fall off the form. Reasons a non-profit may not reach \$25,000 in donated refunds may be that they have not done an outreach program. Lowering the threshold to \$20,000 from \$25,000 can be beneficial to anyone on the form.

MOTION: **Rep. Addis** made a motion to send **H 165** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:17 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW41
Friday, February 22, 2019

SUBJECT	DESCRIPTION	PRESENTER
<u>RS26914</u>	Taxing District Boundaries	Representative Jarom Wagoner
<u>RS26676</u>	Concurrent Resolution Rejecting Idaho State Tax Commission Docket No. 35-0103-1801	Representative Mike Moyle
<u>RS26677</u>	Concurrent Resolution Rejecting Idaho State Tax Commission Docket No. 35-0103-1803	Representative Mike Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 22, 2019

TIME: 9:00 A.M.

PLACE: Room EW41

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** Vice Chairman Stevenson and Representative Chaney

GUESTS: None

Chairman Collins called the meeting to order at 9:01 a.m.

RS 26914: **Rep. Wagoner**, District 10, Caldwell presented **RS 26914**. He explained this legislation helps to clarify the Tax Commission's duties in reviewing a taxing district's proposed boundary changes. These duties would be limited to reviewing proposed legal descriptions and total boundary areas that are submitted by a taxing district to ensure they are accurate. If the Tax Commission finds any errors in those legal descriptions or boundary changes, they would then be required to notify the appropriate taxing district within 28 days of receiving the original request. Currently, the Tax Commission reviews the changes submitted to determine if they comply with Idaho law. He does not feel that it is appropriate for an administrative body to interpret Idaho law against an elected official or an elected body, such as a city counsel.

In response to committee member's questions, **Rep. Wagoner** gave an example of a city counsel giving a legal description of a property being annexed into the city. A GIS employee doesn't believe that it complies with Idaho code, so it is then presented to their legal counsel. Although the city counsel still has the authority to annex the property into the city limits, they will not be able to collect property tax if not given the approval of the Tax Commission. Therefore, the city is unable to collect revenue for the property.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 26914**. **Motion carried by voice vote. Rep. Giddings** requested to be recorded as voting **NAY**.

RS 26676: **Rep. Moyle**, District 14, Star, Eagle, Meridian presented **RS 26676**. He reminded the committee members this rule was rejected by the committee. The rule dealt with property taxes: Agricultural changes in rules 613 and 614; forest ground, where the rule goes beyond what the law stated they should be doing; and change of classification or change of status. If somebody buys a piece of publicly owned state ground and it is exempt, it goes on the new construction roles immediately. If the purchased ground will be getting an exemption, it will happen later. This is a concurrent resolution going to the Senate to say the House has rejected this docket.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 26676** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote. Rep. Stevenson** will sponsor the bill on the floor.

RS 26677: **Rep. Moyle**, District 14, Star, Eagle, Meridian presented **RS 26677**. He reminded the committee members this rule was rejected by the committee. This rule deals with property taxes, but specifically addresses when an exemption is granted for a property that will not be paying taxes in the future. It is for properties that are being built for an exempt purpose, but are being taxed until they start taking on the exempt purpose. The exemption should start when the permit is applied for and should include everything except businesses that do not qualify for an exemption like a daycare within a church.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 26677** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Stevenson** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:13 a.m.

Representative Collins
Chair

Shellie Coates
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, February 25, 2019

SUBJECT	DESCRIPTION	PRESENTER
H 154	Sales Tax Revenue Distribution	Representative Jason Monks

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 25, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Sean Coletti, City of Ammon; Kelli D. Brassfield, IAC; Russell Westerberg, Boise; Laura Lantz, ISCPA; Mark Mitton, City of Burley; Chelsea Wilson, PPA; Seth Grigg, IAC; Amber Pence, City of Boise; Jess Harrison, AIC; Leon Duce, City of Rathdrum.

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

H 154: **Rep. Jason Monks** stated all the sales tax collected across the states gets distributed to cities and counties in a revenue sharing model. He provided the committee with a brief historical basis and the percentage breakdown for the current formula for revenue sharing distribution among cities and counties. Rep. Monks gave a comparison of the average distribution per capita for similar cities: Lewiston, population around 32,000, with an average per capita distribution of \$102 per person compared to Post Falls with the same population, with an average per capita distribution of \$60 per person; Hailey with an average per capita distribution of \$74 per person compared to Ketchum, which is in the same area, with an average per capita distribution of \$357; and McCall with an average per capita distribution of \$158 per person and Hayburn, similar population size, with an average per capita distribution of \$62 per person. Rep. Monks discussed the differences in the treatment of base averages in **H 154** and as it is calculated currently. Rep. Monks gave illustrated comparisons on why a population based formula is a fairer method of calculation. He also pointed out per capita distribution disparities in counties of similar population size. Rep. Monks asked that after the testimony concluded, the committee vote to hold **H 154** in committee to allow additional time to perfect calculations for a fair system.

In response to committee questions, **Rep. Monks** replied the formula was proposed several years ago to look at the base average and phasing it in over time. Similar legislation was introduced last year. Legislative Services Office has worked with him for a better way to phase it in over ten years time with as little impact as possible, and he has been communicating with cities and counties about everything he has done, which is why he wanted to have this hearing as well.

Sean Colletti, Mayor, City of Ammon, spoke **in support** of **H 154** saying they were surprised to find out sales tax revenue sharing is based upon inventory in 1965, and Ammon is harmed by the formula. Their population grew from 2,500 to 16,000, but they are stuck with a low tax levy based upon 1965 values when their population was 2,500, and that has only increased about 5% each year, making it extremely difficult to keep up with the infrastructure needs based on their growth. Any city that has grown massively has received a disproportionate share of tax dollars. An example is Salmon, Idaho, whose population was and remains close to 2,500, yet they receive \$125 per capita compared to Ammon's \$60 per capita. Mr. Colletti expressed disappointment with the Association of Idaho Cities who focuses on the proposed formula's first year of growth rather than the long term. He respectfully

disagrees with the damage of a freeze under the new formula because cities like Ammon are frozen in time to 1965 and have been for a long time.

Those speaking **in opposition** to **H 154** were **Mark Milton**, City Administrator, Burley, Idaho; **Seth Griggs**, Idaho Association of Counties; **Jess Harrison**, Executive Director, Association of Idaho Cities; **Leon Duce**, Rathdrum, Idaho, and Revenue Task Force, Association of Idaho Cities, who expressed concern that changes to the distribution formula will have unintended consequences, have a negative impact on rural counties across the state because it is based on population and no longer replaces the loss of property tax revenue, and does not have reliable and verifiable data, stability and predictability in city budgeting, simplicity and ease of implementation, and a hold harmless that includes some kind of indexing so communities don't entirely miss out on growth dollars eaten away over time by inflation. Ms. Harrison openly acknowledged the existing formula does not meet all of the listed requirements but has provided stability in budgeting for 20 years. She further stated the current formula is becoming a more population driven formula over time. If the business inventory replacement stays frozen, the population becomes more of a factor in the formula. It is not happening as quickly as some would like, but over time it is correcting itself. Mr. Duce further opined the current formula fixes itself, stabilizes and becomes more effective each year with a base that changes over time and over a longer period. **H 154** provides less certainty than the current system.

During committee questioning of those **in opposition** to **H 154** committee members expressed concern that cities and counties have known about this problem for three years, have opposed three previous attempts to rectify the widely disparate treatment among Idaho cities and counties, and have either failed to attend any meetings **Rep. Monks** held to come up with a solution or failed to come up with a solution on their own to resolve the problem. The committee further stated they believed the proposals in **H 154** have merit, and the sales tax distribution inequities should not continue another year but be resolved during this legislative session.

MOTION: **Rep. Anderst** made a motion to **HOLD H 154** subject to the call of the chair

Speaking **in support** of the motion were **Reps. Anderst, Ricks, Furniss and Moyle** who stated the current 50-year old system is not fair, many cities have expressed unhappiness with it, and it does not allow for growth.

VOTE ON MOTION **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:18 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, February 26, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS26966	Property Tax Levies	Representative Marc Gibbs
RS26954	Idaho State Tax Commission - Procedures	Representative Megan Blanksma
H 184	Government Audits	Representative Mike Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 26, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** Representative(s) Dayley, Erpelding

GUESTS: Alan Dornfest, Idaho State Tax Commission (ISTC); Russell Westerburg, RMP.

Chairman Collins called the meeting to order at 9:01 a.m.

RS 26966: **Rep. Marc Gibbs**, informed the committee Bear Lake County (County) has a courthouse built in about 1885 which has been remodeled three different times, but it is not currently feasible to remodel it to bring it up to Americans with Disabilities Act (ADA) compliance. After inspections, the County has been notified by the US Attorney they are in violation of the ADA, and they will file a lawsuit if the situation is not corrected. The County ran three bonds in five years to build a new courthouse, but none have passed. The County then sought judicial confirmation to build the courthouse which allows them under Idaho's Constitution to build the courthouse, but It doesn't allow for a funding mechanism, so it has become an unfunded mandate. The proposed legislation is patterned after legislation passed in 2012 for Boise County when they had a judgment of \$7 million against them with no way to pay it. Similar legislation was brought to this committee, which passed, and Boise County was able to meet their obligations. **RS 26966** is crafted for counties with populations of less than 7,500, who have had three previous failed bond elections within the preceding five years, and who have obtained a judicial confirmation since the first of March last year. This proposed legislation sunsets December 31, 2019.

In response to committee questions, **Rep. Gibbs** replied the loss of the three previous elections is by a simple majority, and the legislation would only apply to a county having a judicial confirmation done prior to December 31, 2019.

MOTION: **Rep. Addis** made a motion to introduce **RS 26966**. **Motion carried by voice vote.**

RS 26954: **Rep. Megan Blanksma** stated this legislation is a rewrite of **RS 26727**. She informed the committee **RS 26954** still makes the Administrative Procedures Act process apply to ISTC decisions, however, there were a few unintended consequences with the previous blanket statement. The rewrite in **RS 26954** doesn't penalize people if they need to appeal to district court, and they can carry on with the district court to finish that process. Rep. Blanksma refreshed the memories of the committee members with a brief recap of the county experiences where ISTC changed assessed values set by the county assessor and there was no appeal process.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26954**. **Motion carried by voice vote.**

H 184: **Rep. Mike Moyle** said **H 184** deals with audits. Under current Idaho law, governing agencies send reports of budgets to the state, and if the budget is over \$100,000, they are required to do an audit every other year and every year for budgets over \$250,000. There are a few small Idaho taxing districts right on the cuff, and the audit costs for them of about \$10,000 is substantial. **H 184** supports a threshold of \$150,000 before governing agencies need to do biannual audits. These agencies will still be required to send in their budgets and reporting, just not be audited unless they meet the new threshold.

MOTION: **Rep. Ricks** made a motion to send **H 184** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:14 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, February 27, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS26945	Local Economic Development Act	Representative Robert Anderst
H 193	Taxing District Boundaries	Representative Jarom Wagoner

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 27, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representative(s) Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** Representative(s) Dayley, Gestrin,

GUESTS: Brody Aston, Westerberg Associates; Russell Westerberg, Capital City Development Corp.; Alan Dornfest, Idaho State Tax Commission (ISTC); Rep. Jarom Wagoner, District 10;

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

RS 26945: **Rep. Anderst**, District 12, Nampa, presented **RS 26945**. This legislation presents amendments to the Local Economic Development Act. The purpose is to establish a closer tie between voter input and municipal expenditures for particular types of structures. Utilization of Urban Renewal dollars through revenue allocation was not intended to become the path of least resistance for the construction or financing of municipal buildings. It was designed to encourage private sector development. The primary changes of the amendments are: 1. The term remodel of a municipal building was added. 2. Multipurpose sports stadium complex was added to the types of property that would be subject to a public vote in order to spend Urban Renewal dollars from a Revenue Allocation Area. 3. A requirement for all municipal buildings, remodels and multipurpose sports stadium complexes go to the voters in the qualified municipality for approval. 4. The threshold was lowered to approve spending on qualified project costs from 60% to 55%. 5. Established the types of spending that would not be subject to a vote, refocusing the use of Urban Renewal dollars to infrastructure in advance of private sector economic development. Multipurpose sports stadium complex was defined. The definition of municipal building will include buildings that are owned and leased or operated by a municipality. In addition, an emergency clause was included.

In response to committee member questions, **Rep. Anderst**, explained the primary reason the threshold was lowered from 60% to 55% was to use it as a negotiating point to get all of the component pieces together to move the bill forward. This is a change to the way Urban Renewal Districts operate. The primary problem is there is not any public input on these types of projects. Rather than it being about lowering the percentage to approve spending on qualified projects costs from 60% to 55%, it is more about allowing voters to agree or disagree with the direction the district is going.

Committee members made comments about other ways to change Urban Renewal districts without mandating them and that it was specific to only District 19. **Rep. Moyle**, stated the tax increases from Urban Renewal Districts impact all areas of the county rather than just a specific district. In response to committee members comments, **Rep. Anderst** explained the issue of Multipurpose sports stadium complexes could impact other districts in the future, but emphasized it was only one of the five components of this legislation.

MOTION:

Rep. Addis made a motion to introduce **RS 26945. Motion carried by voice vote.**

H 193:

Rep. Wagoner, District 10, Caldwell, presented **H 193**. He declared a Rule 38 since he works for a taxing district for the city of Caldwell. No cities came to him to propose this legislation. He brought the issue forward on his own after seeing these issues come up first hand. He explained this legislation helps to clarify the Tax Commission's duties in reviewing a taxing district's proposed boundary changes. These duties would be limited to reviewing proposed legal descriptions and total boundary areas that are submitted by a taxing district to ensure they are accurate. If the Tax Commission finds any errors in those legal descriptions or boundary changes, they would then be required to notify the appropriate taxing district. Currently, the Tax Commission reviews the changes submitted to determine if they comply with Idaho law. He does not feel that it is appropriate for an administrative body to interpret Idaho law against the decisions made by elected officials or an elected body, such as a city counsel.

Rep. Moyle asked what the effect would be from this legislation if a city does a forced annexation. **Rep. Wagoner** said this legislation is not restricted to private developers. Property owners have the right to appeal any annexation. A judge can make a decision regarding the annexation in dispute. **Rep. Moyle** commented that it is much faster and cheaper to resolve an issue with an administrative person at the state Tax Commission versus taking these disputes to district court. He is concerned with shoestringing and some annexations that are not right.

Alan Dornfest, Property Tax Policy Bureau Chief, (ISTC), testified about concerns in the language of the bill from the agency's perspective. The strikeout on line 38 "not to be recognized" can be problematic when the boundaries don't close or creates a situation where it is felt it is not contiguous thus creating other issues. The first issue is when valuing a company statewide like Idaho Power or Union Pacific Railroad. The Tax Commission must apportion those companies based on things like the miles of lines in each taxing district, each city, each highway district, etc. around the state. If those cities have changed their boundaries and the Tax Commission has a dispute that the boundary doesn't close or it is not contiguous, then they will not be able to correctly apportion operating property. The ISTC must use their maps and provides them to the companies for reference. The company may end up paying taxes inside or outside of the city incorrectly. ISTC is responsible for making sure the tax rates and tax payers are correct. ISTC would not amend their map, if it is disputable. If there is a dispute in the boundaries of an annexation and it cannot be resolved, then the levies would be wrong and taxes paid to the wrong place. The second issue pertains to allowing only one annexation to Urban Renewal Agency Revenue Allocations Areas. Those annexations must be contiguous. Those annexations are only allowed to be up to 10% of the area by law. Disputes of the boundaries of the annexations will be problematic again, because ISTC will use their maps based on whatever they have approved. If there are disputes, this may lead to the inability of the ISTC to understand whether an annexation of a Revenue Allocation Area exceeds the 10% annexation maximum area rule.

In response to testimony and committee member comments, **Rep. Wagoner**, agreed the rewording of the verbiage of the **H 193** would be appropriate and it should be sent to General Orders.

MOTION: **Rep. Erpelding** made a motion to send **H 193** to General Orders. **Motion carried by voice vote. Rep. Wagoner** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:34 a.m.

Representative Collins
Chair

Shellie Coates
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, February 28, 2019

SUBJECT	DESCRIPTION	PRESENTER
<u>H 164</u>	Property assessments, equalization	Seth Griggs, Idaho Assoc. of Counties; Bryon Reed, Bonneville County Commissioner
<u>H 201</u>	Nonschool taxing district, levies	Rep. Marc Gibbs
<u>H 202</u>	Tax commission, admin procedure act	Rep. Megan Blanksma

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 28, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Bryon Reed, Bonneville County; Seth Griggs, Idaho Association of Counties; Russell Westerberg, RMP; Vaughn Rasmussen, Bear Lake County; Senator Dean Mortimer; Russell Hendricks, Idaho Farm Bureau Federation.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of February 21, 2019, February 22, 2019 and February 26, 2019. **Motion carried by voice vote.**

H 164: **Bryon Reed**, Commissioner, Bonneville County, said **H 164** amends Idaho Code §63-109 to require the Idaho State Tax Commission (ISTC) to provide written notice to county assessors and commissioners by no later than the first Monday in April every year if it has reason to believe a county has improperly assessed a category of property. It would also require documentation justifying the action by the ISTC. Failure to provide the required notice would prevent the ISTC from equalizing that category of property for that year. At the request of ISTC, a provision was added allowing them to equalize any property where an assessor might change a value after the April notification deadline. Commissioner Reed informed the committee of a situation in Bonneville County that provided the impetus for **H 164**. He stated **H 164** provides for a better notification process, would protect taxpayer appeal rights, provide better communication between counties and ISTC, as well as protect ISTC's duty to equalize.

MOTION: **Rep. Ricks** made a motion to send **H 164** to the floor with a **DO PASS** recommendation.

Russ Hendricks, Idaho Farm Bureau Federation, spoke **in support** of **H 164** stating it is important to landowners to have timely notice of changes to their property assessment, and, more importantly, be provided with the rational or data the ISTC used to believe the county needs to reassess.

**VOTE ON
MOTION:** **Motion carried by voice vote. Rep. Ricks** will sponsor the bill on the floor.

H 201: **Rep. Marc Gibbs** provided information to the committee regarding the Americans with Disabilities Act (ADA) inspection done on the Bear Lake Courthouse, the letter from the US Attorney putting Bear Lake on notice they will file suite if their ADA violations are not corrected, the judicial confirmation order issued to Bear Lake County March 21, 2018, and Bear Lake County's bond schedule. **H 201** allows taxing districts with less than 7,500 people who have had three bond elections in the previous 5 years and who have obtained a judicial confirmation after March 1, 2018 to issue bonds and levy taxes for the obligation that was subject to the court order. It has a sunset clause of December 31, 2019.

In response to committee concerns about how the sunset clause included in multiple sections of the statute will work, **Rep. Gibbs** provided information from the Legislative Services Office that the funding mechanism is a form of built-in sunset because judicially confirmed obligations before December 31, 2019 are the only ones eligible for the levy.

Ron Rasmussen, Chair, Bear Lake County Commissioners, spoke **in support of H 201** by providing historical and bond information regarding the Bear Lake County Courthouse.

In response to committee questions regarding whether another bond election might provide the relief Bear County is seeking in **H 201**, **Commissioner Rasmussen** responded negatively and indicated it would take over a year to do another bond election, and the costs of remediation would continue to rise as time passes.

Rep. Gibbs was called upon to answer a question from the committee regarding how many districts and counties would qualify under **H 201** requirements, and he responded the legislation is tailored very narrowly so it doesn't see runaway use. He remarked a precedent for this type of legislation was passed in 2012 for Boise County.

MOTION: **Rep. Ellis** made a motion to send **H 201** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Gibbs** will sponsor the bill on the floor.

H 202: **Rep. Megan Blanksma** informed the committee she has full confidence in **H 202** but would ask the Chairman to hold **H 202** to allow time to review the information provided from the ISTC.

MOTION: **Rep. Moyle** made a motion to **HOLD H 202** subject to call of the chair. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:33 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Tuesday, March 05, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS26891C1	Ambulance Districts	Representatives Sally Toone and Muffy Davis
RS26646C1	County Fair Districts	Representative Clark Kauffman
RS27006	Property Tax, Hospital Facilities	Representative Doug Ricks
RS26543	Property Taxes, Inflation Adjuster	Representative John Vander Woude
RS27053	Wayfair Legislation	Representative Mike Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 05, 2019

TIME: 9:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

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

GUESTS: Tom Shaner, Idaho State Tax Commission (ISTC); Laura Lantz ISCPA; Jonathan Parker, PPA; Elliot Werk, ISTC; Sarah Bettwieser, TURO.

Chairman Collins called the meeting to order at 9:31 a.m.

MOTION: **Rep. Stevenson** made a motion to approve the minutes of February 28, 2019. **Motion carried by voice vote.**

RS 26543: **Rep. John Vander Woude** stated **RS 26543** deals with homeowners' exemptions. Home values have sky rocketed in the last four or five years due to the increasing number of people moving to Idaho, which creates a larger burden for homeowners. Idaho used to index the homeowners exemption, but then the index was removed. It is time to take a look at indexing the homeowner's exemption again due to the rapid increase in home values.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 26543**. **Motion carried by voice vote.**

RS 26891C1: **Rep. Sally Toone** presented **RS 26891C1** saying it relates to ambulance service districts to revise the maximum property tax levy rate for an ambulance service district. There are nine districts in Idaho that do not have a hospital in their district, including Lincoln County, who presently has the maximum mill levy of 4%, which only generates one-third of their operating expenses. Recreation and hospital districts can mill 6%, but ambulance districts cannot, so this change would offer consistency in the code. To raise the tax levy rate, an ambulance district has to go before voters.

In response to committee questions, **Rep. Toone** responded there are several ambulance districts at maximum mill levy right now.

MOTION: **Rep. Ellis** made a motion to introduce **RS 26891C1**. **Motion carried by voice vote.**

RS 26646C1: **Rep. Clark Kauffman** informed the committee there are no county-wide taxing districts for fairs in Idaho. If two county fairs combine, a taxing district can be formed. **RS 26646C1** allows creation of a taxing district within one county. The language in the proposed legislation is similar to that used to create a cemetery or recreation district, except a two-thirds majority vote is required rather than a simple majority vote, the petitioner pays the election costs, and if it passes with a two-thirds majority, then it goes to the county commissioners to put the issue on the ballot.

In response to committee questions, **Rep. Kauffman** replied that providing for the entire population of a county to attend the fair without cost is in the language of the proposed legislation at page 6, line 9 regarding the purpose of creating and maintaining fairs.

MOTION: Rep. Anderst made a motion to introduce **RS 26646C1**. **Motion carried by voice vote. Reps. Giddings and Nichols** requested to be recorded as voting **NAY**.

RS 27006: Rep. Doug Ricks said **RS 27006** addresses hospital property tax exemptions. The trend in hospitals is to form alliances with doctors by buying out their practices. The proposed legislation ensures doctors' offices bought out by larger medical facilities and hospitals do not come off their property tax rolls with the tax burden shifted to other taxpayers. Idaho Code §63-602D specifies to maintain exempt status from property tax, a facility has to have 24-hour emergency care and any administrative buildings have to be attached to that 24-hour care facility to continue to receive the property tax exemption. It also provides if they have shifted off the property tax roll, they will not be added as new construction because they would be double taxed. **RS 27006** does not impact government owned property and charitable status tax exemptions.

Rep. Furniss invoked Rule 38 stating a possible conflict of interest.

MOTION: Rep. Anderst. made a motion to introduce **RS 27006**. **Motion carried by voice vote.**

RS 27053: Rep. Mike Moyle informed the committee **RS 27053** deals with the *South Dakota v Wayfair* United States Supreme Court ruling regarding the state collection of sales tax on online sales. Many Idaho citizens do not realize they have to remit this tax. A market place facilitator sets up a process to collect and remit the online sales tax when they have sales of over \$100,000 in Idaho. The rate is six percent and does not include local option districts. The proposed legislation provides when the tax is collected, ISTC keeps it separate and deposits it in a tax relief fund. It sets aside new revenues, estimated at about \$30 million, to hopefully alleviate grocery or income tax, although it does not specify a certain tax, just the provision of tax relief. **RS 27053** goes to form and not through a distribution formula, providing a way for tax to go into a special fund for tax relief, and for taxpayers to be notified of tax.

MOTION: Rep. Anderst made a motion to introduce **RS 27053**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:48 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #2
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Wednesday, March 06, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS27063	Wayfair Legislation	Representative Mike Moyle
H 217	Local Economic Development Act	Representative Robert Anderst

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, March 06, 2019

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: One-page of multiple sign-in sheets will be retained with the minutes in the committee secretary's office until the end of the session. The remaining sign-in sheets were inadvertently disposed of. 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 8:31 a.m.

MOTION: **Rep. Stevenson** made a motion to approve the minutes of February 25, 2019. **Motion carried by voice vote.**

RS 27063: **Rep. Moyle** said **RS 27063** replaces **H 239** introduced yesterday. After it was introduced, some errors were discovered, and **RS 27063** corrects the intended start date on page 3, line 23 to June 1st rather than July 1st and changes the wording on page 4, section 4 to clarify all the money goes into the tax relief fund.

MOTION: **Rep. Addis** made a motion to **HOLD H 239** in committee. **Motion carried by voice vote.**

MOTION: **Rep. Addis** made a motion to introduce **RS 27063**. **Motion carried by voice vote.**

H 217: **Rep. Robert Anderst** presented **H 217** remarking it is a continuation of the discussion held in **H 606** about three years ago regarding the proper use of urban renewal funding for certain types of projects. **H 606** established urban renewal as a tool for the purpose of infrastructure and private economic development that builds tax increment growth but not for funding of municipal structures where the citizens who should be asked those questions should have a vote. **H 217** clarifies that **H 606** construction is inclusive of remodels by adding remodel components to the language, knowing that a remodel can cost more than constructing a building. **H 606** defined a new category of project called "municipal buildings." **H 217** adds multipurpose stadium complexes to the definition because they fall within the common characteristics of a project for public use. **H 217** changes the established threshold in **H 606** from 60% to 55% of qualified voters voting to affirm a building. The percentage was determined as a negotiated point within the confines of a larger bill. The focus of the legislation is when a vote should be taken. **H 217** establishes it is meaningful and useful to ask the voters of a district to pay for an investment and have input when a multipurpose or municipal structure is going to be built.

In response to committee questions indicating concern that a 51% threshold made it more difficult for an urban renewal district to use public dollars for any type of investment, **Rep. Anderst** stated **H 217** does not limit the ability to use urban renewal to lay a mile of pipe to establish sewer connectivity for a 100,000 square foot manufacturing facility needing the investment to improve the property to build tax increment, which is the delta paying for the pipe being laid. The underlying premises behind urban renewal is a delta that works, and the difficulty is an end product that doesn't generate an increment value. When questioned about municipal structures having value, Rep. Anderst said it is a question that taxpayers in the municipal structure's district have a right to answer, but nothing in **H 217** precludes any investment in stadiums, libraries or anything, it just seeks voter counsel first.

Rep. Rick Youngblood, co-sponsor of **H 217**, stated the definition of a municipal building was not something he ever personally wanted in **H 606**, but it was added through local feedback. Their discussion included city halls, libraries, fire stations, and other things. Now the question arises whether a municipal sports complex is a building that comes off tax rolls and should fall under **H 606**. The original intent was to include any building owned or operated by a municipality for the public's benefit, with the exclusion of infrastructure which would include outhouses or park benches. In **H 606** very clearly specifies that to use urban renewal, there has to be a plan in place, including road structure, waterways, and job creation. Constructing buildings that come off tax rolls without taxpayer input it is not a good use of urban renewal.

Those speaking in support of **H 217** were **Gary Richardson**, Boise; **Brandon Durst**, Boise; **Bill Goodknight**, Boise; **Gary Michael**, Boise; **Ron Harriman**, Nampa; **Hubert Osborn**, Nampa; **David Schurtleff**, Boise; **Katy Fife**, Boise; **Erica Schoffield**, Boise; **Thomas Hayes**, Boise; **Bonnie Hardy**, Boise; **Matt Fishman**, Boise; **Dr. Micky Myer**, Boise; **Edwin McClusky**, Boise; and **David Eichleman**, Boise who opined the legislation is not anti-Boise or other cities or anti-libraries or sports complexes but is for taxpayers. **H 217** holds municipalities to the spirit and truth of the Idaho Constitution, Article 8 §3 and closes a loop hole found in the Local Economic Development Act (LEDA). LEDA is intended to incentivize development in blighted urban areas by investing public funds in the infrastructure to support it but is being used by some cities to get around the constitutional requirement that voters approve long term debt for local government projects. Cities, through LEDA, have the ability to declare an area, such as River Street and American Boulevard, blighted or deteriorated. Tax increment financing is meant to divert taxes on the appreciated value into the infrastructure supporting that improvement, however, it is being used as a conduit for financing debt for large projects where taxpayers end up financing the debt incurred for the projects. **H 217** ensures that tax increment revenue will be used for infrastructure improvements within an urban renewal area but not for large public investments like stadiums and libraries unless 55% of voters approve. There are current plans to use the city's urban renewal agency (URA) as a debt financial conduit to partially fund two large projects that otherwise would require approval by a two-thirds vote, and there are no checks and balances for this debt incursion. **H 217** would introduce balance by requiring 55% voter approval for non-infrastructure projects. URAs need help to behave better. Mr. Durst wants to give more tools to cities, but they need to use them properly. His city is no longer listening to citizens at town halls, and it is time for the state to step in. Some large projects such as sports complexes are bad investments that leave the taxpayer responsible for expensive subsidies. Some large city projects in Idaho have failed and leave continuing costs to taxpayers. When using increment financing for large municipal buildings, all the money used is actually passed on to people through taxes. Sometimes, city-owned land purchased for urban renewal does not generate revenue, and tax support to schools and the community drops. In Idaho \$1 billion in urban renewal spending has passed to taxpayers. Since

taxpayers will ultimately foot the bill, they should have a say. **H 217** would require a plan and prevent situations that have occurred where there was financing locked in before the population even knew about a large municipal project for which they would be paying. It is unjust to allow un-elected individuals (URA personnel) to make decisions on funding on major municipal buildings while the taxpayers are being denied the opportunity to make any funding decisions on the same projects, especially when the funding tool utilized for projects is generally lease financing which is more expensive than general obligation bonds. Idahoans would like to have a say in paying taxes in perpetuity whether supporting a large sports complex or not.

Hubert Osborn, representing the Nampa City Council, stated they were unanimously **in support** of **H 217** for the reason it protects the tax payer from improper use of urban renewal funds and allows opportunity for the taxpayer to be involved.

Speaking **in opposition** to **H 217** were **Ryan Armbruster**, Elam & Burke, representing the Redevelopment Association of Idaho, who represents many URAs throughout Idaho; **Lorrie Burell**, Boise; **John Evans**, Mayor, Garden City, and Idaho Association of Cities; **Ray Stark**, Boise Chamber of Commerce; **Trent Wright**, Idaho Banker's Association; **Eric Heringer**, Piper Jaffrey; **Heath Clark**, Boise; **Jeremy Chou**, Givens Pursley, Boise; and **John Watts**, Idaho Chamber Alliance and the Idaho Library Association who stated **H 606** was the result of two years of compromise and collaboration, and it has worked. Mr. Armbruster said although he does not represent every Urban Renewal Agency (URA) in Idaho, he is unaware of any abuse of **H 606** provisions. The existing provision requires a URA seeking to undertake a premier project to look for other sources of funds within the threshold, whether that be other public entities in a consortium or private developers or contributors. For a project to be successful it must have certainty and timeliness, and **H 217** takes that away because even one dollar of revenue funding out of a URA's own pocket would require a vote be taken, which under our consolidation law can only happen twice a year. This bill requires a vote to spend money not just to incur debt. The vote is controlled by a minority not a majority. With that kind of uncertainty and uncertain time line, developers, contributors and others will find a different place to invest funds and projects. The legislation needs to have a minimum threshold that would not trigger a vote, such as excluding planning costs or other administrative costs. A vote is not required because it does not create additional tax liability. The use of an emergency clause jeopardizes any projects that are in good faith from moving forward in reliance on the provisions of **H 606**. URAs bring financial value to cities. Mr. Watts, representing 14 chambers of commerce across Idaho said a key role for chambers is to recruit economic development, and urban renewal is imperative to that development along with the need to move at the speed of business, which is significantly slowed by a couple of elections a year. The City of Boise URA's originally investment of \$22.5 million in eight blocks in Boise is now, thirty years later, worth \$323 million. Boise sees **H 217** as personally directed to it, especially because of the emergency clause. Since **H 606** was the result of an interim committee and had input from many stakeholders, material changes to its conditions and restricting its expenditures should involve all those stakeholders. Urban renewal gives no additional tax burden beyond tax increment revenue, and a URA can improve projects that create a catalyst to produce more revenue. **H 217** goes too far, the vote for adding a multipurpose stadium is one thing, but this bill prevents cities from using urban renewal funds because it would be difficult to get 55% of the vote for a project that only benefits one section of a city.

In response to committee questions, **Mr. Stark** expressed concerns regarding what the standard for an election is, whether the levels involved public or private partnerships, and the stopping point for election standards. He also responded to committee questions by confirming Boise Chamber of Commerce involvement in the collaboration on **H 606** and informed the committee the 2015 interim's recommendations were not incorporated in **H 606** by the 2016 Legislature.

Trent Wright, Idaho Bankers Association, spoke **in opposition** to the emergency clause in **H 217**, stating bankers are concerned about the definition of project costs in **H 217**, which includes financing costs such as interest during construction and capitalization of the debt service on ongoing current municipal and agency projects responsible for the debt service to the creditors. Bankers are concerned they will be cut off from having to further those debt services because there was never a vote initially because the project did not fall below the 51% threshold.

Committee members and **Mr. Wright** discussed not knowing how many projects would be effected, timeliness to resolve banking concerns, and the need for specific clarification of risk.

MOTION: **Rep. Addis** made a motion to send **H 217** to the floor with a **DO PASS** recommendation.

Rep. Anderst closed by stating it is obvious wanting to vote is a bipartisan issue. He indicated that some opposed to the legislation today who spoke of the extraordinary collaborate work that went into **H 606** were not supportive of that legislation then as well as today. None of the organizations who are opposing **H 217** today were supportive of **H 606**, and that is important to remember. In taking on **H 217**, it was recognized there were certain parts of the legislation that would not get everyone's support, but sponsors wanted the Legislature to determine it.

Rep. Ellis said following the principal of getting the advice of the voters moves him, so he will be voting **in support** of **H 217**.

In opposition to the motion, **Rep. Erpelding** commented by having a percentage beyond fifty percent, problems far beyond Boise are created, and he could support it if there was a different threshold to get behind. As it is, any dollar spent has to come up for a vote. **Rep. Mason** expressed appreciation for the concept that the voice of the people shouldn't be feared by their government, and recognized there are problems with urban renewal legislation, but stated he values collaboration, and can't support legislation where many people care but are not involved.

ROLL CALL VOTE: Roll call vote was requested. **Motion carried by a vote of 14 AYE, 2 NAY. Voting in favor** of the motion: **Chairman Collins, Vice Chairman Stevenson, Reps. Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, and Ellis. Voting in opposition** to the motion: **Reps. Erpelding and Mason. Rep. Anderst** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:41 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, March 11, 2019

SUBJECT	DESCRIPTION	PRESENTER
H 250	Wayfair Legislation	Representative Mike Moyle
RS27076	Wayfair Legislation	Representative Mike Moyle
H 202	Idaho State Tax Commission - Procedures State Board of Equalization	Representative Megan Blanksma Idaho State Tax Commissioner Ken A. Roberts

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 11, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: Tom Shaner, Idaho State Tax Commission (ISTC); Seth Grigg; IAC; Pam Eaton, IRA; Jonthan Parker, PPA; Melinda Merrill, NW Grocery Association.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of March 5, 2019. **Motion carried by voice vote.**

H 250: **Rep. Moyle** asks for consent to address **RS 27076** first. **Chairman Collins** approves the agenda change.

Rep. Moyle informs the committee, the difference between **H 250** and **RS 27076** is when **H 250** was introduced, language was left out of the emergency clause declaring an emergency. Without the declaration being in place in the emergency clause, **H 250** does not work and is the reason for **RS 27076**. **RS 27076** is exactly the same as **H 250**, except for the emergency clause, and both deal with online sales tax, which is a tax that is due but not being paid by many of Idaho citizens. Last year the US Supreme Court ruled states can start collecting this tax, and the proposed legislation sets up a process to collect the tax from market facilitators. On June 1st, collection and remittance of the tax starts, and **RS 27076** ensures new revenue collected is distributed to the tax refund account set up by this committee for future tax relief.

In response to committee questions, **Rep. Moyle** said the online sales tax collected goes to the tax relief fund from which it is distributed per the distribution model set out in **RS 27076**. All sales tax goes through the General Fund, and then the money is appropriated when the legislature decides to act. Some states have tried this, but it is new since the Supreme Court decision guidelines are new. Idaho does not have many local option taxes to fit in like some states do.

Speaking **in support** of **RS 27076**, **Pam Eaton**, President, Idaho Retailers Association, said she has been discussing this issue for eighteen years, and she hopes this is the last year because of the Supreme Court case. **RS 27076** is based on model legislation that follows Supreme Court guidelines, and there are states using it already. The proposed legislation was negotiated with retailers, the ISTC, and attorneys, and it is fair to local retailers who support local programs.

Rep. Moyle closes saying if it is the will of the committee, he would like to see **RS 27076** go to the second reading calendar. The relief fund is not a new fund but was put in place with the intention to collect it some day. The legislature designates where and when to distribute the funds which can be ongoing or onetime.

MOTION: **Rep. Chaney** made a motion to **HOLD H 250** in committee. **Motion carried by voice vote.**

MOTION: **Rep. Addis** made a motion to introduce **RS 27076** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

H 202: **Rep. Blanksma** informed the committee a couple of concerns about code references being left out of **H 202** and in connection with the appeal process have arisen. She said she is working with the Governor's Office on these issues, and she would like to send **H 202** to General Orders to make sure all the code references are inserted.

MOTION: **Rep. Nichols** made a motion to send **H 202** to General Orders. **Motion carried by voice vote.** **Rep. Blanksma** will sponsor the bill on the floor.

Commissioner Ken Roberts, Chairman, ISTC presented information on the State Board of Equalization (SBOE) and principles of equalization. Property tax has been around a long time and is ever evolving. Sales tax is a transactional tax and property tax is an ad valorem tax. Equalization system assessment is the value of a parcel within a taxing district, and it is important that we equalize property in a district so the load is equally shared. An ad valorem tax means according to value, and, hopefully, it means providing uniformity among counties and among categories in counties. A local board of equalization deals with individual tax properties/payers. State boards of equalization look at the values of categories and one county compared to another county. Equalization ensures taxes levied by districts that span more than one assessment district are fairly apportioned, and that partial exemptions have similar tax benefits across the jurisdiction of the equalization agency. Chairman Roberts gave a history of equalization in Idaho, the legal underpinnings of the SBOE, a review of SBOE decisions regarding operating property appraisals and equalization effects. The SBOE has authority to adjust the value of any category of property in a county up or down when it finds values are not just and equal as compared to other categories in the county or other counties' values, no statutory right exist for appeals from SBOE equalization orders, and judicial review is available in extraordinary proceedings when an SBOE action is in bad faith or so arbitrary and capricious as to constitute fraud. Without equalization, taxes are shifted to categories of property close to market value, away from categories of property assessed below market value, and without correction, taxes would be shifted to all other categories of property. Chairman Roberts shared Property Tax Assessment/Equalization Calendar information with the committee.

In response to questions from the committee, **Commissioner Roberts** said the SBOE looks at a taxing category as a whole. They equalize because it is about all categories paying their fair share. This comes into play in joint districts where, as an example, a school district spans more than one county with the property value in one county being \$50 and \$150 in the adjoining county, so that one property will pay three times the amount of the other for the same school. Within counties, the valuation lies with the county commissioners, whereas the SBOE looks at a county as a whole and look to see if they are carrying their appropriate share of the tax load. A very large county can be broken up into different regions, and they do look at those subcategories as well.

Chairman Roberts introduced **George Brown**, Deputy Attorney General, who spoke to constitutional issues related to the SBOE. The Idaho Constitution establishes the ISTC sitting as the SBOE to supervise and coordinate county BOEs, prescribes rules and regulations, and performs other duties as prescribed by law. SBOE is a constitutional board clothed in statutory authority with quasi-judicial powers that involve appeals. One other constitutional concern is that of uniformity. Equalization is based on the idea that properties should be valued the same which includes the mode of assessment and rate of tax. That rate has to be applied to all property of all types. The mode of assessment is market value. So both have to be uniform. The same responsibility lies with county commissioners sitting as a board of equalization. There are two types of review before the SBOE, operating property appraisals, which are railroads and power companies, and county property equalization, distinguished from individually owned property equalization. Mr. Brown outlined for the committee the methods and practices of SBOE hearings and appeals.

In response to committee questions about who on the SBOE is the neutral party, **Mr. Brown** responded it is hard to determine neutrality. The SBOE Commissioners do not discuss a case before they receive it nor do they, except rarely, have anything to do with those values. There is a balance between neutrality and knowledge. A professional board that did tax every day was what was wanted, and many other states have the same model. The SBOE can look at the case *de nuevo*, meaning a new trial with new evidence, whereas a district court looks at it on appeal, which means a review of the record. In response to committee questions on whether the Administrative Procedures Act (APA) would impact the equalization time line, Mr. Brown replied APA guidelines would put matters past the appeal process and would probably be a record review rather than a case *de nuevo*, however, property tax doesn't fall under the APA because there is no statutory right existing for an appeal beyond the SBOE. When an SBOE decision is considered in bad faith it can be appealed.

In response to a committee member's request for a draft bill to provide a neutral decision maker on appeal, **Mr. Roberts** responded there are multiple categories in counties with shifting values, there are 24 categories of property in Idaho, Idaho has escalating home prices with local counties not keeping up which means they are not paying their fair share and forty-one of forty-four counties are affected by joint districts. Values must be finalized for levies to be set. Decisions need to be made at the state level. As long as there is operating property and taxing districts some level of oversight is going to be needed. In some states they have a state tax court. It requires some tax expertise responsibility. It could be there is a need for more checks and balances, but care needs to be given not to mess up an entire system without a lot of thought and protections for taxpayers.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10.25 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, March 13, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS26963	First-time Homebuyer Savings Accounts	Representative Robert Anderst
RS27023	School Districts, Bond Votes	Representative Greg Chaney
RS27024	Guided Education Management (GEM) Scholarship Act	Representative John Vander Woude

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Gestrin
Vice Chairman Stevenson	Rep Addis
Rep Moyle	Rep Dixon
Rep Anderst	Rep Furniss
Rep Dayley	Rep Giddings
Rep Chaney	Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, March 13, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: Jack Lyman, Idaho Housing Alliance; Kelli D. Brassfield, IAC; Francoise Cleveland, AARP Idaho.

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

RS 26963: **Rep. Robert Anderst** informed the committee the Governor stated he wants to establish first-time home buyer savings accounts. Home buying is one of the most expensive things people do, especially for the first time. The proposed legislation allows a tax deduction of \$3,000 per year for an individual tax deductible savings account. The account holder can put as much money as they like in the account, but they can only deduct \$3,000 a year or \$6,000 per year is allowable for a married couple.

In response to committee questions, **Rep. Anderst** responded that interest on the account is taxable.

MOTION: **Rep. Gestrin** made a motion to introduce **RS 26963. Motion carried by voice vote.**

RS 27023: **Rep. Greg Chaney** said **RS 27023** amends Idaho Code §33-308, which allows patrons of a school district to leave a school district and join another as long as they are adjacent to the school district they join. When a district has voted to take on a bonded school district, the bonded indebtedness stays with the property and does not go with the district. **RS 27023** would require a vote of the entire school district to approve departure of a district where the proposed departure would remove fifteen percent or more of the taxable value in the district remaining and, therefore, shifting fifteen percent or more of the bond payments onto the remaining taxpayers.

MOTION: **Rep. Moyle** made a motion to introduce **RS 27023. Motion carried by voice vote.**

RS 27024: **Rep. John Vander Woude** introduced **RS 27024** stating it is a scholarship granting bill that allows a tax credit of up to fifty percent for donors putting money into the scholarship granting organization for kids. The scholarships are for students from low-income families, students who are at-risk, special needs students, and children of active duty military. There could be a potential savings to the state, especially with the new education formula where the money follows the child.

In response to committee questions, **Rep. Vander Woude** replied the proposed scholarship program is different from what Idaho already has because it creates a scholarship granting organization with a fifty percent tax credit, whereas the scholarships created by the Governor have a one-hundred percent tax credit. The scholarships will only apply to new students or those coming out of public schools.

MOTION: **Rep. Moyle** made a motion to introduce **RS 27024. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:10 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Monday, March 18, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS27078	Electronic Cigarette Tax	Representative John Gannon
RS27112	Taxes, Server Equipment, Data Centers	Representative Greg Chaney
H 183	Taxes, Corporate Foreign Income	Representative Robert Anderst

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Gestrin
Vice Chairman Stevenson	Rep Addis
Rep Moyle	Rep Dixon
Rep Anderst	Rep Furniss
Rep Dayley	Rep Giddings
Rep Chaney	Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 18, 2019

TIME: 8:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: Mark Wynn, Lamb Weston; Teresa Molitor, RAI Services Co.; Elizabeth Criner, Food Northwest.

Chairman Collins called the meeting to order at 8:00 a.m.

MOTION: **Rep. Dayley** made a motion to approve the minutes of March 13, 2019. **Motion carried by voice vote.**

RS 27078: **Rep. Gannon** stated vaping (use of electronic cigarettes) is epidemic according to the Food and Drug Administration. Any kind of cigarette, including electronic cigarettes, is unsafe. Rep. Gannon informed the committee even his child's own school district has seen an increase in electronic cigarette (e-cigarette or vape) use and sent a note about it to parents. Currently, tobacco products such as cigarettes pay approximately 15% of the product cost in taxes which the newly developed electronic products do not pay. Because of the way in which e-cigarettes are sold, the percentage charge of 15% is the fairest way to assess a tax, which will be sent to the Millennium Fund for educating children and young people regarding the use of tobacco electronic cigarette products. The amount to be raised is not known because Idaho does not keep track of vape sales in Idaho or license vape dealers.

MOTION: **Rep. Chaney** made a motion to introduce **RS 27078**.

The committee discussed what parts of an e-cigarette would be taxed, how the tax implementation would discourage children under 18 from vaping, what other states are doing to regulate underage e-cigarette use, current status of licensing and taxation of e-cigarette sellers, and Millennium Funds being specifically directed to educate minors.

VOTE ON MOTION: **Motion carried by voice vote. Reps. Giddings and Nichols** requested to be recorded as voting **NAY**.

RS 27112: **Rep. Chaney** informed the committee **RS 27112** involves a sales tax exemption for data center equipment. Data Centers are engines of economic growth, and help grow the ecosystem of high tech jobs and high speed fiber-optic cable. They provide a modest number of good paying jobs on an ongoing basis, construction jobs, and supporting industries jobs, such as HVAC and electrical jobs. They attract technological-type industries to move in and around them because of their growing ecosystem of specialized technical labor. **RS 27112** does not require pre-qualification from the Department of Commerce for the exemption and individual companies simply demonstrate they qualify for the criteria. It would exempt purchases only after July 1, 2020, and have a very small impact on existing companies.

In response to committee questions, **Rep. Chaney** said **RS 27112** defines new jobs as jobs that did not exist prior to the data center coming into the state of Idaho, that are non-seasonal, part-time or a transfer job from elsewhere in Idaho and does not exceed the federal hourly wage.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 27112**. **Motion carried by voice vote.**

H 183: **Rep. Anderst** remarked **H 183** is a final step to conform with the 2017 Federal Tax Cut and Jobs Act ("TCJA"). Conformity is not necessarily about tax increases or deductions but the way in which adjusted gross income is established. In 2017, a conformity bill was passed that dealt with individual income and pass through entities on a business level. In the interim, more information became available regarding the components of corporate conformity, and this legislation is straight conformity to the Internal Revenue Code (IRC). **H 183** at page 2, line 13 conforms with federal law and allows Idaho corporations to have the same deductions at the state level that they receive at the federal level. Because this is income derived in foreign countries which was previously not being declared and taxed, it will result in a net increase in collections to Idaho. IRC §965 deals with repatriation income, which is income made in prior years being held offshore. The federal law to which Idaho conformed in 2017 required all this money to be declared and taxes paid on it. In order to soften the blow, the US Congress provided a deduction for this type of income in IRC §965. By removing §965 from the list of exemptions in Idaho Code, Idaho taxpayers will be allowed to apply the same deduction as they do at the federal level. Idaho also conformed with the IRC where it required companies to declare foreign income every year moving forward. IRC §245A says that if a company pays enough taxes in a foreign country, it will not be required to pay taxes in the United States. By removing §245A from the list of exemptions to conform, **H 183** makes sure that Idaho companies won't be taxed on the state level for something they are not being taxed for at the federal level. IRC §250 does two different things, first, if a company declares foreign earnings every year moving forward but does not pay enough tax in a foreign country to qualify for a §245A deduction, it will have to pay a GILTI tax. Idaho already conforms with the GILTI tax but not with the §250 deduction allowed prior to being charged the GILTI tax. By removing §250 from the list of exemptions Idaho companies will be able to use, they will be able to use the same deduction on their state taxes they are allowed on their federal taxes. Finally, §250 also created a new deduction to incentivize US manufacturers to manufacture in the US and export those products. This is particularly important to Idaho since it is an exporting state. The TCJA eliminated a credit for manufacturing in the US and replaced it with a more narrow deduction for manufacturing that is an export, which is known as the FDII deduction. Conforming to the FDII deduction allows Idaho companies to use the deduction on Idaho taxes for manufacturing in Idaho that is exported to a foreign country. If Idaho does not conform to this section, there will be a disincentive for companies to manufacture in the state. The three sections of federal conformity in **H 183** are IRC §965, 245A and 250. From a competitiveness standpoint, this federal conformity helps Idaho maintain a level playing field with other states.

In response to committee questions regarding the fiscal note and the total cost to the state of **H 183**, **Rep. Anderst** said the fiscal note presents the net effect to the General Fund, which is a \$7.7 million, a \$12.8 million and a \$2.9 million increase over the next three years. **H 463** informed Idaho businesses that, in conformity and under its provisions, they had to bring money back and took away the deductions that would have otherwise been offset in other areas of code and pay their adjusted gross income without those deductions. **H 183** gets back to the point where the deductions are allowed, which is a competitive and fairness issue with other states who have already conformed to these deductions. Rep. Anderst further replied that to receive the retroactive refund, a company would amend their tax returns.

Mark Wynn, Lamb Weston, who is responsible for all of Lamb Weston's filings worldwide and in all 50 states, is called upon to answer complex technical committee questions concerning whether provisions in **H 183** allow "double dipping" or a doubling of deductions, and the probability of **H 183** providing advantages to Idaho, including a competitive edge on a multinational basis, development of manufacturing for export purposes, and the likelihood of repatriated money staying in Idaho. Mr. Wynn indicated this bill will allow Idaho to be competitive relative to other states. He said the federal government effectively modified their rules so US companies generally are never double taxed on their foreign income, which he opines is a good policy that allows US multinational companies to be more competitive relative to foreign competitors and enables Idaho companies and companies operating in Idaho to be competitive on a multinational basis. Mr. Wynn said the repatriation provision in IRC §965 requires that all funds not previously repatriated to the US are now required to be repatriated, but there is no requirement to bring that cash back and in some cases companies have already reinvested or spent that cash. However, under §965, they are going to be taxed on it. He provided the committee information on the three components, the various interest rates, and the foreign tax credit for foreign taxes paid in § 965, and Idaho's lack of a foreign tax system. If Idaho conforms it will have three tiers similar to the federal tiers relative to § 965 which would not be the same as the federal system but akin to it.

In response to committee questions regarding the 2018 taxes costs, **Mr. Wynn** replied \$13.6 million is revenue under the currently enacted conformity. The costs of refunds associated is included in FY 2019.

Sen. Hill was called upon to answer questions from the committee regarding the interim committee and why they did a tie back to **H 463**. Sen. Hill responded with the reasons **H 463** is listed in the fiscal note and provided a detailed explanation to the committee of the spreadsheet in the fiscal note.

Rep. Anderst closed by saying two years ago the federal government decided they wanted to bring foreign dollars back to the US and incentivize manufacturing and export. Idaho's tax policy came out of the federal legislation and Idaho's conformity has been consistent up to this point. There is one step left in that conformity, and this is that step. Dollars sitting somewhere else need to come back and have taxes paid on them now and every year in the future to give incentive for Idaho manufacturing and exporting of products. That is what **H 183** does, and he hopes Idaho is not put at a disadvantage by not passing it.

MOTION:

Rep. Chaney made a motion to send **H 183** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderst** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:18 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Friday, March 22, 2019

SUBJECT	DESCRIPTION	PRESENTER
SCR 107	Rule Rejection, Property Tax Administration	Senator Jim Rice
SCR 108	Rule Rejection, Sales and Use Tax	Senator Jim Rice
SCR 109	Rule Rejection, Income Tax	Senator Jim Rice

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 22, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** Representative(s) Chaney, Giddings, Nichols, Erpelding

GUESTS: Tom Shaner, Idaho State Tax Commission (ISTC)

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of February 27, 2019, March 6, 2019, March 11, 2019, and March 18, 2019. **Motion carried by voice vote.**

SCR 107: **Sen. Jim Rice**, District 10, informed the committee **SCR 107** deals with the difference in how much of **Docket No. 35-0103-1801** was rejected by this committee (HREV) and how much was rejected by the Senate Local Government and Taxation Committee (SLOC). ISTC indicated they want to withdraw Sections 613 and 614 of **Docket No. 35-0103-1801**. However, agencies do not get to withdraw rules, the legislature rejects them.

In response to committee questions, **Sen. Rice** affirmed HREV rejected the whole docket and SLOC only rejected a portion of **Docket No. 35-0103-1801**, specifically Sections 613 and 614.

MOTION: **Rep. Stevenson** made a motion to send **SCR 107** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Stevenson** will sponsor the bill on the floor.

SCR 108: **Sen. Jim Rice** stated prior to the proposed change in **Docket No. 35-0102-1803**, when a motor vehicle buyer presented a bill of sale or receipt to the Department of Transportation, it was presumed accurate. In this docket, ISTC added language defeating this by requiring the bill of sale price be valued at less than the average trade-in price. The problem is that half the trade-ins are less than half the trade-in price. A bill of sale is direct evidence of price but the average pricing is indirect evidence. So, **SCR 108** rejects Section 106, Subsection 05.b. of **Docket No. 35-0102-1803**. **Rep. Ricks** will sponsor the bill on the floor.

MOTION: **Rep. Moyle** made a motion to send **SCR 108** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.**

SCR 109: **Sen. Jim Rice** informed the committee, the definition of "Internal Revenue Code" in **Docket No. 35-0101-1801** includes "all uncodified provisions in federal law." The definition deviates from statute and "uncodified" is not law whether a regulation, rule or court case. Code is law and regulations are not law. It is improper to change something not in statute and say it is law. **SCR 109** rejects this definition at **Docket No. 35-0101-1801**, Section 015, Subsection 02.

MOTION: **Rep. Moyle** made a motion to send **SCR 109** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Stevenson** will sponsor the bill on the floor.

Chairman Collins thanked the page, **Chad Majors** for his service to the committee and presented him with a letter of recommendation and tokens of their appreciation.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 9:18 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

JOINT AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
AND
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
8:30 A.M.
EW 42
Tuesday, March 26, 2019

SUBJECT	DESCRIPTION	PRESENTER
	Informational Meeting on Data Center Sales/Use Tax Exemption	Steve DelBianco, President, and Barbara Comstock, former Congresswomen, NETCHOICE

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
JOINT MEETING
HOUSE REVENUE & TAXATION COMMITTEE
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, March 26, 2019

TIME: 8:30 A.M.

PLACE: EW 42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason
Chairman Rice, Vice Chairman Grow, Senators Hill, Burgoyne, Vick, Lakey, Anthon, Cheatham, Nye

**ABSENT/
EXCUSED:** Representative(s) Moyle, Dixon, Giddings, Nichols, Erpelding, Mason

Senators Hill, Burgoyne, Vick, Anthon

GUESTS: Steven Delbianco, NETCHOICE; Barbara Comstock, NETCHOICE; Roger Brown, Boise State University; Phil Archer, BVEP; Ray Stark, Boise Metro Chamber of Commerce (BMCC); Randy Hill, BMCC; Bill Connors, BMCC; Wes Dawson, NAI Select; James Brenner, Banner Bank; Laura Chiuppi, Boise State COBE; Jayson Ronk, Micron; Matt Kringle, FiberPipe Data Center; Heidi Jarvis-Frimes, Idaho Tech Council; Melinda Merrill, Eiguren Ellis; Brock Astin, LCSC; Ryan Armbruster, Elam Burke; Mitch Toryanski, Regence; Corey Surler, St. Alphonsus; Miguel Legarreta, ATI.

Chairman Collins called the meeting to order at 8:31 a.m.

Steve DelBianco, President, NETCHOICE, introduced **Barbara Comstock**, NETCHOICE advisor and former U.S. Congresswomen from Virginia, to present with him on the subject of data center sales tax exemptions. Mr. DelBianco informed the committees the presentation was informational only but related to **H 279** introduced late in the legislative session this year and which they intend to pursue next year. He said data centers are warehouses that store social media data which provide millions of dollars in job opportunities. He gave an example of a Facebook data center in Prineville, Oregon that employs 200-300 people. They reviewed statistical information gathered by Oxford Economics regarding the economic impact of data centers to communities and gave a historical perspective on the state of Virginia's legislative steps to attract data centers to their state. Data centers would benefit Idaho economically by bringing the benefits of: income and spending by construction workers and contractors, income and spending by data center employees, revenue for local suppliers and contractors, high-tech training and experience for the workforce, lodging and meals taxes by contractors and visitors, making the state more attractive for technical industries, and diversifying local economies. Tax benefits to Idaho would also accrue through income taxes paid by data center employees, corporate income taxes from data center operators, contractors and suppliers, as well as from property taxes. The backbone a data center brings with it would provide a very big benefit to Idaho citizens in providing 5g network and increased high-speed wireless capabilities. Both Mr. DelBianco and Ms. Comstock indicated data centers would not locate in states that did not provide sales tax relief on updated, replaced and maintenance equipment utilized within the data centers continuing and renewing life cycle. They encouraged Idaho

to ensure it has a sales tax exemption incentive program to support long-term high tech industry and job creation and growth.

In response to committee questions, **Mr. DelBianco** stated data centers would train a local workforce for technical positions, about ten states have passed legislation granting a sales tax exemption to data center equipment, data centers are 80% hydro power driven which makes a state like Idaho significantly attractive, but competition among states for data centers is high. Mr. DelBianco also replied to a question regarding thresholds by saying there are a variety of thresholds with a high sales tax exemption threshold drawing a developer willing to put up a \$100 million data center to a low threshold exemption for local data centers bringing about \$10 million in data center development.

ADJOURN: There being no further business to come before the joint committees, the meeting adjourned at 9:31 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, March 28, 2019

SUBJECT	DESCRIPTION	PRESENTER
H 294	Sales Tax Revenue Distribution	Representative Mike Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 28, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: Savannah Renslow, IAHD; Russell Westerberg, RMP.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of March 22, 2019 and March 26, 2019. **Motion carried by voice vote.**

H 294: **Rep. Moyle** said **H 294** amends language in Idaho Code §63-3638 to clarify the distribution process for sales tax revenue by making it clear commitments to Tax Anticipation Notes, a multi-state compact, and the refund account, are taken care of before other distributions and by specifying that the Transportation Expansion and Congestion Mitigation (TECM) program receives one percent of the same net amount of sales tax collections that it is used to calculate the distribution provided for cities and counties. It also clarifies that special purpose taxing districts must use the sales tax revenue they receive for the purpose for which the taxing district was created. If you are a highway district, it should be used for roads. **Rep. Moyle** remarked when the TECUM law was passed a few years ago, it was assumed one percent of sales tax would be based on all sales tax; however, currently the one percent is figured differently. **H 294** changes the calculation to put TECUM level with cities and counties, distributing the same amount to cities and counties they currently receive and distributing a higher amount to TECUM. Cities and counties are not harmed, but \$3 million more in sales tax revenue is shifted from the General Fund to roads. The cities and counties helped draft the legislation. **H 294** also directs the Department of Transportation to distribute \$2 from the state highway account for each driver's license or instruction permit issued to county that issued the license to help offset the cost of issuing driver's licenses.

In response to committee questions, **Rep. Moyle** replied the money distributed to counties for driver's licenses does not involve highway funds.

MOTION: **Rep. Anderst** made a motion to send **H 294** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

Chairman Collins introduced the pages assisting the committee, **Daniel Smith** and **Sawyer Greaves**. He also thanked the secretary, **Lorrie Byerly** for her service to the committee and presented her with a token of his and the committee's appreciation.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:14 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Friday, March 29, 2019

SUBJECT	DESCRIPTION	PRESENTER
H 217aaS	Local Economic Development Act	Representative Robert Anderst
H 259aaS	Sales Tax, Marketplace Facilitators	Representative Mike Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 29, 2019

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: Fred Birnbaum, Idaho Freedom Foundation; Brody Aston, Enterprise Car Rental.

Chairman Collins called the meeting to order at 8:30 a.m.

H 217aaS: **Rep. Robert Anderst** informed the committee that all the sponsors of the original bill spent time with the Senate in their amendment process and are roughly comfortable with the amendments, although there are some substantial differences. The amendments establish a threshold for triggering a vote for municipal buildings. **H 606** established a threshold of 51% of project costs. The Senate thought it important to maintain this threshold because it was what the **H 606** working group settled upon, but they recognized it established a dependency on public/public partnerships which was not the intent in **H 606**, but in public/private partnerships. **H 217aaS** aggregates all funds for urban renewal, and when the total of those funds are 51%, it triggers the requirement to vote for the construction of a municipal building. A \$1 million threshold is also incorporated regardless of the type of property. **H 217** established a 55% approval when a vote is taken, and **H 217aaS** amended the approval rate to 60%. Total project costs will not include infrastructure. Since there was a concern in **H 217** that the word "facilities" was not included next to "parking," **H 217aaS** incorporated that. Language was added to protect bonds issued prior to the effective date of the legislation from being impacted by elections because of concerns in financial markets that bonds already issued on projects requiring a vote could be deemed unlawful, resulting in inability to service the debt. The definition of a multipurpose sports complex was changed. The definition of a municipal building was changed to include whether they are or intended to be owned, operated or operated by, or leased to a public body or for the public benefit. Parts of **H 217aaS** fall in line with the original intent of **H 217** and parts do not.

In response to committee questions, **Rep. Anderst** said the definition of public funds includes funds from cities. He further replied to questioning by saying that the emergency clause was removed since it only concerned a 90 day difference in the effective date and would have kept the legislation from moving forward if it wasn't removed. He further discussed how infrastructure did not count in the \$1 million in project costs to trigger a vote.

MOTION: **Rep. Moyle** made a motion to concur with the amendments made in the Senate to **H 217aaS**.

SUBSTITUTE MOTION: **Rep. Erpelding** made a substitute motion to not concur with the amendments made in the Senate to **H 217aaS**. **Motion failed by voice vote.**

VOTE ON ORIGINAL MOTION: **Chairman Collins** called for a vote on the motion to concur with the amendments made in the senate to **H 217aaS**. **Motion carried by voice vote.** **Reps. Erpelding, Ellis and Mason** requested to be recorded as voting **NAY**. **Rep. Anderst** will sponsor the bill on the floor.

H 259aaS: **Rep. Mike Moyle** presented **H 259aaS** saying the Senate was concerned the funds received under this legislation would go into the tax relief fund and bypass the sales tax distribution formula, so they allowed it to go into the tax relief fund for five years and then sunset.

MOTION: **Rep. Chaney** made a motion to concur with the amendments made in the Senate to **H 259aaS**. **Motion carried by voice vote**. **Rep. Moyle** will sponsor the bill on the floor.

In response to committee questions, **Rep. Moyle** discussed solutions for tracking, differentiating and collecting from market facilitators and other internet sellers.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:10 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, April 02, 2019

SUBJECT	DESCRIPTION	PRESENTER
	Approval of Minutes	

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Gestrin
Vice Chairman Stevenson	Rep Addis
Rep Moyle	Rep Dixon
Rep Anderst	Rep Furniss
Rep Dayley	Rep Giddings
Rep Chaney	Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, April 02, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** Representative(s) Moyle, Anderst, Erpelding, Ricks

GUESTS: None.

Chairman Collins called the meeting to order at 9:01 a.m.

MOTION: **Rep. Stevenson** made a motion to approve the minutes of March 28, 2019 and March 29, 2019. **Motion carried by voice vote.**

Chairman Collins thanked the committee members for their service to the House Revenue and Taxation Committee, and said he hoped to see them on the committee next session.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:03 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
1:30 P.M.
Room EW42
Wednesday, April 03, 2019

SUBJECT	DESCRIPTION	PRESENTER
RS27174	Hospitals, Sales Tax Exemption	Representative Gayann DeMordaunt
RS27175	Hospitals, Assessments	Representative Gayann DeMordaunt

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Gestrin
Vice Chairman Stevenson Rep Addis
Rep Moyle Rep Dixon
Rep Anderst Rep Furniss
Rep Dayley Rep Giddings
Rep Chaney Rep Nichols

Rep Ricks
Rep Erpelding
Rep Ellis
Rep Mason

COMMITTEE SECRETARY

Lorrie Byerly
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, April 03, 2019

TIME: 1:30 P.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** Representative(s) Moyle, Chaney

GUESTS: None.

Chairman Collins called the meeting to order at 1:36 p.m.

MOTION: **Rep. Stevenson** made a motion to approve the minutes of April 2, 2019. **Motion carried by voice vote.**

RS 27174: **Rep. Thomas Dayley** informed the committee **RS 27174** repeals the sales tax exemption on all nonexempt hospitals except critical access hospitals as defined by 42 U.S.C. 1395x and creates the Medicaid Expansion Dedicated Fund where all those monies would go. Regarding the fiscal note, hospitals should generate \$37.7 million in FY2021, and taking out the exempt hospitals defined in US code would mean about \$24.5 million would go into the newly created Medicaid Expansion Dedicated Fund.

In response to committee questions concerning the exact definition of hospitals in the federal code, **Rep. Dayley** discussed various federal and state definitions that could be applied and advised the committee he would provide direct citations to authority as well as the number of Idaho hospitals impacted at bill hearing.

MOTION: **Rep. Gestrin** made a motion to introduce **RS 27174**. **Motion carried by voice vote.**

RS 27175: **Rep. Dayley** explained **RS 27175** amends Idaho Code § 56-1404 by changing the maximum hospital assessment rate and more clearly defining the distribution of the assessment. **RS 27175** also creates the Medicaid Expansion Dedicated Fund where a portion of the monies generated by the hospital will be deposited. We have in Idaho code an assessment of hospitals to help pay for the administrative costs related to the Medicaid Program. Under current law, the maximum amount for this assessment federally is 5.8% and for Idaho 2.5%, with the current assessment rate for hospitals at 1.8%. **RS 27175** would take the 1.8%, raise the maximum assessment amount in Idaho from 2.5% to the federal rate of 5.8%. The funds currently used for the purpose of administration of the hospitals could go up to 2.5% under the proposed legislation, and anything above the 2.5% would go into the Medicaid Expansion Dedicated Fund. The full amount generated would be approximately \$18 million.

In response to committee questions, **Rep. Dayley** said **RS 27175** is trying to have all the players involved in medical processes engaged in medicaid expansion. He further replied to committee comments expressing concern about increasing health costs to Idahoans by stating the cost of medicaid expansion will come from Idahoans no matter how presented.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27175**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 1:49 p.m.

Representative Collins
Chair

Lorrie Byerly
Secretary