

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 08, 2020

SUBJECT	DESCRIPTION	PRESENTER
	Organizational Meeting	
	Administrative Rule Review Overview	Dennis Stevenson, Administrative Rules Coordinator, Division of Financial Management

COMMITTEE MEMBERS

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

Rep Kiska
Rep Ellis
Rep Nash
Rep Necochea

COMMITTEE SECRETARY

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

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 08, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Kiska, Ellis, Mason (Nash), Necochea

**ABSENT/
EXCUSED:** None

GUESTS: Cynthia Adrian, Idaho State Tax Commission (ISTC); Tom Shaner, ISTC; Dennis Stevenson, Department of Financial Management; Brody Aston, Westerberg Associates; and Jack Lyman, IDMFG Housing Associates.

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. Megan Kiska** and **Rep. Lauren Necochea**. In addition, **Rep. Colin Nash** was welcomed as a substitute for **Rep. Mason**. The page, **Mercedez Mason**, and the Secretary, **Lorrie Byerly** were also welcomed and introduced.

Dennis Stevenson, Administrative Rules Coordinator, Idaho Department of Financial Management, presented information on the administrative rules process and the change in procedures for omnibus rules presented this session.

The Secretary, **Lorrie Byerly** went over the new electronic folders and Administrative Rule Books and how the committee could utilize them.

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 #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 09, 2020

Docket No.	DESCRIPTION	PRESENTER
<u>35-0000-1900</u>	Adoption of Pending Omnibus Rules-Idaho State Tax Commission	Tom Shaner, Tax Policy Manager, Idaho State Tax Commission
35.01.01	Income Tax Administrative Rules	
35.01.02	Idaho Sales and Use Tax Administrative Rules	
35.01.03	Property Tax Administrative Rules	
35.01.05	Idaho Motor Fuels Tax Administrative Rules	
35.01.06	Hotel/Motel Room and Campground Sales Tax Administrative Rules	
35.01.07	Kilowatt Hour Tax Administrative Rules	
35.01.08	Mine License Tax Administrative Rules	
35.01.09	Idaho Beer and Wine Taxes Administrative Rules	
35.01.10	Idaho Cigarette and Tobacco Products Taxes Administrative Rules	
35.02.01	Tax Commission Administration and Enforcement Rules	

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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Nash
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 09, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Kiska, Ellis, Mason (Nash), Necochea

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

GUESTS: Tom Shaner, Tax Policy Manager, Idaho State Tax Commission (ISTC); Cynthia Adrian, Income Tax Policy Specialist, ISTC; Brody Aston, Westerberg Associates; Jay Shaw, OAR/DEM; Jack Lyman, IMHA; and Colby Cameron, Department of Financial Management.

Chairman Collins called the meeting to order at 9:03 a.m.

DOCKET NO. 35-0000-1900: **Tom Shaner**, Tax Policy Manager, ISTC, stated the ISTC review of the **Pending Omnibus Rule 35-0000-1900** eliminated obsolete, outdated and unnecessary language. Four chapters were eliminated or combined, with the Estate Transfer Tax Chapter, repealed in 2001, and The Illegal Drug Tax Stamp rules being completely deleted. Paragraphs showing addresses, duplicative language, public record request language and language already in statute and on the ISTC website were removed from each chapter. In Chapter 35.01.01 only one rule remained, so it was moved into Chapter 35.01.02.

Chairman Collins put the committee at ease.

Chairman Collins resumed the meeting at 9:30 a.m.

Mr. Shaner continued presenting **Pending Omnibus Rule 35-0000-1900** by stating additions of statutory authority and clarifying or consistency-conforming language changes were made in Rules 35.01.01.014, .015, .016, .017, .019, .021, .024, .036, .038, .031, .039, .040 and .041.

In response to committee questions on why Rule 35.01.01.010 was deleted, **Mr. Shaner** indicated it was because it repeated information in the statutes already. There were no changes made in definitions existing in statute and other areas of the rules, but changes made in 2019 legislation were not included. He clarified the standard was not to make substantive changes in the omnibus process, and actual changes went through the negotiated rule making process.

Mr. Shaner said Rule 35.01.02.011 took out "retail sale subject to tax on the total price paid by the buyer" and replaced it with "taxable " Rule 35.01.02.012 added a sentence defining who is a contractor. Rule 35.01.02.013 substituted the word "taxable" for the phrase "subject to tax use." Rule 35.01.02.018 took language from Rule 35.01.01.010 to define "retailer" to avoid duplication. Rule 35.01.02.020 explained requirements to collect and remit sales tax. Rules 35.01.02.022 and 027 changed the word "purchaser" to "buyer." Rule 35.01.02.28 added "or community center" to "Auditorium District Sales Tax."

In response to committee questions, **Mr. Shaner** said the new sections of statute referenced corrected oversights and were not new promulgation. He responded to further committee questions stating Rule 35.01.02.033 does not capture additional, new types of transactions by adding the words "purchase or lease." The change made the rule consistent with statute and various parts of the rules, which were written at various times and lacked consistency.

Mr. Shaner informed the committee, Rule 35.01.02.34 dealt with trading stamps or green stamps and was deleted because they no longer exist, and examples were removed from Rule 35.01.02.35. Rule 35.01.02.037 added a definition of aircraft. Rule 35.01.02.044 converted the last sentence in the first paragraphs to a numbered list and struck "mobile homes" because it did not belong.

Chairman Collins informed the committee that because of time constraints, **Pending Omnibus Rule 35-0000-1900** at Rule 35.01.02.45 would be carried over to the meeting of January 10, 2015 at 9:00 a.m.

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
8:30 A.M.
Room EW42
Friday, January 10, 2020

SUBJECT	DESCRIPTION	PRESENTER
Docket No. 35-0000-1900	Adoption of Pending Omnibus Rules-Idaho State Tax Commission	Tom Shaner, Tax Policy Manager, Idaho State Tax Commission
35.01.02	Idaho Sales and Use Tax Administrative Rules	
35.01.03	Property Tax Administrative Rules	
35.01.05	Idaho Motor Fuels Tax Administrative Rules	
35.01.06	Hotel/Motel Room and Campground Sales Tax Administrative Rules	
35.01.07	Kilowatt Hour Tax Administrative Rules	
35.01.08	Mine License Tax Administrative Rules	
35.01.09	Idaho Beer and Wine Taxes Administrative Rules	
35.01.10	Idaho Cigarette and Tobacco Products Taxes Administrative Rules	
35.02.01	Tax Commission Administration and Enforcement	

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

Rep Kiska
Rep Ellis
Rep Mason(Nash)
Rep Necochea

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, January 10, 2020
TIME: 8:30 A.M.
PLACE: Room EW42
MEMBERS: Chairman Collins, Representatives Moyle, Anderst, Gestrin, Dixon, Furniss, Giddings, Nichols, Kiska, Ellis, Mason (Nash), Necochea
**ABSENT/
EXCUSED:** Vice Chairman Stevenson, Representatives Chaney, Addis, Ricks
GUESTS: Tom Shaner, Tax Policy Manger, Idaho State Tax Commission
Cynthia Adrian, Income Tax Policy Specialist, Idaho State Tax Commission.
The sign in sheet was inadvertently disposed of.

Chairman Collins called the meeting to order at 8:41 AM.

DOCKET NO. 35-0000-1900: **Tom Shaner, Tax Policy Manager, Idaho State Tax Commission** presented **section 35.01.02** of the **Pending Omnibus Rule 35-0000-1900**, the section dealing with the Idaho Sales and Use Tax Administrative Rules. **Chairman Collins** thanked the Idaho State Tax Commission for making the effort to show the changes made to their rules to the committee. Mr. Shaner reviewed the changes made to this section saying, in general, most changes were grammatical, readability clean up and inserting statutory references.

In response to committee questions about term and definition placement in the document, **Mr. Shaner** said the commission took the general rules from an isolated chapter of terms and definitions and placed them within the specific and relevant rules.

In response to committee questions about what constitutes a taxable sale, **Mr. Shaner** explained the difference between selling and receiving and how that applies to the tax system, particularly with demurrage.

Mr. Shaner said they added language to clarify how rules apply to Idaho and not other states, updated rules to eliminate references to obsolete and unused forms, particularly within the Department of Transportation, and inserted references to other, relevant rules.

In response to committee questions, **Mr. Shaner** explained the expansion of the term "Boise Auditorium District" to "Community Center District" and how it is less restrictive to other cities in the state which apply to the rule as well. He explained the Commission was able to eliminate a chapter that was obsolete except for one rule, which was absorbed into this sales tax section.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:45 AM.

Representative Collins
Chair

Emilee Pugh Bell
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, January 13, 2020

SUBJECT	DESCRIPTION	PRESENTER
Docket No. 35-0000-1900	Adoption of Pending Omnibus Rules-Idaho State Tax Commission	Tom Shaner, Tax Policy Manager, Idaho State Tax Commission
35.01.05	Idaho Motor Fuels Tax Administrative Rules	
35.01.06	Hotel/Motel Room and Campground Sales Tax Administrative Rules	
35.01.07	Kilowatt Hour Tax Administrative Rules	
35.01.08	Mine License Tax Administrative Rules	
35.01.09	Idaho Beer and Wine Taxes Administrative Rules	
35.01.10	Idaho Cigarette and Tobacco Products Taxes Administrative Rules	
35.02.01	Tax Commission Administration and Enforcement	
35.01.03	Property Tax Administrative Rules	

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

Rep Kiska
Rep Ellis
Rep Mason(Nash)
Rep Necochea

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 13, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

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

GUESTS: Tom Shaner, Idaho State Tax Commission (ISTC); Cynthia Adrian, ISTC; Kathlynn Ireland, ISTC; Mat Erpelding, Boise Metro Chamber; Melinda Merrill, Northwest Grocery Association; Chelsea Wilson, City of Caldwell; Laura Lantz, ISCPA; and Brian Stender, Canyon County Assessor.

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

DOCKET NO. 35-0000-1900: **Kathlynn Ireland**, Property Tax Policy Specialist, ISTC. stated the ISTC's and Department of Financial Management's review of the **Pending Omnibus Rule 35-0000-1900** eliminated Rules 35.01.03.02, .04, .05, .945, .968, .980 and .990 as obsolete, redundant or unnecessary. Rules 35.01.03.219, .220, .619, .628, .645, .802, .803, and .961 contained instructive, calculation or example tables that were removed and which are now located on the ISTC website. The word "shall" was replaced with "will" throughout.

Tom Shaner Tax Policy Manager, ISTC, informed the committee that Rule 35.01.04, Estate Tax, was repealed and explained the reasoning for the removal. He addressed Motor Fuel Tax Rules saying that Rules 35.01.05.05, .06, .120, .130, .160, and .180 were eliminated as obsolete or duplicative. Rules 35.01.05.04, .130, .131, .132, .135, .137, .170, .230, .250, .270, .290, .292, .310, .320, .400, .421, .422, .500, and .510 were edited for changes in legal authority, meanings, grammar or removal of duplicative language. In Rule 35.01.05.131 and .132, the reference to tax payers was changed from "failure" to "not reporting." Rule 35.01.05.170.01.d added language specifying a school bus must be owned, leased or operated by a political subdivision of Idaho. Rule 35.01.05.300.01 was deleted since it only advised that the rules do not stand alone.

In response to committee questions, **Mr. Shaner** said that Rule 35.01.05.311 dealing with the International Fuel Tax Agreement was with Canada and was not deleted but moved to another rule.

Mr. Shaner continued presenting Motor Fuel Tax Rules saying a metric conversion chart was removed in Rule 35.01.05.420.09. In Rule 35.01.05.501 language was standardized for "transfer fee."

Mr. Shaner addressed Hotel/Motel Room and Campground Sales Tax Administrative Rules 35.01.06. Rule 35.01.06.01 covers tax types in multiple areas to avoid repetition such as with Sales Tax chapters. Rules 35.01.06.02, .04, .05, and .13 were eliminated as obsolete or duplicative. Rules 35.01.06.06, .17, .18 and .19 were edited for adding legal authority to titles or for grammar. Rules 35.01.06.10, .11, .15, .20 and .21 had formatting changes. Rule 35.01.06.11 struck out "Boise Auditorium District" and replaced it with "Auditorium or Community Center District." Rule 35.01.06.12 added a reference to district boundary maps on the ISTC website. Rule 35.01.06.15 added a statement that tax charged for lodging needs to be separated from all other charges on customers' receipts.

In response to committee questions, **Mr. Shaner** stated in the past year Boise Auditorium District was changed to Auditorium or Community Center District, and ISTC agreed to administer the districts, but he does not know if the administration is of Community Center Districts or Boise Auditorium Districts. He further responded to questions about whether there is statutory authority allowing them to tax and for a citation to that authority by saying he would follow up and provide the statutory citation. Mr. Shaner also responded in the affirmative to questions about whether regulations governing hotels and motels applied to Airbnbs.

Mr. Shaner informed the committee Rules 35.01.07 and 35.01.08 had not changed.

He addressed Rule 35.01.09, Beer and Wine Taxes, saying the beer rules chapter was deleted and all relevant information moved into the wine chapter. The word "beer" was added into the wine chapter rules at Chapter 35.01.09.10 and differences of measurement from barrels to gallons was added. Rules 35.01.09.06, .20 and .21 were deleted. Rules 35.01.09.10, .11, .12, .14, .16, .18, .19 adjusted beer and wine references for purposes of combining the rules into one chapter. Rule 35.01.09.11 also defined what sales are subject to tax. Rule 35.01.09.13 is the breakage or spoilage rule which says if a large volume of wine needs to be destroyed, an ISTC representative must come and observe the destruction. To avoid confusion with state policy, Rule 35.01.09.15 changed "tax permit" to "tax account." State policy is wine and beer distributors need to have a permit issued by the state, as well as a sales permit. Rule 35.01.09.16 combined beer and wine language and deleted line-by-line instructions for a form.

In response to committee questions, **Mr. Shaner** responded there were no substantive changes to out-of-state sales. Direct shipments are governed by statute. Terminology was changed to "wholesale export."

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 10:08 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 14, 2020

Docket No.	DESCRIPTION	PRESENTER
35-0000-1900	Adoption of Pending Omnibus Rules-Idaho State Tax Commission	Tom Shaner, Tax Policy Manager, Idaho State Tax Commission
35.01.10	Idaho Cigarette and Tobacco Products Taxes Administrative Rules	
35.02.01	Tax Commission Administration and Enforcement Rules	
35-0101-1902	Adoption of Pending Traditional Rules-Idaho State Tax Commission Income Tax Administrative Rules	Cynthia Adrian, Income Tax Policy Specialist, Idaho State Tax Commission
35-0101-1903	Income Tax Administrative Rules	
35-0101-1904	Income Tax Administrative Rules	

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

Rep Kiska
Rep Ellis
Rep Mason
Rep Necochea

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 14, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

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

GUESTS: Tom Shaner, Tax Policy Manager, Idaho State Tax Commission (ISTC); and Cynthia Adrian, Income Tax Policy Specialist, ISTC.

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

MOTION: **Rep. Necochea** made a motion to approve the minutes of January 8, 2020. **Motion carried by voice vote.**

DOCKET NO. 35-0000-1900: **Tom Shaner**, Tax Policy Manager, ISTC, presented Chapter 35.02.10 of the **Pending Omnibus Rule 35-0000-1900**. Rule 001 edited the taxing authority and made "tax" plural. Rules 002, 004 and 005 were removed because the information was duplicative of information in statute or on the ISTC website. Rule 006 added a reference to separate non-income tax statutes regarding cigarette tobacco. Rules 012, 017, 018, 019, 020 and 023 addressed grammar and style changes. Rule 017 shortened subsection 04 to avoid duplication. Rule 019.03 took out "Idaho State Tax Commission" and replaced it with "Commission." Rules 023 and 024 deleted the words "state" and "tax."

In response to committee questions, **Mr. Shaner** said "Idaho State Tax Commission" was replaced with "Commission" throughout the **Pending Omnibus Rule 35-0000-1900** and in definitions.

Mr. Shaner introduced **Cynthia Adrian**, Income Tax Policy Specialist, to address Chapter 35.02.01 of the **Pending Omnibus Rule 35-0000-1900**. Mr. Shaner reminded the committee that the stand-alone beer chapter was removed from 35.02.01 and put into a new beer and wine chapter. Ms. Adrian said the Illegal Drug Tax Rules, 35.01.13 were deleted entirely, and Rules 002, 004 and 005 were deleted because they were duplicative of statutes or found on the ISTC website. The Department of Financial Management deleted Rule 100 because it was covered elsewhere.

MOTION: **Rep. Ellis** made a motion to approve **Pending Omnibus Rule Docket No. 35-0000-1900**. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1902: **Ms. Adrian** said **Docket No. 35-0101-1902** is a temporary rule that is being extended. The only changes made were edits to incorrect references.

MOTION: **Rep. Anderst** made a motion to approve **Docket No. 35-0101-1902**. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1903: **Ms. Adrian** said **Docket No. 35-0101-1903** contains a table of historical information on the tax rate that is changed yearly to remove the earliest year and add the most recent year. Rule 263 has a table that is also historically changed every year.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0101-1903**. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1904: **Ms. Adrian** stated **Docket No. 35-0101-1904** added the statutory requirement to increase the monthly and annual threshold amounts when the cost of living adjustments cumulatively equal or exceed \$5,000.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0101-1904**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:32 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 15, 2020

Docket No.	DESCRIPTION	PRESENTER
<u>36-0101-1900F</u>	Adoption of Pending Omnibus Fee Rules - Idaho State Board of Tax Appeals	Steve Wallace, Director, Idaho Board of Tax Appeals
	Adoption of Pending Traditional Rules-Idaho State Tax Commission	
<u>35-0102-1903</u>	Idaho Sales and Use Tax Administrative Rules	Tom Shaner, Tax Policy Manager, Idaho State Tax Commission
	Idaho Property Tax Administrative Rules	Kathlynn Ireland, Property Tax Policy Specialist, Idaho State Tax Commission
<u>35-0103-1901</u>		
<u>35-0103-1902</u>		
<u>35-0103-1903</u>		
<u>35-0103-1904</u>		
<u>35-0103-1905</u>		
<u>35-0103-1906</u>		
<u>35-0201-1901</u>	Tax Commission Administration and Enforcement Rules	Cynthia Adrian, Income 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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Mason
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 15, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

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

GUESTS: Cindy Pollock, BTA; Steve Wallace, BTA; Tom Shaner, Idaho State Tax Commission (ISTC); Kathlynn Ireland, ISTC; Cynthia Adrian, ISTC; Brian Stender, Canyon County Assessor; Dennis Stevenson, DFM; and Ray Moore.

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

DOCKET NO. 36-0101-1900F: **Steve Wallace**, Director, Idaho Board of Tax Appeals, said obsolete, redundant or poorly written rules were cleaned up as part of the reauthorization process. They consolidated one chapter of the rules; reduced the rules by 16%; eliminated thirty-six restrictive terms and rules not used in twenty years; and removed archaic, extraneous or redundant language. He then gave specific cite references to the changes made to the rules.

In response to committee questions, **Director Wallace** said Rule 101 was removed because it was never used and tax payers still have access to process. He said the whole board meets twice a year as a legal standard and every week, but not as the whole board. He further replied to questions about tax appeals in Bannock County by saying they hear about 300 appeals a year, but Bannock County had 150 appeals this year at the state level and 3,100 at the local level. Appeals in the rest of the state are completed, but there are about nine weeks remaining to hear all the Bannock County appeals. Director Wallace discussed Rule 101 further with the committee members, as well as taxpayer representation before the Idaho Board of Tax Appeals.

MOTION: **Rep. Ellis** made a motion to approve **Docket No. 36-0101-1900F**. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1903: **Tom Shaner**, ISTC, presented **Docket No. 35-0102-1903**, based on **H 86**, which is a tax exemption for labor on a vehicle when an auto dealer adds accessories. Rule 43 is the definition of the sales purchase price, and Rule 46 has to do with the coding of tangible personal property regarding spray-on bed liners for trucks. Subsection 46.06 says the material and labor are to be separately stated. If there is no separation, the entire transaction is taxable. It is an operative phrase in the rule.

In response to committee questions regarding whether the vehicle labor and part separation are on an invoice, vehicle jacket or window sticker, **Mr. Shaner** replied it is on the invoice to the customer, and the window sticker on the vehicle is in answer to other rules and regulations. He further said if the ISTC is conducting an audit, it would be of the dealership and their records, and the consumer record or invoice is not a part of that. In response to committee comments that the real record of what is done on a vehicle is in the service jacket so a dealer can provide themselves with internal documentation in case of audit, Mr. Shaner said it needs to be clear to the consumer at the time of the transaction upon what the tax was charged. Mr. Shaner indicated that the rule changes were to provide consistency with the Sales and Use Tax Act.

Committee members said the problem with the rule is the part that says the additional parts and labor on a vehicle after purchase need to be on a customer's billing statement when they need to be kept track of by the dealer, not the customer. The intent of **H 86** was to not charge taxes on labor, but how that is to be implemented in the real world needs work. **Mr. Shaner** responded that it is to the customer's benefit to be shown where they paid their tax, and it is the dealer's responsibility to collect and remit tax. It is an aspect of Rule 46 that runs through out the sales tax code and rules.

ORIGINAL MOTION:

Rep. Stevenson made a motion to approve **Docket No. 35-0102-1903** with the exception of Rule 46, subsection 06.

SUBSTITUTE MOTION:

Rep. Necochea made a substitute motion to approve **Docket No. 35-0102-1903**.

VOTE ON SUBSTITUTE MOTION:

Roll call vote was requested. **Motion failed by a vote of 7 AYE, 7 NAY, 2 Absent/Excused. Voting in favor** of the motion: **Reps. Anderst, Gestrin, Giddings, Ricks, Ellis, Mason and Necochea. Voting in opposition** to the motion: **Chairman Collins, Vice-Chairman Stevenson, Reps. Moyle, Addis, Dixon, Furniss, and Kiska Reps. Chaney and Nichols were absent/excused.**

VOTE ON ORIGINAL MOTION:

Motion carried by voice vote.

DOCKET NO. 35-0103-1901:

Kathlynn Ireland, Property Tax Policy Specialist, ISTC, informed the committee **Docket No. 35-0103-1901** has two rules. Rule 006 and Rule 411 were amended to delete references to the Official Railway Equipment Register, which is considered out of date by operating property appraisers who use other sources today.

MOTION:

Rep. Anderst made a motion to approve **Docket No. 35-0103-1901. Motion carried by voice vote.**

DOCKET NO. 35-0103-1902:

Ms. Ireland said **Docket No. 35-0103-1902** is a two-rule docket, Rules 130 and 131, which describe primary categories considered for use in equalization for compliance testing and added agricultural language categories to the list of categories.

In response to committee questions, **Ms. Ireland** replied the amendments to Rules 130 and 131 provide more transparency and notify counties concerning how their assessment levels compare to statutory requirements.

MOTION:

Rep. Stevenson made a motion to approve **Docket No. 35-0103-1902. Motion carried by voice vote.**

DOCKET NO. 35-0103-1903: **Ms. Ireland** said **Docket No. 35-0103-1903** amends Rule 225 regarding documentation for newly organized or altered taxing districts for revenue allocation areas under the jurisdiction of urban renewal agencies. Rule 225 was amended to conform to legislative changes to Idaho Code § 63-215 by modifying the timing of the notification to taxing districts and urban renewal agencies if there are any problems with the legal descriptions or boundaries closing.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0103-1903. Motion carried by voice vote.**

DOCKET NO. 35-0103-1904: **Ms. Ireland** said the proposed rule amends Rules 317 and 804 to clarify the allocation of occupancy tax and part-year property tax revenues to urban renewal agencies during the first year when the initial base value is established. In the year of formation of the urban renewal agency or in the annexation from occupancy tax, payments do not go to the urban renewal agencies. The amendment is to help in formulating the tax payment area and when the payments are made. Rule 804 is a companion rule regarding the tax levy certification to the urban renewal district, which was amended to more clearly define the base and increment value allocation for newly constructed improvements listed on the occupancy tax role and receiving part year assessments in the year of formation and annexation.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0103-1904. Motion carried by voice vote.**

DOCKET NO. 35-0103-1905 **Ms. Ireland** indicated **Docket No. 35-0103-1905** repeals Rules 613 and 614 and replaces them with new Rule 617 to provide guidance regarding the procedure by which the speculative portion of the value of agricultural land is assessed. Examples in the rules were moved to the ISTC website to reduce the voluminous nature of the rules and to provide guidance to assessors enabling them to simply calculate agricultural value for assessed purposes. The emphasis is to collect localized data and use actual data from the farmers in the jurisdiction.

Mr. Ray Moore, farmer in southern Idaho, spoke **in support** of **Docket No. 35-0103-1905** saying it is a much broader and better rule to actually use the value of a farm, which will go up and down, so that assessors can be more uniform in its use.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0103-1905. Motion carried by voice vote.**

DOCKET NO. 35-0103-1906: **Ms. Ireland** stated the proposed rule rewrites Rule 717, regarding procedures following approval of a property tax reduction claim or an occupancy tax reduction claim resulting from the passage of **H 62** in 2019 which created occupancy tax relief akin to property tax relief. Rule 717 allows potential claimants to apply for property tax reduction benefits outside the time frame with regards to occupancy tax.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0103-1906. Motion carried by voice vote.**

35-0201-1901: **Cynthia Adrian**, Income Tax Policy Specialist, ISTC, presented **Docket No. 35-0201-1901** by saying it is an interest rate rule that is a statutorily required computation made every year. For the 2020 calendar year, the interest rate is 4%.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0201-1901. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 11:00 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #4
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 22, 2020

SUBJECT	DESCRIPTION	PRESENTER
RS27411C1	Grocery Tax Credit	Rep. Scott Bedke, Speaker of the House
RS27407C3	Caps Property Tax	Rep. Mike Moyle
RS27406	Reserving Foregone Balance	Rep. Steven Harris
RS27418	Freeze Property Tax Statewide	Rep. 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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Mason
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

COMMITTEE SECRETARY

Lorrie Byerly
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 22, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

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

GUESTS: Chelsea Wilson, City of Caldwell; Brody Aston, Westerberg Associates; Russell Westerberg, Westerberg Associates; Quinn Perry, Idaho School Boards; Kelli Brassfield, IAC; Darcy James, IIRHH; and Melinda Merrill, Northwest Grocery Association.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of the January 9, 2020 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Anderst** made a motion to approve the minutes of the January 10, 2020 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Stevenson** made a motion to approve the minutes of the January 14, 2020 meeting. **Motion carried by voice vote.**

RS 27411C1: **Rep. Scott Bedke**, Speaker of the House, presented **RS 27411C1** saying the proposed legislation would raise the grocery tax credit from \$100 to \$135 for non-seniors and from \$120 to \$135 for seniors, and it would negate the effects of sales tax on food for all Idahoans. Rep. Bedke stated the actual value of the tax credit is often misunderstood, and he provided a demonstration showing how to calculate the credit to determine the value of the \$135 tax credit per individual. If no Idaho income tax is due a \$135 tax credit will be paid to the Idaho resident filer. Rep. Bedke shared the history of the grocery tax credit and informed the committee **RS 27411C1** is the result of a long-standing policy decision. The tax credit is available to 99% of Idaho residents, and non-residents are not entitled to the tax credit. The fiscal impact will be between \$48-49 million, and, per **Governor Little's** suggestion, will come out of the fund for collection of online sales tax, which receives approximately \$6-7 million per month. The current state budget will not be disrupted.

MOTION: **Rep. Addis** made a motion to introduce **RS 27411C1**. **Motion carried by voice vote.**

In response to a committee question, **Chairman Collins** informed the committee that the forum for addressing the question would be at a full hearing on the proposed legislation.

RS 27407C3: **Rep. Mike Moyle** presented **RS 27407C3** saying Idaho's increased growth in recent years has increased property taxes due to new construction and become a negative force impacting life-long citizens who can no longer afford their homes. Property taxes are a combination of budget base and property values. Many variables affect property tax and time, education and multiple legislative solutions are required to fix the problem. **RS 27407C3** caps budget growth at 3%. Currently, taxing districts' budgets can include new construction, annexation, change in classification and more, which make for a bigger budget to multiply by 3%. Although **RS 27407C3** caps budget growth at 3%, it allows for taking foregone or taking a problem to the voters where a two-thirds majority of property tax payers decide the matter, rather than using a formula based on a new subdivision. One caveat is that currently a city not at that cap, which is .004%, needs a 60% approval vote rather than a two thirds majority. Property tax is only a portion of a taxing district's budget, which is approximately 20% for most cities, who also utilize impact fees, fines, other funds and receive 11 1/2 cents of every sales tax dollar collected. Property tax is approximately 40% of county budgets. The State of Idaho returns approximately \$600 million to local governments. The 3% cap in **RS 27407C3** is the start but not the ultimate solution to the problem.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27407C3**. **Motion carried by voice vote.** **Reps. Ellis and Necochea** requested they be recorded as voting **NAY**.

RS 27406: **Rep. Steven Harris** illustrated the foregone balance concept by saying if a taxing district can increase their budget from a previous year by 4% and chooses to limit the increase to 3%, the difference can go to the foregone balance available to be used in a subsequent year. Currently that unused taxing capacity automatically moves to the foregone balance, which is an invisible process. **RS 27406** adds transparency by requiring taxing districts to explicitly and publicly reserve the foregone balance for future use through a public resolution. Having future visibility may reduce future property taxes by adding public pressure on the reservation of foregone funds.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27406**. **Motion carried by voice vote.**

RS 27418: **Rep. Mike Moyle** said **RS 27418** freezes property tax. The freeze on all property tax portions of the budget in **RS 27418** was crafted to give a one-year grace period for impacted parties to figure out a solution to the many aspects of property tax. The freeze does not mean Idahoans will pay less in property taxes. Nor does it mean Idaho cities and counties will get less money because they will get the same amount that they received last year. The freeze is not intended to gut local government. If a city has an emergency, they can go to the voters to gain additional funds upon a two-thirds vote. The freeze provides time to work out a solution.

MOTION: **Rep. Anderst** made a motion to introduce **RS 27418**. **Motion carried by voice vote.**

MOTION: **Rep. Giddings** made a motion to set an introductory hearing for **RS 27346** on a date next week. Speaking to the motion, Rep. Giddings said the people deserve a discussion on the full repeal of the grocery tax.

Chairman Collins stated the committee does not currently have this RS in its possession, but it is a position that should be discussed, it's just not on the agenda today.

MOTION: **Rep. Stevenson** made a motion to adjourn. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:28 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 29, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>H 354</u>	Tax district, recover foregone	Chairman Steven Harris, House State Affairs
<u>RS27204</u>	Internal revenue code, updates	Tom Shaner, Tax Commission
<u>RS27228</u>	Estate, transfer tax reform	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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Mason
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

COMMITTEE SECRETARY

Lorrie Byerly
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 29, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

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

GUESTS: Rep. Steven Harris, House State Affairs, Tom Shaner, Idaho State Tax Commission, Derek Santos, Division of Financial Management, Jayme Sullivan, City of Boise, Bob Van Arnem, citizen, Fred Birnbaum, Idaho Freedom Foundation

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

H 354 **Rep. Steven Harris** said that current statute states that if a taxing district chooses to have a budget that is less than the allowed amount, the difference (or foregone balance) can be used in a later year. **Rep. Harris** said that **H 354** would require a taxing district to explicitly reserve through a public resolution in order to access the reserved amount accumulated in a subsequent year. In response to a Committee question, Rep. Harris said any allowance that isn't reserved within a single year would be disclaimed and would not affect the current balance of the taxing district.

MOTION: **Rep. Addis** made a motion to send **H 354** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Harris** will sponsor the bill on the floor.

RS 27204: **Tom Shaner**, Idaho State Tax Commission, presented **RS 27204**, relating to a current income tax statute. **Mr. Shaner** said that **RS 27204** would update the effective date from January 1, 2019 to January 1, 2020, correlating with Idaho Code section 63-3004. He said **RS 27204** would capture any new tax laws that were passed in 2019, conform to the definition of Federal Taxable Income, and allow for adjustments for Idaho Taxable Income.

Tom Shaner referred to the Fiscal Note on **RS 27204**, saying that all information listed is in accordance to the Internal Revenue Code passed by Congress as of January 1, 2020. In response to a Committee question, Mr. Shaner stated that all items listed in the Fiscal Note have been in place for years and were passed as Federal laws.

MOTION: **Rep. Gestrin** made a motion to introduce **RS 27204**. **Motion carried by voice vote.**

RS 27228: **Tom Shaner** presented **RS 27228** which would repeal the Idaho Estate and Transfer Tax Reform Act of 1988; after it was repealed, there was a 4-year phase out period, which ended on December 31, 2004. **Mr. Shaner** said that in the spirit of the Red Tape Reduction Act, the current statute was found to be obsolete and that by repealing the statute, it would not prevent a taxpayer from filing a return as long as the decedent died prior to January 1, 2005.

Tom Shaner said that **RS 27228** would also add one item to Property Tax Administration statute 63-701 of Idaho Code which would allow the Tax Commission to remove an unnecessary rule. Mr. Shaner said that statute 63-701 of Idaho Code contains the requirements to claim property tax relief with the exception of proving the claimant is a lawful resident. He said that **RS 27228** would add the resident requirement to the statute, therefore making the rule unnecessary. He said that there was also a change in statute 63-701(g)(5) where the word "or" was changed to "and" to clear up possible confusion about when there is a deductible on medical costs.

MOTION: **Vice Chairman Stevenson** made a motion to introduce **RS 27228. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:19 a.m.

Representative Collins
Chair

Mackenzie Gibbs
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, February 03, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>H 380</u>	Internal Revenue Code, Updates	Tom Shaner, Tax Commission
<u>H 381</u>	Estate, Transfer Tax Form	Tom Shaner
<u>RS27412</u>	Property Appraisal	Rep. 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 Addis
Vice Chairman Stevenson Rep Dixon
Rep Moyle Rep Furniss
Rep Anderst Rep Giddings
Rep Chaney Rep Nichols
Rep Gestrin Rep Ricks

Rep Kiska
Rep Ellis
Rep Mason
Rep Necochea

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 03, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

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

GUESTS: Tom Shaner, Idaho State Tax Commission (ISTC); Russ Westerberg, RMP; Laura Lantz, ISCPA; and Travis Black, City of Boise.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of the January 13, 2020 meeting. **Motion carried by voice vote.**

H 380: **Tom Shaner**, Tax Policy Manger, ISTC, presented **H 380** which is annual legislation to conform to the Internal Revenue Code (IRC). Idaho is currently aligned with the IRC as of January 1, 2019, and **H 380** moves the date forward to January 1, 2020, in order to capture changes occurring in 2019. The Idaho income tax code is based on federal taxable income with Idaho tax returns beginning with adjusted gross income. Using the federal taxable income as a starting point saves Idaho taxpayers from duplicating the effort they put forth in preparing their federal income tax returns. The fiscal impact is estimated at \$6.5 million based on estimates by the Joint Committee on Taxation and reduced to fit Idaho.

In response to committee questions, **Mr. Shaner** confirmed there are no real changes from last year and discussed medical expense deduction percentages. Mr. Shaner responded to further committee questions by informing them the Joint Committee on Taxation is analogous to Idaho's Legislative Services Office, and that he is not sure if all the deductions available last year are still available since some have expired. Regarding committee questions about the fiscal note, Mr. Shaner indicated that the fiscal impact is estimated at \$6.5 million because Idaho's budget was set in the continuing resolution of December 20, 2019 after some laws expired and then were extended beyond the date of the state budget, which resulted in an adjustment to the budget figures.

MOTION: **Rep. Moyle** made a motion to send **H 380** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Chairman Collins** will sponsor the bill on the floor.

H 381: **Mr. Shaner** said **H 381** repeals the Idaho Estate and Transfer Tax and edits the circuit breaker statute. The related federal law was repealed in 2001 with a phase-out period ending in 2004. It was decided to remove the statute from code rather than edit it because the name of the Internal Revenue Code was changed from the IRC of 1986 to just the IRS in the Tax Cuts and Jobs Act. **H 381** at Section 2 adds a residency requirement to the property tax relief or circuit breaker statute. Adding the residency requirement to circuit breaker law removed approximately one and a half pages of text in cooperation with the Red Tape Reduction Act.

MOTION: **Rep. Stevenson** made a motion to send **H 381** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Stevenson** will sponsor the bill on the floor.

RS 27412: **Rep. Moyle** informed the committee Idaho is a non-disclosure state but if an Idahoan appeals a newhome appraisal to the assessor, the assessor can force him to disclose additional information which is at odds with Idaho being a non-disclosure state. Rep. Moyle related an incident where an Idahoan bought a home for \$550,000 in a subdivision where homes sell for \$450,000 to \$500,000 but the assessor valued the home at \$800,000, taxed it and put in on the new construction rolls for \$800,000. Even if the assessor's value is successfully appealed, the home is already listed at \$800,000 on the new construction roll which ups everyone's taxes. Idaho doesn't want to be a disclosure state and wants to keep assessors from driving up everyone's taxes by using a higher rate on construction rolls. **RS 27412** provides that if a property owner has an appraisal or arm's length transaction on a property within the previous 12 months, the appraisal or arm's length transaction shall be considered the market value of that property for assessment purposes

In response to committee questions concerning lower-priced assessments, **Rep. Moyle** responded that the language in the proposed legislation needs a closer examination which is accomplished by introducing **RS 27412** where everyone can see it and make any adjustments.

MOTION: **Rep. Anderst** made a motion to introduce **RS 27412**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:19 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, February 04, 2020

SUBJECT	DESCRIPTION	PRESENTER
RS27476	Grocery Tax Credit	Rep. Scott Bedke, Speaker of the House
RS27503	Distribution of Sales and Use Tax Revenue to Cities	Rep. Jason Monks
RS27417C1	Freeze Property Tax Statewide	Rep. 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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Mason
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

COMMITTEE SECRETARY

Lorrie Byerly
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email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 04, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

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

GUESTS: Tom Shaner, Idaho State Tax Commission (ISTC); Cynthia Adrian, ISTC; Laura Lantz, ISCPA; Hollie L, Legislative Services Office.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of the January 22, 2020 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Stevenson** made a motion to approve the minutes of the January 29, 2020 meeting. **Motion carried by voice vote.**

RS 27476: **Rep. Scott Bedke**, Speaker of the House, said **RS 27476** is a rewrite of **H 352** introduced a week ago. Questions arose about how the money would flow out of the Tax Relief Fund. The Tax Relief Fund will continuously appropriate the amount necessary to fund \$135 for each food tax credit recipient. The Idaho Revenue Code defines who is a recipient. It is a grocery tax credit and enhances the current grocery tax credit from \$120 to \$135.

MOTION: **Rep. Ellis** made a motion to introduce **RS 27476**. **Motion carried by voice vote.**
In response to committee questions, **Rep. Bedke** stated there was currently no sponsor from the Senate for the proposed legislation.

RS 27503: **Rep. Jason Monks** said the committee had an informational hearing on similar legislation last year that applied to cities and counties, but **RS 27503** is applicable to cities only. He provided a history of distribution bases and formula updates utilized to determine sales tax revenue sharing to local taxing districts. Rep. Monks broke down the specific percentages of all sales tax collected in Idaho that is given to cities, counties and other taxing districts. He spoke of the role population played in distribution formulas and indicated that the years have shown that population is an important part of determining a formula. He looked at every city and how many dollars they receive from sales tax and concluded there are inequities across the board with cities of the same size and population receiving a significantly different amount from each other. He also concluded there is a need to have a more population-based system. Rep. Monks explicitly indicated he did not want to harm any cities, so a new baseline would be established based on last year's baseline with a goal of getting all cities to the same baseline each year. The formula is based on growth, and if there is no increase in sales tax, the baseline stays the same. The first 1% of growth will go to all cities. Increased growth over 1% will bring up cities below the average but will not bring top cities above the average down and will eventually bring all cities up to the same baseline.

In response to committee questions, **Rep. Monk** responded there is no fiscal change to the state because the amount the state gives to cities does not change.

MOTION: **Rep. Ricks** made a motion to introduce **RS 27503**. **Motion carried by voice vote.**

RS 27417C1: **Rep. Mike Moyle** stated that earlier in the session, he introduced **RS 27418** which froze the property tax portion of taxing districts' budgets. Concern was expressed about the proposed legislation's applicability to schools. Idaho Code §63-803 is referenced which does refer to school emergency fund levies. **RS 27417C1** addresses that concern by adding language at line 14 of Idaho Code §63-803 to say "non-school taxing districts". If this legislation passes, he and **Senator Jim Rice** are working on an interim committee with the goal of having cities, counties and other taxing districts come together to find a solution to property taxes going forward.

In response to committee questions regarding the fiscal impact to the General Fund, **Rep. Moyle** said there is no fiscal impact to the fund because the state does not collect property taxes, and he will adjust the fiscal note.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27417C1**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:20 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, February 06, 2020

RS 27311	Property Tax - Veteran Benefits	Representative Priscilla Giddings
<u>RS27639</u>	Agricultural Aviation Exemption	David Lehman, Idaho Agricultural Aviation Association, Primus Policy Group

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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Mason
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 06, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

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

GUESTS: David Lehman, Idaho Agricultural Aviation Association (IAAA); George Alson; Dave Poxlectine, Keuterville Highway District; Frank Amen, IAAA.

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

RS 27311: **Rep. Priscilla Giddings** said a few years ago, legislation was enacted to increase the property tax benefit for disabled veterans with a 100% service-connected disability. She learned from constituents that language in Idaho Code §630-704 and §63-705A caused confusion by allowing a property tax credit for veterans with a 100% service-connected disability but not for veterans whose disability was not rated at 100% but who are paid 100% because they cannot procure gainful employment. **RS 27311** adds language to extend the property tax credit to veterans with a Veterans Administration (VA) certified disability rating based on individual unemployability ratings compensated at 100%. She indicated that the Idaho State Tax Commission (ISTC) estimates the cost to Idaho will be approximately \$1 million with minimal impact on local government.

In response to committee questions, **Rep. Giddings** replied that veterans' unemployability ratings are checked annually by VA physicians, and to receive the rating, veterans must have an income below the federal poverty level. She further responded to committee questions by saying the reason for fiscal impact is directed to the state General Fund rather than local taxing districts is to continue the way it is in the current statute.

MOTION: **Rep. Necochea** made a motion to introduce **RS 27311**. **Motion carried by voice vote.**

RS 27639: **David Lehman**, IAAA, Primus Policy Group, presented **RS 27639** saying it adds aircraft primarily used for the purpose of agricultural spraying and seeding to the list of commercial aircraft currently exempt from sales tax under Idaho Code. It does not remove aircraft from the list of non-exempt equipment under Idaho Code §63-3622D, which is the production exemption. It adds it to the current list of tax exempt commercial aircraft in Idaho Code §63-3622GG. Mr. Lehman said he asked ISTC for a breakdown of taxes generated from the sale of aircraft and aircraft for parts, but was advised it is not possible to break calculations down into aerial applications and they can only provide aggregates. The Idaho Agricultural Aviation Association were surveyed, and they came to a number of \$1.75-2 million in taxable sales which includes parts and aircraft with limited exceptions.

In response to committee questions on the use of the word "primarily" in line 39, Idaho Code §63-3622GG(6), **Mr. Lehman** replied the language mirrors language used for all the other exemptions in the section. He further responded to committee questions by saying the cost estimate of \$100,000 to \$125,000 is the 6% sales tax of the gross sales of aircraft. He did not know the purpose for current agricultural ground equipment tax exemptions or the meaning of statutory language regarding provision of service to the public.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27639**. **Motion carried by voice vote.**

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

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, February 10, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>RS27644</u>	Grocery Tax Removal	Representative Priscilla Giddings
<u>RS27661</u>	Grocery Tax Removal	Representative Randy Armstrong
<u>RS27695</u>	Grocery Tax Removal	Representative Mike Moyle
<u>RS27634</u>	First-Time Homebuyer Savings Accounts	Representative Robert Anderst
<u>RS27408</u>	Urban Renewal, Highway Districts	Representative Mike Moyle
<u>RS27660</u>	Constitutional Amendment - Tax of Leased Government Property	Representative John Gannon and 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 Addis
 Vice Chairman Stevenson Rep Dixon
 Rep Moyle Rep Furniss
 Rep Anderst Rep Giddings
 Rep Chaney Rep Nichols
 Rep Gestrin Rep Ricks

Rep Kiska
 Rep Ellis
 Rep Mason
 Rep Necochea

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 10, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Russell Westerberg, RMP; Jack Lyman, IMHA; Tom Shaner, Idaho State Tax Commission; Melinda Merrill, NW Grocery Association; and Peter Lichtenstein, HRAH.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of the February 3, 2020 meeting, the February 4, 2020 meeting, and the February 6, 2020 meeting. **Motion carried by voice vote.**

RS 27644: **Rep. Giddings** said **RS 27644** defines food for human consumption by taking out prepared food from the SNAP definition. Lines 26 and 27 on page 1 adds exemptions for two or more food ingredients mixed for a single sale and food sold with an eating utensil. She discussed how other states define food. Page 1 also adds language that the reduction in revenue to the General Fund will be covered by the state controller transferring the balance in the Tax Relief Fund to the General Fund at the end of the year. Line 28, page 3, has to do with revenue sharing with local districts. If the grocery tax is repealed and revenue sharing stays at 11.5%, the cost to counties would be \$27 million. If the state wanted to keep counties from losing any revenue because of the grocery tax repeal, revenue sharing could be raised to 12.9%. If the state decides that local jurisdictions should share the cost burden, local revenue sharing could be raised to 12.4%, and local revenue sharing lose would be approximately \$10 million. Page 6 introduces an emergency clause for the reason that the grocery tax repeal in FY 2021 would start on July 1st. Currently, grocers tax collection is stopped on June 1st, and the emergency clause starts the FY 2021 grocery tax repeal on June 1, 2021 to align with grocer practices and prevent a one-month reporting cycle. The estimated cost to the General Fund for repeal of the grocery tax and grocery tax credit process would be a reduction of approximately \$47 1/2 million. \$16.9 million is another reduction to the General Fund for local revenue sharing, making the total estimated offset to the General Fund \$64.5 million. The Tax Relief Fund is anticipated to be approximately \$70 million, which when transferred to the General Fund, would leave no fiscal impact.

In response to committee questions, **Rep. Giddings** said she did not contact the Joint Finance Appropriations Committee or other legislative sources to asses the impact of transportation plans on the Tax Relief Fund because it is a legislative decision on where to utilize Tax Relief Fund monies. She further said that constant amending of the definition of foods by other states can be avoided in Idaho if we guide our intent and just tax prepared food.

MOTION: **Rep. Nichols** made a motion to introduce **RS 27644**.

**ROLL CALL
VOTE:**

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

RS 27661:

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

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

MOTION:

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

**ROLL CALL
VOTE:**

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

RS 27695:

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

Chairman Collins pronounced **RS 27695** withdrawn.

RS 27634:

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

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

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

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

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

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

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

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

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, February 11, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>RS27694</u>	Grocery Tax Credit	Representative Scott Bedke, Speaker of the House
<u>RS27611</u>	Valuation of Agricultural Land	Representative Megan Blanksma
<u>RS27593</u>	Sales Tax - Custom Meat Processing	Representative Linda Wright Hartgen
<u>H 409</u>	Freeze Property Tax State-Wide	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

Vice Chairman Stevenson

Rep Moyle

Rep Anderst

Rep Chaney

Rep Gestrin

Rep Addis

Rep Dixon

Rep Furniss

Rep Giddings

Rep Nichols

Rep Ricks

Rep Kiska

Rep Ellis

Rep Mason

Rep Necochea

COMMITTEE SECRETARY

Lorrie Byerly

Room: EW54

Phone: 332-1125

email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 11, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ADJOURN:

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

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Wednesday, February 12, 2020

Please note the time change to 8:30

SUBJECT	DESCRIPTION	PRESENTER
<u>H 409</u>	Freeze Property Tax State-Wide	Representative Mike Moyle

Continuation of the meeting of
February 11, 2020

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

Rep Kiska
Rep Ellis
Rep Mason
Rep Necochea

COMMITTEE SECRETARY

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

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 12, 2020

TIME: 8:30 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

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

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

H 409 Continuation of the meeting of February 11, 2020.

Those speaking **in opposition to H 409** were **Brad Wills**, Twin Falls County Assessor; **Ned Burns**, Bellevue; **Mark Bauer**, Bingham County Commissioner; **John Evans**, representing the Association of Idaho Cities; **Chelsa Wilson**, Communications Specialist, City of Caldwell; **Kris Yamamoto**, Canyon County Clerk; **Tom Dale**, Canyon County Commissioner; **Phil McGrain** Ada County Clerk; and **Lucy Wills**, Twin Falls. They said the 6% budget increase is because of growth, and Ada County's property taxes have grown as much as 42.6% which needs to be addressed through indexing homeowners' exemptions, increasing the limits on circuit breakers for those on fixed incomes and doing away with land-use values. They opined that local government and assessor budgets are very transparent with public hearings and audits held; property taxes are not frozen but budgets are frozen; limiting budget growth by 3% every year based on market value makes a stable tax system; deferred maintenance is deficit spending and **H 409** would create deficit spending state-wide; unfunded mandates are very underfunded, especially in jails and driver license programs; cities who lower the balance of their reserved funds because of the freeze, risk their credit rating being effected which means tax payers could pay the burden on future bonds with a higher interest rate; new growth does not add to the property tax bill but does the opposite by diluting the base; the vast majority of the property tax shift is because of rising home values; and new construction abilities from local government should not be taken away.

Seth Grigg, Idaho Association of Counties, opined that many people do not understand what services counties provide, and he shared information on the number of state primary mandates required by statute. He also shared information on the approximately two dozen levies the state has established that counties can use, and said levies create complexities. He said, based on 2019 property tax information utilized in county 2020 budgets, counties collected about \$570 million to provide services with about half in property taxes and the rest from sales and use tax revenue sharing, election consolidation, property tax replacement, the highway distribution account, liquor sources, federal funds and county cash forward balances that apply to the first quarter of the year.

In response to committee questions, **Mr. Grigg** replied that counties receive between \$170 to \$180 million from the \$620 million the state sends to local jurisdictions for state mandates and the rest goes to cities and highway districts. Responding further to committee questions on new growth not paying for itself, Mr. Grigg remarked cities cannot say 'no' to someone with property rights within city limits, with some conditions, which can result in impacting sewer and water capacities and roads. Not approving projects would exacerbate the housing shortage and a one-year delay could have repercussions.

Those speaking in support of **H 409** were **Alex LaBeau**, Idaho Association of Commerce and Industry; **Michael Law**, Kuna; **Ed Parnell**, Canyon County; **Larry Olmstead**; **Rod Wickstrum** and **Kim Wickstrum**; and **Russ Smerz**; who said in 3 years property taxes have increased over 33%, and with the power to tax, local governments have erected a lot of new offices and people who need support. Although the circuit breaker program is of value for those who are eligible, people have to apply every year, standing in line in winter weather while bringing their yearly taxes and medical expenses each time. Some Idahoans are paying 20% of their income for property taxes, and those people have to look at cutting back their budgets, so why shouldn't the government as well. Idaho discusses this problem year after year with no resolution on how to deal with the complaints of taxpayers across Idaho. They opined **H 409** is a time out for a year to take a real legitimate look at how we are financing local government through our property tax budgets because there has been over two decades of property tax issues, and it is time to have a comprehensive review of property tax coupled with a robust interim committee to deal with property tax shifts through homeowner's exemptions, final elimination of personal property tax and how to finance property tax in general should it be eliminated, and consolidation of some governments. Local government reserve funds need to be examined because only about 80% of them have provided information in response to statutory mandates for transparency. We need to look at how other states manage urban renewal and debt because some manage it well and some don't.

Miguel Legaretta, Associated Taxpayers of Idaho, indicated they provide information and education. He informed the committee, in 2018 there were 967 districts that levied taxes with 1,113 districts in total with 853 non-school district levies in Idaho. The information he is presenting relates only to non-taxing school districts. Some district budgets, 2.6 %, stayed the same, 41.% had lower budgets and 92.6% had an increase from 2017 to 2018. Some increases were well over 10%. Excluding school districts, the total levy change from 2017 to 2018 was \$77.2 million or a 6.5% increase. For 2018-2019 the increase was 6.4% or \$84 million above 2018. Total state-wide taxes in 2019 were \$ 2.035 billion. There has been a rapid increase in values of 10.5 % statewide in 2018 and 14.5% in 2019. This leads to the discussion today that many budgets are growing over 3%. He gave examples of scenarios of taxes and growth, and said they do tie back to the levy to some degree and to growth. There are rising values with needs from new construction growth.

In response to committee questions, **Rep. Moyle** replied **H 409** freezes budgets not taxes, and he doesn't know of any way tax can be frozen. In response to further committee questions, **Rep. Moyle** replied that the homeowner's exemption just shifts taxes but could be done if it was the consensus of all the parties coming together and deciding.

Speaking **in opposition** to **H 409**, **Tom Dale** said the only true way to sustainably lower property taxes is through economic development. An exemption granted by the legislature became a tool for Canyon County to have a robust economic development. The first of these 5-year exemptions are falling off, and the full amount of their taxable value will come online as new construction which will help pay for the additional services their growth is causing. It also serves to help lower the levy rate and lower taxes. Freezing new construction property tax would not give the benefit of the 5 years of exemption.

In response to committee questions, **Tom Dale** replied that 4 or 5 exemptions would fall off in Canyon County this next year. The committee members discussed the impact to property tax of new construction, lowering the levy base, the cost of these exemptions to counties for the first five years, the idea of graduated exemptions, tax shifts from urban development and the complexity of property tax issues in Idaho.

Chairman Collins said that due to time constraints, **H 409** will be carried over to the meeting of February 13, 2020 at 8:30 a.m. and that **Jeremy Chou's** opportunity for public testimony would be set over until then.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:31 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Thursday, February 13, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>H 409</u>	Freeze Property Tax State-Wide	Representative Mike Moyle

Continuation of the meeting of February 12, 2020

<u>RS27241</u>	Idaho Small Employer Incentive Act	Tom Kealey, Director, Department of Commerce
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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

Rep Moyle

Rep Anderst

Rep Chaney

Rep Gestrin

Rep Addis

Rep Dixon

Rep Furniss

Rep Giddings

Rep Nichols

Rep Ricks

Rep Kiska

Rep Ellis

Rep Mason

Rep Necochea

COMMITTEE SECRETARY

Lorrie Byerly

Room: EW54

Phone: 332-1125

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 13, 2020

TIME: 8:30 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Megan Keene; Hollie Ann Strong; Lori Bunelle, Southwest Idaho Now; Annette Cygert; Jeremy Chou, Idaho Association of Counties; Phil McGrane, Ada County Clerk; Mike Paananen, Ada County Clerk; Savannah Renslow, IAHD; Jayme Sullivan, City of Boise; Tom Kealey, Idaho Department of Commerce; David Lincoln, IAHD; Shelly Tilton; and Marcia Yiapn.

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

Continuation of the meeting of February 11th and 12th, 2020.

H 409: Those speaking in opposition to **H 409** were **Phil McGrane**, Ada County Clerk; and **Jeremy Chou**, Idaho Association of Counties, who said Ada County is seeing enormous shifts with property taxes going up while other parts of the state are not having the issue of huge shifts, and the freeze will allow them to continue to shift. With frozen budgets, 82.8% of Ada County properties would see an increase, and without the freeze, 92.1% would see an increase of property taxes. A freeze will not stop the shifting and may help shifting taxes. There is a housing shortage which is the largest force causing home prices to rise. The circuit breaker needs to be increased and expanded for older people and for older property. Property taxes can automatically increase by 3% a year or they can be tied to an economic indicator such as the Consumer Price Index (CPI) which ties to inflation. If Boise was tied last year to the CPI, the tax increase would have been 2.1% instead of 3%. Most Idaho county tax bases are shrinking. Either the 3% or CPI plus new construction needs to be considered instead of a freeze. A freeze will impact all taxing districts across the state. A budget freeze does not provide a tax freeze on obligation. Counties do not rely on fees like cities, and a budget freeze will hurt small counties who are losing population. The state's austerity budget this year is 7.3% and is not frozen.

In response to committee questions, **Mr. McGrane** indicated he was unaware that the funds to pay for circuit breaker expansion would come from Idaho's General Fund which would raise income taxes Idahoans would need to pay. He further replied to committee questions by informing the committee Ada County's current budget is \$24 million, and the ability to live on that budget for a one-year freeze was dependent upon the outcome of other pending legislation that could impact the county indigent funds. He further opined Idaho has a tax policy issue because property taxes are just one of many taxes rising this year, including state income taxes, but sales taxes are not as visible. There needs to be a larger discussion on tax policy.

Mr. Chou responded to committee concerns that services required for new growth are not being paid for by new growth by agreeing that in Urban Renewal Areas tax increment financing takes the increment and doesn't allow it to be used by local districts, but he doesn't know the impact it has on property taxes.

Committee members commented there is no way for homeowner exemption taxes to shift to commercial property when in many areas there is no commercial property. The circuit breaker relief could come from the Tax Relief Fund instead of the General Fund. Other policies that can be looked into would be to have a tax force working over the summer because there needs to be a larger discussion on tax policy

Rep. Moyle was recognized to close testimony on **H 409**. He said the testimony was largely from cities and counties, and they all agreed there is a problem, but no one wants to find a solution. **H 409** has protection for local jurisdictions so that if they have a problem, they can go to their voters to get what they need. Only the property taxes are frozen, and local districts will still have sales tax which goes up about 6% a year. Values are shifting up but that does not mean taxes need to go up. Property taxes are tied to a budget. Idaho does not have a taxation problem but a spending problem. All state agencies are pulling back their budgets 1% which sets the example in the state of Idaho. **H 409** slows things down in order to find a solution and get an interim committee to address the problem.

**ORIGINAL
MOTION:**

Rep. Anderst made a motion to send **H 409** to the floor with a **DO PASS** recommendation.

**SUBSTITUTE
MOTION:**

Rep. Ellis made a motion to send **H 409** to the floor without recommendation.

Speaking **in support** of the **Original Motion** were **Reps. Anderst, Addis, Furniss, Nichols, Ricks and Kiska** who said new development is not paid for by new development completely so taxes go up, yet not everything is being frozen because it is not the intent to harm cities and counties; cities and counties align themselves very well, but don't come with solutions; taxpayers are hurting, there are multiple levels of issues on both city, county and state levels; there is not an unlimited pot of money available; the state has taken the initiative to cut costs, and that needs to trickle down to all levels; some counties have pushed their growth onto their taxpayers and others with significant growth have handled debt well, but incentive growth cannot come on the backs of widows losing their homes to high property taxes; and without pushing the process, a meaningful conversation by all parties will not be held.

Speaking **in opposition** to the **Original Motion**, were **Reps. Mason and Necochea** who said crucial services to cities and counties cannot in good conscious be impacted, and they are highly motivated to find solutions; the circuit breakers has not been updated since 2006 and needs to be considered; there is a proposed constitutional amendment and other legislation being worked upon to provide property tax relief to Idahoans; and there is an active tax shift going on which will not stop with the freeze, limiting its effective impact on many people.

Rep. Ellis spoke **in support** of the **Substitute Motion** and said cities and counties are asking for this conversation. This is an election year which provides a mechanism to debate because local leaders will be held accountable by their voters.

**ROLL CALL
VOTE ON
SUBSTITUTE
MOTION:**

A roll call vote was requested. **Motion failed by a vote of 2 AYE and 14 NAY.** **Voting in favor** of the motion: **Reps. Ricks and Ellis.** **Voting in opposition** to the motion: **Chairman Collins, Vice Chairman Stevenson, and Reps. Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Kiska, Mason, and Necochea.**

**ROLL CALL
VOTE ON
ORIGINAL
MOTION:**

A roll call vote was requested. **Motion carried by a vote of 13 AYE and 3 NAY.** **Voting in favor** of the motion: **Chairman Collins, Vice Chairman Stevenson, and Reps. Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks and Kiska.** **Voting in opposition** to the motion: **Reps. Ellis, Mason and Necochea.**

RS 27241: **Tom Kealey**, Director, Idaho Department of Commerce, said **RS 27241** relates to the Idaho Small Employer Incentive Act(Act) which is due to sunset December 31, 2020 and proposes to extend the sunset to 2030. The Act is one of two tax incentives their department has to offer when a competitive project is looking to move or expand in Idaho. To qualify for the incentive, companies must create 10 new jobs paying \$40,000 per annum plus benefits, any additional new positions must pay \$15.50 an hour plus benefits, and they must invest a minimum of \$500,000 in plant facilities. For those that qualify the incentives are a 3.75% investment tax credit, which is slightly higher than the 3% investment tax credit on tangible personal property; a 2.5% investment tax credit on real property investments on new plants, buildings and structural components in Idaho; a new job tax credit of \$3,000 for each new qualified job created; and 25% sales tax paid on construction materials for new facilities can be refunded. Mr. Kealey listed the benefits to the state of Idaho under the Act, and provided a history of how many companies have utilized the incentive over the last ten years. He indicated Idaho must be competitive with surrounding states that have incentives for small businesses to expand as well as attracting business.

In response to committee questions regarding the fiscal note, **Mr. Kealey** replied the \$390,000 fiscal note is the estimate of the program's benefits to three companies in one year that utilized the credit.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27241**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:51 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Friday, February 14, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>H 408</u>	Sales Tax Distribution, Cities	Representative Jason Monks
<u>RS27490</u>	Local Improvement Districts	Representative Terry Gestrin

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

COMMITTEE SECRETARY

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

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 14, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Brad Christensen; and Sean Coletti, City of Ammon.

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

H 408: **Rep. Jason Monks** provided background to and discussed the current Idaho sales tax distribution formula. He said **H 408** does not propose changes to county and special taxing district formula distributions but addresses only Idaho city distribution. The intent is to bring parity to the inequities in distribution. He made comparisons to cities having the same population but receiving different distribution amounts per person. The distribution proposal in **H 408** keeps all cities whole, starting from the base. The formula is based on sales tax revenue, so if the state receives less, then local jurisdictions get less, as they do currently. If the exact revenue comes in this year as last year, all cities stay the same. When the revenue is more than the previous year, the first 1% goes to all the cities. If revenues are greater than 1%, the revenues in excess of 1% will be distributed to cities below the average. It is a good compromise because it brings lower than average city distributions up without bringing the top cities down. It is reliable, stable and holds harmless. Currently sales tax is increasing about 5% a year.

In response to committee questions, **Rep. Monk** replied the revenue going to all cities below the average will be equally distributed. The formula will need to be adjusted over time and county distributions are not being changed. **Rep. Monks** indicated that over time all cities would eventually receive the same revenue stream, and how fast that occurs depends on the market. With an outlier like Sun Valley, which gets ten times the amount of other cities, it would take a long time for other cities to catch up. He replied to questions regarding what other states do by remarking the problems are unique to Idaho. He answered committee questions regarding the impact of **H 408** on specific cities.

Rep. Monks introduced **Keith Bybee**, Budget and Policy Analysis Division, Legislative Services Office, who replied to committee questions saying calculations for city populations are in Idaho Code and are based on the US Department of Commerce census also called the American Community Survey. Forecasts into the future were not made because they do not have forecasts for sales ten years into the future.

Speaking in support of **H 408** were **Brad Christenson**, Boise, and **Sean Coletti**, Mayor of Ammon, who said the proposed legislation presents a slow-working formula that does not affect counties, addresses a decades old problem affecting cities, and takes a wholistic approach to tax law that does not look at individual cities. They opined it is the best solution for this time and good tax policy.

Rep. Monks closed by pointing out it is a fair approach to the problem that holds cities as harmless as possible.

MOTION: Rep. **Anderst** made a motion to send **H 408** to the floor with a **DO PASS** recommendation.

Committee members discussed the impact of **H 408** on specific cities in Idaho.

ROLL CALL VOTE: Rep. **Stevenson** requested a roll call vote on **H 408**. **Motion carried by a vote of 12 AYE and 4 NAY. Voting in favor** of the motion: **Chairman Collins, Vice Chairman Stevenson, Reps. Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Nichols, Ricks and Kiska. Voting in opposition** to the motion: **Reps. Giddings, Ellis, Mason and Necochea. Rep. Monks** will sponsor the bill on the floor.

RS 27490: Rep. **Gestrin** presented **RS 27490** saying Idaho has two statutes under which local improvement districts act. Most operate under Title 50, Idaho Code, which defines how they operate and collect their assessments. When a piece of real property is delinquent on its taxes and their local improvement district assessments, the assessments can be left as an encumbrance on the property, and they will not be extinguished at sale. If the local improvement district certifies the assessment with the county treasurer, it goes into the tax deed, and when the tax deed is sold at auction, everything tied to the property is extinguished. So there is a conflict between Title 50 and Title 63 of Idaho Code. **RS 27490** clears up the ambiguity.

RS 27490: Rep. **Addis** made a motion to introduce **RS 27490**. **Motion carried by voice vote.** **Chairman Collins** thanked the page, **Mercedes Mason**, for her work for the committee.

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

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Monday, February 17, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>H 494</u>	Grocery Tax Credit	Representative Scott Bedke, Speaker of the House
<u>RS27731</u>	Property Tax Notices	Representative Doug Ricks
<u>H 496</u>	Sales Tax Custom Meat Processing	Representative Linda Wright Hartgen

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

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 17, 2020
TIME: 8:30 A.M.
PLACE: Room EW42
MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Kiska, Ellis, Mason, Necochea
**ABSENT/
EXCUSED:** None
GUESTS: Megan Carter; Russ Hendricks, Idaho Farm Bureau; Françoise Cleveland, AARP Idaho; Darcy James, IIRAH; Doug Paddock, IORC; and Melinda Merrill, Northwest Grocery Association.

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

H 494: **Rep. Scott Bedke**, Speaker of the House, said **H 494** is a pre-tax credit. It raises the food tax credit from \$120 to \$135 for Idaho senior citizens and from \$100 to \$135 to all Idaho citizens that file income tax returns. The tax credit is just for food and doesn't include cleaning or hygiene items. Changing the tax credit to \$135 removes the effects of sales tax on all Idahoans. Having this credit directly reduces the amount of income tax that will be owed and drops the nominal rate from 6.95% to a small effective rate, which for a median households would be 6.47%. Retailers set their prices in a grocery stores based on what the market will bear, and the removal of sales taxes on food will not make them drop prices or go down 6%; and the beauty of the credit is that the tax payer gets to decide what food is, and the grocery tax credit applies on anything he can buy.

In response to committee questions, **Rep. Bedke** replied Utah policy had no influence on policy decisions; an Idaho citizen who receives SNAP food benefits for one month of the year is eligible for 11/12 of the grocery tax credit; Idahoans that file income tax returns enjoy the credit, and those who don't file, don't get the credit; those who owe no tax and use Form 24, get the credit back; the tax credit for seniors was raised from \$100 to \$120 and now \$135 based on a policy decision made years ago that provided an advancement for seniors when it appeared there would be a limited amount of money towards the program, but knowing at some point, the food sales tax credit would be evened out for everyone; an incarcerated Idahoan would only get a portion of the grocery tax credit based upon the time incarcerated and can go back three years to get it; and **H 494** has the same language as existing law allowing the exchange of information with the Idaho Department of Health and Welfare and the Idaho Department of Correction.

Those speaking in support of **H 494** were **Mr. Russ Hendricks**, Idaho Farm Bureau; and **Julia Page**, Grocery Tax Coalition, who said other states are trying to come up with a definition of food for sales tax or sales tax exemption purposes which creates conflict over what is and is not food and creates a concern about an increase in bureaucracy on what is food. Under this proposed food tax credit, each consumer decides what is food. Retailers collect grocery sales tax without compensation currently and under **H 494**. Exempting certain foods for food tax credit would be a burden on grocers.

Julia Page responded to committee questions regarding comparisons of utilizing the Tax Relief Fund for eliminations of the grocery tax, the impact on grocers of utilizing non-SNAP food definitions and the economic impact on Idahoans of differing incomes and family sizes.

Rep. Bedke closed the discussion by saying if sales tax on food was removed, it would raise the effective income tax rate for all Idahoans. **H 494** will not change the revenue sharing numbers with local districts.

MOTION: **Rep. Stevenson** made a motion to send **H 494** to the floor with a **DO PASS** recommendation.

Committee members discussed the history, probability and merits of different grocery tax relief options.

VOTE ON MOTION: **Motion carried by voice vote.** **Reps. Giddings** and **Nichols** requested to be recorded voting **NAY**. **Rep. Bedke** will sponsor the bill on the floor.

RS 27731: **Rep. Doug Ricks** said **RS 27731** adds an additional disclosure on tax notices. Every year property owners receive tax notices from the assessors' offices listing bonds and levies that impact their property tax bill. **RS 27731** adds the expiration date of any bond and the prior year tax amounts to the list of disclosures on property tax notices. As property taxes continue to rise, it is important for Idahoans to be able to compare their current notice with their previous years' tax notices.

MOTION: **Rep. Anderst** made a motion to introduce **RS 27731**. **Motion carried by voice vote.**

H 496: **Rep. Linda Wright Hartgen** stated the purpose of **H 496** is to exempt the sales tax on custom meat processing on wild or domestic game when it is for personal consumption and not to be resold. Currently Idahoans are paying sales tax for something they already own.

In response to questions raised in committee member discussions, **Rep. Anderst** clarified that pursuant to statute, sales tax is not paid on services, and this legislation rectifies that for meat processing services.

MOTION: **Rep. Moyle** made a motion to send **H 496** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Hartgen** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:47 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Tuesday, February 18, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>HJR 005</u>	Taxes, Leased Public Property	Representative John Gannon
<u>H 483</u>	First-Time Home Buyer Savings Accounts	Representative Robert Anderst
<u>RS27371C2</u>	Taxation, Data Centers	Representative Greg Chaney

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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Mason
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

COMMITTEE SECRETARY

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

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 18, 2020

TIME: 8:30 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Tom Shaner, Idaho State Tax Commission (ISTC); Russell Westerberg, Western Aircraft; Ken Pidjeon; Tamara Hunter; Judy Hudson; Charlotte Hudson; and Fred Birnbaum, Idaho Freedom Foundation.

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

HJR 5: **Rep. Gannon** said the resolution addresses exempt public properties leased to private entities that do not pay their fair share of property taxes. It is the first exemption in Idaho Code § 63-602A out of about thirty-seven. Unfortunately the exemption cannot be changed through the bill process but must be done through a constitutional amendment. **HJR 5** authorizes the legislature to change the code section to allow taxation of public property leased to private entities. The resolution applies to property tax reduction because it will provide additional revenue that locals can use to reduce the levy rate. Rep. Gannon gave examples of properties owned by Boise State University (BSU) and the Boise Airport that aren't fully on the tax rolls and have partial or significant exemptions even though large percentages of the properties are leased to private parties. Idaho schools are not getting any support from these properties. Rep. Gannon provided examples of the taxable value of like-businesses with the exemption and without. **HJR 5** does not apply to endowment lands. The amount of tax relief is difficult to estimate because assessor do not assess these types of land, and no one has ever cataloged all the public properties leased to private entities. There are hospital, urban renewal, and charitable exemptions listed in Idaho Code §63-602A, and they need to be addressed due to the property tax crisis in Idaho and to make the system fair to all Idaho taxpayers.

In response to committee questions on whether county assessors would portion public properties with a variety of differing corporate leases and what the process would be, **Rep. Gannon** replied that other states have done this, but the process will be up to the Legislature who would craft a statute to address the concerns about these properties. He said this would not impact personal or private property at places like the Boise Airport. He further replied to questions regarding whether valuations would shift from residential onto commercial property by indicating it would be beneficial to both types of property but is difficult to figure exactly, including how the issue of leases would work. The reduction would be around 1%, but the complex nature of property taxes makes it hard to figure. The economic engines in Boise are all tax exempt, such as BSU, all of the government since we are the center of the government, the airport, and hospitals. The principle of taxing leases is established in code. He provided examples of a main hospital being exempt but doctors offices getting taxed, and churches with pre-schools where only the pre-school portion of the property is assessed. The principle is established in

code but has not been applied to government properties because of a 40-year-old Idaho Supreme Court case saying they cannot be taxed.

Rep. Steve Harris continued presenting **HJR 005** by addressing the purchase of the Hewlett Packard campus where the concerns were the state taking over less than a third of the facility and being landlords for the remaining two-thirds of the facility with the rest of the citizens in Boise picking up the reduction in the tax rolls.

The committee members asked questions and discussed the difference between competing in the private market and managing leases until contract completion; what entity should pay the property tax; the amount of government-owned land that is leased for the benefit of profit versus community organization; and issues of who owns the land and who owns the buildings or improvements. **Rep. Moyle** stated the Legislature will have the ability to determine what happens if the constitutional amendment passes.

Those speaking **in support** of **HRJ 5** were **Ken Pidjeon**, Boise; **Tamara Hunter**, Boise; and **Judy and Charlotte Hedson**, Boise, who said their property taxes have increased 20%, 38% and 70%, respectively, while their income has risen 4%; the government removed more and more property off the tax rolls shifting the taxes to everyone else; the City of Boise is engaging in private public partnerships which tax the buildings but not the land upon which they sit; they are unable to retire and their children are moving out of state or out of the area because they cannot afford to live in the Treasure Valley; and at 80 years old, they are in danger of losing their homes.

Russell Westerberg, Western Aircraft, spoke **in opposition** to **HJR 5** who did not speak on Western Airport's behalf but provided background by saying that Western Airport pays a variety of taxes based on the most current market value, a leaseholder pays taxes on leasehold improvements but they never get to own the property, not all the equipment of airport business are subject to the exemptions, and there is no competitive advantage created because the city owns the property. He suggested the committee get more information before approving **HJR 5**.

In response to committee questions, **Rep. Gannon** replied **HJR 5** does not apply to grazing lands or state endowment lands administered by the Idaho Department of Lands under authority of the Idaho Constitution. Those involved in the development of this legislation were twenty-five state legislators, the City of Boise, BSU, and the Idaho Department of Administration about Hewlett Packard. **HJR 5** will align Idaho Code § 63-602A with other exemptions in the code such as hospitals, charities, religious institutions who lease private land.

**ORIGINAL
MOTION:**

Rep. Stevenson made a motion to send **HJR 5** to the floor with a **DO PASS** recommendation.

**SUBSTITUTE
MOTION:**

Rep. Necochea made a substitute motion to **HOLD HJR 5** in committee.

Rep Necochea spoke **in support** of the substitute motion saying the committee does not have all the information they need to decide the issue.

Speaking **in support** of the original motion were **Rep. Anderst** and **Chairman Collins**, who said there was a time limit on hearing constitutional amendments.

**VOTE ON
SUBSTITUTE
MOTION:**

Motion failed by voice vote.

**VOTE ON
ORIGINAL
MOTION:**

Motion carried by voice vote. **Rep Necochea, Giddings** and **Nichols** requested to be recorded as voting **NAY.** **Rep. Gannon** will sponsor the bill on the floor.

H 483:

Rep. Anderst said **H 483** is a simple bill to create a tool to incentivize savings for first-time home buyers and to help create a stable buyer. It is similar to education and health care savings accounts. The amount of money people put into their first home purchases is decreasing while values increase, which creates unstable buyers over the long run. This has been seen as a problem in previous recessions. The savings accounts are a tool to allow an individual to deposit \$15,000, or a couple \$30,000, a year in savings which is a deduction on their net taxable income. **H 483** is trying to create a better home purchaser.

Rep. Anderst introduced **Max Pond**, Government Affairs Director for Idaho Realtors, who said **H 483** is supported by the Idaho Association of Realtors, the Idaho Banking Association, Northwest Credit Union Association and Idaho Building Contractors among others. He said 83% of first-time home buyers brought 3% or less to closing, and a first-time home buyer savings accounts helps prevent buyers from being over their head at purchase. Other states have established first-time home buyer savings accounts.

In response to committee questions, **Mr. Pond** said purchasers are not prohibited from using FHA and that demographic information on users is not available because of privacy standards. He further addressed committee questions regarding monitoring of the timing and number of withdrawals, caps on the amount of funds that can be deposited and the length of time over which they can be deposited, proofs of Idaho residency and lack of previous home ownership in other jurisdictions by saying the account holder must report withdrawals to the ISTC within 90 days or be subject to audit, the ISTC will be able to promulgate rules for oversight, and a signed attestation under penalty of purchase for taxes owed on the funds is utilized by the first-time home buyer.

Fred Birnbaum Idaho Freedom Foundation, spoke **in opposition** to **H 483** saying he has concerns with policy as well as how it is written. Idaho has forty credits or exemptions that are not taxed. Outside of his policy concern, he said the legislation is problematic because the account can be used to benefit a part-year Idaho resident, the definition of a first-time home buyer could include those who have owned many homes around the United States and be 100% eligible because it is their first home in Idaho. The fact that money can be moved in and out, along with language that says that upon the death of the account holder, the funds can be distributed without penalty, make it possible to be used as an out-of-state party estate tax vehicle.

Rep. Anderst closed by saying the death benefit not being subject to penalty does not mean not subject to tax.

ORIGINAL MOTION:

Rep. Ellis made a motion to send **H 483** to the floor with a **DO PASS** recommendation.

SUBSTITUTE MOTION:

Rep. Kiska made a substitute motion to send **H 483** to General Orders.

Rep. Necochea debated against the original motion because of concerns about inequity to lower-income persons and the fiscal note.

VOTE ON SUBSTITUTE MOTION:

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

RS 27371C2: **Rep. Greg Chaney** informed the committee **RS 27371C2** is a tax exemption from sales tax for the equipment to operate a data center. The threshold for an exemption is above the level we have in Idaho. Based on feedback from others, **RS 27371C2** does have a new provision to tamp down a property tax liability issue in taxing districts where a data center might be placed, which is that the data center operating equipment be subject to personal property tax, but not added to new property tax rolls to impact property tax.

In response to committee questions regarding whether the exemption language include the building or just personal property, **Rep. Chaney** replied none of the language contemplates the building, just server equipment inside the building.

MOTION: **Rep. Anderst** made a motion to introduce **RS 27371C2**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:38 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #2
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW40
Wednesday, February 19, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>H 495</u>	Valuation of Agricultural Land	Representative Megan Blanksma
<u>H 517</u>	Local Improvement Districts	Representative Terry Gestrin
<u>RS27711</u>	State Tax Commission - Bankruptcy Claims	Representative Gary Marshall
	Idaho State Tax Commission Restructure	Tom Harris, Chairman, Idaho State Tax Commission

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Stevenson

Rep Moyle

Rep Anderst

Rep Chaney

Rep Gestrin

Rep Addis

Rep Dixon

Rep Furniss

Rep Giddings

Rep Nichols

Rep Ricks

Rep Kiska

Rep Ellis

Rep Mason

Rep Necochea

COMMITTEE SECRETARY

Lorrie Byerly

Room: EW54

Phone: 332-1125

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 19, 2020

TIME: 8:30 A.M.

PLACE: Room EW40

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

**ABSENT/
EXCUSED:** None

GUESTS: None.

Chairman Collins called the meeting to order at 8:34 a.m.

H 495: **Rep. Megan Blanksma** said **H 495** clearly defines the method for defining agricultural values. Unlike residential values which are calculated on local comparable properties, agricultural property is based on production value. To get accurate calculations for production value it is necessary to use local rates and prices for accessing agricultural property. Counties in Idaho are very different from each other and do not produce the same crops or use different methods in production. Over the years ISTC has continued to migrate towards generalized costs and prices when calculating agricultural values to the detriment of Idahoans. **H 495** would require the use of local prices and values for value calculation where available and limit the use of generalized national data to instances when no other rates and prices are available.

In response to committee questions, **Rep. Blanksma** stated the land has to be active agricultural land.

Russ Hendrix, Farm Bureau Federation, spoke in support of **H 495** and said assessors need to use local data whenever possible, and **H 495** puts that into Idaho Code rather than leaving it in Idaho's administrative rules as it does now. The way value will be determined for the agricultural land is not changed and agricultural land does not get an exemption from property value but pays on actual use.

MOTION: **Rep. Stevenson** made a motion to send **H 495** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Blanksma** will sponsor the bill on the floor.

H 517: **Rep. Gestrin** informed the committee Idaho has two statutes under which local improvement districts act. Most operate under Title 50, Idaho Code, which defines how they operate and collect their assessments. When the owner of a piece of real property is delinquent on its taxes and their local improvement district assessments, the assessments can be left as an encumbrance on the property, and they will not be extinguished at sale. If the local improvement district certifies the assessment with the county treasurer, it goes into the tax deed, and when the tax deed is sold at auction, everything tied to the property is extinguished. So there is ambiguity between Title 50 and Title 63 of Idaho Code which **H 517** clears up.

MOTION: **Rep. Stevenson** made a motion to send **H 517** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Gestrin** will sponsor the bill on the floor.

RS 27711:

Rep. Gary Marshall stated **RS 27711** will give statutory clarity to the ISTC on their assertion of claims in bankruptcies involving convicted criminals' protection of assets embezzled or stolen from victims in Idaho. **RS 27711** prohibits ISTC from claiming a first priority position in a bankruptcy if five conditions are met: the unpaid tax claim is on money obtained by criminal activity; the person owing the tax is convicted of a crime; the criminal files for bankruptcy protection; the victim of the crime files a creditor claim in the same bankruptcy estate; and there are insufficient funds to pay both claims. Rep. Marshall shared the experience of one of his constituents whose business accounts were ebezzled and their problems with their claims for recovery of the stolen funds in bankruptcy.

In response to committee questions regarding the retroactive July 1, 2019 effective date, **Rep. Marshall** replied the emergency clause is to give the victims he mentioned the possibility of resolving their bankruptcy claims. He further answered committee questions by saying he was unaware of similar cases in Idaho that would be impacted by the retroactive effective date.

MOTION:

Rep. Ellis made a motion to introduce **RS 27711**. **Motion carried by voice vote.**

Tom Harris, Chairman, ISTC, informed the committee the Governor asked him to restore confidence in the ISTC, and he would be addressing the reorganization of the ISTC. Chairman Harris provided his background, which he said provided an outside perspective to the ISTC as a state administrative agency. He said at the highest level, the appeals process is being enhanced by adding an appellate body to appeals. Typically, an oversight tax commissioner determines appeals as opposed to the full tax commission. He said he wants to put a director in place to take care of ISTC day-to-day operations because the ISTC is a complex organization and a professional director would be very effective. As commissioners move to a more active appellate body, it will be difficult for them to be impartial if they are a part of the operations of the business. Separation of duties is needed to run a pure appellate function. He described and discussed the organizational chart for ISTC, and he outlined their duties: listen to appeals and hearings; be responsible, constitutionally, for the State Board of Equalization and to oversee county boards of equalization; hold ISTC open meetings; do Economic Estimates Commission once a year; be responsible for tax policy management and oversight; be responsible for rules development and oversight; and have an over \$50,000 settlement process meeting.

In response to committee questions regarding accountability and the oversight of the legislature for the new program **Chairman Harris** replied there is some reporting by statute that comes out of ISTC every year to the germane committees which will still happen, and there is no formal legislative oversight in this process. He said he is unaware of an executive agency that has legislative oversight. He further replied to committee questions that the ISTC is not just accountable to the Governor but to the citizens of Idaho through the executive branch, and he is speaking before the committee today to connect the legislative branch through the executive branch. When questioned why he is telling the committee what is going to be done rather than working with the committee, Chairman Harris replied the process started with trying to do it through statute with a bill, which turned out to be 400 pages because there were some other considerations in play. It was too big a lift, so they proceeded with restructure, which the Idaho Attorney General and the Department of Human Resources said was within their authority today and responsive to taxpayers, citizens of Idaho and the Legislature who asked for a more independent appellate function and professional management of ISTC. He was asked by the committee why, if the legislature had no oversight, time was spent on a 400-page bill to change the statute to enable them to make changes to the ISTC. He said the scope of the bill was much broader than what is presented here and was about consolidating two agencies. Chairman Harris was asked by committee

members to identify a situation where any other commission had unilateral decision making forced upon them like this, and he replied he was not familiar enough with state operations to know. He also said an individual to operate the agency as it fits into the operation was wanted, which is not to be confused with the policy side that needs input from this legislative committee, taxpayers, and citizens. He indicated robust information collection is needed and the appellate process with four commissioners listening to the challenges taxpayers bring will help that. He said this is an iterative process of looking at the statutes causing challenges with Idaho citizens and tax payers, making proactive activities and trying to change the laws of the state to better serve the taxpayers. He addressed committee questions regarding the vision for the current Idaho State Board of Tax Appeals by indicating that it was part of the 400-page bill, but elimination or change to the board is not being considered currently. Chairman Harris also indicated the number of appeals in Bannock County had no impact on this reorganization. He said the current tax appeals manger will be moved over to ISTC because an individual at ISTC should not need to answer to four bosses instead of one manager.

In response to committee questions on why the ISTC commissioners would not be utilized in the same way they have been, **Chairman Harris** addressed the status of the ISTC's current horizontal organization and the reasons for the need to change it to a vertical organization. **Rep. Moyle** commented that per the Idaho Constitution, the ISTC is set up with two commissioners who are members of one party and two commissioners who are members of another party which creates an inherent conflict and makes better policy for Idahoans. The minority is not equal in the legislature but is equal when it comes to the taxpayer.

Rep. Chaney said a single legislator cannot advance a bill, nor can a single county commissioner do anything because a legislature, commission or committee only has power when convened and casting votes. Part of the inefficiencies built into the process, and as much as it may seem like a frustration, current statutory and appropriation limits are accountability measures very different from the private sector. When the legislature has no voice, there is no statutory consistency with what is done. If this action was brought as a proposal rather than an instruction about what already happened, there would be a very different response. Saying the legislature had no place in the discussion does not yield a positive response.

Rep. Moyle said the ISTC should be set up as the committee as a whole, like in the legislature and as it is now. It is upsetting this is going around the legislative processes, and the legislature will fix it. If the legislature doesn't fund the \$200,000 employee, it can probably be done with savings or some other way, but when things are done without legislation like a bill, the legislature can undo it all. These were policy changes and should have included this legislative committee.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 9:28 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #2
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW40
Friday, February 21, 2020

Please Note the Change in Meeting Room #

SUBJECT	DESCRIPTION	PRESENTER
<u>H 484</u>	Urban Renewal Highway District	Representative Mike Moyle
<u>H 442</u>	Sales Tax Exemption, Agricultural Aircraft	David Lehman, Idaho Agricultural Aviation Association, Primus Policy Group
<u>RS27746C1</u>	Fulfillment Centers	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 Addis
Vice Chairman Stevenson Rep Dixon
Rep Moyle Rep Furniss
Rep Anderst Rep Giddings
Rep Chaney Rep Nichols
Rep Gestrin Rep Ricks

COMMITTEE SECRETARY

Lorrie Byerly
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 21, 2020

TIME: 9:00 A.M.

PLACE: Room EW40

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

**ABSENT/
EXCUSED:** None

GUESTS: Russell Westerberg, Capital City Development Corporation (CCDC); Meghan Conrad, RAI; Jayme Sullivan, City of Boise; and Tom Shaner, Idaho State Tax Commission (ISTC).

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

H 484: **Rep. Mike Moyle** stated **H 484** says before an Urban Renewal Area (URAs) can take revenue increment from a highway district, they need to come to an agreement with the highway district. If the URA and the highway district cannot come to an agreement, the revenue goes to the highway district. This gives highway districts an opportunity to be a part of planning that impacts them.

Russell Westerberg, CCDC, appeared on behalf of Urban Renewal Districts (URD)s and spoke **in opposition** to **H 484**. He said Ada County has a consolidated highway district that works with six cities, and the CCDC has five urban renewal districts. CCDC has a cooperative working relationship with ACHD and enters into cooperative agreements for joint projects. Mr. Westerberg discussed the benefits to the city and ACHD in working with URDs and shared past and upcoming local projects beneficial to ACHD. He indicated that while property levies are frozen within an active URD, ACHD still receives significant revenue from new development within those districts.

Meghan Conrad, Redevelopment Association of Idaho, also spoke **in opposition** to **H 484** by saying growth and the imposition of impact fees by highways on development would not occur without the URD. There is no sideboard in the statute regarding what has to be included in the agreement, such as a requirement the parties negotiate in good faith, needs to be in writing, needs the approval by resolution of the highway district and agency boards, terms for entering the agreement, and entry and exit timing for the entire project. Currently URDs send notice to highway districts, provide a comment period on URD plans, and works cooperatively with the highway districts.

Rep. Moyle closed by saying URDs are supposed to be tied to blight, but current URDs are in high growth areas, not blighted areas, because high growth areas are a revenue growing machine. No one in the CCDC is elected though property tax goes into it. URDs are not working on agreements with highway districts except on limited select projects. **H 484** just says URDs need to talk to highway districts about roads before taking the money for them. This will make a better URD because they have to work with the people impacted, and the money will be more likely go to road projects.

In response to committee questions, **Rep. Moyle** replied that a thirty-day notice to highway districts is not working together with them because the highway districts do not have a seat at the table, and the amount of money going back to highway districts will likely be in the millions. He further said the language in statute regarding agreements is deliberately left broad to allow room for the highway districts and URDs to work agreements out.

MOTION: **Rep. Anderst** made a motion to send **H 484** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Mason, Necochea** and **Ellis** requested to be recorded voting **NAY.** **Rep. Moyle** will sponsor the bill on the floor.

H 442: **David Lehman**, Idaho Agricultural Aviation Association, said **H 442** adds aircraft primarily used for the purpose of agricultural spraying and seeding to the list of commercial aircraft currently exempt from sales tax under Idaho Code. It does not remove aircraft from the list of non-exempt equipment under Idaho Code §63-3622D, which is the production exemption. It adds it to the current list of tax exempt commercial aircraft in Idaho Code §63-3622GG. The fiscal note was determined by the Idaho Agricultural Aviation Association doing a survey that returned an amount of \$1.75-2 million in taxable sales which includes parts and aircraft with limited exceptions. He said the word "primarily" in line 39, Idaho Code §63-3622GG(6) means "the primary use shall be the greater of the total use or taxable non-use." If an aircraft is used for nontaxable uses like spraying or seeding, it would be considered a primary use.

Rep. Stevenson declared Rule 80 stating a possible conflict of interest but that she would be voting on the legislation.

Mike Urack, Idaho Agricultural Association, spoke **in support** of **H 442.** He operates Red Baron Ag Services, a multi-generational small, family agricultural business that serves farmers using ground and air equipment. His ground equipment is exempt but not his air equipment which causes tax problems such as whether a pump is for a spreader or an airplane. To finance buying a new aircraft, which are a major expense for a small business, he needs cash for twenty percent down plus six percent for sales taxes, and he usually has to borrow money to pay the sales tax. If he needs to lease an airplane for 90 days he has to pay use tax, which he cannot do. He doesn't have the burden of taxes on his ground equipment that does the same thing.

MOTION: **Rep. Stevenson** made a motion to send **H 442** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Boyle** will sponsor the bill on the floor.

RS 27746C1: **Rep. Mike Moyle** stated currently in Idaho statute the STARS program allows road developers to pay for a road project and then recoup the money spent on the project. He gave examples in Couer d'Alene and Meridian where big store businesses built interchanges or widened roads and were able to keep 60% of their sales tax until they paid themselves back. Although the businesses collect 60% of the sales tax until they are paid back, it is all new revenue the state will not receive without the new business. **RS 27746C1** is an expansion of the statute to include fulfillment center businesses who will need to meet the same criteria as other STARS program businesses of having to spend \$4 million on a building and \$6 million on a project to keep 60% of their sales tax revenue until they are paid back. **RS 27746C1** also says the businesses can make the development area where they collect the sales tax larger by picking up existing businesses. This legislation will hold the state harmless and provide an opportunity for growth to pay for growth.

MOTION: **Rep. Chaney** made a motion to introduce **RS 27746C1.** **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:51 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW40
Monday, February 24, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>H 518</u>	Property Tax Notices	Representative Doug Ricks
<u>RS27730</u>	College Savings Accounts	Representative Paul Amador
<u>RS27736</u>	College Savings Accounts	Representative Paul Amador
<u>RS27737</u>	Veteran Property Tax Credit	Representative Priscilla Giddings
<u>RS27789</u>	Forest Land Taxation	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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Mason
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

- DATE:** Monday, February 24, 2020
- TIME:** 8:30 A.M.
- PLACE:** Room EW40
- MEMBERS:** Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Kiska, Ellis, Mason, Necochea
- ABSENT/
EXCUSED:** Representative(s) Nichols, Ellis
- GUESTS:** Christie Stoll, IDeal College Savings; and Greg Wilson, Idaho Governor's Office.
Chairman Collins called the meeting to order at 8:30 a.m.
- MOTION:** **Rep. Stevenson** made a motion to approve the minutes of the February 10, 2020 meeting. **Motion carried by voice vote.**
- H 518:** **Rep. Doug Ricks** said **H 518** concerns tax disclosures on property tax bills of bond expiration dates and prior year tax amounts. Property owner tax bills currently show the number of bonds by date, but they do not show when the bonds will expire. The only way to find out the information is to use the other statement property owner's receive to access a phone number to inquire about the information. Tax assessors say it is possible to add expiration dates and is easy to do.
- MOTION:** **Rep. Dixon** made a motion to send **H 518** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Ricks** will sponsor the bill on the floor.
- RS 27730:** **Rep. Paul Amador** informed the committee the Ideal Savings Program has been changed in conjunction with federal law the last couple of years to allow K-12 expenses as well as college expense. **RS 27730** allows businesses and companies to contribute to these savings accounts on behalf of their employees or employees' children.
- Rep. Amador** introduced **Christie Stoll**, Executive Director of IDeal College Savings, who said **RS 27730** brings a tax credit to employers who contribute to their employees' savings accounts. The tax credit would be up to 20% of their contributions with a maximum of \$500 per individual that they can take. Colorado is the state most similar to Idaho who has these types of accounts, and the fiscal impact to their General Fund was \$80,000. Idaho is a smaller state with less IDeal savings than Colorado, so the fiscal impact would be smaller.
- In response to committee questions, **Ms. Stoll** replied that the savings funds could be used for tuition, room and board, fees and supplies for any post secondary program accredited by the US Department of Education. It can now be used for registered apprenticeships through the Department of Labor, as well as to pay back student loans up to \$10,000 over the lifetime of the account. Idaho law encompasses the federal definition of eligible expenses. The 529 College Savings Funds can be used for K-12 tuitions only at public, private or religious schools, capped at \$10,000 per student per year. She further said the 5-year carry forward was modeled after the best practices in other states. Idaho's 6% tax rate was used in the fiscal note.
- MOTION:** **Rep. Chaney** made a motion to introduce **RS 27730**. **Motion carried by voice vote.**

RS 27736: **Rep. Amador and Christie Stoll** said **RS 27736** cleans up some language in the 529 IDEal Account program, including changes regarding individuals going onto military academies in the United States. Currently 100% of military academy tuition and room and board are covered, and IDEal savings account holders would receive a penalty if they pull that money out from the account. **RS 27736** conforms Idaho law to the Military Relief Act, which allows an exemption for military families to be treated as a scholarship in the 529 IDEal Savings Accounts. Currently if a student receives a scholarship, an amount equal to the scholarship can be taken out of their IDEal savings and taxes paid on the earnings portion only. Military academy scholarships are treated differently and this proposed legislation treats them the same. The fiscal impact is for taxing only the growth portion versus the entire withdrawal.

In response to committee questions, **Ms. Stoll** replied that corporations can make contributions to new and existing accounts. She said 529 IDEal accounts are an asset of the parent, and if a student dies, the funds can be rolled to another student or, if they are withdrawn, taxes would be due on the growth portion only with a 10% penalty.

MOTION: **Rep. Dixon** made a motion to introduce **RS 27736**. **Motion carried by voice vote.**

RS 27737: **Rep. Priscilla Giddings** informed the committee **RS 27737** is the same as **H 441** but an emergency clause was added to allow applicants to be eligible this year and to avoid confusion.

MOTION: **Rep. Necochea** made a motion to introduce **RS 27737**. **Motion carried by voice vote.**

RS 27789: **Senator Jim Rice** stated **RS 27789** deals with forest land taxation problems regarding reclassifying forest land without meeting certain standards for reliability in assessing those lands. Statutorily a number of changes in forest land classification and treatment were reversed out by a group of owners of forest land, assessors and the ISTC who agreed on legislation that included changes in statute and a set of rules. However, having rules that deal with tax assessment and changing classifications in assessments can be problematic because changes to rules can have a substantive impact on tax rates and the taxation of the land. An assessment change can have the same impact as a fee rule change. So **RS 27789** rolls the rules into statute encapsulating all the process within statute.

MOTION: **Rep. Chaney** made a motion to introduce **RS 27789**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 8.59 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Wednesday, February 26, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>H 521</u>	Taxation, Data Centers	Representative Greg Chaney
<u>H 553</u>	Forrest Land Taxation	Senator Jim Rice
<u>H 510</u>	Small Employer Incentive Act	Representative Rod Furniss
<u>RS27784</u>	Homeowner's Exemption, Deadline	Representative Robert Anderst
<u>RS27841</u>	Valuation of Agricultural Land	Representative Megan Blanksma
<u>RS27832</u>	Property Assessment, Market Value	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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Mason
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 26, 2020

TIME: 8:30 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Tom Kealey, Idaho Department of Commerce (IDC); Peter Stegner, Riley Stegner & Associates; Steve Delbianco, Net Choice; Lisa Holland, Kuna Economic Development; Clark Krause, Boise Valley Economic Partnership; Caroline Merritt, Idaho Chamber Alliance; Alex LaBeau, IACI; Megan Rowley, Idaho Power; Sean Schupack, Idaho Associated General Contractors; Jake Reynolds, IDC; Susan Daerdon, IDC; Jason Barnes, IDC; Rick Smith, Facebook; Russell Westerberg, RMP; Jayme Sullivan, City of Boise; and Seth Grigg, Idaho Association of Counties.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of the February 11, 2020, February 12, 2020, and February 13, 2020 meeting. **Motion carried by voice vote.**

H 521: **Rep. Greg Chaney** said **H 521** would exempt the purchase price sales tax on data center equipment. The legislation seeks to avoid a fiscal impact. Idaho does not have a sales and use exemption for capital expenditures of \$250 million within five years of commencement of construction. **H 521** is about growing an ecosystem of high tech employment and high tech expenditures that data centers would bring, which would attract a diversity of high tech jobs and enable the recruitment of top industry talent to Idaho. Even with the tax exemption, Idaho would receive the incremental tax revenue. This tax benefit would be instead of, not in addition to, other state tax incentives for new businesses. It would not go on the new construction roles which would help local taxing districts in driving down property taxes.

He introduced **Steve DelBianco**, President, Net Choice, to further present **H 521**. He shared information on data centers in other states and the economic opportunity and jobs they provide, including incremental economic and incremental tax benefits. He informed the committee that seventeen other states offer the sales tax exemption for server equipment, but in the last five years not a single data center was built in states without a tax exemption. He gave an example of a state that recovered nineteen cents for every dollar exempted.

In response to committee questions, **Mr. DelBianco** said non-exempt items outside the scope of the legislation would be subject to sales tax; the data centers would provide high-paying jobs to local people, in addition to employing local HVAC, plumbing and electrical contractors for ongoing maintenance of facilities and to repair and upgrade equipment; the intention is for data centers to use rural energy; the track record of data center companies leans toward investing in carbon-free energy solutions; and they are asking to be treated the same way as agriculture and industry regarding equipment exemptions in Idaho

Those speaking of **in support** of **H 521** were **Lisa Holland**, Economic Development Director, City of Kuna; **Clark Krause**, Executive Director, Boise Valley Economic Partnership; **Alex LaBeau**, President, Idaho Association of Commerce and Industry; **Sean Schupack**, Director, Post Falls Associated General Contractors; and **Carolyn Merritt**, Idaho Chamber Alliance, that is comprised of 22 chambers across Idaho, who said before data centers can qualify, they would need to spend \$250 million and create thirty direct jobs, which would be a lot of jobs for small communities and be an economic benefit; it would be a good opportunity for rural and metro Idaho; it will help the tech sector all over the state; the legislation would foster \$100 million in new construction, which would help many Idaho households and families; data center companies are looking for communities in which to invest, providing local education for children, outfitting school buses with WIFI, wanting to provide grants for more classrooms and providing communication devices for non-verbal students and other benefits.

Rick Smith, Hawley Troxell, representing Facebook, spoke **in support** of **H 521**. He stated he would answer questions about the terms of the legislation, and in response to committee questions said data centers will provide a huge increase in the property tax base which will reduce levies for taxpayers; the legislation clarifies that data center equipment is not considered a part of new construction; the new property will not go onto tax rolls for the purpose of increasing local government budgets; local governments can assess impact fees on infrastructure costs and any demand on local services would be provided by local utility companies; everything would go on the tax rolls but none of the sales tax exempted new construction would go on new construction rolls; Facebook is committed to being environmentally responsible; and property tax will be assessed at 100% of the value.

Rep. Chaney closed by saying data centers diversify Idaho's portfolio. The trend is storage of more and more data, including social and political data, such as with iCloud.

Rep. Chaney responded to committee questions by saying the typical investment in a data center that would be exempt from sale tax is \$500 million; any portion of the profits attributable to data center operations in the state would be subject to income tax; and income tax would be paid on employees salaries.

MOTION:

Rep. Anderst made a motion to send **H 521** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Giddings, Nichols, Kiska** and **Necochea** requested to be recorded as voting **NAY**. **Rep. Chaney** will sponsor the bill on the floor.

H 553:

Senator Jim Rice stated **H 553** deals with forest land taxation problems regarding reclassifying forest land without meeting certain standards for reliability in assessing those lands. He said timber is not like other things because trees take a number of years to harvest. Statutorily a number of changes in forest land classification and treatment were reversed out by a group of owners of forest land, assessors and the Idaho State Tax Commission who agreed on legislation that included changes in statute and a set of rules. However, having rules that deal with tax assessment and changing classifications in assessments can be problematic because changes to rules can have a substantive impact on tax rates and the taxation of the land. An assessment change can have the same impact as a fee rule change. So **H 553** rolls the rules into statute, encapsulating all the process within statute.

In response to committee questions, **Senator Rice** replied a legislative group made up of assessors, the ISTC, industry representatives and forest land owners collaborated for the last 15 years on the legislation.

- MOTION:** **Rep. Addis** made a motion to send **H 553** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Addis** will sponsor the bill on the floor.
- H 510:** **Rep. Rod Furniss** said **H 510** relates to the Idaho Small Employer Incentive Act (Act) which is due to sunset December 31, 2020 and proposes to extend the sunset to 2030. He said the Act was enacted at a time of economic downturn in Idaho. To qualify for the incentive, companies must create 10 new jobs paying \$40,000 per annum plus benefits, any additional new positions must pay \$15.50 an hour plus benefits, and they must invest a minimum of \$500,000 in plant facilities. For those that qualify the incentives are a 3.75% investment tax credit, which is slightly higher than the 3% investment tax credit on tangible personal property; a 2.5% investment tax credit on real property investments on new plants, buildings and structural components in Idaho; a new job tax credit of \$3,000 for each new qualified job created; and 25% sales tax paid on construction materials for new facilities can be refunded.
- Rep. Furniss** introduced **Tom Kealey**, Director, IDC, who said the Act is important for their department going forward. Economic development associations have supported **H 510** and no one has opposed it. The bill assists any entrepreneurial businesses and small employers. Any industry is eligible for the benefit.
- Lisa Holland**, Economic Director, City of Kuna; **Carolyn Merritt**, Idaho Chamber Alliance; and **Clark Krause**, Executive Director, Boise Valley Economic Partnership, spoke **in support** of **H 510** saying the Act makes a significant up front investment in businesses and creates ten jobs, which is a lot for a small community.
- MOTION:** **Rep. Stevenson** made a motion to send **H 510** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nichols** requested to be recorded as voting **NAY.** **Rep. Furniss** will sponsor the bill on the floor.
- RS 27784:** **Rep. Robert Anderst** said **RS 27784** says if a home is purchased in Idaho that does not have the home owners exemption and the closing is after April 15th, the home owners exemption cannot be taken and the home owner will pay higher property taxes for the remainder of the year. The proposed legislation allows a home owner to file a home owners exemption application anytime during the year. It doesn't affect a lot of properties.
- MOTION:** **Rep. Stevenson** made a motion to introduce **RS 27784.** **Motion carried by voice vote.**
- RS 27841:** **Rep. Megan Blanksma** stated **RS 27841** is a replacement for **H 495.** The change arises from a request from assessors on what the actual values are and what data can be used.
- MOTION:** **Rep. Moyle** made a motion to introduce **RS 27841** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Blanksma** will sponsor the bill on the floor.
- RS 27832:** **Rep. Mike Moyle** said **RS 27832** is a change to **H 390** introduced earlier this session that allowed an individual appealing their tax appraisal to use an arm's length transaction or an appraisal on the property that is less than a year old. A concern this committee had about **H 390** is that it might allow Idaho to go from a non-disclosure state to a disclosure state regarding the purchase and sale of property in Idaho. Lines 27 through 29 of **RS 27832** make it clear the information does not need to be disclosed and can be kept private.
- MOTION:** **Rep. Anderst** made a motion to introduce **RS 27832** 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.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:12 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Thursday, February 27, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>H 540</u>	Fulfillment Centers	Representative Mike Moyle
<u>H 550</u>	Education Savings Accounts	Representative Paul Amador
<u>H 551</u>	Education Savings Accounts	Representative Paul Amador
<u>H 552</u>	Veteran's Property Tax	Representative Priscilla Giddings
<u>RS27779</u>	Child Tax Credit, Court Orders	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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Mason
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 27, 2020

TIME: 8:30 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Laura Lantz, ISCPA; Tom Shaner, Idaho State Tax Commission (ISTC); Melanie Palacio; George Nickel; Christie Stoll, IDEal 529; Goldie Bishop, IDEal 529; Ian Freeman, Military Order of the Purple Heart; John Eaton, IACI; Donald Turano, Military Order of the Purple Heart; and Maureen Turano, Military Order of the Purple Heart.

Chairman Collins called the meeting to order at 8:33 a.m.

H 540: **Rep. Mike Moyle** stated **H 540** expands the STARS program in Idaho Code § 63-4601. Currently, the STARS program allows developers to pay for an improvement on existing roads through negotiating a deal with the ISTC and Idaho Transportation Department (ITD) for the road project as long as they spend \$4 million on a building and \$6 million on the project, but no more than \$35 million. The business can then recoup the money spent on the project by keeping 60% of the revenues from that building, once it is built, through the sales tax until they pay themselves back. **H 540** expands the STARS program to include fulfillment centers and allows the businesses to make the development area where they collect the sales tax larger by picking up existing businesses. It does freeze current sales tax collection which will stay in the General Fund, and the business is issued a separate permit from the ISTC to collect on new revenue from growth to help pay for the project. Transportation has more needs than revenue, and this expansion will provide more revenues to build projects that need to be built.

In response to committee questions, **Rep. Moyle** replied **H 540** doesn't take money from property taxes like Urban Renewal Areas and is done by the developer at his expense. He further replied to questions about the lack of definition of a developer in the statute by saying a development agreement is tied into the project because sometimes a business has a third-party developer for the project, and the right party for the rebate needs to be identified. This is the best tax because it is private dollars paying for a public road which is recovered from future sales tax. Using the STARS program that already works and is showing results in Idaho provides certainty. **H 540** will hold the state harmless and provide an opportunity for growth to pay for growth.

MOTION: **Rep. Anderst** made a motion to send **H 540** to the floor with a **DO PASS** recommendation.

Rep. Moyle replied to further committee questions, saying developers need to have an agreement with ITD, as well as have approval for the building from cities and highway districts. If a city does not want the development, ITD won't approve it. Expanding to retailers is not automatic or mandatory. A retailer needs to fall within the development area, be a part of the development plan, and opt in by obtaining a separate sellers permit. Retail sales include walk-in traffic and internet sales. It is easier for ISTC to capture funds from specific projects through the Building Center Project fund referenced in the statute.

VOTE ON MOTION:

Motion carried by voice vote. Reps. Giddings and Necochea requested to be recorded as voting **NAY**. **Rep. Moyle** will sponsor the bill on the floor.

H 550:

Rep. Paul Amador informed the committee **H 550** allows businesses and companies to contribute to IDeal Savings Accounts on behalf of their employees or employees' children.

Rep. Amador introduced **Christie Stoll**, Executive Director of IDeal College Savings, who said **H 550** brings a tax credit to employers who contribute to their employees' savings accounts. The tax credit can be up to 20% of the contributions with a maximum of \$500 per individual. She provided an overview of the program. She said the IDeal College Savings Accounts are a recruitment tool for employees because investing in employee education goals makes them better employees.

In response to committee questions, **Ms. Stoll** replied the program is self-sustaining, they manage \$550 million, they have about 5.23% participation in the Go On program for college, the total cost for the tax deduction is \$3.3 million, the funds can be taken out after a ten-day waiting period, it is used more by mid-sized companies rather than large multi-state companies, and the language in the legislation does not indicate it is only for private employers. She further responded to several committee questions regarding how the employer sets the accounts up through payroll by saying **H 550** does not provide instructions on how to use the program and only addresses the program incentive.

Those speaking **in support** of the bill were **Laura Lanz**, Idaho Association of Certified Public Accountants; and **John Eaton**, Association of Commerce and Industry.

MOTION:

Rep. Stevenson made a motion to send **H 550** to the floor with a **DO PASS** recommendation.

Reps. Ellis and **Furniss** spoke **in support** of the motion, suggesting a payroll instruction sheet for employers should be created and used.

Rep. Necochea spoke **in opposition** to the motion, saying it is not equitable.

ROLL CALL VOTE ON MOTION:

Roll call vote was requested. **Motion carried by a vote of 12 AYE, 4 NAY. Voting in favor** of the motion: **Chairman Collins, Vice Chairman Stevenson, Reps. Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Ricks, Kiska and Ellis. Voting in opposition** to the motion: **Reps. Giddings, Nichols, Mason and Necochea. Rep. Amador** will sponsor the bill on the floor.

H 551:

Rep. Paul Amador said **H 551** deals with administrative cleanup in code related to beneficiaries who would attend military academy in the United States since all their expenses are covered.

Ms. Stoll continued presenting **H 551** saying there are some tax exemptions impacting IDEal 529 Savings Accounts that happen outside 529 code and happen in military law code. Military academy scholarship are one of those that come from the 2003 military scholarships in military law code. **H 551** brings military law to bear on Idaho's IDEal 529 Savings Accounts so Idaho families will not be penalized when their student receives a military scholarship. If a student receives a military academy scholarship, the 10% penalty on earnings will be waived. Currently, Idahoans with military scholarships are taxed the full amount but now will receive the same treatment as other scholarships as it relates to their tax growth portions.

MOTION: **Rep. Furniss** made a motion to send **H 551** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Amador** will sponsor the bill on the floor.

H 552: **Rep. Priscilla Giddings** said **H 552** amends Idaho Code §63-704 and §63-705A by adding language that allows disabled veterans with a disability rating based on their employability to get a property tax credit if they are being compensated at the 100% level but not necessarily having a service connected disability at 100%. It also adds an emergency clause so the property tax credit goes into effect for the 2020 tax year.

In response to committee questions, **Rep. Giddings** replied the way to report abuses is to service officers, who are in every county, and can elevate it to an investigation.

Those speaking in support of **H 552** were **Melanie Palacio**, spouse of disabled veteran; **George Nickel**, veteran; and **Ian Freeman**, veteran with the Military Order of the Purple Heart, who said veterans rated with a 60% disability are now unemployed because of things that have happened since their rating was given; there are secondary service connected disabilities; rating boards during the cold war were harder and granted lower disability ratings than later, and some veterans are not compensated correctly; a veteran can be rated 100% disabled and not be considered unemployable while other veterans can be rated 60% and be unemployable. Specific injuries such as post traumatic stress syndrome or brain injuries can affect different people differently at different times which may make a veteran employable some times and not others, and they are called the invisible wounded. Ms. Palacio said her veteran husband was determined to be house bound and awarded a rating of 100%, but it was a decades long fight to get there. **Mr. Freeman** informed the committee he has PTSD and was wounded in combat in 2006 and 2007. He is rated at 80% disability and has an unemployable rating of 100% because his memory is not working, and he has bad migraines. His veterans benefit increased by \$50, which won't cover his property tax. He implored the committee to not deny a benefit to the many because of few bad actors.

MOTION: **Rep. Necochea** made a motion to send **H 552** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Giddings** will sponsor the bill on the floor.

RS 27779: **Rep. Mike Moyle** informed the committee a few years ago when the federal government changed the tax law, to offset that change, Idaho created the child tax credit. **RS 27779** is to make sure when there are divorces or issues of child custody, the ISTC has a copy of the divorce decree and uses the family court order in those cases. There have been instances where the divorce decree ordered one thing, and ISTC did another thing. This legislation ensures when an Idahoan files their tax return, they can staple their divorce decree to the return to make the court's determination on the child tax credit clear to the ISTC.

MOTION: **Rep. Gestrin** made a motion to introduce **RS 27779.** **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:20 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Monday, March 02, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>RS27815</u>	Electronic Smoking Devices	Senator Bert Brackett, Representative Rod Furniss
<u>RS27847</u>	Urban Renewal Highway Districts	Representative Mike Moyle
<u>RS27833</u>	First Time Home Buyer Savings Accounts	Representative Robert Anderst
<u>RS27824C1</u>	Property Assessment	Representative Jim Addis
<u>H 562</u>	Homeowners' Exemption, Deadline	Representative Robert Anderst
<u>H 574</u>	Child Tax Credit, Court Orders	Representative Mike Moyle
<u>H 524</u>	State Tax Commission, Bankruptcy Claims	Representative Gary Marshall

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

Rep Kiska
Rep Ellis
Rep Mason
Rep Necochea

COMMITTEE SECRETARY

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

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 02, 2020

TIME: 8:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Leah Marchbanks, Idaho Mortgage Lenders; Krista Deacon, Idaho Realtors; Mark Jones, Idaho Realtors; Elizabeth Crier; Tom Shaner, Idaho State Tax Commission (ISTC); Patrick Clayton, Idaho Mortgage Lender Association; Jeremy Chou, Givens Pursley; and Brian Stender, Canyon County Assessor's Office.

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

RS 27815: **Sen. Brackett** said **RS 27815's** purpose is to address the dangers of vaping or uses of electronic smoking devices, and to establish a public education program to be administered by Idaho health districts to educate students, teachers and the public at large on their use by minors. **RS 27815** amends Idaho Code by adding electronic smoking devices to the list of tobacco products.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27815**. **Motion carried by voice vote.**

RS 27847: **Rep. Moyle** informed the committee **RS 27847** replaces **H 484**. The proposed legislation says Urban Renewal Areas (URA) need to work to come to a deal regarding taxable property within highway districts because the bill prevents taking a highway district's increment without the approval of the highway district. In response to concerns of the ISTC, **RS 27847** added language to Idaho Code §50-2908 specifying a URA "first formed or expanded to include the property on or after July 1, 2020" does not get to increment funds until it enters into an agreement with the highway district.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27847** and recommend it be sent directly to the Second Reading Calendar.

In response to committee questions, **Rep. Moyle** replied a county treasurer collects revenue, and the money going to the URA goes back to the highway district unless there is an agreement made between the URA and the highway district for the purpose of capturing revenue going to roads so it does not go to other places. The effective date would explicitly apply to URAs first formed and expanded on or after July 1, 2020.

VOTE ON MOTION: **Motion carried by voice vote. Reps. Ellis, Mason and Necochea** requested to be recorded as voting **NAY**. **Rep. Moyle** will sponsor the bill on the floor.

RS 27833: **Rep. Anderst** indicated that **RS 27833** is a re-draft of **H 483**, first-time home buyers' savings accounts, and is based upon concerns expressed about an account holder's residence requirements and the possibility of prior out-of-state home purchases. **RS 27833** defines an account holder as a person residing in Idaho who has filed an income tax return in Idaho for the most recent taxable year and requires an attestation statement that they never purchased multiple family residences in any location. In addition a cap of \$100,000 was placed on the total deposits that could be made to both individual and married accounts.

In response to committee questions, **Rep. Anderst** replied the interest growth and account contributions are tax deferred. He also said the issue is to get everyone to save as much as possible.

ORIGINAL MOTION: **Rep. Ellis** made a motion to introduce **RS 27833**.

SUBSTITUTE MOTION: **Rep. Furniss** made a substitute motion to introduce **RS 27833** and recommend it be sent directly to the Second Reading Calendar.

Rep. Furniss spoke **in support** of the substitute motion saying the first-time home buyer accounts will help all income levels and resolve some problems when buying homes, such as people getting up-side down when buying a home. **RS 27833** will also help Idaho first-time home buyers establish equity at the time of purchase.

ROLL CALL VOTE ON SUBSTITUTE MOTION: A roll call vote was requested on **RS 27833**. **Substitute motion failed by a vote of 7 AYE and 8 NAY. Voting in favor** of the motion: **Chairman Collins, Vice Chairman Stevenson, Reps, Moyle, Anderst, Furniss, Kiska, and Ellis. Voting in opposition** to the motion: **Reps. Chaney, Gestrin, Addis, Dixon, Giddings, Ricks, Mason and Necochea**.

VOTE ON ORIGINAL MOTION: **Motion carried by voice vote. Rep. Necochea** requested to be recorded as voting **NAY**.

RS 27824C1: **Rep. Addis** said what is spent on tax budgets, levies and assessments affect tax. **RS 27824C1** deals with how assessors will be able to assess business or commercial property. There are currently three approaches to value property: market, cost, and income. In **RS 27824C1**, assessors will look at the actual costs to build a business facility, rather than make arbitrary or subjective valuations which can lead to valuing perceived incomes without reducing out the business expenses. This will make a fairer determination of a property's worth in an assessed value. The proposed legislation addresses our property tax issues from a different angle.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27824C1**. **Motion carried by voice vote**.

H 562: **Rep. Anderst** stated **H 562** removes the April 15th deadline for a homeowner to file a homeowner's exemption. When a house is purchased that does not have a homeowner's exemption, the deadline can cause significant affordability problems for buyers who would be required to calculate property tax into their assessment for loan qualifications. It is arbitrary to deny the benefits of a homeowner's exemption based upon a deadline date for purchase of a home.

Rep. Anderst introduced **Max Pond**, Idaho Realtors, who remarked **H 562** is a property tax fairness bill. He discussed the fiscal impact to counties based on the past number of properties purchased.

Speaking in support of **H 562** were **Mark Jones**, Idaho Realtors; **Leah Marsh Banks**, Idaho Mortgage Lenders Association; **Krista Deacon**, Idaho Realtors, and **Jeremy Piska**, Idaho Association of Realtors who said **H 562** addresses the affordability issue which is rapidly rising in Idaho; it favors equitability based on the date of the home purchase; and the goal is to have the homeowner's exemption in real time.

Speaking in opposition were **Brian Sender**, Canyon County Assessor, and **Jeremy Chou**, Idaho Association of Counties, who were concerned about the impact of **H 562** on county assessors' administration of the homeowner's exemption which requires them to provide abstracts to all budget districts by a cutoff date to set a levy. They said allowing the homeowner's exemptions to roll on rather than having a hard, firm date changes taxable value and will impact taxing district budgets; counties could face budget obstacles and unintended consequences; the impact on market values and levy rates would be complicated; and it raises questions on proration of exemptions. Mr. Senders discussed the fiscal note in relation to county statistics, and he said he was in favor of everyone qualifying for a homeowner's exemption, but there are issues that need to be addressed, which he would like to see addressed by amendments he is prepared to propose.

Rep. Anderst closed by saying the issues have been discussed with and are not new to Idaho counties. Counties do have the ability to estimate and those dollars are available in the budget to offset the cost. **H 562** would make a significant difference in some buyers ability to purchase homes. Prorating is not addressed, a buyer either qualifies or does not qualify for the homestead exemption.

In response to committee questions concerning counties and county assessor's involvement in drafting **H 562**, **Mr. Pond** indicated he meet with county assessors in December 2019 and has not received amendment language since then. He further informed the committee the effective date of **H 562** was January 2021 which gives the counties time to prepare.

The committee members discussed addressing county concerns, proposed amendments **Mr. Sender** may propose, this issue being before the counties for years and the passage of **H 562** forcing counties to address the issue, and the acceptance by the counties of homeowners's exemptions falling off immediately in certain circumstances compared to the lack of acceptance of the proposals in **H 562**.

MOTION: **Rep. Stevenson** made a motion to send **H 562** to the floor with a **DO PASS** recommendation.

ROLL CALL VOTE: Roll call vote was requested. **Motion carried by a vote of 10 AYE and 4 NAY.** **Voting in favor** of the motion: **Chairman Collins, Vice-Chairman Stevenson, Reps. Moyle, Anderst, Addis, Dixon, Giddings, Nichols, Ricks and Kiska.** **Voting in opposition** to the motion: **Reps. Chaney, Gestrin, Furniss, Ellis, Mason and Necochea.** **Rep. Anderst** will sponsor the bill on the floor.

H 574: **Rep. Mike Moyle** said upon divorce, the child tax credit can be an issue. **H 574** provides that when an individual involved in a divorce in Idaho files their taxes, they can also send a domestic court order to the ISTC that makes it clear which parent gets the child tax credit.

Rep. Moyle introduced **Sen. Jim Rice** to speak to the merits of **H 574**. Sen. Rice indicated the most common contention in divorce is people claiming their children on their tax return without being entitled to the claim. The tax benefit is shared and child support is adjusted up or down based upon who gets to claim the child. When someone claims the child who is not supposed to the other parent has already paid for that right. ISTC says the parent who signed the return gets the child tax benefit, and they will not honor the court order. The only way for the injured parent to rectify this is to seek a contempt action in court, which causes problems with withholding as well as leaves a parent with lengthy and court costs. Sen. Rice said this happens often enough that it is a serious problem.

In response to committee questions, **Sen. Rice** said the problem is the Idaho agency ignoring a court order where the federal tax agencies abide by court orders.

MOTION:

Rep. Ellis made a motion to send **H 574** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

H 524:

Rep. Marshall stated ISTC believes money stolen or embezzled is taxable income, and they believe they have the right to tax the stolen monies before the victim can claim restitution. In bankruptcy, assets from the crime can be protected by a criminal. Federal law allows state agencies, but does not mandate them, to have a first claim of priority in bankruptcy before other claimants, including victims. The effect of ISTC having a first claim victimizes the crime victims a second time. Restitution should be made to the victims of a crime first, and the state can tax them on whatever income they may recover. **H 524** prohibits ISTC from claiming a first priority position in a bankruptcy if five narrowly written conditions are met: the unpaid tax claim is on money obtained by criminal activity; the person owing the tax is convicted of a crime; the criminal files for bankruptcy protection; the victim of the crime files a creditor claim in the same bankruptcy estate; and there are insufficient funds to pay both claims. The retroactive nature could be problematic, but his constituents need to be made whole.

In response to committee questions, **Rep. Marshall** indicated the retroactive provision is directed toward a particular victim whose court case is already settled, and he doesn't know whether the victim claimed an ongoing business loss with ISTC. He further replied to committee questions by informing them the Idaho Attorney General stated **H 524** does have some ambiguity problems, and no statistics were gathered regarding the number of victims that could be impacted.

Committee members expressed a concern about a crime victim's ability to utilize the tax code to offset their loss and their desire to hear more from the Idaho Attorney General.

ORIGINAL MOTION:

Rep. Stevenson made a motion to send **H 524** to the floor with a **DO PASS** recommendation.

SUBSTITUTE MOTION:

Rep. Anderst made a motion to **HOLD H 524** in committee at the call of the chair.

MOTION WITHDRAWN:

Rep Stevenson withdrew her original motion.

In response to **Chairmen Collin's** inquiry, **Rep. Marshall** said he would supply the committee members with more information from the Attorney General.

**VOTE ON
SUBSTITUTE
MOTION:**

Motion carried by voice vote. Reps. Dixon, Giddings and Nichols requested to be recorded as voting **NAY**.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 9:54 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Wednesday, March 04, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>SCR 134</u>	Property Tax, Study Committee	Senator Jim Rice, Representative Mike Moyle
<u>H 589</u>	First Time Home Buyers Savings Accounts	Representative Robert Anderst
<u>H 590</u>	Property Assessment	Representative Jim Addis
<u>RS27740</u>	Precious Metal Bullion Exemption	Representative Tammy Nichols

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 Addis	Rep Kiska
Vice Chairman Stevenson	Rep Dixon	Rep Ellis
Rep Moyle	Rep Furniss	Rep Mason
Rep Anderst	Rep Giddings	Rep Necochea
Rep Chaney	Rep Nichols	
Rep Gestrin	Rep Ricks	

COMMITTEE SECRETARY

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

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, March 04, 2020

TIME: 8:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Hollie Ann Strang, Gem County Assessor; Josh Dison, Elmore County Assessor; Justin Baldwin, Gooding County Assessor; Dennis Fuller; Jeremy Pisca, Idaho Realtors; and Sancha Mitchell, IRC.

Chairman Collins called the meeting to order at 8:05 a.m.

MOTION: **Rep. Stevenson** made a motion to approve the minutes of the February 14, 2020 meeting. **Motion carried by voice vote.**

SCR 134: **Senator Jim Rice** said **SCR 134** is for the appointment of an interim committee to take a deeper dive into property tax. There are ongoing problems with property tax in Idaho, including shifts between commercial to residential property, rapid increases, and different behaviors in different parts of the state.

In response to committee questions, **Senator Rice** informed the committee that minority membership is usually a part of committees appointed by Idaho's Legislative Council.

MOTION: **Rep. Stevenson** made a motion to send **SCR 134** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

H 589: **Rep. Robert Anderst** introduced **Max Pond**, Idaho Realtors, to reiterate the changes made to **H 589** in response to committee concerns. Mr. Pond said requirements were added that account holders must reside in Idaho, have never owned a home in any location, and their annual contributions cannot exceed deductible limits. A cap of \$100,000 for the lifetime of the account was also added.

In response to committee questions, **Rep. Anderst** said a town home is a legal distinction, and the definitions include all types of dwellings used for residential purposes. **Rep. Anderst** will sponsor the bill on the floor.

MOTION: **Rep. Stevenson** made a motion to send **H 589** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Nichols** and **Necochea** requested to be recorded voting **NAY**.

H 590:

Rep. Jim Addis said **H 590** deals with assessments to business or commercial property, and is part of the larger tax question of how to reduce property taxes. For commercial property owners, assessment valuations are based on three approaches: market, income, and cost, which are subjective. This legislation looks at the cost value and eliminates some of the subjectivity that goes into valuing commercial properties. **H 590** sets forth a provable, actual and real assessed cost moving forward. Certain businesses have intrinsic income that is very hard to calculate. Non-paper 'blue sky' values of a business based on the worth of the business if it were sold and assessment methods that look at income but don't take costs out do not produce a true picture of worth. Then when budgets are mixed with the truer assessed values, the levy rates and property tax propositions are much simpler and accurate.

In response to committee questions on whether the commercial property values would harm residential property and whether there would be a tax shift, **Rep. Addis** said **H 590** provides a cornerstone based on fact through an accurate assessment process, and it is a policy maker's decision on how to look at budgets and levy rates. He further stated lower taxes are not the function of the assessment process but to get the right data that starts from a reality basis and simplifies the assessment process. In response to further questions, he informed the committee that an Idaho Attorney General Opinion had not been sought.

Committee members discussed how an improvement would be valued based on its actual and functional use; how to figure a value no more than depreciated costs; valuations on empty properties; the different methods of accessing value; the disallowance of expense deductions on the income method; how depreciation would be valued; the possibility of redefining market value; the cost approach and shielding residential values; and setting a uniform policy for the state.

Speaking **in opposition** to **H 590** were **Holly Anne Strange**, Gem County Assessor; **Josh Dison**, Elmore County Assessor; and **Justin Baldwin**, Gooding County Assessor; who said assessors are charged with establishing a market value of property, and they adhere to the standards of the International Association of Assessing Officers, who use three methods which help them to be fair and upon which they have not had many appeals. If **H 590** passes, there will be a tax shift; all properties will be assessed at the market level; appraisals will come in higher than the assessed value; depreciation is not used; taxes will shift to new property; assessments will be significantly higher using the cost approach only; the location of commercial property and implementation are not addressed in the legislation; most property would not see a benefit unless they are a larger box store; the most fair way to assess is based on the income a property can derive; taxpayer rights are missing in this legislation; it does not work with market law and violates other laws; they want assessed value to be close to a market value, but market value is the most important; it doesn't work according to market logic, violates assessment practices and the rule intended to properly equate value would conflict with Idaho Code § 63-109 where the ISTC equalizes value.

In response to committee questions, **Mr. Dison** replied they are familiar with their communities and weigh whether the cost, income or market approach and whether to average the three or leverage the lower or higher of the three would be most appropriate to the property. When buildings get older and the cost is not as true, they send out questionnaires asking for costs, expenses and development per square foot. They look at a building's highest and best use, and if they are a retail store, they look at square footage, structural components and the way it is designed. He further responded to committee questions about depreciation cost being set in federal regulations by saying there is more than one factor affecting depreciation. The values of commercial properties are indexed annually.

In response to committee questions **Mr. Baldwin** replied that he would try and find a market vacancy using the best information available to appraise un-rented storage units. He further responded to questions concerning calculations establishing an income stream where the income has not been established by saying market value and what a buyer would pay for the property is most important. He said he considers all three valuation approaches and tries to decide what the market would do, not what the property is reflecting.

Committee members commented the cost approach should not always be the approach, but in a situation where an income stream cannot be established, it is not a good practice to just make assumptions. The establishment of an income stream where one may not exist is subjective. Market value is where you start with no assumptions figured into what a property is worth. Decisions makers should be limited when valuing a property.

Rick Smith, Hawley Troxell Ennis and Hawley, appeared on his own behalf and **in support of H 590** and said no matter the type of business, when an income or comparable sales approach is used, the value of the entire business is captured. If a cost approach for a nursing home is \$1 million and the income approach is \$2 million, the appraiser may consider all the approaches and may average them to arrive at \$1.5 million. The problem is that the income approach is the entire value of the business which, for a nursing home, is the value of the patients, the customers, the food service. **H 590** recognizes the cost approach of \$1 million is the maximum amount any investor would pay if they could build the same property for that value. Depreciated cost is not a new approach but is the approach county assessors use. Current Idaho law says assessors can use reproduction costs and replacement costs, and this legislation changes statutory language to recognize it is going to be a depreciated cost. Property tax depreciation is different from income tax depreciation. This legislation separates business value from property value. The difference is intangible value, whether it is good will or customer relationships or some other type of intangible that is exempt under Idaho Code § 63-602L. It is very difficult for assessors to deduct that intangible value. This legislation puts a cap on the cost approach which would eliminate the need to try and get intangibles out of an income or market approach value.

In response to committee questions, **Mr. Smith** said he thinks **H 590** affects commercial property at the margins that have a lot of income relative to tangible property value. He guaranteed businesses like fast food establishments or car dealers are not being assessed using an income approach but a cost approach. It would be an impossible task for assessors to use an income approach then back out the franchise value and the good will. **H 590** will take care of the balance of those and make it more consistent and fair for everyone. He further responded to committee questions by saying the actual and functional use under current Idaho code is not addressed in **H 590**.

Rep. Addis closed by saying **H 590** makes commercial values more data driven and fact based for the purpose of clarity in assessments so that the worth of an assessed business property is clear. The current process is fraught with variability and subjectivity, and this legislation is seeking more certainty.

In response to committee questions, **Rep. Addis** stated depreciation methods are different for property than income tax.

MOTION:

Rep. Anderst made a motion to **HOLD H 590** in committee.

Reps. Moyle and Necochea spoke **in support** of the motion saying the impact and constitutionality of **H 590** needs further review.

VOTE ON MOTION:

Motion carried by voice vote.

RS 27740: **Rep. Tammy Nichols** informed the committee the framers of our nation established that gold and silver are money. In recent decades, federal taxing authorities have required taxpayers to report nominal capital gains and losses when exchanging this form of federal reserve notes. Idaho already exempts precious metal bills from sales tax, and **RS 27740** exempts the sale of precious metal bullion from being subject to capital gains. Under Idaho law, a taxpayer who sells precious metals may end up with a capital gain in terms of federal reserve notes, which is not necessarily a real gain but a nominal gain that results from inflation increased by the Federal Reserve and the attendant decline of the dollar's purchasing power. Because Idaho uses federal adjusted gross income as a starting point for Idaho income calculations, the nominal gain is taxed again by Idaho which creates a double tax. Investments in precious metal coins and bullion are exempt from sales tax. This legislation would incentive citizens to purchase gold and silver.

MOTION: **Rep. Moyle** made a motion to introduce **RS 27740**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:47 a..m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Friday, March 13, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>RS27978</u>	Tax Exemption, Low-Income Housing	Representative Robert Anderst
<u>S 1277</u>	Homestead Exemption, Form	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 Addis
Vice Chairman Stevenson Rep Dixon
Rep Moyle Rep Furniss
Rep Anderst Rep Giddings
Rep Chaney Rep Nichols
Rep Gestrin Rep Ricks

Rep Kiska
Rep Ellis
Rep Mason
Rep Necochea

COMMITTEE SECRETARY

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

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 13, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** Representative(s) Addis, Dixon, Mason

GUESTS: None

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of the February 17, 2020, February 18, 2020, and February 19, 2020, February 21, 2020, March 2, 2020, and March 4, 2020 meetings. **Motion carried by voice vote.**

RS 27978: **Rep. Anderst** said **RS 27978** changes one word in Idaho Code § 63-602GG. He gave an example of a non-profit church that owns and operates low income housing which under current law has to be self-managed or managed by a related non-profit and does not allow them to hire professional property management. If the church is out of compliance, they lose their property tax exemption which would raise their property rates. **RS 27978** allows the non-profit to hire professional for-profit property management without losing the property tax exemption they rely on to maintain affordable housing.

In response to committee questions, **Rep. Anderst** replied low income housing property management has technical criteria which requires certain expertise. He indicated he would update the fiscal note.

Rep. Nichols declared Rule 80 stating a possible conflict of interest, but she would be voting on the legislation.

MOTION: **Rep. Chaney** made a motion to introduce **RS 27978**. **Motion carried by voice vote.**

S 1277: **Rep. Moyle** said **S 1277** requires that all application forms for a homeowner's exemption be the same, readily available and be created by the Idaho State Tax Commission.

Rep. Anderst commented **S 1277** is a good idea, but there are additional changes that could be made to the homeowner's exemption chapter.

MOTION: **Rep. Anderst** made a motion to send **S 1277** to General Orders. **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 9:10 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Tuesday, March 17, 2020

SUBJECT	DESCRIPTION	PRESENTER
<u>RS28016</u>	Concurrent Resolution - Administrative Rules	Representative Thyra Stevenson

COMMITTEE MEMBERS

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

Rep Kiska
Rep Ellis
Rep Mason
Rep Necochea

COMMITTEE SECRETARY

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

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 17, 2020

TIME: 8:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** Representative(s) Chaney, Nichols, Ellis, and Mason

GUESTS: None

Chairman Collins called the meeting to order at 8:10 a.m.

Rep. Stevenson made a motion to approve the minutes of the January 15, 2020, February 24, 2020, February 27, 2020, and March 13, 2020 meetings. **Motion carried by voice vote.**

RS 28016: **Chairman Collins** announced an agenda change and informed the committee **RS 28016** would not be heard.

Chairman Collins recognized and thanked the committee page, **Kenedee Miller**, and the committee secretary, **Lorrie Byerly** for their service. He also thanked **Rep. Anderst**, who is retiring, for his service and congratulated him on his retirement.

Rep. Stevenson thanked **Chairman Collins** on behalf of the committee for his service to the committee and the State of Idaho. Committee members congratulated him on his retirement.

ADJOURN There being no further business to come before the committee, the meeting adjourned at 8:17 a.m.

Representative Collins

Chair

Lorrie Byerly

Secretary