

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, February 15, 2012

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Corder, Vice Chairman Johnson, Senators Hill, McKenzie, McGee, Hammond, Siddoway, Werk, and Bilyeu

**ABSENT/
EXCUSED:**

NOTE: The sign-in sheet, testimonies, and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

Chairman Corder called the meeting to order at 3 pm.

Chairman Corder introduced page **Alexander Wright** and thanked him for his service to the committee. **Mr. Wright** said he will be going to the University of Idaho to major in Mechanical Engineering and then move to the Middle East.

DISCUSSION OF JOINT MEETING: **Chairman Corder** handed out a synopsis of ideas that were suggested from the presenters at the joint meeting and asked the committee members what should be changed for future presentations. See attachment #1

Senator Bilyeu said she was unable to attend, but found the comment to improve transportation access interesting. **Chairman Corder** said there was no detail mentioned with the comment. This was an opportunity for presenters to present different options; however some did not take the opportunity and instead presented the established rhetoric. **Senator Bilyeu** said it would be good to have the presenters rank their suggestions as to priority.

Senator Hammond said it can be difficult for people to make proposals rather than criticize what has been suggested. A committee or subcommittee could create alternatives in advance, which could be discussed. Incentives are a short-term solution and policy is a long-term strategy. Policy does not favor any specific company and favors a long-term commitment from companies to stay in Idaho. Incentives cause a state to attract companies because of the incentive, not because of an overall favorable view of the state. These companies do not have a long-term commitment to Idaho.

Senator Werk said the joint meeting was valuable; however, factual economic data of the impact of different strategies would be more helpful.

Senator Siddoway said there are other ways to help industries rather than incentives. Regulations can be eased which would help industry without costing the state tax money. **Chairman Corder** said industries that use dairy products will move to the state regardless of incentives because the transportation costs are much cheaper locally rather than to send products across country.

Senator Hammond said it would be good to find out what issues the Department of Commerce and recruiters are struggling with in recruiting companies to Idaho and conversely; why are companies planning on leaving Idaho.

Senator McKenzie said the informational meetings are very helpful.

**DISCUSSION
OF H 417**

Chairman Corder said tax legislation begins in the House and that many of the Senate Committee members see the bills for the first time right before they are voted on. **Chairman Corder** handed out worksheets related to the fiscal impact of H 417, which will be heard on February 21, 2012. See attachment #2.

Chairman Corder said the fiscal note uses some assumptions that are different from some of the information that was received from the aircraft repair industry in Idaho. The statement of purpose shows there are twenty-six facilities in Idaho. However, they all do not have relevance for the purposes of this legislation. There is a comparison of states with exemptions on aircraft parts, and Idaho, that takes into consideration other taxes such as sales and income. The sheet that has income tax revenue is contrary to the statement of purpose. The income tax revenue sheet uses different assumptions than the statement of purpose. The amount of \$79,500 is wages with a multiplier for the facilities other than Western Aircraft.

There are two spreadsheets for Western Aircraft; one is an annual calculation of potential gain or loss which uses the percentages outlined in the fiscal impact, and the other one uses a multiplier of 37.6% as provided by Derek Santos of the Division of Financial Management. All of the business was calculated using the assumption that it was new business. However, some of the business shown is existing business. There are not as many financial benefits as shown in many of the calculations.

The sales tax revenue of \$36,000 which is gained by the state due to Western Aircraft building a \$1 million building can only be used for the first year of calculations since it is a one-time event.

Vice Chairman Johnson said there seemed to be some confusion by the companies who filled out the surveys whether Idaho residents would receive the tax exemption as well as non-residents. **Chairman Corder** said the surveys were sent out prior to that decision being made.

Chairman Corder said there is no implication of preconceived positions on this legislation. He just wants to be sure the committee understands the calculations prior to receiving the legislation.

Senator Werk said the fact that the worksheets differ speaks to the fiscal note and the need to select economic assumptions. There could be a discussion of economic assumptions rather than actual legislation.

Vice Chairman Johnson thanked **Chairman Corder** for all the hard work.

ADJOURNMENT: The meeting was adjourned at 3:55 pm.

Senator Corder
Chairman

Jo Ann Bujarski
Secretary