

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 17, 2012

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Lake, Vice Chairman Collins, Representative(s) Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood(35), Bedke, Harwood, Barbieri, Bayer, Ellsworth, Gibbs, Killen, Burgoyne, Rusche

**ABSENT/
EXCUSED:** Representatives Smith(24), Wood(35), Rusche

GUESTS: Brad Wills, Buildidaho.org; Max Greenlee and Benjamin Davenport, Risch Pisca; Miguel Legarreta, Ada County Association of Realtors; Suzanne Budge, SBS Associates, LLC

Chairman Lake called the meeting to order at 9:03 am.

Chairman Lake introduced the new page, **Holly Monaghan**. She is from Meridian, Idaho.

H 519: Testimony on **H 519** continued from yesterday. **Benjamin Davenport**, Building Contractors Association, spoke **in favor of H 519**. He said he believes this is a revenue neutral bill. There will possibly be a tax shift if it is not passed. This will help developers get shovel ready sites and do away with ineffective farming on platted developments.

In response to Committee questions, **Mr. Davenport** said that money from new construction tax rolls doesn't exist until there is new construction. There would be an increase in future revenues and work when the development is needed.

Alex LaBeau, Idaho Association of Commerce & Industry (IACI), spoke **in favor of H 519**. He said that looking at existing law, a developer's portfolio is the developer's inventory. A developer makes site improvements before the inventory is sold to the consumer. This is a fairness issue to real estate development people. The real estate industry will help Idaho's economy grow again. One question is: Does the inventory belong to the government or the developer? This is followed by: Who actually owns the money? There should be an inventory exemption for those putting site improvements into the land. This is a fairness issue for all businesses.

In response to Committee questions, **Mr. LaBeau** stated that the monetary impact depends on the amount of site improvements. Any prediction would be a disservice to everyone, but there would probably be zero impact after taking future budgets, tax rolls and their impact changes into the mix. Ineffective farming is a true tax shift. Everyone wants to get to a Stage 4 development; it expands the tax base and the developer recovers his investment. Every business wants to sell their inventory, whether it is a warehouse item or site improvements.

John Eaton, Idaho Association of Realtors, spoke **in favor of H 519**. He said this is a fairness issue.

In response to Committee questions, **Mr. Eaton** said the developers are trying to weather the storm. In Canyon County, there are 4,500 lots that have been improved and sit in some form. There are 3,000 platted and 700 for sale; someone has picked up the balance of the sites. Once the sale has been made, the value reduction is not available to the buyer. That does not interfere with the market. Current tax policy does interfere with the marketplace. No other industry is taxed on inventory as things are built.

- MOTION:** **Rep. Ellsworth** made a motion to send **H 519** to the floor with a **DO PASS** recommendation.
- ROLL CALL VOTE:** **Rep. Roberts** requested a roll call vote on **H 519**. **Motion carried by a vote of 13 AYE, 2 NAY and 3 Absent/Excused.** **Voting in favor** of the motion: **Rep. Collins, Barrett, Moyle, Raybould, Roberts, Schaefer, Bedke, Harwood, Barbieri, Bayer, Ellsworth, Gibbs and Lake.** **Voting in opposition** to the motion: **Reps. Killen, Burgoyne.** **Reps. Smith(24), Wood(35) and Rusche were absent/excused.** **Rep. Hartgen will sponsor the bill on the floor.**
- RS 21128:** **Rep. Moyle** introduced **RS 21128**. This legislation corrects previous legislation that did not protect community colleges from having their future levies taken by Urban Renewal Districts.
- In response to Committee questions, **Rep. Moyle** stated that at least one of the Urban Renewal Districts has provided some services to the colleges in the past.
- MOTION:** **Rep. Ellsworth** made a motion to introduce **RS 21128**. **Motion carried by voice vote.**
- RS 21286:** **Rep. Moyle** presented **RS 21286**. This legislation comes from the Governor's office. It reduces the upper limit on corporate and individual income taxes, from 7.8% and 7.6% respectively, to 7.4%. It has a \$35M fiscal impact. It will combat the impression to new businesses that our tax rate is too high.
- In response for Committee questions, **Rep. Moyle** said this legislation has no provision for future budget problems. Future legislation can change the rates if necessary. There were no offsets to exemptions included in this legislation.
- MOTION:** **Rep. Bedke** made a motion to introduce **RS 21286**. **Motion carried by voice vote.**
- Chairman Lake** presented a card and a Letter of Recommendation to Abby Morris, the outgoing Page and thanked her for her service to the Committee.
- ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 9:51 am.

Representative Lake
Chair

Janet Failing
Secretary