

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 02, 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:** None.

GUESTS: Joie McGarvin, America's Health Insurance Plans; Bert Marley, Idaho Education Association (IEA); Max Greenlee, Risch Pisca; Colby Cameron, Sullivan Reberger Eiguren

Chairman Lake called the meeting to order at 9:08 am.

MOTION: **Rep. Collins** made a motion to approve the minutes of the February 21, 2012 committee meeting. **Motion carried by voice vote.**

RS 21416: **Ken McClure**, Idaho Society of CPAs, presented **RS 21416**. The proposed legislation deals with income tax for individuals and pass-through entities, such as the way an individual is taxed on income earned in multiple states. Currently, in order to avoid double taxation, the taxes are all apportioned to Idaho and the filer gets credit for taxes that have been paid to other states. Different states call them different taxes. Some states have occupation taxes or gross receipt taxes. If you have a tax that isn't exactly an income tax, there can be a problem. Taxes that have been paid to Texas are either a franchise tax based on income or revenue. Texas allows a deduction for cost of goods or services, but not both. The Tax Commission has determined that Texas is not an allowable state for credits. There must be a deduction available for both goods and services. The proposed legislation avoids double taxation of an Idaho resident who is working in another state. The Tax Commission has reviewed the proposed legislation and provided the fiscal note.

In response to Committee questions, **Mr. McClure** stated that removing the word "and" does not exactly correct things. There is some ambiguity in the current statute. The filer starts with the premise that all Idaho revenue is taxable, and then is given credit for taxes paid to other states. It is actually a credit against tax liability.

MOTION: **Rep. Rusche** made a motion to introduce **RS 21416**. **Motion carried by voice vote.**

Chairman Lake turned the gavel over to **Vice Chairman Collins**.

H 594: **Rep. Lake** presented **H 594**. At the end of the year, after determination of budget, this legislation would sweep any remaining money into the budget stabilization fund. The bill as originally written would use cash in hand as of June 30th. That needed to be changed, since there is not any money at that time.

Committee discussion included the following statements: There should be only approximately \$30M to go back into reserves for 2012. 2011 revenues were greater than \$69M. How is this bill going to affect the interplay between the various committees? The problem is that money is being treated as if it is new revenue, which it is not. The intent is for current year's revenue and expenditures to line up, and to use the reserve account to accumulate excess revenue.

This bill makes it easier to manage current funds. It does take money off the table. What would have happened had this bill been in place two years ago? Fiscal year 2011 would have swept \$69M. Fiscal year 2012 would have swept \$35M. How do we adjust revenue projections through the year? This will force the Economic Outlook Committee to be more accurate in the revenue they forecast.

Certain aspects and principals of this legislation are good. The legislature defines the starting points for our budgets. This is not just about rolling the ending balance to have available money to spend. When we close out the books, we move the money. This is a true measure of the economy. It is a clearer method, obtaining the right revenue and expenditures. Different agencies may see extra money and try to get it for their budgets.

This is conceptually a simple bill. It takes excess money off the table and moves it to reserves. It will make us take a look at the Budget Stabilization Fund and eliminate surplus.

MOTION: **Rep. Lake** made a motion to send **H 594** to General Orders. **Rep. Rusche** seconded the motion. **Motion carried by voice vote.** **Rep. Lake** will sponsor the bill on the floor.

Chairman Collins turned the gavel over to **Chairman Lake**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:56 am.

Representative Lake
Chair

Janet Failing
Secretary