

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

- DATE:** Monday, February 11, 2013
- TIME:** 9:00 A.M.
- PLACE:** Room EW42
- MEMBERS:** Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Erpelding, Meline
- ABSENT/  
EXCUSED:** None.
- GUESTS:** Mike Chakarun, Idaho State Tax Commission; Dar Olberding, Idaho Grain Producers Association; N.L. Clayville, DFM; Julie Hart, Girl Scouts; Brent Olmstead, Milk Producers of Idaho; Russell Westerberg, Kootenai Tribe; Elli Brown, Veritas Advisors; James Klittmeyer, Klittmeyer & Associates; Raeleen Welton, Westerberg & Associates.
- Chairman Collins** called the meeting to order at 9:00 a.m.
- MOTION:** **Rep. Anderson** made a motion to approve the minutes of February 6, 2013.  
**Motion carried by voice vote.**
- RS 21777C2:** **Sen. Brent Hill**, presented **RS 21777C2**. This proposed legislation would limit the amount of compensation paid to a partner by a partnership and would impact pass through entities only. The limit of \$250,000 would apply to compensation paid to a partner who provides services in another state. Any amount paid in excess of \$250,000 will be sourced to Idaho and based upon the Idaho apportionment factor, which is used when a company has income in more than one state. This limit will be adjusted annually for inflation. **RS 21777C2** would also clarify that all compensation paid to a retired partner is sourced to that individual's state of domicile.
- In response to a question from the committee **Sen. Hill** stated that this represents a compromise on how the partner income is treated by the Idaho State Tax Commission and current practice, in which all income is apportioned. **Sen. Hill** clarified that the fiscal impact of \$440,000 is an estimated annual decrease.
- MOTION:** **Rep. Wood(35)** made a motion to introduce **RS 21777C2**.
- Sen. Hill** yielded the podium to **Randy Tilley**, Idaho State Tax Commission (ISTA), who estimated that the impact to the General Fund, if all guaranteed payments were included in this proposed legislation, would be close to \$1 million. **Mr. Tilley** stated that they can treat the guaranteed payments as distribution of capital but they would be subject to the apportionment.
- In response to a question, **Sen. Hill** stated that a Limited Liability Corporation (LLC) can elect to be taxed as a corporation or a partnership and a majority of LLC's in Idaho are taxed as partnerships. There is currently not an option, in a partnership, to classify income as wages. All income is included as guaranteed payments. **Mr. Tilley** responded to a question stating that he doesn't know how long the ISTA has been treating guaranteed income in this manner, but the rule making process was to give clarity to the practice.
- VOTE ON THE MOTION:** **Chairman Collins** called for a vote on the motion. **Motion carried by voice vote.**  
**Rep. Barrett** requested to be recorded as voting **NAY**.

**RS 21831:** **Helo Hancock**, Coeur d'Alene Tribe, presented **RS 21831**. This proposed legislation would statutorily exempt land owned by the tribal governments and located within reservation boundaries. Statewide, the assessed tax generated for the five tribes in Idaho is approximately \$303,000. Tribal governments provide essential services within the reservation that provide benefits beyond those provided to tribal members. Federal Impact Aid is a federally funded program that compensates schools located in taxing districts for the loss of property tax revenue from tribes. Mr. Hancock clarified that most of the land that would be impacted was initially homesteaded and then subsequently purchased back by the tribe. Mr. Hancock is unaware of any particular action that brought this issue to the forefront, but reservations received a flurry of tax assessments in 2006.

**Rep. Barrett** invoked **Rule 38**, and declared that she is a card carrying member of a tribe in Oklahoma and she intends to vote.

**MOTION:** **Rep. Moyle** made a motion to introduce **RS 21831**. **Motion carried by voice vote.**

**RS 21881:** **Sen. James Rice** presented **RS 21881** which would provide a real property tax exemption for wells drilled for the production of gas, oil or hydrocarbon condensate. A well on real property would affect the value of the property but this proposed legislation would clarify that the 'hole in the ground', separate from the real property, is not taxed.

**MOTION:** **Rep. Barrett** made a motion to introduce **RS 21881**. **Motion carried by voice vote.**

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

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Representative Collins  
Chair

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Kathleen A. Simko  
Secretary