

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Wednesday, February 27, 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:** Benjamin Davenport, Associated Taxpayers of Idaho; Mike Chakarun, Richard Jackson, Idaho State Tax Commission; Suzanne Budge, SBS Associates LLC; Phil Homer, Idaho Association of School Administrators; N.L. Clayville, Derek Santos, DFM.

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

**MOTION:** **Rep. Meline** made a motion to approve the minutes of February 26, 2013. **Motion carried by voice vote.**

**RS 21860C1:** **Sen. Nonini** presented **RS 21860C1** which would provide a credit on Idaho income taxes to individuals and corporations that make donations to Scholarship Granting Organizations (SGO's) providing scholarships to qualified K-12 students, attending approved schools. For individuals, the credit would be equal to the full amount of the donation. For corporations, the credit would be allowed for the full amount of the donation, up to 50% of the corporate taxpayer's total state liability. The total amount of credits is limited to \$10 million in each fiscal year. If the cap is reached, it will be automatically increased by the same amount as any increases to the consumer price index. **Sen. Nonini** worked with the Idaho Attorney General on the language of the proposed legislation to ensure it was not unconstitutional. The K-12 and School Choice Survey ranks Idaho as a state with a need for a tax credit like this would offer. The projected savings have been vetted with the Idaho State Tax Commission.

**MOTION:** **Rep. Wood(35)** made a motion to introduce **RS 21860C1**.

**Sen. Nonini** clarified that if the \$10 million cap is reached, the additional tax credit over that amount would be carried forward into the subsequent year. The credit would be available on a first come, first served basis. Tax credit would be permitted for nonaccredited elementary schools, the first year only, if they are in the accreditation process. **Sen. Nonini** stated if the fund were to be used by one or two entities, corporations would still be limited to 50% of their tax liability and acknowledged that the \$10 million might be less than needed. If this situation were to occur, the Tax Commission would need to develop a process to allocate the tax credits.

In response to a question, **Sen. Nonini** stated scholarships would not be eligible for children of any parent employed by the scholarship granting organization. There is no requirement in the legislation that would require an SGO to grant scholarships to more than one school. **Sen. Nonini** stated private schools tend to have a religious affiliation, in Idaho as well as across the country.

**Rep. Vander Woude** clarified that there is proposed language in the legislation that is not exclusive to benefit one school. Parents would apply to the SGO for their student to attend a particular school and if granted, the SGO would write a check to the parents and the school, to ensure it goes for the intended purpose.

**VOTE ON THE MOTION:**

**Motion carried by voice vote. Reps. Burgoyne, Meline and Erpelding** requested to be recorded as voting **NAY**.

**RS 21988C1:**

**Rich Jackson**, Commissioner, Idaho State Tax Commission, presented **RS 21988C1** which provides clear guidance and clarification to existing law regarding obsolescence in the market value of a property. There are pending lawsuits that the Tax Commission plans to litigate, which have arisen from challenges to current law. If there are no changes made, the estimate of the tax shift, going forward, is \$13 million. This proposed legislation would require that in order for property to be reduced for obsolescence, the taxpayer would need to provide the following; evidence of the specific cause of the obsolescence, the amount of the obsolescence, and evidence that the specific obsolescence negatively affects the market value of the property. This proposed legislation will define a method to clarify economic obsolescence.

In response to a question, **Steve Fiscus**, Property Tax Administrator, Idaho State Tax Commission stated there are three types of obsolescence; physical, functional and economic. Physical and functional obsolescence can be demonstrated by photos and data. Defining economic obsolescence is more difficult and subjective. This proposed legislation would not change the definition but would add a requirement that the adjustment must be made by specific asset. Currently, this is done with a formula and the evidence required would clarify the economic obsolescence of property.

**MOTION:**

**Rep. Moyle** made a motion to introduce **RS 21988C1**. **Motion carried by voice vote. Rep. Trujillo** requested to be recorded as voting **NAY**.

**ADJOURN:**

There being no further business to come before the committee, the meeting was adjourned at 9:43 a.m.

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Representative Collins  
Chair

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Kathleen A. Simko  
Secretary