

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

- DATE:** Thursday, February 19, 2015
- TIME:** 3:00 P.M.
- PLACE:** Room WW53
- MEMBERS PRESENT:** Chairman Siddoway, Vice Chairman Johnson, Senators McKenzie, Rice, Vick, Bayer, Guthrie and Burgoyne
- ABSENT/ EXCUSED:** All present, with a vacancy in District 17.
- 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.
- CONVENED:** **Chairman Siddoway** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:01 p.m.
- RS 23618:** **Cynthia Adrian** presented **RS 23618** and reported it proposes to modify Idaho Code § 63-3067A removing the requirement to include the donations to trust accounts on a "conspicuous portion of the principal individual income tax form". This information is displayed on Forms 40 and 43. The amount of information required on the individual income tax forms, space is very limited. Font size on the current forms is at 8 points and is difficult to read. **RS 23618** would allow flexibility to move the donation information making it possible to increase font size on the forms and improve readability for the taxpayer. Idaho Code § 63-3067C provides sunset provisions for the trust accounts listed in Idaho Code § 63-3067A. These two accounts are being removed because they no longer meet the requirements. **RS 23618** repeals Idaho Code § 63-3067B, it contained the same information as Idaho Code § 63-3067A, and removes all references to the code section that is being deleted.
- UC REQUEST:** **Chairman Siddoway** asked for unanimous consent to send **RS 23618** to the Senate State Affairs Committee to print. There were no objections.
- H 29:** **Alan Dornfest** presented amended **H 29**, relating to technical corrections of personal property exemption in which the Tax Commission was recommending change in three areas. **Mr. Dornfest** gave background on **H 29** before reporting that the concern about using the substitution of the term "consanguinity" for IRS Code 267 had been addressed and reviewed by legal staff. The recommendation was made in the amendment stating a return to original language. **Mr. Dornfest** concluded by asking the Committee to accept the amended version of **H 29**.
- MOTION:** **Senator Guthrie** moved to send **H 29** to the 14th Order for amendment. **Senator Rice** seconded the motion. The motion carried by **voice vote**.
- MINUTES:** **Chairman Siddoway** called for the approval of the Minutes from February 4, 2015.
- MOTION:** **Senator Rice** moved to approve the Minutes of February 4, 2015. **Senator Johnson** seconded the motion. The motion carried by **voice vote**.

**H 76:** **Representative Clark Kauffman** presented **H 76**, relating to tax levies and the school emergency fund levy. He reported the purpose of this legislation is to include emergency school levies in Idaho Code § 50-2908 (f). This section allows the levy to be assessed on the current equalized valuation of taxable property instead of the base assessment roll. Property tax paid for school emergency levies will go to the school district instead of the urban renewal agencies. This affects school districts that have an urban renewal district in their school district.

**Phil Homer**, Idaho School Board Association, spoke in support of **H 76**. He stated **H 76** was a good companion to H 470 when bond levies, supplemental levies, and plant facility levies were protected.

**Senator Burgoyne** asked Mr. Homer about the position of the urban renewal districts. **Mr. Homer** said that he had not spoken to any of them. **Representative Kauffman** clarified the urban renewal districts had been contacted and that they felt glad to have received money.

**MOTION:** **Senator Rice** moved to approve **H 76** with a **do pass** recommendation. **Senator Guthrie** seconded the motion. The motion carried by **voice vote**.

**H 85:** **Robert L. Aldridge**, Chartered Attorney at Law, presented **H 85**. He reported **H 85** is about the income tax treatment of gains on sales of certain tangible capital assets. He explained there are times when the entity may want to distribute an asset to a partner instead of selling the property and distributing the proceeds. **Mr. Aldridge** noted **H 85** removes any distinction between distributions to an ongoing partner versus liquidating distributions to partners leaving a partnership. **H 85** clarifies the treatment to match what appears to have been the original intent of the Legislature in this statute. He said that **H 85** would have little or no fiscal impact.

**Chairman Siddoway** asked about dates of qualification. **Mr. Aldridge** replied the tax year would begin on or after the effective date of the legislation and that there would be an option to do a short year on the first time and then convert to a calendar year.

**Senator Rice** asked about the fiscal impact of **H 85** and voiced his concern that there would be a high probability of a fiscal impact to the General Fund. **Mr. Aldridge** replied there was inquiry about the fiscal impact language and there was no objection. **Senator Rice** asked which section of the code liquidating and non-liquidating distributions fall under. **Mr. Aldridge** said he could not speak to that question, but it was possible the Tax Commission could.

**Senator Burgoyne** asked, with respect to tacking, whether an entity status could drive the outcome and how far in advance of liquidation would a C corporation have to become an S corporation, an LLC, or a partnership in order to take advantage of the bill. **Mr. Aldridge** replied that the conversion from a C to an S corporation is complicated, and what is being looked at is the holding period of the entity. This is designed to cover for when the entity itself doesn't want to sell and then hand out the proceeds. The partner may see it as a good long term investment therefore wanting the asset rather than proceeds of the investment. He stated he doesn't believe that particular situation would drive the choice of entity.

**MOTION:** **Senator Burgoyne** moved to approve **H 85** with a **do pass** recommendation. **Senator Guthrie** seconded the motion. The motion carried by **voice vote**.

**PAGE GRADUATION:** **Chairman Siddoway** called Page Haley Fronk to the podium and presented her with an Idaho State watch, Capitol sweatshirt, a letter of recommendation, and a letter of appreciation signed by all the Committee members. **Ms. Fronk** spoke about her experiences having a positive impact for her, how she has enjoyed going to work every day, and that being a page has been a life changing event for her.

**ADJOURNMENT:** There being no further business, **Chairman Siddoway** adjourned the meeting at 3:49 p.m.

---

Senator Siddoway  
Chair

---

Amanda McLennan  
Secretary