

House Revenue & Taxation Committee

Minutes
2007



MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 10, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Moyle, Schaefer, Smith(24), Raybould, Roberts, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** Representative Wood
Representative Barrett

GUESTS: Dan John and Jim Hustead, Idaho State Tax Commission

Chairman Lake called the meeting to order and requested a silent roll call.

Chairman Lake introduced himself and then requested committee members, staff, and guests introduce themselves.

Chairman Lake assigned the following Sub-Committees:

#1 Rules - Representative Collins, Chairman; Representatives Harwood, Bedke, and Ruchti.

#2 Credits & Exemptions - Representative Raybould, Chairman; Representatives Schaefer, Roberts and Saylor.

#3 TBA - Representative Smith, Chairman; Representatives Barrett, Hart, and Jaquet.

#4 TBA - Representative Clark, Chairman, Representatives Wood, Moyle, and Killen.

Chairman Lake announced the first item on the agenda would be informational discussion seminar on Product taxes, specifically Idaho's Cigarette, Tobacco, and Wine & Beer Taxes.

Chairman Lake recognized Mr. Hustead to begin his presentation on product taxes. Jim Hustead representing Idaho State Tax Commission discussed the Idaho Cigarette Tax, exemptions and distributions; Tobacco Tax and distribution; Idaho Wine Tax and distributions; and the Beer Tax, imposition and distribution. Mr. Hustead provided committee members a copy of the power point presentation slides and information sheets on FY 2006/FY2007 revenues for the above categories.

Representative Jaquet asked the question of why all of the beer tax revenues are not distributed into alcohol treatment funds.

Bill Roden responded that when Governor Smylie adopted the permanent

building fund in 1961 and chose to increase the beer tax there was no alcohol treatment fund.

There was a brief question and answer period in regards to the categories presented.

ADJOURN: There being no further business to come before the Committee, Chairman Lake adjourned the meeting at 9:45 a. m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 11, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** None

GUESTS: Saul Cohen, Dan John, John Hustead, Idaho State Tax Commission

Chairman Lake called the meeting to order and requested a silent roll call.

RS16610 #: Chairman Lake announced the first item on the agenda was RS16610 and asked Representative Clark to explain the RS. Representative Clark said this would be an adjustment to the Budget Stabilization Fund. This bill would limit the amount of moneys in the Budget Stabilization Fund to increase to not exceed eight percent of the total general fund receipts for the year just ending. Previous it has been five percent. He stated that Section 2 is an emergency clause that will allow the change to become effective as soon as enacted.

MOTION: Representative Smith moved to **introduce RS16610**. Motion passed unanimously on a voice vote.

Chairman Lake announced the next item on the agenda would be an informational discussion seminar on Idaho Sales and Use taxes - Exemptions and Exclusions.

Chairman Lake recognized Saul Cohen. Mr Cohen, Idaho State Tax Commission Tax Policy Specialist provided a power point slide handout to the committee members. He explained the difference between exemptions and exclusions. Mr. Cohen briefly discussed each item on the slide presentation.

Representative Raybould asked if the Ronald McDonald House was a "name specific" charity exemption. Mr. Cohen stated it was, and that each entity should have a separate bill to be included in the charity exemption.

Representative Clark asked if there was the possibility of drafting language that could include organizations with certain criteria to fall into the charity exemption. Mr. Cohen said it could be possible. Representative LaFavour mentioned she has a draft of a blanket bill for such inclusions.

There was discussion in regards to the number of grocery stores that

have bar coding systems on line for tax change updates.

There was a brief question and answer period in regards to the categories presented.

ADJOURN:

There being no further business to come before the committee, Chairman Lake adjourned the meeting at 10:25 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 15, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Bedke, Hart, Sayler, Jaquet, Killen, Ruchti

**ABSENT/
EXCUSED:** Representative Hart and LeFavour

GUESTS: Ted Spangler and Dan John, Idaho State Tax Commission

Chairman Lake called the meeting to order and requested a silent roll call.

RS16517: Chairman Lake announced the first item on the agenda was RS16517 and asked Dan John to explain. This RS allows Idaho to participate with forty five other states in the Streamlined Sales Tax Project. It is a national effort for state uniformity.

A question was asked about nonconformity. The answer was there are no penalties with a time extension to regain conformity, and if not the agreement would become inactive.

MOTION: Representative Smith moved to introduce RS 16517. Roll call vote was requested.

SUBSTITUTE MOTION: Representative Clark moved to recommend returning RS16517 to sponsor for further discussion. Roll call vote was requested.

ROLL CALL VOTE: Voting AYE - Representatives Barrett, Moyle, Wood, and Harwood.
Voting NAY - Representatives Lake, Collins, Schaefer, Smith, Raybould, Roberts, Clark, Bedke, Sayler, Jaquet, Killen, and Ruchti.
Motion **FAILED, 4 - 12 - 2**

ROLL CALL VOTE: Voting AYE - Representatives Lake, Collins, Moyle, Schaefer, Smith, Raybould, Roberts, Wood, Harwood, Bedke, Sayler, Jaquet, Killen, and Ruchti.
Voting NAY - Representatives Barrett and Clark.
Motion **PASSED, 14 - 2 - 2**

RS16518: Dan John explained this RS changes the sending of notification of levy to taxpayers from certified mail to first class mail.

Representative Clark moved to introduce RS 16518. Motion passed on a

MOTION: voice vote.

RS16520C1: This RS makes three changes to the tax on tobacco products. It corrects mistaken language replacing “certificate of authority” to issuing a “permit”; allows distributors who ship tobacco products to distributors outside of Idaho to take credit for taxes previously paid to Idaho; and updates the filing time for tobacco product tax returns to monthly or such a time the State Tax Commission may provide by rule.

MOTION: Representative Clark moved to introduce RS16520C1. Motion passed by a voice vote.

RS16522: Three technical corrections to the Sales Tax Act will be made by this RS. It will strike the requirement that a “promoter sponsored event” retailer will not have to disclose his social security number or employer ID number to the event sponsor; it will clarify the exemption for the glider kit vehicles applies to vehicles used substantially in interstate commerce; and it will remove from the logging exemption the provision excluding property used in research from the exemption.

There was discussion on the vehicle glider kit as to if it was considered a new vehicle or a repair kit.

MOTION: Representative Wood moved to introduce RS16522. Motion passed by a voice vote. Representative Harwood voted NAY.

RS16523C1: Ted Spangler, representing the Idaho State Tax Commission explained that this RS allows the commission to issue direct shipper of wine permits to holders of wine wholesale or retail licenses issued in Idaho and other states; prohibits the direct shipment of wine to consumers by any person not holding a direct shipper permit; clarifies the duty to pay sales and use taxes and wine excise taxes on wine sold under a direct shipper’s permit; and appropriates the fees from the direct shipper permits to the State Police and the State Tax Commission.

In response to a committee question regarding record keeping for wine sale excise taxes, Mr. Spangler stated it is recorded.

MOTION: Representative Smith moved to introduce RS16523C1. Motion passed with a voice vote.

RS16525C1: Mr. John stated this RS makes several updates and technical corrections to the Idaho Income Tax Act. Section 1 and 2 correct the name to INL or any future names, Section 3 proposes deleting the \$10 cap to the American Red Cross donations, Section 4 clarifies the time frame for claiming a refund or credit attributable to capital loss carrybacks to the same time as that for refunds from carrybacks of net operating losses, Section 5 corrects the level of employment required for the recapture of the new jobs credit for the Small Employee Incentive Act, and Section 6 through 10 correct cross references.

MOTION: Representative Clark moved to introduce RS 16525C1. Motion passed with a voice vote.

This RS clarifies the calculations to accomplish legislative intent that bonus

RS16527C1: depreciation not be deductible in computing Idaho taxable income.

There was discussion in regards to the longevity of this legislation with an explanation that it has been extended.

MOTION: Representative Collins moved to introduce RS116527C1. Motion passed with a voice vote.

RS16528: Dan John explained the definitions of the laws about motor fuels tax and the Idaho Petroleum Clean Water Act are updated in regards to “biodiesel” and “biodiesel blends”.

Mr. John explained the differences of the two biodiesel fuels.

MOTION: Representative Clark moved to introduce RS16528 and refer the Transportation Committee. Motion passed with a voice vote.

RS16529: Mr. Spangler stated this clarifies when a nonresident is not required to pay Idaho income tax on investment income distributed by Idaho investment partnerships, which includes general and limited partnerships, limited liability companies, and other entities that have the federal income tax regulations of being classified as a partnership.

The income of a partnership is taxed where the partnership actually is located.

It was noted that the Statement of Purpose shows no fiscal impact. There was a request to schedule a hearing for further discussion on dollar amounts.

MOTION: Representative Collins moved to introduce RS16529. Motion passed with a voice vote.

RS16530: Mr. John stated this is the annual RS to update references to the Internal Revenue Code to conform the Idaho income tax to changes made to the Internal Revenue Code after January 1, 2006, and the Pension Protection Act of 2006.

MOTION: Representative Raybould moved to introduce RS16530. Motion passed with a voice vote.

RS16534C1: Mr. John said this RS will clarify that the Idaho portion of tax imposed on certain net recognized built in gains and excess net passive income of S corporations that are not subject to the normal income tax based on the Tax Reform Act of 1986 are subject to income tax in Idaho.

It was explained that when auditors and the public present questions about the uncertainty of gray areas in the legislation, new legislation is designed to clarify those points

MOTION: Representative Clark moved to introduce RS16534C1. Motion passed with a voice vote.

ADJOURN: There being no further business to come before the committee, Chairman Lake adjourned the meeting at 10:40a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION SubCOMMITTEE 1

DATE: January 15, 2007
TIME: 10:45 a.m.
PLACE: Room 404
MEMBERS: Chairman Collins, Representatives Lake, Harwood, Bedke, Ruchti
**ABSENT/
EXCUSED:** Representative Bedke
GUESTS: Jim Husted, Alan Dornfest

Chairman Collins called the meeting to order at 10:45 a.m. and requested secretary take silent roll.

Chairman recognized Jim Husted, Tax Policy Specialist , Idaho State Tax Commission to present the 2007- House Revenue and Taxation Temporary Rules.

Docket No. 35-0102-0603 **Docket No. 35-0102-0603** (Idaho Sales Tax) presented by Jim Husted.
Rule No. 068: Amend Sales Tax Rule 068 to update the sales tax rate to 6% as of October 1, 2006, pursuant to house Bill 1.

MOTION: Representative Lake moved to recommend approval of Docket No. 35-0102-0603 by the full committee. The motion passed on a voice vote.

The Chairman recognized Jim Husted to present the 2007 - House Revenue and Taxation Pending Rules.

Docket No. 35-0102-0601 **Docket No. 35-0102-0601** (Idaho Sales Tax) presented by Jim Husted.
Rule 001: Amend Rule 001 to be consistent with the format recommended by the Department of Administration.

Rule 004: Currently the “public records act” rule and is being amended to become “incorporation by reference”, to incorporate the Administration and Enforcement Rules and to be consistent with the format recommended by the Department of Administration.

Rule 005: Amend Rule 005 to update the Tax Commission's web and email address and to be consistent with the format recommended by the Department of Administration.

Rule 006: Create rule to add the public records statement and to be consistent with the format recommended by the Department of Administration.

Rule 011: Amend Rule 011 to strike the statement that sales of intrastate charter flights are taxable which is barred by federal law.

Rule 091: Amend Rule 091 to state the assessors must file return at least once a month and sheriffs must file either monthly or quarterly as required.

Rule 037: Amend Rule 037 to clarify that transporting freight or passengers for hire means providing transportation services to the public and not just to related parties.

Rule 051: Amend Rule 051 to state that discount memberships are intangible and their sale is not taxable. To state that the price subject to tax in "buy one get one free" offers is the amount actually paid by the customer. To state that no tax is due on complimentary items given when a purchase is required as long as the sale of the item purchased is taxable, and to make nonsubstantive style and formatting changes.

Rule 101: Amend Rule 101 to delete obsolete language in Subsection 101.01, correct language in Subsections 101.03.b and 101.06, and add new subsection stating that vehicles in a fleet that do not meet the 10% out-of-state mileage requirement of Idaho Code §63-3622R will become subject to use tax at the end of the registration period.

In response to a committee question, Mr. Husted stated this change is intended to encourage the purchase and registration of vehicles in Idaho

Rule 107: Amend Rule 107 to clarify that an Idaho resident who forms an LLC in another state for the sole purpose of purchasing one or more motor vehicles does not qualify for the nonresident exemption in Idaho Code § 63-3621. To add a subsection clarifying that credit will be given against any Idaho use tax due for local sales taxes paid in Alaska if the goods are then brought to Idaho.

Rule 119: Amend rule 119 to strike the reference to Form IBR-2 which is no longer being used by the Tax Commission.

MOTION:

Representative Ruchti moved to recommend approval of **Docket No. 35-0102-0601** by the full committee. The motion passed on a voice vote.

**Docket No.
35-0102-0602**

Docket No. 35-0102-0602 (Idaho Sales Tax) presented by Jim Husted.

Rule 027: Amend Rule 027 to add a provision stating that 50% of the sales price is presumed to be subject to tax when services and software are not separately stated.

MOTION:

Representative Lake moved to recommend approval of Docket No. 35-0102-0602 by the full committee. The motion passed on a voice vote.

**Docket No.
35-0106-0601**

Docket No. 35-0106-0601 (Hotel/ Motel Room Tax) presented by Jim Husted.

Rule 012: Amend Rule 012 to reflect the current 5% rate.

In response to a committee question regarding the tax increase from 4% to 5%, Mr. Hersted stated 5% is the maximum.

MOTION:

**Docket No.
35-0109-0601**

Representative Harwood moved to recommend approval of **Docket No. 35-0106-0601** by the full committee.

Docket No. 35-0109-0601 (Kitchen and Table Wine Tax) presented by Jim Husted.

Rule 010: Amend Rule 010 to add the definition of "wine direct shipper" pursuant to the enactment of HB 454 by the 2006 Legislature.

Rule 011: Amend Rule 011 to state that wine direct shippers are required by statute to remit wine tax and collect use tax on their sales of wine to Idaho residents pursuant to the enactment of HB 454 By the Legislature.

Rule 014: Amend Rule 014 to clarify that wine direct shippers are required to post a surety bond or some other acceptable form of security in the same manner as in-state wineries and wine distributors pursuant to the enactment of HB 454 by the Legislature.

Rule 015: Amend Rule 015 to state that wine direct shippers are required to obtain a wine tax reporting number in the same manner as in-state wineries and wine distributors pursuant to the enactment of HB 454 by the 2006 Legislature.

Rule 016: Amend Rule 016 to state the forms that wine direct shipper are required to file with the Tax Commission and to explain the filing requirements of other taxpayers liable for wine tax.

MOTION:

Representative Ruchti moved to recommend approval of **Docket No. 35-0109-0601** by the full committee. The motion passed on a voice vote.

**Docket No.
35-0110-0601**

Docket No. 35-0110-0601 (Idaho Cigarette and Tobacco Products Tax) presented by Jim Husted.

Rule 019: Amend Rule 019 to clarify that the duty to pay tax applies to shippers who are not registered cigarette distributors.

Rule 021: Amend Rule 021 to change the phrase "incidence of the tax" to "duty to pay the tax" which can be misinterpreted and to strike the words "report or" from Subsections 021.03.

Rule 022 is being amended to require distributors to obtain a copy of the owners' tribal identification card or a certificate of tribal ownership.

Motion:

ADJOURN: Representative Lake moved to recommend approval of **Docket No. 35-0110-0601** by the full committee. The motion passed on a voice vote.

Meeting adjourned at 11:40 a.m.

Representative Gary Collins
Chairman

Stephanie Killebrew
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 16, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Schaefer, Smith(24), Raybould, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** Representative Moyle, Roberts, Wood, and Bedke

GUESTS: Dan John, Idaho State Tax Commission

MINUTES: Chairman Lake called the meeting to order and requested a silent roll call. Representative Collins moved to accept the minutes as written for the meetings of January 10, 2007 and January 11, 2007. Motion passed on a voice vote.

BILL #:H0003 Representative Lake announced the first item on the agenda was HB 0003 and recognized Representative Clark to present the bill. Representative Clark testified this legislation increases the percentage of the General Fund that can be deposited into the Budget Stabilization Reserve Fund from five percent to eight percent to meet revenue shortfalls and major disaster as declared by the Governor.

Appreciation of the committee's forethought to take steps in a direction to make sure the General Fund has revenue for this type of event was stated by Representative LaFavour.

MOTION: Representative Harwood moved to send HB 0003 to the floor with a do pass recommendation. Motion passed on a voice vote. Representative Clark will sponsor the bill on the floor.

Dan John from the Idaho State Tax Commission was recognized by Chairman Lake to proceed with the income tax seminar. Mr. John compared the 1973 tax return form to the current 2006 tax return form. There was discussion in regards to the items, with more details about the corporate headquarters and small business credits.

ADJOURN: There being no further business before the committee, Chairman Lake adjourned the meeting at 10:05 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION SUBCOMMITTEE 1

DATE: January 16, 2007

TIME: 10:05 a.m.

PLACE: Room 404

MEMBERS: Chairman Collins, Representatives Lake, Harwood, Bedke, Ruchti

**ABSENT/
EXCUSED:** Representatives Lake and Bedke

GUESTS: Alan Dornfest, Janice Boyd

Chairman Collins called the meeting to order at 10:05 a.m. and requested the secretary take silent roll.

Chairman recognized Alan Dornfest, Property Tax Policy Supervisor, from the Idaho State Tax Commission to present the 2007 - House Revenue and Taxation Pending Rules.

**Docket No.
35-0103-0602**

Docket No. 35-0103-0602 (Property Tax) presented by Alan Dornfest.

Rule 317: Amend rule to update the examples in conformance with HB 421 which increased the maximum homeowner's exemption to \$75,000. The amendments also make the examples specific for 2006, so this rule will not have to be amended each year to reflect the changes in the maximum exemption as the House Pricing Index (HPI) changes. The rule also clarifies that, for properties subject to occupancy tax, this exemption applies only to improvements.

MOTION:

Representative Ruchti moved to recommend approval of **Docket No. 35-0103-0602** by the full committee. The motion passed on a voice vote.

**Docket No.
35-0103-0603**

Docket No. 35-0103-0603 (Property Tax) presented by Alan Dornfest.

Rule 700: Amend Rule 700 to provide clarification of requirements by HB 422 for the exclusion of the principal paid by the recipient of an annuity from the definition of income. This also, updates an example, showing calculation of homeowners's exemption that is consistent with the new homeowners exemption provisions in HB 421, and makes the example specific for 2006 so this rule will not have to be amended each year as the HPI changes.

Motion:

Representative Harwood moved to recommend approval of **Docket No. 35-0103-0603** by the full committee

Docket No. 35-0103-0604 (Property Tax) presentation by Alan Dornfest

**Docket No.
35-0103-0604**

Rule 802: Amend Rule 802 to provide direction regarding the addition of value to new construction rolls in the case of change of land use classification resulting from loss of the rural homesite exemption pursuant to HB 676. Provided that the value has not already been included on a previous new construction roll, the increased value can be shown on the current year's new construction roll.

Representative Ruchti moved to recommend approval of **Docket No. 35-0103-0604** by the full committee.

MOTION:

Docket No. 35-0103-0605 (Property Tax) presented by Alan Dornfest.

**Docket No.
35-0103-0605**

Rule 989: Amend Rule 989 to remove a specific filing date requirement for taxpayers subject to recapture provisions. This change is needed to comport with the requirements of HB 443 for the date to be based on the due date for the taxpayer's income tax return for the taxable year in which recapture is triggered. In addition, the recapture percentage table has been corrected to be consistent with direction found in income tax rules.

Representative Harwood motioned to recommend approval of **Docket No. 35-0103-0605** to the full committee.

MOTION:

Docket No. 35-0103-0606 (Property Tax) presented by Alan Dornfest.

**Docket No.
35-0103-0606**

Rule 609: Amend Rule 609 to conform with statutory changes resulting from HB 421, which increased the ceiling on the homeowners exemption, changed that exemption to a homestead exemption by including land, and included a requirement for annual indexing based on the Federal Housing Price Index (HPI). The rule gives the formula for calculating the change in the maximum based on the HPI by comparing the average of the most current four quarters with the average of the prior four quarters. The rule also updates examples to be consistent with the increase in the ceiling.

In response to a committee question regarding the new exemption amount, Mr. Dornfest stated it is now \$89,125.

Representative Ruchti motioned to recommend approval of **Docket No. 35-0103-0606** by the full committee.

MOTION:

Docket No. 35-0103-0607 (Property Tax) presented by Alan Dornfest

**Docket No.
35-0103-0607**

Rule 006: Update Rule 006 with references to appropriate and current editions of guides used to determine the values of recreational and certain other vehicles and the appropriate edition of the register used to value railcars.

Rule 114: This new rule specifies value information to be provided by assessors to the State Tax Commission for statistical purposes. The data includes value strata for properties receiving the homestead exemption and NAICS codes, used to separately detail and classify personal property. The homestead exemption data will be reported beginning in

2007, while the personal property data will be reported beginning in 2008. It also provides cross references to rules with category information.

Rule 115: This new rule requires assessors to report taxable value and the value of quantifiable exemption for cities. This city data will be reported beginning in 2007. It also provides cross references to rules with category information.

Rule 130: Rule 130 establishes primary categories to be tested annually for equalization purposes. The primary categories are: improved residential property, vacant residential land, improved commercial or industrial property, vacant commercial or industrial land, and manufactured housing on leased land. It also defines secondary categories to be used to notify owners, list and report value data and provides cross references to rules with category information.

Rule 131: This rule provides for testing of primary categories for county equalization purposes, beginning with the 2007 ratio studies. When the Commission orders value adjustments to equalize primary categories, it will not order adjustments for any secondary category with no sales, except categories 10 and 31 (farm homesites). Categories 10 and 31 will be deemed similar in assessment level to rural residential properties for which sales data is available. The Commission will test compliance using 80% and 90% confidence intervals. Failure to be in compliance based on 80% confidence intervals will not result in equalization action until 2009 at the earliest. The rule also provides cross references to rules with category information.

Rule 217: Amend Rule 217 to clarify the use of the income approach to determine market value for low-income housing properties receiving tax credits under Section 42 of the Internal Revenue Code. In this instance, actual rent plus the monetary benefit of any income tax credits must be used. The rule also cross references a recent Idaho Supreme Court decision on this subject.

Rule 225: Amend Rule 225 to require the documentation from fire districts for annexation to include the written approval from affected cities and/or fire districts when the annexations include territory already in fire district or city. This amendment is to conform with the requirements of HB 763, effective July 1, 2006.

Rule 315: Amend Rule 315 to provide terminology consistent with that used in Rule 130 regarding primary and secondary categories. Adjustments will also be permitted for secondary categories 10 and 31, as described in Rule 131. The Commission will publish adjusted values on their website and only mail these upon request. The rule also provides cross references to rules with category information.

Rule 509: Amend Rule 509 to provide definitions of primary and secondary property categories that are consistent with the definitions found in Rule 130. It also updates the definition for increment value to be

consistent with Idaho Code Section 50-2903, requires city abstracts, and adds cross references to additional rules with category information.

Rule 510: This new rule describes secondary land categories for listing values on the roll and the assessment notices and reporting values on the abstracts. The secondary category descriptions are basically the same as those currently in use, except the provisions for separate reporting of vacant and unimproved land. This rule also prohibits reporting of category 8, speculative homesite value, in response to HB 679 and cross references rules with category information.

Rule 511: This new rule describes secondary improvements categories for listing values on the roll and the assessment notices and reporting values on the abstracts. The secondary category descriptions are basically the same as those currently used, except that the existing categories for improvements on leased land will be phased out by 2008 with two new categories described to separately list this type of residential and commercial/industrial improvements.

Rule 512: This new rule describes personal property categories for listing values on the roll and the assessment notices and reporting values on the abstracts. These secondary category descriptions are the same as those currently in use.

Rule 613: Amend Rule 613 to provide a formula to clarify the calculation of the five (5) year average farm credit system interest rate and to cross reference other agricultural land and forestland valuation rules.

Rule 614: Amend Rule 614 to provide examples for agricultural land taxable value calculations, previously found in Rule 613, and to cross reference other agricultural land and forest land valuation rules. Christmas tree farm instructions have been moved to Rule 968, as they better fit timberland rules.

Rule 615: Amend Rule 615 to clarify the definition of contracts and contract rights by specifying that such agreements do not include tax credits received in relation to low-income housing properties that qualify under Section 42 of the IRC. This clarification is consistent with a recent Idaho Supreme Court ruling to which a cross reference is provided.

Rule 635: Delete Rule 635 pursuant to HB 676.

Rule 645: Amend Rule 645 to cross reference other agricultural land and forest land valuation rules. A temporary rule established June 26, 2006, as the deadline for subdividers to apply under the provisions of HB 676 for 2006 to have subdivided land qualify as "land actively devoted to agriculture" for land previously receiving the rural homesite exemption.

Rule 717: This new rule being promulgated to provide procedures for county officials to submit property tax reduction information electronically to the State Tax Commission. Required information is specified and security procedures established.

Rule 801: Amend Rule 801 to clarify the difference between the school plant facilities levy created by action taken under HB 743 and plant facilities levies that are approved by the voters in a school district. The limitation of one plant facilities fund levy per school district does not apply

to levies pursuant to HB 743. The rule also provides for county clerks to report certification of such a levy to the State Tax Commission

Rule 902: This new rule establishes a uniform procedure for county treasurers to mail a tax notice to property tax reduction claimants whose property taxes are fully paid by their tax reduction benefits.

Rule 939: This new rule provides direction to taxing districts making court or board of tax appeals ordered refunds, with respect to the time period during which the districts may levy property tax to replace such refunded amounts. A two year period is established provided the amount is not less than \$100, in which case the entire amount must be levied the year immediately following the refund.

Rule 968: This new rule clarifies information about Christmas tree farms and certain annual forest crops that are exempt from the yield tax. The information relating to Christmas tree farms was previously found in Rule 614 (which is now used to give examples of calculations for the valuation of land actively devoted to agriculture) and the exemption is found in sections 63-1708, Idaho Code. The new rule also adds cross references to other rules providing information on land actively devoted to agriculture.

MOTION:

Representative Harwood moved to recommend **Docket No. 35-0103-0607** for approval by the full committee.

**Docket No.
35-0103-0608**

Docket No. 35-0103-0608 Temporary Rule (Property Tax) presented by Alan Dornfest.

Rule 803: This temporary rule implements HB 1, correcting procedures for certification of property tax fund levies for school districts in 2006 and cross referencing the amended section 33-1408 that exempts school tuition funds from the budget limitations under section 63-802, Idaho Code.

Since this temporary rule was not published until the December bulletin, the normal concurrent resolution will continue this temporary rule in effect for 2007. A note about the withdrawal of a prior proposed version of this rule is found on Page 102 of Docket 35-0103-0907.

MOTION:

Representative Ruchti moved to recommend Docket No. 35-0103-0608 for approval by the full committee.

Chairman recognized Janice Boyd, Tax Commission Chairman, Idaho State Tax Commission to present the 2007 - House Revenue and Taxation Pending Rules.

**Docket No.
35-0101-0601**

Docket No. 35-0101-0601 (Income Tax) Presented by Janice Boyd.

Rule 031: Amend Rule 031 to conform to 2006 HB 457, which amended Idaho Code section 63-3013. The bill provided that an individual who is a nonresident alien for purposes of the Internal Revenue Code must be nonresident for Idaho income tax purposes as well.

Changes to Rule 031 provide that a nonresident alien must be a nonresident for Idaho income tax purposes unless the individual has elected to be treated as a resident of the United States for federal income tax purposes.

Rule 075: Amend Rule 075 to add the table for the income tax brackets and rates for taxable years beginning in 2006.

Rule 121: Amend Rule 121 to clarify the addback for state and local income and sales taxes when limitations are imposed in computing the federal itemized deduction amount. To eliminate major rounding differences, the calculation of the addback is being modified to require the percent to be rounded to four digits to the right of the decimal point rather than to the whole percent, starting with years beginning in or after 2007.

Rule 171: Amend Rule 171 to conform to 2005 HB 165, which amended Idaho Code sections 63-3022h. The bill changed the holding period for real property from 18 months to 12 months.

Rule 173: Amend Rule 173 to clarify the time period that an interest in income of a pass-through entity must be met. Subsection 173.03, which addresses the gross income limitation, was expanded to include beneficiaries of trusts and estates. The examples throughout the rule were modified and expanded to better clarify the calculations.

Rule 255: Amend Rule 255 to modify the calculation of the proration percentage. It would require the percent be rounded to four digits to the right of the decimal point, rather than to the nearest whole percent, starting with the tax year 2007 or after.

Rule 280: Amend rule 280 to include language that gives the Tax Commission the authority to require an alternative method for determining Idaho source income of a partnership when the apportionment formula does not fairly represent the extent of the business activity in Idaho. Language is being added to allow the exclusion of a factor or the employment of any other method that fairly represents the extent of business activity in Idaho in such cases.

Rule 290: Amend Rule 290 in connection with new Income Tax Rule 291 to expand on the information related to Idaho Code section 63-3022L. Rule 290 is being modified to address the election that is available to a qualifying individual to have an entity pay the tax when such individual is an officer, director, shareholder, partner, member, or beneficiary of the entity. Other information in the rule not related to the election is being moved to new Income Tax Rule 291.

Rule 291: This new rule being promulgated to address income reportable to Idaho when the income tax is paid by an entity for an officer, director, shareholder, partner, member or beneficiary of that entity. Some of the information has been moved from Income Tax Rule 290 and some of the information is new to address deductions that are not allowed in the computation.

Rule 300: Amend Rule 300 to clarify that a corporation protected by

federal Public Law 26-272 is exempt from the corporate income tax, including the minimum tax.

Rule 700: Amend Rule 700 to address eligibility and limitations for taxpayers receiving credit for income taxes paid to another state. This rule also eliminates major rounding differences, the calculation of the credit is being modified to require the percent be rounded to four digits to the right of the decimal point.

Rule 701: This is a new rule being promulgated to address how a part-year resident determines the credit for taxes paid to another state and to provide examples of the calculations.

Rule 745: Amend Rule 745 to more closely conform the computation of qualifying new employees to language in the statute with regard to a taxpayer who has multiple activities.

Rule 747: Amend Rule 747 to conform to 2005 HB 28, which amended Idaho Code sections 63-3029E and 63-3029F. The bill replaced most references to a "revenue - producing enterprise" with "trade or business," including the calculation of the net income limitation.

Changes to Rule 747 include modifying the text to use consistent terms with those used in the statute. Information regarding taxpayers who have multiple activities is being deleted from the rule since the calculation is based on the taxpayer's entire business, not just the portion that relates to a revenue-producing enterprise.

Rule 775: This is a new rule being promulgated due to 2006 HB 745, which enacted Idaho Code section 63-3029K. Idaho code section 63-3029K provides for a new income tax credit for live organ donation expenses. The rule addresses the limitations of the credit and defines live organ donation and donation expenses.

Rule 799: Amend Rule 799 to add the list of priority of credits for live organ donation expenses, which was allowed by 2006 HB 745.

Chairman Collins announced Subcommittee 1 will meet tomorrow immediately following the Revenue and Taxation Committee meeting at 9 a.m.

ADJOURN: Meeting adjourned at 11:40.

Representative Gary Collins
Chairman

Stephanie Killebrew
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 17, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:**

GUESTS: Alan Dornfest and Dan John, Idaho State Tax Commission

Chairman Lake called the meeting to order and requested a silent roll call.

RS16644: Chairman Lake announced the first item on the agenda would be RS16644 and asked Representative Harwood to explain. This RS increases the time to appeal property valuation from five working days to ten working days after a new assessment has been mailed.

MOTION: Representative Wood moved to introduce RS16644 with a do pass recommendation. Motion passed on a voice vote.

BILL#:H0008 Dan John representing the Idaho Tax Commission explained this bill would change the mailing requirement to first class from certified mail for tax levy notifications.

MOTION: Representative Smith moved to send HB 0008 to the floor with a do pass recommendation. Motion passed with a voice vote. Representative Ruchti will sponsor the bill on the floor.

BILL#:H0009 This bill makes three changes to the tax on tobacco. Mistaken language to replace "certificate of authority" to issuing a "permit"; allows distributors who ship tobacco products to distributors outside of Idaho to take credit for taxes previously paid to Idaho; and updates the filing time for tobacco product tax returns to monthly or such a time the State Tax Commission may provide by rule.

MOTION: Representative Clark moved to send HB 0009 to the floor with a do pass recommendation. Motion passed with a voice vote. Representative Killen will sponsor the bill on the floor.

The final Idaho State Tax seminar was presented by Alan Dornfest discussing Idaho Property Taxes. Handouts were provided to the committee members.

Personal property tax inclusions were discussed.

There was a question about the property tax assessment procedures

being uniform in all Idaho counties. Mr. Dornfest explained that all the counties may not use the same methods, however they are all held to the same standards.

The role of the Tax Commission was defined briefly with an outline of duties.

Mr. Dornfest stated that approximately \$30 for every \$1000 earned is paid towards property tax. Per capita property taxes are below the rest of the United States.

The general property tax budget of taxing districts is limited to a three percent annual increase plus allowances for new construction, annexations, foregone amounts, and voter approved bonds.

There was a question of how many urban renewal districts existed with the answer being approximately 35.

The circuit breaker (property tax reduction program) was stated to be a tax credit, not an exemption.

Numerous committee members requested several charts from the Tax Commission.

ADJOURN:

There being no further business before the committee, Vice Chairman Collins adjourned the meeting at 10:35 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 17, 2007

TIME: 10:45

PLACE: Room 404

MEMBERS: Chairman Collins, Representatives Lake, Harwood, Bedke, Ruchti

**ABSENT/
EXCUSED:** Representatives Lake, Bedke

GUESTS: Janice Boyd, Dan John

Chairman Collins called the meeting to order at 10:05 and requested the secretary take silent roll.

MINUTES: Representative Ruchti moved to approve the minutes of January 15, 2007, as read. The motion passed on a voice vote.

Chairman recognized Janice Boyd, Tax Commission Chairman, Idaho State Tax Commission to continue her presentation of the 2007 - House Revenue and Taxation Pending Rules.

Docket No. (Income Tax) presented by Janice Boyd.
35-0101-0601

Rule 801: This new rule is being promulgated to discuss persons required to file income tax returns. The rule addresses individuals who make elections under Idaho Code section 63-3022L, corporations included in a unitary group, and taxpayers protected under Public Law 86-272.

In response to a committee question, whether or not Churches are unitary groups, Ms. Boyd stated unitary groups refer to multi-state corporations. Churches are exempt.

Rule 830: Amend Rule 830 to allow informational returns to be submitted through electronic filing.

Rule 855: Amend Rule 855 to add a new subsection addressing taxpayers whose business activities in Idaho are protected under Public Law 86-272. It clarifies these taxpayers are not required to pay the permanent building fund tax.

In response to a committee question regarding who is exempt from the Building Fund Tax, Mr. John stated those receiving public assistance or those who are blind would be considered exempt.

Rule 870: Amend Rule 870 to more clearly state that a person who withholds Idaho income tax must have an Idaho withholding account number.

Rule 872: Amend Rule 872 to allow an employer who owes less than \$50 monthly or \$600 annually to remit tax annually on or before January 31.

The modifications also clarify that changes to filing cycles will take effect on January 1 of the following year.

Rule 874: Amend Rule 874 to clarify that W-2 Forms are not required if the employer had no employees and did not pay wages or withhold tax. The changes establish March 31 as the due date for the filing of electronic copies of Forms W-2, as allowed by 2006 HB 443, which modified Idaho Code section 63-3035B. Filing options are being expanded by allowing the filing of W-2s through electronic filing with Idaho when an employer is required to file returns on magnetic media or other machine-readable form for federal purposes.

Rule 940: This new rule is being promulgated due to 2006 HB 754, which modified the Idaho Small Employer Incentive Act of 2005. Because the legislative changes to the Act modified the taxable years in which the incentives may be earned, a new set of rules relating to those taxable years is necessary. Pending Rule 940 defines terms used in the Act and related rules.

Rule 941: This new rule is being promulgated due to 2006 HB 754 which modified the Idaho Small Employer Incentive Act of 2005. Pending Rule 941 discusses the coordination of the Idaho Small Employer Incentive Act with the Idaho Corporate Headquarters Incentive Act of 2005.

Rule 942: This new rule is being promulgated due to 2006 HB 754. Pending Rule 942 discusses the modified Idaho Small Employer tax incentive criteria that must be met to qualify for the incentives and the certification requirements.

Rule 943: This new rule is being promulgated due to 2006 HB 754. Pending Rule 943 discusses the small employer investment tax credit. It includes subsections that discuss taxpayers entitled to the credit, qualified investment, limitations, carryovers, and its coordination with the investment tax credit allowed by Idaho Code section 63-3029B.

Rule 944: This new rule is being promulgated due to 2006 HB 754, which modified the Idaho Small Employer Incentive Act of 2005. Because the legislative changes to the Act modified the taxable years in which the incentives may be earned, a new set of rules relating to those taxable years is necessary.

Pending Rule 944 discusses the small employer real property improvement tax credit. It includes subsections that discuss taxpayers entitled to the credit, buildings and structural components fo buildings, limitations, and carryovers.

Rule 945: This new rule is being promulgated due to 2006 HB 754, which modified the Idaho Small Employer Incentive Act of 2005. Pending Rule 945 discusses the small employer new jobs tax credit.

Rule 946: This new rule is being promulgated due to 2006 HB 754, which modified the Idaho Small Employer Incentive Act of 2005. Pending Rule 946 discusses the recapture of the small employer investment tax credit, real property improvement tax credit, and the new jobs tax credit.

The committee submitted questions regarding if anyone has used the Idaho Small Employer Incentive Act and how they found out about it. Mr. Dan stated 1 company has put the Commission on notice and the Chamber of Commerce has brochures to notify prospective new employers.

MOTION: Representative Harwood moved to recommend approval of **Docket No. 35-0101-0601** by the full committee.

Docket No. 35-0101-0602 **Docket 35-0101-0602** (Income Tax) presented by Janice Boyd.

Rule 600: Amend Rule 600 to add information that will clarify the calculations required in filing a combined report and how the premium tax affects insurance companies who are part of a unitary group.

MOTION: Representative Ruchti moved to recommend approval of **Docket No. 35-0101-0602** by the full committee.

Docket No. 35-0201-0601 **Docket No. 35-0201-0601** (Administration and Enforcement Rules)

Rule 300: Amend Rule 300 to conform to 2006 HB 443, which amended Idaho Code sections of 63-3044 and 63-3045A as to the method by which tax is assessed.

Rule 310: Amend Rule 310 to add the interest rate for calendar year 2007, which is 7%. The calculation of the rate is set by statute as 2% plus the annual midterm applicable federal rate that applies on September 15 of the immediately preceding calendar year rounded to the nearest whole number. (2% + 5.01% rounded to 7%)

Rule 430: Amend Rule 430 to conform to 2006 HB 471, which modified Idaho Code section 63-3003. The bill changed the due date to pay taxes due on a return when the taxpayer qualifies for any extension of time to file his Idaho income tax return to the earlier of the extended due date or the time the return is filed.

Changes to Rule 430 include correcting the late payment penalty calculation when a return is filed on or before the extended due date but the payment is made later. Calculation of the late payment penalty is also clarified for returns filed prior to the effective date of the legislative change.

Rule 500: Amend Rule 500 to eliminate the requirement that an offer of compromise include a remittance in the amount of the offer. In practice, payments are generally not required until the offer has been considered and accepted.

Rule 704: Amend Rule 704 to conform to 2006 HB 473. The bill granted new authority for the State Tax Commission to enter into agreement with

the Internal Revenue Service/Financial Management Service of the

Department of the Treasury to offset debts with tax refunds.

Rule 704 identifies the government agencies and officials with whom the Tax Commission is allowed by statute to disclose or exchange information.

MOTION:

Representative Ruchti moved to recommend approval of **Docket No. 35-0201-0601** by the full committee.

ADJOURN:

Meeting adjourned at 11:15 a.m.

Representative Gary Collins
Chairman

Stephanie Killebrew
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** January 18, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood (35), Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** None
- GUESTS:** Ted Spangler and Dan John - Idaho Tax Commission; Dick Rush - Red Cross CEO
- Chairman Lake called the meeting to order and requested a silent roll call.
- HB 0010:** Presented by Ted Spangler. This bill makes three technical corrections to the Sales Tax Act. A retailer participating in "promoter sponsored events" will not have to disclose their social security number or employer ID number to the event sponsor; clarifies the exemption for glider kits applies to vehicles used substantially in interstate commerce; and it removes from the logging exemption the exclusion of property used in research.
- MOTION:** Representative Clark moved to send HB 0010 to the floor with a do pass recommendation. Motion passed on a voice vote. Representative Wood will sponsor the bill on the floor.
- HB 0011:** Presented by Ted Spangler. Prohibits the direct shipment of wine to consumers by persons not holding a direct shipper permit; allows direct shipper permits to be issued to holders of wine wholesale or retail licenses in Idaho and other states; clarifies the duty to pay sales and use taxes and wine excise taxes sold under a direct shippers permit; and appropriates the fees for direct shipper permits to the State Police and the State Tax Commission.
- There was explanation of the fifty dollar registration fee and twenty five dollar renewal fee for the permit.
- The State Police and State Tax Commission share the fees because the State Police issue the direct shipper permits and have the authority to revoke permits due to non compliance.
- MOTION:** Representative LaFavour moved to send HB 0011 to the floor with a do pass recommendation. Motion passed unanimously on a voice vote. Representative LaFavour will sponsor the bill on the floor.
- HB 0012:** Presented by Dan John. Corrects references to the name INL and to include any other successor organization names; removes the cap of \$10

donation check off to the American Red Cross; clarifies the time for claiming refunds or credits in regards to capital loss carry backs and net operating losses; corrects the level of employment required for new jobs credit recapture under the Small Employee Incentive Act; and corrects cross references.

Dick Rush, Red Cross CEO, stated a brief history of the Red Cross and what the agency offers. Mr. Rush spoke in favor of the change to remove the cap for the Red Cross check box on the tax form.

MOTION: Representative Clark moved to send HB0012 to the floor with a do pass recommendation. Motion passed unanimously on a voice vote. Representative Barrett will sponsor the bill on the floor.

HB 0013: Presented by Dan John. Calculations required to accomplish legislative intent that bonus depreciation is not be deductible in computing Idaho taxable income is clarified.

MOTION: Representative Smith moved to send HB0013 to the floor with a do pass recommendation. Motion passed unanimously on a voice vote. Representative Hart will sponsor the bill on the floor.

HB 0015: Presented by Ted Spangler. Mr. Spangler provided a handout to the committee members. This bill explains when nonresidents are not required to pay Idaho income tax on investment income by Idaho investment partnerships which include general and limited partnerships, limited liability companies and other entities classified as partnerships.

MOTION: Representative Bedke moved to send HB0015 to the floor with a do pass recommendation. Motion passed unanimously on a voice vote. Representative Clark will sponsor the bill on the floor.

HB 0016: Presented by Dan John. This is the annual bill to update references to the Internal Revenue Code for changes made after January 1, 2006.

MOTION: There is a corrected fiscal note which Mr. John stated he would provide. Representative Clark moved to send HB0016 with the inclusion of the updated Statement of Purpose and Fiscal Note to the floor with a do pass recommendation. Motion passed unanimously by voice vote. Representative Harwood will sponsor the bill on the floor.

HB 0017: Presented by Ted Spangler. A handout was provided by Mr. Spangler. No new taxes are imposed with this bill. It will change the Idaho Income Tax Act to clarify Idaho's conformity to the Internal Revenue Code relating to net recognized built-in gain and excess net passive income of S corporations.

MOTION: Representative LaFavour moved to send HB0017 to the floor with a do pass recommendation. Motion passed with a voice vote. Representative Lake will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, Chairman Lake adjourned the meeting at 10:20 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 22, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood(35), Hart, Saylor, Jaquet, LeFavour, Ruchti

**ABSENT/
EXCUSED:** Representative Clark, Bedke, and Killen

GUESTS: Senator Heinrich, Tony Poinelli-Deputy Director of IAC

Chairman Lake called the meeting to order and requested a silent roll call.

MINUTES: Representative Smith moved to accept the minutes as written for the meeting of January 18, 2007. Motion passed by a voice vote. Representative Collins moved to accept the minutes as written for the meetings of January 17th, 16th, and 15th, 2007. Motion passed by a voice vote.

BILL #:0022 Representative Harwood presented the bill. Senator Heinrich explained the history of the bill and stated that some tax payers were concerned with the process of the legislation, not the changes. This bill increases the time a taxpayer has to appeal the new property valuation, from five to ten working days after a new assessment has been mailed.

MOTION: Representative Jaquet moved to send HB 0022 to the floor with a do pass recommendation. Motion passed on a voice vote.

RS 16702: Presented by Representative Moyle. When taxing districts hold elections to increase property taxes, this legislation will require the taxing district to mail notices of the elections to property taxpayers.

There was a question about what notification is required at this time with the answer of publishing in the newspaper.

MOTION: Representative Wood moved to introduce RS 16702. Motion passed by a voice vote.

RS 16703: Presented by Representative Moyle. It was explained that by a vote of the people a taxing district budget could be limited, therefore lowering property taxes. School budgets would be exempt.

MOTION: Representative Barrett moved to introduce RS 16703. Motion passed by a voice vote.

ADJOURN: There being no further business to come before the committee, Chairman

Lake adjourned the meeting at 9:30 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** January 24, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representatives Clark and Bedke
- GUESTS:** Alan Dornfest - State Tax Commission; and Chuck Cline - Idaho Property Tax Reform
- Chairman Lake called the meeting to order and requested a silent roll call.
- MINUTES:** Representative Raybould moved to accept the minutes as written for January 22, 2007. Motion passed by a voice vote.
- Chairman Lake recognized Alan Dornfest, representing State Tax Commission. A handout was provided. Mr. Dornfest explained Urban Renewal concepts and analyzed the property tax effects.
- It was requested that a representative of the State Tax Commission come to a committee meeting to discuss the issues with Urban Renewal.
- RS16674:** Presented by Senator Jorgenson. This legislation is not meant to be a deterrent for growth but for accountability. It will allow modification for election of urban renewal board members, terms of office, eligibility and filling of vacancies.
- There was a question of why the term for board members is 6 years with the reply that this would provide historical familiarity and continuity for the issues for the Urban Renewal District.
- MOTION:** Representative Barrett moved to introduce RS16674. Motion passed unanimously by a voice vote.
- RS16677:** Presented by Senator Jorgenson. This legislation amends sections that pertain to deletion or modification of an urban renewal plan or project. There was discussion on the absence of open meeting law requirements.
- MOTION:** Representative Wood moved to introduce RS16677. Motion passed with a voice vote. Representatives Smith and LeFavour voted NAY.
- Representative Lake recognized Chuck Cline, representing Idaho Property Tax Reform, to discuss property taxes and fiscal responsibilities. He described an initiative limiting property taxes to one percent of the January 2005 value or the transaction price of the property. A handout

was provided.

ADJOURN:

There be no further business before the committee, Chairman Lake adjourned the meeting at 10:30 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** January 25, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Clark
- GUESTS:** Dan John - Idaho Tax Commission; Russell Westerberg and Russ Deluka - Body Builders.com; Kent Just - Idaho Chamber Alliance; Randy Nelson - Associated Taypayers of Idaho; Pam Eaton - Idaho Retailers Association; John W; and Alex LaBeau - Idaho Association of Commerce and Industry.
- Chairman Lake called the meeting to order and requested a silent roll call.
- HB 007** Presented by Dan John. The legislation allows Idaho to participate with forty five other states in the Streamlined Sales Tax Project. After conferring with Idaho Legislative and industry representatives, the State Tax Commission would be participating and voting in SSTP discussions. The legislation necessary to conform Idaho's sales and use tax laws to the provisions of the Streamlined Sales Tax Agreement shall be prepared and recommendations will be given to the next legislative session.
- The duties of the State Tax Commission were discussed. There was an explanation of how the appointed advisory group is chosen, how many members make up the group, and the purpose of the group in regards to consulting with the State Tax Commission.
- Mr. John said this agreement does not preempt current state law. Fairness issues for retailers were discussed.
- There was discussion in regards to the goals of the legislation, such as, uniform definition of "state taxes", similar exemption certificates as good faith standards, uniform audit procedures, what is and isn't taxable at a certain rate, and state provided certified software which would hold the retailer harmless.
- There was a question as to who would be responsible for the software package purchases and the answer was that a private company would design the program and there would be per transaction charges with the rates on a sliding scale.
- PRO:** Kent Just testified in support of HB 7. He said he supports the effort by the Tax Commission and stated that "The internet is here."
- PRO:** Pam Eaton testified in support of HB 7. She said internet sales should be on the same level as the brick and mortar stores. She explained there is a dollar amount threshold before internet sales tax are collected. This would be the first step for a uniformity study with recommendations for

next years legislation.

PRO: Alex LaBeau testified in support of HB 7. He stated this first step to learn more about the legislation and if at a later date the information doesn't work, the legislation can back out before any actual decisions are made.

CON: Russell Westerberg testified in opposition of HB 7. He suggested there would be unintended consequences in moving forward with this legislation.

CON: Russ Deluka testified against HB 7. He owns an internet only business that is very prosperous. He said time should be taken to study the legislation so there can be a good policy in place for the future.

Randy Nelson testified and provided and discussed a handout of the Washington State Streamlined Sales Tax policy brief.

MOTION: Representative Smith moved **to send HB 7 with a do pass recommendation.**
Roll call vote was requested.

SUBSTITUTE MOTION: After considerable discussion on the constitutionality of the legislation, a substitute motion was made by Representative Barrett to **HOLD HB 7.**
Roll call was requested.

AMENDED SUBSTITUTE MOTION: There was more discussion on requesting additional information and clarity of the legislation, an amended substitute motion was made by Representative Roberts to **HOLD HB 7** in committee at the call of the Chair.
Roll call was requested.

ROLL CALL VOTE: Voting Aye - Representatives Lake, Collins, Schaefer, Raybould, Roberts, Wood, Harwood, and Bedke. Voting Nay - Representatives Barrett, Moyle, Smith, Hart, Saylor, Jaquet, LaFavour, Killen, and Ruchti.
Amended Substitute Motion failed, 8-9-1

ROLL CALL VOTE: Voting Aye - Representatives Barrett, Moyle, Raybould, Roberts, Wood, Harwood, Bedke, and Hart. Voting Nay - Representatives Lake, Collins, Schaefer, Smith, Saylor, Jaquet, LaFavour, Killen, and Ruchti.
Substitute Motion failed, 8-9-1

ROLL CALL VOTE: Voting Aye - Lake, Collins, Schaefer, Smith, Saylor, Jaquet, LaFavour, Killen, and Ruchti. Voting Nay - Barrett, Moyle, Raybould, Roberts, Wood, Harwood, Bedke, and Hart.
Original Motion passed, 9-8-1.

ADJOURN: There being no further business to come before the Committee, Chairman Lake adjourned the meeting at 11:00 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** January 29, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Barrett
- GUESTS:** Bill von Tagen - Immanuel Lutheran Church and Bob Aldridge - Attorney
- Chairman Lake called the meeting to order and requested a silent roll call.
- Chairman Lake introduced the new page for the Committee, Jacob Lambert from Mackey.
- MINUTES:** Representative Collins moved to accept the minutes as written for January 24th, 2007. Motion passed by a voice vote.
- RS# 16748:** Chairman Lake recognized Bob Aldridge to present RS16748. Mr. Aldridge explained this legislation will amend the initial language in the first section to be paragraph one by simplifying and paralleling the construction of the existing language in 602 C, which refers to the purposes and activities of the religious entity as being the test for exemption.
- The proration language already existing in 602C, which provides for property which is partially being used for a non-exempt purpose, is duplicated in paragraph 2 of the bill. Mr. Aldridge explained that previously, unlike other charitable properties under 602C, a minor use of a small portion of the property for a non-exempt usage would make the entire property taxable for the entire year. This has led to a number of hardship applications.
- It was explained by Mr. Aldridge that this bill would make the playing field level for all types of charitable properties and simplify the tests to be used for validity of the exemption. It will also allow proration of the property tax when there is a partial non-exempt usage.
- MOTION:** Representative Moyle moved to **introduce RS16748**. Motion passed by a unanimous voice vote.
- RS# 16650:** Presented by Representative Smith. This legislation would allow approximately \$40,000.00 of annual taxable income expenditures for Valley House Homeless Shelter in Twin Falls to be exempt from sales tax.
- MOTION:** Representative Clark moved to **introduce RS16650**. Motion passed by a

unanimous voice vote.

RS# 16766: Presented by Representative Kren. The bill would enable the County Assessor to determine whether a homeowners exemption that was claimed and granted should have been allowed. Representative Kren explained that it would enable the Board of Commissioners to waive the penalty, interest, and cost in order to facilitate the collection of property taxes. It will also provide that if the real property is sold to a bona fide purchaser for value, prior to the recording of a notice of the intent to attach a lien, the county assessor and treasurer will cease the recovery of the unpaid property tax.

MOTION: Representative Bedke moved to **introduce RS16766**. Motion passed by a unanimous voice vote.

RS# 16797: Presented by Representative Wood. This bill will correct technical errors on the original HB#10. It will strike the requirement that a retailer participating in "promoter sponsored events" to disclose his taxpayer identification number, social security number, or employer identification number to the event sponsor; clarifies that the exemption for glider kit vehicles enacted in 2006 applies to vehicles used substantially in interstate commerce; and it will remove from the logging exemption the provision excluding property used in research from the exemption.

MOTION: Representative Wood moved to **introduce RS16979 and recommend that it be placed directly on the second reading calendar**. Motion passed by a unanimous voice vote.

RS# 16451: Presented by Senator Little. This legislation will amend Idaho Code to provide that a "retailer engaged in business in this state" be defined as any retailer with substantial nexus in this state, and creates a new section of Idaho Code, to define substantial nexus for any retailer having a franchisee or licensee operating under its trade name or owned by the same entity or corporation in the State of Idaho be required to collect taxes from its customers.

There were questions and discussion regarding the origin of the one hundred thousand dollar (\$100,000) sales threshold for taxation in the previous year.

MOTION: Representative Clark moved to **introduce RS16542**. Motion passed unanimous voice vote.

Chairman Lake requested that RS 16624 be carried over to the next Revenue and Taxation Committee meeting.

ADJOURN: There being no further business to come before the Committee, Chairman Lake adjourned the meeting at 9:30 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 30, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** Representatives Barrett, Schaefer, Roberts, Wood, and Bedke.

GUESTS: Senator McKenzie, Dan John - State Tax Commission

Chairman Lake called the meeting to order and requested a silent roll call.

MINUTES: Representative *Collins* moved to accept the minutes as written for January 25, 2007. Motion passed by a voice vote..

Representative *Smith* moved to accept the minutes as written for *January 29, 2007*. Motion passed by a voice vote.

Representative Collins requested the Revenue and Taxation Rules Subcommittee approve the minutes for January 16th and January 17th, 2007. Representative Harwood moved to accept the minutes as written for January 16th and 17th, 2007. Motion passed by a voice vote.

Representative Collins moved to approve and accept the following 2007 House Revenue and Taxation temporary and pending rules from the Idaho State Tax Commission, 35-0102-0603, 35-0103-0608, 35-0102-0603, 35-0103-0608, 35-0101-0601, 35-0101-0602, 35-0102-0602, 35-0103-0602, 35-0103-0603, 35-0103-0604, 35-0103-0605, 35-0103-0606, 35-0103-0607, 35-0106-0601, 35-0110-0601, and 35-0201-0601. Motion passed by a voice vote.

Chairman Lake requested unanimous consent to hold HB# 10 in committee. Motion passed with a voice vote.

RS# 16624: Presented by Senator McKenzie. This legislation is to encourage 501 (c) (3) entities to locate and remain in Idaho by exempting from the sales and use tax aircraft purchased in Idaho and used primarily in a foreign country for a charitable, nonprofit purpose.

MOTION: Representative Hart moved to introduce RS16624. Motion passed by a unanimous voice vote.

Dan John, State Tax Commission, gave a presentation on the Streamline Sales Tax Act. Mr. John stated that this legislature would direct the State Tax Commission to prepare and recommend legislative changes necessary to conform Idaho's sales and use tax laws to match the

provisions of the Streamlined Sales Tax Agreement. These changes would be presented in the next legislative session.

Prompted by questions from committee members, Mr. John discussed some of the specific goals of the agreement, which included:

- < establishing uniform standards for sales and use tax returns and remittances
- < sourcing of the transactions to the taxing jurisdictions
- < administration of exempt sales
- < provide a central electronic registration system that would allow a seller to register to collect and remit sales and use taxes
- < provide the reduction of burdens of complying with local sales and use taxes
- < restrictions of variances between the state and local tax bases requiring each state to certify compliance with the terms of the agreement before joining and to maintain compliance while a member
- < require each state to adopt a uniform policy for certified service providers that would protect consumer privacy
- < provide an appointed advisory council to consult with the State Tax Commission in the administration of the agreement.

There was a question as to how many states were now certified with the response being 45 states are involved in the Streamline Tax Project and 21 have adopted the necessary changes.

There was discussion of exemptions for 501 C 3 organizations and Mr. John said there would be a uniform exemption certificate which organizations could register once for all the certified states.

To a question in regards to changes that would have to be made to comply with the Streamline Sales Tax Act, Mr. John explained that examples would be the definition of “durable medical equipment and prosthetic equipment” and clothing exemptions.

Mr. John explained that the support staff for the Streamline Sales Tax Act governing board consists of an executive director, an IT computer person, and one administrative staff member.

The response to a question about fines for non conformance of the agreement was that there would be no penalties, however the state could be expeled if it did not become and remain compliant.

ADJOURN:

There being no further business to come before the Committee, Chairman lake adjourned the meeting at 10:05 a. m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** January 31, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood (35), Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Roberts
- GUESTS:** Michael Ferguson - Division of Financial Management
- Chairman Lake called the meeting to order and requested a silent roll call.
- RS16827C1:** Presented by Representative Moyle. This legislation will provide that new construction rolls shall not include new construction located within a revenue allocation area until termination of the revenue allocation area.
- MOTION:** Representative LaFavour moved to introduce RS16827C1. Motion passed by a unanimous voice vote.
- RS16694:** Presented by Michael Ferguson, Division of Financial Management. Mr. Ferguson explained the changes to the Idaho Grocery Tax Credit that would be made by this legislation.
- There was discussion on the following changes:
- The increased value of the regular credit amount from \$20 to \$90 on a means-tested basis.
 - The age restriction would be removed from Form 24 and would make all Idaho residents eligible for the credit (this form is the method that Idaho residents can use to file for the Grocery Credit if their income is below the income tax filing requirements).
 - Food Stamp participants would be ineligible for the credit during the time they receive foot stamps.
 - Part-year residents that would qualify for the credit would be able to receive a proportionate credit.
 - The application for the refund filing deadline, which would be 3 years from the due date of the tax return, or April 15th of the year following the year of which the application is filed if the applicant is not required to file a return.
 - The extra credit amount of \$15 for the Idaho residents aged 65 or over would not be changed.
- MOTION:** Representative Clark moved to introduce RS16694 with corrected SOP. Motion passed by unanimous voice vote.
- RS16746C2:** Presented by Representative Bayer. He said the income tax credit provided to Idahoans for the offset on sales tax they pay for food consumed at home has not kept up with the changes in sales tax or

inflation. This legislation would increase this "Food Tax Credit" from \$35 to \$70 for seniors and \$20 to \$50 for other Idahoans.

There was discussion on how the increases would help Idahoans by allowing most citizens to file for the credit, even if the income is too low to incur an income liability.

MOTION: Representative Moyle moved to introduce RS16746C2. Motion passed with a unanimous voice vote.

RS16813: Presented by Representative Jaquet. The current grocery tax credit would be repealed and the sales tax on food would be reduced by 50% with this legislation. A handout explaining the fiscal note information in more detail was provided.

Definitions of "food and food ingredients" were discussed along with list of exclusions of items that would not be exempt.

This legislation would be effective July 1, 2007 which would enable retailers time to extend their food stamp equipment definitions to the streamlined tax definitions so as to not burden the retailers

MOTION: Representative Saylor moved to introduce RS16813. Motion passed with a unanimous voice vote.

RS16817C2: Presented by Representative Hart. This bill amends sections of the Idaho Code to phase out the sales tax on certain food sold for human consumption and the grocery tax income credit. To hold local government harmless, there would be an increase in the percentage of sales tax revenue allocated to cities and counties from the revenue sharing fund.

There was discussion on the four year phase out of the sale tax on certain food sold for human consumption and the grocery tax credit.

MOTION: Representative Clark moved to introduce RS16817C2. Motion passed with a unanimous voice vote.

ADJOURN: There being no further business to come before the Committee, Chairman Lake adjourned the meeting at 10:10 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 1, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Roberts
- GUESTS:** Kris Ellis- Idaho Land Title Association (ILTA); Bill von Tagen - Immanuel Luthern Church; Bob Aldridge – Attorney; ;Tony Poinelli –Idaho Association of Counties (IAC); Sharon Besmears – Director of Valley House Homeless Shelter; John Boyd – Vice President of Mission Aviation Fellowship; and Dave Fycok – Mission Aviation Fellowship
- Chairman Lake called the meeting to order and requested a silent roll call.
- H 68:** Representative Smith introduced H68, which would allow approximately \$40,000.00 of annual taxable expenditures to be exempt from sales tax for Valley House Homeless Shelter. Ninety per cent (90%) of the budget is from charitable donations by local organizations or individuals. Valley House Homeless Shelter is a private, nonprofit organization in Twin Falls, Idaho that provides shelter and food to homeless families and individuals.
- PRO:** Sharon Breshears, Director of Valley House Homeless Shelter stated the numerous benefits that the shelter provided last year.
- MOTION:** Representative Wood made a motion to send HB68 to the floor with a do pass recommendation. The motion passed by unanimous voice vote. Representative Smith will carry H68 on the floor.
- H 69:** Bob Aldridge, an attorney, was recognized to introduce H69, which clarifies language in regards to religious property tax exemptions in Idaho Code Sections 63-602, 63-602B, and 63-602C.
- Mr. Aldridge presented a handout that compared the proposed amended language to the existing statute that would help clarify the changes by removing the complex language.
- There was discussion on property that is partially being used for a non-exempt purpose that would make the entire property taxable for the entire year.
- Mr. Aldridge explained the legislation would make the playing field level for all charitable properties and simplify the tests to be applied for exemption, which will make it easier for the applicant and the county to determine whether property is exempt. As in other charitable properties, this legislation will allow proration of the property tax when there is a partial non-exempt usage.

There was a question about what the status of the property would be if portions of a building were rented to the public for non-religious events, with Mr. Aldridge answering that it would not be exempt and there would be taxation.

- PRO:** Bill von Tagen, representing the Immanuel Lutheran Church, spoke in favor of the bill. Mr. von Tagen spoke of confusion in the language of the current legislation with an example of his own church and the “parsonage” that is attached. A handout of the area where the Church is was presented.
- PRO:** Tony Poinelli, representing the Idaho Association of Counties, spoke in favor of the bill stating that property used for church activities should be exempt. If portions of the property are used for profit, those portions should be taxed.
- MOTION:** Representative Wood made a motion to send HB69 to the floor with a do pass. The motion passed by unanimous voice vote. Representative Wood will carry HB69 on the floor.
- H70:** HB70 was introduced by Representative Kren. This legislation will enable the County Assessor to determine whether a homeowners exemption that was claimed and granted should have been allowed. It will also allow the Board of Commissioners to be able to waive the penalty, interest, and cost in order to facilitate the collection of property taxes. Lastly, H70 will allow the county assessor and treasurer to cease the recovery of unpaid property taxes if the real property is sold to a bona fide purchaser for value, prior to the recording of the notice of the intent to attach a lien.
- PRO:** Kris Ellis spoke in favor of the legislation. She stated that new property owners should not be liable for previous owners back property taxes. There was discussion about the current law that does allow the County Commissioners to forgive property taxes and penalties.
- PRO:** Sherry Morgan, Deputy Prosecutor for Ada County, agreed that the County Commissioners could forgive back property taxes and penalties as a hardship.
- MOTION:** Representative LaFavour made a motion to send HB70 to the floor with a do pass. The motion passed by a voice vote. Representative Kren will carry H70 on the floor.
- H74:** Senator McKenzie was called to present H74. Senator McKenzie said the purpose of HB74 is to encourage (C) (3) companies to locate and remain in Idaho by exempting from the sales and use tax aircraft purchased in Idaho, if the entity will primarily utilize the aircraft in a foreign country for a charitable nonprofit use.
- PRO:** John Boyd, representing Mission Aviation Fellowship, explained that his company provides charitable medical and famine relief to foreign countries.
- PRO:** Mr. Boyd provided a folder with information on Mission Aviation Fellowship in addition to Project 2007.
- PRO:** Dave Fycok, representing Mission Aviation Fellowship testified in favor of this legislation. He discussed fleet optimization in regards to the

company's projects.

There was a question about where the operating funds come from to support the organization. Mr. Boyd said that most of Mission Aviation Fellowship's budget comes from citizens and a few churches.

MOTION:

Representative Hart made a motion to send HB74 to the floor with a do pass. The motion passed with a unanimous voice vote. Representative Hart will carry H74 on the floor.

ADJOURN:

There being no further business to come before the committee, Chairman Lake adjourned the meeting at 10:00 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 2, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** NONE
- GUESTS:** Phil Kushlan - Capital City Development Corporation; Mayor Clay Larkin - City of Post Falls; Mayor Lance Clow - City of Twin Falls; Teresa Molitor - LCDC; Paul Anderson - LCDC; Tony Berns - LCDC; Dale Krick - CCDC; Ryan Armbruster - Jerome/Meridian Development; Troy Tymesen - City of Coeur d Alene; Dan Gookin; Tony Poinelli - Idaho Association of Counties, (IAC); Ray Stark - Boise Chamber of Commerce; John Watts - Chamber Alliance; Lyn Darrington - City of Boise; Neil Colwell - Avista Corporation; and Skip Smyser - Greater Boise Auditorium District.
- MINUTES:** Representative Hart moved to accept the minutes as written for January
- H 79:** Presented by Representative Moyle. This legislation will not allow the new construction roll to include new construction located within a revenue allocation area until termination of the revenue allocation area.
- In a response to a committee question in regards to the fiscal impact on HB79, Representative Moyle stated said there is no fiscal impact.
- PRO:** Clay Larkin, Mayor of Post Falls testified in support of H79.
- PRO:** Lance Clow, Mayor of Twin Falls offered testimony in support of H79.
- CON:** Tony Poinelli, representing the Association of Counties, spoke against H79 saying that this legislature's intent is accountability for Urban Renewal Districts purposes. He said a sign off sheet would be comparable.
- To a question about what percentage of county services are provided to Urban Renewal Districts, Mr. Poinelli said he was not sure.
- MOTION:** Representative Bedke made a **motion to send H79 to the floor with a do pass recommendation**. The motion passed by unanimous voice vote. Representative Moyle will carry H79 on the floor.
- H 47:** Representative Clark was recognized to present H 47 which would modify Idaho Code section 50-2006 to allow election of urban renewal board members, terms of office, eligibility of members, and the filling of vacancies.
- PRO:** Dan Gookin, citizen, testified in favor of H 47.
- CON:** Ray Stark, Boise Chamber of Commerce, testified against H 47.

- CON:** John Watts, Chamber Alliance, testified against H 47. He said he thinks the proper process is in place at this time.
- CON:** Lyn Darrington, City of Boise, testified against H 47.
- CON:** Skip Smyser, Greater Boise Auditorium District, testified against H 47 stating that non city representatives should not make decisions for city citizens.
- MOTION:** Representative Hart made a **motion to send H 47 to general orders with amendments.**
- SUBSTITUTE MOTION:** Representative Roberts **made a motion to hold H 47 in Committee.** Motion passed with a voice vote.
- SUBSTITUTE MOTION ROLL CALL VOTE:** VOTING AYE: Representatives Collins, Smith, Raybould, Roberts, Bedke, Sayler, Jaquet, LaFavour, Killen, Ruchti. VOTING NAY: Representatives Lake, Barrett, Moyle, Schaefer, Wood, Clark, Harwood, and Hart. Motion passed 10 - 8 - 0.
- H 48:** Representative Clark made a **motion to hole H 48 in Committee.** Motion passed by a voice vote.
- ADJOURN:** With there being no further business before the Committee, Chairman Lake adjourned the meeting at 10:35 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 5, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood(35), Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** None

Chairman Lake called the meeting to order and requested the secretary take a silent roll. He announced today the committee will hear presentations of H80, H81, H82, and H83 and testimony from anyone wishing to speak on behalf of these bills. In tomorrow's meeting the committee will have a roundtable discussion regarding the bills.

GUESTS: Michael Ferguson, Division of Financial Management; George Dillard, Good Sam Club; Phil Homer, Idaho Assoc. of School Administrators; Judy Brown, Director Idaho Center on Budget and Tax Policy and United Vision for Idaho (UVI); Karen McWilliams, UVI and Idaho Community Action Network (ICAN); Kathryn McNary, UVI and ICAN; Randy Nelson, Associated Taxpayers of Idaho; Robin Nettinga, Idaho Education Association (IEA).

HB 80: Presented by Michael Ferguson. This bill is a natural development of the property tax relief legislation enacted in August of 2006. It is the culmination of careful consideration of two basic questions: how to best address the issue of Idaho's practice of applying sales tax to food and how to deal with this issue in the realm of many competing budget demands. This legislation represents the Governor's judgement on how Idaho should answer those questions.

This proposed legislation retains Idaho's use of the grocery credit bringing it up from \$20 to \$90; which is closely in proportion with a typical family's expenditures on food at the grocery store. The legislation also restricts the availability of the credit to Idaho residents with income below certain taxable income thresholds. Essentially, this bill is targeted to Idaho's working poor who do not receive public assistance, i.e., food stamps.

Mr. Ferguson discussed the cons of this bill by weighing the issue that a true grocery credit, such as this one, does not hit consumers' pockets instantly but does often result in an income tax refund. He stated the pros of this bill are many: the grocery credit has a much lower fiscal impact than exempting groceries, Idaho's revenue base will maintain its level of stability, tourists and other nonresidents will continue to contribute to Idaho's tax base and retailers will not be negatively impacted.

The question was raised if this bill uses the Stream Line Sales Tax Act definition. Mr. Ferguson stated this legislation links its definition of food to the USDA Food Stamp program.

In response to a committee question, Mr. Ferguson stated residents receiving benefits from the food stamp program are ineligible for the grocery credit during those months in which Food Stamps were received and their credit amount will be pro-rated to reflect only the period they do not receive food stamps.

The question of how much of the collected sales tax is from tourist or travelers was raised and Mr. Ferguson stated he does not have a specific amount but 15 percent appears to be a reasonable estimate.

HB 81

Presented by Representative Bayer. This legislation proposes increasing the Food Tax Credit for all Idahoans with an increase for seniors from \$35 to \$70 and for most other Idahoans from \$20 to \$50. Data from the U.S. Department of Labor shows that the average citizen under 65 pays \$86 a year for sales taxes on the food they consume at home, and for citizens 65 and over the amount is \$108 based on 6 percent sales tax.

This proposal also helps the poorest Idahoans by allowing virtually all citizens to file for the credit, even if incomes are too low to incur an income liability. Those who have been incarcerated for over six months of the year, those residing in the country illegally, and those receiving the maximum possible food stamp benefit for the entire year would be unable to claim the credit.

Taxpayers wishing not to claim the credit could have their credit donated to help low income Idahoans with home energy bills.

In response to a committee question, Representative Bayer stated the definition of food for this legislation follows the definition outlined by the federal food stamp program.

A question from the committee prompted Representative Bayer to state the fiscal impact for this legislation is \$47.5 million and it has been reviewed by many who understand the implications to the budget.

H 82:

Presented by Representatives Clark and Hart. Representative Hart stated this legislation reduces tax on food by 1.5 percent per year over the next four years. It phases out the grocery tax income credits over the same time frame and increases the percentage of sales tax revenue allocated to cities and counties.

The complete phase-out of sales tax on certain foods and the elimination of the grocery tax credit will impact fiscal year 2011 by \$138 million. When the projected revenues are greater than six percent, all dollars above six percent will be placed in the Grocery Tax Elimination Fund (GTEF) to be used for shortfalls in years 2009, 2010, and 2011.

Representative Clark, when asked, mentioned that the \$138 million fiscal note was based on studies estimating 13 to 18 percent of household expenditures are taxes paid on food consumed at home.

Chairman Lake requested that Mr. John of the Idaho Tax Commission, report in tomorrow's meeting as to what percentage of household expenditures for Idaho families are related to tax paid on food.

When asked if H82 conflicts with H3, Budget Stabilization Fund, Representative Clark stated the Budget Stabilization Fund kicks in at 4 percent and anything over 6 percent goes to the Grocery Tax Elimination Fund (GTEF), therefore, there is no overlapping.

In response to a committee question Representative Clark stated that if enacted, legislation would dissolve after 4 years.

H 83: Presented by Representative Jaquet. House Bill 83 repeals the current grocery tax credit and reduces the sales tax on food by 50 percent.

This legislation defines food according to definitions provided by the streamlined tax agreement. This legislation would take effect July 1, 2007 to enable retailers time to extend their equipment requirements from administering sales based on the food stamp definitions to the streamlined tax definitions.

The fiscal impact of reducing the sales tax on food to three percent is \$90 million to the General Fund. Revenue necessary to mitigate the impact beginning in 2008 is: \$26 million in captured current grocery tax credit, \$8.2 million from the Governor's early bond payment. \$22 million from the grocery tax credit proposal and \$48 million remaining ongoing funds from the Governor's proposed budget.

Representative Jaquet stated she believes no one should be taxed on life necessities, and Idahoans she has spoken with want relief at the cash register.

In response to a committee question, Representative Jaquet estimated the financial impact to small and medium size Idaho retailers would be \$300 to update their cash registers.

PRO: George Dillard testified in favor of H82 and H83. He said both are fair and equitable, and he urges the Committee to pass H83.

PRO: Phil Homer testified on the merits of H80, H81, H82 and H83 stating these bills all remove some funding from the stream of revenue used to fund public and charter schools. In his opinion H80 provides the least heartburn and provides relief to those most in need, as well as protecting the revenue stream for the future.

PRO: Judy Brown testified on behalf of H80, H81, H82 and H83, stating each of the proposals would make Idaho's sales tax less regressive and more fair. Her organization is also concerned about preserving the state's ability to adequately fund public and higher education as well as health care, thereby finding H80 to be the most fair and affordable option for the State of Idaho.

PRO: Karen McWilliams testified in favor of H80 stating the extra income credit would provide an extra trip to the grocery store for her and her sister since they only receive \$23 per month in food stamps.

PRO: Kathryn McNary testified in favor of H80, as it will give her family of 4, which she supports on Social Security, a \$380 income credit.

Randy Nelson testified on H80, H891, H82 and H83 expressing caution when dealing with tax systems in place to benefit the future of Idaho families.

Robin Nettinga testified but took no position on H80, H81, H82 or H83, stating her main concern is with the adequate funding for Idaho schools.

Chairman Lake announced we will continue with a roundtable discussion of H80, H81, H82 and H83 tomorrow, Tuesday, February 6, 2007 at 9:00 a.m.

ADJOURN: With there being no further business to come before the Committee, Chairman Lake adjourned the meeting at 10:35 a.m.

Representative Dennis Lake
Chairman

Stephanie Killebrew
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 6, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood(35), Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** None

Chairman Lake called the meeting to order and requested the secretary take a silent roll.

GUESTS: Dan John, Idaho State Tax Commission; Michael Ferguson, Division of Financial Management; Representative Bayer

At the Chairman's request, Mr. John reported on the basis used to reach the different fiscal impacts for each of the proposed pieces of legislation before the committee today. Mr. John states the Tax Commission has used the figure of 15 percent for estimates of removing the sales tax from food since 1984, when studies were conducted because of an initiative on the ballot regarding sales tax on food. Mr. John feels comfortable that 15 percent is in the ball park although no one captures the data of how much sales tax comes from items meeting the definition of food. The two definitions of food are the streamlined definition and the food stamp definition. The streamlined definition is what people think of historically as food; the food stamp definition includes candy and soft drinks.

In Mr. John's opinion the figure of 180 million dollars is the most reliable figure to use when determining the fiscal impact of these bills without having specific data off tax returns.

The committee asked if there are any studies using the 15 percent figure that take into consideration the eating habits of today's families, who have a tendency to eat out more often than purchasing food to consume at home. Mr. John stated he has seen more contemporary data ranging from 10 or 11 percent to as high as 18 percent.

The committee questioned the calculation of the fiscal impact using 15 percent to achieve the 180 million dollar figure and asked if there is some growth in that number as our population grows. Mr. John stated it is based on the estimate of revenue for any year; as the estimate goes up the actual impact would go up as natural mathematical function.

Regarding H83 the question was raised whether or not there is a way to use the food stamp definition in this bill and exclude candy and soft drinks. Mr. John stated it is possible to use the food stamp definition;

however, it would require defining soft drinks and candy and then specifically excluding them. The end result would be somewhat similar to the streamlined sales tax definition.

Mr. John said 6 million dollars in sales tax is estimated to be collected from purchases made in Idaho by tourists. However, there is no data to project the loss of revenue from people who cross borders in order to escape paying sales tax on food.

The Chairman requested discussion of H80,H81,H82 and H83 which are before the committee today.

Chairman Lake recognized Mr. Ferguson, from the Office of Financial Management, to respond to a committee question in regard to H80. The question was asked, if a person receives any amount of food stamps in a given month, would they be eligible for a credit issued on behalf of H80. Mr. Ferguson stated any month a person with an individual exemption receives food stamps they would be ineligible for the grocery credit and their total credit would be prorated for the year.

In regard to H81, Chairman Lake asked Representative Bayer to address a committee question. The question is, since this bill specifically excludes those who are incarcerated or illegals, does the bill contain guidelines for identifying the different definitions of undocumented persons. Representative Bayer states the term incarcerated is used to refer to someone in prison the majority of the year whose status provides displacement for the expenditure they actually have for qualified groceries. Subsection B refers to those not legally residing in the United States and this is simply a gross parameter for identifying those who do not legally qualify to file income taxes in the State of Idaho as a qualified resident. The qualifying parameters hold true for today's statute, but this does not change who qualifies to file income taxes or who has tax liability, it is simply a reiteration of who qualifies.

Representative Bayer yields to Mr. John for clarification of qualifications for income tax liability or if they use Form 24. Mr. John states Form 24 is only for residents of Idaho, you are not a resident by definition if you are here illegally.

Regarding H83 Representative Jaquet suggested it be modified and sent to general orders to reduce the fiscal impact by changing it to 4% sales tax and change definition to the food stamp definition.

MOTION:

Representative LeFavour moves H80 be forwarded to General Orders with an amendment to include language from the committee stating food stamp recipients can receive the suggested credit and with an increase in upper bracket from \$10,000 to \$36,000 of taxable income.

Discussion by the committee reflected concern over sending H80 to General Orders without understanding how the changes would impact the fiscal note.

SUBSTITUTE MOTION:

Rep. Collins made a substitute motion to hold H80 in committee at the call of the chair. Passed on a voice vote with Representative LeFavour voting nay.

MOTION: Rep. Harwood moved to send H81 to the floor with do pass recommendation.

ROLL CALL VOTE: Roll call requested.

Point of order requested by Representative Barrett: Chairman Lake stated the committee will only send one of the bills to floor.

Point of order requested by Representative Clark: Chairman Lake stated he will ask the committees unanimous consent to hold others at call of the chair.

Those voting Aye - Representatives Lake, Collins, Moyle, Schaefer, Smith, Raybould, Roberts, Wood, Harwood, Bedke, Sayler, Jaquet, LeFavour, Killen.

Those voting Nay - Representatives Barrett, Clark, Hart, Ruchti.
Motion passed, 14-4.

ADJOURN:

Chairman Lake requested unanimous consent to hold H82, H83 in committee at the call of the chair pending action elsewhere on H81.

With there being no more business to come before the Committee, Chairman Lake adjourned the meeting at 9:45 a.m.

Representative Dennis Lake
Chairman

Stephanie Killebrew
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 7, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith (24), Raybould, Roberts, Wood (35), Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** NONE

GUESTS: Bob VanArnem; Alex LaBeau – Idaho Association of Commerce & Industry (IACI); Dwight Johnson – State Board of Education; Senator John Goedde; Karen McGee – Governor’s Office; M.C. Niland – Namea Chamber of Commerce; and Matt Freeman – Legislative Budget Office (LBO); and John Watts – Chamber Alliance.

Chairman Lake called the meeting to order and requested a silent roll call.

H 84: Representative Smith presented H 84 proposing to amend the requirements for the formation of a Community College District in the State of Idaho. This legislation would change “Junior College” to “Community College.

There was lengthy discussion of the election amendments in regards to forming a Community College District under subsection (4) or subsection (5). If subsection (4) is chosen, the standards and dates of election will remain as currently in statute, with a requirement of 66 2/3 affirmative vote for passage. Subsection (5) would require the election to be scheduled for the Tuesday following the first Monday in November of an even numbered year with 60% or more favorable vote for passage.

Representative Smith said the trustees would be elected, rather than appointed. He stated the proposed amendments would help to make affordable education to other parts of the State of Idaho.

The question was asked why there was no specific mention in the legislation of the amount of money taxpayers would be responsible for. Representative Smith explained that at the time of the election that information would be available.

CON: Bob Van Arnem, a concerned citizen, spoke in opposition of HB84. Mr. Van Arnem stated he does not want to pay more property taxes and that existing public schools have classrooms available for classes.

PRO: Dwight Johnson, representing the State Board of Education, stated the goals of this legislation would give every Idaho student the opportunity to be successful and contribute to having a skilled workforce to help bring more economic development to the State of Idaho. He said that Idaho has a large high school graduation rate and a low go to college rate.

Mr. Johnson stated that HB84 would provide assessible and affordable post schools. Community Colleges are low cost and offer open enrollment.

PRO: Senator Goedde offered testimony in favor of HB 84 and there was discussion of Subsection 4 and Subsection 5 requirements.

PRO: M.C. Niland, representing Nampa Chamber of Commerce, spoke in favor of HB84 stating that this is the first time the Chamber has had a representative speak for legislation. HB84 will help local economic development by offering educational training for acquiring better jobs and benefits. Ms. Niland said that the area is rapidly changing from rural to urban. She stated it is a good idea to allow the district to be formed and let the taxpayers have the choice of supporting the tax increase or not.

PRO: John Watts from the Chamber Alliance spoke favorably of the legislation as he represents small and large businesses which require a workforce that have an educational 2 year degree for employment.

There was discussion on the pros and cons of adding full disclosure of the monetary commitment that taxpayers would be responsible for with this legislation.

To the question about if Nampa is waiting for Ada County to move forward on the legislation, Ms. Niland said that Nampa is a part of a greater community and will be proactive in working with Ada County.

MOTION: Representative Smith made a motion to **send H84 to the floor with a do pass**. Roll call vote was requested.

SUBSTITUTE MOTION: Representative Barrett made a motion to **hold H84 in committee**. Roll call vote was requested.

AMENDED SUBSTITUTE MOTION: Representative Jaquet made an amended substitute motion to **send H84 to the floor with no recommendation**. Roll call vote was requested.

Discussion followed the motion in regards to this legislation being a bill to help grow Idaho economically and to help families, rather than a tax issue bill.

Representative Barrett spoke of the legislation lacking the acknowledgment of accountability to the taxpayers in regards to the cost.

**AMENDED SUB
ROLL CALL
VOTE:**

Voting Aye - Representatives Collins, Smith, Saylor, Jaquet, LeFavour, Killen, and Ruchti. Voting Nay - Representatives Lake, Barrett, Moyle, Schaefer, Raybould, Roberts, Wood, Clark, Harwood, Bedke, and Hart.
Amended Substitute Motion Failed, 7-11-0.

**SUBSTITUTE
ROLL CALL
VOTE:**

Voting Aye - Representatives Barrett, Moyle, Schaefer, Raybould, Roberts, Clark, Harwood, Bedke, and Hart. Voting Nay - Representatives Lake, Collins, Smith, Wood, Saylor, Jaquet, LeFavour, Killen, and Ruchti.
Substitute Motion Failed, 9-9-0.

**ORIGINAL
ROLL CALL
VOTE:**

Voting Aye - Representatives Lake, Collins, Smith, Sayler, Jaquet, Lee, Favour, Killen, and Ruchti. Voting Nay - Representatives Barrett, Moyle, Schaefer, Raybould, Roberts, Wood, Clark, Harwood, Bedke, and Hart.
Original Motion Failed, 8-10-0.

ADJOURN:

There being so further business to come before the committee, Chairman Lake adjourned the meeting at 10:50 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 8, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood(35), Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representatives Wood, Bedke and Ruchti
- GUESTS:** Ted Spangler, Idaho State Tax Commission; Tony Poinelli, Idaho Association of Counties.
- Chairman Lake called the meeting to order and requested the secretary take a silent roll.
- MINUTES:** Representative Collins moved to accept the minutes as written for February 5, 2007. There was no objection.
- RS 16711:** Presented by Representative Jaquet. This legislation amends Idaho Code to include charitable donations to the Lee Pesky Learning Center or its foundation for an income tax credit not to exceed 50 percent of the total contribution made by a taxpayer that year.
- Lee Pesky was the owner of Buckin' Bagels in Ketchum and Boise, who passed away from a brain tumor. In an effort to memorialize their son, Wendy and Alan Pesky founded the Lee Pesky Learning Center (LPLC), a nonprofit organization which helps to strengthen literacy in the community with an emphasis on helping those with learning disabilities.
- In response to a committee question regarding how the Lee Pesky Learning center saves the State of Idaho money, Representative Jaquet stated LPLC has contracted with the state to provide teachers with new strategies for teaching reading and identifying students who need special teaching instruction.
- Representative Jaquet informed the committee that funding for this organization comes from direct contributions, a fund-raising dinner and scavenger hunt, solicitation and from grant money.
- MOTION:** Representative LeFavour moved **to introduce RS 16711**. The motion passed on a voice vote.
- RS 16712:** Presented by Representative Jaquet. This legislation amends Idaho Code to provide a sales and use tax exemption for donations to, sales to, and purchases by the Lee Pesky Learning Center.

As a result of committee discussion, Representative Jaquet stated she is unsure of whether or not Lee Pesky Learning Center qualifies under the educational institution section for exemptions.

MOTION: Representative Hart **moved to return RS 16712** to the sponsor.

SUBSTITUTE MOTION: After considerable discussion regarding the qualifications for an educational institution exemption, Representative LeFavour made a **substitute motion to introduce RS 16712**. The substitute motion **failed on a voice vote**.

VOTE ON ORIGINAL MOTION: The motion passed on a voice vote, RS 16712 will be returned to the sponsor.

RS 16800: Presented by Ted Spangler. This bill updates the Idaho income tax law by repealing the provision that exempts non-Idaho banks and financial institutions from Idaho Income Tax.

This proposed legislation strikes Subsection B which was enacted to allow banking institutions, who were providing credit in Idaho without a physical presence, an exemption from the income tax to encourage the availability of credit. Since the time of this previously mentioned language, the banking industry has changed dramatically due to the loosening of traditional federal restrictions. Mr. Spangler stated the policy of granting income tax exemptions to out-of-state banks has outlived its usefulness and needs to be addressed.

MOTION: Representative Clark **moved to introduce RS 16800**. The motion passed on a voice vote.

RS 16867: Presented by Toni Poinelli. This legislation which has been in process for some time; provides definitions for vector and vermin. It also provides an exception for non-contiguous property to be added to an abatement district. The proposed legislation provides clarification of the procedures to form an abatement district and adds a second procedure to allow a board of county commissioners to put a district proposal on the ballot. Clarification of the powers and duties of abatement districts and of the annexation process by the county for interim or emergency abatement districts after a public hearing is also outlined.

Mr. Poinelli recommended additional language be added on page 5, lines 47-51 regarding the transition of interim abatement districts and passed out a copy the new language.

The Chairman informed the committee of his experience in Bingham County last year with a major outbreak of West Nile Virus and stated that the need for an emergency Mosquito Abatement District is very apparent in such an instance.

In response to a committee question, Mr. Poinelli stated that during the formation of an emergency abatement district this legislation does allow a provision for individual property owners to opt out of the district in favor of

other eradication processes.

MOTION: Representative Raybould **moved to introduce RS 16867 with the amendment** that Mr. Poinelli introduced. The motion passed on a voice vote.

ADJOURN: With there being no further business before the Committee, Chairman Lake adjourned the meeting at 9:45.

Representative Dennis Lake
Chairman

Stephanie Killebrew
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 12, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood (35), Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Harwood.
- GUESTS:** Norm Semanko - Idaho Water Users Association and Daren Coon - Nampa-Meridian Irrigation District
- Chairman Lake called the meeting to order and requested a silent roll call.
- Chairman Lake introduced the committee's new page, Jaime Cox from District 21.
- RS 16975:** Chairman Lake recognized Senator Goedde to present RS 16975 which would reduce the maximum allowable tax levy for community colleges from .16% to .125% of market value for assessment. Senator Goedde said this legislation is one of the recommendations of the Interim Committee on Secondary Education.
- MOTION:** Representative Clark moved to **introduce RS 16975. Motion passed with a unanimous voice vote.**
- H 85:** Representative Lake recognized Norm Semanko, representing Idaho Water Users Association, to present H 85. This legislation was referred to Revenue and Taxation committee by the Resources and Conservation Committee.
- Mr. Semanko said H85 would relieve the Irrigation Districts of excess paperwork and administrative burdens by not requiring annual approval of the district's irrigation facilities and "operating" property for their tax exemption by the county board of equalization.
- MOTION:** Representative Wood made a motion to send H85 to the floor with a do pass. **Motion passed with a unanimous voice vote.**
- RS 16786C1:** Presented by Representative Eskridge. This legislation would provide an additional 3% investment tax credit to Idaho retail fuel dealers or fuel distributors who provide extra fuel tanks for biofuels.
- There was discussion that this legislation is a tax credit incentive to encourage fuel companies to add new tanks to offer biofuels to their customers.

To the question asked in regards to using existing tanks for the ethanol, Representative Jaquet said there is usually some fuel line erosion in the existing tanks which is why new tanks are recommended, however there are 8 fuel stations providing ethanol in existing tanks.

MOTION: Representative Clark moved to **introduce RS 16786C1. Motion passed by unanimous voice vote.**

RS 16922C2: Representative Lake recognized Representative Clark to present RS 16922C2 which amends existing law in the distribution of moneys in the state liquor account and would expand the drug and mental health courts. This legislation also changes the name of the fund from "Alcoholism Treatment Fund" to "Substance Abuse Treatment Fund."

Representative Clark explained that the profits in the liquor funds are growing approximately 12 % per year. Some of these profits will make up the Drug and Mental Health Court Supervision Fund, which will help put people into drug courts and offer treatment, rather than in the jails.

There was discussion that the counties and cities could benefit from this legislation with the question of should the cities and counties be contributing additional funds also. Representative Wood said her district agrees and has appropriated \$50,000.

MOTION: Representative Wood moved to **introduce RS 16922C2. Motion passed by unanimous voice vote.** Representative Clark will carry on the floor.

RS 16961: Presented by Representative Roberts. RS 16961 will require that tax notices show the percentage change in taxes from the prior year and phone numbers of the agencies. This legislation has an effective date of FY 2008 to allow cities and counties to make needed programming changes.

Representative Roberts responded to a question in regards to what the change is on the tax notices. The line items are related to particular parcels.

MOTION: Representative Clark moved to **introduce RS 16961. Motion passed by unanimous voice vote.**

Chairman Lake asked Representative Roberts to prepare sample tax notices for review at the time of the hearing.

ADJOURN: There being so further business to come before the committee, Chairman Lake adjourned the meeting at 9:35 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 13, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Bedke
- GUESTS:** Julie Taylor and Woody Richardson - Blue Cross of Idaho; Dawn Justice - Idaho Bankers Assn; John Watts - Idaho Chamber Alliance, Ted Spangler - State Tax Commission.
- Chairman Lake called the meeting to order and requested a silent roll call.
- MINUTES:** Representative Collins moved to accept the minutes as written for January 31, 2007. There was no objection.
- Representative Raybould moved to accept the minutes as written for February 1, 2007. There was no objection.
- Representative Harwood moved to accept the minutes as written for February 6, 2007. There was no objection.
- Representative Harwood moved to accept the minutes as written for February 7, 2007 with noted corrections. There was no objection.
- Representative Collins moved to accept the minutes as written for February 8, 2007 as written. There was no objection.
- Representative Wood moved to accept the minutes as written for February 12, 2007. There was no objection.
- RS 17001:** Presented by Representative Loertscher. This legislation clarifies that in the event a taxing district proposes a fee increase in excess of five percent of the amount of the fee last collected, a hearing on the proposed increase must be held.
- MOTION:** Representative Barrett **moved to introduce RS 17001.** Motion passed with a unanimous voice vote.
- H 141:** Presented by Ted Spangler representing the Idaho Tax Commission. This proposed legislation will strike language added to the Idaho Income Tax Act in 1980. This law permitted limited activity by out of state lenders to invest in Idaho loans without having to file or pay Idaho income tax returns.

Mr. Spangler explained multi state banking and multi corporate structures of commonly owned affiliate banking and non-banking businesses are common today. The 1980 exemption intended for small industry segments, now protects much more financial activity and exempts more income than the 1980 law was designed for.

In response to a question regarding what laws surrounding states are using, Mr. Spangler stated these laws are unique to the State of Idaho. Other states have separate tax structures and laws.

Mr. Spangler said the old language has two adverse effects on Idaho. It allows out-of-state banks to enjoy an unfair advantage over smaller in-state banks competing for the same banking business, and there is a loss of millions of revenue dollars by allowing a much larger exemption than intended for a small number of lenders.

MOTION: Representative LeFavour made a motion **to send H141 to the floor with a do pass**. The motion passed with a unanimous voice vote. Representative LeFavour will carry on the floor.

H 142: Presented by Representative Jaquet. This legislation amends Idaho Code to include charitable donations to the Lee Pesky Learning Center and it's foundation for an income tax credit not to exceed 50 percent of the total contribution made by a taxpayer that year. Representative Jaquet supplied an informational hand out about the Lee Pesky Learning Center.

David Holmes, Executive Director of Lee Pesky Learning Center explained the history of the Lee Pesky Learning Center. Lee Pesky was the owner of a business in Ketchum and Boise, who passed away from a brain tumor. To memorialize their son, Wendy and Alan Pesky founded the Lee Pesky Learning Center, a nonprofit organization which helps broaden literacy in the community with emphasis on helping students with learning disabilities.

Mr. Holmes informed the committee that funding for this organization comes from private contributions, solicitations, and grant money.

In response to a question, Mr. Holmes stated students from four years old through seniors in high school with learning disabilities benefit from the services of the center.

Mr. Holmes said there is outreach to service providers and school counselors to get the information out to the schools and the public. Parents of students also help spread the word.

There was a question in regards to the fees for services. Mr. Holmes stated the school has a scholarship program in place since there fee structure is significantly high.

In response to a question directed to Dan John from the Idaho Tax Commission regarding the qualifications of the Lee Pesky Learning Center's ability to utilize the 501 (C) (1) tax incentive, Mr. John stated that the school does qualify for the tax credit.

- MOTION:** Representative Ruchti made a motion **to send H142 to the floor with a do pass**. The motion passed with a unanimous voice vote. Representative Jaquet will carry on the floor.
- RS16923:** Presented by Representative Eskridge. This legislation changes the method of taxation on producers of wind energy from a property tax to a tax on energy production output.
- In response to a question if the 3 percent tax on producer's gross wind energy would still be levied, Representative Eskridge said that tax would still be collected, and noted that this legislation would provide more revenue as more energy is produced.
- MOTION:** Representative Raybould **moved to introduce RS16923**. Motion passed with a unanimous voice vote.
- RS 16927:** Representative Roberts presented RS16927, which he explained would level the playing field for all dental plans and dental insurances. This legislation would change the tax rates so all dental coverage carriers would pay the same tax rate to the State of Idaho.
- Representative Roberts said a single tax rate will make Idaho more competitive in efforts to attract insurance carriers to the market with more products available for Idaho residents.
- MOTION:** Representative Clark **moved to introduce RS 16927**.
- SUBSTITUTE MOTION:** Representative LeFavour **moved to return RS 16927 to the sponsor**.
- SUBSTITUTE MOTION:** Voting AYE - Representative LeFavour; NAY - Representatives Lake, Collins, Barrett, Moyle, Schaefer, Smith, Raybould, Roberts, Wood, Clark, Harwood, Hart, Saylor, Jaquet, Killen, and Ruchti; Absent: Representative Bedke.
ROLL CALL VOTE:
Substitute motion failed: 1 - 16- 1
- VOTE ON ORIGINAL MOTION:** The motion **passed on a voice vote**. Representative Jaquet voted NAY.
- ADJOURN:** There being no further business to come before the committee, Chairman Lake adjourned the meeting at 10:10 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 14, 2007
- TIME:** 9:00 A.M.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Bedke
- GUESTS:** Steve Rector - Idaho Housing and Finance Association (IHFA); Dawn Justice - Idaho Bankers Association; George Dashiell - citizen; and Stephen Goodson - Connolly & Smyser, CTD
- Chairman Lake called the meeting to order and requested a silent roll call.
- RS16825:** Presented by Representative Roberts. Two technical changes made necessary by the passage and implementation of the special session's HB1 will be made with this legislation. The public school's Bond Levy Equalization calculation will be updated, since the old formula was needed for FY 2007, and to allow the 3 percent cap for school districts tort levies to be calculated correctly due to the distribution of the Ag Replacement monies.
- In response to a question, Representative Roberts stated this legislation addresses only the tort levy, not the Ag levy.
- MOTION:** Representative Moyle **moved to introduce RS16825**. Motion passed with a unanimous voice vote.
- RS16964:** Presented by Steve Rector, representing Idaho Housing and Finance Association. This legislation would amend the enabling legislation for the Idaho Housing and Finance Association to permit the financing of industrial, commercial, and other projects to promote economic development throughout the state in partnership with private financial institutions and state or local economic development entities. This legislation will allow for the pooling of loans for such projects through the issuance of revenue bonds.
- Mr. Rector was asked a question regarding if these bonds qualify for the tax exemption like regular bonds. The answer was yes.
- MOTION:** Representative Hart **moved to introduce RS16964**. Motion passed with a unanimous voice vote.
- RS17030:** Presented by Representative Barrett. This legislation will revise and clarify the application process to claim the Agriculture exemption. There will be a simple annual form. Representative Barrett explained land that

would be eligible for this tax status is land owned and used for wildlife habitat by a private, nonprofit corporation which has a tax exempt status under section 501 (c) (3) of the Internal Revenue Code and lands that are owned by private, nonprofit corporations that entered into long term conservation agreements.

Representative Barrett said seven Idaho counties are utilizing the exemption at this time. Custer County is the largest user at this time and the county is seeking clarification of the process.

MOTION: Representative Clark **moved to introduce RS17030**. Motion passed with a unanimous voice vote.

RS16913: Representative Lake presented RS16913 regarding consolidated election dates. He said this proposed legislation would provide that all issues before voters will be on the 4th Tuesday in May or the Tuesday following the first Monday in November. Representative Lake provided a handout that analyzed the present and proposed election dates.

MOTION: Representative Barrett **moved to introduce RS16913**. Motion passed with a voice vote. Representatives Saylor, Jaquet, and Ruchti voted NAY.

ADJOURN: With there being no further business before the Committee, Vice Chairman Collins adjourned the meeting at 9:30 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 15, 2007
- TIME:** 9:00 A.M.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Bedke
- GUESTS:** Ray Stark - Boise Chamber of Commerce and John Watts - Chamber Alliance
- Chairman Lake called the meeting to order and requested a silent roll call.
- RS17026:** Presented by Representative Smith. This concurrent resolution would reject a pending rule of the Division of Veterans Services pertaining to the Enforcement of Veteran's Preferences in Public Employment.
- MOTION:** Representative Raybould **moved to introduce RS17026 and refer to Judiciary and Rules Committee.** Motion passed with a unanimous voice vote.
- H 181:** Presented by Senator Goedde. This legislation was a recommendation of the Interim Committee on Education. The maximum allowable tax levy for community colleges would be reduced from .16 percent to .125 percent of the market value for assessment purposes.
- MOTION:** Representative Smith made a **motion to send H181 to the floor with a do pass.** Motion passed with a unanimous voice vote. Representative Harwood will sponsor on the floor.
- H 179:** Representative Roberts presented this bill which would require tax notices to include the percentage of changes in taxes from the prior year, and to include phone numbers for the taxing districts. Representative Roberts provided a handout of sample tax notices.
- In response to a question regarding the time line for implementation, Representative Roberts said the legislation would be effective on the November 2008 tax notice.
- There was a question in regards to hardships the county would incur for the new calculations. Tony Poinelli, representing the Association of Counties said the information would be electronically computed with minimal burden for the assessor's office.
- In response to a question about all the counties using the same form, Mr. Poinelli stated 9 counties are independent. He explained the

individual forms could have different layouts with the required uniform information.

MOTION: Representative Wood made a **motion to send H179 to the floor with a do pass**. Motion passed with a unanimous voice vote.

H 180: Presented by Representative Clark. This legislation changes the distributions from moneys in the state liquor account. The substance abuse treatment fund will receive an additional \$880,000; the drug and mental health court supervision fund will be allocated \$440,000 for offender supervision; and distribution of \$680,000 to the drug court, mental health court, and family court services fund for drug testing and court coordination. A handout was provided showing comparisons for FY2006 actual and proposed distributions of the liquor funds.

Representative Clark stated 275 offenders would be diverted to the drug and mental health courts instead of going to prison.

MOTION: Representative Hart made a **motion to send H180 to the floor with a do pass**. Motion passed with a unanimous voice vote.

RS17027: Representative Wood presented this concurrent resolution which would reject a pending rule of the Idaho Fish and Game Commission pertaining to Rules Governing Licensing.

MOTION: Representative Raybould **moved to introduce RS17027 and refer to the Resources and Conservation Committee**. Motion passed with a unanimous voice vote.

ADJOURN: With there being no further business before the Committee, Chairman Lake adjourned the meeting at 9:30 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 16, 2007
- TIME:** 9:00 am
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Clark
- GUESTS:** Alex LaBeau - Idaho Association of Commerce and Energy; Jack Bennett - Ada County Mosquito Abatement; Bob Hays - Idaho State Dental Association; Michele Sherrer - Gem County; Jason Kiale - Gem County Mosquito Abatement; Tony Poinelli - Idaho Association of Counties; Stephen Goodson - Connally & Smyser; Woody Richards - Blue Cross of Idaho; Laird Noh - citizen; Mike Cooper - Dept of Agriculture; June Taylor - Blue Cross of Idaho; Dennis Tanikuni - Farm Bureau; Rich Rayhill - Ridgeline; Robert Paul - Exergy Development Group of Idaho; Lyn Darrington - Regence Blue Shield of Idaho; and Bill Roden - Delta Dental.
- Chairman Lake called the meeting to order and requested a silent roll call.
- MINUTES:** Representative Killen moved to accept the minutes as written for February 13, 2007. There was no objection.
- Representative Collins moved to accept the minutes as written for February 14, 2007. There was no objection.
- Representative Raybould moved to accept the minutes as written for February 15, 2007. There was no objection.
- H 189:** Chairman Lake recognized Representative Eskridge to present H 189. This legislation changes the method of taxation on the producers of wind energy from a property tax to a tax on production of wind energy.
- MOTION:** Representative LeFavour made a **motion to send H 189 to the floor with a do pass. The motion passed with a unanimous voice vote.**
- H 178:** Presented by Tony Poinelli. Mr. Poinelli explained this legislation would update the current statutes regarding abatement districts with the following changes:
- Add terminology to allow districts to react to problem situations in their own jurisdiction.
 - Allow for an exception for property to be noncontiguous. (separated by public land)
 - Clarify the procedures for the petition process.
 - Allow a Board of County Commissioners to put the issue on the

ballot after they have made the determination, established boundaries and published notification.

- Clarify who is qualified to vote
- Add powers and duties and authorize the abatement district to approve management plans for landowners that ask to be excluded.
- Authorize a public hearing for an emergency declaration to create an interim district for up to two years. It would allow for the interim district to become formalized by a vote within 24 months of the initial declaration.
- Provide an explanation of the process for a district to transfer the operation to the county and how they can operate.

PRO: Jack Bennett, representing Ada County Mosquito Abatement District spoke in favor of H 178 stating this legislation would make it easier for small towns to establish abatement districts.

PRO: Laird Noh, a citizen, spoke in support of H 178. Mr. Noh provided a handout regarding information on the black fly. He explained that Twin Falls has an outbreak of this insect that causes severe damage every year.

There was discussion in regards to providing specific language for discretionary opt out plans for landowners requesting their property be excluded from treatment by the abatement district.

After lengthy discussion of concerns over the proposed procedures, Mr. Poinelli said the emergency clause details and notification process could be more specific for clarification

MOTION: Representative Wood made a motion to send H178 to the floor with a do pass.

SUBSTITUTE MOTION: Representative LeFavour made a motion to amend H 178 with the following language to Section 39-2801A: "Any abatement district formed under this chapter, including an interim district formed under provisions of Section 39-2812, Idaho Code, shall be governed by the provisions fo Section 39-2804, Idaho Code."

AMENDED SUBSTITUTE MOTION: Representative Roberts made a **motion to hold H 178 for one week, which would be February 23, 2007. The motion passed by a unanimous voice vote.**

H 190: Representative Roberts presented H 190. This legislation would make the tax rates for dental plans and dental insurances the same so all dental coverage carriers would pay the same tax rate to the State of Idaho. A single tax rate would make Idaho more competitive in attracting insurance carriers, and would be fair for all competitors.

PRO: Lyn Darrington, representing Regence Blue Shield, spoke in support of H 190.

PRO: Bill Roden, representing Delta Dental, said he was in favor of H 190 since it would help bridge the differences between large corporations and small

agencies.

MOTION: Representative Collins made a **motion to send H 190 to the floor with a do pass. The motion passed with a unanimous voice vote.**
Representative Roberts will carry on the floor.

H 191: Representative Roberts presented H 191. This legislation states that in the event a taxing district proposes a fee increase in excess of five percent of the amount of the fee last collected, a hearing on the proposed increase must be held.

There was no testimony on H 191.

MOTION: Representative Roberts made a **motion to send H 191 to the floor with a do pass. The motion passed with a unanimous voice vote.**

RS 17043: Chairman Lake recognized Alex LaBeau, representing Idaho Association of Commerce and Energy to present RS 17043. Mr. LaBeau provided a handout by Stephen J. Entin, President and Executive Director of the Institute for Research on the Economics of Taxation, titled "Effect of Repeal of the Idaho Personal Property Tax for Business Equipment on the Level Incomes and Employment of Idaho Residents and the Gross and Net Effect on State Tax Revenue."

Mr. LaBeau said this legislation would phase out the property tax that applies to business machinery, tools, furnishings, equipment and some fixtures over a set period of time. He stated that the legislation would be immediate and retroactive to January 1, 2007 for exemptions of personal property in the amount of \$50,000 taxable value. This exemption will eliminate the majority of the businesses in Idaho from having to comply with the tax.

Mr. LaBeau explained any remaining Idaho Business with personal property of above \$50,000 taxable value would be phased out starting January 1, 2008. He said there would be five tests used by professionals to determine the differences of real property and personal property for the exemption.

Representative Killen asked if Mr. Entin was present to yield to questions. Mr. LaBeau said he was not, however, could make him available at a later date for questions.

MOTION: Representative Barrett **moved to introduce RS 17043. Motion passed with a unanimous voice vote.**

ADJOURN: There being no further business to come before the committee, Chairman Lake adjourned the meeting at 10:30 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 19, 2007

TIME: 9:00 AM

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** Representative Roberts

GUESTS: None

Chairman Lake called the meeting to order and requested silent roll call.

H 177: Due to the sponsor being absent, Chairman Lake presented a description of H 177, and requested unanimous consent **to hold H 177 for the Thursday, February 22, 2007** committee meeting. **There were no objections.**

H 197: Chairman Lake stated H 197 makes technical changes to update the calculation of the public school's Bond Levy Equalization formula and changes to allow the 3% cap for school district tort levies to be calculated correctly.

MOTION: Representative Raybould **made a motion to send H 197 to the floor with a do pass. Motion passed by a unanimous voice vote.**

RS 16586: Presented by Representative Bedke. The legislation would allow school districts to use market values currently exempt under the homeowners exemption to calculate bond caps.

MOTION: Representative Jaquet **moved to introduce RS 16586. Motion passed with a unanimous voice vote.**

RS 16894C2: Presented by Representative Vander Woude. This legislation would require public notice by mail to taxpayers fourteen days prior to an election that would increase property taxes. The notice would provide information in regards to polling places and election times.

There was discussion in regards to the current notification avenues not being productive in getting the word of the elections out to the public.

MOTION: Representative Clark **moved to introduce RS 16894C2. Motion passed by a unanimous voice vote.**

RS 16828C4: Presented by Representative Labrador. This legislation would require taxing districts to mail notices to taxpayers 14 days prior of an election, when the election would incur bonded indebtedness. Representative

Labrador stated this legislation is for the notification purpose only.

In response to a question asked by Representative Killen in regards to the referencing of “residents” or “taxpayers” being notified, Representative Labrador said the language using “residents” would make it easier to notify more residents in a taxing district than a list of taxpayers.

MOTION: Representative Barrett **moved to introduce RS 16828C4. Motion passed by a unanimous voice vote.**

RS 17036: Chairman Lake recognized Representative Labrador to present RS 17036 which would require that when taxing districts hold an election to create a new taxing district, notices would be mailed to property taxpayers fourteen days prior to the election

MOTION: Representative Raybould **moved to introduce RS 17036. Motion passed with a unanimous voice vote.**

ADJOURN: There being no further business to come before the committee, Chairman Lake adjourned the meeting at 9:38 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 20, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** Representatives Schaefer, Smith, and Roberts

GUESTS: Wally Butler, Idaho Farm Bureau Federation

Chairman Lake called the meeting to order and requested a silent roll call.

MINUTES: Representative Raybould moved to accept the minutes as written for February 19, 2007. There was no objection.

RS 17055: Presented by Representative Hart. The legislation would provide notification to the property owner if he is three years behind in taxes, he has the opportunity to pay back the taxes plus one year to keep his property. This legislation would allow the property owner to receive any surplus dollars after his property was auctioned and all agencies repaid.

MOTION: Representative Moyle **moved to introduce RS 17055. The motion passed on a unanimous voice vote.**

RS 17061: Representative Lake recognized Representative Barrett to present RS 17061 which would change the time frame for applicants to participate and claim the tax status of the legislation.

There was discussion in regards to the necessity of the requirement to file an application every year for any land used for agricultural purposes. Representative Barrett said that would not be the intent of the legislation. The applicant would file a simple progress report to make sure ongoing practices are legitimate for the exemption.

MOTION: Representative Clark **moved to introduce RS 17061. The motion passed on a unanimous voice vote.**

H 199: Chairman Lake requested **unanimous consent to hold H 199 in committee.** RS 17061 is an updated version of H 199. **There was no objection.**

ADJOURN: With there being no further business before the Committee, Chairman Lake adjourned the meeting at 9:15 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 21, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Bedke
- GUESTS:** Jack Lyman - Idaho Mining Assn.; Ryan Armbruster - Jerome Urban Renewal District/City of Jerome; Mark Dunham, Alex LaBeau - Idaho Association of Commerce and Industry; Ken Estep - Power County Commissioner; Kevin Settles - Idaho Lodging and Restaurant Assn.; Roger Sherman, Don Reading - United Vision of Idaho; Phil Homer - Idaho Association of School Administrators; Tom Lawson - Idaho Hospital Assn.; Tom Robinson - Standard Financial Services; Tom Ryder - J.R.Simplot Company; Mike Fitzgerald - Tablerock Restaurant; Mark Snyder - United Water of Idaho; Randy Nelson - Associated Tax Payers of Idaho; Kent Just - Chamber Alliance; Billy Knorpp - RVP Business Systems; Pam Eaton - Idaho Retailers Association/Idaho Lodging and Restaurant Assn.; Suzanne Schaefer - NFIB and Idaho Petroleum Marketers & C Stores Assn; Roger Sorenson - NFIB; Matthew Yost - Exergy; Dar Olberding - Idaho Grain Producers Assn; James Karkulis - Exergy.
- Chairman Lake called the meeting to order and requested the secretary take silent roll.
- MINUTES:** Representative Collins moved to accept the minutes as written for February 15, 2007. There was no objection.
- Representative Barrett moved to accept the minutes as written for February 20, 2007 as written. There was no objection.
- H 206:** A hand out with the proposed amendments was provided by Chairman Lake.
- Chairman Lake recognized Alex LaBeau who represents the Idaho Association of Commerce and Industry to present H 206. This legislation would phase out the personal property tax that applies to business machinery, tools, furnishings, equipment and some fixtures over a set period of time.
- Mr. LaBeau said the personal property tax is a barrier to economic development and eliminating the personal property tax would make Idaho more competitive and could expand personal income for citizens. The phase out procedure would include the exemption on personal property

immediately and be retroactive to January 1, 2007 in the amount of \$50,000 taxable value. The exemption would weed out the majority of small businesses in Idaho from having to comply with the tax. Any remaining Idaho business with personal property in excess of \$50,000 taxable value would have it phased out starting January 1, 2008.

Five tests will be utilized to determine the differences between real and personal property. This concept is explained in the legislation.

Mr. LaBeau stated, in the event of a downturn in the economy, a provision to delay the phase out of this tax is included in this legislation. He said the phase out will not create any shift to other property classes because local governments will be reimbursed by the state general fund.

In response to a committee question in regard to Urban Renewal Districts being included, Mr. LaBeau said this legislation does not cover Urban Renewal Districts.

Concerns of having to contact the assessor's office for clarification of what is and isn't allowed were discussed. Mr. LaBeau said that the State Tax Commission would handle the initial phase out process with taxpayers submitting a statement identifying the personal property they would be claiming the tax exemption for the year 2007. Failure to submit the statement would result in forfeiture of the exemption. For 2008 and calendar years thereafter, taxpayer's statements must identify personal property that is not subject to assessment by the county assessor.

There was discussion of businesses choosing alternative state locations over Idaho due to the large amount they save by not paying personal property taxes.

- PRO:** Tom Ryder, J. R. Simplot Company, testified in favor of H 206. He said his company had 3 location choices for a new potato processing plant. The property tax issue was one of the factors for relocating to a different state.
- PRO:** Kevin Settles, Bardenay Restaurant, supports H 206. He said there is too much confusion as to what is or isn't allowed. The time he spends on making his lists could be spent on numerous other details, and there are more efficient ways to spend the money such as hiring more employees or health benefits.
- PRO:** Mike Fitzgerald, owner of Tablerock Brew Pub, testified in support of the legislation. Mr. Fitzgerald presented a copy of his current tax bill, which has been reduced to three pages from the original nine pages, 16 years ago. He said the \$1200 he would save would help pay for health insurance or an additional employee.
- PRO:** Kent Just, Chamber Alliance, testified in support of H 206, representing 11,000 Idaho businesses who agree with the concept of removing the personal property tax. Mr. Just stated some of the legislation may need to be changed, but requested to send H 206 to the floor with a do pass for debate.
- PRO:** Billy Knorp, RVP Business System, spoke in favor of H 206. He said the

savings should be utilized for adding employees, raising wages, and providing health benefits.

- PRO:** Roger Sorenson, NFIB, testified in favor of H 206, stating the savings would be better spent on employees and business upgrades. He said the administrative costs to comply with the personal property tax is horrible.
- PRO:** James Karkulis, Exergy Wind Energy Development, testified in favor of the legislation. He said that Idaho promotes economic development, and the passage of this legislation would offer benefits to lure businesses to the State of Idaho. He stated that a major contract was lost due to the impact the personal property tax on businesses.
- CON:** Ken Estep, Power County, stated forty percent of Power County's tax revenues come from the personal property taxes. He has concerns that if no money comes in, the county could be in trouble.
- CON:** Ryan Armbruster, Jerome Urban Renewal Agency and City of Jerome, testified against H 206.
- CON:** Roger Sherman, United Vision of Idaho, testified against H 206, suggesting a wait of a year to see what results from the August Special Session..
- CON:** Don Reading, United Vision of Idaho, testified against H 206. He commented on Stephen J. Entin's "Effect of Repeal of the Idaho Personal Property Tax for Business Equipment on the Level of Incomes and Employment of Idaho Residents and the Gross and Net Effect on State Tax Revenue" study that was prepared for the Idaho Association of Commerce and Industry, in January 2007. Mr. Entin is the President and Executive Director for the Institute for Research on the Economics of Taxation.
- CON:** Phil Homer, Idaho Association of School Administrators, spoke in opposition of H 206. His concerns are the first year tax shift, the recent legislation that removed the school M & O from the property tax rolls needs time to see results, and the reduced amount of market value that the school district would be able to levy against for bonds.
- Chairman Lake announced the testimony on H 206 would be continued on Friday, February 23, 2007 at 9:00 a.m. in the Committee's regular meeting room.
- ADJOURN:** Chairman Lake adjourned the meeting at 10:55 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 22, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Clark
- GUESTS:** Jack Bennett - Ada County Mosquito Abatement; Gary Thompson - Tech Help; Pat Collins - Idaho Bankers Assn.; Russ Hendricks - Farm Bureau; Tim Raphael and John Watts - Pacific Ethanol; Suzanne Schaefer - Idaho Petroleum Marketers & C-Stores Assn.
- Chairman Lake called the meeting to order and requested the secretary take a silent roll.
- H 198:** Chairman Lake recognized Gary Thompson, representing Tech Help, to present H 198. This legislation will allow the Idaho Housing and Finance Association to permit the financing of economic development projects through issuance of bonds. Financing of industrial, commercial, and other projects would be available in Idaho in partnership with private financial institutions with the approval of this legislation. State or local economic development entities will be provided a central, statewide point of contact for issuance of bonds for economic development projects.
- Mr. Thompson pointed out the highlights of H 198. This legislation would encourage the development of new jobs and promote higher employment. Mr. Thompson states this legislation will also provide a definition of "economic development project or projects"; and would allow the Idaho Housing and Finance Association to work with private financial institutions as a primary or preferred credit enhancement if needed.
- In response to a committee question, in regard to the effect on the State's credit, Richard Skinner, an attorney affiliated with Skinner and Fawcett, explained these bonds would not be a debt to the State.
- MOTION:** Representative Killen **made a motion to send H 198 to the floor with a do pass. Motion passed with a unanimous voice vote.**
- H 178:** Presented by Tony Poinelli. A hand out of a proposed amendment was provided.
- Chairman Lake requested unanimous consent to consider sending H 178 to the floor on general orders with the amendment.
- MOTION:** Representative Smith **motioned to send H 178 to the floor on general**

orders with the proposed amendment. The motion passed with a unanimous voice vote.

HB 177: Chairman Lake recognized Russ Hendricks to present H 177. Mr. Hendricks said the purpose of this legislation is to provide an additional three percent investment tax credit to Idaho fuel dealers or fuel distributors who invest in infrastructure dedicated to provide biofuels to customers. This legislation would allow more fuel into Idaho's pipelines, contribute to better air quality, and give an incentive to fuel providers to provide the additional fuel option.

PRO: Tim Raphael, Pacific Ethanol, testified in favor of H 177 stating the legislation would allow his company to invest \$120 million dollars into a state of the art ethanol processing , grain handling and milling, and rail infrastructure which would generate new jobs to boost the economy. Pacific Ethanol will own and operate an ethanol production plant in Burley.

Mr. Raphael reported bordering states are expanding markets for renewable fuels and creating incentives. HB 177 is essential for Idaho to realized the growing benefits of the renewable fuel industry.

There was discussion on the cost of retrofitting existing fuel tanks.

PRO: John Watts, Pacific Ethanol, testified in favor of H 177. He said Idaho has much to gain in economic development with the approval of H 177. Mr. Watts stated Pacific Ethanol is an aggressively growing company that would like to keep their presence in Idaho.

MOTION: Representative Wood made a **motion to introduce H 177 to the floor with a do pass. Motion passed with a unanimous voice vote.**

ADJOURN: There being no further business to come before the committee, Chairman Lake adjourned the meeting at 10:10 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 23, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood (35), Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** Representative Smith

GUESTS: Lyn Darrington - AMI Semiconductor and Regence Blue Shield; Ken Robison - citizen; Alex LaBeau - Idaho Association of Commerce and Industry; Pam Eaton - Idaho Retailers Association and Idaho Lodging and Restaurant Association; and Suzi Schaefer - NFIB and Idaho Petroleum Marketers & C-Stores Association.

Chairman Lake called the meeting to order and requested the secretary take silent roll.

MINUTES: Representative Collins moved to accept the minutes of Wednesday, February 21, 2007 as written. There was no objection.

**H 206:
CONTINUANCE
OF TESTIMONY
FROM 2/21/07** Chairman Lake recognized Randy Nelson to present H 206 with a revised fiscal note. This legislation would phase out the personal property tax that applies to business machinery, tools, furnishings, equipment, and other fixtures over a set time period. Mr. Nelson provided a handout showing the 2006 estimated personal property values and personal property taxes with average rates and totals per county for the categories that were collected.

Mr. Nelson said Category 59: Furniture, Fixtures, Libraries, Art, and Coin Collections and Category 68: Other miscellaneous Machinery, Tools, and Equipment would be the categories with the highest personal property values to deduct for the exemption.

Mr. Nelson provided a second handout of estimated statewide homeowner's exemption/personal property by county showing comparisons of 2005 and 2006 before and after the exemption impact.

In regard to committee discussion of money shift concerns, Mr. Nelson stated that local governments will be reimbursed by the state General Fund. This ensures the exemptions allowed in the phase out will not create any shift to other classes of property. In the last few years, values of personal property have been trending downward.

PRO: Pam Eaton, IDR and ILRA, testified in favor of H 206 stating businesses should get tax breaks because they provide jobs and make contributions to numerous good will agencies. This legislation would give back to the people, communities, and the State of Idaho.

- PRO:** Susan Budge Schaefer, NFIB and IPM & CSA testified in support of H 206. Ms. Schaefer stated this legislation would be fair, broad based, easy to administer, and easy to apply which makes it a good tax. She read three letters from citizens who own small businesses that support the legislation.
- PRO:** Alex LaBeau, IACI, said this legislature is supported by most small and large businesses. The extra savings could be used to provide affordable healthcare packages to employees and hire new employees.
- There was discussion about how to balance the burden between businesses and taxpayers with this legislation. Mr. LaBeau explained future legislators can delay the phase-out implementation in the event of adverse financial conditions.
- MOTION:** Chairman Lake requested to **hold H 206 in committee at the call of the chair. There were no objections.**
- RS 17117:** Presented by Alex LaBeau. Mr. LaBeau said RS 17117 would make three changes to previously proposed legislation:
- < It would put in place a safeguard in case the actual revenue in a particular year falls short of the budgeted amount so the scheduled increase in the personal property tax reduction for that same year would be deferred for one year, with all following scheduled increases deferring for one year also.
 - < The legislation defines “urban renewal agency”.
 - < It would include reimbursements to urban renewal agencies.
- There was discussion in regard to concerns about counties losing the revenue.
- MOTION:** Representative Raybould **moved to introduce RS 17117 with changes.**
- SUBSTITUTE MOTION:** Representative Clark **moved to return RS 17117 to sponsor.**
- AMENDED SUBSTITUTE MOTION:** Representative Moyle **moved to introduce RS 17117.**
- AMENDED SUBSTITUTE MOTION ROLL CALL VOTE:** AYE - Lake, Collins, Barrett, Moyle, Schaefer, Raybould, Roberts, Wood, Harwood, Bedke, Hart, Sayler, and Killen.
NAY: Clark, Jaquet, LeFavour, and Ruchti. Absent: Smith.
Motion passed. 13-4-1
- ADJOURN:** There being no further business to come before the committee, Chairman Lake adjourned the meeting at 10:55 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 26, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Schaefer
- GUESTS:** Donna Peterson - Idaho Association of County Treasurers; Cecil Ingram - Ada County; Wally Butler - IFBF; Bas Hargrove - INC; Alex LaBeau - Idaho Association of Counties; Lyn Darrington - AMI Semiconductor/Regence Blue Shield; Nate Helm - SFW ID; and Tony Poinelli - Idaho Association of Counties.
- Chairman Lake called the meeting to order and requested the secretary take silent roll call.
- RS 16910:** Presented by Ron Crane. This legislation closes a loophole in the tax deduction that is allowed for accounts opened under the Idaho College Savings Plan, when the funds are transferred to another state's college savings plan. Mr. Crane stated the intent of the tax deduction is to encourage participation in the Idaho College Savings Plan.
- MOTION:** Representative Wood **moved in introduce RS 16910. Motion passed with a unanimous voice vote.**
- RS 17018:** Presented by Senator Hill. This legislation clarifies the statute that allows credit for taxes paid by a taxpayer in another state. Senator Hill provided a handout of tax Form 39R that showed the line item breakdown for claiming the credit for income tax paid to other states.
- MOTION:** Representative Moyle **moved to introduce RS 17018. Motion passed with a unanimous voice vote.**
- H 210:** Representative Bedke **moved to hold H 210 in committee at the call of the chair. Motion passed with unanimous voice vote.**
- RS 17066:** Chairman Lake recognized Karen McGee to present RS 17066. Ms. McGee said this legislation would create an income tax credit for individuals who contribute to the Idaho Opportunity Scholarship Fund. Idaho students who are financially disadvantaged and commit to completing higher education classes will benefit from this program.
- There was discussion on the relationship of this legislation to the Promise Scholarship program. Ms. McGee stated the donations could be split between different charities.

Ms. McGee explained this legislation limits the income tax credit to a maximum of \$100 for individuals and \$1,000 for corporations.

MOTION: Representative Jaquet **moved to introduce RS 17066. Motion passed with a unanimous voice vote.**

RS 17115: Presented by Representative Raybould. This legislation amends Section 42-620 to an equitable method of assessment; this applies to the administration of water districts of the managed water connected to the Eastern Snake Plane Aquifer. Representative Raybould said this legislation will allow the Department of Water Resources to request an appropriation from the general fund to account for water uses including: domestic, municipal, manufacturing, industrial and others not presently subject to water district assessments.

MOTION: Representative Wood **moved to introduce RS 17115 with spelling correction, and refer to the Resource Committee. Motion passed with a unanimous voice vote.**

RS 17122: Chairman Lake recognized Mike Cooper to present RS 17122. Mr. Cooper stated this legislation would ensure that test result records for seed samples from private laboratories, out of state laboratories and the Idaho food quality assurance laboratory would be kept confidential.

In response to a committee question Mr. Cooper stated seed testing is primarily for checking seed purity.

MOTION: Representative Moyle **moved to introduce RS 17122 and refer to the Ag Committee. Motion passed with a unanimous voice vote.**

RS 17123: Presented by John Chatburn. This legislation would ensure that animal disease test results from out-of-state laboratories are kept confidential unless the test results indicate a state or federal reportable disease. This legislation will also extend confidentiality to test results from tests conducted at the Idaho Department of Agriculture Animal Health Laboratory

In response to a committee question regarding the spreading of disease to neighboring farms without notification, Mr. Chatburn explained test results would be available if used in regulatory or enforcement action or if the Department of Agriculture determines it would be in the best interest of animal or human health to release the information.

Mr Chatburn stated Chronic Wasting Disease is an example of a reportable disease in Idaho and the testing for this disease is done at the Cane Center in Caldwell and in Wyoming.

MOTION: Representative Clark **moved to introduce RS 17123 and refer to the Ag Committee. Motion passed with a unanimous voice vote.**

H 215: Representative Barrett presented H 215. This legislation is to revise and clarify the application process to claim the tax status provided in Idaho Code Section 63-605. It will require that the management plan include controlling noxious weeds and an annual progress report on the

management of the targeted species. H 215 will also provide an exception to the requirement to annually file the conservation agreement and explains the conditions that would result in the loss of the tax status.

- PRO:** Wally Butler, IFBF, testified in support of H 215.
- PRO:** Nate Helm, SFW-ID, offered testimony in favor of HB 215. Mr. Helm said he supports the efforts of entities to provide fishing and hunting access to the public.
- PRO:** Tony Poinelli, IAC, stated the counties support H 215.
- MOTION:** Representative Clark **made a motion to send H 215 to the floor with a do pass. Motion passed with a unanimous voice vote.**
- H 216:** Chairman Lake recognized Representative Hart to present H 216. Representative Hart presented 2 handouts showing the current process of how 100 percent of surplus funds from a tax deed sale are distributed among the taxing districts associated with the sold property. He stated H 216 would allow for the distribution of any excess proceeds from a tax deed sale to go back to the owner of record.
- In response to a committee question, Representative Hart stated property owners with past due taxes are often not in a financial position to qualify for the refinancing of their properties to pay the past due taxes.
- The committee discussed the broad language used in H 216 associated with the reimbursement to the county for costs incurred in order to facilitate the sale of property by tax deed.
- CON:** Donna Peterson, IACT, testified against H 216 and provided a handout showing the time line proposed for the distribution of funds in H 216. Ms. Peterson stated the hardship it would place on counties to account for the time employees spend on each property sale.
- Ms. Peterson said County Treasures give every property owner many chances to rectify their tax situation. For example, the treasure sends multiple notices, a notice is physically posted on the property, and an owner need only to pay one year of back property taxes in order to hold off the taking of the property by the county. Once the property has been taken the property owner must pay all back taxes in full to avoid the sale of the property.
- CON:** Cecil Ingram, Ada County Treasurer, testified against H 216. He reiterates Ms. Peterson's testimony that counties will have trouble administering H 216 and property owners are given many chances to pay their past due taxes. Mr. Ingram stated property owners need to be held personally responsible for their taxes.
- MOTION:** Representative Clark moved **to send H 216 to the floor with a do pass recommendation.** Roll call was requested.
- SUBSTITUTE MOTION:** Representative Jaquet made a Substitute Motion to **Hold H 216** in committee. Roll call was requested.

SUBSTITUTE MOTION ROLL CALL: Voting Aye: Representatives Smith, Harwood, Sayler, Jaquet, Killen and Ruchti. Voting Nay: Representatives. Lake, Collins, Barrett, Moyle, Raybould, Roberts, Wood, Clark, Bedke, Hart and LeFavour. **Substitute Motion failed 6-11-1**

ORIGINAL MOTION ROLL CALL: Voting Aye: Representatives Lake, Collins, Barrett, Moyle, Raybould, Roberts, Wood, Clark, Bedke, Hart, LeFavour and Killen. Voting Nay: Representatives Smith, Harwood, Sayler, Jaquet and Ruchti. **Original Motion passed 12-5-1**

RS 17125: Chairman Lake recognized Alex LaBeau to present RS 17125, personal property tax. Mr. LaBeau stated RS 17125 is a revision of H 233 that makes the change where in the event that actual general fund revenue in a particular fiscal year is less than the amount appropriated from the general fund for the fiscal year, the scheduled increase in the personal property tax reduction specified in subsection Section 1, subsection 63-608 (1) for the same calendar year shall be deferred by one year. All subsequent scheduled increases in the personal property tax reduction shall be deferred by one year.

During committee discussion Representative Killen proposed amending RS 17125 to limit the personal property tax exemption to the first \$50,000 of personal property and hold government harmless from repayment to counties. No motion was made.

MOTION: Representative Clark moved to introduce RS 17125. **Motion passed on a voice vote.**

Announcements: Chairman Lake announced we will hold over H 233 until Tuesday, February 27, 2007.

ADJOURN: With there being no further business before the committee, Chairman Lake adjourned at 10:50 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 27, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** NONE

GUESTS: Mike Kane - Idaho Sheriff's Association (ISA); Alex LaBeau - Idaho Association of Commerce and Labor (IAC)

Chairman Lake called the meeting to order and requested the secretary take a silent roll.

MINUTES: Representative Smith moved to accept the minutes of February 23, 2007 as written. There was no objection.

RS 16769C1: Presented by Representative Rusche. This legislation will allow Idaho cities to impose a 2% tax on hotel and motel lodging fees to be paid by customers of the establishments that are located in the city. Representative Rusche said the tax would be optional and would require the approval of the voters of the city by a two thirds majority. A city could choose to contract with the State Tax Commission for the tax collection.

There was discussion on concerns of the absence of a specific time line for the elections.

MOTION: Representative Bedke moved to **introduce RS 16769C1**.

SUBSTITUTE MOTION: Representative Jaquet moved to **introduce RS 16769C1** with amendments. The changes would provide for elections on the May and November dates and would sunset in 10 years.

AMENDED SUBSTITUTE MOTION: Representative Roberts moved to **return RS 16769C1 to the sponsor**.

AMENDED SUBSTITUTE MOTION ROLL CALL VOTE: **VOTING AYE:** Representatives Lake, Collins, Barrett, Moyle, Raybould, Roberts, Wood, Clark, Harwood, Hart. **VOTING NAY:** Representatives Schaefer, Smith, Bedke, Sayler, Jaquet, LeFavour, Killen, and Ruchti. **Motion passed. 10 - 8 - 0**

RS 16812: Chairman Lake recognized Mike Kane to present RS 16812 which would remove the sunset provision for the local option county sales tax that is dedicated for correctional or detention facilities and allow financing to be extended up to twenty years. There was discussion in regard to the hardship small counties deal with in raising enough funds from an increase in sales tax in ten years for use for facility construction.

MOTION: Representative Raybould moved to **introduce RS 16812.**

SUBSTITUTE MOTION: Representative Roberts moved to **return RS 16812 to the sponsor.**

SUBSTITUTE MOTION ROLL CALL VOTE: **VOTING AYE:** Representatives Lake, Collins, Barrett, Moyle, Schaefer, Roberts, Wood, Clark, Harwood, Bedke, and Hart. **VOTING NAY:** Representatives Smith, Raybould, Sayler, Jaquet, LeFavour, Killed, and React. **Motion passed. 11 - 7 - 0**

RS 17074: Presented by Roy Eiguren. This legislation would authorize a Regional Transportation Authority to adopt a local option sales tax with the ability to implement and collect the tax to support the development, operation, and construction of a public transportation system. Mr. Eiguren said to adopt the tax it will require a two thirds majority vote at a May or November election.

Mr. Eiguren explained this legislation authorizes a sales tax of not less than 0.1 percent or more than 0.5 percent in the initial election. He said the sales tax will sunset after 20 years unless it is reauthorized by a subsequent 66 2/3 voter approval. The sales tax collections may continue until existing bonded indebtedness is fulfilled.

There was discussion on who would be responsible for the collection of the sales tax. Mr. Eiguren stated the sales taxes would be collected through the State Tax Commission and it would be distributed back to the Regional Transportation Authority.

Mr. Eiguren provided a handout showing the transit local option sales tax forecast for revenue and costs for 2009-2013. He also provided a chart showing the national statistics for states holding elections on local option transit tax voting majorities for new funding of transportation systems for the years 2004-2006. He said 4 out of 13 have passed.

There was discussion in regard to rider fares paying for the costs of new and improved transportation. Kelly Fairless, Executive Director of Valleyride Transit, stated there are no transportation systems that pay for themselves with rider fares.

MOTION: Representative Smith moved to **introduce RS 17074.**

SUBSTITUTE MOTION: Representative Roberts moved to **return RS 17074 to the sponsor.**

SUBSTITUTE MOTION ROLL CALL VOTE: **VOTING AYE:** Representatives Barrett, Moyle, Raybould, Roberts, Wood, Clark, Bedke, and Hart. **VOTING NAY:** Representatives Lake, Collins, Schaefer, Smith, Harwood, Sayler, Jaquet, LeFavour, Killen, and Ruchti. **Motion failed. 8 - 10 - 0**

ORIGINAL MOTION ROLL CALL VOTE: **VOTING AYE:** Representatives Lake, Collins, Moyle, Schaefer, Smith, Raybould, Harwood, Sayler, Jaquet, LeFavour, Killen, and Ruchti. **VOTING NAY:** Representatives Barrett, Roberts, Wood, Clark, Bedke, and Hart. **Motion passed. 12 - 6 - 0.**

- H 233:** Chairman Lake recognized Alex LaBeau, IAC, to explain H 233. Mr. LaBeau said H 233 replaces H 206 with clarification of the delay of the tax credit reduction being implemented in case the actual revenue falls short of the budget. There was no action on H 233.
- H 245:** Chairman Lake recognized Alex LeBeau to present H 245. Mr. LeBeau said H 245 replaces H 233. The new language states the \$50,000 immediate exemption would shift \$9.4 million in tax liability to other classifications of property. This is a negligible .86% based on the current property tax paid.
- MOTION:** Representative Raybould made a motion to **send H 245 to the floor with a do pass.**
- SUBSTITUTE MOTION:** Representative Killen made a motion **to send H245 to general orders with amendments.**
- SUBSTITUTE MOTION ROLL CALL VOTE:** **VOTING AYE:** Representatives Smith, Roberts, Wood, Saylor, Jaquet, LeFavour, Killen, and Ruchti; **VOTING NAY:** Representatives Lake, Collins, Barrett, Moyle, Schaefer, Raybould, Clark, Harwood, Bedke, and Hart. Motioned failed. 8 – 10 – 0.
- ORIGINAL MOTION:** **VOTING AYE:** Representatives Lake, Collins, Barrett, Moyle, Schaefer, Raybould, Roberts, Wood, Clark, Harwood, and Bedke. **VOTING NAY:** Representatives Smith, Hart, Saylor, Jaquet, LeFavour, Killen, and Ruchti. **Motion passed. 11 - 7 - 0.**
- ADJOURN:** There being no further business to come before the committee, Chairman Lake adjourned the meeting at 10:28 am.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 28, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith (24), Raybould, Roberts, Wood (35), Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** NONE

GUESTS: Karen McGee - Office of the Governor and Ken McClure - Idaho Society of Public Accountants

Chairman Lake called the meeting to order and requested the secretary take a silent roll.

MINUTES: Representative Collins moved to accept the minutes of February 23, 2007 as written. There was no objection.

H 245: Chairman Lake requested the committee ratify the vote of do pass from February 27, 2007. There was no objection.

RS 17098: Chairman Lake recognized Representative Clark to present RS 17098. This legislation would amend the urban renewal law in regard to the boundary of urban renewal areas. The boundary of an urban renewal area could not be changed, extended, or altered once the boundary is set.

MOTION: Representative Barrett moved to introduce RS 17098.

SUBSTITUTE MOTION: Representative Jaquet moved to **introduce RS 16769C1** with amendments. The changes would provide for **elections on the May and November dates and would sunset in 10 years.**

AMENDED SUBSTITUTE MOTION: Representative Roberts moved to **return RS 16769C1 to the sponsor.**

AMENDED SUBSTITUTE MOTION ROLL CALL VOTE: **VOTING AYE:** Representatives Lake, Collins, Barrett, Moyle, Raybould, Roberts, Wood, Clark, Harwood, Hart. **VOTING NAY:** Representatives Schaefer, Smith, Bedke, Saylor, Jaquet, LeFavour, Killen, and Ruchti. **Motion passed. 10 - 8 - 0**

RS 17112C1: Vice Chairman Collins recognized Representative Labrador to present RS 17112C1. This legislation would require taxing districts to mail notices within fourteen (14) days of the election, when the election would incur bonded indebtedness to property.

There was committee discussion in regard to language used in the bill referring to the failure to comply consequences of an election in lines 22 and 23. Representative Bedke questioned the use of the word "voidable".

- MOTION:** Representative LeFavour moved **to introduce RS 17112C1 with the addition of the word “substantially” on line 22, between before....comply.**
- Representative LeFavour **withdrew her motion** after more discussion on the language in lines 22 and 23 of RS 17112C1.
- MOTION:** Representative Barrett moved to **introduce RS 17112C1 with the addition of the word “substantially” on line 22, between before....comply.**
- SUBSTITUTE MOTION:** Representative Moyle **moved to introduce RS 17112C1 with the addition of the word “substantially” on line 22, between before....comply and in line 23, change the word, “voidable” to “void.**
- AMENDED SUBSTITUTE MOTION:** Representative Killen **moved to return RS 17122C1 to the sponsor to make changes and corrections in the language on lines 22 and 23.**
- RS 17113C1:** Representative Moyle **asked for unanimous consent to return RS 17112C1, RS 17113C1, and RS 17114C1 to the sponsor.** There was no objection.
- RS 17114C1:**
- RS 17131:** Vice Chairman Collins recognized Representative Nonini to present RS 17131. Representative Nonini stated RS 17131 would provide a new method of financing public transportation infrastructure projects utilizing the State Tax Anticipation Revenue.
- He said this proposed legislation contains language page 6 (11) regarding the amounts necessary to pay refunds to developers. A retail commercial complex whose stores sell tangible personal property or taxable services that are subject to sales and use tax are eligible. The maximum available per project is thirty-five million dollars (\$35,000,000).
- There was discussion in regard to benefits that RS 17131 would offer the Post Falls area, in addition to the entire State of Idaho and the Idaho Transportation Department
- MOTION:** Representative Clark moved **to introduce RS 17131.** The motion passed with a unanimous voice vote.
- H 239:** Vice Chairman Collins recognized Ron Crane to present H 239. Mr. Crane said this legislation would close a loop hole in the tax deduction allowed for accounts opened under the Idaho College Savings Plan.
- He said people open college savings accounts in other states, withdraw the funds and transfer the money to new accounts in Idaho. They then withdraw the funds and reopen accounts in other states. This legislation would make withdrawals from the Idaho College Savings Program that are transferred to a program in another state to be included as taxable income in Idaho.
- MOTION:** Representative Wood made a motion **to send H 239 to the floor with a do pass.** The motion passed with a unanimous voice vote. Representative Wood will carry on the floor.

- H 240:** Vice Chairman Collins recognized Senator Hill to present H 240. Senator Hill said this legislation clarifies the statute that allows a credit for taxes paid by a taxpayer in another state. He said this legislation is not a new law; it is clarification of how to claim the tax credit correctly.
- He said that Idaho law requires the calculation of tax on all of Idaho residents income, even if the income is earned in another state. A credit is allowed against that tax for the tax paid in the other state.
- Senator Hill provided a handout with examples using the formulas to make calculations relating to credit for income taxes paid to other states.
- Ken McClure, Attorney for the Idaho Society of Public Accountants, said not one person was filing correctly in a poll his organization reported.
- MOTION:** Representative Clark made a motion **to send H 240 to the floor with a do pass**. The motion passed with a unanimous voice vote. Representative Clark will carry on the floor.
- H 242:** Chairman Lake recognized Karen McGee. Ms. McGee said H 242 would create an income tax credit for individuals who contribute to the Idaho Opportunity Scholarship Fund.
- MOTION:** Representative Ruchti made a motion **to send H 242 to the floor with a do pass**. The motion passed with a unanimous voice vote.
- ADJOURN:** With there being no further business to come before the committee, Vice Chairman Collins adjourned the meeting at 10:08 a.m.

Representative Dennis Lake

Chairman

Molly Smith

Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** March 1, 2007
- TIME:** 9:00 a.m.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representatives Moyle and Bedke
- GUESTS:** Wally Butler, Idaho Farm Bureau Federation; Nate Helm, Sportsmen for Fish and Wildlife; Laird Noh, Citizen; Phyl Syrdal, Bio Idaho; Babe Thorpe, Teton Regional Land Trust; Tim Beuer, Land Trust Treasure Valley; Emma Archlet, Citizen; Steve Simpson, BioScience TF; Courtney Washburn, Idaho Conservation League; Lee Flinn, Conservation Voters for ID; Lloyd Knight, Idaho Cattle Association; and Rick Ritter.
- Chairman Lake called the meeting to order and requested the secretary take a silent roll.
- Minutes:** Representative Collins moved to approve the minutes of February 26, 2007 with a correction to the discussion pertaining to amending RS 17125. He stated the minutes should read holding government harmless by repayment instead of from repayment. The motion passed on a voice vote.
- RS 16859:** Chairman Lake recognized Phil Syrdal to present RS 16859. Mr. Syrdal stated RS 16859 proposes to provide Idaho with an efficient tool to help attract pools of high-risk seed investment capital to help build research-based biotechnology and technology company infrastructures throughout the state.
- He acknowledged the following people involved to bring this legislation before the committee: The Governor's Forum on Science and Technology, The 1st Legislative Task Force, The Legislative Task Force on Technology Investment Incentives and The Governor's Science and Technology Advisory Council. Mr. Syrdal explained his hand out by discussing the Jobs and Revenues Tax Credit, the Annual payroll impact and the cumulative benefits and costs from 2007 thru 2016.
- In response to a committee question, Mr. Syrdal stated this bill does not specifically tie credits to the number of jobs it creates. He said the emergency clause in this legislation is to allow companies who are currently considering Idaho as a location for their company an opportunity to locate in Idaho this year. He stated there are provisions in place for a commission and an oversight committee to begin administering it as early as May or June.

MOTION: Representative Raybould **moved to introduce RS 16859**. The **motion passed on a voice vote**. Representatives **Barrett and Lefavour wished to be recorded as opposed**.

RS 16897C1: Chairman Lake recognized Susan Budge Schaefer to present RS 16897C1 she represents The Land Owner Conservation Initiative. Mrs. Schaefer presented a handout and stated if this legislation is printed she does not intend to bring it back this session.

RS 16897C1 provides a tax credit for voluntary land donations for conservation purposes. A landowner who meets the criteria set by the advisory committee will receive a transferable income tax credit equal to 50% of the appraised value of the donation, with a maximum credit of \$500,000.00.

In response to a committee question Mrs. Schaefer stated the \$500,000.00 cap is related to the value of the conservation easement and that a large property, ranch or farm has significant value.

MOTION: Representative Clark **moved to introduce RS 16897C1**. The **motion passed on a voice vote**. Representative **Barrett wished to be recorded as opposed**.

RS 16987: Chairman Lake recognized Representative Eskridge and Senator Keough to present RS 16987. Representative Eskridge stated the purpose of this legislation is to exempt from property tax any increase in the net taxable value of a tax payers real property in excess of three percent per year. This proposed legislation also provides that if a property increases less than three percent it will be assessed at that amount. When a property is sold, transferred, or improved in excess of one thousand dollars (1,000), it is the duty of the owner to notify the assessor. Failure to report the sale of or improvements to the property would result in the loss of the exemption and the property would be taxed at current value.

Representative Eskridge yielded to Senator Keough, she stated the concept of this legislation needs to be explored and investigated to see if it is feasible. She said Idaho's current tax policy forces property owners to decide if they can afford to stay in Idaho or if they need to sell their properties to survive on fixed incomes.

In response to a committee question Representative Eskridge state he has received the Attorney Generals opinion on this legislation.

MOTION: Representative Wood **moved to introduce RS 16987**. The **motion passed on a voice vote**.

RS 17062: Chairman Lake recognized Jack Lyman, IMA, to present RS 17062. The presenter stated RS 17062 clarifies the application of the existing sales tax exemption for pollution control equipment.

MOTION: Representative Clark **moved to introduce RS 17062**. The **motion passed on a voice vote**.

RS 17124: Chairman Lake recognized Representative Collins to present RS 17124.

Representative Collins stated this legislation narrows the definition of property that may be available to be included in an urban renewal plan. It also specifically excludes agricultural open land that is under private development.

MOTION: Representative Clark **moved to introduce RS 17124.** The **motion passed on a voice vote.** Representative Jaquet wished to be **recorded as opposed.**

ADJOURN: With there being no further business to come before the committee, Chairman Lake adjourned the meeting at 10:00 a.m.

Representative Dennis Lake
Chairman

Stephanie Killebrew
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: March 2, 2007

TIME: 9:00 A.M.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

Chairman Lake called the meeting to order and requested the secretary take a silent roll .

**ABSENT/
EXCUSED:** NONE

GUESTS: Ryan Armbruster - Elam & Burke Attorneys; Anthony Berns, Lake City Development Corporation; Phil Kushlan - Capital City Development Corporation (CCDC); Richard Horner – City of Rexburg; John Watts - Chamber Alliance

RS 17112C2: Chairman Lake recognized Representative Labrador to present RS 17112C2. This legislation would require when a taxing district is having an election to incur bonded indebtedness to mail notices within fourteen days of the election to property taxpayers.

MOTION: Representative Wood moved **to introduce RS 17112C2**. Motion passed with a unanimous voice vote.

RS 17113C2: Chairman Lake recognized Representative Labrador to present RS 17113C2. This legislation would require when a taxing district is having an election to incur bonded indebtedness to mail notices within fourteen days of the election to property taxpayers.

MOTION: Representative LeFavour moved **to introduce RS 17113C2**. Motion passed with a unanimous voice vote.

RS 17114C2: Representative Labrador presented RS 17114C2. This legislation would require taxing districts to mail notices within fourteen days of an election to increase property taxes to property taxpayers.

MOTION: Representative Clark moved **to introduce RS 17119C2**. Motion passed with a unanimous voice vote.

RS 17119C2: Presented by Representative Lake. This legislation would raise the tax on each container of moist snuff to a minimum of \$1.00 per ounce and continue the tax rate of the higher priced tobacco products at 40% of the wholesale price. The revenue will be a dedicated source of funding for the substance abuse treatment programs.

MOTION: Representative Clark moved **to introduce RS 17119C2**. Motion passed

by a unanimous voice vote.

RS 17145: Representative Wood presented RS 17145, a joint memorial that would request the withdrawal of the United States from any further participation in the Security and Prosperity Partnership of North America and cease any activity which would promote the creation of any structure to accomplish any form of North American Union.

MOTION: Representative Barrett moved **to introduce RS 17145 and refer to the Transportation Committee.** Motion passed by a unanimous voice vote.

RS 17138: Chairman Lake recognized Representative Smith to present RS 17138. This proposed legislation would direct the Idaho State Tax Commission to issue retail sales tax revenue data semi-annually for all businesses identifying each county from where the business collected the taxes. This legislation would authorize a retail business to retain \$300 on a one-time basis to upgrade and make modifications to their reporting systems to comply with the proposed policy.

There was discussion regarding the costs that businesses would have to pay for upgrades to equipment.

In response to a committee question in regard to businesses that would have to upgrade equipment, Dan John, State Tax Commission, said 36,000 of the 53,000 businesses registered in the State Of Idaho would have to make modifications to their equipment.

MOTION: Representative LeFavour moved **to introduce RS 17138.** Motion passed. Representatives Barrett and Roberts wished to be recorded as opposed.

H 250: Chairman Lake recognized Representative Nonini to present H 250. This proposed legislation would establish a new method of financing public transportation infrastructure projects utilizing the State Tax Revenue (STAR) concept.

He said the developer of a retail commercial complex whose stores sell tangible personal property or taxable services may qualify for a rebate of taxes paid on purchases at the site to reimburse the developer for project expenses incurred for the installation of transportation improvements.

Representative Nonini stated that after approval by the Idaho Transportation Department, the Tax Commission would have the responsibility of the money disbursement to repay the costs incurred by the private sector to construct the facilities.

He explained that no general funds or Idaho Transportation Department budget funds would be used to construct the transportation improvements, and appropriate checks and balances are specified in the legislation to ensure the integrity of the transfers of funds.

Representative Nonini stated that once the project is completed, ownership of the right of way will be transferred to the State.

Chairman Lake warned that this proposed legislation would work well for

development that would draw revenue from out of state, however, the legislation would not work well for development located in the interior of the state. He said this would be a distribution of current sales tax, not a new sales tax.

- MOTION:** Representative Wood made a motion **to send H 250 to the floor with a do pass.** Motion passed. Representatives LeFavour wished to be recorded as opposed.
- H 251:** Chairman Lake recognized Representative Clark to present H 251. This legislation would amend the urban renewal law so that once the boundary is set, based upon the governing body resolution, it cannot be changed, extended, or altered.
- CON:** Anthony Berns, Executive Director of Lake City Development Corporation, provided a letter in opposition of H 251.
- CON:** Ryan Armbruster -Elam & Burke Attorneys, testified in opposition of H 251. He said the legislation prohibits any changes or alterations that might be needed in some areas.
- CON:** Phil Kushlan - CCDC, testified in opposition of H 251. He stated the renewal area in his town has been modified once already. Mr. Kushlan said there should be the flexibility for changes.
- CON:** Richard Horner – City of Rexburg, explained their renewal district was just amended for the third time to utilize land where a lumber mill used to sit. The city wanted to make it a park.
- MOTION:** Representative Barrett made a motion to send **H 251 to the floor with a do pass.**
- SUBSTITUTE MOTION:** Representative Raybould made a motion to **hold H 251 in committee.**
- SUBSTITUTE MOTION ROLL CALL VOTE:** VOTING AYE: Representatives Smith, Raybould, Sayler, Jaquet, LaFavour, Killen, and Ruchti. VOTING NAY: Representatives Lake, Collins, Barrett, Moyle, Schaefer, Roberts, Wood, Clark, Harwood, Bedke, and Hart. Motion failed. 7 – 11 – 0.
- ORIGINAL MOTION ROLL CALL VOTE:** VOTING AYE: None. VOTING NAY: Representatives Lake, Collins, Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti Motion passed. 18 - 0 - 0
- ADJOURN:** With no further business to come before the committee, Chairman Lake adjourned the meeting at 10:30 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: March 6, 2007

TIME: 9:00 a.m.

PLACE: Gold Room

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood(35), Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** None

GUESTS: Roy Eiguren, Valley Regional Transit; Boyd Hill, National Federation of Independent Business (NFIB); Suan Bradley, National Federation of Blind Idaho (NFBI); Elsie Lamp, NFBI; Robert Miller, Hewlett-Packard; Kevin Bayhouse, Citizen; Chuck Hedemark, Capital City Development Corporation (CCDC); Lyn Darrington, City of Boise; Mayor David Bieter, City of Boise; Kelli Fairless, Valley Regional Transit; Charlene Johnson, Citizen; Billy Knorpp, NFIB; John Watts, Chamber Alliance; Susanne Schaefer, NFIB; Ken Piogee, Citizen; Jim Baugh, Comprehensive Advocacy Group; Larry Hoffmean, HDR; Laurie Lane, Citizen; Patricia Boursaw, Citizen; Matt Stoll, Compass; Randy Nelson, Associated Taxpayers of Idaho; Chuck Winder, Citizen; Brett Adler, Citizen; Jason Miller, WoodRiver; Julie Pipal, ITD; Katina Dation, CCDC; Pamela Sheldon, Citizen; Jan Cecil, CCDC; MC Niland, WITCO; Deanna Smith, Citizen; Amber Crispin, NFBI; Tygh and Rebecca Hales, NFBI; Julie Fanselow, Boise Blog; Peter Everett, Citizen; Beth Bobrahn, City of Bellevue; Phil Kushlan, CCDC and Mike Hall, CCDC.

Chairman Lake called the meeting to order and requested the secretary take a silent roll.

H 246: The Chairman recognized Roy Eiguren, representing Valley Regional Transit, to present H246.

Mr. Eiguren explained that H246 is the result of years of work by various coalitions and committees to develop a mechanism for funding public transportation for the State of Idaho. He distributed four handouts as an aid to his presentation. The first handout, Peer Study Review Report, outlined six service regions, their urbanized area, service area and rider ship. He stated Boise and the surrounding Treasure Valley is the only metro area in the West, with a population area over 600,000, without an effective public transportation system in place. Next, he outlined the Treasure Valley in Transit Plan Cost handout. He stated the Annual operating costs for the existing transit system is about \$7.5 million per year. He estimated the new transit system will increase bus service by 500 percent during a six year period. The annual operating cost after the six-year build out will be \$39.5 million per year and the total six-year capital investment would

be \$53.3 million. The long term vision for transit includes acquiring the existing rail corridor, locating, designing and building the transit infrastructure. The total budget for the high-capacity transit program would be \$300 million over 20 years. Mr. Eiguren gave an overview of his third handout, Analysis of Funding Sources. The funding sources consist of taxes collected from employers, gasoline, Impact fees, personal income, property, a flat tax on vehicles and registration fees for vehicles. Lastly, Mr. Eiguren reported the results of his fourth handout, BSU Public Opinion Survey. He stated eighty-five percent of respondents agreed that the legislature should allow the expansion of public transportation through voter approval local option taxes. Fifty-four percent of respondents support mass transit development where they live and if gasoline prices were to reach \$4 - \$5 per gallon, fifty-seven percent of citizens surveyed said they would consider public transportation.

Mr. Eiguren yielded to Chuck Winder, Co-Chairman Coalition for Regional Public Transportation. Mr Winder reminded the committee that years ago there was a transit system that ran from Downtown thru Boise and stopped in Middleton and Caldwell. He stated the Transportation Department will never have enough money to build freeways to support the need. This bill is important to business and is a quality of life issue; it will reduce traffic congestion and improve air quality.

Mr. Winder yielded to Mayor Garret Nacolas, City of Caldwell. Mayor Nacolas said it will take 6 years to implement this system. He feels this is a quality of life and economic development issue and that the people should be allowed to choose if they want public transportation.

Mayor Nacolas yielded to Mayor Dave Bieter, City of Boise. He stated the projected population of the Treasure Valley in 2030 is 1.5 million people and that equates to 200,000 cars per day on I84. He discussed the popularity of public transit in other western cities such as Seattle, Salt Lake City and Portland.

Mayor Bieter yielded to Ray Stark, Boise Chamber of Commerce. Mr. Stark discussed the process local chambers took in problem solving the transportation issue. Members of the business community met with local chambers and elected officials to increase their knowledge of public transportation.

Mr. Stark yielded to Jane Loyd, President of Idaho Smart Growth. Ms. Stark said her group provides education and technical assistance to help Idaho Communities manage growth and transportation concerns. She reiterated this bill is the work of 3 years of careful study by a legislative task force, legislative interim committee and a coalition of business and community leaders.

CON: Boyd Hill, NFIB, testified in opposition to local option taxes because they create a patch work of taxes on local business.

PRO: Susan Bradley, NFBI, testified in support of H246 because transportation in the Treasure Valley is going backward.

- PRO:** Elsi Lamp, NFBI, testified in support of H246 because there are many Idahoans that are not physically able to drive and need a more comprehensive transit system.
- PRO:** Robert Miller, Hewlett Packard, testified in support of this bill and believes it is a balanced and fair way to support the funding of public transit.
- PRO:** Kevin Bayhouse, Citizen, stated he supports H246 because it will serve the working poor.
- CON:** Charles Johnson, Citizen, stated he is opposed H246 and gave examples of the poor management practices of previous public transportation in the Treasure Valley.
- CON:** Bill Knoupp, NFIB, testified in opposition to H246. Mr. Knoupp stated although he is in favor of public transportation that the collection and reporting of local option tax is a burden to small business.
- PRO:** John Watts, ICA, testified in support of this bill. He said H246 is well thought out and will relieve traffic congestion which is detrimental to business.
- CON:** Susan Budge Schaefer testified in opposition of H246 on behalf of the NFIB. She stated 70% of small business owners oppose this tax.
- CON:** Ken Pidgeon, Citizen, testified in opposition of H246. He stated many reasons for his opposition. He pointed out this bill proposes raising \$1 billion over a 20 year period to develop a transit system that the valley will never be able to support. Also, he states voters would have to approve a tax range not a specific rate and it would be up to the Transportation Authority Board to set the actual levy rate amount. Mr. Pidgeon said he would provide a copy of his written testimony.
- PRO:** Jim Baugh, Comprehensive Advocacy Group, testified in support of H246 because he believes transportation is an issue of public freedom.
- PRO:** Patricia Boursaw, Citizen, testified in favor of H246. Ms. Boursaw stated the current bus system does not operate enough hours and the bus routes do not go to the places she needs to access.
- PRO:** Jason Miller, Regional Transit of Blaine County, testified in favor of H246. He stated, as any employee of the Blaine County transit system he has seen rider ship in Blaine County double over the last 3 years. Mr. Miller believes without a new funding mechanism that the Blaine County system will hit a plateau for growth.
- PRO:** Beth Robrahn testified on behalf of Bellevue City Council stating they are in favor of H246 to provide a mechanism for funding public transit for the State of Idaho.
- ANNOUNCEMENTS:** Chairman Lake announced the committee will continue testimony on Wednesday, March 7, 2007 at 9:00 a.m. in room 404.

ADJOURN:

Chairman Lake adjourned the meeting at 10:27 a.m.

Representative Dennis Lake
Chairman

Stephanie Killebrew
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: March 7, 2007

TIME: 9:00 A.M.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** NONE

GUESTS: Randy Nelson - Associated Taxpayers of Idaho (ATI); Julie Fanselow - citizen; Kelly Buckland - State Independent (SILC); Lee Flynn - Conservation Voters for Idaho (CVI); Julie Pipal - Idaho Transportation Department (ITD); and Representative Durst

Chairman Lake called the meeting to order and requested the secretary take a silent roll.

MINUTES: Representative Collins moved to accept the minutes as written for February 27, 2007. There was no objection.

Representative Collins moved to accept the minutes as written for March 1, 2007. There was no objection.

**H 246:
Continued from
3/6/07** Chairman Lake recognized Randy Nelson to testify on H 246. This legislation would authorize a Regional Public Transportation Authority to adopt a local option sales tax. The RPTA would implement and collect the tax to support development, operation and construction of public transportation systems.

A two-thirds majority vote of the electors in a May or November election would be required to adopt the tax.

There was discussion in regard to the initial tax being not more than one half of one cent with a maximum increase to three quarters of one cent by voter approval in a May or November election.

Mr. Nelson provided a handout that included county sales and use tax collection comparisons, Idaho sales/room tax local options, and comparisons for Utah, Washington, and Wyoming.

PRO: Julie Fanselow, citizen, testified in favor of H 246. She is a business owner and uses the Valley Ride transit system. Ms. Fanselow stated the Treasure Valley is in need of a transit system to help clear out the congestion on the freeways, to give better access to jobs, to provide mobility for disabled citizens and senior citizens, and to keep pollution under control.

- PRO:** Kelly Buckland, SILC, testified in favor of H 246. Mr. Buckland said he was involved in the development of the State Independent Living Plan. Numerous meetings were held throughout the State where the number one problem discussed was transportation issues for disabled citizens..
- PRO:** Lee Flinn, CVI, said he thinks H 246 is a good bill.
- PRO:** Julie Pipal, ITD, stated she would like to clarify that the Idaho Transportation Department supported a general proposal for transportation, not this specific legislation.
- PRO:** Representative Durst said local transit is a concern of local municipalities.
- PRO:** Marilyn Sword, Idaho Council on Developmental Disabilities, provided written testimony supporting H 246.
- PRO:** There was discussion in regard to past transit systems that seemed to work and what had happened. Kelly Fairless said the valley had grown 40% between 1990 and 2000 in addition to widespread sprawl.
- PRO:** Kelly Fairless, TVT, explained the ridership capacity and the bus route time schedules.
- PRO:** In response to a committee question in regard to the makeup of the Board, Ms. Fairless said elected officials or individuals from districts are appointed to the Board.
- MOTION:** Representative Smith moved to **send H 246 with amendments requiring Board members be elected, not appointed, to the floor with a do pass.**
- SUBSTITUTE MOTION:** Representative Roberts made a motion to **hold H 246 in committee.**
- SUBSTITUTE MOTION ROLL CALL VOTE:** VOTING AYE: Representatives Collins, Barrett, Moyle, Schaefer, Raybould, Roberts, Wood, Clark, Harwood, Bedke, and Hart; VOTING NAY: Representatives Lake, Smith, Saylor, Jaquet, LeFavour, Killen, and Ruchti. **Motion passed.** 11 - 7 - 0.
- ADJOURN:** With no further business to come before the committee, Chairman Lake adjourned the meeting at 10:07 A.M.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** March 8, 2007
- TIME:** 9:00 A.M.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti
- ABSENT/
EXCUSED:** Representative Clark
- GUESTS:** Trent Clark - Monsanto; Phil Homer - Idaho Association of School Administration (IASA); Rick Bawschor - Middleton School District; Steve Cluff - Middleton School District; Matt Newton - Middleton School District; Mike Vuittonet - Meridian School District; Cliff Green - Idaho School Boards Association (SBA); Brent Olmstead - Milk Producers of Idaho (MPT); Representative Thayne; Nick Miller - Middleton School District; George Grant - Vallivue School; Eric Heringer - Seattle-Northwest; Dan John - Idaho Tax Commission; John Watts -Idaho Library Association (ILA).
- Chairman Lake called the meeting to order and requested the secretary take a silent roll.
- MINUTES:** Representative Killen moved to accept the minutes as written for February 28, 2007. There was no objection.
- H 265:** Chairman Lake recognized Jack Lyman to present H 265. The proposed legislation would clarify the existing sales tax exemption for pollution control equipment. The exemption would not apply to public facilities such as wastewater or drinking water systems or to buildings or structures that house pollution control equipment.
- PRO:** Trent Clark, Monsanto, testified in favor of H 265. Mr. Clark presented a scale model of the pollution control project that was recently installed at the Soda Springs Monsanto plant.
- Mr. Clark said the Soda Springs facility is the only area in the western hemisphere where pure phosphorus is extracted directly from phosphate rock. This is the key ingredient in production of their product Roundup. He stated ninety per cent of the eight to ten million dollars of capital Monsanto invests each year goes to maintenance, replacement, improvement or addition of pollution control equipment.
- PRO:** Brent Olmstead, MPI, testified in favor of H 265. He described the liner requirements that carry the livestock effluent to the lagoons, and the difficulty of sorting what is exempt with the current legislation.
- PRO:** Lee Flinn, CVI, provided written testimony in support of H 246.

- MOTION:** Representative Wood made a motion to **send H 265 to the floor with a do pass**. The motion passed with a unanimous voice vote. Representative Raybould will carry on the floor.
- H 210:** Chairman Lake recognized Senator Little to present H 210 which would allow school districts to use market value currently exempt under the homeowners exemption for bonding. He provided a handout, Idaho School District's Debt Capacity Analysis, this handout compares the current capacity of five percent of the net taxable market value versus five percent of the full market value.
- Senator Little said some school districts are restrained by the existing debt limit because those areas are experiencing rapid growth in mid-priced homes, rather than commercial and industrial property.
- PRO:** Phil Homer, IASA, testified in favor of H 210.
- PRO:** Dr. Bawsher, Middleton School District Superintendent, testified in favor of H 210. He provided a handout of the Middleton School District debt capacity with current and projected comparisons.
- Dr. Bawsher said a new high school could be built much sooner if the net value was allowed for bonding.
- PRO:** Steve Cluff, citizen, testified in favor of H 210, stating the school will have to use portables which are unacceptable.
- PRO:** Matt Newton, Middle School District Trustee, testified in support of H 210. He said costs for building schools will continue to go up as time goes by waiting to pass bonds with the current legislation.
- PRO:** Cliff Green, ISBA, said he was in support of H 210.
- PRO:** Mike Vuittonet, Meridian School District, said this legislation is good for small and rural school districts and supports H 210.
- PRO:** Representative Thayne testified in support of H 210.
- PRO:** Nick Miller, representing Middleton School District, testified in favor of H 210, stating this legislation would be a good solution for Middleton School District.
- PRO:** George Grant, Vallivue School Superintendent, testified in support of H 210. Mr. Grant said Vallivue School District passed an eleven million dollar bond last year, with the district falling short of funds for needed schools. He said the current legislation stopped them from opening two schools this year.
- Mr. Grant stated the school district will now have to purchase portable classrooms. The Desert Springs Elementary School which opened this year is at full capacity with enrollment of 700 students this year.

In response to a committee question regarding how the insurance money received for the Middleton High School fire would be applied, Dr. Bauschor stated the insurance funds can only be used to rebuild what was destroyed by the fire.

MOTION: Representative Bedke made a motion to **send H 210 to the floor with a do pass.** The motion passed on a unanimous voice vote.

There was discussion regarding to how the current legislation hampers the ability to build new schools. Representative Schaefer said this proposed legislation is a stepping stone to give the ability to school districts to build new schools in a timely manner.

ADJOURN: Being no further business before the committee, Chairman Lake adjourned the meeting at 10:19 A.M.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** March 9, 2007
- TIME:** 9:00 A.M.
- PLACE:** Room 404
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti
- Chairman Lake called the meeting to order and requested the secretary take a silent roll.
- ABSENT/
EXCUSED:** Representatives Smith and LeFavour.
- GUESTS:** John Watts - Veritas Adv; Mark Rabdau - Eagle Fire District
- H 272:** Chairman Lake recognized Representative Labrador to present H 272. This legislation would require taxing districts to mail notices within fourteen days of an election, when the election would incur bonded indebtedness.
- In response to a committee question of who notifies the taxpayers, Dan John, Idaho State Tax Commission stated the Tax Commission does training at the county and city levels for elections. He said fire districts are notified.
- There was discussion in regard to the cost of notices.
- MOTION:** Representative Wood made a motion to **send H 272 to the floor with a do pass**. The motion passed with a voice vote. Representatives Jaquet and Saylor wished to be recorded as opposed.
- H 273:** Presented by Representative Labrador. This legislation would require taxing districts to mail notices within fourteen days of an election to property owners, when there will be an election to create a new taxing district.
- MOTION:** Representative Harwood made a motion to **send H 273 to the floor with a do pass**. The motion passed with a unanimous voice vote.
- H 274:** Presented by Representative Labrador. This legislation requires taxing districts to mail notices within fourteen days of an election to property taxpayers when holding an election to increase property taxes.
- MOTION:** Representative Raybould made a motion to **send H 274 to the floor with a do pass**. The motion passed with a unanimous voice vote.
- H 275:** Chairman Lake requested **unanimous consent to hold** H 199, H 211,

H 199: H 212, H 213, H 233, and H 275 in committee. There were no objections.
H 211:
H 212:
H 213:
H 233:

ADJOURN: Being no further business before the committee, Chairman Lake adjourned the meeting at 9:00 A.M.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: March 14, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood (35), Clark, Harwood, Bedke, Hart, Saylor, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** Representatives Moyle, Roberts, Wood (35), Bedke, Hart, and Ruchti.

GUESTS: NONE

Chairman Lake called the meeting to order and requested the secretary take a silent roll.

MINUTES: Representative Collins moved to accept the minutes as written for March 6, 2007. There was no objection.

Representative Raybould moved to accept the minutes as written for March 7, 2007. There was no objection.

Representative Killen moved to accept the minutes as written for March 8, 2007. There was no objection.

Representative Collins moved to accept the minutes as written for March 9, 2007. There was no objection.

RS 17171: Chairman Lake recognized Ken Burgess, Veritas Advisors, to present RS 17171. Mr. Burgess said this legislation would allow the county commissioners to authorize a property tax abatement as an economic development incentive. The proposed legislation is an incentive for new construction of manufacturing facilities and development in designated rural development areas.

In response to a committee question regarding how much tax abatement would be allowed, Mr. Burgess stated the county commissioners would make the determination if the incentive would be a portion, or the entire amount of tax on the assessed property tax.

In response to a committee question regarding what taxes would be exempt, Mr. Burgess said only the county property taxes would be considered.

MOTION: Representative Clark moved **to introduce RS 17171.**

**SUBSTITUTE
MOTION:** Representative Raybould moved **to introduce RS 17171 and hold in Committee.** Motion passed with a unanimous voice vote.

H 262: Chairman Lake requested to hold H 262, H 263, H 264, and H 276 in
H 263: Committee.
H 264:
H 276:

MOTION: Representative Smith made a motion to **hold H 262, H 263, H 264, and H 276 in Committee.** Motion passed with a unanimous voice vote.

ADJOURN: With there being no further business before the Committee, Chairman Lake adjourned the meeting at 9:15 a.m.

Representative Dennis Lake
Chairman

Molly Smith
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: March 21, 2007

TIME: 9:00 a.m.

PLACE: Room 404

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Schaefer, Smith(24), Raybould, Roberts, Wood, Clark, Harwood, Bedke, Hart, Sayler, Jaquet, LeFavour, Killen, Ruchti

**ABSENT/
EXCUSED:** Representatives Barrett, Moyle, Roberts, Wood, Bedke, and Hart.

GUESTS: NONE

Chairman Lake called the meeting to order and requested the secretary take a silent roll call.

MINUTES: Representative Raybould moved to approve the minutes as written of the meeting held on March 14, 2007. There were no objections.

Chairman Lake asked for unanimous consent to HOLD HB 40, H 41, H 67, and H 261. Consent was granted.

Chairman Lake thanked the committee members, the secretaries, and the page for all their hard work.

ADJOURN: There being no further business to come before the Committee, Chairman Lake adjourned the meeting at 9:05 a.m.
The next meeting will be at the call of the Chair.

Representative Dennis Lake
Chairman

Molly Smith
Secretary