

House Revenue & Taxation Committee

Minutes
2009



MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 14, 2009

TIME: 9:00 a.m.

PLACE: Room 240

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Smith (24), Wood, Clark, Bedke, Harwood, Saylor, Killen, Ruchti, Burgoyne, Rusche

**ABSENT/
EXCUSED:** Representatives Schaefer and Hart.

GUESTS: Dan John, Idaho Tax Commission; Phil Homer, Idaho Association of School Administrators; Martin Bilbao, Connolly Smyser; Randy Nelson, Associated Taxpayers of Idaho; Robin Nettinga, Idaho Education Association; Val Brooks, Idaho Credit Union League.

Meeting was called to order at 9:07 a.m. by Chairman Lake.

Chairman Lake asked new members to introduce themselves. New members are Representatives **Burgoyne** and **Rusche**. Joann Hopkins, Committee Secretary and Breanna Fuechel, Page, also introduced themselves.

Chairman Lake made an announcement that the seating was arranged in the order listed in the Legislature 2009 Mini Directory. The minute books will be available at the next meeting.

Chairman Lake made announcements of assignments to subcommittees as follows:

Subcommittee 1 - Rules

Gary Collins, Chairman
Ken Roberts
James Ruchti

Subcommittee 2 - Sales Tax and Exemptions

Dell Raybould, Chairman
Robert Schaefer
Scott Bedke
George Saylor

Subcommittee 3 - Income Tax and Credits

Leon Smith, Chairman
Lenore Barrett
Phil Hart
Grant Burgoyne

Subcommittee 4 - Property Tax

Jim Clark, Chairman

JoAn Wood

Mike Moyle

Bill Killen

Dan John, Idaho Tax Commission, took the podium and talked about the proposed new rules regarding tax settlements and real and personal property definitions.

There will be no committee meeting scheduled for January 15th, 16th and 19th, 2009. The Rules Subcommittee will make use of this time to review the Rules.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:25 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION SUBCOMMITTEE
Subcommittee 1 - Rules

DATE: January 15, 2009

TIME: 9:00 a.m.

PLACE: Room 240

MEMBERS: Chairman Collins, Representatives Roberts, Harwood, Ruchti, Burgoyne

GUESTS: Dan John, State Tax Commission; Jim Husted, State Tax Commission; Ted Spangler, State Tax Commission; Dan John, State Tax Commission; Randy Nelson, Associated Tax Payers of Idaho.

Meeting was called to order at 9:03 a.m. by **Chairman Collins**.

Docket No. 35-0201-0802 **Ted Spangler**, Deputy Attorney General representing the State Tax Commission, presented the State Tax Commission Temporary Administration and Enforcement Rule 500.

Rule 500: Controversy over the nature of the State Tax Commission's authority to settle or compromise tax liabilities in appropriate cases demonstrates a need for an improved explanation of the grounds that the Commission considers when it receives settlement offers.

Mr. Spangler answered questions from the committee.

MOTION: Representative **Roberts** moved to **recommend approval of Docket No. 35-0201-0802** by the full committee. The motion **passed** on a voice vote.

Docket No. 35-0101-0801 **Janice Boyd**, Tax Policy Chair, Income Tax Committee, presented **Docket No. 35-010-0801**.

Rule 075: The rule is being amended to add a table for the calendar year 2008 income tax brackets and rates and to remove all but five years of historical data to Idaho Code section 63-3024.

Rule 108: Income Tax Rule 108 is being amended consistent with House Bill 549, which was passed by the 2008 Idaho Legislature.

Rules 120 and 125: Income Tax Rules 120 and 125 are being amended consistent with House Bill 615. A reference to Rule 193 is being added to Rule 120. Rule 125 addresses the bonus depreciation adjustments.

Rule 128: Income Tax Rule 128 is being amended to remove information in the rule that is addressed in Rule 291 and to add references to other rules.

Rule 130: Income Tax Rule 130 is being amended to clarify who qualifies for the deduction allowed by Idaho Code section 63-3022A for civil service retirement benefits received.

Rules 171 and 173: Income Tax Rules 171 and 173 are being amended

consistent with House Bill 563.

Rules 193 & 194: Income Tax Rule 193 is being amended to address Medicare Part D and the fact that it qualifies for the Idaho deduction for health insurance costs.

Rule 200: Income Tax Rule 200 addresses net operating losses of corporations.

Rule 254: Income Tax Rule 254 is being amended consistent with House Bill 615.

Rule 266: Income Tax Rule 266 is being amended to address two issues with regard to the sourcing of income from intangible property.

Rule 273: New Income Tax Rule 273 is being promulgated to provide that unemployment compensation is Idaho source income to the extent the benefits are received for employment in Idaho.

Rule 290: Income Tax Rule 290 is being amended to clarify that an individual who has income from one or more pass-through entity, but no other income, can make an election for each pass-through entity to pay the tax on his income from the pass-through entity.

Rule 550: Income Tax Rule 550 is being amended to conform more closely to language included in Multistate Tax Commission Regulation IV.17., Sales Factor: Sales Other Than Sales of Tangible Personal Property.

Rule 700 and 701: Income Tax Rules 700 and 701 are being amended consistent with House Bill 564.

Rule 710: Income Tax Rule 710 is being amended consistent with House Bill 615.

Rule 785: Income Tax Rule 785 provides for the calculation of credits when earned by pass-through entities.

Rule 799: Income Tax Rule 799 lists the corporate headquarters credits in the priority order of credits. Rule 799 is being amended to remove these credits from this rule.

Rule 800: Income Tax Rule 800 is being amended to address requirements to provide W-2 and 1099 information by taxpayers who file electronic returns

Rule 830: Income Tax Rule 830 identifies the due date for filing information returns.

Rules 855: Income Tax Rule 855 is being amended consistent with House Bill 343.

Rule 872: Income Tax Rule 872 is being amended consistent with House Bill 344.

Rule 874: Income Tax Rule 874 is being amended to remove obsolete references to “magnetic media” or “other machine readable form” and replace them with “electronic filing.”

Rules 920, 921, 922, 923, 924, 925, and 926: House Bill 661 repealed the Idaho Corporate Headquarters Incentive Act of 2005. Rules 920 through 926 are being repealed. Rules 930, 931, 932, 933, 934, 935, 936: Rules 930 through 936 address the Idaho Small Employer Incentive Act of 2005. This Act was modified in 2006 and is addressed in Income Tax Rules 940 through 946. Rules 930 through 936 are being repealed. Rules 940 through 946 remain as the only rules relating to the Idaho Small Employer Incentive Act of 2005.

Rule 941: House Bill 661 repealed the Idaho Corporate Headquarters Incentive Act of 2005. Subsection 941.01 is being deleted.

Rule 941: House Bill 661 repealed the Idaho Corporate Headquarters Incentive Act of 2005. Subsection 941.01 is being deleted.

Ms. Boyd and **Dan John**, State Tax Commission, answered questions from the Committee.

MOTION: **Representative Ruchti** moved to **recommend approval of Docket No. 35-0101-0801** by the full committee. The motion **passed** on a voice vote.

Docket No. 35-0201-0801 **Janice Boyd**, Tax Policy Chair, Income Tax Committee, presented Docket No. 35-0201-0801.

Rule 200: Administration and Enforcement Rule 200 is being amended to add requirements for taxpayers to provide copies of documents when requested by the State Tax Commission for the purpose of verifying the correctness of the tax return.

Rule 310: The rule is being amended to add the interest rate and applicable Revenue Ruling for calendar year 2009 to the table that identifies this information by year.

MOTION: **Representative Ruchti** moved to **recommend approval of Docket No. 35-0201-0801** by the full committee. The motion **passed** on a voice vote.

Chairman Collins announced that the Subcommittee would meet on Monday, January 19, 2009 at 8:00 a.m.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:28 a.m.

Representative Gary E. Collins
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION SUBCOMMITTEE Subcommittee 1 - Rules

DATE: January 19, 2009

TIME: 8:00 a.m.

PLACE: Room 240

MEMBERS: Chairman Collins, Representatives Roberts, Harwood, and Ruchti

GUESTS: Dan John, State Tax Commission; Jim Husted, State Tax Commission; Ted Spangler, State Tax Commission; Alan Dornfest, State Tax Commission; Randy Nelson, Associated Tax Payers of Idaho; Jason Ronk, Idaho Association of Commerce & Industry; Jack Lyman, Idaho Mining Association; Suzanne Budge Schaefer, SBS Assoc. LLC; Phil Homer, Idaho Association of School Administrators; Representative Lenore Barrett and Representative John Rusche.

Meeting was called to order at 8:07 a.m. by **Chairman Collins**.

Docket No. **35-0102-0801** **Jim Husted**, Tax Policy Specialist, State Tax Commission, presented the Idaho Sales and Use Tax Administrative Rules

Rule 014: Amend Sales Tax Rule 014 to state that contractors or retailers should not charge sales tax to homeowner for installed real property improvements.

Rule 024: Amend Rule 024 to conform to the statute.

Rule 044: Adds a definition of "trade-in" to Idaho Code Section 63-3613.

Rules 067: Amends Sales Tax Rule 067 to state that, in most cases store fixtures are to be considered personal property.

Rule 079: Amends Rule 079 to conform to the current law.

Rule 100: Amend Rule 100 to state that a purchase must be made under the prescription or work order of one of the specifically named types of practitioners.

Rule 101: Amend the rule to state that the use of the fleet will become taxable on the day after the end of registration period for which the mileage requirement is not met.

Rule 105: Amend Rule 105 to state that the Tax Commission can allow retailers that report less than \$12,000 per year in taxable sales to file annually.

Rule 107: Amend Rule 107 to comport with the new statute.

Rule 130: Delete the requirement for a social security number from the rule.

Mr. Husted answered questions from the Committee.

MOTION: **Representative Roberts** moved to **recommend approval of Docket No. 35-0102-0801** by the full committee. The motion **passed** on a voice vote.

Docket No. 35-0110-0801 **Jim Husted**, of State Tax Commission, presented Idaho Cigarette and Tobacco products Tax Administrative Rules.

Rule 022: Add the words “or distributors” to Rule 022.01.a.

MOTION: **Representative Roberts** moved to **recommend approval of Docket No. 35-0110-0801** by the full committee. The motion **passed** on a voice vote.

Docket No. 35-0111-0801 **Jim Husted**, of State Tax Commission, presented Idaho Unclaimed Property Administrative Rules.

Rule 015: An unclaimed property report must meet the requirements of Idaho Code 14-517.

Rule 017: Amend Rule 017 to state that the “date that the property should have been reported” replaces “original due date of the report.”

MOTION: **Representative Ruchti** moved to **recommend approval of Docket No. 35-0110-0801** by the full committee. The motion **passed** on a voice vote.

Docket No. 35-0103-0801 **Alan Dornfest**, Tax Policy Specialist, State Tax Commission presented the Idaho Property Tax Administrative Rules.

Rules 205 and 210: Rules 205 and 210 are being stricken and replaced with a new Rule 205 to clarify definitions as set forth by House Bill 599A in order to give assessors guidance in distinguishing between real and personal property.

MOTION: **Rep. Roberts** moved to return the docket to full committee. The motion passed by voice vote.

Docket No. 35-0103-0802 **Alan Dornfest**, Tax Policy Specialist, State Tax Commission presented the Idaho Property Tax Administrative Rules.

Rule 317: New Legislation (HB 470) changes the allocation of the occupancy tax revenue among taxing districts and urban renewal allocation areas.

Rule 509: Rule 509 amends to include exemption from HB599A, HB550, and HB562 in the list of those exemptions that must be reported to the tax commission.

MOTION: **Representative Ruchti** moved to **recommend approval of Docket No. 35-0103-0802** by the full committee. The motion **passed** by voice vote.

Docket No. 35-103-0804 **Rule 006:** To update the dates of guides and standards used as reference.

Rule 114: Amend to increase the layers of value data to report for properties

receiving the homeowner's exemption.

Rule 125 and 126: To shorten the rule by putting the certification programs in separate rules and to clarify the description and functions of the Tax Commissions Program of Education. Delete the Appraiser Certification Program and clarify the duties of the education director and examination committee.

Rule 128: New rule establishing the requirements and procedures for the Cadastral Certification Program as required by HB 419.

Rule 218 and 219: Rule 218 covers the Assessors' plat book maintenance and Rule 219 will provide additional, needed definitions and will provide that a form of the parent parcel number may be maintained upon a split of the parcel.

Rule 225: Provides a definition of countywide taxing district and stipulates that a copy of the resolution creating a countywide taxing district will suffice as documents to be filed with the county assessor, county recorder and State Tax Commission.

Rule 302: Provides that the list required to be filed by Idaho Code section 63-302 will serve as the taxpayer's application for exemption and requires the form to be filed in order to be eligible for the exemption.

Rule 313: This amendment to Rule 313 clarifies the allocation of the exemption between or among counties for transient personal property and allows the taxpayer to choose the tax code area for which the exemption will apply.

Rule 314: Deletes the reference to a non-existent example in Rule 217

Rule 508: A new rule to require that the value of property exempt by Section 53-502KK, Idaho Code be reported by taxing district.

Rule 626: New rule to explain that the personal property exemption will become effective with the first tax year after state fiscal year revenues have increased by more than 5% over the previous fiscal year as provided in HB 599A, Idaho Code section 63-602KK.

Rule 631: New rule clarifying that the exemption provided for in HB550, Idaho Code section 63-602NN does not include land.

Rule 802: Rule 802 is being amended to explain how to value new construction and to explain that the taxable portion of the property would be included on the New Construction Roll as provided in HB550, Idaho Code section 63-602NN(4) and HB562, Idaho Code section 63-4502.

Rule 803: New legislation in § 63-3638(12) provides replacement funds to be paid to counties for personal property exempt by IC 63-602KK. These funds should not be subtracted from the "funds to be levied" on the L-2 form in the process of computing property tax levies. Rule 803 needs amending to exclude IC §63-602KK funds from being subtracted. New legislation in section IC § 31-808(11) stipulates that the money received from the interest

bering trust fund is to be subtracted in computing the levy of the indigent fund. Rule 803(6) needs amended to include these monies as monies to be subtracted. Rule 806 is being amended to exclude the subtraction of the amount of the exemption determined in 63-602KK and to include the amount of the monies received from the interest bearing trust pursuant to 31-808(11).

Rule 804: Rule 804 is being amended to explain how to calculate the tax rate for certain funds identified in HB 470 and to delete obsolete items.

Rule 806: To clarify the property tax budget and levy information that county clerks are to include in the notice of election required by Idaho Code section 63-802(C) in order to form a new taxing district.

Rule 902: Rule 902 is amended to require that the amount to be paid by the state and the amount of the tax to be paid by the taxpayer be shown on the property tax notice as provided in HB599A, Idaho Code section 63-602KK.

Rule 966: To explain the calculations of deferred taxes for lands that change use and land that change ownership as provided in Idaho Code section 63-1706.

MOTION: **Representative Roberts** moved to **recommend approval of Docket No. 35-0103-0804** by the full committee. The motion **passed** by voice vote.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:04 a.m.

Representative Gary E. Collins
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 20, 2009

TIME: 9:00

PLACE: Room 240

MEMBERS: Chairman Lake, Vice Chairman Collins, Representatives Barrett, Raybould, Roberts, Schaefer, Smith(24), Wood, Bedke, Harwood, Hart, Saylor, Killen, Ruchti, Burgoyne, Rusche

**ABSENT/
EXCUSED:** Rep. Clark and Moyle

GUESTS: Dan John, State Tax Commission; Ted Spangler, State Tax Commission; Sarah Fuhrman, Roden Law office; Randy Nelson, Associated Tax Payers; Derek Sanders, DFM; Benjamin Davenport, Risch Pisca; Phil Homer, Idaho Association of School Administrators; Russ Hendricks; Idaho Farm Bureau Federation; Colby Cameron, Sullivan & Reberger; Skip Smyser.

Meeting was called to order at 9:00 by Chairman Lake. **Rep. Rusche** moved to approve the minutes of January 14, 2009; **motion carried on a voice vote.**

RS #: 18180C1 Ted Spangler, Deputy Attorney General, appearing as spokesman for the Tax Commission presented RS 18180C1 which proposes to add a civil penalty for the unlawful use of dyed fuel on the highways.

MOTION: **Rep. Leon Smith** moved to introduce **RS 18180C1 and send to the Transportation Committee for a public hearing. Motion carried by a voice vote. Representatives Harwood, Bedke, Barrett and Schaefer** requested that they be recorded as voting nay.

RS # 18193C1 **Ted Spangler**, Deputy Attorney General, appearing as spokesman for the Tax Commission presented RS 18180C1 which removes language to clarify that a waters-edge combined group can request subsection(s) relief or use the MTC specialty regulations; clarifies that all unitary members of a waters-edge combined group filing a federal income tax return are included in the waters-edge combined groups income calculation; and provides that a qualified corporation with a combined group makes a valid waters-edge election, each corporation subject to tax by this state that is part of the combined group, including corporations added when the election is in effect, is deemed to have made the election and consented to the reasonable production of documents.

MOTION: **Rep. Wood** moved to introduce **RS 18193C1; motion carried by voice vote.**

RS 18206C1 **Dan John**, State Tax Commission, presented RS 18206C1, which will exempt individuals who produce 5000 gallons or less of biodiesel fuel in a

calendar year for their personal consumption from two requirements of current law: the requirement to pay the 1 cent per gallon petroleum transfer fee, and the requirement to obtain an Idaho motor fuel distributors license. The bill clarifies that the existing requirement to pay the 25 cents per gallon motor fuels tax is retained.

MOTION: **Rep. Barrett** moved to **introduce RS 18208 and send it to the transportation Committee for public hearing; motion carried by voice vote.**

RS 18208 Dan John, State Tax Commission presented RS 18208, which amends the statute granting the homeowners exemption from property tax. The current law requires the State Tax Commission to publish an adjustment to the exemption based on the annual increase in the Idaho housing price index. The index may not always be an increase. If the index is a decrease, the statute may not authorize a reduction in the exemption.

MOTION: **Rep. Raybould** moved to send **RS 18208 to the floor to the Second Reading Calendar, motion carried by voice vote.** **Rep. Burgoyne** requested that he be recorded as voting nay.

RS 18199 **Dan John**, State Tax Commission presented RS 18199, which disallows state income tax deductions for passive losses incurred in years in which the taxpayer was not taxable in Idaho.

MOTION: **Rep. Bedke** moved to **introduce RS 18199; motion carried by voice vote.**

Chairman Lake announced that there will be no committee meeting on Friday, January 23, 2009.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:35 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 21, 2009

TIME: 9:00 a.m.

PLACE: Room 240

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

GUESTS: Ted Spangler, Tax Commission; Dan John, Tax Commission; Robin Nettinga, Idaho Education Association; Martin Bilbao, Connolly Smyser; Derek Santos; DFM; Randy Nelson, Associated Taxpayers of Idaho; Phil Homer, Idaho Association of School Administrators; Russ Hendricks, Farm Bureau; Benjamin Davenport; Risch Pisca; Jared Hopkins, Times-News; Bill Spence, Lewiston Tribune; Jeremy Clover, Givens Pursley

Meeting was called to order at 9:00 a.m. by Chairman Lake.

RS 18209 Dan John, State Tax Commission presented RS 18209 which proposes to allow the State Tax Commission to promulgate rules authorizing payment of beer and wine taxes by filing returns for periods other than monthly. The bill also strikes obsolete language in Section 23-1322, Idaho Code, relating to payment of beer tax by the use of tax stamps.

MOTION: **Rep. Roberts** moved to introduce **RS 18209; motion carried by voice vote.**

RS 18210 Dan John, State Tax Commission presented RS 18210 which proposes to require any motor fuels distributor who must report at least 25 receipts or disbursements of motor fuel on a monthly fuel tax return to file electronically. RS 18210 also proposes to require a business which must file at least 250 annual information returns to file electronically. The committee questioned Mr. John whether this would be a hardship for some distributors. In answer to the questions, Mr. John said that if the Rule caused an economic hardship distributors would not be required to file electronically.

MOTION **Rep. Killen** moved to introduce **RS 28210; motion carried by voice vote.**

RS 18211 **Ted Spangler**, Deputy Attorney General, appearing as spokesman for the Tax Commission presented RS 18211 which amends section 63-3072, Idaho Code, so that for statute of limitations purposes, an amended return must be filed within 3 years of the original due date not the date of the Notice fo Deficiency. The committee questioned Mr. Spangler about the reasons for this amendment and how it incorporates the probate code. Mr. Spangler will do some investigating.

MOTION: Rep. Shaefer moved to **return RS 18211 to the sponsor for technical correction. Motion carried by a voice vote. Rep. Killen and Rep Lake**

requested that they be recorded as voting nay.

RS 18212

Ted Spangler, Deputy Attorney General, appearing as spokesman for the Tax Commission presented RS 18212 which modifies the Idaho Sales Tax Act as it applies to sales and use tax on aircraft. Section 1 exempts from sales and use tax personally owned aircraft acquired out of state under the same provision applicable to motor vehicles. Section 2 will limit the exemption for aircraft to aircraft used as allowed by law to provide passenger or freight services for hire to the public from one point on land or water to another. The committee questioned Mr. Spangler about how this would affect such aircraft as Air Ambulance and aircraft used to fight fires or spray crops. Mr. Spangler said that it would not change the current tax.

MOTION:

Rep. Barrett moved to introduce **RS 28212; motion carried by voice vote.**

Chairman Lake announced the committee would consider the rules recommendations and personal property rules at the meeting tomorrow.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 10:07 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 22, 2009

TIME: 9:00

PLACE: Room 240

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

GUESTS: Jack Lyman, Idaho Mining Association; Bob McQuade, Ada County Assessor; Dan John, State Tax Commission; Derek Santos; Sarah Furhman, Roden Law Firm; Bill Roden, Qwest; Erick Shaner, DAG/ISTC, Russ Hendricks, Farm Bureau; Robin Nettinga, Idaho Education Association; Randy Nelson, Associated Taxpayers of Idaho; Suzanne Budge, SBS Associates.

Meeting was called to order at 9:00 a.m. by Chairman Lake. **Rep. Collins** moved to approve the minutes of January 20, 2009 and January 21, 2009, motion carried on voice vote.

Chairman Lake called upon **Subcommittee Chairman Collins** to make the Rules Subcommittee report.

Rep. Harwood moved to approve the subcommittee minutes of January 15, 2009 and January 19, 2009, motion carried on voice vote of the subcommittee.

Rep. Collins reported that the subcommittee recommends approval of the pending rules with the exception of Docket No. 35-0103-0801.

MOTION: **Rep. Collins** moved to approve the recommendations of the subcommittee. **Rep. Burgoyne** raised a question concerning subsection (c) of Temporary Rule 500 in Docket No. 35-0201-0802. **Rep. Ruchti** said that the subcommittee has done an extensive review of the rule and determined that the rule, with regard to settlement, addressed the issues raised by the whistleblower. **Mr. John** said the language in the rule came from federal procedures.

SUBSTITUTE MOTION: **Rep. Burgoyne** made a substitute motion that Subsection (c) of Docket 35-0201-0802 be rejected. **Rep. Wood** asked what recourse that would leave the commission. Mr. John states this was a temporary rule, there would be no guidance and would fall back on the existing rule. **Rep. Collins** said that the subcommittee did spend quite a lengthy time in discussion, this was a temporary rule, and it was requested by the Governor. **Mr. Burgoyne** said he only wants to reject subsection (c).

VOTE ON SUBSTITUTE Chairman Lake called for a vote on the Substitute Motion. Substitute motion **failed by voice vote.**

MOTION

VOTE ON ORIGINAL MOTION

Chairman Lake called for a vote on the original motion, **motion carried by voice vote.**

**Docket No.
35-0103-0801**

Mr. Dornfest, State Tax Commission, presented Docket No. 35-0103-0801 to the committee. Rule 205 is being amended to delete obsolete definitions and to define real and personal property in conformance with the definitions in legislation, HB 599A. Mr. Dornfest answered questions about the three part rule. He stated that one of the goals is to amend it to be consistent with Rule 599A. **Jack Lyman**, Idaho Mining Association, testified with regard to the Thompson Mine Sag and Ball Mill in Custer County and stated that the legislation needed to be clarified. **Rep. Barrett** asked whose responsibility it was to make the clarification between personal and real property. **Rep. Roberts** asked what direction was given to assessors around the state. **Mr. John** said ultimately the county assessors have to make the determination and appeals ended with the State Board of Tax Appeals. Legal staff at the Tax Commission has advised that it is statutory language and would ask for clarification.

Chairman Lake noted that there were technical changes to Rule 803 summary, "interest being" should be changed to "interest bearing" and Rules 218 & 219 summary, the first sentence should be deleted.

MOTION:

Rep. Roberts moved to approve Docket No. 35-0103-0801, **motion carried by voice vote.**

Chairman Lake announced there would be no meeting on Friday, January 23 and there will be hearings on several bills on Monday, January 26, 2009

ADJOURN:

Meeting was adjourned at 10:11 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 26, 2009

TIME: 9:00

PLACE: Room 240

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

**ABSENT/
EXCUSED:** Rep. Moyle

GUESTS: Fred Riggins; Joie McGarvin, Westerberg & Assoc.; Phil Homer, Idaho Association of School Administrators; Robin Nettinga, Idaho Education Association; Benjamin Davenport, Risch Pisca; Derek Santos, DRM; Roger Batt, Idaho Grape and Wine Commission; Ted Spangler, State Tax Commission; Skip Smyser; Dan John, State Tax Commission, Colby Cameron, Sullivan & Reberger; Randy Nelson, Associated Taxpayers of Idaho; Megan Olmstead, Gov. Otter's Staff; Suzanne Budge, SBS Assoc.

Meeting was called to order at 9:01 by Chairman Lake. **Rep. Collins** moved to approve the minutes of January 22, 2009, motion carried by voice vote.

**Bill #:
H 0003** **Ted Spangler**, Deputy Attorney General, appearing as spokesman for the Tax Commission presented **H 0003** that addresses the income tax as it applies to corporations and specifically those corporations doing business internationally.

MOTION: **Rep. Killen** moved to send **H 0003** to the floor with a **DO PASS** recommendation, motion carried on voice vote. **Rep Killen** will sponsor the bill on the floor.

**Bill #:
H 0005** **Ted Spangler** also presented **H 0005** which disallows state income tax deductions for passive losses incurred in years in which the taxpayer was not taxable in Idaho.

MOTION: **Rep. Smith** (24) moved to send **H 0005** to the floor with a **DO PASS** recommendation, motion carried on voice vote. **Rep Smith** (24) will sponsor the bill on the floor.

**Bill #:
H 0010** **Dan John** presented **H 0010** which modifies the Idaho Sales Tax Act as it applies to sales and use tax on aircraft. Mr. John answered questions from the committee about how this change would affect firefighting aircraft, spray planes, air ambulances, etc. Mr. John said that the change is fairly minor and the real change is the definition of a common carrier.

MOTION: **Rep. Rusche** moved to send **H 0010** to the floor with a **DO PASS** recommendation, motion carried on voice vote. **Rep. Rusche** will sponsor the bill on the floor.

BILL #: **H 0011** **Dan John** presented **H 0011** which modifies two provision of the Motor Fuels Act to allow fuel distributors to file reports electronically. Mr. John answered questions from the committee about economic hardship on companies to file electronically and how much time would be saved by the Tax Commission by receiving this information electronically.

MOTION: **Rep Clark** moved to send **H 0011** to the floor with a **DO PASS** recommendation, motion carried on voice vote. **Rep. Barrett** requested that she be recorded as voting nay. **Rep. Clark** will sponsor the bill on the floor.

BILL # **H 0112** **Dan John** presented **H 0012** which eliminated the last reference in Idaho Code to beer stamps and allows the tax commission to prescribe other than monthly filings of taxes on beer and wine. It is not efficient for the taxpayer or commission to report small returns.

MOTION: **Rep. Bedke** moved to send **H 0012** to the floor with a **DO PASS** recommendation, motion carried on voice vote. **Rep. Burgoyne** will sponsor the bill on the floor.

ADJOURN: Chairman Lake announced there would be a meeting tomorrow, January 27, 2009. There being no further business before the committee, the meeting was adjourned at 9:45.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: January 27, 2009

TIME: 9:00

PLACE: Room 240

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

**ABSENT/
EXCUSED:** Rep. Moyle

GUESTS: Joie McGarvin, Westerberg & Assoc.; Cole Pepper, Connolly & Smyser; Derek Stanton, DFM; Phil Homer, Idaho Association of School Administrators; Dan John State Tax Commission; Randy Nelson, Associated Taxpayers of Idaho; Suzanne Budge, SBS Associates

MOTION: Meeting was called to order at 9:01 by Chairman Lake. Rep. Harwood moved to approve the minutes of January 26, 2009; motion carried by voice vote.

RS 18356C1 **Rep. Steve A Kren** presented **RS 18356C1** which would require that tax notices show the percentage change in taxes from the prior year, and would show the acreage of the property. Rep. Kren answered questions from the committee with regard to how this would affect assessors and properties which are less than an acre.

MOTION: **Rep. Barrett** moved to introduce **RS 18356C1**; **motion carried on voice vote.**

RS 18372 **Rep. Leon Smith** presented **RS 18372** which relieves the small business owners of performing an annual inventory of personal property and submitting it to the County Assessor, when it is obvious that the \$100,000 exemption will apply and the business owes no personal property tax. Rep. Smith answered questions from the committee about the penalty for fraud and whether the value would be on the depreciated value.

MOTION: **Rep. Clark** moved to introduce **RS 18372**; **motion carried on voice vote.**

ADJOURN: Chairman Lake announced that there would be no meeting on Friday and to listen for the announcement of a Wednesday meeting. There being no further business before the committee, the meeting was adjourned at 9:20.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 2, 2009

TIME: 9:00

PLACE: Room 240

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

GUESTS: Benjamin Davenport, Risch Pisca; Cole Pepper, Connolly Smyser; Jayson Ronk, Idaho Association of Commerce and Industry; Derek Santos, DFM; Dan John, State Tax Commission; Ted Spangler, State Tax Commission; Phil Homer, Idaho Association of School Administrators; Russ Hendricks, Farm Bureau; Alex La Beau, Idaho Association of Commerce and Industry; Mark Bashrich, Idaho Association of Commerce and Industry; Randy Nelson, Associated Taxpayers of Idaho.

Meeting was called to order at 9:00 by Vice Chairman Collins. Silent roll was taken, all members were present. Rep. Killen moved to approve the minutes of January 27, 2009; motion carried by voice vote.

RS 18411 **Sen John Goedde** presented **RS 18411** which would allow a simple change to an income tax deduction. Currently individuals and corporations are allowed to write-off donations of technical hardware to public schools. This bill would allow individuals and corporations to write off technical hardware donated to private schools.

MOTION: **Rep. Bedke** moved to introduce **RS 18411**; **motion carried on voice vote.**

RS 18177 **Ted Spangler**, Deputy Attorney General, appearing as spokesman for the Tax Commission presented RS 18177 which allows some technical changes to HB 599. These changes do not address high profile issues but deals primarily with reimbursement provisions; clarifies when the exemption becomes effective; corrects the calculation for reimbursement for urban renewal districts of revenue that would have come from the exempted personal property; removes a duplicate provision to prevent double counting; and requires inclusion of exempt personal property in taxable value for levy setting.

MOTION: **Rep. Clark** moved to introduce **RS 18177**; **motion carried on voice vote.**

RS 18464 **Jayson Ronk**, Idaho Association of Commerce and Industry, presented **RS 18464** which establishes that the implementation of the personal property tax exemption will occur on January 1 of the first year that receipts to the general fund for the fiscal year have exceeded the receipts to the general fund by 5% or more than the receipts for fiscal year ending June 30, 2008. The legislation makes technical changes to 63-602KK and also amends the law to clarify that properties assessed by the state tax commission are treated the same as property assessed at a local level. Rep Killen asked about what impact this change would have. **Alex LaBeau**,

Idaho Association of Commerce and Industry, answered that is what the purpose is to know what actual property tax there is. Rep. Wood asked about using 2008 as the time trigger.

MOTION: **Rep. Barrett** moved to introduce **RS 18464**, stating she was for the legislation because tax cuts stimulate the economy. Chairman Lake said it was his intention to combine this legislation with some others and have a subcommittee consolidate into one bill. After some more discussion, the **motion carried on voice vote.**

ADJOURN: Chairman Lake said to listen for an announcement for the Tuesday meeting. There being no further business before the committee, the meeting was adjourned at 9:53 a.m. by Vice Chairman Collins.

Representative Gary Collins
Vice Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 4, 2009
- TIME:** 9:00
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- ABSENT/
EXCUSED:** Representatives Barrett, Roberts, Schaefer and Wood
- GUESTS:** Dan John, State Tax Commission; Cole Pepper, Connoly & Smyser; Derek Santos, Division of Financial Management; Phil Homer, Idaho Association of School Administrators; Russ Hendricks, Farm Bureau; Melissa Nelson, Idaho Society of CPAs; Randy Nelson, Associated Taxpayers of Idaho; McKinsey Miller, Gallatin Public Affairs
- Meeting was called to order by Chairman Lake at 9:02 a.m. Silent roll was taken, 4 members were absent and excused.
- MOTION:** **Rep. Raybould moved to approve** the minutes of the February 2, 2009 meeting with the following correction: On Page 1, RS 18411, the last sentence in the paragraph should read: "This bill would allow individuals and corporations to write off technical hardware donated to private schools." **By voice vote, the minutes were approved as corrected.**
- Chairman Lake** announced a subcommittee, chaired by **Rep. Clark** would be meeting to consider **HB 29, 49 and 50** relating to personal property. Chairman Lake asked for unanimous consent that these bills be placed with the Clark subcommittee, **without objection, it was so ordered.**
- RS 18185C1** **Phil John**, Idaho Tax Commission, presented **RS 18185C1** which is the annual bill to conform the Idaho Income Tax Act to changes made to the Internal Revenue Code after January 1, 2008. **Rep. Moyle** asked if this would conform to all the change to the IRS code. Mr. John answered that it would.
- MOTION:** **Rep. Clark moved to send RS 18185C1 to the floor to Second Reading Calendar, motion carried by voice vote.** **Rep. Collins** will sponsor the bill on the floor.
- RS 18406** **Representative Clark** presented **RS 18406** which proposes to change the definition of "float homes" so that all homes are real property.
- MOTION:** **Rep. Moyle** moved to **introduce RS 18406, motion carried by voice vote.**

ADJOURN: There being no further business before the committee. The meeting was adjourned at 9:12 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 9, 2009
- TIME:** 9:00
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- ABSENT/
EXCUSED:** Representative Collins
- GUESTS:** Phil Homer, Idaho Association of School Administrators; Dan John, State Tax Commission; Martin Bilbao, Connolly Smyser; Cole Pepper, Connolly Smyser; Benjamin Davenport, Risch Pisca; Derek Santos, Division of Financial Management; Russ Hendricks, Farm Bureau; Tony Poinelli, Idaho Association of Counties; Kerry Ellen Elliott, Idaho Association of Counties; Randy Nelson, Associated Taxpayers of Idaho; Mike Murphy, Idaho Department of Lands.
- Meeting was called to order at 9:02 a.m. by Chairman Lake. Silent roll was taken, Rep. Collins was absent and excused.
- MOTION:** **Rep. Sayler** moved to approve the minutes of February 4, 2009, **motion carried by voice vote.**
- HB 30:** **Rep. Kren** presented **HB 30** which requires tax notices to show the percentage change in taxes from the prior year and to show the acreage of the property. Rep. Kren said that concerns about how acreage would be shown for condominiums, apartments, and subdivisions would not be a problem.
- MOTION:** **Rep. Wood** moved to send **HB 30** to the floor with a **DO PASS** recommendation. **Tony Poinelli**, Idaho Association of Counties, testified that the only concerns the counties had was to add language to the notices might cause the sheets to be longer. Questions from the committee were about the cost to the counties, how many counties would have to upgrade their computer programs and if this would affect both personal and real property. Mr. Poinelli and **Dan John**, State Tax Commission, answered that the costs should be minimal and does apply to both personal property and real property. **Chairman Lake** called for a vote on the motion to send **HB 30** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.**
- HB 63:** **Rep. Clark** announced that he would like to either amend **HB 63** or come back with a new RS.
- MOTION:** **Rep. Clark** moved to hold **HB 63** in committee. **Motion carried by voice vote.**

RS 18539: **Rep. Leon Smith** presented **RS 18539** which combines **HB 49 and HB 29**, includes some language changes that are acceptable to the Assessors and to the State Tax Commission and specifies that appeals would go to the Board of Tax appeals rather than the counties.

MOTION: **Rep. Clark** moved to introduce **RS 18539**. **Motion carried by voice vote.**

ADJOURN: There being no further business before the committee, the meeting was adjourned at 9:34 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 12, 2009
- TIME:** 9:00 a.m.
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- GUESTS:** Annie Henna, Catholic Charities of Idaho; Roy Lacey, Idaho Food Bank; Ted Spangler, State Tax Commission; Dan John, State Tax Commission; Courtney Washburn, Idaho Conservation League; Russ Hendricks, Farm Bureau Federation; Phil Homer, Idaho Association of School Administrators; Benjamin Davenport, Risch Pisca; Derek Santos; Department of Financial Management; Jim Lewis, Blaine County School District; Lonnie Barber, Blaine County School District; Mike Chatterton, Blaine County School District; Randy Nelson, Associated Taxpayers of Idaho; Ken Miller, Snake River Alliance; Sharon Burke, Idaho Association of Counties; Russell Westerberg; Liz Woodruff, Snake River Alliance; McKinsey Miller, Gallatin Public Affairs; Jane Wittmeyer, Intermountain Forest Association; Colby Cameron, Sullivan and Reberger; Dar Olberding, Idaho Grain Producers Association; Stan Boyd, Idaho Cattle Association and Idaho Wool Growers Association; John Watts, McKinstry Company
- Meeting was called to order at 9:00 a.m. Silent roll was taken. All members were present.
- MOTION:** **Rep. Clark** moved to approve the minutes of February 9, 2009; **motion carried by voice vote.**
- RS 18481:** **Rep. Boe** presented **RS 18481** which would allow for a check off donation on the Idaho Income Tax Form to benefit the Idaho Food Bank. **Rep. Boe** said this legislation would give the people of Idaho an opportunity to donate to the food bank. This could help alleviate the food crisis and there would be no fiscal impact to the State.
- MOTION:** **Rep. Clark** moved to introduce **RS 18481**; **motion carried by voice vote.**
- RS 18298:** **Rep. Roberts** presented **RS 18298** which would remove the authority for certain school districts to authorize budget stabilization levies.
- MOTION:** **Rep. Clark** moved to introduce **RS 18298**; **motion carried by voice vote.** **Representatives Rusche, Killen** and **Sayler** requested that they be recorded as voting nay.
- RS 18540:** **Rep. Moyle** presented **RS 18540** which refines and clarifies the State Tax

Anticipation Revenue (STAR) concept. This rewrite refers to the amount that can be used on the project, what is required of a developer to obtain the rebate, disclosure protection for the developer and allows the developer an emergency provision.

MOTION: **Rep. Wood** moved to introduce **RS 18540**, stating that she had confidence in the other STAR project and that the developers were making a real investment and this makes it so traffic can get into their businesses. In answer to questions from the Committee, **Rep. Moyle** said STARS was implemented to attract new businesses to the state. **Chairman Lake** called for a vote; **motion carried by voice vote.**

RS 18439C1: **Paul Kjellander**, Office of Energy Resources, presented **RS 18439C1** which will create Renewable Energy Enterprise Zones (REEZ). A REEZ is a limited geographic region in which specific renewable energy resources are promoted for development. This legislation identifies appropriate incentives and tax benefits designed to stimulate development of resources and distribution systems necessary to bring the energy to market. The committee asked questions about adding additional zones, and what would happen to local taxes. Mr. Kjellander stated that he was not a tax expert and the State Tax Commission would be available to speak on the tax issues.

MOTION: **Rep. Bedke** moved to introduce **RS 18439C1**, saying that the committee would have more questions and Mr. Kjellander might be directed to come back with changes to the legislation. **Motion carried by voice vote;** **Rep. Clark** wished to be recorded as voting nay.

Chairman Lake announced that with regard to **HB 50**, **HB 49**, and **HB 29** previously assigned to the Clark Subcommittee, the bill sponsors had requested that the bills be held in committee and the committee would hear **HB 83** as a replacement.

MOTION: **Rep. Clark** moved to replace **HB 50**, **HB 49**, and **HB 29** with **HB 83**, **motion carried by voice vote.**

ADJOURN: There being no further business before the committee, the meeting was adjourned at 9:40 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 16, 2009
- TIME:** 9:00
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- GUESTS:** Karen Des Aulniers, Treasure Valley Alcohol Drug Coalition; Rob Des Aulniers; Keith Allred, The Common Interest; Kathie Garrett, Advocates for Addiction and Treatment; Amy Holly, Business Psychology Associates; Tom Stitzel; Mike Brassey, Uniform Law Commissioner; Dan John, State Tax Commission; Skip Smyser; Connolly & Smyser; Bill Roden, Idaho Beer and Wine Distributors Association; Sarah Fuhrman, Roden Law Firm; Roger Batt, Idaho Grape Growers & Wine Producers Commission and Idaho Eastern Oregon Seed Association; Mike Kane, Idaho Sheriff's Association; Doug Petcash, KTVB; Martin Bilbao, Connolly & Smyser; Zach Hague, Capitol West; Phil Homer, Idaho Association of School Administrators; Bill Spence, Lewiston Tribune; Derek Santos, Department of Financial Management; Roger Seiber, Capitol West; Ken McClure, Givens Pursley; Randy Nelson, Associated Taxpayers of Idaho; Jeremy Pisca, Idaho Beer and Wine Distributors Association; Vaughn Kilken, Idaho Sheriffs Association; Pam Eaton, Idaho Retailers Association and Idaho Lodging and Restaurant Association; Mckinsey Miller, Gallatin Public Affairs; Heidi Low, American Cancer Society Cancer Action Network; Leon Duce, Association of Idaho Cities; Ben Davenport, Risch Pisca
- Chairman Lake called the meeting to order at 9:00 a.m. Chairman Lake welcomed attendees to the committee. Silent roll was taken, all members were present.
- RS 18625:** **Rep. Clark** presented **RS 18625** which amends the definition of float homes. The proposed change to the definition of float homes will allow all float homes to be treated in the same manner relating to assessment and taxation. The present definition allows a situation where some float homes are considered to be real property while others would be personal property.
- MOTION:** **Rep. Killen** moved to introduce **RS 18625**; **motion carried by voice vote.**
- RS 18610:** **Keith Allred**, The Common Interest, introduced **RS 18610** which would raise the tax on beer and wine and partially restore the original policy the state established when it instituted the beer tax in 1961 and the wine tax in 1971. The tax was originally intended to help defray the costs associated with alcohol consumption, those costs have continued to increase in the last several decades while the beer and wine tax has not. Rather than keep the tax on a volume basis, this legislation would raise the revenue through a 7.8% tax on the wholesale price of beer and a 4.5% tax on the wholesale price of wine. The fiscal impact of this legislation would be to raise \$19.2

million in new revenue in FY 2010. **Rep. Roberts** asked what motivated you to go to a percent of volume and does someone that buys a \$100.00 bottle of wine pay more than someone who buys a \$10.00 bottle of wine. Are the people who can afford the higher price the ones that are going to pay for the abuses of the others. Mr. Allred stated that the bulk of the revenue will come from those using the lower prices products because that is where most of the consumption takes place. **Rep. Clark** asked why this tax, when there were other taxes that had not been raised for a longer time. Mr. Allred said that there is a strong nexus between beer and wine and meth. Beer is the first use of abusers. If you consume while young it leads to meth abuse and meth abusers use alcohol also. **Rep. Barrett** asked about what changes would have to be made to pick up that tax. Mr. Allred said that the tax is currently taxed on the wholesale price. Wholesalers would have to go through a conversion process of gallons to bottles. The consumer would ultimately pay the bill. **Rep. Burgoyne** asked if the price goes down, would we have decreases. Mr. Allred said that we would. **Rep. Raybold** brought up the issue of who would pick up the slack on programs instituted when we had deflation. Mr. Allred said that the issue was not to raise revenue but the point is this is essentially a user fee and the users would bear some of the burden. Also, this tax is more secure than the general fund.

MOTION: **Rep. Smith** moved to introduce **RS 18610**. **Rep. Barrett** said that she was not in favor of introducing any new taxes at this time.

SUBSTITUTE MOTION: **Rep. Clark** made a substitute motion to **return to the sponsor**. **Rep. Killen** was in support of the original motion. **Rep. Rusche** supports the original motion stating that currently it is difficult for abusers to get help so that leaves Idaho families exposed to the effects. **Rep. Roberts** states that this is a tax.

VOTE ON SUBSTITUTE MOTION: **Roll call vote** was requested on the substitute motion. **Substitute motion failed, 8-10**. **Voting in favor** of the substitute motion: **Reps. Barrett, Moyle, Raybould, Roberts, Schaefer, Clark, Harwood and Hart**. **Voting in opposition** to the substitute motion: **Reps. Lake, Collins, Smith, Wood, Bedke, Saylor, Killen, Ruchti, Burgoyne, and Rusche**.

VOTE ON ORIGINAL MOTION: **Chairman Lake** called for a vote on the original motion to introduce **RS 18610**. **Roll call vote** was requested on the original motion. **Original motion passed 12-6**. **Voting in favor** of the original motion: **Reps. Lake, Collins, Raybould, Smith, Wood, Bedke, Harwood, Saylor, Killen, Ruchti, Burgoyne, and Rusche**. **Voting in opposition to the original motion:** **Barrett, Moyle, Roberts, Schaefer, Clark, and Hart**.

RS 18551: **Michael Brassey**, appearing as one of the Idaho Uniform Commissioners, presented **RS 18551** which amends two sections of the Idaho Uniform Principal and Income Act. The first amendment amends Idaho Code Section 68-10-409 that relates to the distributions from deferred compensation, annuity and similar plans. The revision to this section is designed to satisfy the IRS' safe harbor and to address concerns that might be raised for similar assets. The second amendment amends Idaho Code Section 68-10-505 that related to the distribution of income derived from a pass-through entity.

MOTION: **Rep. Moyle** moved to introduce **RS 18551**; **motion carried by voice vote**.

Rep. Roberts announced that with regard to **HB 120**, dealing with budget stabilization, he has come up with a conflict. **Rep. Roberts** moved to hold **HB 120** in committee; **motion carried by voice vote.**

ADJOURN: There being no further business before the committee, the meeting was adjourned at 9:55.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 17, 2009
- TIME:** 9:00
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- ABSENT/
EXCUSED:** Representatives Rusche, Moyle and Roberts
- GUESTS:** Cole Pepper, Connolly & Smyser; Phil Homer, Idaho Association of School Administrators; Jan Sylvester; Dan John, State Tax Commission; Russ Hendricks, Farm Bureau Association; Derek Santos, Department of Financial Management; Randy Nelson, Associated Taxpayers of Idaho; Robin Nettinga, Idaho Education Association; Nick Draper, Post Register; Mckinsey Miller, Gallatin Public Affairs; Sharon Burke; Idaho Association of Counties; Kerry Ellen Elliott, Idaho Association of Counties; Colby Cameron, Sullivan & Reberger
- Chairman Lake called the meeting to order at 9:00 a.m. Silent roll was taken. Reps. Rusche, Moyle and Roberts were absent and excused.
- MOTION:** **Rep. Collins** moved to approve the minutes of February 16, 2009, **motion carried by voice vote.**
- RS 18323C1:** **John Watts**, representing the Library Association, presented **RS 18323C1** which amends Section 22-2728, Idaho Code, to increase the cap on a library district bond levy from four-tenths of one percent (.4%) not to exceed one percent (1%). This increase will allow a library district to bond up to an amount that reflects present day construction, remodeling, equipment and bookmobile costs. Elections would be held on consolidated dates and locations and would require a 2/3 majority vote. **Rep. Hart** asked what the cumulative effects were for the library districts. Mr. Watts said that he did not have those numbers. **Rep. Burgoyne** asked if this puts these districts on a parity with the cities. Mr. Watts said this was completely independent from the cities. There are 56 district libraries in the state.
- MOTION:** **Rep. Harwood** moved to introduce **RS 18323C1**. **Rep. Barrett** said that this is not the year to increase any taxes, so she opposes. **Motion carried on voice vote.** **Reps. Barrett and Schaefer** wished to be recorded as voting nay.
- HB 83:** **Rep. Leon Smith** presented **HB 83** which relieves the small business owners of performing an annual inventory of personal property and submitting it to the County Assessor, when it is obvious that the \$100,000 exemption will apply and the business owes no personal property tax. This bill combines HB 59 and HB 29, and includes some language changes that are acceptable to the Assessors and to the State Tax Commission and

specifies that appeals would go to the Board of Tax appeals. The business owner can submit an affidavit and there is a penalty for fraudulent affidavits. This bill also includes several corrections asked for by the State Tax Commission. **Rep. Killen** asked if the affidavit would have a mechanism for picking up changes so the local governments can track them. **Rep. Smith** said that the driving force is to prevent the taxpayer from having to keep track. **Chairman Lake** asked **Dan John**, State Tax Commission, if he were comfortable with the bill and if he had any questions with the affidavit. **Mr. John** stated that there were some questions and that the Tax Commission was reviewing those questions and would probably come back next year with new rules.

MOTION: **Rep. Clark** moved to send **HB 83** to the House with a **DO PASS** recommendation, **motion carried by voice vote**. **Rep. Leon Smith** will sponsor the bill on the floor.

HB 51: **Sen. John Goedde** presented **HB 51** which would allow a simple change to an income tax deduction. Currently individuals and corporation are allowed to write-off donations of technical hardware to public schools. This bill would allow individuals and corporations to write off technical hardware donated to private schools.

MOTION: **Rep. Hart** made a motion to send **HB 51** to the House with a **DO PASS** recommendation, **motion carried by voice vote**. **Rep. Hart** will sponsor the bill on the floor.

ADJOURN: There being no further business before the committee, the meeting was adjourned at 9:22 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 19, 2009
- TIME:** 9:00
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- GUESTS:** Mike Brassey, Idaho Uniform Law Commission; Benjamin Davenport, Risch Pisca; Roy Lacey, Idaho Food Bank; Mike Murphy, Idaho Department of Lands; Dan John, State Tax Commission; Martin Bilbao, Connolly Smyser; Tammy DeWeerd, City of Meridian and COMPASS; Derek Santos, Department of Financial Management; Phil Homer, Idaho Association of School Administrators, Jerry Deckard, Capitol West; Zach Hauge, Capitol West; Bert Marley, Idaho Education Association; Randy Nelson, Associated Taxpayers of Idaho, Pam Eaton, Idaho Retailers Association
- Chairman Lake called the meeting to order at 9:00 a.m. Silent roll was taken, all members were present.
- MOTION:** **Rep. Burgoyne** moved to approve the minutes of February 12, 2009, **motion carried by voice vote.**
- MOTION:** **Rep. Collins** moved to approve the minutes of February 17, 2009, **motion carried by voice vote.**
- H 119:** **Rep. Moyle** presented **H 119** which refines and clarifies 2007 legislation that provides for financing of public transportation infrastructure projects utilizing the Sales Tax Anticipation Revenue (STAR) concept. This legislation is commonly called the "Cabela's legislation." The developer could pay for approved projects to interstate and other state highways around his retail commercial complex and may qualify for a rebate of up to 60% of sales taxes collected by businesses in that retail complex. The developer has to spend up to \$6,000,000 of his own money and it must be approved and fit into the plan of local government and the Department of Transportation.
- MOTION:** **Rep. Wood** made a motion to send **H 119** to the floor with a **DO PASS** recommendation.

Tammy DeWeerd, Mayor of Meridian and COMPASS member, testified in **favor of H 119** and said that the City of Meridian and COMPASS, which represents Canyon and Ada counties, support this legislation. We have inadequate infrastructure and we believe this will help take the ambiguities out of the legislation. This is not just a transportation tool, this is an economic development tool. This tool will help to create an investment with communities. We urge your support. **Rep. Bedke** asked if there were businesses that have been looking at this tool. Ms. DeWeerd said that the LifeStyle project at Eagle Road and Fairview Ave. was looking at this tool. This would be a \$15,000,000 project just for two miles of road, this

improvement would be solely theirs. The committee asked many questions of Ms. DeWeerd and **Rep. Moyle** and were concerned about paying for road improvements out of the general fund. **Rep. Moyle** said that the Tax Commission, the Attorney General and the Idaho Department of Transportation were all instrumental in writing this bill. The bill is currently in place, if you pass these changes you will be making the current legislation better. **Chairman Lake** asked **Dan John** how the Tax Commission views the bill. Mr. John said that the tax commission views the bill as good and believes it clarifies the language as it is currently written. **Rep. Clark** asked if the Committee would be interested in hearing from the Idaho Department of Transportation and the Tax Commission. **Rep. Burgoyne** said he was in favor of the bill and he believed it simply improved the prior bill. **Rep. Smith** said that his concern was that businesses already in Idaho would want to use this tool and we would then be paying for roads with general fund money.

SUBSTITUTE MOTION: **Rep. Clark** made a motion to **HOLD H 119** in committee for one week; **motion failed on voice vote.**

VOTE ON ORIGINAL MOTION: **Chairman Lake** called for a vote on the **original motion** to send **H 119** to the floor with a **DO PASS** recommendation; **motion carried on voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

H 121: **Rep. Boe** presented H 121 which allows for a check off donation on the Idaho Income Tax Form to benefit the Idaho Food Bank. The Idaho Food Bank serves as a central clearinghouse for donated and purchased food and provides food, information and support services throughout the state. Each dollar donated to the Idaho Food Bank will purchase \$10.00 of food or three meals. **Roy Lacey**, Idaho Food Bank testified in favor of **H 121** explaining about the food banks all over the State of Idaho. **Chairman Lake** asked **Dan John**, State Tax Commission, whether there was room on the tax form to print this check off line. Mr. John explained about how these types of issues are handled by the Tax Commission. **Rep. Bedke** said he would be interested to know the number of people using this system and in what amount.

MOTION: **Rep. Smith** moved to send **H 121** to the floor with a **DO PASS** recommendation; **motion carried by voice vote.** **Rep. Boe** will sponsor the bill on the floor.

H 142: **Michael Brassey**, Idaho Uniform Law Commission, presented **H 142** which amends two sections of the Idaho Uniform Principal and Income Act. The first amends Idaho Code Section 68-10-409 and relates to the distributions from deferred compensation, annuity and similar plans. Without necessarily agreeing with the IRS position the revision to this section is designed to satisfy the IRS safe harbor and to address concerns that might be raised for similar assets. The second amendment amends Idaho Code Section 58-10-505 that relates to the distribution of income derived from a pass-through entity such as a partnership or S Corporation. Whether the entity distributes more or less than the trusts tax on its share of the entity's taxable income, the trust must pay the taxes and allocate them between income and principal. The amendment clarifies the required distribution.

MOTION: **Rep. Ruchti** moved to send **H 142** to the floor with a **DO PASS**

recommendation; **motion carried by voice vote.** **Rep. Ruchti** will sponsor the bill on the floor.

H 141: **Rep. Clark** presented **H 141** which changes the definition of float homes so that all are treated in the same manner relating to assessment and taxation. In the present definition some float homes are considered to be real property while others would be considered personal property.

Mr. Murphy, Department of Lands, testified in opposition of **H 141** saying that he had proposals to add to the bill and concerns about lease issues and relationships with marine owners. **Rep. Clark** said that the bill came to him from the assessors' offices and he did not know that the Department of Lands was interested and that if there were changes he would like to see the language changed in the Senate.

MOTION: **Rep. Saylor** moved to send **H 141** to the floor with a **DO PASS** recommendation; **motion carried by voice vote.** **Rep. Clark** will sponsor the bill on the floor.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 23, 2009

TIME: 9:00 a.m.

PLACE: Lincoln Room, Supreme Court Building

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

GUESTS: See the attached sign in sheets.

Chairman Lake called the meeting to order at 9:00 a.m. Silent roll was taken; all members were present.

HB 140: **Keith Allred** presented **HB 140** on behalf of the 1400 members of The Common Interest. **HB 140** is, in short, a tax increase, a large increase. Why would Idaho taxpayers recommend a tax increase at a time of bad economic times. This committee has a strong reputation of protecting tax payers from tax increases. We know that alcohol use imposes costs on all of us, non drinker, responsible drinker and excessive drinker alike. A substantial portion of the sales tax, income tax, and property tax that we will pay go toward these costs. When general fund taxes are used to pay for these costs, the government says to us, you must pay for these costs regardless of the personal choices you make about alcohol. When this committee passed the beer tax in 1961, it said, in effect, individuals bear some responsibility for their own choices about alcohol. If you don't drink any beer or wine, this is one tax you don't have to pay. If you drink moderately, you will pay only a moderate amount because your risk of imposing costs on us is modest. However, if you are part of the 20% of drinkers who drink 88% of the alcohol, then you will pay much more because you risk imposing much greater costs on the rest of us. The committee came to the same conclusion in 1971 when it imposed the wine tax. Idahoans will pay the cost of alcohol abuse. There are only two questions to answer. First, who will pay these costs? Second, how much will we pay and when? It is difficult to vote for what looks like a big tax increase. In fact, **HB 140** restores beer tax revenues to just less than half of the original purchasing power and restores the wine tax to just less than two-thirds of its original real value. Someone who drinks a six pack a week, will pay about 25 cents extra for that six pack.

Rep. Roberts asked if we were voting today. **Chairman Lake** said that it looked as if we might have to continue tomorrow and then the committee needed time to discuss before voting.

Mr. Kirby Vickers, testifying in **opposition to HB 140** stated he grows grapes in Idaho and has produced wine for 28 years. He is not against a raise in the taxes, but does have some problems with the way **HB 140** is written.

Mr. Vaughn Killeen, Idaho Sheriff's Association testified in **favor of HB 140**. The reason that the Sheriffs support this bill is Idaho currently does not have a funding source. When it comes down to the county level we have about 7,000 in the county jails. There is no treatment at the county level.

Mr. George Dillards representing Good Sam Club testifying in **opposition to HB 140**. This is a huge increase in taxes and will hit the retired community. He thinks that a \$50,000 fine for drunk driving would be appropriate.

Roger Batt, representing the Idaho Grape and Wine Industry, testifying in **opposition to HB 140** stated that businesses in the grape and wine industry have made a huge investment in Idaho. This increase may cause businesses to not locate to Idaho or not to stay here.

Melanie Krause of Cinder Wines testifying in **opposition to HB 140** said that she was opposed to the increase and brought a hand out showing a list of taxes currently paid by her winery.

Moya Shatz, of Idaho Grape Growers and Wine Producers Commission, testifying in **opposition to HB 140** said Idaho is very desirable for wineries. We do not want to do anything to hinder the beer and wine industry. This industry in Idaho is 22nd in the nation for production, \$52 million dollars in winery revenues, \$73 million in economic impact, There are 625 full time jobs and this is projected to be 990 jobs by 2015.

Mike Larkin, a private citizen from Cambridge testifying in **favor of HB 140** said he was shocked that this is even considered a large increase. Nobody wants to see a tax increase but thinks this is a good one.

David Hogue, concerned citizen testifying in **favor of HB 140**, said please vote yes, believes there is a need for our children. Please take action for Idaho's children.

Sherry Parks, Director at St. Alphonsus, testifying in **favor of HB 140** said there is a great need for help with substance abuse and mental health.

Karen Saunder, representing downtown Boise businesses, testifying in **opposition to HB 140** said there are over 80 businesses with about 5,000 employees this would affect.

Roy Eigueren, representing Northwest Grocery Association, with 67 locations and 12,300 employees testifying in **opposition to HB 140** said they oppose this legislation very strongly both collectively and individually. **Rep. Rusche** asked if his clients have an alternative plan. They do not have a plan.

Karen Des Aulniers, Executive Director of Treasure Valley Alcohol and Drug Coalition, testifying in **favor of HB 140** talked about a study just released from Washington D.C. Researchers found that raising alcohol taxes had two to four times the impact of other common prevention efforts such as school programs or media campaigns.

Mike Fitzgerald, Table Rock Brewery, testifying in **opposition to HB 140** said that with the increasing costs of producing the product, the raw products and the delivery, the small brewers will not be able to afford to stay in business.

Rich Faw, Jackson's Food Stores, testifying in **opposition to HB 140** said they operate 76 food stores and employ 700 employees. Even a small increase will hurt their business.

Janet Orndorff, member of The Common Interest, testifying in **favor of HB 140** believes that it is rare for the State Government to decrease overall taxes on citizens. We can save overall taxes in the future.

Janell DeWeerd, Meridian Mayor's Advisory Counsel and Meridian High School class testifying in **favor of HB 140** said her class has researched this bill and she came to support it. Sees many people in high school abusing alcohol and it is pretty overwhelming.

Bill Ringert, testifying in **opposition to HB 140** said he is from Hammett and plants his own grapes and has a small winery and this bill would hurt his business.

Bill Augsberger, Chief of Police, Nampa, Idaho, testifying in **favor of HB 140** said as a police officer of 25 years I have seen what alcohol does. **Rep. Schaefer** asked whether the police differentiate about what product is the greater cause of the problem? Chief Augsberger said they do track but the inevitable answer is "two beers."

Paul Stone, member of The Common Interest, testifying in **opposition to HB 140** said he does not entirely agree with the bill, thinks it could be written differently.

Boise Police Chief Masterson, representing Idaho Chiefs of Police testifying in **favor of HB 140** told about arrest processing for one night in which he processed 25 people. One hundred percent of those people had alcohol problems.

Elaine Clegg, Boise City Council and Association of Idaho Cities, testifying in **favor of HB 140** said both entities have looked at the bill and support the bill.

Rick Harper, resident of Eagle, testifying in **favor of HB 140** saying as a member of the Air National Guard and a commercial airline pilot he has learned that in an accident there is a chain of events. **HB 140** may help break that chain.

ADJOURN:

Chairman Lake said that because the members of the Committee were due on the House floor that the Committee would adjourn today and meet here again tomorrow to finish hearing testimony. Meeting adjourned at 10:48 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 24, 2009

TIME: 9:00 a.m.

PLACE: Lincoln Room, Supreme Court Building

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

GUESTS: See attached sign-in sheets

Chairman Lake called the meeting to order at 8:58 a.m. Silent roll was taken; all members were present.

HB 140: Chairman Lake said that we would begin testimony today where we left off yesterday, that the committee needed to be on the floor at 10:30 a.m. this morning and we would adjourn just before 10:30 a.m.

Bill Roden, representing the Idaho Beer and Wine Distributors Association, testified in **opposition to HB 140**. Mr. Roden gave a history of taxes on Beer and Wine going back to 1935 and said that the legislature has been faced with this decision many times.

Tammy DeWeerd, Mayor of Meridian and representing the Association of Idaho Cities, testifying in **favor of HB 140**, said that she and others from the Idaho Cities have been working with The Common Interest. In today's economy, cities and counties will benefit from dedicated funds.

Wayne Hoffman, Executive Director, Idaho Freedom Foundation, testifying in **opposition to HB 140**, said that Idaho Freedom Foundation was in favor of presenting an alternative plan and they believe it is possible to solve the problem of substance abuse funding without raising taxes. It would require shifting of funds and setting of priorities.

Scott Robertson, a concerned citizen of Meridian, testifying in **favor of HB 140** and saying that he is retired and living on a fixed income, said that we cannot look for a "perfect solution" and we must do something now. "Looking for perfection is a stalling action. Don't be taken on this ride."

Jim Baugh, Comprehensive Advocacy, testifying in **favor of HB 140**, said his concern was serious mental illness.

Randy Nelson, Associated Taxpayers of Idaho, testifying in **opposition to HB 140** summarized some tax rate comparison charts. He said that the economy is weak and uncertain, if we need more revenue we should include broader based taxes. Idaho should be careful about relying heavily on excise taxes. The Substance Abuse Treatment Fund appears to include a fairly wide range of services and funding should be appropriated out of the general fund. Earmarking can misallocate funds by giving excess revenue to some functions while other are under-supported, especially during

changing fiscal conditions. The vast majority of states tax on per unit consumption. It seems like tax collection, administration and enforcement would be simpler for both taxpayers and the State if these excise taxes remained volume based.

Richard Carter, citizen, testifying in **favor of HB 140**, and saying that he and his friends would not mind paying a few more quarters a month he considers this tax to be a users fee.

Bill Tonklin, citizen, appearing as an abused taxpayer and testifying in **favor of HB 140**, said he is not against reallocation of taxes and thought it was an opportunity to address substance abuse to avoid future costs.

Marilyn Schuler, public pensioner and a member of The Common Interest, testifying in **favor of HB 140** said after she retired she became a guardian ad litem for children, alcohol abuse has touched many families.

John May, Owyhee Plaza Hotel, testifying in **opposition to HB 140**, speaking as an independent owner and wondering why this was the only tax that is being raised and why is some of the money going to the general fund.

Chuck Devlin, winemaker and General Manager of Ste. Chapelle, testifying in **opposition to HB 140**, said that they work on razor thin margins and will buy more than 3,000 tons of wine grapes.

Roger Williamson, fruit farmer from Sunny Slope, testifying in **opposition to HB 140**, said he felt the bill was not drafted well.

Darren Richman, Chairman, Region 4, RAC, testifying in **favor of HB 140**, wishes to urge support for dedicated funding.

Dennis Davis, City of Nampa and representing the Mayor of Nampa, testifying in **favor of HB 140**, told a personal story of a young man he knows whose family did not have the economic means to keep him out of the criminal justice system.

Dodds Hayden, Hayden Beverage Company, testifying in **opposition to HB 140**, said his company employs 160 people and this industry is not recession proof; we should be taxed as a citizen not a beer drinker.

John Barryhill, small business owner of a restaurant, testifying in **opposition to HB 140**, saying that this bill will hurt small businesses and will affect my business.

Mike Crawley, Syringa Winery, testifying in **opposition to HB 140**, said he already pays a lot of taxes and they have a huge impact on a small winery trying to make a profit. Increasing the tax will hinder being able to compete with Oregon, Washington and California.

Chuck Everett, President of Idaho Hotels and Restaurants, testifying in

opposition to HB 140, said that he is a recovering alcoholic and would not be in favor of state funding, thinks this should be handled on a family level.

Charley Jones, President of Stinker Stores, testifying in **opposition to HB 140**, said he employs 500 people, is a consumer and an unrepentant sinner. He believes that **HB 140** is bad tax policy and ask to find another way to fund substance abuse.

Richard Patterson, licensed clinical social worker, testifying in **favor of HB 140**, he works with adolescents in Meridian and treats adolescents throughout the valley. Alcohol has a devastating impact on the family, education, health, psychiatric and legal. Usually alcohol is the first substance abused.

Dwight Callaway, Emotional Freedom Techniques, testifying in **favor of HB 140**, asked the committee to look at his website to see how effective his program was.

Laurenda Williams, Idaho native and student at Boise State University, testifying in **favor of HB 140**; saying that drug and alcohol abuse is rampant in the community, the detox center has been promised but incarceration does not fix the problem,

Jaydeen Rackham, concerned citizen, testifying in **favor of HB 140**; saying the wine and whine have a lot in common; this is a self-reliant issue; we are going to pay one way or another; and the fairness, those of us who choose not to consume should be able to spend our money back into the economy in ways we consider much more productive.

James Dowdy, member of The Common Interest, testifying in **favor of HB 140**; and saying that those who drink alcoholic beverages should be responsible for the cost.

Chairman Lake announced that we would continue testimony tomorrow morning in Room 240 at 9:00 a.m. The meeting was adjourned at 10:35 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: February 25, 2009

TIME: 9:00 a.m.

PLACE: Room 240

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

GUESTS: Kathie Garrett, Advocates for Addiction Counseling & Treatment; Roger Seiber, Wine Institute; Benjamin Davenport, Risch Pisca; Vicki Hess, The Common Interest; Keith Allred, The Common Interest; Annie Henna, Catholic Charities of Idaho; Bill Roden, Idaho Beer & Wine Distributors; Sarah Fuhrman, Roden Law Firm; Ken McClure, Anheuser-Busch InBev.; Ken Burgess, Idaho Licensed Beverage Association; Ken Harward, Association of Idaho Cities; Jerry Deckard, Wine Institute; Daniel Chadwick, Idaho Association of Counties; Roger Batt, Idaho Grape Growers and Wine Producers; Dan John, State Tax Commission; Zach Hauge, CapitolWest; Derek Santos, Department of Financial Management; Taso Kinnas, Department of Financial Management; Alex LaBeau, Idaho Association of Commerce Industry; Rep. Sharon Block; Idaho Legislature; Pam Eaton, Idaho Restaurant Association and Idaho Lodging and Restaurant Association; Suzanne Budge, Idaho Petroleum Marketers & C-Store Association; Julie Pipal, Boise Metro Chamber of Commerce; John Grizzoffi, Stein Distribution Co.; Nick Draper, Post Register

Chairman Lake called the meeting to order at 8:59 a.m. to continue with hearing testimony on **HB 140**. Silent roll was taken, all members were present.

HB 140: **Kathie Garrett**, Advocates for Addiction Counseling & Treatment; testified **in favor of HB 140**. She said that the Idaho Legislature can be proud of the Idaho Drug Court, it is a model for the rest of the nation but needs a constant source of funding.

Ken Burgess, representing Idaho License Beverage Association, testified **in opposition to HB 140**.

Alex LaBeau, Idaho Association of Commerce and Industry, testifying **in opposition of HB 140**. His board of directors met and made the decision to oppose the bill; they do not like the legislation.

Julie Pipel; Boise Metro Chamber of Commerce, testifying **in opposition to HB 140**, her organization represents more than 1800 businesses in the Treasure Valley and they were never contacted to be part of this process; businesses believe there is a cost for implementation and ongoing compliance and should be accounted for in the fiscal note; and the bill represents bad tax policy that will have a negative impact on the business community.

Ken McClure, representing Anheuser Busch, testifying in **opposition to HB 140**, saying he would ask the committee to examine this a little more closely. We already have methods in tax policy for substance abuse treatment.

Rep. Block, Chairman of the House Welfare Committee, testifying in **favor of HB 140**, said that prevention and treatment is needed and the right thing to do. Prevention is important and alcohol is the drug of choice of Idaho's teens. Alcohol costs all Idaho businesses due to loss productivity and impaired driving conditions. The burden is carried by taxpayers, businesses and families. The funding is needed now and the time to act is now. We are in a crisis.

Pam Eaton, President of the Idaho Retailers and Idaho Restaurant Association, testifying in **opposition to HB 140**, said that it was not true they were able to pass the costs onto the consumers and we would be amazed at the hidden taxes already paid.

Dan Chadwick, Idaho Association of Counties, representing 396 county elected officials, testifying in **favor of HB 140**, said if we do not have the stable source of revenue we lose the ability to deliver services at the local level.

Jerry Decker, CapitolWest on behalf of the Wine Institute, testifying in **opposition to HB 140**, said this bill could result in less revenues.

Keith Allred, thanked the committee's serious consideration of this bill and for the input of the more than 50 who testified. He said the testimony had been quite substantive and informative. He then addressed the major arguments against HB 140 and made the argument that this is the most pressing and devastating need we face and this bill is a practical solution to those needs.

MOTION:

Rep. Wood moved to send **HB 140** to the floor with a **DO PASS** recommendation. She said that the programs are working, Idaho is the first state in the nation to have a web based data to track the outcome. This committee had been very good to the beer and wine industry. She said that she has a long 27 year history of not raising taxes, we are asking them to pay their fair share. **Rep. Rusche** said he was in favor of the bill, it is a pay now or pay later.

SUBSTITUTE MOTION:

Rep. Roberts moved to hold **HB 140** in committee and argued that he thought fixed fees in the Idaho Code need to be addressed. He said that he thought it was time for him to give notice that it is probably time to step up and help alleviate the internal problems of the tax structure. **Rep. Ruchti** said that he would like to speak in favor of the substitute motion, the bill has some merit and has some problems, not a time to raise taxes. **Rep. Barrett** said that she would support the substitute motion, and said she thinks we can fund these programs without a tax increase. **Rep. Burgoyne** said he would be supporting **Rep. Roberts** substitute motion and said that he thought the legislature "got it" as far as funding these programs. **Rep. Clark** said the bill was bad tax policy and he was supporting the substitute motion. **Rep. Raybould** said that he thought this bill had loopholes.

AMENDED

Rep. Sayler moved to Amend the Substitute Motion for **HB 140** to go to the

SUBSTITUTE MOTION: **Amending Order.** After some discussion and suggestions he modified his motion to **Hold for Time Certain.**

VOTE ON AMENDED SUBSTITUTE MOTION: **Roll call vote** was requested on the Amended Substitute Motion. **Amended Substitute Motion failed, 5-13. Voting in favor** of the Amended Substitute Motion was **Chairman Lake, Reps. Smith, Wood, Sayler and Killen. Voting in opposition to the substitute motion: Reps. Collins, Barrett, Moyle Raybould, Roberts, Schaefer, Clark, Bedke, Harwood, Hart, Ruchti, Burgoyne Rusche.**

VOTE ON SUBSTITUTE MOTION: **Chairman Lake** called for a vote on the Substitute Motion to hold **HB 140** in Committee. Roll call vote was requested on the **Substitute Motion. Substitute Motion passed, 13-5. Voting in favor of the Substitute Motion: Reps. Collins, Barrett, Moyle, Raybould, Roberts, Schaefer, Bedke, Harwood, Hart, Killen, Ruchti, Burgoyne. Voting in opposition to the Substitute Motion: Chairman Lake, Reps. Smith, Wood, Sayler, Rusche.**

ADJOURN: There being no further business before the committee, meeting was adjourned at 10:50 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** February 26, 2009
- TIME:** 9:00 a.m.
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- ABSENT/
EXCUSED:** Rep. Clark, Rep. Hart
- GUESTS:** Russ Hendricks, Farm Bureau; Dan John, State Tax Commission; Ken Miller, Snake River Alliance; Courtney Washburn, Idaho Conservation League; Phil Homer, Idaho Association School Administrators; Collette Visser, Westerbert & Assoc.; Randy Nelson, Associated Taxpayers of Idaho; Melissa Nelson, Idaho Society of Certified Public Accountants; Brian Murphy, Idaho Statesman; Brad Baughman, Senate Minority Office; Derek Santos, Department Financial Management; Rep Cronin; Colby Cameron, Sullivan & Reberger; Kerry Ellen Elliott, Idaho Association of Counties; Mckinsey Mller, Gallatin Public Affairs; Tony Smith, Eiguren Public Law & Policy; Dar Olberding, Idaho Grain Growers Association; Stan Boyd, Idaho Wool Growers Association and Idaho Cattle Association; Lee Flinn, Conservation Voters for Idaho; Sharon Burke, Idaho Association of Cities; Benjamin Davenport, Risch Pisca
- Chairman Lake called the meeting to order at 9:00 a.m.
- HB 122:** **Chairman Lake** said the sponsor of **HB 122** asked him to hold the bill in Committee.
- MOTION:** Chairman Lake asked for a unanimous consent that this bill **be held; without objection, it was so ordered.**
- HB 160:** **John Watts**, advisor for the Idaho Library Association, presented **HB 160** which increases the cap on a library district bond levy from .4% not to exceed 1%. This increase will allow a library district upon approval of a 66 2/3% of voting patrons to bond up to an amount that reflects present day construction, remodeling, equipment and bookmobile costs. There are four kinds of libraries in Idaho, city, school, university and district libraries. There are 54 district libraries in Idaho. The essence of **HB 160** is to provide the authority to the board of trustees for a district library to ask the voters to increase the facilities via a bond. The Idaho Library Association has been frugal for many years, this is not a tax increase, but requires a bond issue so they can expand and build to fill the needs of their communities.
- MOTION:** **Rep. Rusche** moved to send **HB 160** to the floor with a **DO PASS** recommendation.
- SUBSTITUTE** **Rep. Moyle** moved to send **HB 160** to **General Orders** and specify the

- MOTION:** election dates. **Rep. Raybould** seconded the Substitute Motion.
- VOTE ON SUBSTITUTE MOTION:** **Chairman Lake** called for a vote on the substitute motion to send **HB 160** to General Orders; **motion carried on voice vote.** **Rep. Raybould** will sponsor the bill on the floor.
- RS 18694C1:** **Sen. Hill** presented **RS 18694C1** which provides technical corrections to Section 63-3029 which prescribes how credits are given for taxes paid in other states. This present section often results in double taxation to a trust or estate which has income in other states. This correction is necessary to avoid double taxation and prevent constitutional challenges that could result from such taxation.
- MOTION:** **Rep. Smith** moved to introduce **RS 18694C1**; **motion carried by voice vote.**
- RS 18692:** **Rep. Jacquet** presented **RS 18692** which proposes legislation to make the method of taxation consistent for producers of renewable energy. This legislation also defines “renewable energy” as energy generated from the following sources: wind; geothermal resources; biomass; low-impact hydro; solar and landfill gas power.
- MOTION:** **Rep. Raybould** moved to introduce **RS 18692**; **motion carried by voice vote.**
- RS 18695:** **Stuart Davis**, Idaho Association of Highway Districts, presented **RS 18695** which allows for the board of highway district commissioners to declare a candidate to be elected, if the deadline for filing a declaration of intent as a write-in candidate has passed.
- MOTION:** **Rep. Moyle** moved to introduce **RS 18695** and recommend referral to the Transportation Committee; **motion carried by voice vote.**
- RS 18697:** **Stuart Davis**, Idaho Association of Highway Districts, presented **RS 18697** which amends Idaho Code 40-2301 by providing additional agents or employees of the highway district to conduct right-of-way surveys and/or set monuments.
- MOTION:** **Rep. Collins** moved to introduce **RS 18697** and recommend referral to the Transportation Committee; **motion carried by voice vote.**
- RS 18696:** **Stuart Davis**, Idaho Association of Highway Districts, presented **RS 18696** which requires Highway Districts to follow the provisions of 63-803(3) and not reference a different date or statute that is obsolete.
- MOTION:** **Rep. Moyle** moved to introduce **RS 18696** and recommend referral to the Transportation Committee; **motion carried by voice vote.**
- RS 18515:** **Sen. Werk** presented **RS 18515** which exempts the value of a renewable energy device on a residential property from the calculation for property taxes. The provision sunsets in 10 years to allow for a legislative review of the exemption but remains in effect for anyone that uses the exemption prior

to the sunset.

MOTION: **Rep. Wood** moved to introduce **RS 18515**; **motion carried by voice vote.**

RS 18516C1: **Sen. Werk** presented **RS 18516C1** which exempts the value of a renewable energy device on property (other than residence) from the calculation for property taxes. To qualify for this exemption the renewable energy created by the device cannot be sold, only used by the property or provided back to the power company. This exemption cannot be combined with any other exemption. This provision sunsets in 10 years but remains in effect for anyone that uses the exemption prior to the sunset.

MOTION: **Rep. Killen** moved to introduce **RS 18516C1**; **motion carried by voice vote.**

ADJOURN: There being no further business before the committee, meeting was adjourned at 10:17.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** March 2, 2009
- TIME:** 9:00 a.m.
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- ABSENT/
EXCUSED:** Rep. Roberts and Rep. Schaefer
- GUESTS:** Dan John, State Tax Commission; Melissa Nelson, Idaho Society of Certified Public Accountants, Inc.; Benjamin Davenport, Risch Pisca; Randy Nelson, Associated Taxpayers of Idaho; Phil Homer, Idaho Association of School Administrators; Russ Hendricks, Farm Bureau; Bert Marley, Idaho Education Association; Pam Eaton, Idaho Retailers Association; Sharon Burke, Idaho Association of Counties; Mckinsey Miller, Gallatin Public Affairs; Greg Williamson, KBOI News; Brian Murphy, Idaho Statesman; Katie Garrett, Idaho Academy of Family Physicians; Jane Wittmeyer, Intermountain Forest Association; Sarah Wire, Associated Press; Nick Draper, Post Register; Kay Kreller, Idaho Statesman; Larry Benton, Benton Ellis; Bill Spear, Lewiston Tribune
- Chairman Lake called the meeting to order at 9:00 a.m. Silent Roll was taken and all members were present except Rep. Roberts and Rep. Schaefer was absent and excused. Chairman Lake introduced **Theresa Kupser**. She is replacing Rep. Schaefer in his absence.
- MOTION:** **Rep. Burgoyne** moved to approve the minutes of February 19, 2009, **motion carried by voice vote.**
- MOTION:** **Rep. Collins** moved to approve the minutes of February 23, 2009, **motion carried by voice vote.**
- MOTION:** **Rep. Burgoyne** moved to approve the minutes of February 24, 2009, **motion carried by voice vote.**
- MOTION:** Rep. Raybould moved to approve the minutes of February 25, 2009, **motion carried by voice vote.**
- SB 1091:** **Sen. Hammond**, District 5, presented **SB 1091**, which modifies the 2008 Urban Renewal Law to assure that Charter School Districts, with authority to impose levies for a longer period of time than the standard two years, will have all of the funds from those levies, exempt from distribution to an Urban Renewal District. The three charter school districts that were formed before the Idaho Constitution are Boise, Emmett and Lewiston.
- MOTION:** **Rep. Moyle** moved to send **SB 1091** to the floor with a **DO PASS**

recommendation; **motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

RS 18368C1

Rep. Killen presented **RS 18368C1**, which allows Idaho to initiate participation with other states in the Streamlined Sales Tax Project (SSTP). The bill charges the State Tax Commission with preparing draft legislation to conform Idaho's sales and use tax laws to the provisions of the Streamlined Sales Tax Agreement and to make recommendation to the Governor and to the germane committees of the Senate and the House. The purpose of the Streamlined Sales Tax Agreement is a cost effective way to collect sales and use taxes from online sales.

MOTION:

Rep. Ruchti moved to introduce **RS 18368C1**.

SUBSTITUTE MOTION:

Rep. Barrett moved by substitute motion to return **RS 18368C1** to sponsor. **Rep. Barrett** said that we have been through this before and she does not want to go down this road one more time. **Rep. Rusche** said that businesses in downtown Lewiston have asked for this bill, they feel they are losing business unfairly. **Rep. Ruchti** said his Chamber of Commerce has been in favor of this bill; we have a whole new generation of shoppers who do their shopping online. **Rep. Wood** said one of the main objections is that it could trump Idaho law by the commission. **Rep. Killen** said what this bill does is conform uniform definitions for products so you know what you are taxing or exempting. **Rep. Clark** said that he thought the Governor had given this bill a red light, this is the fourth time around and does not think there ever will be a right time. **Rep. Killen** said that was correct in the past but in his talks with Department of Financial Management and with the Governor's office it is now a yellow light. **Rep. Clark** asked **Dan John** about the position of the Tax Commission. Mr. John said that the Tax Commission is neutral.

VOTE ON SUBSTITUTE MOTION:

Roll Call vote was requested on the substitute motion. **Substitute motion passed ,10-7-1.** **Voting in favor** of the substitute motion: **Reps. Collins, Barrett, Moyle, Raybould, Schaefer, Wood, Clark, Bedke, Harwood, and Hart.** **Voting in opposition** to the substitute motion: **Chairman Lake, Reps. Smith, Sayler, Killen, Ruchti, Burgoyne, and Rusche.**

Sen. Hill presented his report on the **Tax Provisions Affecting Idaho in the American Recovery and Reinvestment Act of 2009** which he prepared and presented to the Joint Appropriations and Finance Committee. Sen. Hill went through line by line of the tax provisions of the Act and explained how this would affect Idaho so that our tax system will conform to the federal government. He recommends that we conform the Idaho Code to federal tax laws. He suggested that not conforming will require a great deal more paperwork and be a hardship on taxpayers and we need to conform now so that taxpayers will know how to plan for 2009 taxes and for the tax commission to have time to implement it.

ADJOURN:

There being no further business before the committee, meeting was

adjourned at 10:12 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** March 11, 2009
- TIME:** 9:00 a.m.
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Saylor, Killen, Ruchti, Burgoyne, Rusche
- GUESTS:** Georgia Plischke, Idaho Association of Counties; Ken Miller, Snake River Alliance; Dan John, State Tax Commission; Derek Santos, Department of Financial Management; Kerry Ellen Elliott, Idaho Association of Counties; Ken McClure, Idaho Association of Certified Public Accountants; Liz Woodruff, Snake River Alliance; Randy Nelson, Associated Taxpayers of Idaho; Bert Marley, Idaho Education Association; Laurie Barrera, Ada County Association of Realtors; Jeremy Pisca, Risch Pisca; Jim Riley, Intermountain Forest Association; Miguel Legarreta, Idaho Association of Realtors
- Chairman Lake called the meeting to order at 9:02 a.m. Silent roll was taken and all members were present. Chairman Lake introduced his granddaughter Bailey Lake and her friend Whitney who are visiting today from Utah State University. Bailey Lake was a page during the 2008 session.
- RS 18777:** **Chairman Lake** said that **Rep. Nonini** found some technical errors in the RS and has asked the committee to hold it until corrections can be made.
- RS 18830:** **Dawn Justice**, representing Idaho Bankers Association, asked to defer to **Ken Howell**, Hawley Troxell, to present **RS 18830** which creates an alternative deed of trust foreclosure process as it relates to guarantors of obligations of deeds of trust. This legislation only deals with deeds of trust because of the impact on agriculture and with commercial loans in existing contracts on commercial real estate.
- MOTION:** **Rep. Burgoyne** moved to introduce **RS 18830** and send it to the business committee.
- SUBSTITUTE MOTION:** **Rep. Clark** moved to return **RSS 18830** to the sponsor.
- AMENDED SUBSTITUTE MOTION:** **Rep. Moyle** moved to introduce **RS 18830**, **RS18759C3** and **RS 18828** arguing that the committee needs the opportunity to have a hearing and figure out the problems and what is happening. These bills deserve a hearing.
- Because of the similarity of the legislation, the committee decided to hear **RS 18759C3** and **RS 18828** before voting.
- RS 18759C3 and RS 18828:** **Rep. Lynn Luker** presented **RS 18759C3** and **RS 18828**. **RS 18759C3** modifies deed of trust foreclosure law and **RS 18828** modifies mortgage

foreclosure law and provided similar protections to guarantors of obligations as is given to borrowers. The present economic turmoil has brought emphasis to this issue as some lenders seek judgments against guarantors without first resorting to the property pledged as security for the loan. The pertinent sections of Idaho Code are amended to include guarantors protections and to apply a single action rule. This legislation does not distinguish between residence and commercial property.

**AMENDED
SUBSTITUTE
MOTION:**

Rep. Clark withdrew his substitute motion to return **RS 18830 to return to sponsor** therefore **Rep. Moyle's** motion became the substitute motion at which time **Rep. Smith** made a new Amended Substitute Motion to introduce **RS 18759C3, RS 18828 and RS 18830** and refer all three to Judiciary and Rules Committee. **Rep. Raybould** said that would be the decision of the speaker.

**VOTE ON
AMENDED
SUBSTITUTE
MOTION:**

Roll call vote was requested on the amended substitute motion. **Amended Substitute Motion passed, 17-0-1. Voting in favor** of the amended substitute motion: **Chairman Lake, Vice Chairman Collins, Reps. Barrett, Moyle Raybould, Roberts, Schaefer, Smith, Wood, Clark, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche.** There were no votes in opposition with **Rep. Bedke** being absent at the time of the vote.

HB 203

Rep. Wendy Jacquet, presented **HB 203** along with some proposed amendments which makes the method of taxation consistent for producers of renewable energy. This legislation will treat all producers of renewable energy identical under Idaho Code by requiring such producers to pay a kilowatt production tax in lieu of the property tax. Renewable energy is defined as energy generated from wind energy, geothermal resources, biomass, solar energy, and landfill gases. This legislation furthers the objectives of the Idaho Energy Plan, as adopted in 2007, which prioritized the promotion of renewable energy as one way to conserve natural resources, ensure affordable energy for Idaho citizens, and promote economic growth and job creation.

Jim Riley, president of Intermountain Forest Associates, testified in favor of **HB 203** saying that there is a great opportunity for a biomass industry. Talking about a plant that could be build in Idaho, there would be 400 construction jobs created and after that 100 sustainable jobs. Benefits would flow back to landowners, transport of waste products and waste treatment. The counties are our partners.

MOTION:

Rep. Moyle moved to send **HB 203 to General Orders with amendments; motion carried by voice vote.** **Rep. Jacquet** will sponsor the bill on the floor.

RS 18825:

Rep. Erik Anderson presented **RS 18825** which exempts the value of a renewable energy device on both residential and non-residential property from the calculation for property taxes. The renewable energy could not be sold but can be used for net metering back to the power company. To prevent doubling-up of exemptions, these exemptions may not be combined with any other exemptions. Property exempted under these sections shall not be included on any new construction roll prepared by the County Assessor and the legislation provides for a sunset in ten years. In answer to questions

from the committee **Rep. Anderson** and **Sen. Werk** said that they believed it could be easy to determine the value of the renewable energy device and net-metering credits could be banked. **Rep. Raybould** asked **Dan John**, State Tax Commission, if the tax commission could promulgate rules that would address some of the concerns of the committee. Mr. John said they could. **Rep. Wood** said that she would like to study and look over the legislation.

MOTION: **Rep. Roberts** moved to introduce **RS 18825** and send to **Second Reading Calendar**; motion carried by voice vote. **Rep. Anderson** will sponsor the bill on the floor.

HB 208 and HB 209: **Sen. Werk** took the podium and said that he believed that **RS 18825** should replace **HB 208** and **HB 209** and asked the committee to hold **HB 208** and **HB 209**.

MOTION: **Rep. Raybould** moved to hold **HB 208** and **HB 209** in committee; motion carried by voice vote.

HB 204 **Sen. Hill** asked that **HB 204** be held in committee.

MOTION: **Rep. Raybould** moved to hold **HB 204** in committee, motion carried by voice vote.

RS 18827: **Ken McClure**, representing Idaho Society of Certified Public Accountants presented **RS 18827** which provides technical corrections to Section 63-3029 which prescribes how credits are given for taxes paid in other states. Because the statute does not specifically mention trusts and estates the interpretation often results in double taxation when the trust or estate has income in other states. This correction is necessary to avoid double taxation and prevent constitutional challenges that could result from such taxation. **Rep. Raybould** asked if the Tax Commission was in agreement with this legislation. **Dan John** said that the Tax Commission was in agreement.

MOTION: **Rep. Leon Smith** moved to introduce **HB 18827** and send to **Second Reading Calendar**, motion carried by voice vote. **Rep. Schaefer** will sponsor the bill on the floor.

ADJOURN: There being no further business before the committee, meeting was adjourned at 10:40 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** March 12, 2009
- TIME:** 9:00 a.m.
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- GUESTS:** Phil Homer, Idaho Association School Administrators; Val Brooks , Idaho Credit Union League; Ted Spangler, State Tax Commission; Roger Seiber, CapitolWest; Zach Hauge, CapitolWest; Russell Westerberg, Cigar Association of America; Skip Smyser, Altria Client Services, Inc.; Martin Bilbao, Connolly Smyser; Andy Bonner, Association of Idaho Cities; Derek Santos, Department of Financial Management; Dan John, State Tax Commission
- Chairman Lake called the meeting to order at 9:00 a.m. Silent roll was taken, all members were present.
- SB 1128** **Sen. Hill** presented **SB 1128** which amends the minimum standards of procedure to be followed by the State Tax Commission when considering settlement or closing agreements and provides for an annual report to the governor and legislature. The Tax Commission shall promulgate administrative rules in compliance with Idaho Code, to implement these provisions.
- MOTION:** **Rep. Raybould** moved to introduce **SB 1128** with a **DO PASS** recommendation; **motion carried by voice vote**. **Chairman Lake** will sponsor the bill.
- RS 18742C1:** **Rep. Hart** presented **RS 18742C1** which provides the State Tax Commission authority to check submittals for newly proposed and expanding urban renewal districts and competitively disadvantaged border community areas for compliance with Idaho Code; addresses the existing revenue allocation area requirement found at Idaho Code 50-2903(15); limits the life span of expanded revenue allocation area to the existing 24-year statutory limitation of the original revenue allocation area; and requires that any taxing district will have to approve the creation or expansion of the revenue allocation area by resolution of the board of the taxing district. This bill is similar to **HB 616** and deals with urban renewal.
- MOTION:** **Rep. Clark** moved to introduce **RS 18742C1**; **motion carried by voice vote**. **Reps. Sayler, Killen, Ruchti, Burgoyne and Rusche** all wished to be recorded as voting nay.
- RS 18802:** **Rep. Clark** presented **RS 18802** which amends Idaho Code relating to "little cigars." It will include little cigars in the definition of tobacco products and provides a definition of little cigar in Idaho Code Section 63-2551. The bill will amend Idaho Code to align the taxation of little cigars with the taxation

of cigarettes. This bill will bring the state definition and taxing methodology in line with the federal excise tax that will treat little cigars the same as cigarettes as of April 1, 2009.

MOTION: **Rep. Wood** moved to introduce **RS 18802**; **motion carried by voice vote.**

RS 18789: **Sen. LeFavour** introduced **RS 18789** which simplifies Idaho's statutes addressing non-profit entities exemptions to the sales tax. Currently non-profit organizations must come to the legislature to be exempted from sales tax. This legislation reorganizes Idaho Code so that all non-profit entities may qualify for sales tax exemptions but will not have to apply to the legislature to be included. This legislation also provides new accountability provisions. Charitable non-profit direct service organizations will apply to the tax commission to qualify for the exemption which will then be granted in the form of a refundable credit.

MOTION: **Rep. Wood** moved to introduce **RS 18789.**

SUBSTITUTE MOTION: **Rep. Roberts** moved to return **RS 18789** to sponsor arguing that we have an obligation and a responsibility to continue with the current procedures.

VOTE ON SUBSTITUTE MOTION: **Roll call vote** was requested on the **Substitute Motion**. **Substitute Motion passed, 9-6-3. Voting in favor** of the substitute motion was **Chairman Lake, Vice Chairman Collins, Reps. Barrett, Raybould, Roberts, Schaefer, Wood, Harwood, and Hart. Voting in opposition** to the substitute motion was: **Reps. Leon Smith, Sayler, Killen, Ruchti, Burgoyne, Rusche. Reps. Moyle, Clark and Bedke** were absent at the time of the vote.

RS 18666C2 **Rep. Erik Simpson** presented **RS 18666C2** which amends Idaho Code to extend the Small Employer Investment Act to year 2020, and extends the project period ten years to match the new sunset date. The act allows for tax credits for employment of ten or more new employees with benefits and tax credits for investment in new plant and building facilities. Rep. Simpson said that Idaho has a unique opportunity at this time to be able to attract business to our state from other states. This legislation is in line with the State's Project 60 goals.

MOTION: **Rep. Hart** moved to introduce **RS 18666C2** with the technical changes; **motion carried by voice vote.**

ADJOURN: There being no further business before the committee, the meeting was adjourned at 10:40 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** March 18, 2009
- TIME:** 9:00 a.m.
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- GUESTS:** Jon Anderson, City of Burley; Mark Mitton, City of Burley; Mike Virtue, City of Blackfoot; Dan John, State Tax Commission; Jeremy Chou, Givens Pursley; Ryan Armbruster, Elam & Burke; Brett DeLange, Office of Attorney General; Melinda Anderson, City of Twin Falls; Russell Westerberg, Capital City Development Corporation; Alex LaBeau, Idaho Association of Commerce & Industry; Mark Bathrich, Idaho Association of Commerce & Industry; Dan Gookin; Kathy Sims; Sharon Cutbreth; Derek Santos, Department of Financial Management; John Watts, Chamber Alliance; Skip Smyser, Greater Boise Auditorium District; Mark Cotner, COSSA School; Zach Hauge, CapitolWest
- Meeting was called to order at 9:02 a.m. Silent roll was taken, all members were present.
- MOTION:** **Rep. Burgoyne** moved to approve the minutes of March 11, 2009, **motion carried by voice vote.**
- MOTION:** **Rep. Burgoyne** moved to approve the minutes of March 12, 2009, **motion carried by voice vote.**
- RS 18777C1** **Sen. Goedde** presented **RS 18777C1**. Under increased budgetary pressure, school districts need to combine services whenever possible. One tool provided in statute is the cooperative service agency. This legislation expands the levy limitation from .1% to .4% and allows schools to employ a School Plant Facilities Reserve Fund Levy. The second section of this bill would allow cooperative service agencies those same options except the levy could be offered for a maximum of three years rather than ten and actual construction could not commence until the levy proceeds were collected.
- MOTION:** **Rep. Clark** moved to introduce **RS 18777C1**, **motion carried by voice vote.**
- HB 242:** **Rep. Simpson** presented **HB 242** which amends Section 63-4402, Idaho Code to extend the Small Employer Investment Act to year 2020, and extend the project period ten years to match the new sunset date. The Act allows for tax credits for employment of ten or more new employees with benefits and tax credits for investment in new plant and building facilities.
- MOTION:** **Rep. Raybould** moved to send **HB 242** to the floor with a **DO PASS** recommendation, **motion carried by voice vote. Reps. Clark and Roberts**

wished to be recorded as nay. **Rep. Simpson** will sponsor the bill.

HB 243: **Rep. Clark**, sponsor of **HB 243**, moved for unanimous consent that the bill **be held in committee; without objection, it was so ordered.**

HB 244: **Rep. Hart** presented **HB 244** which provides the State Tax Commission authority to check submittals for newly proposed and expanding urban renewal districts and competitively disadvantaged border community areas for compliance with Idaho Code. The legislation would specifically address the existing revenue allocation area requirement found in Idaho Code that mandates the base assessment rolls do not exceed ten percent of the current assessed valuation of all taxable property within the municipality and limits the life span of these areas to the existing 24-year statutory limitation. A further requirement is that any taxing district whose geographical boundaries are overlaid by a new revenue allocation area will have to approve the creation or expansion of the revenue allocation area

Mark Mitton, City of Burley, testified in **opposition of HB 244** saying this legislation would make it virtually impossible to attract new businesses. Over the last two years Burley has created a new industrial area with 5 new businesses and 350 direct jobs all with benefits. This has created 196 million of assessed value in Burley and Cassia County. These changes would be devastating to the project.

Mike Virtue, Mayor of the City of Blackfoot, testified in **opposition of HB 244** saying that he had attended all of the Blackfoot Urban Renewal meetings and they were very prudent with the use of their funds which allowed them to revitalize the downtown area. In addition, it took the city, county and urban renewal district to bring Premier Technology Inc. to town which includes 350 employees and adds a \$100 million impact annually. This project would not have happened if it were not for urban renewal. The Mayor asked that the legislature do not over administrate and let them manage at the local level. Mayor Virtue distributed a letter from Premier Technology, Inc.

Melinda Anderson, City of Twin Falls Economic Director, testified in **opposition of HB 244** saying that the City of Twin Falls has had urban renewal since 1960. The first TIF district in 1989. They currently have a new industrial plan that created the Jayco RV plant. Since 1998, we have created 1200 to 1500 jobs. These new plants all need to have road expansions, they have huge needs for roads. We have to develop water and wastewater sources and these companies are all being courted by other states. When the committee asked what piece of this legislation they opposed the most, Ms. Anderson replied that the biggest part was getting the permission from the various taxing districts. Any one of these districts could kill the plan. Currently the taxing districts are involved in the plan but this would allow any of these districts to veto the plan. She would like to keep urban renewal in its current form.

Dan Gookin, citizen from Coeur d'Alene testified in **support of HB 244** saying that the bottom line was that tax money was being spent by unelected people and he wants to bring transparency and openness and urges the committee to pass the legislation.

Former **Senator Kathy Simms**, testified in support of **HB 244** saying that there is 3.6 billion dollars in tax increment dollars totally controlled with urban renewal districts. Caldwell, Jerome and Burley have more than 25%.

Sharon Culbreth, Realtor from Coeur d'Alene testified in **support of HB 244** saying that urban renewal agencies had collected millions of dollars. This legislation closes the loop holes, citizens have no control or no power over the URD.

Ryan Armbruster, Elam Burke Law firm, represents several urban districts including Eagle testified in **opposition to HB 244**. Urban Renewal Districts are not an arm of the state. There is currently a lawsuit, *Hart v. Rexburg*, before the court. This case has the opportunity to give us a better understanding of the issues.

Russell Westerberg, representing Capitol City Development Corporation, testified in **opposition to HB 244** saying that he had been involved with urban renewal for 20 years in downtown Boise. There have been over 10 thousand jobs created in downtown Boise over the last 20 years, it is important that it be used.

Skip Smyser, representing The Greater Auditorium District, testified in **opposition to HB 244** saying that the concern was the veto power of taxing districts when they have no responsibility for the bonds.

MOTION: **Rep. Clark** moved to send **HB 244** to General Orders amending Paragraph 2, line 41.

SUBSTITUTE MOTION: **Rep. Raybould** moved to hold **HB 244** in committee.

AMENDED SUBSTITUTE MOTION: **Rep. Barrett** moved to send **HB 244** to the floor with a **DO PASS** recommendation. Chairman Lake argued that he had no objection to urban renewal districts, we just can not have urban renewal districts that go on forever. Rep. Bedke said the prerogative is not limited to all amendments. Rep. Saylor likes the substitute motion. None of the taxing districts have complained.

VOTE ON AMENDED SUBSTITUTE MOTION: **Roll call vote** was requested on the amended substitute motion. **Amended substitute motion was tied 9-9-0**. Voting in favor of the amended substitute motion: **Vice Chairman Collins, Reps. Barrett, Moyle, Roberts, Schaefer, Wood, Clark, Harwood, Hart**. Voting in opposition to the amended substitute motion was: **Chairman Lake, Reps. Raybould, Smith, Bedke, Saylor, Killen, Ruchti, Burgoyne and Rusche**.

VOTE ON SUBSTITUTE MOTION: **Roll call vote** was requested on the **Substitute motion**. Substitute motion was **tied 9-9-0**. Voting in favor of the substitute motion: **Reps. Barrett, Raybould, Smith, Bedke, Saylor, Killen, Ruchti, Burgoyne, Rusche**. Voting in opposition to the substitute motion: **Chairman Lake, Vice Chairman Collins, Reps. Moyle, Roberts, Schaefer, Wood, Clark, Harwood and Hart**.

VOTE ON THE ORIGINAL MOTION:

Roll call vote was requested on the original motion to send **HB 244** to General Orders. **Original Motion passed, 10-8-0.** Voting in favor of the original motion: **Chairman Lake, Vice Chairman Collins, Reps. Barrett, Moyle, Raybould, Roberts, Wood, Clark, Harwood and Hart.** Voting in opposition to the original motion: **Reps. Schaefer, Smith, Bedke, Sayler, Killen, Ruchti, Burgoyne and Rusche.**

ADJOURN:

There being no further business before the committee, meeting was adjourned at 10:42.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** March 19, 2009
- TIME:** 9:00 a.m.
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- GUESTS:** Steve Rector, Idaho Housing and Finance Association; Steve Millard, Idaho Hospital Association; Heidi Low, American Cancer Society Cancer Action Network; Toni Lawson, Idaho Housing Alliance; Kirk Peterson, Horizon Development; Stan Parrish, Horizon Development; Randy Nelson, Associated Taxpayers of Idaho; Steve Fiscus, State Tax Commission; Scott Erwin, State Tax Commission
- Chairman Lake called the meeting to order at 9:02 a.m. Silent roll was taken, Rep. Bedke, Moyle and Roberts were absent and excused.
- SB 1138:** **Sen. Hill** presented **SB 1138** which provides a new section in Title 63 to provide guidance to county assessors when valuing Section 42 low income housing projects and to outline procedures for valuing the federal tax credits associated with these properties. Section 42 deals with the provision of the Internal Revenue Code which was created to get the private sector involved with low cost housing. The project owners, those who develop these properties are given tax credits over a 10-year period, the lower rent period is generally 40 years. This bill deals with giving the assessors guide lines for appraising these projects for property tax purposes. **Scott Erwin**, an appraiser with the State Tax Commission gave a power point presentation which showed the different tax scenarios as they used different taxing methodologies.
- Kirk Peterson**, Horizon Development and Management, spoke in favor of SB 1138 and said that he represented the development company that was used in the model for the Tax Commission. He wanted to express that he is in favor of this legislation; it will allow new affordable housing to be build in Idaho.
- Anthony Poinelli**, Idaho Association of Counties, saying that the assessor's association supported the bill although not all assessors agreed.
- MOTION:** **Rep. Hart** moved to send **SB 1138** to the floor with a **DO PASS recommendation; motion carried by voice vote. Rep. Sayler** will sponsor the bill on the floor.
- RS 18710:** **Steve Millard**, Idaho Hospital Association, presented **RS 18710** which would increase funding for the Cancer Data Registry of Idaho. Cancer cases are required to be reported pursuant to Idaho Code. Funding is derived from the cigarette tax imposed by Idaho Code and distributed to the central cancer registry fund pursuant to Idaho Code. The current tax receipts distribution

has not been sufficient to cover the increasing cost of operating the registry. Presently there is a short fall of approximately \$50,000 per year. The purpose of this legislation is to raise the distribution percentage from .4% to 1%. What money the registry does not use goes back into the general fund. The primary user is the State itself.

MOTION: **Rep. Rusche** moved to introduce **RS 18710**; motion carried by voice vote.

ADJOURN: There being no further business before the committee, meeting was adjourned at 9:42.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

**HOUSE REVENUE AND TAXATION COMMITTEE
AND
SENATE LOCAL GOVERNMENT AND TAXATION COMMITTEE
JOINT MEETING**

DATE: March 23, 2009

TIME: 9:00 a.m.

PLACE: Room 240

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

ABSENT/ EXCUSED: Reps. Clark and Ruchti

SENATE MEMBERS: Chairman Hill, Vice Chairman Heinrich, Sen. Corder, McKague, and Werk

ABSENT/ EXCUSED: Sen. Stegner, McKenzie Jorgenson and Bilyeu

GUESTS: Alex LaBeau, Idaho Association of Commerce & Industry; Jayson Ronk, Idaho Association of Commerce & Industry; Dan John, State Tax Commission; Russ Hendricks, Farm Bureau; Randy Nelson, Associated Taxpayers of Idaho; Derek Santos, Department of Financial Management; Suzanne Budge. SBS Associates

Chairman Lake called the meeting to order at 9:00 a.m.; silent roll was taken. He welcomed the members of the Senate Local Government and Taxation Committee.

Alex LaBeau, Idaho Association of Commerce & Industry, introduced the speaker, **Scott Hodge**, President of the Tax Foundation.

PRESENTATION: Mr. Hodge began his presentation by telling a story about what happened in Ireland. Ireland cut its corporate income tax rate to 12.5% about a decade ago. Ireland went from being one of the poorest countries in Europe to having one of the highest per-capita incomes in the EU. They were shocked when Dell, which had staff of 4,500 people announced it was closing its Irish computer factory and moving its operation to Poland. Why should we in Idaho be interested? First, it tells us that businesses are very mobile, and second, every jurisdiction is vulnerable to corporate flight because of lower tax rates, cheaper labor force and economic development zones. We are competing against Ireland, Poland, China and a world full of companies that want to lure jobs and capital away from us. Even in this economic climate, now is the right time to take steps to make Idaho's tax system competitive to take full advantage when the economy turns up. Idaho is surrounded by states with more competitive tax systems.

Twenty years ago, the U.S. was a leader in the global tax competition. The rest of the world took notice when we cut our tax rate and the race was on. Since then, virtually every country on Earth has cut its tax rates while we have stood still or actually increased our personal and corporate rates. Initially the leaders in the tax rates were small, developing nations against their bigger competitors. Even Sweden has announced income tax cuts to boost jobs. Of industrialized countries, only Japan has a higher overall rate than us. This is only the national rate. Since every state imposes a different tax rate, 24 states have a higher overall rate than Japan. He would encourage state lawmakers to join together to demand that Washington cut the federal corporate tax rate to make each state more competitive globally.

One study of the effects of corporate income taxes on the location of foreign direct investment in the United States found a strong relationship between state corporate tax rates and FDI. The most important new study from the Organization for Economic Cooperation and Development reported that **“corporate taxes are found to be most harmful for growth, followed by personal income taxes and then consumption taxes.”**

The main recommendation of the study is that if countries want to enhance their economic growth they would do well to move away from income taxes, especially corporate income taxes, toward less distortive taxes such as consumption-based taxes. Another thing we learned was who bears the economic burden of corporate taxes. We’ve understood that corporate taxes either falls on shareholders through lower dividends, workers through lower wages, or consumers through higher prices. Labor bears as much as 70 percent of the economic burden of corporate incomes taxes through lower wages and lower productivity. As a result, workers earn more in low tax countries and earn less in high tax countries.

What about Idaho? Idaho has an above average tax burden as a percentage of state income, 13th highest in the nation and is surrounded by low-tax states. Idaho’s tax rate is highest in the Rocky Mountains and even higher than New York State. According to the State Business Tax Climate Index which measures corporate income tax, individual income tax, sales tax, unemployment insurance tax and wealth and property taxes and then are tiered into a national ranking. Idaho’s ranking is 29th, worst score in the Rocky Mountain region. So what does Idaho do to improve? First, economize; second, cut taxes; and third, to create and try the flat tax option plan that Utah and Rhode Island have pioneered. Idaho’s tax price structure is like Nieman Marcus when it needs to be like Wal-Mart. You have everyday high tax prices and try to get more business by offering incentives to a privileged group of customers. What you really need is everyday low taxes and then step back and let the customers come to you because you offer a better tax price than the competition. The bottom line is that the tax system should not be used to pick winners and losers or micromanage the economy. The key to a prosperous economy is a tax system that provides a level playing field for all businesses and all industries.

How and where shall we cut taxes? There are three basic options. Best option is to eliminate a major tax such as the corporate income tax. Idaho’s corporate income tax only collects 6% of the general funds. The second

best option he called the Colorado model. That means setting both the corporate and individual rate to the same level (Colorado's is 4.65 percent) and then let the market work. A third option is to be creative and try the flat tax option plan that Utah and Rhode Island have pioneered. Another option is to raise your sales tax rate by 1 percentage point to 7 percent, roughly adding \$178 million in new sales tax revenues. This would be more than sufficient to repeal the corporate income tax.

Since Idaho has a neighbor to the North, I should also point out that all of the Canadian provinces have been aggressively cutting their corporate tax rates in recent years.

He said to be very wary that government spending will lead to prosperity. Better roads allow businesses to flee the state faster and you won't see the benefits of increased education spending for many years. But you can fix your tax system today and become a magnet for investment and jobs tomorrow. The clock is ticking.

Mr. Hodge stood for questions from the committee.

ADJOURN: Chairman Lake adjourned the meeting at 10:15 a.m.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** March 24, 2009
- TIME:** 9:00 a.m.
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Sayler, Killen, Ruchti, Burgoyne, Rusche
- GUESTS:** Gail Baird, Comprehensive Cancer Alliance of Idaho; Stacey Carson, Idaho Hospital Association; Dr. Christine Hahn, Idaho Department of Health and Welfare; Chris Johnson, Idaho Hospital Association; Cole Pepper, Connolly & Smyser; Jane Smith, Department of Health and Welfare; James Aychelette, Department of Health and Welfare; Heidi Low, American Cancer Society; Derek Santos, Department of Financial Management; Jared Tatro, Office of Performance Evaluation; Mark Cotner, Cossa School.
- Meeting was called to order at 9:00 a.m. Silent roll was taken, **Rep. Ruchti** was absent and excused.
- MOTION:** **Rep. Burgoyne** moved to approve the minutes of March 18, 2009; **motion carried by voice vote.**
- MOTION:** **Rep. Colliins** moved to approve the minutes of March 19, 2009; **motion carried by voice vote.**
- HB 253:** **Sen. Goedde** presented **HB 253**. Under increased budgetary pressure, school districts need to combine services whenever possible. One tool provided in statute is the cooperative service agency. This legislation expands the levy limitation from .1% to .4% and allows schools to employ a School Plant Facilities Reserve Fund Levy. The second section of this bill would allow cooperative service agencies those same options except the levy could be offered for a maximum of three years rather than ten and actual construction could not commence until the levy proceeds were collected, therefore, there is no interest involved. Cossa Schools involved 5 different school districts and was pointed out as the model for this program. When you have combined districts you have a broader tax base. The districts can collect enough money in one year to build a school.
- MOTION:** **Rep. Clark** moved to send **HB 253** to the floor with a **DO PASS** recommendation; **motion carried by voice vote.** **Rep. Nonini** will sponsor the bill on the floor.
- HB 257:** **Steve Millard**, Idaho Hospital Association, presented **HB 257** which provides for simple changes to allocations to the Cancer Data Registry from .1% to .4% of the cigarette tax. Cancer cases are required to be reported to the Cancer Data Registry pursuant to Idaho Code. Funding is derived from the cigarette tax imposed and distributed to the registry by Idaho Code. Idaho Hospital Association is a contractor of a state mandated program. The Registry also receives federal money from a grant through the registry

enhancement project of the CDC and previously got funding from Department of Health and Welfare. Currently, the Idaho Hospital Association is currently picking up the slack in the budget.

Dr. Christine Hon, State epidemiologist with Idaho Department of Health and Welfare, testified **in favor of HB 257** saying that the registry was very important to the fight against cancer, and has used the data very successfully in responding to counties and people to resolve their concerns. They use this information to do mammography and colorectal screening in rural areas. They have also done studies of state and private buildings and for corporations.

Gail Baird, a volunteer with Comprehensive Cancer Alliance of Idaho, testified **in favor of HB 257** saying that they work to include screening and improving the quality of life for those that have cancer and must have reliable proven data so they can look at trends, establish priorities for screening and to prioritize their efforts.

Heidi Low, Director of Government Relations with American Cancer Society, testified **in favor of HB 257** saying that the Cancer Society strongly supports the data registry and uses it for prevention and data that they may not otherwise have.

MOTION:

Rep. Killen moved to send **HB 257** with a **DO PASS** recommendation. **Rep. Raybould** asked how the committee could answer their constituents about schools v. cancer. **Rep. Bedke** talked about the registry being a laudable effort but he was concerned with finding funding sources saying that we are down to counting pennies and this amount could come directly out of the school levy equalization and asking if we would be better off doing away with the registry or could the hospitals help. Mr. Millard responded that all states have a registry and the hospitals are hurting just like every one else in this economy. Dr. Hon stated that this data does not go into a corner but is used to drive prevention and respond to citizens. The committee asked for information about the history of the registry. The registry was created in 1972 by the legislature. **Rep. Moyle** arguing against **HB 247** said that he was going to side with the teachers and Rep. Wood arguing for **HB 257** said she thought this was important. **Rep. Rusche** said that it would only take one cancer patient with breast cancer to cost more than the \$50,000 that was being requested by the hospital association, the service provided was immensely valuable.

VOTE:

Chairman Lake called for a vote on the motion; roll call vote was requested. Motion **passed 10-7-1**. Voting in favor of the motion was **Chairman Lake, Reps. Barrett, Schaefer, Smith, Wood, Hart, Saylor, Killen, Burgoyne and Rusche**. Voting in opposition was **Vice Chairman Collins, Reps. Moyle, Raybould, Roberts, Clark, Bedke and Harwood**.

RS 18872:

Col. Bill Shawver, Homeland Security, presented **RS 18872** which is a substitute for HB 53. This bill allows the state to recover the costs of emergency responses to threatened hazardous substance releases. Currently, Idaho law only allows the state to recover the costs of emergency responses to actual hazardous substance releases.

MOTION:

Rep. Leon Smith moved to introduce **RS 18872** and refer to the

Transportation Committee; **motion carried by voice vote.**

ADJOURN:

Meeting was adjourned at 10:40 a.m. Future meetings will be at the Call of the Chair.

Representative Dennis Lake
Chairman

Joann Hopkins
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

- DATE:** April 1, 2009
- TIME:** 9:00 a.m.
- PLACE:** Room 240
- MEMBERS:** Chairman Lake, Vice Chairman Collins, Representatives Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood, Clark, Bedke, Harwood, Hart, Saylor, Killen, Ruchti, Burgoyne, Rusche
- ABSENT/
EXCUSED:** Rep. Harwood
- GUESTS:** Dan John, State Tax Commission; Derek Santos, Department of Financial Management; Randy Nelson, Associated Taxpayers of Idaho
- MOTION:** **Rep. Burgoyne** moved to approve the minutes of March 23, 2009 as written.
Motion carried on voice vote.
- MOTION:** **Rep. Burgoyne** moved to approve the minutes of March 24, 2009 as written.
Motion carried on voice vote.
- RS 18894** **Chairman Lake** explained that the purpose of RS 18894 is to conform Idaho Tax Code to the provisions of the American Recovery and Reinvestment Act (ARRA).
- Mr. Dan John** from the State Tax Commission presented **RS 18894**. He explained that the bill adopts the Internal Revenue changes made in 2009 that will impact 2009 tax returns and that were signed by the President in February.
- Three of the most notable changes are as follows:
- 1) Suspends income tax on the first \$2,400 of unemployment benefits a person receives in 2009
 - 2) Increases the standard deduction by the sales and excise taxes paid on some new vehicles
 - 3) Extends the elections for bonus depreciation and increased Section 179 deduction
- Regarding #3, if we do not conform to this, Idaho will have a different depreciation schedule than what is allowed nationally, and this would cause many problems.
- During questions, the following issues were addressed:
- **Mr. John** confirmed that the credit for the unemployment will never be recovered, but other things, such as the bonus depreciation, will be recovered.

- **Mr. John** confirmed that this legislation is in addition to H 64. He explained that the main provision of H 64 was to allow a portion of property tax to be deducted by non-itemizers and impacted 2008 tax returns, though an extension did also impact 2009. The main provisions of this legislation deal with unemployment benefits, bonus depreciation, and a Section 179 change, and it impacts only 2009 tax returns and beyond.
- To clarify “cancellation of debt income”, **Mr. John** provided an explanation from Sen. Hill. Some debt is currently being repurchased for more than it is worth. Some businesses can recognize this income over 10 years rather than in only the one year in which it occurs. In response to a question about whether this had anything to do with a provision currently being given to auto dealers, Mr. John said that it was not related.

MOTION: **Rep. Smith** moved to **introduce RS 18894 and send it directly to the Second Reading Calendar.**
The **motion carried on voice vote.**
Rep. Moyle will be the floor sponsor.

ADJOURN: There being no further business before the committee, **Chairman Lake** adjourned the meeting at 9:10 a.m.

Representative Dennis Lake
Chairman

Cindy Williams
Secretary

MINUTES

HOUSE REVENUE AND TAXATION COMMITTEE

DATE: April 17, 2009

TIME: 9:00 a.m.

PLACE: Room 240

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

**ABSENT/
EXCUSED:** Reps. Moyle, Roberts, Bedke, Ruchti, Rusche

GUESTS: None signed in

MOTION: **Rep. Collins** moved to **approve the minutes of April 1, 2009, as written.**
Motion carried on voice vote.

ADJOURN: There being no further business before the committee, **Chairman Lake** adjourned the meeting at 9:05 a.m.

Representative Dennis Lake
Chairman

Cindy Williams
Secretary