

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, January 19, 2012

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Corder, Vice Chairman Johnson, Senators Hill, McKenzie, McGee, Hammond, Siddoway, Werk, and Bilyeu

**ABSENT/
EXCUSED:**

NOTE: The sign-in sheet, testimonies, and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

Chairman Corder called the meeting to order at 3 pm. **Chairman Corder** said each committee member will receive an email with a link to the Stallman/Deller study that was referenced by Dr. Cooke.

PRESENTATION: Tax Comparisons Among Western States. **Chairman Corder** introduced **Randy Nelson**, President of the Associated Taxpayers of Idaho. See attachment #1.

Senator Werk said there is a security training company that is moving to Idaho from Sparks, Nevada. The taxes will be higher, but there is a better business climate in Idaho.

Mr. Nelson said there are a lot of details and methodology behind the numbers, but the presentation is a summary of the detail. **Senator Hill** said the document appears to show the entire tax burden for someone making over \$150,000 would be 8.9% for Idaho tax and the federal tax level for the same person would be 8.1%. **Mr. Nelson** said the federal line is the average of all states, not federal income tax.

Vice Chairman Johnson said Wyoming ranks number one in tax burden per \$1000 of income. Does that include local taxes such as mineral royalty taxes as well. **Mr. Nelson** said it does.

Senator Werk said he was not aware the states surrounding Idaho exempt food, with the exception of Utah.

Chairman Corder said it is very difficult to compare different composite rates because different taxing districts are used. The overall ranking for Idaho is #43; is this an effort to get to the composite rate of what really is a net cost. **Mr. Nelson** said yes.

Senator Siddoway asked what should be the tax policy to entice businesses into the state. **Mr. Nelson** said the rankings for Idaho are a little high on individual income tax and the corporate income tax. However, the country has a high corporate tax rate, which affects all states. There is some competition between the states.

Chairman Corder introduced **Dan John** of the Idaho Tax Commission. **Mr. John** said the presentation has general tax information to compare Idaho with the nearby states. See attachment #2. There is a "three-legged stool" of taxes: sales tax, income tax and property tax. Many of the neighboring states around Idaho do not tax one of the three items. Oregon does not have a sales tax and Washington does not have an income tax.

Mr. John said what existed for a few years after the sales tax was a state property tax that paid for some flood control districts. **Senator Hill** asked how the property tax was collected; did the county collect it and remit it to the state. **Mr. John** said it came straight to the state. There is \$15.7 million that goes to the circuit breaker fund, which is a property tax deduction for low-income seniors that the State pays to the counties.

Chairman Corder said there was never a mechanism to adjust business inventory replacement dollars to the counties; when the property tax exemption was given to agriculture, was the same formula of reimbursement used. **Mr. John** said the same pattern was used; the first year the counties were reimbursed for property tax that did not come in on agriculture. If farming moves from one jurisdiction to another, the money from the lack of ability to attach farmland does not follow it.

Chairman Corder asked if the percentage between cities and counties stays the same. **Mr. John** said it is shared equally.

Senator Werk asked if the chart represents supplemental levies and property taxes for schools and the Maintenance & Operation (M & O) levies. **Mr. John** said Boise is the only school district to have an M & O levy.

Senator Werk said in 2006 there was a shift of taxes and there was a concern the burden would shift to commercial property. This chart appears to show this did not occur. **Mr. John** said the chart does not take into consideration other types of property that are now being taxed. In the early 2000's, residential property was coming on to the tax rolls more quickly than commercial property.

Senator Bilyeu said when the M & O came off and there was a shift to state tax, there was a belief that property taxes would go down; however, the chart shows the taxes went down for a year or two, then back up again. **Mr. John** said the total of the properties went back up, not necessarily individual property taxes.

Senator Hill said the chart of property taxes shows only total dollars collected; it is not a comparison of amount of properties, as there were many residential units added during this time.

Mr. John said the state of Washington has a cigarette tax of \$3.025 per pack.

Senator Werk said Washington has the third lowest rate of smoking in the country.

Mr. John said when there is discussion about taxing services, admissions for items such as movie theaters are taxed as services.

Vice Chairman Johnson asked which CPI Index is used and does it include energy and food and is it a chained CPI.. **Mr. John** said it does include energy and food. **Vice Chairman Johnson** asked if the state ever changed CPI. **Mr. John** said not since the state went to indexing.

ADJOURNMENT: The meeting was adjourned at 4:20 pm.

Senator Corder
Chairman

Jo Ann Bujarski
Secretary