

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 23, 2012

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Lake, Vice Chairman Collins, Representative(s) Barrett, Moyle, Raybould, Roberts, Schaefer, Smith(24), Wood(35), Bedke, Harwood, Barbieri, Bayer, Ellsworth, Gibbs, Killen, Burgoyne, Rusche

**ABSENT/
EXCUSED:** Representative Bedke

GUESTS: Dan John, State Tax Commission

Chairman Lake called the meeting to order at 9:04 am.

H 363: **Dan John**, Tax Commission, presented **H 363** to the Committee. This legislation addresses passive losses that are incurred prior to becoming a resident of the State of Idaho. Non-residents cannot carry over capital losses to the State of Idaho. This bill treats passive losses in a similar fashion as net operating losses and capital losses. It should increase revenue by \$150,000 per year.

In response to Committee questions, **Mr. John** stated that this loss would be due to true business activity. An example of this loss would be a rental loss.

MOTION: **Rep. Killen** made a motion to send **H 363** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Killen** will sponsor the bill on the floor.

H 364: **Dan John**, Tax Commission, presented **H 364** to the Committee. This legislation deals with pensions that have received partial exemption, i.e. police, fire. The original statute is unclear. The exclusion is for retirements not covered under the Social Security Act, clears up the statute and addresses old retirement plans paid or administered by the City. There is also language that defines disability; it expands the statute and picks up the general definition of being permanently disabled found in Idaho Code 49-117(7) (b) (iv).

In response to Committee questions, **Mr. John** responded that the people covered under this legislation are not under PERSI. This legislation covers a small number of people.

MOTION: **Rep. Killen** made a motion to send **H 364** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Lake** will sponsor the bill on the floor.

H 365: **Dan John**, Tax Commission, presented **H 365** to the Committee. This legislation adds minor changes to simplify Idaho income tax by adding the words "from income", in Section 1. Bonus depreciation has been written out of the statute. The word "capital" is being deleted from losses. Cross references to the federal code in the Public Utilities Commission Broadband Act are corrected. Section 4 deletes obsolete verbiage in the state refund account.

In response to Committee questions, **Mr. John** stated that the sales tax change was done almost immediately. Counties are still able to get the reimbursement.

MOTION: **Rep. Roberts** made a motion to send **H 365** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Gibbs** will sponsor the bill on the floor.

H 366: **Dan John**, Tax Commission, presented **H 366** to the Committee. This legislation is a simple bill that grants the Tax Commission the authority to enter into an agreement with another state to get refunds before they are paid out. This is patterned after the system that is in place with the IRS. No requirements, it simply allows that agreements could be entered into. The most likely states to enter into agreement with Idaho would be Oregon or Utah.

In response to Committee questions, **Mr. John** said that Due Process procedures are followed completely. This is after assessment and no further appeals may be made. Liens and/or levies have been filed against the taxpayer. Taking a refund in another state instead of filing a lien is just one way to collect. The Tax Commission will continue with alternative methods of collection in addition to this one. This process is similar to the process used by Health & Welfare and the Department of Labor. The Tax Commission seeks judgments in other states to collect the thousands of dollars still owed to them, but it is difficult to collect. There is no fiscal impact because it is unknown whether any other states will want to participate. The Tax Commission believes other states will want to participate. This does not give the other state a priority over local judgements. There is a hierarchy; liens by private individuals get paid first. The only thing this legislation applies to is refunds. There are states on the East Coast who have entered into similar agreements; it is not unprecedented.

MOTION: **Rep. Rusche** made a motion to send **H 366** to the floor with a **Do Pass** recommendation. **Motion carried by voice vote.** **Reps. Barbieri, Bayer, Harwood, Barrett, Wood(35)** asked to be recorded as voting **NAY.** **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:38 am.

Representative Lake
Chair

Janet Failing
Secretary