

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

**DATE:** Tuesday, January 31, 2012  
**TIME:** 3:00 P.M.  
**PLACE:** Room WW53  
**MEMBERS PRESENT:** Chairman Corder, Vice Chairman Johnson, Senators McKenzie, McGee, Hammond, Siddoway, Werk, and Bilyeu  
**ABSENT/ EXCUSED:** Senator Hill

**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** announced there would be no meeting on Tuesday, February 7; and Wednesday, February 8 there will be joint meeting with the House Revenue and Taxation Committee at 9 am in the Auditorium.

**MINUTES:** **Senator Siddoway** made a motion to approve the minutes of January 18, 2012. **Senator McGee** seconded, and the motion carried by Voice Vote.

**Senator Hammond** made a motion to approve the minutes of January 19, 2012. **Vice Chairman Johnson** seconded, and the motion carried by Voice Vote.

**H 357** Relating to Property Taxes; to Establish Standards and Methods for the Valuation for the Taxation of Forest Lands under the Productivity Option to apply for a Ten-Year Period. **Chairman Corder** introduced **Dan John** of the Idaho State Tax Commission. **Mr. John** said the bill is from the CFTM Committee of Forest Land Taxation Methodology. The CFTM determines how forest land is valued. The group is made up of the Tax Commission, four members who represent business entities, holding not less than 5,000 acres of timberland, one member selected from the membership of the Idaho Forest Owners Association, five members selected from the membership of the Idaho Association of Counties and the Superintendent of Public Instruction or his designee.

The formula that has been in statute for the last several years that specifies how forest land is to be valued expired at the end of 2011. This bill has a new methodology for determining the value of forest tracts beginning January 1, 2012. The value is floored at 2011 values and allows not more than a 5% annual increase for a total of 30% increase in value over the next ten years.

**Senator Bilyeu** asked if the change will raise the value of forest land. **Mr. John** replied that it would raise the value over time.

**Chairman Corder** asked as of the date the bill takes affect, would there be a decrease in taxes. **Mr. John** said that would depend on the mix of the other properties. If the other properties have gone up, there could be a decrease.

**MOTION:** **Senator Siddoway** made a motion to send H 357 to the floor with a Do Pass. **Senator Hammond** seconded, and the motion carried by Voice Vote. **Senator Hammond** will be the floor sponsor.

**H 363** Relating to Income Taxes; to Provide Treatment for Certain Passive Losses Incurred when a Taxpayer did not Conduct Business in Idaho. See attachment #1. **Mr. John** said the bill deals with a relatively narrow tax law. If the loss is incurred prior to the taxpayer coming to Idaho, the loss cannot be claimed against Idaho gains.

**MOTION:** **Senator McKenzie** made a motion to send H 363 to the floor with a Do Pass. **Senator McGee** seconded, and the motion carried by Voice Vote. **Senator McKenzie** will be the floor sponsor.

**H 364** Relating to Income Taxes; to Clarify the Deduction for Net Operating Losses. See attachment #2. **Mr. John** said the bill is truly a cleanup bill. The bill covers retirement plans the cities have had for police officers prior to the PERSI system. The plans were paid into at the time they were not covered by social security.

**Chairman Corder** asked if the sentence that was stricken on page 2 related to the definition of widow including widower does that change the definition of who can benefit. **Mr. John** said the first page has the language for widow and widower.

**MOTION:** **Senator McGee** made a motion to send H 364 to the floor with a Do Pass. **Vice Chairman Johnson** seconded, and the motion carried by Voice Vote. **Senator McGee** will be the floor sponsor.

**H 365** Relating to Income Taxes; to Clarify the Deduction for Net Operating Losses. See attachment #3. **Mr. John** said the bill makes technical corrections to the Idaho Income Tax Act. There are four sections with corrections.

**MOTION:** **Senator Siddoway** made a motion to send H 365 to the floor with a Do Pass. **Senator Hammond** seconded, and the motion carried by Voice Vote. **Senator Siddoway** will be the floor sponsor.

**RS 21059** This Concurrent Resolution Would Reject One Section in a Pending Rule of the State Tax Commission relating to Tax Administrative Rules as not being Consistent with Legislative Intent. **Chairman Corder** turned the gavel over to **Vice Chairman Johnson**.

**Chairman Corder** said because the committee voted to reject the rule dealing with guaranteed payments, the resolution needed to be created.

**MOTION:** **Senator McGee** made a motion to send RS 21059 to the 10th order. **Senator Bilyeu** seconded and the motion carried by Voice Vote.

**Senator Hammond** asked why this rule was being rejected. **Chairman Corder** said there was debate as to whether Rule 263, dealing with guaranteed payments, was being treated consistently with Idaho Statute and IRS code. The committee did not resolve the point, so the committee determined to reject the rule.

**Vice Chairman Johnson** turned the gavel over to **Chairman Corder**.

**Senator Werk** reminded the committee that small bills could be sent directly to the consent calendar rather than having someone introduce them.

**ADJOURNMENT:** The meeting was adjourned at 3:30.

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Senator Corder  
Chairman

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Jo Ann Bujarski  
Secretary