

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, February 02, 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 3:05 pm. **Chairman Corder** said there was a notebook for each Senator with copies of the studies that have been presented to the committee. The books can be kept either in the Committee office or each Senator may take their book.

CONFIRMATION HEARINGS: **Chairman Corder** introduced **Linda Pike**, Gubernatorial appointee for the Board of Tax Appeals. **Ms. Pike** said she grew up in Oklahoma on a cattle, wheat and cotton farm and later went to the University of Idaho for a law degree.

Senator Johnson said the fact that **Ms. Pike** has never missed a meeting shows great dedication. **Ms. Pike** said there are only two meetings a year, because the Board is a working board, rather than one which has a lot of meetings. The hearings are the items that take a lot of time; schedules constantly change. There is an attempt to have four hearings a day in the more outlying areas. Until they get to the hearing, the commissioners do not know how much time a hearing will take.

Senator Hill asked if the Board members considered themselves advocates for the taxpayers or the state, since they are paid by the State. **Ms. Pike** said neither, they consider themselves judges and are impartial at all times.

Senator Bilyeu asked how many extra hearing officers there are. **Ms. Pike** said generally there are two in the office, but there is only one now, plus one part-time employee. **Senator Bilyeu** asked how many days there are hearings scheduled in a month. **Ms. Pike** said it is very cyclical and fall is the busy time.

Chairman Corder introduced **Rich Jackson**, Gubernatorial appointee for the State Tax Commission. **Mr. Jackson** introduced his family and said he is a CPA by trade.

Senator Hill asked Mr. Jackson if he felt his background as a CPA would add or detract from his ability to be on the State Tax Commission. **Mr. Jackson** said the Board of Medicine has both laymen and physicians on it. There are perspectives other board members may not have because of specific abilities. **Mr. Jackson** said he ended his relationship with his accounting practice. Anything that could be perceived as a conflict of interest, he has recused himself from.

PRESENTATION: **Chairman Corder** introduced **Alan Dornfest** of the State Tax Commission to discuss the Developer Discount; found in Idaho Code 63-602K and 63-604. **Chairman Corder** said there is a possible bill coming to the Committee that is in regards to the developer discount, so the Committee needs to understand the history of the discount. **Mr. Dornfest** said there was a speculative value exemption created in 1982. The exemption constrains the value of land. Farmland values vary throughout the state, depending on location and type of farmland.

Farmland can transition into other uses such as being in a subdivision with restricted covenants that disallow farming, and farmland can become fully developed land. Currently, there is not a consistent practice as to when farmland loses the exemption. There could be three stages of the land transition; farmland, vacant but not farmed, and land with site improvements. Site improvements are added to the land value rather than the value of the building that will be built. When the land is not being farmed and is being converted to residential use, the value of the land may go up. There is no clear guidance as to whether it is proper to value the land with the incremental values. The house itself is exempt from taxation until it is occupied. The assessor is not capturing the increments on the building of the house.

Senator Hill asked what the intermediate values would be, and what improvements would have to be done to value the land at the intermediate value. **Chairman Corder** said there is no clear process across the state. The developers would like to stop at the intermediate stage until the land is fully developed.

Mr. Dornfest said when the land is valued at the intermediate level, it does not look any differently, it has no site improvements. The use has changed in that it is no longer being farmed. Site improvements would cause the land to be valued at the highest level.

Senator Werk said there was an issue in the past relating to the developer's exemption. **Mr. Dornfest** said in the 1970's and 1980's there was a system of valuation commonly used and commonly known as the developer's discount. In the early 1990's, legal staff and the Office of the Attorney General had reviewed this practice and found it to be inconsistent with the constitutional requirement to have land valued at market value. In 2002, House Bill 488 created a rural homesite exemption. That exemption valued the land at the original farmland value. This bill was an administrative problem because it caused the assessors to look through history and see what had been done in the past.

In 2006, this law was repealed. The original system that was ruled unconstitutional was a valuation system. The exemption was not unconstitutional, it was unwieldy.

Mr. Dornfest said in 1993 this issue was dealt with again. House Bill 389 required the time period for multiple lots to be taken into account. This bill was not able to be implemented at all and was repealed the next year.

Senator Bilyeu asked if the value the developers would like to see in the potential bill is the speculative value. **Mr. Dornfest** said that the developers are more interested in the middle value, converted to non-farmland, but no site improvements. **Senator Bilyeu** asked how long the land would be valued at the mid-level. **Mr. Dornfest** said the value would be changed upon sale of the lot or beginning of building upon the land.

ADJOURNMENT: The meeting was adjourned at 3:50 pm.

Senator Corder
Chairman

Jo Ann Bujarski
Secretary