

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 01, 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:** None.

GUESTS: Bob Aldridge, Trust & Estate Professionals of Idaho (TEPI); Melissa Nelson, Idaho Society of CPAs; Larry Johnson, Endowment Fund Investment Board; Cozette Walters, Office of the Treasurer; Miguel Legarreta, Ada County Association of Realtors; Jeremy Pisca, M3 Companies

Chairman Lake called the meeting to order at 9:06 am.

MOTION: **Rep. Collins** made a motion to approve the minutes of the February 20, 2012 committee meeting. **Motion carried by voice vote.**

H 591: **Rep. Luker** presented **H 591**. The legislation deals with unclaimed property laws. Idaho currently has a provision that if property sits unclaimed for five years, it is transferred to the State. This bill would change that time period from five years to ten years. Section 1 deals with the public school endowment fund. Section 2 is a code change. Section 3 sets up a redemption process and changes it to ten years. It also allows for claims after ten years. This bill will also will apply to heirs. If property is unnamed, it goes into the Endowment Fund.

MOTION: **Rep. Raybould** made a motion to send **H 591** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Luker** will sponsor the bill on the floor.

H 593: **Rep. Luker** presented **H 593**. The legislation addresses changes in a Community Infrastructure District (CID). Present law is stated as directly or indirectly affecting the district. This legislation requires a substantial nexus. There must be some substantial relationship between the District and the improvement. Future expansion in the district with non-contiguous property must have a substantial nexus with the district. This bill allows for written testimony when setting up a CID. It fills in the gap on how to administer a CID when it contains multiple county or city jurisdictions. It specifies that the outstanding principal amount of general obligation bonds is lowered from 12% to 9% of the adjusted market value of its properties. The special assessment portion originally required agreement of all owners or when the district deemed it to be advisable. It currently requires two-thirds agreement. It increases the appeal time from 30 to 60 days.

Jeremy Pisca, M3 companies, spoke **in favor** of **H 593**. He said to the best of his knowledge, it would have zero impact on the Harris Ranch subdivision. Harris Ranch is the first in the state to utilize CID, and they would be subject to the old statute. The lowering of assessed value rate to 9% may impact them. He believes the Harris Ranch people been consulted about this bill but not by him.

In response to Committee questions, **Mr. Pisca** said that he is not sure if there is any correlation between this legislation and another bill working its way through the process which would allow developers to keep their assessed property values at the pre-improvement rate. The Boise City Council monitored the Harris Ranch CID.

MOTION: **Rep. Wood** made a motion to send **H 593** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Luker** will sponsor the bill on the floor.

H 582: **Bob Aldridge**, Trust and Estate Professionals of Idaho presented **H 582** regarding pass-through entities. Current rules require back-up withholding with distribution of tangible assets of a small estate. This only applies to pass-through entities and non-residents. A real estate investment trust does not apply. That narrows the statute. It is limited to owners and interested parties with residency defined. There is the option to file a composite return or go back to withholding; whichever is in the best interest of the entity. The reference to elections has been deleted.

A pass-through entity that does not apply for provisions of back-up withholding or fails to file a return will pay at the highest corporate tax rate. If the composite return is filed, it is reported on K1. An Idaho non-resident that has reported and paid tax on a composite return is not required to provide back-up withholding. Rule making will determine a person's state residency. This has an effective date of January 1, 2012.

In response to Committee questions, **Mr. Aldridge** said that the Tax Commission recognized there was a problem.

Dan John, Tax Commission, said that the Tax Commission had not actively asked to have legislation changed, but they have received a number of valid concerns. TEPI proposed these solutions, and the Tax Commission thinks it is a simpler methodology.

In response to additional Committee questions, **Mr. Aldridge** said there are multiple withholders that are non-residents, so the entity was in limbo about what to do. Some have followed the back-up withholding method and some have just not reported. An individual who is out of state has previously been forced to pay the back-up withholding. Now the choice is at entity level. This is constitutional as long as it is the same tax year. A single person without heirs could fall into the unclaimed property status. In most cases, there is a clear list with social security numbers, etc., so most cases would not fall into unclaimed property.

MOTION: **Rep. Harwood** made a motion to send **H 582** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Burgoyne** will sponsor the bill on the floor.

H 359: **Chairman Lake** said that **H 359** was brought to the committee early in session. It deals with vehicles brought in from out of state. It is now the recommendation of the Tax Commission to hold the bill in Committee.

UNANIMOUS CONSENT REQUEST: **Chairman Lake** made a unanimous consent request to **HOLD H 359** in committee. There being no objection, the request was granted.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:51 am.

Representative Lake
Chair

Janet Failing
Secretary