

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 05, 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 (DeVries), Barbieri, Bayer, Ellsworth, Gibbs, Killen, Burgoyne, Rusche

**ABSENT/
EXCUSED:** None.

GUESTS: Michael Johnson, Citizen; Randy Nelson, Associated Taxpayers of Idaho; Elizabeth Criner, Northwest Food Processors Association / JR Simplot Company; Dave Goins, Idaho News Service; Bob McQuade, Ada County Assessors; Teresa Baker, Ada County; Kent Lauer, Idaho Farm Bureau Federation; Colby Cameron, Sullivan Reberger Eiguren; Tony Poinelli, Idaho Association of Counties (IAC); Ray Stark, Boise Metro Chamber of Commerce; Miguel Legarreta, Ada County Association of Realtors; Jayson Ronk, Idaho Association of Commerce & Industry (IACI); Suzanne Budge, National Federation of Independent Business (NFIB)

Chairman Lake called the meeting to order at 9:02 am.

H 584: **Sen. Winder** presented **H 584**. This bill corrects a problem with the homeowners exemption when a citizen of Idaho dies during a tax year. Currently, the heirs lose the homeowners exemption.

Michael Johnson, Citizen, spoke **in favor** of **H 584**. He appreciates the following year being a part of the timeline, because it takes time for the estate to be settled.

Teresa Baker, Ada County, spoke **in favor** to **H 584**. The amended version allows for what the sponsor intended and allows for the homeowners exemption to end after one year or when the home is sold.

Bob McQuade, Ada County Assessor said that **H 584** has less than a \$1,000 impact in lost taxes for the additional year after the death. He has no idea how many of these lost homeowners exemption issues occur each year.

In response to Committee questions, **Mr. McQuade** said there really is no reason why an estate owning residential property would not take advantage of this. It would benefit the beneficiaries and we could assume that everyone who is the beneficiary of an estate would take advantage of this. In the case of a survivor who lives in the house, if he were an heir, he would not get the exemption until the property transferred to his name and he applied for the exemption.

MOTION: **Rep. Roberts** made a motion to send **H 584** to General Orders. **Rep. Bedke** seconded the motion. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

H 559: **Mike Reynoldson**, Micron Technology, presented **H 559**. This legislation brings revision to statutes that have been in place since the 1980s. Spending is based on personal income in Idaho. Personal income is an excellent gauge of the economy. The government should not spend beyond the income of its citizenry. The legislation provides a more accurate definition of personal income and an indicator of growth or decline of economy in Idaho. This is a spending limit issue. The legislation creates less volatility in budget growth. It will not provide absolute predictability, but it will increase it.

Russ Hendricks, Farm Bureau Federation, spoke to the mechanics of **H 559**. Section One adjusts definitions that are currently used. Personal income is defined as income from all sources, excluding government transfer, such as Social Security, Unemployment, Food Stamps, etc. and including payroll taxes and contributions for government social insurance. The difference between the old and new definitions is about \$6B for 2011. This will cause a reduction in the spending limitation.

Section Two includes one time expenditures under the expenditure limitation category and the addition of an emergency clause in case there is a need to exceed the limitation. Use of the emergency clause would require concurrent resolution. This replaces strict language, which is an adjustment mechanism in the current statute. Currently, the limitation is 6.61% of personal income. Using the same figures with the lower rate would result in a \$911M reduction in spending limitations.

In response to Committee questions, **Mr. Hendricks** said the reason for swapping the included and excluded figures in the definitions is that the government transfer payments were a small portion in 1980. We should not budget on money given to the people.

Committee discussion included the following comments: In the Treasure Valley, we essentially built a large industry that imports wealth. Homes have been built and tremendous demands have been placed on the infrastructure. Counted in the definition is the contribution payments of workers from other states, so why not count Social Security income. Idaho personal income is a proxy for the strength of the economy. When someone moves into the state, they don't come on only the strength of their social security income, but also their pensions, and other forms of income. The definition excludes federal pensions, payroll of people working at BLM and Mountain Home. There will be upward pressure to spend what the index puts out.

In response to Committee questions, **Mr. Hendricks** said the State Controller would certify there are funds in excess of any money that is currently statutorily required to go into the Budget Stabilization Fund. The \$100K personal property exemption does not become effective until we reach 5% or \$3.053B. This does not change except if there is \$20M above the budget limitation. Once the funds have been transferred to the Budget Stabilization Fund, the \$20M reduction in Personal Property Cap is accounted for then the current income tax rate is lowered. This includes reductions in each bracket and provides for future tax relief.

There will be an escrow account for small amounts that cannot help reduce taxes. The money will be held until it can be used. The expenditure limitation would go into effect July 1, 2012, for use in creating the budget for 2014.

Randy Nelson, Associated Taxpayers of Idaho, said that there are 31 states with expenditure limits based on personal income and no specific provision for going over the limits.

Jayson Ronk, Idaho Association of Commerce & Industry (IACI), is **in favor** of **H 559**.

Suzanne Budge, National Federation of Independent Business, is **in favor** of **H 559**.

Chairman Lake said that due to the time, the committee would hold **H 559** until Thursday, March 8, 2012.

ADJOURN: There being no further business to appear before the committee, the meeting was adjourned at 10:27 am.

Representative Lake
Chair

Janet Failing
Secretary