

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 09, 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: Melissa Nelson & Brady Panatopoulos, Idaho Society of CPAs (ISCPA); Elizabeth Criner, Northwest Food Producers Association (NWFPA); Brent Olmstead, Food Producers of Idaho / MPIIdaho; Benjamin Kelly, Food Producers of Idaho

Chairman Lake called the meeting to order at 9:03 am.

MOTION: **Rep. Collins** made a motion to approve the minutes of the February 27, 2012 committee meeting with a correction. The correction is to add the sentence "Chairman Lake handed the gavel to Vice Chairman Collins." immediately after the meeting was called to order. **Motion carried by voice vote.**

RS 21465C2: **Commissioner Langhorst**, Tax Commission, presented **RS 21465C2** which is a technical correction that fixes a taxpayer confusion issue. In limited situations, a taxpayer has up to three years after the withholding has been made to file an amended or initial return. Some years, the filing deadline is extended to comply with IRS filing dates. There have been cases that are under appeal because they met the IRS date but were denied by the State Tax Commission because of the strict interpretation of the three-year rule.

MOTION: **Rep. Smith** made a motion to introduce **RS 21465C2** and send it directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Smith** will sponsor the bill on the floor.

H 634: **Ken McClure**, Idaho Society of CPAs, presented **H 634**. This is a technical correction to a problem with the way the statute is worded when dealing with credit for taxes paid in other states. Income is apportioned in other states. All or a portion of the tax paid in other states is credited. A change is necessary because the statute speaks to taxes that are paid "measured by income". Not all states fit that definition, so in some cases, no credit is allowed. This deals with the tax in Texas. It is a large matter to the taxpayer who gets caught in middle. In Texas it is called a Franchise Tax. Texas does not allow you to take a deduction for cost of goods and/or compensation. This causes a virtual double taxation.

MOTION: **Rep. Bayer** made a motion to send **H 606** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Bayer** will sponsor the bill on the floor.

H 559: **Russ Hendricks**, Idaho Farm Bureau Federation, presented **H 559**. This legislation addresses expenditure limiting and what to do with excess funds. It provides for the reduction in personal property taxes and allows for replacement funding to local taxing districts. It also provides for the systematic reduction in corporate and individual income tax rates. It does not conflict with **H 594**, which would sweep funds into the budget stabilization account. Excess money then funds the personal property exemption. Since personal property tax replacement would be an encumbrance and **H 594** refers to funds that are unencumbered, there is no conflict.

Committee discussion included the following statements: **H 559** changes taxes while **H 594** is a method of budgeting. Our level of spending should be linked to the level of revenue. The present methodology for determining income is superior. Treasure Valley has built a huge base of economy by importing dollars from companies such as Micron. Very few people are happy with the way the Federal Government does anything so why adopt their definition of personal income?

In response to Committee questions, **Dan John**, Tax Commission, said that when the Economic Estimate Commission develops the economic estimates, they report salaries and subsidy payments to farmers. Each December they invite a group of economists from many different areas and they provide data. The Tax Commission does not employ economists.

Committee discussion included the following statements: When the \$20M threshold is reached, that triggers a personal property tax exemption. If the State had only relied on the Budget Stabilization Fund, we would not have weathered the recession as well as we did. The government grew faster than the underlying economy.

MOTION:

Rep. Rusche made a motion to **HOLD H 559** in committee.

Committee discussion included the following statements: Is it reasonable to fund the Budget Stabilization Fund before we pay for K-12 education? There is no conflict with **H 594** which is going to the amending order for new language. The amendments are specific to a problem with **H 594** and have nothing to do with **H 559**.

SUBSTITUTE MOTION:

Rep. Barrett made a substitute motion to send **H 559** to the floor with a **DO PASS** recommendation.

AMENDED SUBSTITUTE MOTION:

Rep. Roberts made an amended substitute motion to **HOLD H 559** Subject to the Call of the Chair.

ROLL CALL VOTE ON AMENDED SUBSTITUTE MOTION:

Roll call vote was requested. **Motion carried by a vote of 10 AYE, 7 NAY, 1 Absent/Excused. Voting in favor** of the motion: **Reps. Collins, Raybould, Roberts, Smith(24), Bedke, Gibbs, Killen, Burgoyne, Rusche, Lake. Voting in opposition** to the motion: **Rep. Barrett, Moyle, Schaefer, Harwood(DeVries), Barbieri, Bayer, Ellsworth. Rep. Wood(35) was absent/excused.**

H 606:

Rep. Lacey presented **H 606**. This is truly a job creation bill. The bill allows a company coming in and adding agricultural value to a product to take a 30% tax credit over the next 14 years. It does not really cost the State anything. It actually makes money for the State in terms of additional jobs. Many different groups have reviewed and support this legislation. He requests sending the bill to General Orders to allow him to address questions that arose during the print hearing.

Rep. Pence also spoke **in favor** of **H 606**. There is a wide variety of people who can take advantage of this bill. There is a definite economic value that will be created by this bill.

In response to Committee questions, **Dan John**, Tax Commission said that the language has a 14 year carry over.

MOTION:

Rep. Killen made a motion to send **H 606** to General Orders with amendments. **Rep. Rusche** seconded the motion. **Motion carried by voice vote. Rep. Lacey** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:12 am.

Representative Lake
Chair

Janet Failing
Secretary