AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Wednesday, January 11, 2012

SUBJECT	DESCRIPTION	PRESENTER
	Organizational Discussion	
	Administrative Rules	
	Subcommittees	
RS20760	Internal Revenue Code	Dan John, Tax Commission
RS20771	Property tax exemptions, approval	Dan John, Tax Commission
RS20774	Property tax, forest lands	Dan John, Tax Commission
RS20785	Property tax, county auditor	Dan John, Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

Janet Failing
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Phone: (208) 332-1125
email: jfailing@house.idaho.gov

MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 11, 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: Representative(s) Barrett, Roberts, Bedke, Killen

GUESTS: McKinsy Miller, Gallatin Public Affairs; Benjamin Davenport, and Max Greenlee, Risch Pisca; Dan John, State Tax Commission; Randy Nelson, Associated Taxpayers of Idaho

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

Chairman Lake welcomed back **Rep. Gibbs**. He also welcomed the new Committee Secretary, **Janet Failing** and the new Page, **Abigail Morse**. Abigail is a High School Senior from Lewiston, Idaho.

Subcommittee Appointments - **Chairman Lake** stated that the Subcommittees will continue as they were last year and as noted in the Committee folders. There will be a change to the list in the folders. Move **Rep. Ellsworth** from Subcommittee 3 (Income Tax and Credits) to Subcommittee 1 (Rules).

Agendas will be distributed via email, rather than delivered to floor desk.

RS 20760: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20760** to the Committee. This is the annual reference to update Idaho Code to the Internal Revenue Code.

MOTION: **Rep. Wood(35)** made a motion to introduce **RS 20760** and send it directly to the second reading calendar. **Motion carried by voice vote**. Rep. Wood(35) will sponsor the bill on the floor.

RS 20771: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20771** to the Committee. This legislation deals with exemptions and the simplification of code language. Mr. John will bring a subject matter expert to the House hearing. **Rep. Rusche** questioned where the changes came from, and whether the counties were involved. Mr. John explained that all exemptions are in Chapter 63, under different titles. Most are in Title 6, and this brings them all together by reference.

MOTION: **Rep. Raybould** made a motion to introduce **RS 20771**. **Motion carried by voice vote**.

RS 20774: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20774** to the Committee. This legislation addresses the valuation of forest land. The Committee on Forest Taxation Methodology Replacement submitted this unanimous resolution. Mr. John will bring back a subject matter expert to the House hearing. **Rep. Rusche** asked if it is appropriate to use year 2011 as a base. This question will be addressed at the hearing.

MOTION: **Rep. Rusche** made a motion to introduce **RS 20774**. **Motion carried by voice vote**.

RS 20785: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20785** to the Committee. This legislation makes minor adjustments to Sections 27-120, 39-1332 and 40-802. Change the date information is due from the first Monday in July to the first Monday in August so it can be actual data. Section 4 addresses erroneous levies correction procedure. Section 5 clarifies to the State Board of Education that the Tax Commission is to provide property tax values rather than the County Auditor.

MOTION: **Rep. Collins** made a motion to introduce **RS 20785**. **Motion carried by voice vote**.

Chairman Lake requested that the members of the Committee take the Administrative Rules books with them at the end of the meeting.

Vice Chairman Collins stated that the Rules Subcommittee will meet on Tuesday, January 17, 2012.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:25 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Thursday, January 12, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS20755	Use tax, non res college students	Dan John, Tax Commission
RS20758	Tax Comm, electronic payments	Dan John, Tax Commission
RS20793	Sales and use tax/vehicle exemption	Dan John, Tax Commission
RS20848	Taxes, notice, first class mail	Dan John, Tax Commission

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Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 12, 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: Representative Gibbs

GUESTS: Dan John, State Tax Commission; Joie McGarvin, Westerberg & Associates

Chairman Lake called the meeting to order at 9:01 am.

RS 20755: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20755** to the Committee. This legislation cleans up language in the Idaho code and makes it similar to language used for treatment of military personnel. The exemption is for vehicles purchased and licensed in other states and brought temporarily to Idaho.

MOTION: **Rep. Smith(24)** made a motion to introduce **RS 20755**. **Motion carried by voice vote**.

RS 20758: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20758** to the Committee. This legislation allows for a minor change to the statute which currently allows for payment fees for ACH credit and debit transactions mandated by state law over $100,000. Payment fees will be allowed for third-party electronic payment transaction processing companies.

MOTION: **Rep. Collins** made a motion to introduce **RS 20758**. **Motion carried by voice vote**.

RS 20793: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20793** to the Committee. This legislation addresses the confusions between application period and sales tax exemption from use tax period. This legislation would change from annual year to fiscal year.

MOTION: **Rep. Wood(35)** made a motion to introduce **RS 20793**. **Motion carried by voice vote**.

RS 20848: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20848** to the Committee. This legislation is a cost saving measure to allow taxpayers to receive better notification. It will allow a change from sending documents via certified mail to sending via first class mail. Certified mail will still be allowed, but is not required. This will only be in effect for one year. The is a trial attempt and the Tax Commission will need to update the Committee after one year on whether it is successful or not. In answer to committee questions, Mr. John stated that the Manager of Audit/Collection Bureau will address the Committee when the bill comes back for a public hearing. In addition, the Tax Commission will bring a primer of the different mailings that will be effected.

MOTION: **Rep. Rusche** made a motion to introduce **RS 20848**. **Motion carried by voice vote**.

Reminder that there will not be a meeting on Friday (January 13, 2012). There will be a full committee meeting on Monday (January 16, 2012) and a Rules Subcommittee meeting on Tuesday (January 17, 2012) at 8:30 am.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:16 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Monday, January 16, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS20753	Passive losses	Dan John, Tax Commission
RS20757	Pensions received by retired police and firemen	Dan John, Tax Commission
RS20759	Technical corrections to the Idaho income tax	Dan John, Tax Commission
RS20843	Agreements between states for offsetting of refunds to pay tax liabilities	Dan John, Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

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Rep Burgoyne
Rep Rusche

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 16, 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: Representative(s) Moyle, Roberts

GUESTS: Dan John, State Tax Commission; Max Greenlee, Risch Pisca

Chairman Lake called the meeting to order at 9:01 am.

MOTION: **Rep. Rusche** made a motion to approve the minutes of the January 11, 2012 meeting. **Motion carried by voice vote**.

MOTION: **Rep. Barbieri** made a motion to approve the minutes of the January 12, 2012 meeting. **Motion carried by voice vote**.

RS 20753: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20753** to the Committee. This legislation adds passive losses to the list of losses that can not be carried against Idaho losses. Examples of passive losses would be rental loss or partnership loss in another state.

MOTION: **Rep. Rusche** made a motion to introduce **RS 20753**. **Motion carried by voice vote**.

RS 20757: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20757** to the Committee. This legislation addresses pensions received by fire and police under PERSI retirement plans, changing existing language to make it more clear. It also affords certain retirees the same disability status as Social Security recipients. In addition, a cross-reference to Idaho Code definition 49-117 is added, defining permanently disabled.

MOTION: **Vice Chairman Collins** made a motion to introduce **RS 20757**. **Motion carried by voice vote**.

RS 20759 **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20759** to the Committee. This is a technical correction bill. Section 1 adds the two words "from income" to the section dealing with net operating losses. Section 2 addresses the treatment of gain or loss. Section 3 corrects cross references to federal code sections dealing with Idaho Broadband credit. Section 4 deletes needless language in the state refund account. In response to committee questions, Mr. John stated that the listed cross references are accurate and that the distribution is out of the sales tax account.

MOTION: **Rep. Bedke** made a motion to introduce **RS 20759**. **Motion carried by voice vote**.

RS 20843: **Dan John**, appearing as spokesman for the Tax Commission, presented **RS 20843** to the Committee. This legislation is a simple proposal that allows the Tax Commission to enter into agreements with other states in order to collect tax debts. The State has an IRS agreement but no state agreements are in place. Utah, Oregon and Montana are the most likely states with whom an agreement would be entered into.

MOTION: **Rep. Raybould** made a motion to introduce **RS 20843**. **Motion carried by voice vote**.

Chairman Lake issued a reminder that the Rules Subcommittee will meet Tuesday at 8:30 am. Wednesday will be a full Committee meeting.

Vice Chairman Collins announced that subcommittee would begin with the property tax rules. If all the rules were not addressed in the Tuesday Subcommittee meeting, the remaining dockets would be addressed on Thursday.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:18 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE
COLLINS SUBCOMMITTEE

8:30 A.M.
Room EW42
Tuesday, January 17, 2012

DOCKET NO.	DESCRIPTION	PRESENTER
	Organizational Discussion	
	Administrative Rules Review	
35-0103-1101	Property Tax Administrative Rules	Alan Dornfest, Tax Commission
35-0103-1103	Property Tax Administrative Rules	Alan Dornfest, Tax Commission
35-010-1104	Property Tax Administrative Rules	Alan Dornfest, Tax Commission
35-0101-1101	Income Tax Administrative Rules	Cynthia Adrian, Tax Commission
35-0101-1102	Income Tax Administrative Rules	Cynthia Adrian, Tax Commission
35-0107-1101	Kilowatt Hour Tax Administrative Rules	Cynthia Adrian, Tax Commission
35-0108-1101	Mine License Tax Administrative Rules	Cynthia Adrian, Tax Commission
35-0201-1101	Tax Administration and Enforcement Rules	Cynthia Adrian, Tax Commission
35-0102-1101	Sales Tax Administrative Rules	McLean Russell, Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep.Barbieri
Rep.Bayer
Rep.Burgoyne
Rep.Ellsworth

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE
COLLINS SUBCOMMITTEE

DATE: Tuesday, January 17, 2012

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Representatives Barbieri, Bayer, Ellsworth, Burgoyne

ABSENT/ EXCUSED: None.

GUESTS: Bill Myers, Clients of Holland & Hart; Brad Hunt, Office of Administrative Rules Committee (OARC); John McGown, self; Rick Smith, Idaho Bankers Association (IBA); Tony Poinelli, Idaho Association of Counties (IAC); Dan John, Alan Dornfest and Cynthia Adrian, Tax Commission

Chairman Collins called the meeting to order at 8:33 am.

DOCKET NO. 35-0103-1101: **Alan Dornfest**, Tax Commission, presented **Docket No. 35-0103-1101**. Rule 630 addresses the tax exemption for new capital exemptions. This rule sets up a process for notifying the status before and during the application process.

MOTION: **Rep. Burgoyne** made a motion to recommend approval of **Docket No. 35-0103-1101** to the full committee. **Motion carried by voice vote**.

DOCKET NO. 35-0103-1103: **Alan Dornfest**, Tax Commission, presented **Docket No. 35-0103-1103**. Temporary Rule 995 extends the expiration of this temporary rule by one year. Legislation previously passed election consolidation by counties; money comes from the sales tax account. The statute did not say how to distribute the funds.

In answer to Committee questions, **Mr. Dornfest** said that the application of the funds is based on statute. The proportional alternative was reviewed, but there was no guidance in the statute. Therefore, the Tax Commission requested the application be via the population proportioning method.

MOTION: **Rep. Bayer** made a motion to recommend approval of **Docket No. 35-0103-1103** to the full committee. **Motion carried by voice vote**.

DOCKET NO. 35-0103-1104: **Alan Dornfest**, Tax Commission, presented **Docket No. 35-0103-1104**. This new rule amends the minor public records rule. It addresses confidential documents. There are currently two rules that address confidentiality. Rather than have three rules, all were combined into one. Section 03 is a general language clarification of what the assessors could share with the State.

In response to Committee questions, **Mr. Dornfest** stated that the categories listed A, B, C, D, are those that are exempt from public act by **H 239** exemption.

Mr. Dornfest said that Rule 115 refers to information provided by the assessors to the State Tax Commission. This rule confirms tax levies not exceed their various limits and confirms that the levy is in the right category. Fire districts can exclude personal property, farm land, etc. that have similar provisions in code. The County Assessor is to report on other tax districts by categories and whether each levy is proper. There is no workload issue from the counties to enact this change.

In response to Committee questions, **Mr. Dornfest** stated that the Boise School District is included due to a long-standing agreement that requires an adjusted value calculation.

Mr. Dornfest said that in Rule 219 the operative language changes in Sections 04 and 05. In addition, the change gives county guidance to assign property numbers when the section line splits property in the same tax district, and also changes reference numbers in subsections c and d. Rule 225 is the Documentation Rule. It addresses changes in boundary areas. There is an operative change to language due to **H 095**, stating that Revenue Allocation Areas (RAA) are restricted to a 20-year life and changing the notification process to match. In addition, RAA's are only allowed one annexation. Section 6D, allows that any RAA which had a previous annexation on or before July 1, 2011 may have only one additional annexation. Subsection 10; with new technology, there has been a change to structure and access of the Tax Commission maps by assessors and other parties. Most use the Tax Commission website and do not request a paper copy. A paper copy is still available and only one paper copy will be provided at no charge.

In response to Committee questions, **Mr. Dornfest** stated that the abstracts are maintained in the Tax Commission office.

Mr. Dornfest stated that Rule 312 is legislation to deal with property foreclosed upon by federal agencies (i.e. HUD) and then sold out of foreclosure. Also to clarify ownership by governmental entities, it expunges the taxes. Taxes cannot be levied on or collected (the exception is if Congress authorizes it) by agencies like HUD. Also added was language about Urban Renewal Agencies; they are not a governmental agency, but the expunging of tax is different. Rule 314, County valuation program; County Assessors believe it gives them good guidance and they should be able to administer it. This covers what should be in a property record (appraising every five years), list appropriate and should be able to be maintained.

Mr. Dornfest said that Rule 400 has been deleted and the information moved to new Rule 004. Rule 509 is amended to deal with issues for an additional category and is the companion to Rule 115. It requires the Urban Renewal District be broken out by category as well. For example, if the Fire District did not collect and the Urban Renewal District did, this would cause an incorrect levy against the Fire District.

Mr. Dornfest stated that Rule 701 is amended to conform with changes in **H 113**; both the application and approval processes for tax reduction programs. Only the Tax Commission has approval and adds language requiring the assessor to verify that the claimant is a legal resident of the United States. Rule 717 adds minor changes to comport to **H 113**.

Mr. Dornfest said that Rule 802; **H 124** and **H 095** provide a five year look-back for new construction. The Tax Commission rewrote the Rule to comport with HB 124 and HB 95, which changed land use within the Urban Renewal Agency (URA) and to clarify, adds to base value in Section 02.

Rule 804 addresses the process of setting levies and changes from **H 095** base value versus increment value. Changes to home owner exemptions also change the urban renewal base value.

In response to Committee questions, **Mr. Dornfest** stated that assessors are keeping track of these changes via programming in conjunction with the Tax Commission. He further responded that people frequently lose a portion of home owners exemption; a few hundred thousand per year and the population bears the burden. These homes are within Urban Renewal areas only. Mr. Dornfest had no actual number of how many URA's are being affected, but believed it to be minimal since most URA's are commercial, not residential and only higher priced homes are affected.

Mr. Dornfest said Rule 808 is a companion rule to Rules 115 and 509. Documentation will be provided by the county to the Tax Commission to insure levies are done correctly.

In response to Committee questions, **Mr. Dornfest** stated that this issue was raised after it was found that districts and county clerks weren't aware if levies were being set correctly and it should be universal. The response from the counties has been very supportive. Also, the ability for a tax district to pick and choose is a statutory law; major taxing districts do not have this law (fire districts, ambulance districts do).

Mr. Dornfest said Rule 988 provides the taxpayer options if the Qualified Exemption Investment (QIE), is denied by the county assessor; public records information has been moved to Rule 004.

In response to Committee questions, **Mr. Dornfest** stated that in some instances the Tax Commission is the assessor (in the case of public utilities, RR).

MOTION: **Rep. Burgoyne** made a motion to recommend approval of **Docket No. 35-0103-1104** to the full committee. **Motion failed by voice vote**. Committee members agree to have further discussion at the next subcommittee meeting.

DOCKET NO. 35-0101-1101: **Cynthia Adrian**, Tax Commission, presented **Docket No. 35-0101-1101**. She said **H 297** changed the credit for new employees. Rule 756 informs employers of requirements to qualify for the income tax credit.

MOTION: **Rep. Burgoyne** made a motion to recommend approval of **Docket No. 35-0101-1101** to the full committee. **Motion carried by voice vote**.

DOCKET NO. 35-0101-1102: **Cynthia Adrian**, Tax Commission, presented **Docket No. 35-0101-1102**. She said Rule 001 addresses effective dates. Rule 030 was amended due to federal law change; the safe harbor exception adds subsection 2d. Rule 032 changes the language to match federal terminology. Rule 033 is part of a federal law change; addressing language change from Native Americans to American Indians; adding definitions, filing requirements and the exemption for income earned on an Indian reservation, all of which mirror current practices. Rule 075 amends the tax bracket by taking out year 2006 and adding year 2011. Rule 105 amends to be consistent to **H 102**. Rule 120 discusses adjustments to taxable income bonus depreciation. Rule 121 removes and amends the 1999 reference. Rule 125 discusses bonus depreciation of property. Rule 171 clarifies that real property must be held for 12 months and addresses the difference between liquidating and non-liquidating property.

In response to Committee questions, **Ms. Adrian** discussed liquidating stocks of partnerships versus S-Corporations; or liquidation of interest in the partnership not of the assets. In a non-liquidating distribution, partnership continues.

Mr. John McGown, representing himself, testified in opposition of Rule 171.06. Mr. McGown believes the proposed rule is flawed. He requests either Committee rejection or holding the rule for further review.

Ms. Adrian reviewed Rule 250, the technical correction to address interest and dividend income. Rule 253 ends the conformity to bonus depreciation for property placed in service after 2009 in conjunction with Rule 254. Rule 263 is changing to be consistent with a previous decision.

Mr. Bill Myers, on behalf of clients of Holland & Hart, testified in opposition of Rule 263.04 guaranteed payments. The tax law is based on Federal code, therefore the rule should be rejected.

In response to Committee questions, **Mr. Myers** is representing clients without registration.

Mr. John, Tax Commission, also responded to Committee questions. He said the Tax Commission disagrees with testimony; the rule does not allow taxing of distributions to non-Idaho sources.

Due to time constraints, **Chairman Collins** announced that the remaining Rules and further discussion of **Docket Nos. 35-0103-1104** and **35-0101-1102** will be placed on the agenda for the subcommittee's next meeting, scheduled for Thursday, January 19, 2012.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:11 am.

Representative Gary Collins
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Wednesday, January 18, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 356	Property tax exemptions, approval	Dan John, Tax Commission
H 357	Property tax, forest lands	Dan John, Tax Commission
H 358	Property tax, county auditor	Dan John, Tax Commission
H 359	Use tax, non res college students	Dan John, Tax Commission
H 360	Tax Comm, electronic payments	Dan John, Tax Commission
H 361	Sales and use tax/vehicle exemption	Dan John, Tax Commission
H 362	Taxes, notice, first class mail	Dan John, Tax Commission

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 18, 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: Dan John, State Tax Commission; Daniel Chadwick, Idaho Association of Counties; Jeremy Pisca, Potlatch; Steve Fiscus, State Tax Commission; Randy Tilly, State Tax Commission

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

MOTION: **Rep. Collins** made a motion to approve the minutes of the January 16, 2012 meeting. **Motion carried by voice vote**.

H 356: **Dan John**, Tax Commission, presented **H 356** to the Committee. This legislation addresses the claiming of exemptions, under Code section 63-602, which are to be applied for annually. It also lists all sections of code dealing with exemptions under one code section. Application must be made annually before April 14, and specifies which exemptions do not have to be applied for annually. The treatment of the exemption does not change from the way it has been treated in the past.

MOTION: **Rep. Collins** made a motion to send **H 356** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Collins** will sponsor the bill on the floor.

H 357: **Dan John**, Tax Commission, presented **H 357** to the Committee. This legislation was requested by the Committee on Forest Taxation Methodology (CFTM). The committee includes members of the assessor community, the timber industry, and the Tax Commission. It explains the mandatory computation for timber lands greater than 5,000 acres. The current language expired in 2011. The CFTM negotiated new language to cover the next 10 years.

In response to Committee questions, **Mr. John** responded that there should be no devaluation of property from this bill and that anything that had been in place prior to this legislation would still be allowed.

Daniel Chadwick, Assessor of Counties, responded to Committee questions by saying that this legislation sets the year 2011 as the floor and allows increases of 5% each year up to a maximum of 30% over the next 10 years. It is designed to stabilize values over the next 10 years. This methodology is only mandatory for tracts over 5,000 acres. Under 5,000 acres, either this option or the bare land and yield option can be used. This legislation only impacts 14-15 counties.

Steve Fiscus, Tax Commission, stated that the Tax Commission sets values regardless of total acreage, on a per acre basis. This is done per classification regardless of the size of the acreage. This can change between productivity option and bare land and yield option once every ten years. The next year owners can re-designate is 2013.

Jeremy Pisca, representing Potlach, said CFTM has negotiated and his client is in agreement. Valuations peaked in 2009 and this ensures that taxes won't skyrocket.

Mr. John stated that at this point in time, using old methodology which has expired, values would be lower than 2011.

MOTION: **Rep. Rusche** made a motion to send **H 357** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Rusche** will sponsor the bill on the floor.

H 358: **Dan John**, Tax Commission, presented **H 358** to the Committee. This legislation deals with information sent to the districts from the county auditor to set rates. The current date for supplying the information is the first Monday in July; this legislation moves the date to the first Monday in August. This will ensure that more accurate data is provided. It also addresses erroneous levies. A district can correct (per code) provided the correction is prior to the mailing of tax bills, without a hearing. Notifications of valuation information is to be given to all districts and the State Board of Education by the Tax Commission rather than the assessors.

MOTION: **Rep. Raybould** made a motion to send **H 358** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Raybould** will sponsor the bill on the floor.

H 359: **Chairman Lake** stated he would hold **H 359** subject to the call of the chair.

H 360: **Dan John**, Tax Commission, presented **H 360** to the Committee. This legislation amends law that has not kept up with technology. It allows the Tax Commission to receive payments via credit card and ACH debit/credit. It also allows for payment of ACH debit/credit transaction fees. Currently, payments over $100,000 are required to be paid electronically. It adds language to include electronic payment fees that are handled by third party processors.

MOTION: **Rep. Roberts** made a motion to send **H 360** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Roberts** will sponsor the bill on the floor.

H 361: **Dan John**, Tax Commission, presented **H 361** to the Committee. This legislation deals with interstate trucking (IFTA provisions of code). The tax is paid to the base state and the state then distributes. In addition, the legislation changes the time of annual registration to four fiscal quarters beginning July 1.

MOTION: **Rep. Ellsworth** made a motion to send **H 361** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Ellsworth** will sponsor the bill on the floor.

H 362: **Dan John**, Tax Commission, presented **H 362** to the Committee. This legislation addresses how notices are sent; eliminates the requirement to send via certified mail and allows the Tax Commission to send those notices via first class mail. 35% of certified mailings are sent back unclaimed, so it serves no purpose to send certified mail. These certified mailings are the notices of deficiency and notices of levy. Using first class mail would save at least $200,000 per year in mailing costs. The legislation is set up as a one year trial.

Randy Tilly, Tax Commission, stated that the use of first class mail would provide better service; the Tax Commission would be providing adequate notification; and save money. Last year, over 125,000 pieces of certified mail were sent by the Tax Commission.

In response to Committee questions, **Mr. Tilly** stated that if a taxpayer is in grievance with the IRS and the IRS changes their determinations, they send notification of resolution to the State. The taxpayer must file with the State with that change in determination. Under the Service Relief Act, notices to military personnel are held in abeyance. The Tax Commission will have to return next year and explain that the change has gone the way it is expected and no one has been aggrieved. Sections 3, 4 and 5 come back into play and the law goes back to the way it is now unless an extension is given in 2013.

MOTION: **Rep. Barbieri** made a motion to send **H 362** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Barbieri** will sponsor the bill on the floor.

The Rules Subcommittee will meet tomorrow, January 19, 2012 at 8:30 am. There will be no committee meeting Friday January 20, 2012.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:14 am.

_____
Representative Lake
Chair

_____
Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE
COLLINS SUBCOMMITTEE

8:30 A.M.
Room EW42
Thursday, January 19, 2012

DOCKET NO.	DESCRIPTION	PRESENTER
35-0103-1104	Continuation of Property Tax Administrative Rules	Alan Dornfest, Tax Commission
35-0101-1102	Continuation of Income Tax Administrative Rules	Cynthia Adrian, Tax Commission
35-0107-1101	Kilowatt Hour Tax Administrative Rules	Cynthia Adrian, Tax Commission
35-0108-1101	Mine License Tax Administrative Rules	Cynthia Adrian, Tax Commission
35-0201-1101	Tax Administration and Enforcement Rules	Cynthia Adrian, Tax Commission
35-0102-1101	Sales Tax Administrative Rules	McLean Russell, Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Rep.Barbieri
Rep.Bayer
Rep.Ellsworth
Rep.Burgoyne

COMMITTEE SECRETARY

Janet Failing
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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE
COLLINS SUBCOMMITTEE

DATE: Thursday, January 19, 2012

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Representatives Barbieri, Bayer, Ellsworth, Burgoyne

ABSENT/ EXCUSED: None.

GUESTS: Bill Myers, Steve Young, Clients of Holland & Hart; Mike Lindstrom, Eide Bailly, LLP; Brad Hunt, Office of Administrative Rules Committee (OARC); Rick Smith, Idaho Bankers Association (IBA); Dan John, Cynthia Adrian, Chelsea Kidney, State Tax Commission

Chairman Collins called the meeting to order at 8:31 am.

DOCKET NO. 35-0103-1104: **Chairman Collins** requested discussion or a motion for **Docket No. 35-0103-1104**.

MOTION: **Rep. Barbieri** made a motion to recommend approval of **Docket No. 35-0103-1104** to the full committee. **Motion carried by voice vote**.

DOCKET NO. 35-0101-1102: **Cynthia Adrian**, Tax Commission, asked if there were any questions regarding Rule 171, liquidating or non-liquidating distribution. If property is not part of a partnership, it is not eligible for the partnership holding period. Liquidating distribution is not eligible for capital gains. Non-liquidating distribution is allowed to keep the partnership holding period if held 12 months. This is clarification of current practice. Rule 250 Section 04A has been amended to address interest and dividend income that is received by a part-year resident and receipt of pass-through items for an entity where the income passes through to the individual (uses an individual income tax return).

Ms. Adrian stated Rule 253 is a companion rule that ends conformity to bonus depreciation, as is Rule 254. Rule 263 Section 4 and 5 is a change to be consistent with Federal Code regarding guaranteed payments. The tax is on the Idaho source portion of that distributed income.

In response to Committee questions, **Ms. Adrian** stated that the purpose of guaranteed payment is to be included in gross income or to get a deduction; it is distributed income or guaranteed payment and that is how it is treated.

Bill Myers, Holland & Hart, introduced **Steve Young** from the Holland & Hart, Salt Lake City, Utah office. Mr. Young spoke in opposition to Rule 263 and stated that the problem is that under Federal Code 61, gross income from a partnership is treated as guaranteed payment on a federal return, but this rule refers to the same income as a distributed share of partnership. Senate hearings on this subject voted to reject the rule due inconsistency with Federal Code. Entities are taxed on where they do business. Individuals only pay tax where they work. This rule discriminates against LLC corporations from other states.

In response to Committee questions, **Mr. Young** stated that he believes that treatments from an LLC would be treated as if they were a C-Corporation. He believes measurement of taxable income is the key issue, rather than the treatment of taxable income. There is an additional Federal statute, but it also conflicts with an Idaho-specific statute which discusses withholding of pass-through income. He encouraged members to reject the rule as the Senate did. He believes Rules 290 and 877 should also be rejected.

Mike Lindstrom, CPA, Eide Bailly, LLP spoke in opposition of the rule. Eide Bailly has 19 offices in nine states. He believes partnership tax rules are allowed to be flexible. They define how income can be allocated and pay partners for their services. He believes the rule under discussion subjects non-Idaho partners to Idaho taxes.

Chelsea Kidney, Tax Commission Deputy Attorney General spoke in favor of the rule. She believes this is sourcing issue and stated that it was to guarantee income earned in Idaho stays in Idaho. Treasury regulation is clear that this is not salary income.

In response to Committee questions, **Ms. Kidney** stated this is not contrary to statute. Rather, the statute says to use it as a starting point. **Ms. Adrian** was unable to provide a figure for the fiscal impact. **Mr. John**, Tax Commission, stated that they are following the interpretation of the statute.

Ms. Adrian said that Rule 266 is being amended to be consistent with **H 008**. Rule 267 provides clarification of how much someone could deduct on their taxes. Rule 270 is being amended to provide what constitutes an Idaho workday. Rule 275 addresses investment income of non-residents and what does or does not qualify. Rule 290 is being amended to be consistent with **H 008**.

Mr. Young stated that there is language which suggests guaranteed payments should be moved to wages.

Ms. Adrian said that Rule 570 is being amended to address the sale of stock. Rule 582 is being amended to make presumptive definitions consistent. **Rick Smith**, Idaho Bankers Association, was recognized and he asked for an effective date. Ms. Adrian stated that she had no effective date, but there was no intent to start before taxable year 2012. Mr. Smith said he does not object to the rule. He would entertain discussions about whether it is a substantive change or not, but does not object to the rule.

Ms. Adrian stated that Rule 705 is being amended to be consistent with **H 230**. Rule 711 clarifies current practice. Rules 712 and 713 are obsolete rules being repealed because they have expired.

Ms. Adrian said that Rules 745-748 are being amended consistent with **H 297** to revise the tax credit allowed for qualifying new employees. Rules 755-759 are being amended consistent with **H 297**. There are also new clarifying provisions that have been added. Rules 761-762 are obsolete rules. Rule 771 is the yearly update, adding year 2011 to the table.

Ms. Adrian stated that Rule 815 is being amended consistent with **S 1079** an extension of time to pay tax. Rule 877 is being amended consistent with **H 008** and changes the due date for filing backup withholding.

Mr. Young was recognized and stated that Section 1 3rd line, guaranteed payments, should move to subsection D2.

In response to Committee questions, **Mr. Young** stated that the Senate rejected Rule 263 subsection 4.

Ms. Adrian stated that Rule 880 is being amended to be consistent with **S 1079**.

In response to Committee questions, **Ms. Kidney** was recognized and said that federal treatment in Rule 263, subsection 4 cannot be followed because there is no federal treatment.

Mr. Young was recognized and said the Legislature needs to make any modification, not the administrative body; they would be doing so without authorization.

MOTION: **Rep. Ellsworth** made a motion to recommend approval of **Docket No. 35-0101-1102** to the full committee with the exception of **Rule 263 subsection 4**.

SUBSTITUTE MOTION: **Rep. Barbieri** made a substitute motion to recommend approval of **Docket No. 35-0101-1102** to the full committee with the exception of **Rules 290 and 287**.

ROLL CALL VOTE ON SUBSTITUTE MOTION: A roll call vote was requested. **Substitute motion failed on a vote of 2 aye and 3 nay**. **Voting in favor** of the substitute motion: **Reps**. **Barbieri**, **Bayer**. **Voting in opposition** to the substitute motion: **Reps**. **Collins**, **Ellsworth**, **Burgoyne**.

VOTE ON ORIGINAL MOTION: Chairman Collins called for a vote on the original motion to recommend approval of **Docket No. 35-0101-1102** to the full committee with the exception of **Rule 263 subsection 4**.

ROLL CALL VOTE ON ORIGINAL MOTION: A roll call vote was requested. **Original motion carried on a vote of 5 aye and no nay**. **Voting in favor** of the original motion: **Reps**. **Collins**, **Barbieri**, **Bayer**, **Ellsworth**, **Burgoyne**.

DOCKET NO. 35-0107-1101: **Cynthia Adrian**, Tax Commission, said that Rule 030 is being amended to make the change from monthly to quarterly filing.

MOTION: **Rep. Ellsworth** made a motion to recommend approval of **Docket No. 35-0107-1101** to the full committee. **Motion carried by voice vote**.

DOCKET NO. 35-0108-1101: **Cynthia Adrian**, Tax Commission, stated that Rule 010 is being changed to include definitions of valuable minerals.

MOTION: **Rep. Barbieri** made a motion to recommend approval of **Docket No. 35-0108-1101** to the full committee. **Motion carried by voice vote**.

DOCKET NO. 35-0201-1101: **Cynthia Adrian**, Tax Commission, said that Rule 310 is the yearly update to interest rates, adding the year 2012. Rule 705 is being amended to be consistent with **H 680**.

MOTION: **Rep. Ellsworth** made a motion to recommend approval of **Docket No. 35-0201-1101** to the full committee. **Motion carried by voice vote**.

DOCKET NO. 35-0102-1101: **McLean Russell**, Tax Commission, said that Rule 43, is being amended to comply with **H 213**. In response to Committee questions, Mr. Russell gave some examples of gratuity payments.

Mr. Russell said Rule 73 is being amended to comply with **H 214**. Rule 85 is being amended to refer taxpayers to Rule 094 due to preemption. Rule 94 is being amended clarification purposes. Rule 98 addresses recent changes in the diplomatic exemption card system. Rule 107 is being amended to comply with **H 214** and **S 1052** use tax exclusion. Rule 109 is being amended to change the definition of currency operated amusement devices and include a section regarding permit locations.

MOTION: **Rep. Ellsworth** made a motion to recommend approval of **Docket No. 35-0102-1101** to the full committee. **Motion carried by voice vote**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:38 am.

Representative Gary Collins
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Monday, January 23, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 363	Passive losses	Dan John, Tax Commission
H 364	Pensions received by retired police and firemen	Dan John, Tax Commission
H 365	Technical corrections to the Idaho income tax	Dan John, Tax Commission
H 366	Agreements between states for offsetting of refunds to pay tax liabilities	Dan John, Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 23, 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: Representative Bedke

GUESTS: Dan John, State Tax Commission

Chairman Lake called the meeting to order at 9:04 am.

H 363: **Dan John**, Tax Commission, presented **H 363** to the Committee. This legislation addresses passive losses that are incurred prior to becoming a resident of the State of Idaho. Non-residents cannot carry over capital losses to the State of Idaho. This bill treats passive losses in a similar fashion as net operating losses and capital losses. It should increase revenue by $150,000 per year.

In response to Committee questions, **Mr. John** stated that this loss would be due to true business activity. An example of this loss would be a rental loss.

MOTION: **Rep. Killen** made a motion to send **H 363** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Killen** will sponsor the bill on the floor.

H 364: **Dan John**, Tax Commission, presented **H 364** to the Committee. This legislation deals with pensions that have received partial exemption, i.e. police, fire. The original statute is unclear. The exclusion is for retirements not covered under the Social Security Act, clears up the statute and addresses old retirement plans paid or administered by the City. There is also language that defines disability; it expands the statute and picks up the general definition of being permanently disabled found in Idaho Code 49-117(7) (b) (iv).

In response to Committee questions, **Mr. John** responded that the people covered under this legislation are not under PERSI. This legislation covers a small number of people.

MOTION: **Rep. Killen** made a motion to send **H 364** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Lake** will sponsor the bill on the floor.

H 365: **Dan John**, Tax Commission, presented **H 365** to the Committee. This legislation adds minor changes to simplify Idaho income tax by adding the words "from income", in Section 1. Bonus depreciation has been written out of the statute. The word "capital" is being deleted from losses. Cross references to the federal code in the Public Utilities Commission Broadband Act are corrected. Section 4 deletes obsolete verbiage in the state refund account.

In response to Committee questions, **Mr. John** stated that the sales tax change was done almost immediately. Counties are still able to get the reimbursement.

MOTION: **Rep. Roberts** made a motion to send **H 365** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Gibbs** will sponsor the bill on the floor.

H 366: **Dan John**, Tax Commission, presented **H 366** to the Committee. This legislation is a simple bill that grants the Tax Commission the authority to enter into an agreement with another state to get refunds before they are paid out. This is patterned after the system that is in place with the IRS. No requirements, it simply allows that agreements could be entered into. The most likely states to enter into agreement with Idaho would be Oregon or Utah.

In response to Committee questions, **Mr. John** said that Due Process procedures are followed completely. This is after assessment and no further appeals may be made. Liens and/or levies have been filed against the taxpayer. Taking a refund in another state instead of filing a lien is just one way to collect. The Tax Commission will continue with alternative methods of collection in addition to this one. This process is similar to the process used by Health & Welfare and the Department of Labor. The Tax Commission seeks judgments in other states to collect the thousands of dollars still owed to them, but it is difficult to collect. There is no fiscal impact because it is unknown whether any other states will want to participate. The Tax Commission believes other states will want to participate. This does not give the other state a priority over local judgements. There is a hierarchy; liens by private individuals get paid first. The only thing this legislation applies to is refunds. There are states on the East Coast who have entered into similar agreements; it is not unprecedented.

MOTION: **Rep. Rusche** made a motion to send **H 366** to the floor with a **Do Pass** recommendation. **Motion carried by voice vote**. **Reps**. **Barbieri**, **Bayer**, **Harwood**, **Barrett**, **Wood(35)** asked to be recorded as voting **NAY**. **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:38 am.

_____
Representative Lake
Chair

_____
Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Wednesday, January 25, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS20865C1	Sales tax exemption on non-resident aircraft	Rep. Henderson
H 387	Revenue/tax, homestead	Rep. Luker

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 25, 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: Rep. Rusche

GUESTS: Joie McGarvin, Russell Westerberg, Western Aircraft; Max Greenlee, Risch Pisca; Tony Smith, Benton Ellis; Jesse Taylor, Westerberg & Associates; Dan John, Tax Commission; Colby Cameron, Sullivan Reberger Eiguren; John Eaton, Idaho Association of Realtors

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

Rep. Collins made a motion to approve the minutes of the January 18, 2012 meeting. **Motion carried by voice vote**.

RS 20865C1: **Rep. Henderson** stated that this legislation is essentially the same legislation the House Revenue and Taxation Committee voted to pass last year. This legislation removes the size of aircraft as a qualification for this tax exemption for parts installed by an FAA-approved installation from the previous bill. This would be a great benefit throughout the State of Idaho. The emergency clause is new. There is a very large contract that Western expects to be awarded to them if the sales tax is removed and they would immediately add five jobs. Over the next year, Western would then add 12 jobs. Fiscal note: Western has serviced non-resident air craft, but not in large quantities. Economically this would also be an opportunity for Empire Air (who would add an average of 10 jobs per year for the next five years). Smaller companies will also benefit. The inclusion of sales tax has made Idaho companies non-competitive with firms in the neighboring states.

In response to Committee questions, **Rep. Henderson** stated that other areas in the state can utilize this bill; there is a two-page list of companies (list attached).

MOTION: **Rep. Moyle** made a motion to introduce **RS 20865C1**. **Motion carried by voice vote**.

H 387: **Chairman Lake** stated that this bill was introduced in the Local Government Committee and referred to the Revenue and Taxation Committee. **Rep. Luker** stated that it addresses preserving the home owners exemption while in military, humanitarian or religious service. Current law prohibits owners from renting out their home and claiming the home owners exemption, even while engaged in military, humanitarian or religious services. Rep. Luker read from parts of two letters that are to be part of the minutes (letters attached). He went on to state that the primary language in subsection 7 includes military, temporary humanitarian and religious service of up to 36 months. Subsection c is only for home owners who maintain their home as their primary residence. Subsection d sets up a process where the home owner notifies the county of their pending absence and sets up a rebuttal of presumption. Subsection e provides remedy if the home owner paid the tax, but it should not have been assessed; the home owner would get the original tax amount back along with interest.

In response to Committee questions, **Rep. Luker** said the home owner is not required to notify the county while gone. If the home owner does nothing and is taxed, the home owners exemption with penalty and interest is gone. The home owner can still send in documentation after returning to claim a refund of taxes paid. **Dan John**, Tax Commission, was recognized and said he doesn't believe there is a appeal statute available for assessment/valuation without a time limit.

MOTION: **Rep. Wood(35)** made a motion to send **H 387** to General Orders. **Rep. Collins** seconded the motion. **Motion passed by voice vote**. **Rep. Luker** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:27 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Monday, January 30, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS20963	State Income Tax Credit for Specialized Needs Recreation (SNR)	Rep. Nonini
RS21051	Income Tax Credit for Capital Investment	Dan John, Tax Commission
H 417	Sales Tax Exemption on Non-Resident Aircraft	Rep. Henderson

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 30, 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: Rep(s). Moyle, Wood(35), Killen

GUESTS: Joie McGarvin, Russell Westerberg, Western Aircraft; Jesse Taylor, Westerberg & Associates; Brent Olmstead, Milk Producers of Idaho (MPIdaho); Ray Stark, Adam Bartelmay, Boise Metro Chamber of Commerce; Ben Davenport, Risch Pisca; Dan John, Tax Commission

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

MOTION: **Rep. Collins** made a motion to approve the minutes of the January 23, 2012 meeting. **Motion carried by voice vote**.

MOTION: **Rep. Burgoyne** made a motion to approve the Collins Subcommittee minutes of the January 17, 2012 meeting. **Motion carried by voice vote**.

MOTION: **Rep. Ellsworth** made a motion to approve the Collins Subcommittee minutes of the January 19, 2012 meeting. **Motion carried by voice vote**.

RS 20963: **Rep. Nonini** stated that **RS 20963** allows a State Income Tax Credit for the group "Specialized Needs Recreation" of Coeur d'Alene, Idaho. This organization assists with providing recreation opportunities and/or transportation to recreation opportunities to those with special needs in the Coeur d'Alene area, such as taking them fishing. By adding this group to the list in the Idaho Code, individuals who make donations to this organization can take a tax credit.

MOTION: **Rep. Bedke** made a motion to introduce **RS 20963**. **Motion carried by voice vote**.

RS 21051: **Dan John**, Tax Commission, presented **RS 21051**, which is designed to eliminate a problem before it occurs. This legislation changes verbiage in Section 63-3029B. The Idaho Investment Tax Credit has a 14-year carryover. If the property ceases to qualify, there is a five-year capture clause. A close reading of the statute says that if the property is sold or moved out of state, it must be recaptured in years 6-14. The statute only requires recapture in years 1-5. There is no need to track the property in years 6-14.

In response to Committee questions, **Mr. John** stated that currently, if the property/equipment is sold or traded in years 6-14, the owner/seller must keep track of it.

MOTION: **Rep. Bedke** made a motion to introduce **RS 21051**. **Motion carried by voice vote**.

H 417: **Rep. Henderson** stated **H 417** is very similar to the previous years' bill, except that it does not limit the size of the aircraft. This size elimination allows for 26 companies to participate in the bill's benefits. The economic benefits are significant. A summarization of letters and phone calls with the possible 26 business owners throughout the state affected by passage of this legislation is shown on the attached handout. The handout showing the states where parts are sales tax exempt, should have Maine added to the list, making a total of 24 states where similar legislation is in place. Idaho companies have not been able to compete with those states.

In response to Committee questions, **Rep. Henderson** yielded the floor to **Russell Westerberg**, representing Western Aircraft, who said that the definition of a commercial airplane is one that is used to haul freight or passengers for hire. Privately-owned aircraft owned by non-residents would now be covered by this bill. Discussion occurred regarding the benefit to the state and the potential enhanced revenue to the state. Mr. Westerberg stated that Western Aircraft commits to adding five new employees the day Governor Otter signs the bill. This bill levels the playing field to bring new work to Idaho.

MOTION: **Rep. Burgoyne** made a motion to send **H 417** to floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Henderson** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:31 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Tuesday, January 31, 2012

SUBJECT	DESCRIPTION	PRESENTER
	Tax Commission Report	Commissioner Jackson, Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 31, 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: Rep. Rusche

GUESTS: Brent Olmstead, Milk Producers of Idaho (MPIdaho); Commissioner Tom Katsilometes, Dan John, Steve Fiscus, Tax Commission; Bob McQuade, Ada County Assessors

Chairman Lake called the meeting to order at 9:04 am.

MOTION: **Rep. Collins** made a motion to approve the minutes of the January 25, 2012 meeting. **Motion carried by voice vote**.

Commissioner Tom Katsilometes, Tax Commission, as required by Idaho Code under Power and Duties, began the presentation of the Tax Commission Report. The Tax Commission is required to provide fair and equitable service to the counties of Idaho. They oversee the counties operations. There are 1,200 tax districts throughout Idaho. In addition to overseeing collection of operating taxes, the Tax Commission provides training for county elected officials and their employees as well as students. They administer the Property Tax Reduction Program (also known as the Circuit Breaker Program). Mr. Katsilometes believes that, unlike in the past, the relationship between the Tax Commission and the counties is a positive one.

Steve Fiscus, Tax Commission, said that the continuing education program is very successful. Newly elected officials and their staff as well as members of the County Board of Equalization receive training, which is provided every other year.

Mr. Fiscus stated that all 44 counties met their assessment goals. This resulted in an average 98.5% rate of market value in 2010. In 2009, the rate was 101%. Studies will be started soon to ensure all counties are in compliance for 2012. All counties met their appraisal requirements, which is review of 20% of all properties every year, so that every five years, all properties will have been reviewed. The Tax Commission helps equalize values of each type of property by county. This ensures comparable values of property that sit between two different counties. The Tax Commission certifies county budgets and district levies. One thousand of the 1,200 tax districts levy taxes in their taxing districts. The next five-year appraisal plan begins with the 2013 assessment year and February 6th is due date for the details of the new plan.

Mr. Fiscus said that the GIS section (mapping) is working with the Department of Administration and the counties to develop mapping by parcel layer to eliminate overlap of taxes. The Tax Commission has the updated tax analysis information. The Tax Commission Technical Support Department provides technical support to 24 counties. The other 20 counties use different companies for their support. The Tax Commission is developing new software and a modernization of the current software.

In response to Committee questions, **Mr. Fiscus** stated that the reason the assessed tax stays the same after the market value of a property goes down is based on budgets. The value is a component of the tax; the tax rate goes up to meet the budget which is driven by needs of the fire department, schools, etc. The assessed tax also depends on individual property. If there has been a negative impact on business owners due to overassessment for a property, the Assessors office encourages counties to use any info they can find, such as the study of lot sales. If the sales are deemed to be over or under market, an adjustment can be made.

Mr. Fiscus responded to further questions by saying that districts set their budgets first by using the rule of real and personal property, then estimating the balance using other rules. Personal property is not included under the new construction rule. Personal property does depreciate over time. As the budget decreases due to personal property depreciation, the budget needs shift to other types of property. The calculations of the budget shifting as personal property devalues is a policy issue. The value of property is a component of the budget, but it does not set the budget. Each Taxing District looks at last years budgets. If improvements are made to a house, the county would multiply that to add the new amount to create the tax. The tax is calculated by a 3% increase of the highest budget for last 3 years, then new construction is added in. This is spelled out in Idaho Code section 63-301A.

Bob McQuade, Ada County Assessors, stated that he agreed with **Commissioner Katsilometes** when he discussed the relationship between the Assessor's office and the Tax Commission. In the past, the two have had a toxic relationship, but that has changed for the better. The assessors are constitutional officers. The Tax Commission has been set up to provide oversight, ratio analysis, rules and statutes. They ensure that all 44 counties are following the same policies. There are varying degrees of capabilities in the Assessor's offices throughout the state. To attempt to create more uniformity, the Idaho Association of Counties (IAC) put together a committee in 2010 to evaluate software and find a long term solution for different software problems. Currently, Manitron software is used by four counties. Ada County uses their own software that was developed in-house. Computer Arts modified the Ada County software and many counties use it. The balance of the counties use software developed by the Uniform Assessment Development unit (UAD). The (IAC) Committee recommendation is that Manitron users would receive some support and continue using the software they currently use, Ada County will continue with their software, as will those using the Computer Arts software. The UAD software is out-of-date and needs to be brought up to current technology. All assessors are in agreement.

In response to Committee questions, **Mr. McQuade** replied that he did not know the cost to the state to support Manitron users or to update the UAD System. A study has not been done to determine how much time a business commits on an annual basis to comply with the property declaration requirements, but his personal opinion is that levels of compliance are based on how much commitment a business has in preparing the reports (i.e. summary vs. actuals/detailed or hours vs. days).

Rep. Harwood had the attached handout distributed (the Idaho Grocery Credit Refund). In Part B, #3, the word "irrevocable" is bolded. It is his contention that the section is confusing and suggested that Part B, #3 be changed by removing the check mark next to the checkbox as well as highlighting the word donation?

Dan Johns, Tax Commission, stated that the word "irrevocable" was bolded on purpose. The checkbox area and highlighting the word "donation" will be suggestions he will take back to redesign the form. In response to Committee questions, Mr. Johns stated that by statute, the grocery tax credit goes up $10/year until it gets to $100 + $25 for those older than 65. It is close to breaking even, but not there yet. Mr. Johns did not have the totals for 2010 contributions to the Cooperative Welfare Fund or filings for those without an income tax refund, but he will provide them to committee members.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:06 am.

_____
Representative Lake
Chair

_____
Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Thursday, February 02, 2012

SUBJECT	DESCRIPTION	PRESENTER
	Recommendation of Rules Subcommittee	Rep. Gary Collins
H 438	Investment Tax Credit	Dan John, Tax Commission
H 437	Income Tax Credit	Rep. Bob Nonini

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

Janet Failing
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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 02, 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: Rep. Bedke

GUESTS: None.

Chairman Lake called the meeting to order at 9:04 am.

MOTION: **Rep. Raybould** made a motion to approve the minutes of the January 30, 2012 meeting. **Motion carried by voice vote**.

MOTION: **Rep. Collins** made a motion to approve the minutes of the January 31, 2012 meeting. **Motion carried by voice vote**.

Rep. Collins stated that the Rules Subcommittee has met and completed their review of all pending, temporary and fee rules from the State Tax Commission. As Chairman of the Rules Subcommittee, he presented the recommendation of the subcommittee that all pending, temporary and fee rules from the State Tax Commission be approved, with the exception of **Docket No. 35-0101-1102, Rule 263 subsection 4**. The recommendation of the subcommittee is that **Docket No. 35-0101-1102, Rule 263 subsection 4** be rejected. The Subcommittee received extensive testimony against this rule which deals with guaranteed payments. There is an inconsistency with the way the Federal Tax return handled these guaranteed payments. Before the Rules Subcommittee completed their discussion, the Senate rejected the same rule.

MOTION: **Rep. Collins** made a motion to accept the recommendations of the Subcommittee. **Chairman Lake** stated that he recommends acceptance of the Committee Report, but he will not accept legislation this session that deals with Title 63-3026A(3). **Motion carried by voice vote**.

H 438: **Dan John**, Tax Commission, presented **H 438**. He said that this legislation was drafted to eliminate a problem before it becomes a problem. The Investment Tax Credit (ITC) is a 3% credit against tax liability. The law clearly states if the property is sold before five years of ownership, situs is lost. After the recapture period is complete, the taxpayer can carry over the tax credit for up to 14 years. If an asset, is sold and there is carryover, present law requires the owner/seller to keep track of the asset until the credit is claimed.

In response to Committee questions, **Mr. John** described the assets affected to be tractors, equipment, copiers, computers, trucks, or any other tangible personal property used in a business operation. After five years, the asset may have no useful life. Under this legislation, the taxpayer is no longer required to keep track of the asset after the recapture period. The initial five year period is the only concern.

MOTION: **Rep. Killen** made a motion to send **H 438** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Harwood** will sponsor the bill on the floor.

H 437: **Rep. Nonini** presented **H 437**. This legislation is to provide an income tax credit for donations to Specialized Needs Recreation, a non-profit organization. This organization uses donations to provide recreational opportunities for people with disabilities.

In response to Committee questions, **Rep. Nonini** stated that this is a 501(c)(3) organization and it meets Better Business Bureau standards.

MOTION: **Rep. Bayer** made a motion to send **H 437** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Nonini** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:21 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Tuesday, February 07, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS21117	State Income Tax Credit for Sun Valley Adaptive Sports (SVAS)	Rep. Wendy Jaquet
RS21146	Exemption of beverages from Use Tax	Roger Batt, AMG Idaho

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 07, 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: Representative(s) Schaefer, Ellsworth

GUESTS: Roger Batt, Idaho Grape Growers & Wine Producers; Zach Hauge, Capital West; Dan John, State Tax Commission

Chairman Lake called the meeting to order at 9:00 am.

MOTION: **Rep. Collins** made a motion to approve the minutes of February 2, 2012. Motion carried by voice vote.

RS 21117: **Rep. Jaquet** presented **RS 21117**, legislation that deals with a state income tax credit for Sun Valley Adaptive Sports. The $71,000 fiscal impact was determined by calculating a $500 donation by 142,000 Idaho contributors. This falls in line with the Governor's support of public-private partnerships. The maximum credit for a taxpayer is $1,000, and for a corporation it is $5,000. Idaho is the second largest per capita contributor of service men and women. It is estimated that 35% of the people returning from the war will have Post Traumatic Stress Disorder (PTSD). This organization has served nearly 350 veterans to date. It is considered one of the premier rehabilitation programs in the country, and it gives service personnel the adaptive skills they need to return to their homes. The cost for this program is approximately $70,000 per week. Volunteers include students from BYU and Indiana University, Bloomington.

In response to Committee questions, **Dan John**, Tax Commission stated that both Sections 1 and 2 in Section 63-3029A were amended in 2010 and sunsets in 2016. Family foundations do not get this same tax credit.

In response to Committee questions, **Rep. Jaquet** stated that this organization does meet the guidelines for a 501(c)(3) classification.

MOTION: **Rep. Burgoyne** made a motion to introduce **RS 21117**. **Motion carried by voice vote**.

RS 21146: **Roger Batt**, Idaho Grape Growers & Wine Producers, presented **RS 21146**. This legislation is designed to exempt tasting of beverages including, but not limited to, wine and beer, from the payment of Use Taxes. The impact to the General Fund will be minimal. It would be hard for the Tax Commission to enforce a Use Tax on the free tastings. There are wineries currently going through an audit on this very subject, so an emergency clause is also noted in the legislation.

In response to Committee questions, **Mr. Batt** stated that an example of other beverages that could be covered by this legislation might be grape juice or cider that was tasted at a Farmer's Market. These are just tastings, not bottles that are given away.

MOTION: **Rep. Bayer** made a motion to introduce **RS 21146**. **Motion carried by voice vote**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:28 am.

Representative Lake
Chair

Janet Failing
Secretary

JOINT

HOUSE REVENUE & TAXATION COMMITTEE
AND
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

9:00 A.M.
WW02 - Auditorium
Wednesday, February 08, 2012

SUBJECT	DESCRIPTION	PRESENTER
	Roll Call and Opening Remarks	Chairman Corder, Chairman Lake
PRESENTATION:	**What Could be Done to Stimulate Idaho Economic Conditions**	
	Food Production Sector: Food Producers of Idaho	Brent Olmstead, Chairman, Food Producers of Idaho Tax Committee
	Jobs Sector:	Clark Krause, Jobs for Idaho
	Energy Sector:	Sen. McKenzie, Rep. Eskridge
	Commerce and Industry Sector:	Alex LaBeau, President, IACI
	Small/Moderate Business Sector:	Jeff Sayer, Dept. of Commerce
	Chamber of Commerce Sector:	John Watts
	Banking Sector:	Len Williams, President and CEO, Home Federal Bank

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

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Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
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Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep. Killen
Rep. Burgoyne
Rep. Rusche

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MINUTES
JOINT MEETING

HOUSE REVENUE & TAXATION COMMITTEE
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, February 08, 2012

TIME: 9:00 A.M.

PLACE: WW02 - Auditorium

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

Chairman Corder, Vice Chairman Johnson, Senators Hill, McKenzie, McGee, Hammond, Siddoway, Werk, Bilyeu

ABSENT/ EXCUSED: Representative Killen, Senator Bilyeu

GUESTS: The sign-in sheet will be retained in the committee secretary's office until the end of the session. Following the end of the session, the sign-in sheet will be filed with the minutes in the Legislative Services Library.

Senator Corder called the meeting to order at 9:02 am.

Brent Olmstead, Food Producers of Idaho, spoke on behalf of the Food Production Sector. He stated that the Tax Policy Committee of the Food Producers of Idaho was formed this year. The guidelines of the Committee follow the Mission Statement and Guiding Principles. This is a commodity-based industry; they do not determine the costs.

The agriculture exemption is not uniform across all counties. The assessments are actually considered by the industry members to be a fee for service rather than an assessment. The multiplier generated by the agricultural industry is higher than in any other segment of Idaho economy. The 50 jobs at the Chobani plant near Twin Falls add an additional 70 jobs outside of the plant. He said that alternative energy development has a value-added effect. University of Idaho Research and Development is also an added value to agriculture in the state.

In response to Committee questions, **Mr. Olmstead** stated that the most onerous rules come from the Federal government. For example, a National Pollutant Discharge Elimination System (NPDES) permit is required to not discharge into streams. Agriculture enjoys the benefit of being exempt from tax. The business personal property tax is also onerous. Someone who is purchasing a digester at a dairy farm always includes the green credits in their calculations.

The top priority should be research and development; exemptions and having tax credits available do not spur economic growth. The industries that are performing the best (creating jobs, and with wages above the national level) would be those related to agriculture. Most of the agricultural groups do their marketing with the Department of Agriculture, not the Department of Commerce.

Clark Krause, Jobs for Idaho, spoke on behalf of the Jobs Sector. He stated that there should be a Job Expansion Fund. When a value-added company looks at Idaho, they would also look at this fund/model. This fund would award money to new and existing companies in amounts between $1,000 and $10,000, post performance. The length of funding for any specific company would be 1-4 years. Using Chobani, and Lactalis as examples, the commitments the companies make would have a deadline for implementation. A company using the fund would be required to come back to the Committee every year with a status on jobs that have been produced.

The idea that companies would take advantage of these funds and then move out is incorrect. Using the North Carolina model as an example, only two companies left the state and they closed due to the recession. Another myth is that states are moving away from these programs. Some states are becoming very aggressive with these programs because of the results they see. The State of Utah aggressively started a similar program about six years ago and has had good results. Arizona has grown by more than 10,000 jobs using this type of legislation. The Arizona housing crisis is over and they are still growing.

In response to Committee questions **Mr. Krause** stated that it would not matter if the funds were put on the expenditure side of the ledger or the income side of the ledger.

Sen. McKenzie and **Rep. Eskridge** spoke on behalf of the Energy Sector. They are co-chairmen of the Interim Committee on Environment and Technology. The committee is designed to promote diverse development and use of energy resources and renewable resources. The development of wind power is one example of the successful use of resources. Changing the tax structure helped get wind development technology off the ground. Tax incentives are not the only way to promote Idaho, but they can be helpful. Another measure of promotion would include research and development support.

The upcoming carbon regulation will cause problems with electricity costs. Policies that could assist in offsetting higher electricity costs are conservation and energy efficiency, updating building codes, encouraging better use of electricity, and promoting in-state resources. The Idaho National Laboratory (INL) does research and is too often overlooked. Lawmakers should avoid policies that unnecessarily increase or shift costs to users. The transmission grid is important; there are 1.8 million square miles included in the grid. We should think regionally with neighboring states.

In response to Committee questions, **Rep. Eskridge** said that incentives should be reviewed on a case by case basis. A short-term tax incentive was given for wind development. That incentive had a sunset that the developers recognized. Using that model would assist in the development of geothermal resources.

Alex LaBeau, Idaho Association of Commerce & Industry (IACI), spoke on behalf of the Commerce and Industry Sector, representing large to small corporate partners. He reminded the committee that Project 60 was formulated two years ago. From that project, a list of ideas was generated. They only have been addressed to an small extent. Progress has been made by Education & Human Resources; there has been a change to laws regarding unemployment issues. Progress has been made to the Infrastructure with the Garvy projects; Resources have initiated better planning, i.e. aquifers; there has been no progress on Tax Policy.

IACI's first recommendation is to eliminate the personal property tax. The process to eliminate that tax was started in 1901. The elimination of the personal property tax would create 2,800 new jobs. There should be a change in the definition of commercially related property and removal of the $100,000 cap. There are three options to reach elimination of personal property tax: 1. Freeze the assessment and depreciate on a schedule (which costs nothing); 2. Phase it out and replace the money over 4-5 years; or 3. Eliminate it all at once when State revenues reach $3.143B and replace the revenue loss to local units of government.

In response to Committee questions, **Mr. LaBeau** stated that the 6% sales tax is reasonable and Legislators should use caution in applying local option taxation. Counties that rely heavily on personal property tax (such as Caribou and Power Counties) would receive their money using a revenue-sharing formula. They would be assured of continuation of incoming funds, even in a downturn. The interim phase-out option would give the state an opportunity to fully recover as the phase-out occurs.

The reasons for removal of the personal property tax: 1. It is a bad tax; 2. Reap economic benefits. The current or average effective rate for C-Corporations and S-Corporations is less than 7.6%.

Jeff Sayer, Department of Commerce, spoke on behalf of the Small/Moderate Business Sector. The first goal should be to protect and maintain existing businesses, then attract new companies. This can be accomplished by improving access to broadband, having and improving a skilled workforce, and keeping the urban renewal tools.

Access to other Idaho companies will help keep business in Idaho. The personal property tax is the biggest issue. The second biggest issue is the personal income tax. The Hire One credit program is not accessible for most companies. IGEM is a critical step forward in the process. One major item site selectors look at is that the Idaho corporate tax rate is the highest incremental rate on any chart.

In response to Committee questions, **Mr. Sayer** stated that the Idaho unemployment fund cost is high. The unemployment fund had previously been underfunded. The decrease of the corporate tax rate should be a higher priority than ending the personal tax exemption. He advocates discussion on effective tax rates. He does not want to affect too many people with broadstroke decisions.

John Watts, Idaho Chamber Alliance, spoke on behalf of the Chamber of Commerce Sector. He is an advocate for cuts in personal income tax. Approximately 80% of businesses file an individual income tax return rather than a corporate tax return. Health insurance costs need to become predictable. Currently, health insurance is a deduction. It should be a tax credit.

The Chambers of Commerce want to keep the infrastructure development tools in place. They are the catalyst that brings the companies. Chobani has opened a plant in Idaho because of Urban Renewal policies that are in place.

In response to Committee questions, **Mr. Watts** stated corporations want to control health care insurance costs and recapture some of them back.

Len Williams, Home Federal Bank, spoke on behalf of the Banking Sector. The Banking Sector is very liquid and has a lot of money to lend. The demand for loans is weak. Strong businesses have kept their money. Loan requests have mostly been to support sustenance of a business rather than to support growth of a business. Current rates are low and terms are competitive. Lending practices were affected by the economy. The financial profile of businesses has deteriorated. Banks support a growing economy, they don't spur it.

The primary driver is cash flow. After that, the strength of the balance sheet and outside support (individuals behind the business) are reviewed. Businesses need to start borrowing money. There are very few undercapitalized Idaho banks. There must be competitive incentives for companies currently in Idaho and willing to grow or for companies willing to relocate to Idaho. Those incentives must be tangible, such as a Recruiting and Retention Fund or a short term tax abatement. Growth requires investment. That investment could be from a cooperative alliance or some other financial resource for small businesses such as the angel investors.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:55 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Thursday, February 09, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS21234C1	Site Improvements	Rep. Hartgen
RS21180	Teacher expense deductions	Sen. Brackett
RS21189	Cigarette rolling machine operators	Brett DeLange, Office of the Attorney General
RS21223	Tax Commission, rule rejected	Chairman Lake

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
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Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 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, Barbieri, Bayer, Ellsworth, Gibbs, Killen, Burgoyne, Rusche

ABSENT/ EXCUSED: None.

GUESTS: Brett DeLange, Office of the Attorney General; Tony Poinelli, Idaho Association of Counties (IAC); Phil Homer, Idaho Association of School Administrators (IASA); Brad Wills, BuildIdaho.org; Jeremy Pisca and Ben Davenport, Idaho Building Contractors Association (IBCA); Heidi Low, American Cancer Society Cancer Action Network (ACS CAN); Teresa Molitor, Reynolds American, Inc. (RAI); Zach Hauge, Capitol West

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

RS 21234C1: **Rep. Hartgen** presented **RS 21234C1** which is legislation that has been in the discussion phase since last year. **Brad Wills**, BuildIdaho.org, has been instrumental in getting this proposed legislation completed. It is an amendment to Idaho Code 63-602W and Section 63-301A. The construction industry pays taxes on a large amount of property. New parcels add new business and allow tax districts to expand. When use of land changes, taxes do increase. If the development is platted without any agriculture or forestry use, and there are no improvements, or it is improved with infrastructure but vacant, there is no opportunity for the developer to recoup any costs. This legislation would hold value at the level of no improvement for tax purpose until actual site improvements are made. An application is required for each exemption in this process. This would prevent the shift to other tax categories. If there is any reduction in value, a new construction role would be prepared. Any reduction in value would be applied to the new construction role. This legislation would be retroactive to January 1, 2012.

In response to Committee questions, **Rep. Hartgen** stated that the lookback period would continue to be five years. There are inconsistencies throughout the state in the collection of taxes on developments. This would standardize the process. Any development could stay idle, with uncollected tax, until the developer moves forward. Since the developer waits until there is a demand, the parcel could stay that way for years.

MOTION: **Rep. Bedke** made a motion to introduce **RS 21234C1**. **Motion carried by voice vote**. **Rep. Burgoyne** requested that he be recorded as voting **NAY**.

RS 21180: **Sen. Brackett** presented **RS 21180**, which is legislation that removes the prohibition and allows the deduction of classroom supplies by elementary and secondary school teachers. Previously, this did not comply with Federal Code.

MOTION: **Rep. Rusche** made a motion to introduce **RS 21180**. **Motion carried by voice vote**.

RS 21189: **Brett DeLange**, Office of the Attorney General, presented **RS 21189**. **Chairman Lake** stated that it would be introduced in the House Revenue and Taxation Committee and when it returns to committee for a hearing, it will be referred to State Affairs.

Mr. DeLange stated that this legislation addresses the introduction and increased use of cigarette rolling machines in Idaho. While previous cigarette rolling was only done in one's home, there are now machines that cost between $35,000 and $40,000 that roll 200 cigarettes in approximately 15 minutes. The machine operator makes the cigarette available for consumers' use. These machines have the potential to circumvent current legislation/laws. The use of these machines must still meet current laws. The operator of the machine would be required to certify to the Attorney General (AG) that they comply with the laws. The AG can ensure that those rules are being applied. This will enable the AG to track sales so that duties are performed as required under the Master Settlement Agreement (MSA). Idaho has received over $300,000,000 in funds under this MSA. This legislation consists of legislative findings and intent, so the courts know why it was created; and definitions, (i.e. an operator is someone who makes cigarettes available commercially). This will not affect someone using a machine in their home. Also included in this legislation are certifications ensuring these machines are not used until registered with the AG and that the operator is only using tobacco approved by the AG (per the MSA Complimentary Act).

There is a directory maintained by the AG,so that the MSA payment is not jeopardized. Using this directory, the AG ensures all tobacco taxes have been paid, that all minors access permits are in place, and that the machines only use products deemed fire safe in compliance with the fire safety act. In conjunction with the youth access issue, no less than 20 cigarettes may be sold at one time. If the machines are in a facility, minors must be excluded. Legislation also requires that tobacco that is used in the machine is purchased from the operator. Forms will be available for certification by the operator. All tobacco wholesalers currently report quarterly to the AG. Operators of these machines would certify their operation annually. The consequence for violation or failure to verify is removal of the machine within ten days. This legislation would prohibit someone from manufacturing cigarettes and then selling them. The machine is for use by others, not for manufacturing, which falls under federal law. It allows for implementation of this act and verification of the fire safety of the tubes.

In response to Committee questions, **Mr. DeLange** state that the AG wants to regulate not ban the machines. Passing this law will eliminate any argument that Idaho is not complying with the MSA. There will be no fees charged by the AG. The reports are similar to current reporting, so probably no additional work will be required. The MSA is fundamentally a public health document, and it benefits the state. Cigarette companies were required to join the MSA or start an escrow account in each state, paying a fee per cigarette sold (which costs are close to the amount for joining the MSA). Money stays in the escrow account in case of a lawsuit. If a tobacco company loses market share, they get an adjustment. In 2003 manufacturers lost close to a 6% market share, or approximately $1.1 billion. Under the escrow law their market share loss can erase what should be in the escrow account. The manufacturer must be able to show the arbitrator that Idaho did not diligently enforce the law. This legislation shows that Idaho continues to be diligent. The machine owner cannot put the tobacco in, push the button, and then sell the cigarette. The consumer must put the tobacco in and push the button. No fire safe tube is available, so this allows the AG to work with the industry to find an acceptable tube. This helps the industry plan and provide a certainty that the AG won't change things in midstream.

MOTION: **Rep. Ellsworth** made a motion to introduce **RS 21189**. **Motion carried by voice vote**. **Rep. Barrett and Harwood** requested that they be recorded as voting **NAY**.

RS 21223: **Chairman Lake** presented **RS 21223**. The Senate had an error in their concurrent resolution, and they requested that replacement legislation start in the House. Subsection 4 was omitted.

MOTION: **Rep. Ellsworth** made a motion to introduce **RS 21223** and send it directly to the Second Reading Calendar. **Motion carried by voice vote**. **Rep. Collins** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:16 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Monday, February 13, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 488	Tax Credit/Sun Valley Adaptive Sports	Rep. Jaquet
RS21072C1	Income Tax Credits, New Jobs	Rep. Rusche

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
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Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

Janet Failing
Room: EW53
Phone: (208) 332-1125
email: jfailing@house.idaho.gov

MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 13, 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: Dave Goins, Idaho News Service; Suzanne Budge, SBS Assoc. LLC; Dan John, Tax Commission

Chairman Lake called the meeting to order at 9:01 am.

MOTION: **Rep. Raybould** made a motion to approve the minutes of the February 3, 2012 meeting. **Motion carried by voice vote**.

H 488: **Rep. Jaquet** presented **H 488**. This legislation provides for enhanced credit for Sun Valley Adaptive Sports (SVAS) / Higher Ground. **Rep. Hagedorn** is now the co-sponsor. With these enhanced charitable contributions, it is still unknown if there is any impact to the fiscal notes since this is the first year of enhanced contributions. It allows for deductions of $500 for a single filer, $1000 for joint filers and a maximum of $5000 for a corporate contribution. It is projected that 35% of returning service personnel have Post Traumatic Stress Disorder (PTSD). Veterans between the ages of 18-24 have a staggering 35% unemployment rate. One of the things SVAS does is help make the transition to civilian employment.

Rep. Hagedorn continued the discussion by talking about the transition to civilian life. Veterans have twice the rate of suicide as non-veterans in the same age group. They also have almost twice the rate of unemployment as their civilian counterparts. The Higher Ground program takes over after retirement from active service. It is critically important to transition these veterans. There are approximately 40,000 organizations helping veterans; SVAS is recognized as one of top 50 organizations. There is a sunset clause of 2016, which was established in last year's legislation.

Chip (George) Fisher, Sun Valley Adaptive Sports, and previous CEO of the Special Olympics World Games, stated that there are 350,000 wounded veterans that need some kind of help. This program gives them social rehabilitation and educates them and their families. It is aligned with three different universities. Just recently, conversations with the Bush Library were started to expand across the United States. They hope to forge a pathway for other states to follow in helping these veterans. Their calculations for the fiscal note ($70,000) was calculated by taking all Idaho donations last year and multiplying it by the proposed tax credit.

Erin Reinschild, Sun Valley Adaptive Sports, stated that there are many invisible wounds, such as hyper-vigilance, which transfer into the veterans everyday life. SVAS holds nine camps per year with eight couples (the veteran and a caregiver) per camp. They learn coping and de-stressing strategies as well as how to integrate into society/family. SVAS provides a three year follow-up. They have a program in place that works with three universities; BYU, University of Michigan, and Indiana University. They have been approached by other organizations for tips on how they can also succeed with their program, so they are writing a "Best Practices" document.

In response to Committee questions, **Dan John**, Tax Commission, stated Section 63-3029A was amended in 2010 to include the enhancement of the tax credit.

In response to Committee questions, **Ms. Reinschild** stated that this program is not limited to Idaho veterans. SVAS has also put together 1-3 day camps for Idaho veterans, in conjunction with the Veterans Association. The tax credits are an incentive to Idaho taxpayers to fund the program, but the entire program is not borne by Idahoans. They have never turned anyone away.

ORIGINAL MOTION: **Rep. Killen** made a motion to send **H 488** to the floor with a **DO PASS** recommendation.

SUBSTITUTE MOTION: **Rep. Roberts** made a substitute motion to send **H 488** to General Orders. **Rep. Moyle** seconded the motion. Roll call vote was requested. **Motion carried by a vote of 12 AYE, 1 NAY, 5, Absent/Excused**. **Voting in favor** of the motion: **Reps**. **Lake**, **Barrett**, **Moyle**, **Raybould**, **Roberts**, **Schaefer**, **Bedke**, **Harwood**, **Barbieri**, **Bayer**, **Ellsworth**, **Gibbs**. **Voting in opposition** of the motion: **Reps**. **Collins**, **Smith(24)**, **Killen**, **Burgoyne**, **Rusche**. **Rep**. **Wood(35) was absent/excused**.

RS 21072C1: **Rep. Rusche** presented **RS 21072C1**, which provides a finders fee for bringing businesses to Idaho. It is designed to stimulate growth and have companies bring their associate companies to Idaho (supplier or customer). The $1000 tax credit is split between the established company and the new to Idaho company. It is good for three years with a total limit of $3,000,000 per year. The new business must be in place for one year before the credit is available.

In response to Committee questions, **Rep. Rusche** stated that last year's bill; "Add One"; is different from this proposed legislation because it is designed to attract associate companies. The new business certification process defines the requirements and criteria. Chobani is anticipating a number of their outsourcing companies to come in to Idaho, and they would all be eligible provided they met the criteria stated. Rep. Rusche has not reviewed the statistics of similar legislation in Delaware, but would be happy to do so. Each incoming company must bring at least three employees, and there is no base pay rate stipulated in the legislation.

ORIGINAL MOTION: **Rep. Gibbs** made a motion to introduce **RS 21072C1**.

SUBSTITUTE MOTION: **Rep. Barrett** made a substitute motion to return **RS 21072C1** to the sponsor. Roll call vote was requested. **Motion carried by a vote of 11 AYE, 6 NAY, 1 Absent/Excused**. **Voting in favor** of the motion: **Reps**. **Collins**, **Barrett**, **Moyle**, **Raybould**, **Roberts**, **Schaefer**, **Smith(24)**, **Harwood**, **Barbieri**, **Bayer**, **Ellsworth**. **Voting in opposition** of the motion: **Reps**. **Lake**, **Bedke**, **Killen**, **Burgoyne**, **Rusche**, **Gibbs**. **Rep**. **Wood(35) was absent/excused**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:01 am.

Representative Lake
Chair

Janet Failing
Secretary

AMENDED #1 AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, February 15, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 517	Teacher expense deductions	Sen. Brackett
H 485	Tax deducts/energy efficiency upgrade	Rep. Jaquet

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
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Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 15, 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: Milan Kaldenberg, Self; Ben Otlo, Idaho Conservation League; Bert Marley and Penni Cyr, Idaho Education Association (IEA); Melissa Nelson, Idaho Society of CPAs (IDCPA); Will Hart, Idaho Consumer-Owned Utilities Association (ICUA); Dan John, Tax Commission

Chairman Lake called the meeting to order at 9:03 am. When it was determined that the presenters were not present, Chairman Lake put the committee at ease at 9:06 am. The meeting was called back to order at 9:09 am.

H 517: **Sen. Brackett** introduced **H 517**, which removes the prohibition of the deduction of certain expenses by elementary and secondary school teachers. Idaho Code will now conform with federal tax code in the calculation of adjusted gross income. The emergency clause allows it to be in used in the 2012 tax year.

MOTION: **Rep. Bayer** made a motion to send **H 517** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Moyle** will sponsor the bill on the floor.

H 485: **Rep. Jaquet** introduced in **H 485** as an RS in the Environmental, Energy & Technology Committee. The co-sponsor of this bill is **Rep. John Vander Woude**. It amends an existing statute that covers houses built prior to 1976 and proposes to amend that statute to 2002. That is the year that usage of the Energy Code was made compulsory in Idaho. The Amendment is designed to make existing legislation accurate and is only for residences, not commercial buildings. The Amendment corrects reference to Idaho Energy Plan of 2007. It has been endorsed by the executive board of the Building Contractors Association. It has economic development benefits. The Idaho Department of Labor believes that 21 jobs will be created per $1,000,000 in sales.

Rep. Vander Woude, co-sponsor spoke on behalf of **H 485**. The downturn in the economy strongly affected the construction industry.

In response to Committee questions, **Rep. Vander Woude** stated that fasteners, joints and sealants are a part of this legislation if they improve the energy efficiency of a residence. There is no Sunset clause, so people are encouraged to take the credit without an end date. It is a deduction, not a credit. It would be difficult to place an expiration or end date on this proposed legislation. The State of Idaho adopted the Energy Code in 2002. Homes built after that, with up to three different code amendments, are more efficient. With no Sunset clause, owners of older houses could still access the incentives.

Milan Kaldenberg, representing himself, testified in favor of **H 485**. He said the wording of the bill should be changed so that a specific date is not listed and additional legislation is not required in the future to again correct this issue. But, future homes would be compliant with the Energy Code, so they would be energy efficient.

In answer to Committee questions, **Dan John**, Tax Commission, stated that when the law originally passed, it was to allow houses in existence to be brought up to current energy standards. **H 485** takes this up to the energy standards of 2004, for houses constructed before 2002.

MOTION: **Rep. Wood** made a motion to send **H 485** to General Orders. **Rep. Raybould** seconded the motion. **Motion carried by voice vote**. **Rep. Jaquet** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:33 am.

_____
Representative Lake
Chair

_____
Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Thursday, February 16, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS21018C2	Port districts/authorization/election	Sen. Goedde
RS21168	Residential care/provisional permits	Kris Ellis, Idaho Heath Care Association
RS21315	Economic Estimates	Russ Hendricks, Idaho Farm
H 519	Site improvements	Rep. Hartgen/Brad Wills

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
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Rep Rusche

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 16, 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: Benjamin Davenport, Risch Pisca; Brad Wills, buildidaho.org; Gene Kuehn, Canyon County Assessor; Alex LaBeau, Idaho Association of Commerce & Industry (IACI); Miguel Legarreta & John Eaton, Ada County Association of Realtors; Seth Grigg & Tony Poinelli, Idaho Association of Counties (IAC); Steve Cope, SKC, Inc.; David Turnbull, Brighton Corporation; Brad Miller, Van Auker Properties; Jeremy Pisca, Idaho Building Contractors Association (IBCA)

Chairman Lake called the meeting to order at 9:01 am.

MOTION: **Rep. Collin** made a motion to approve the minutes of February 8, 2012. **Motion carried by voice vote**.

MOTION: **Rep. Collin** made a motion to approve the minutes of February 9, 2012. **Motion carried by voice vote**.

RS 21028C2: **Sen. Goedde** presented **RS 21028C2**. This proposed legislation is designed to expand the definition of port districts beyond what is in the Code. The previous statute referred to waterways. This legislation adds commercial, manufacturing or industrial enterprisesto the port districts statute. It also expands the definitions to include aviation, rail, motor carrier or barges. This type of legislation has been used in the state of Washington, in ports such as Pasco, as an economic development tool.

In response to Committee questions, **Sen. Goedde** stated that the infrastructure system used in Pasco, Washington was subsidized by taxpayers.

MOTION: **Rep. Ellsworth** made a motion to introduce **RS 21028C2**. **Motion carried by voice vote**. **Reps**. **Barrett** and **Harwood** asked to be recorded as voting **NAY**.

RS 21168: **Kris Ellis**, Idaho Health Care Association (IHCA) presented **RS 21168**. If the RS is introduced, Ms. Ellis asked that it be referred to the Health & Welfare Committee. Previous legislation failed to exempt temporary or provisional licenses. This proposed legislation exempts those types of licenses.

MOTION: **Rep. Barbieri** made a motion to introduce **RS 21168** and refer it to the Health & Welfare Committee. **Motion carried by voice vote**.

RS 21315: **Russ Hendricks**, Idaho Farm Bureau Federation, presented **RS 21315**. This proposed legislation is designed to return the spending limit to 5.33% of total personal income from the current 6.16%. It also revises the definition to make it more relevant. It is not designed to require cuts from the current level of expenditures. The purpose is to allow expenditures to grow no more than 5.33% of personal income in the future.

The Idaho Tax Commission is also the Economic Estimates Commission. This proposed legislation revises the definition that has been used since 1980. Personal income as defined includes government transfer payments (Social Security, Medicare, unemployment, food stamps). It reverses the definition of personal income minus contributions for government social insurance, i.e. what is taken from a pay check. The language that is stricken is the adjustment mechanism. After 2014, the State Controller will certify if receipts are above expenditure limitations. This legislation states how excess revenue is allocated. Under existing law, partial personal property tax exemption occurs when the 2008 budget is exceeded by 5%. When excess revenue reaches $20M, further reductions in personal property tax will be made. Excess revenue is then used to start reducing personal and corporate income tax in 1/10th of a percent increments. It will continue until the top rate is 5%. An escrow account will be created when there is excess revenue, but the income tax cannot be reduced a full 1/10th of a percent. This proposed legislation will not take effect until July 1, 2014. The rates remain unchanged in the Code unless changed by legislation.

In response to Committee questions, **Mr. Hendricks** stated that any money currently statutorily required would fund the reserve accounts. A one-time revenue excess converted into a permanent tax cut is a good idea because as the economy grows, it provides stronger revenue.

Under current law, the trigger to receive property tax relief occurs at 5% over the 2008 budget. The Budget Stabilization Fund gets filled first; the escrow account is to hold amounts of less than $20M until the next year. If the RS is introduced, he will try to bring a lookback chart and be prepared to discuss the definition of personal property.

MOTION: **Rep. Barrett** made a motion to introduce **RS 21315**. **Motion carried by voice vote**. **Reps**. **Rusche** and **Smith** asked to be recorded as voting **NAY**.

H 519: **Rep. Hartgen** introduced **Brad Wills**, buildidaho.org, who introduced **H 519**. The fiscal impact on local government is difficult to determine. If the value of the new construction that is developed is less, the reduction in the amount of revenue to local taxing districts would be lower. Properties that are used for ineffective farming to gain the agriculture exemption will have a greater effect on the local taxing district.

The developer's improved land is his business inventory. Idaho does not tax business inventory.

There are four basic stages of an assessed parcel. Stage 1 has a typical value of $1,500 per acre. Stage 2 is platted without agriculture or forestry and has no improvements. The typical value is $15,000 per acre. Stage 3 is improved with infrastructure but vacant (no services, structures) and has a typical value of $150,000. Stage 4 is improved lots with structures completed and has a typical value of $600,000 per acre. This bill would ensure properties stay ranked at Stage 2 until a structure has been started. This would be easy for the counties to administer.

Any reduction in revenue would not result in a tax shift. New land development keeps property taxes lower for others each year. It would continue the low cost of housing. Idaho housing costs are one of lowest in the 11 western states. This promotes well planned commercial and industrial growth. It allows land to stand shovel ready for new and existing businesses.

The new construction rolls go up or down, which is where counties get additional revenue. Between 2004 and 2012, there was $33B in value added to the tax rates due to land development and $13B added due to reclassification from agriculture land to development land. On average, 40% of the final market value is the parcel. Empty parcels require no services. Property tax revenue funds 1,245 different taxing districts in 44 counties. The levy rates vary from .66% in Challis to 2.56 in a local city nearby. Using the Stage 2 comparison, the tax would be $100 vs $380.

In response to Committee questions, **Mr. Wills** stated the tax receipt effect is difficult to measure. This legislation will typically address land that was originally agricultural or forest. If it's been zoned industrial or commercial, the use hasn't changed. The use doesn't change the levy rate.

Rep. Burgoyne invoked Rule 38 stating a possible conflict of interest as the next testifier, **Mr. Cope** is related to his wife.

In response to additional Committee questions, **Mr. Wills** said that the land will remain at the non-agricultural valuation until it is ready to sell. The building permit would be a clear trigger as to when to change property valuation. The assessors are clear on what constitutes site improvements. New construction will ensure that the property will increase in value.

Steve Cope, SKC Corp., spoke **in favor of H 519**. He stated that in 2006, he sold 100 lots. Since 2006, he has sold five, at one-half the cost to develop. This bill would benefit him. He has 54 lots on 15 acres of commercial land. He paid $42,000 in property taxes last year. He believes the tax should not be collected until a home is built and occupied.

David Turnbull, Brighton Corp., spoke **in favor of H 519**. He has - developed 2M square feet in office space, 1M square feet of retail space and 4,000 home sites in the valley. This industry considers the state to be in a depression, not a recession. He said this is an equity argument; homeowners and farmers get exemptions and so should developers. This is still creating jobs; by having shovel ready sites, when a company is ready to expand, the infrastructure is in place. Direct TV, with 1,500 employees moved to Idaho because of a shovel ready site.

Brad Miller, Van Auker Properties, spoke **in favor** of **H 519**. He develops industrial warehouses and provides facilities for companies as they expand. He cannot keep a large inventory of shovel ready lots. He extends a preliminary plat as long as possible. Residential developers may not have the ability to hold property too long.

In response to Committee questions, **Mr. Miller** stated that he has lost out on projects because they could not move fast enough. Leaving property in the improvement stage gives a more marketable piece of property. The only services a tax district would provide when there are roads and no other improvements are street sweeping and storm drainage. The cost in a residential development at the same stage would be a little more intensive due to water and irrigation connections, which would not be there for an industrial development.

Gene Kuehn, Canyon County Assessor spoke **in opposition of H 519**. He stated that he believes this bill is a tax shift. If a developer comes in and buys out an existing developer, the new developer would lose the exemption of original owner. If property goes back to farming, it is valued at the function of use. There is a possible effect on an Urban Renewal District base. Urban Renewal Districts might have trouble paying their bond.

In response to Committee questions, **Mr. Kuehn** stated that as budgets go up 3%, levy limits can still impact the budget. The assessor would grant/process applications described in the bill.

Chairman Lake announced that the Committee would meet again on Friday, February 17, 2012 to continue hearing testimony on **H 519**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:32 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Friday, February 17, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 519	Site Improvements - continuation of testimony	Rep. Hartgen/Brad Wills
RS21128	Economic Estimate	Rep. Moyle
RS21286	Income Taxation	Rep. Moyle

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
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Rep Rusche

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 17, 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: Rep. Smith(24), Wood(35), Rusche

GUESTS: Brad Wills, Buildidaho.org; Max Greenlee and Benjamin Davenport, Risch Pisca; Miguel Legarreta, Ada County Association of Realtors; Suzanne Budge, SBS Associates, LLC

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

Chairman Lake introduced the new page, **Holly Monaghan**. She is from Meridian, Idaho.

H 519: Testimony on **H 519** continued from yesterday. **Benjamin Davenport**, Building Contractors Association, spoke **in favor of H 519**. He said he believes this is a revenue neutral bill. There will possibly be a tax shift if it is not passed. This will help developers get shovel ready sites and do away with ineffective farming on platted developments.

In response to Committee questions, **Mr. Davenport** said that money from new construction tax rolls doesn't exist until there is new construction. There would be an increase in future revenues and work when the development is needed.

Alex LaBeau, Idaho Association of Commerce & Industry (IACI), spoke **in favor of H 519**. He said that looking at existing law, a developer's portfolio is the developer's inventory. A developer makes site improvements before the inventory is sold to the consumer. This is a fairness issue to real estate development people. The real estate industry will help Idaho's economy grow again. One question is: Does the inventory belong to the government or the developer? This is followed by: Who actually owns the money? There should be an inventory exemption for those putting site improvements into the land. This is a fairness issue for all businesses.

In response to Committee questions, **Mr. LaBeau** stated that the monetary impact depends on the amount of site improvements. Any prediction would be a disservice to everyone, but there would probably be zero impact after taking future budgets, tax rolls and their impact changes into the mix. Ineffective farming is a true tax shift. Everyone wants to get to a Stage 4 development; it expands the tax base and the developer recovers his investment. Every business wants to sell their inventory, whether it is a warehouse item or site improvements.

John Eaton, Idaho Association of Realtors, spoke **in favor of H 519**. He said this is a fairness issue.

In response to Committee questions, **Mr. Eaton** said the developers are trying to weather the storm. In Canyon County, there are 4,500 lots that have been improved and sit in some form. There are 3,000 platted and 700 for sale; someone has picked up the balance of the sites. Once the sale has been made, the value reduction is not available to the buyer. That does not interfere with the market. Current tax policy does interfer with the marketplace. No other industry is taxed on inventory as things are built.

MOTION: **Rep. Ellsworth** made a motion to send **H 519** to the floor with a **DO PASS** recommendation.

ROLL CALL VOTE: **Rep. Roberts** requested a roll call vote on **H 519**. **Motion carried by a vote of 13 AYE, 2 NAY and 3 Absent/Excused**. **Voting in favor** of the motion: **Rep**. **Collins**, **Barrett**, **Moyle**, **Raybould**, **Roberts**, **Schaefer**, **Bedke**, **Harwood**, **Barbieri**, **Bayer**, **Ellsworth**, **Gibbs** and **Lake**. **Voting in opposition** to the motion: **Reps**. **Killen**, **Burgoyne**. **Reps**. **Smith(24)**, **Wood(35)** and **Rusche were absent/excused**. **Rep. Hartgen will sponsor the bill on the floor**.

RS 21128: **Rep. Moyle** introduced **RS 21128**. This legislation corrects previous legislation, that did not protect community colleges, from having their future levies taken by Urban Renewal Districts.

In response to Committee questions, **Rep. Moyle** stated that at least one of the Urban Renewal Districts has provided some services to the colleges in the past.

MOTION: **Rep. Ellsworth** made a motion to introduce **RS 21128**. **Motion carried by voice vote**.

RS 21286: **Rep. Moyle** presented **RS 21286**. This legislation comes from the Governor's office. It reduces the upper limit on corporate and individual income taxes, from 7.8% and 7.6% respectively, to 7.4%. It has a $35M fiscal impact. It will combat the impression to new businesses that our tax rate is too high.

In response for Committee questions, **Rep. Moyle** said this legislation has no provision for future budget problems. Future legislation can change the rates if necessary. There were no offsets to exemptions included in this legislation.

MOTION: **Rep. Bedke** made a motion to introduce **RS 21286**. **Motion carried by voice vote**.

Chairman Lake presented a card and a Letter of Recommendation to Abby Morris, the outgoing Page and thanked her for her service to the Committee.

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

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Monday, February 20, 2012

SUBJECT	DESCRIPTION	PRESENTER
	Minutes from February 13, 2012	
RS21278	Streamlined Sales Tax	Chairman Lake

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
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Rep Roberts
Rep Schaefer
Rep Smith(24)
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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 20, 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: Jesse Taylor, Westerberg & Associates

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

MOTION: **Rep. Collins** made a motion to approve the minutes of the February 13, 2012 meeting. **Motion carried by voice vote**.

RS 21278: **Rep. Nesset** presented **RS 21278**. This legislation is the beginning of something very good for business in Idaho. We need a stronger economy, stronger employers and good jobs. It will help the state protect and retain current businesses as well as grow new business. It eliminates the 6% tax disadvantage and levels the playing field for main street businesses. This legislation is not just for internet sales, but mail order and any other type of sales that cross state lines. It establishes language to become part of the Streamlined Sales Tax Agreement, which simplifies the rates, sourcing policy and administration of the Agreement. It also provides legislative oversight. Idaho is currently not collecting about $30M in online sales tax. If Idaho becomes a member of this agreement now, the benefits will be substantial. The annual membership fee is $17,000 per year. No new taxes would be imposed with this legislation. It will support Idaho businesses.

Rep. Nesset stated that the first section of the legislation streamlines the definitions. It explains that the exemptions are still in place.

In response to Committee questions, **Rep. Nesset** stated that services are mentioned in the definitions in case taxing them occurs at a later date. There is no change in the current tax status for services. Services were mentioned in the definition as a part of the required language.

Dan John, Tax Commission, said that in the case of rebates, if there is a reduction due to a rebate, the rebate is not taxable.

Rep. Nesset said this legislation is effective for July 1, 2013. It includes on-site sales, not just internet sales. The definitions are uniform across the country and the states decide what to exempt or not exempt. The document states that it does not preempt state law. There is a requirement that each year the document must be reviewed and changes can be made to the Agreement.

Sourcing rules refer to where items are actually purchased and takes into consideration where the tax is imposed and where the tax revenue goes. Also included is how the money collected for local option taxes is divided throughout the state. The Agreement requires one administration point for local sales taxes, which will be the Tax Commission. The Local Option Tax is done at a fixed value, which is whatever the local districts have imposed.

The Agreement prohibits multiple rates for a local option taxing district. Idaho does not exempt food from sales tax like some states do. The definition of food is very complex. There are several pages of food definitions in the bill.

In response to Committee questions, **Rep. Nesset** said that this legislation does not go into effect until 2013. Companies with sales in Idaho would be required to file a return and remit the proper taxes. The main street businesses are losing sales to internet businesses. Until Congress mandates it, a tax is not required to be collected by the seller. Brick and mortar stores want to be treated fairly.

Mr. Johns stated that this is not an internet bill. It covers all remote sales, such as mail order and telephone sales. There will not be double taxation because the consumer will get credit for the amount of tax they pay to another state. The Agreement does not require states to tax or not tax anyone. It just requires that the streamline definitions be used if the state is participating. To participate, a central entity is required to collect the tax and distribute it. There is no change to what is taxed or not taxed. That can only be determined by the Legislature.

There are six certified service providers for the program and they will ensure privacy is maintained.

Rep. Nesset stated that there are currently three bills before Congress. The language in those bills is very similar. They all require a 3rd-party distributor.

Ecommerce has grown from 1% to 4% of all retail sales throughout the country. The state is not collecting a large amount of money. Federal action can take place without a state's participation. But before Idaho can participate, this same discussion will need to take place. Every dollar we forego, we need to get from somewhere else. This the best chance ever for passage of the federal legislation.

Chairman Lake announced that testimony will be continued on **RS 21278** tomorrow, February 21, 2012 at 9:00 am.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:58 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Tuesday, February 21, 2012

SUBJECT	DESCRIPTION	PRESENTER
	Minutes from February 15, 2012	
RS21278	Continuation of Streamlined Sales Tax	Rep. Nesset
RS21195	Urban Renewal	Rep. Roberts
RS21282	Income taxation/pass-through entity	Bob Aldrich, Robert L. Aldrich, Chartered
H 489	Use tax, beverage tastings	Roger Batt, Idaho Grape Growers & Wine Producers

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

Janet Failing
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Phone: (208) 332-1125
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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 21, 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: Roger Batt, Idaho Grape & Wine Producers; Melissa Nelson, Idaho Society of CPAs (ISCPA); Phil Homer, Idaho Association of School Administrators (IASA); Bob Aldridge, Trust & Estate Professionals of Idaho (TEPI); Ben Davenport and Max Greenlee, Risch Pisca; Jesse Taylor, Westerberg & Associates; Pam Eaton, Idaho Retailers Association; Dave Goins, Idaho News Service; Colby Cameron, Northwest Grocery Association

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

MOTION: **Rep. Raybould** made a motion to approve the minutes of the February 15, 2012 meeting. **Motion carried by voice vote**.

RS 21278: **Rep. Nesset** continued with his February 21, 2012 testimony on **RS 21278** which discusses streamlined sales tax. In response to previous committee questions, Rep. Nesset said that there were no expected privacy issues. Colorado is a home rule state, and they have had no issues with the certified service providers. Discounts are addressed on page 10 of the proposed legislation. Momentum is building in Congress on this issue. Passage of legislation on a federal level is still unknown. He reiterated that this proposed legislation does not instruct what to tax or not tax, but makes available the correct categories if a state does choose to tax something. In Idaho, 29 services are actually taxable. He said that pages 5-30 of this proposed legislation are definitions. A key definition includes Certified Automated Systems which are the organizations that are approved to collect the taxes.

In response to Committee questions, **Dan John**, State Tax Commission, stated that the language is in place that allows for exemption of personal property from property tax and it would not be affected by the RS. The lease of personal property is subject to tax, but only sales tax. The systems are qualified to calculate the tax.

Rep. Nesset stated that the Agreement does not preempt state law. It provides relief of a certain liability. If the State is at fault, the systems and providers are not liable. The local option tax can only have one rate per locality. There is a general exemption for utilities, and the Agreement specifically states electricity, water, and gas. Rep. Nesset will confirm that steam is included as a utility. He stated that this proposed legislation is to ensure the State complies if it enters into this Agreement. There is language within the proposed legislation to ensure that only certified service providers are used. Non-nexus providers cannot be required to collect taxes. It also outlines the Idaho representatives and the governing board. It is important to take the time to get this Agreement in place, so that it will be in effect July 1, 2013. All the details will be in place prior to the effective date.

In response to Committee questions, **Rep. Nesset** said that the $35M uncollected taxes were derived from studies done at the University of Tennessee. The studies were done by state and calculated, using different scenarios, how much the states are actually losing. The high end calculation is a $90-100M loss. The loss on internet sales is at least $30M to the State. The proposed legislation is not just for the internet, so $35M is a reasonable estimate of what could be collected. Currently, companies outside of Idaho collect under a voluntary system. There is no change for Idaho-based companies who sell to Idaho customers. There are no changes for an Idaho-based company that is now selling to customers out of state. The impact is on companies in other states. Whether Idaho participates or not, Idaho-based businesses will continue as they do now.

In response to Committee questions, **Rep. Nesset** stated there is currently a large amount of avoidance of this tax. The avoidance isn't just by individuals, but also by businesses. The validity of the University of Tennessee study has not been questioned. It has been accepted by the many people who have looked at it. He stated that, currently, many items purchased should have a Use Tax paid for them. There are companies that are voluntarily collecting the tax and remitting it to the states that belong to the Streamlined Sales Tax Agreement. The states already participating in the Agreement have certified software, rates, boundaries and know what is taxable/exempt. This simplifies sales and collections for the states. He noted that if an item is listed as exempt, and it shouldn't be, both the person and the provider are held harmless for that error. The software would know if local option taxes should be included. The software also goes to each definition to verify if an item is taxed. The Agreement specifies that a state can tax anything they choose; the state determines the items. Some states exempt different levels of foods, so specific definitions were designed.

In response to Committee questions, **Rep. Nesset** said the proposed legislation follows the current law of freight. That is, freight in to a retailer has no sales tax assigned to it. Freight out to a purchaser requires collection of sales tax. The Agreement also has provisions for having taxable and non-taxable items in the same shipment. Purchases in our state have no change unless Congress expands the NEXUS standard. The Agreement does not do away with our use-based exemption. A universal exemption certificate will be issued to all holders of many different types of exemption certificates.

In response to Committee questions, **Rep. Nesset** said that the Tax Commission only audits a small percentage of companies. Auditing is done for both sales and use taxes. Private citizens don't get randomly audited for non-payment of use tax. In most cases, other citizens contact the Tax Commission with information and the Tax Commission follows up. An example of why an audit would occur is someone driving a brand new vehicle with Oregon plates. They follow up on big ticket items. The Agreement allows for the choice of collection method and simplifies collecting what is already owed to the State.

MOTION: **Rep. Smith** made a motion to introduce **RS 21278**.

SUBSTITUTE MOTION: **Rep. Barrett** made a substitute motion to return **RS 21278** to the sponsor.

Further discussion included a need to educate consumers that if they don't pay, the government will get involved. Streamlined sales tax is not a simple thing. The RS helps the local retailers. This Agreement doesn't grow government; there is no additional hiring of any State employees, but it might require the hiring of more auditors. It helps the brick and mortar stores. The business community should testify on this proposed legislation.

ROLL CALL VOTE ON SUBSTITUTE MOTION: **Rep. Barrett** requested a roll call vote on the substitute motion to return **RS 21278** to the sponsor. **Substitute Motion failed by a vote of 7 AYE and 11 NAY**. **Voting in favor** of the motion: **Reps**. **Barrett**, **Moyle**, **Schaefer**, **Wood(35)**, **Harwood**, **Barbieri**, **Bayer**. **Voting in opposition** to the motion: **Reps**. **Lake**, **Collins**, **Raybould**, **Roberts**, **Smith(24)**, **Bedke**, **Killen**, **Burgoyne**, **Rusche**, **Ellsworth**, **Gibbs**.

ROLL CALL VOTE ON ORIGINAL MOTION: Roll call vote was requested on the original motion, to introduce **RS 21278**. **Motion carried by a vote of 12 AYE and 6 NAY**. **Voting in favor** of the motion: **Reps**. **Lake**, **Collins**, **Moyle**, **Raybould**, **Roberts**, **Smith(24)**, **Bedke**, **Killen**, **Burgoyne**, **Rusche**, **Ellsworth**, **Gibbs**. **Voting in opposition** to the motion: **Reps**. **Barrett**, **Schaefer**, **Wood(35)**, **Harwood**, **Barbieri**, **Bayer**.

RS 21195: **Rep. Roberts** presented **RS 21195** to the Committee. As was discussed last year, Urban Renewal Districts require a two-thirds majority approval for bond indebtedness. The proposed legislation addresses two sections instead of 50; Section 1, which deals with the powers of an Urban Renewal District and Section 2, which deals with the issuance of bonds. The proposed legislation attempts to make dealings with Urban Renewal Agencies consistent in tax policy and limits a county's ability for bond indebtedness.

In response to Committee questions, **Rep. Roberts** said that tax increment financing affects all county members.

MOTION: **Rep. Wood(35)** made a motion to introduce **RS 21195**. **Motion carried by voice vote**. **Reps**. **Smith(24)** and **Burgoyne** asked to be recorded as voting **NAY**.

RS 21282: **Bob Aldridge**, on behalf of TEPI, presented **RS 21282**. The proposed legislation addresses pass-through entities. If a small entity in Idaho (i.e. an LLC), has pass-through income to the owners or heirs, then election on who pays the tax by the individual or the heir is required. There is no way to know the taxable income for the year. This proposed legislation makes it easier and the election is now limited to owners and heirs of the pass-thru entities. It allows for a composite return. If an owner/heir does not file a composite return, then withholding will be collected. It provides that the burden is to be on the entity. A composite return can be filed or a statement of income can be given to the non-resident. Backup withholding is eliminated in the election language. There can be work done in rules for simplification purposes.

MOTION: **Rep. Killen** made a motion to introduce **RS 21282**. **Motion carried by voice vote**.

H 489: **Roger Batt**, Idaho Grape Growers and Wine Producers, presented **H 489**. The purpose of this legislation is to exempt tastings of beverages including, but not limited to, wine and beer from the payment of Use Taxes. Also included is the definition of a free tasting. This is a tax on losses; something given away. It has an emergency clause so that this burden is eliminated eaqrlier than July 1, 2012.

MOTION: **Rep. Ellsworth** made a motion to send **H 489** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Bayer** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:23 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Wednesday, February 22, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS21318	Revenue and taxation	Rep. Roberts
RS21205	Property tax/homeowner's exemption	Sen. Winder
RS21097C1	Access easements	Sen. Winder
H 562	Local economic development act	Rep. Moyle

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 22, 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 Fry, Boise County; Gary Marks, Redevelopment Association of Idaho; Randy Nelson, Associated Taxpayers of Idaho (ATI); Ryan Armbruster, Jerome Urban Renewal Agency (JURA); Jesse Taylor, Westerberg & Associates; Dave Goins, Idaho News Service; Max Greenlee, Risch Pisca; Teresa Molitor, Lake City Development Corp. (LCDC) and Jerome Urban Renewal Agency (JURA)

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

RS 21318: **Rep. Roberts** presented **RS 21318**. The proposed legislation is to assist Boise County as a result of their lawsuit. Boise County had an application for a development in their county. The grounds for their rejection of that application did not hold up in court. They were sued and lost. The plaintiff was awarded a $5.5M judgment. The first payment on the judgment emptied every reserve account in the county, including money that was earmarked for road and bridge work. There is a budget limitation in the Code dealing with property taxes. Boise County can not afford to make the next payment with the current Code (there is a 3% budget limitation). This proposed legislation is a very narrowly crafted piece of legislation; drafted in conjunction with the Tax Commission, other legislators and Legislative Services. It is similar to legislation for school districts; it uses a provision for Tort Levies. Section 1 of the RS allows for a levy against assessed valuation if certain conditions are met: (1) the County must assess the maximum amount of tax allowed, (2) their funds are empty, (3) the judgment must be after December 31, 2010, (4) the attorney fees exceed one-third of the highest annual budget over the past three years, (5) it does not increase the budget otherwise applicable by more than two-tenths of one percent, (6) the levy can only be in place until the tax is paid in full.

In response to Committee questions, **Rep. Roberts** said that the proposed legislation is narrowly crafted and doesn't allow other counties to be less cautious. The message being sent to other counties is that this is not a new type of tax in the "case of county errors". Its purpose is to work with a county in dire straits. There is no sunset on this proposed legislation; the limitations in place work as a sunset. Some legislation is crafted for a specific purpose. Future legislation could insert a sunset clause if needed.

The County Commission can act on their own to initiate the application of the proposed legislation. Acquiring funding with a budget limitation under Section 63-802 is another path, but it requires two-thirds voter approval. The likelihood of the voters approving that type of funding is highly unlikely. This is designed to help a county create a path forward rather than create a substantial tax increase. The county is not in bankruptcy now. Judge Winmill determined that they were not insolvent. The funds he deemed to be available were the Highway Users Fund and the Enterprise Users Fund. Regardless of what Idaho Code states, those funds were deemed available. Voters not approving a levy increase would not fulfill bankruptcy requirements. The problem is time; the County must begin payments in February, 2013, so there is no time to put a measure on the ballot.

MOTION: **Rep. Bedke** made a motion to introduce **RS 21318**. **Motion carried by voice vote**.

RS 21205: **Sen. Winder** presented **RS 21205**. A constituent in the Boise area brought the idea for the proposed legislation to him. The parent had died and the children were dealing with the estate. Due to the death of the homeowner there was a loss of the homeowners exemption. The proposed legislation allows for heirs to get the homeowners exemption the year of death and one year after. The reason behind the extra year is if death occurred on December 31, the end of calendar year, the heirs would be ineligible for the exemption, so one year after was added.

In response to Committee questions, **Sen. Winder** said that only a qualified person (family member) can apply and get the homeowners exemption.

MOTION: **Rep. Bedke** made a motion to introduce **RS 21205**. **Motion carried by voice vote**.

RS 21097C1: **Sen. Winder** presented **RS 21097C1**. This private property rights issue is one that legislators have been dealing with for many years. We need to respect the private property rights of individuals. Some rules will be more expansive. When a right-of-way is purchased (i.e. Eagle Road), part of the purchase agreement granted an access easement, which allows the owner to get access to the roadway. The owner must be compensated if that easement is denied.

MOTION: **Rep. Moyle** made a motion to introduce **RS 21097C1** and refer it to the Transportation and Defense Committee. **Motion carried by voice vote**.

H 562: **Rep. Moyle** presented **H 562**. The legislation deals with revenue allocation areas (Urban Renewal Areas (URAs)). The original legislation assumed that community colleges were included. The amendment corrects that problem. If acceptable, he would like this bill sent to Amending Order and will change the second e to f on page 2.

In response to Committee questions, **Rep. Moyle** said with the earlier bill it was assumed that the increment was not being captured by the URAs. In the past, some URAs have done some improvements at the colleges, such as sidewalks.

Randy Nelson, Associated Taxpayers of Idaho, said the legislation adds to other levies not captured by the URA. These are voter-approved supplemental levies that started after December 31, 2007. School districts are mostly responsible for supplemental levies, but other districts also have levies. When levies are set, there is an increment value set for each district. Prior to this legislation, they get a percentage of the levy. The bill does not include tort/liability levies. Tort/liability levies will still get applied at the same rate as they currently do. This does decrease available funds for the URAs because the taxing district gets less revenue.

In response to Committee questions, **Mr. Nelson** agreed that the money doesn't stay with the community college, but shifts back to the taxpayer as a decrease in taxes. All it does is reduce the amount of levy to the URAs. Another levy could be passed to match the savings. The only sufferer is the URA who misses out on additional revenue.

Rep. Chadderdon spoke **in favor** of **H 562**. There has been an ongoing struggle with how the state can finance more community colleges. In the equation, the main figure is the taxing entity. When Idaho first acquired a community college, 44 states already had community colleges.

In response to Committee questions, **Rep. Chadderdon** said that the taxpayer has no idea that they are paying taxes to the URA.

Brian Armbruster, representing the Jerome Urban Renewal Agency, spoke in **opposition to H 562**. There is no impact on the community college. There is a disconnect in what the 2008 bill attempted to achieve. The URA should have no expectation when a levy was passed. In the case of a levy that is currently on the books; i.e. a general O&M levy, the school district has less money to pay the bond than what the voters approved. The objective is to get the money to the school district. Specific bond covenants require that the bondee show specific coverage. What is done with the extra money? The Jerome URA closed a bond five years early. They have also done many "pay as you go" projects. The last bond the Jerome URA did was a 15 year bond in 2006.

In answer to Committee questions, **Mr. Armbruster** said that a decrease in increment funding will probably affect bonding because they would have less money.

Gary Marks, Redevelopment Association of Idaho, spoke in **opposition to H 562**. He said this bill actually applies to levies that exist. The URAs rely on those dollars to meet debt obligations. This bill has come about quite rapidly and even the community colleges were unaware of it. Continuing to reduce the revenue stream to the URAs will make them less attractive to new businesses and expanding businesses. He requested it be held in committee and that the committee resists any other new bills on the same subject.

In response to Committee questions, **Mr. Marks** said that even if the bill were amended, his organization would stand in **opposition to H 562**. A new bill would be better because it would solely address future levies, but it would still impede what the URAs do. Businesses won't come to the URAs due to the tax structure. It would be better to lower the tax rates rather than increase them.

Mr. Marks stated that there is no central clearinghouse for bond obligations. It is unknown if any URA would be unable to meet their payment obligations as a result of this legislation. Bond covenants require 1.25% coverage to not be in default.

Rep. Moyle said the sponsor is amenable to changing the language to prospective levies. The original intent of the proposed legislation was to affect prospective levies.

MOTION: **Rep. Barrett** made a motion to send **H 562** to General Orders. **Rep. Roberts** seconded the motion. **Motion carried by voice vote.**

ADJOURN There being no further business to come before the committee, the meeting was adjourned at 10:30 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Friday, February 24, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS21359	Community Infrastructure Districts	Rep. Luker
RS21258C1	Unclaimed Property	Rep. Luker
RS21295	Revenue and Taxation	Rep. Moyle
RS21376	General Fund Transfer	Chairman Lake
RS21377	General Fund Transfer	Chairman Lake

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 24, 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: Representative(s) Schaefer, Smith(24), Wood(35), Gibbs

GUESTS: Jeremy Pisca, M3 Companies; Dave Goins, Idaho News Service; Phil Homer, Idaho Association of School Administrators (IASA); Jesse Taylor, Westerberg & Associates; Max Greenlee, Risch Pisca

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

RS 21359: **Rep. Luker** presented **RS 21359**. The proposed legislation is intended to make some changes to the Community Infrastructure District (CID) bill passed a few years ago. There are seven changes; some of the changes are minor and some are more significant. One change is in regard to the scope of improvements that are allowed to be financed by the district. Previous legislation allowed the placement of the infrastructure to be either directly or indirectly related to the district. There were no constraints. This RS would change that and require a substantial nexus between the project and the district. The original provision allowed for non-contiguous property; now the addition of non-contiguous property must have a substantial nexus to the original district or original infrastructure project. It would allow for submission of written testimony prior to a hearing to create a district. The gap in the law regarding selection of a District Manager and other staff will be corrected. The original legislation allowed for a maximum outstanding principal to be calculated at an amount up to 12% of the adjusted market value. The proposed legislation lowers that amount to 9%. It takes out provisions that give carte blanche to the governing body under the special assessment section and would require two-thirds agreement for a special assessment. It also increases the appeal time from 30 to 60 days.

In response to Committee questions, **Rep. Luker** stated that the intent was to add sideboards or restrictions to the original language. This could be a geographical, business or a financial nexus. It must be related and it must be substantial.

MOTION: **Rep. Barrett** made a motion to introduce **RS 21359**. **Motion carried by voice vote**.

RS 21258C1: **Rep. Luker** presented **RS 21258C1**. The proposed legislation was written in answer to a question: "Why does Idaho escheat unclaimed property to the state?" Unclaimed property can be money, stocks, or other property. It is property for both named and unnamed persons. After a period of five years, this property is turned over to the State as unclaimed property. Unnamed property is harder to track. The Treasurer's office administers the registry of the property. Idaho is one of two states that does not allow the indefinite right of redemption. Constitutionally, there is a small segment of property that is required to go to the State Endowment Fund. The fiscal impact is an estimate, based on the average of approximately $40K in claims that are presented each year. The proposed legislation gives personal property rights back to the citizens of Idaho. The Endowment Board supports the proposed legislation.

In response to Committee questions, **Rep. Luker** said there is a procedure in place so that a citizen can donate his/her unclaimed money to the state.

MOTION: **Rep. Burgoyne** made a motion to introduce **RS 21258C1**. **Motion approved by voice vote**.

RS 21295: **Rep. Moyle** presented **RS 21295**. The proposed legislation affects properties that become exempt, such as a hospital, church, or highway district, from paying property tax on the taxable market value of the property. Overlying districts cut budgets not shift taxes to other taxpayers. There are exemptions we don't want to replace: homeowners exemption, intangibles, personal property, Urban Renewal Districts. A company must tell the Tax Commission prior to becoming an exempt property. Micron didn't inform the Tax Commission that it would qualify for an exemption so there was a tax shift. When the property becomes exempt, the budgets should reduce rather than shift the property taxes to other taxpayers.

In response to Committee questions, **Rep. Moyle** said the 3% guarantee still gives a shift, but it's a lesser amount. This legislation makes the local taxing districts more accountable.

MOTION: **Rep. Barrett** made a motion to introduce **RS 21295**. **Motion carried by voice vote**. **Reps**. **Burgoyne**, **Killen** and **Rusche** requested that they be recorded as voting **NAY**.

Chairman Lake turned over the gavel to **Vice Chairman Collins**.

RS 21376:
RS 21377: **Rep. Lake** presented both **RS 21376** and **RS 21377** at the same time. They are identical RS's until you reach the term of the proposed legislation. **RS 21376** is ongoing, and **RS 21377** is one-time. The two RS's sweep funds left over after the state budget is determined. Currently, at the end of the year, the money sits there until the next year. After budgets are made, the extra money is put into the reserve account. Using the JFAC worksheet, the current budget has $30M left over. The proposed legislation would put the money into the budget stabilization account.

In response to Committee questions, **Rep. Lake** said that only one of the two RS's should be introduced. The other would be left in committee. The proposed legislation would affect the 2013 budget. Existing language mandates only 50% of funds can be appropriated if the reserve exceeds 5% of the budget.

This is a surplus eliminator type of legislation. If the proposed legislation is put in place, excess revenue would be swept into the reserve account. This would also happen for the 2014 budget if the ongoing RS is approved. No money would be carried over for the next year's budget. This is a transparent way of doing budgets.

MOTION: **Rep. Raybould** made a motion to introduce **RS 21376**. **Motion carried by voice vote**.

UNANIMOUS CONSENT REQUEST: **Rep. Lake** made a unanimous consent request to **HOLD RS 21377** in committee. There being no objection, the request was granted.

Chairman Collins turned over the gavel to **Chairman Lake**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:50 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Monday, February 27, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 557	Port districts/authorization/election	Sen. Goedde
H 582	Income taxation/pass-through entity	Bob Aldridge, Robert L. Aldridge, Chartered
H 585	Revenue and taxation	Rep. Roberts
RS21289C1	Ag business investment tax credit	Rep. Lacey, Rep. Pence

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 27, 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: Representative(s) Moyle, Smith(24)

GUESTS: Ann Heltsley, Citizen; Bob Fry, Boise County Commissioners; Bob Aldridge, Trust & Estate Professionals of Idaho (TEPI); Jayne Reed, Citizen; Bruce Reay, Citizen; Russell Westerberg, Rocky Mountain Power (RMP); Jeff Sayer and Megan Ronk, Department of Commerce; Melissa Nelson, Idaho Society of CPAs (ISCPA); Cherese McLain, Boise County; Jeremy Pisca, Potlach; Janet Crouse, Citizen; Cameron Arial, Zions Bank; Elizabeth Criner, Northwest Food Processors Association (NWFPA)

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

Chairman Lake handed the gavel over to **Vice Chairman Collins**.

MOTION: **Rep. Raybould** made a motion to approve the minutes of the February 21, 2012 committee meeting. **Rep. Burgoyne** requested a correction on page 3. The minutes should read: "Mr. Cope, the next testifier, is related to Rep. Burgoyne's wife." **Motion carried by voice vote**.

H 557: **Sen. Goedde** presented **H 557**. A previous legislature approved the formation of Port Districts in 1941. Port Districts have typically been associated with water. This change includes railways, roads and air, along international and national trade corridors under the definition of Port District.

Glen Miles, Kootenai Metropolitan Planning Organization (KMPO), said Idaho is a part of a big economy, and products are sent around the world. We must be able to respond differently than we did when the original legislation was passed. We must be able to think, plan and strategically invest in long-term infrastructure. **H 557** would allow the four counties that border a national or international trade corridor to promote their counties in a positive manner.

Interstate traffic is predominantly North to South or East to West. The trade corridors can also include waterways as originally designed. There are two Congressional High Priority Corridors. Idaho has 37 counties that sit on the National Highway System. This legislation extends the same opportunity that the Lewiston-Clarkston Valley has had to other areas of the state.

In response to Committee questions, **Mr. Miles** said that ports are created by a majority vote. Port Districts have the ability to apply for bonds, but need to have a method in place to collect revenue. There are three types of revenue typically used: the one-tenth of one percent property tax levy, general obligation bonds and industrial revenue bonds. The existing statute states that creation of a Port District that is to encompass multiple counties must start in a single county and annex the other counties in to it. This would create the opportunity to bring in new business. An airport of sufficient size could take advantage of the proposed legislation. There are five major airports along a major highway. Annexation into a Port District requires a vote. The Port District is governed by three independently elected officials. The board members are elected at the time the Port District is created.

Jeff Sayer, Department of Commerce, spoke in **favor of H 557**. He would like to acknowledge the economic development opportunities this tool provides. Twin Falls attracted Chobani. This bill focuses on industrial capacity and infrastructure. He is aware of an area in Idaho with immediate needs that creation of a Port District would help. There is one company thinking about moving into the state and one company who may move out of Idaho due to lack of a Port District solution. This unique opportunity could create up to 450 jobs.

In response to Committee questions, **Sen. Goedde** said a Port District that would be less than a county in size would be required to apply for approval to the County Commissioners. The property tax rates for Lewiston are $400K lower than the limit allowed. The rate has held the same since the Port District was started.

MOTION: **Rep. Rusche** made a motion to send **H 557** to the floor with a **DO PASS** recommendation. **Rep. Barrett** requested a roll call vote.

SUBSTITUTE MOTION: **Rep. Moyle** made a substitute motion to **HOLD H 557** in committee. Roll call vote was requested. **Motion carried by a vote of 14 AYE, 3 NAY, 1 Absent/Excused**. **Voting in favor** of the motion: **Reps. Collins, Barrett, Moyle, Raybould, Roberts, Schaefer, Wood(35), Bedke, Harwood, Barbieri, Bayer, Ellsworth, Gibbs, Lake**. **Voting in opposition** to the motion: **Reps. Killen, Burgoyne, Rusche**. **Rep. Smith(24) was absent/excused**.

H 585: **Rep. Roberts** presented **H 585**. This legislation deals with a property tax levy for purposes of paying a judgement against a taxing district. The legislation does not dictate how to pay a judgement. It is a bail-out for Boise County, but no state funds will be used. It establishes that taxpayers of this county will satisfy the judgment against the county and enables the county to take advantage of lower interest rates. This is a narrowly crafted bill.

Bob Fry, Boise County Commission, said the County had a judgement of $4.5M plus interest as a result of losing a lawsuit. The County has paid $2.2M against the judgment. All excess funds, pursuant to the Bankruptcy Courts instruction, have been used. This includes road and bridge money as well as highway state/federal money. The Federal bankruptcy judge ordered the County to use the money, regardless of federal and state law. It is not feasible for the County to appeal to the next court. Boise County has exhausted all other avenues. They have a court order to pay the debt with registered warrants and to levy taxes into the general fund. If warrants don't occur, they are required to sue the Tax Commission. The Warrant Redemption Fund has a levy limit of 3% growth. The Tax Commission has discussed all alternatives with three of the four Commissioners, as well as with legal counsel. The alternative is to create legislation to increase levy limits. This saves money in attorney fees for both the State and the County. **H 585** would allow Boise County to secure bonding to pay the debt off.

If the County uses a bonding mechanism, the rate will be between 3.9% and 4.7%. The interest rate on the judgment is 5.5%. Taking a lower interest rate and a five year pay-off would save nearly half the total interest cost. Boise County has historically had low levies. The most significant thing to consider isn't the situation in Boise County but the state of tax law in Idaho. If this issue goes to court as stated by **Judge Winmill**, it could create another mess. The solution would then likely be less clear than any thoughtful action by the legislators. Some constituents are opposed to this solution. They state that this bill is unconstitutional. That is not the case. The Commissioners have held three meetings and public hearings. One hundred or more residents have been in attendance. Once the residents understood the issues, the opposition has ceased and they are supportive. Part of the difficulty is that there are between 3,000 and 4,000 voters in the County and only 100 people have attended the meetings. The County Commission would like to put the issue to the voters in the form of an advisory ballot, but due to timing, that

is impossible. What does this mean to taxes? The legislation will result in a $38 to $110 increase depending on rates/terms.

In response to Committee questions, **Mr. Fry** said that if the bill doesn't pass, the County is under court order to sue the Tax Commission.

Ann Heltsley, Citizen, spoke in **opposition to H 585**. She said the bill affects property owners in the entire state not just in Boise County. It should be seen as a violation of the constitutional right to vote on tax increases. She is dismayed that one Commissioner is speaking on behalf of all residents. There have been no notifications of the results to the taxpayers. All actions have been done in Executive Session. The only meetings with the general public were held last week. Why give authority to tax without representation? Perhaps local residents don't want to pay an increase to get the taxing district out of the lawsuit. Perhaps the taxing district needs to be dissolved. Is it legal to backdate the bill to get Boise County out of their predicament? Commissioner Fry shouldn't be speaking for all residents. She requests tabling the bill.

During Committee discussion, the following points were made: The question isn't if the money is owed, it is how it should be paid. The bill isn't to protect Boise County, but rather, the Tax Commission.

Bruce Reay, Citizen, stands in **favor of H 585**.

Jayne Reed, Citizen, spoke in **opposition to H 585**. She said Commissioner Fry is representing himself, not the residents of Boise County. The Judgment Satisfaction doesn't instruct the County to sue the Tax Commission prior to any other solutions. There is overwhelming support for the County to run it's own bond to cover the payment. The County has the money for the February 2013 payment in the bank. There have been no discussions with residents prior to last week. She feels strongly that this bill is the wrong way to go. It should be used as a last resort.

In response to Committee questions, **Ms. Reed** said the County could run a bond for themselves to avoid paying an additional taxing authority. They could enter into a General Obligation bond which would require a two-thirds approval to go over the 3% levy limit.

MOTION: **Rep. Bedke** made a motion to **HOLD H 585** in committee.

Cherese McLain, Boise County Prosecutor's Office, spoke in **favor of H 585**. Their outside council has worked extensively to find resolution. This solution passes constitutional muster. It was written primarily by the Office of the Attorney General. It is narrowly written legislation.

Cameron Arial, Zions Bank, spoke in **favor of H 585**. If the bill doesn't pass, the County will have a significant burden that could be impossible to pay. The impact could spill over to other counties and possibly the State. He asked that consideration be given to the cost to the State if an intervention is required. This is a narrowly defined bill that limits the use of it elsewhere. It will allow the County to meet their obligation with reasonable terms and save the taxpayers money by lowering their interest rate.

SUBSTITUTE MOTION: **Chairman Lake** made a substitute motion to send **H 585** to the floor with a **DO PASS** recommendation.

During Committee discussion, the following points were made: This is an easy way to bond out and pay off the debt at a reasonable rate vs. accepting whatever terms the County can muster. Some of the committee members wanted to further review the information presented.

WITHDRAWAL OF SUBSTITUTE MOTION: **Chairman Lake** withdrew his substitute motion.

VOTE ON ORIGINAL MOTION: **Chairman Collins** called for a vote on the original motion, to **HOLD H 585** in committee. **Motion carried by voice vote**.

Chairman Collins turned the gavel over to **Chairman Lake**.

Chairman Lake announced that **H 582** and **RS 21289C1**, which were also on the agenda would be presented on Tuesday, February 28, 2012.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:48 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Tuesday, February 28, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS21289C1	Ag business investment tax credit	Rep. Lacey, Rep. Pence
H 563	Income taxation	Rep. Moyle

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

Tuesday, February 28, 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: Representative Smith(24)

GUESTS: Donna Yule, Idaho Public Employees Association (IPEA); Elizabeth Criner, Northwest Food Processors Association (FWFPA) and J.R. Simplot Company; John Watts, Idaho Chambers of Commerce Alliance; David Hensley, Office of the Governor; Jeff Sayer, Department of Commerce; Russ Hendricks, Idaho Farm Bureau Federation; Wayne Hammond, Division of Financial Management (DFM); Brent Olmstead, MP Idaho; Benjamin Davenport, Risch Pisca; Randy Nelson, Associated Taxpayers of Idaho (ATI); Alex LaBeau, Idaho Association of Commerce & Industry (IACI); Colby Cameron, Sullivan Reberger Eiguren (SRE); Suzanne Budge, National Federation of Independent Business (NFIB)

Chairman Lake called the meeting to order at 9:01 am.

RS 21289C1: **Rep. Lacey** presented **RS 21289C1**. The proposed legislation provides incentives for Idaho farmers and ranchers to provide additional processing facilities within the State. It allows tax credit up to 30% of the investment on new facilities with cap of $500K. The credit may be utilized by claiming one-half of the tax liability until the cap is realized for a period of up to 14 years. There is no expense to the State of Idaho and allows for a return on investment. It will create additional jobs and keep work in the state.

Rep. Pence said this will provide value-added jobs for Idaho. In statistics produced by the University of Idaho, agriculture is the top output of all Idaho industries at $19B. There is no particular company that the proposed legislation assists.

In response to Committee questions, **Rep. Lacey** said that research qualifies for the credit as part of the bill. The legislation covers adding value to an existing business, not just to a new business. It is created for those who want to expand. The Director of the Department of Commerce agrees with this idea. The 30% credit was determined in an effort to entice people to do something large. A $1.6M investment would get the $500K tax credit.

MOTION: **Rep. Burgoyne** made a motion to introduce **RS 21289C1**.

SUBSTITUTE MOTION: **Rep. Barrett** made a substitute motion to return **RS 21289C1** to the sponsor.

VOTE ON SUBSTITUTE MOTION: Roll call vote was requested. **Motion failed by a vote of 6 AYE, 10 NAY and 2 Absent/Excused. Voting in favor** of the motion: **Reps. Collins, Barrett, Moyle, Raybould, Harwood, Bayer**. **Voting in opposition** to the motion: **Reps. Roberts, Schaefer, Wood(35), Bedke, Barbieri, Ellsworth, Killen, Burgoyne, Rusche, Lake**. **Reps. Smith(24) and Gibbs were absent/excused**.

VOTE ON ORIGINAL MOTION: **Chairman Lake** called for a vote on the original motion to introduce **RS 21289C1**. **Motion carried by a voice vote**. **Reps. Barrett and Harwood** asked to be recorded as voting **NAY**.

H 563: **Rep. Moyle** presented **H 563** which lowers individual, LLC and C Corporation tax rates and makes them more competitive. Idaho is open to do business and this acknowledges that fact. It encourages development to come to Idaho.

David Hensley, Office of the Governor, said **H 563** is a simple approach to provide tax relief. It will help sustain the positive trends by eliminating the top individual bracket.

In response to Committee questions, **Mr. Hensley** said the Governor's office believes this will help small businesses that normally file their taxes under the individual tax brackets. It will also help the wage earner who makes $13/hour. It is a good first step. The Governor is appreciative that the bill from his office has had a hearing. The goal is a balanced budget.

Wayne Hammond, Division of Financial Management, spoke **in favor** of **H 563**. A prudent budget includes tax relief. The budget revenue amount includes a 4.5% growth. There is actually $33M less in revenue when you consider one-time vs. ongoing expenditures. That money was used to fill gaps in the budget. There is sufficient room in the budget for tax relief.

In response to Committee questions, **Mr. Hammond** said if $50M or $70M every year is classified as one-time, it could be argued that it is really ongoing. The State Economist provides unadulterated fact vs. forecast. Ongoing revenue is actually much higher. We could potentially end this year with a $150M carryover, so a portion is definitely ongoing. Those budget figures are used for ongoing expenditures. The actual carryover for 2012 is $65M. The percentages change frequently and are calculated based on prior years.

The reason for extreme growth in expenditures is that a number of items haven't been funded in the past. Since 2009, the State has been very careful with the cash resources. We are in recovery, but still need to be careful. The percentage of filers who are in tax brackets that generate zero dollars is 29.11%.

John Watts, Idaho Chambers of Commerce Alliance, said **H 563** is a good first step. It was brought forward as a very aggressive approach and was later scaled back. Idaho needs a sound tax policy. He has participated in four economic forums and the information that comes out is that his members want more jobs, tax cuts, lower health care costs, and a cleaner playing field. Over 80% of chamber member businesses filed individual tax returns, not corporate tax returns. Business growth in Idaho is flat and stagnant. This year growth is up by 24 businesses from last year. There are 606,000 individual filers in Idaho. If we don't do this, we can't rely on the federal government to do it for us.

Donna Yule, Idaho Public Employees Association (IPEA), spoke **in opposition** to **H 563**. We shouldn't be addressing tax relief at this stage. This is a relatively small tax break. The State needs to have crucial funds to pay for necessary things. The state police force is understaffed. Bridges are in need of repair, but there is no money to do that. The tax on fuel is not enough to maintain the roads. We need more revenue, not less.

Jeff Sayer, Department of Commerce, spoke **in favor** of **H 563**. He said there are benefits to this legislation. We need to protect and retain existing companies, as well as attract new companies. This is far-reaching legislation. The corporate tax rate sticks out when talking to companies considering relocation. The message we send to the nation is significant.

In response to Committee questions, **Mr. Sayer** said the state is fulfilling its responsibilities to the citizens by taking steps forward. Having the business rate go down moves us upward on the ranking list.

Randy Nelson, Associated Taxpayers of Idaho (ATI), spoke regarding **H 563**. He said our ranking can change without doing anything, just because other states rankings change. The categories used to calculate the rankings are weighted.

Alex LaBeau, Idaho Association of Commerce & Industry, (IACI) spoke **in favor** of **H 563**. This bill equalizes the rate between S Corps and C Corps. Previous testifiers are precise in their conversation about the effects of the legislation.

Suzanne Budge, National Federation of Independent Business (NFIB) spoke **in favor** of **H 563**. Her organization stands in support of this bill.

Rep. Hagedorn spoke **in favor** of **H 563**. If only $400 is saved by each taxpayer in a community of 1,000, that's $400K that goes back into the community. The 7.8% and 7.6% rates are too high. The money belongs to the taxpayer and they spend it better than the government does.

Russ Hendricks, Idaho Farm Bureau Federation, stands in support of **H 563**.

Committee discussion included comments that we need to be careful to meet the needs of the State before cutting taxes. We should not cut taxes when we can't meet the needs of the people and we have no reserves. We should use tax policy to grow the economy. This bill has a $35M price tag. Too many agencies are cut past the bone. There may be serious public safety issues in this state by trying to save money. We need a tax cut bill that makes us better off.

MOTION: **Rep. Roberts** made a motion to send **H 563** to the floor with a **DO PASS** recommendation.

ROLL CALL VOTE: Roll call vote was requested. **Motion carried by a vote of 13 AYE, 4 NAY, 1 Absent/Excused**. **Voting in favor** of the motion: **Reps. Collins, Barrett, Moyle, Raybould, Roberts, Schaefer, Wood(35), Bedke, Harwood, Barbieri, Bayer, Ellsworth, Gibbs**. **Voting in opposition** to the motion: **Reps. Killen, Burgoyne, Rusche, Lake**. **Rep. Smith(24) was absent/excused**. **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 11:00 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

8:00 A.M.
Room EW42
Wednesday, February 29, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 581	Streamline Sales Tax	Rep. Nesset

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 29, 2012

TIME: 8:00 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: Tina Wilson, Bonners Ferry Chamber of Commerce; David Langhorst, Tax Commission; John Watts, Idaho Chambers of Commerce Alliance; Shawn Barigar, Twin Falls Chamber of Commerce; Lacey Ryan, Mayra Ceja, & Rob Tucker, Supervalu; Wayne Hoffman, Idaho Freedom Foundation; Alex LaBeau, Idaho Association of Commerce & Industry (IACI); Ray Amaya, KBOI 670am; Christopher Rants, Main Street Fairness Coalition; Scott Peterson, Streamlined Sales Tax; Karen Echeverria, Idaho School Boards Association (ISBA); Pam Eaton, Idaho Retailers Association; Ken Harward, Association of Idaho Cities; Suzanne Budge, SBS Associates LLC

Chairman Lake called the meeting to order at 8:03 am.

MOTION: **Rep. Harwood** made a motion to approve the minutes of the February 17, 2012 meeting. **Motion carried by voice vote**.

H 581: **Rep. Nesset** presented **H 581** to provide for the collection of taxes due on internet sales, which will help retain Idaho businesses. This bill does not preempt state law.

Tina Wilson, Bonners Ferry Chamber of Commerce, spoke **in favor** of **H 581**. Bonners Ferry has about 1,000 businesses and this will help balance the scale for main street businesses. This bill will allow Idaho to join the conversation.

David Langhorst, Tax Commission, spoke **in favor** of **H 581**. All of the commissioners support this concept. It is sound tax policy. It will help create the broadest tax base resulting in the lowest tax rate. In 1965, we had a 3% tax. Idaho is now at a 6% tax rate because of a shrinking tax base. This bill helps stop the shrinkage.

In response to Committee questions, **Mr. Langhorst** said the $35M in lost taxes is a conservative estimate; it could be as high as $100M. The University of Tennessee study listed Idaho at $41M just for internet sales tax. It did not include telephone or mail order taxes. There are established methods for getting the use taxes paid on cars, airplanes, and other large ticket purchases. Payment of the use tax for small ticket purchases is not enforced. Non-payment of the tax is wide spread. It is not just the corporations abusing the procedure. There are really no reporting methods in place. The legislation will add our voice to the dozens of states who are ready to participate.

For 50 years, the State has had the Use tax. The seller collects the tax and remits to the State the amount paid by the purchaser. The Use tax is collected from the purchaser. Sales tax and Use tax are companion taxes. If an item is used or consumed in Idaho, that is the action that is taxed. There is case law that supports the collection of the tax.

John Watts, Idaho Chambers of Commerce Alliance, spoke **in favor** of **H 581**. He said the approach should be from the fairness issue. Businesses are conducting business. Whether it is an internet business or storefront business, they should be treated the same.

Shawn Barigar, Twin Falls Chamber of Commerce, spoke **in favor** of **H 581**. He said this is a matter of fairness to Idaho brick and mortar businesses. He has heard from many members that they are at competitive disadvantage to out-of-state businesses. At a western saddle store in Twin Falls, people write down product information and then order online with free shipping and save the 6% sales tax. This legislation is a convenient and uniform way for all to pay their fair share. It is also a chance for the State to collect additional revenue.

Wayne Hoffman, Idaho Freedom Foundation, spoke **in opposition** to **H 581**. He said it does not help businesses but is a tax to their customers. The equity method is to lower taxes. He said the legislation takes $35M out of the economy. That money can be used to buy goods or hire more employees. It is better if the money is in the economy, not in the government.

In response to Committee questions, **Mr. Hoffman** said the purpose of tax policy is to provide government services. Existing law requires all purchasers to pay Sales or Use tax. The debate is not about sales or use taxes, it is how to collect the taxes that are due. Right now it is collected at the point of sale. Purchasers on the internet hopefully pay on their tax return. It is a tax on consumption, not a tax on purchases. A consumer in the state and a retailer in the state both use the services of the State. If you buy something out of state, you did not use any government services. This is just a mechanism to gather more money for the State.

Alex LaBeau, Idaho Association of Commerce & Industry (IACI), spoke **in favor** of **H 581**. This was an extensive piece of legislation to coordinate. It protects our interests in the state. This will not be the last time this comes up; future legislation will make adjustments. In respect to services, the State of Idaho taxes 29 services. We have Use and Sales taxes. Idaho-located businesses request forward movement to streamline the process for ourselves and to put out-of-state and Idaho businesses on the same level. Sales and Use taxes are the law in the State of Idaho.

In response to Committee questions, **Mr. LaBeau** agreed that there are some concerns, but things will be adjusted as the legislation moves forward. There has never been a perfect piece of legislation. The current read is that the bill is satisfactory enough to move forward.

In response to Committee questions, **Rep. Nesset** said that the instruction to create this bill came from the Speaker.

Karen Echeverria, Idaho School Boards Association (ISBA), spoke **in favor** of **H 581**. She said the tax should already be collected.

Christopher Rants, Main Street Coalition, spoke **in favor** of **H 581**. He said the coalition includes companies from Amazon to telecom companies. This type of legislation has already passed in several different states. Recently, shop.org released a study that stated that one-third of Americans who carry a cell phone will make a purchase using that phone. Innovation and technology are outpacing tax law throughout country. We need to catch tax law up with technology. Today, it is a voluntary collection system. Over 1,800 retailers in 24 states collect sales tax and remit it back to the different states. This has created an undo burden on the seller. How would seller know what rate to charge, etc? The legislation is the answer. There is one set of definitions. This process is working in 24 states. Idaho would become the 25th state to participate. Online and non-online purchases are evenly split between consumers and corporations. Some businesses don't know

they are required to pay a Use tax. We need a better system than collection by audit. All states agree on the definitions. Legislators determine what is taxed. This is a smart, simple way to make sales collection work.

In response to Committee questions, **Mr. Rants** said the Marketplace Equity Act requires a simplified tax base. California has delayed implementation of this Act. There are five different pieces of legislation in front of Congress right now. All authorize a similar collection system. The service providers' software package relieves small businesses of the burden of knowing what taxes to collect. The California Legislature leaves the burden on a business to figure out what should be collected. California does not want any other state directing their process. They shouldn't be the model for the rest of the nation. This legislation looks out for small businesses.

Mr. Rants said the complexity of sales tax legislation puts an undo burden on the remote seller. The bill was created to simplify everything to one set of definitions, audits, rules, and forms. This was requested by the Idaho Supreme Court. In Idaho, the Certified Service Provider (CSP) would be paid on a sliding scale with a percentage of the new revenue collected. CSPs alleviate burdens on retailers.

Example: If a 60 cent tax were collected by the CSP, 59 cents would be sent to the State and 1 cent would go to the CSP. A large corporation with an in-state presence would not use the services of a CSP, but a small retailer would.

In response to an additional question, **Mr. Rants** stated that he represents the Main Street Fairness Coalition and he registered as a lobbyist on Monday.

Pam Eaton, Idaho Retailers Association, spoke **in favor** of **H 581**. She said this is a fairness issue and is a huge step in the right direction. Local people are asking for this legislation. By not having the legislation in place, we are pushing business and money out of state . The government loses money as do local businesses. Many IACI members have reviewed this bill. Not passing this bill does not let anyone know what changes will need to be made. All the bill does is standardize definitions. By design, the bill may require some changes in 2013.

In response to Committee questions, **Ms. Eaton** said that no group has tried to establish a main street leadership council. First they need to educate people about what it truly stands for. Some educational things have been done in the past. Historically, $1 spent in a retail store actually adds $3 to the economy. Lost taxes of $35M is in essence $583M in lost sales in our state. With the ripple effect - $583M x $3 is a large amount of money lost to the entire state.

Scott Peterson, Streamlined Sales Tax, spoke **in favor** of **H 581**. What creates the complexity of sales tax administration? Why does Idaho do the same thing Washington does, but just a bit differently? The retailers collect the taxes. Taxes are paid by the consumer and remitted by the seller. The retailers collect 99.9% of the taxes. Streamline sales tax is not about collecting tax, it's about taking things we all do and eliminating the burden of the differences. The Marketplace Equity Act is different from historical streamline sales tax legislation. Retailers like this legislation because everyone has to change. This makes sales tax administration easier for retailers. If there was a sales tax holiday such as some states have, all the mechanisms are in place in the bill to observe that.

In response to Committee questions, **Mr. Peterson** said the CSP is getting remuneration for collecting taxes for the state. The CSP files a tax return on behalf of the retailer and guarantees to the retailer that the information is correct. The Agreement conforms to terms that the industry uses so that there is a common understanding of what Idaho does. The section about "rounding up" is in the Agreement because of four states that go to the sixth decimal place and then "round up".

Rep. Nesset said that in 1965 the internet was not envisioned. The legislation brings taxes up-to-date and is fair.

MOTION: **Rep. Burgoyne** made a motion to send **H 581** to the floor with a **DO PASS** recommendation.

During Committee discussion, the following comments were made: Computers have personal property taxes paid again and again. As far as the fairness discussion and the level playing field, remember that Idaho is one of a handful of states with a Grocery Tax credit. Many who advocate on a fairness level also want a local option tax, which is inconsistent. Nothing of great substance has come about by this bill. The bill is not perfect; that's why it doesn't take affect until 2013.

The legislation implies delegation of authority. The burden to Idaho businesses is a concern. More actions need to be taken by the State to avoid federal interference.

SUBSTITUTE MOTION: **Rep. Bedke** made a substitution motion to **REFER H 581** to an interim task force.

Additional Committee discussion included the comments: Sales and Use tax equals a consumption tax. This system using a third-party looks to be the cheapest auditors the State will ever get. This committee needs to send a strong message to the rest of the House. What will an interim committee do? It will allay concerns that everyone has heard. This bill just reserves a seat at the table in 2013. Interim committee's rarely ever succeed. We need an actual bill that can be reviewed by the users.

We need to work on cutting spending, cutting taxes and downsizing government. That would solve most of the problems. The Ad Hoc committee had limited participation. The Tax Commission can preempt state law, others can do audits.

AMENDED SUBSTITUTE MOTION: **Rep. Roberts** made an amended substitute motion to send **H 581** to the floor without recommendation.

Further committee discussion included the comments: This is tax that is due and payable to the State. There is some need to adjust tax code, which was developed 47 years ago. Under economic development, $583M of annual sales, if $35M fiscal note is correct, taking one-half of that and rolling it seven to nine times in the community, and in businesses that are located in Idaho means there would be more revenue brought in. The unconstitutional claim is wrong. The Office of the Attorney General has reviewed this and has provided a letter stating it is constitutional. There is no guarantee this will create jobs.

VOTE ON AMENDED SUBSTITUTE MOTION: Roll call vote was requested on the amended substitute motion to send **H 581** to the floor without recommendation. **Motion failed by a vote of 8 AYE and 10 NAY**. **Voting in favor** of the motion: **Reps. Raybould, Roberts, Smith(24), Gibbs, Killen, Burgoyne, Rusche, Lake**. **Voting in opposition** to the motion: **Reps. Collins, Barrett, Moyle, Schaefer, Wood(35), Bedke, Harwood, Barbieri, Bayer, Ellsworth**.

VOTE ON SUBSTITUTE MOTION: Roll call vote was requested on the substitute motion to refer **H 581** to an interim task force. **Motion failed by a vote of 9 AYE and 9 NAY**. **Voting in favor** of the motion: **Reps. Barrett, Moyle, Schaefer, Wood(35), Bedke, Harwood, Barbieri, Bayer, Ellsworth**. **Voting in opposition** to the motion: **Reps. Collins, Raybould, Roberts, Smith(24), Gibbs, Killen, Burgoyne, Rusche, Lake**.

VOTE ON ORIGINAL MOTION: Roll call vote was requested on the original motion to send **H 581** to the floor with a **DO PASS** recommendation. **Motion failed by a vote of 9 AYE and 9 NAY**. **Voting in favor** of the motion: **Reps. Collins, Raybould, Roberts, Smith(24), Gibbs, Killen, Burgoyne, Rusche, Lake**. **Voting in opposition** to the motion: **Reps. Barrett, Moyle, Schaefer, Wood(35), Bedke, Harwood, Barbieri, Bayer, Ellsworth**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 11:02 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Thursday, March 01, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 591	Unclaimed property	Rep. Luker
H 593	Community infrastructure districts	Rep. Luker
H 582	Income taxation/pass-through entity	Bob Aldridge, TEPI
H 359 (Held in committee)	Use tax, nonres college students	Dan John, Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

Janet Failing
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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

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Friday, March 02, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS21416	Income taxes paid to other states	Ken McClure, Idaho Society of CPAs
H 594	General fund transfers	Chairman Lake

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 02, 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: Joie McGarvin, America's Health Insurance Plans; Bert Marley, Idaho Education Association (IEA); Max Greenlee, Risch Pisca; Colby Cameron, Sullivan Reberger Eiguren

Chairman Lake called the meeting to order at 9:08 am.

MOTION: **Rep. Collins** made a motion to approve the minutes of the February 21, 2012 committee meeting. **Motion carried by voice vote**.

RS 21416: **Ken McClure**, Idaho Society of CPAs, presented **RS 21416**. The proposed legislation deals with income tax for individuals and pass-through entities, such as the way an individual is taxed on income earned in multiple states. Currently, in order to avoid double taxation, the taxes are all apportioned to Idaho and the filer gets credit for taxes that have been paid to other states. Different states call them different taxes. Some states have occupation taxes or gross receipt taxes. If you have a tax that isn't exactly an income tax, there can be a problem. Taxes that have been paid to Texas are either a franchise tax based on income or revenue. Texas allows a deduction for cost of goods or services, but not both. The Tax Commission has determined that Texas is not an allowable state for credits. There must be a deduction available for both goods and services. The proposed legislation avoids double taxation of an Idaho resident who is working in another state. The Tax Commission has reviewed the proposed legislation and provided the fiscal note.

In response to Committee questions, **Mr. McClure** stated that removing the word "and" does not exactly correct things. There is some ambiguity in the current statute. The filer starts with the premise that all Idaho revenue is taxable, and then is given credit for taxes paid to other states. It is actually a credit against tax liability.

MOTION: **Rep. Rusche** made a motion to introduce **RS 21416**. **Motion carried by voice vote**.

Chairman Lake turned the gavel over to **Vice Chairman Collins**.

H 594: **Rep. Lake** presented **H 594**. At the end of the year, after determination of budget, this legislation would sweep any remaining money into the budget stabilization fund. The bill as originally written would use cash in hand as of June 30th. That needed to be changed, since there is not any money at that time.

Committee discussion included the following statements: There should be only approximately $30M to go back into reserves for 2012. 2011 revenues were greater than $69M. How is this bill going to affect the interplay between the various committees? The problem is that money is being treated as if it is new revenue, which it is not. The intent is for current year's revenue and expenditures to line up, and to use the reserve account to accumulate excess revenue.

This bill makes it easier to manage current funds. It does take money off the table. What would have happened had this bill been in place two years ago? Fiscal year 2011 would have swept $69M. Fiscal year 2012 would have swept $35M. How do we adjust revenue projections through the year? This will force the Economic Outlook Committee to be more accurate in the revenue they forecast.

Certain aspects and principals of this legislation are good. The legislature defines the starting points for our budgets. This is not just about rolling the ending balance to have available money to spend. When we close out the books, we move the money. This is a true measure of the economy. It is a clearer method, obtaining the right revenue and expenditures. Different agencies may see extra money and try to get it for their budgets.

This is conceptually a simple bill. It takes excess money off the table and moves it to reserves. It will make us take a look at the Budget Stabilization Fund and eliminate surplus.

MOTION: **Rep. Lake** made a motion to send **H 594** to General Orders. **Rep. Rusche** seconded the motion. **Motion carried by voice vote**. **Rep. Lake** will sponsor the bill on the floor.

Chairman Collins turned the gavel over to **Chairman Lake**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:56 am.

Representative Lake
Chair

Janet Failing
Secretary

AMENDED #1 AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, March 05, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 584	Property tax/homeowner's exemption	Sen. Chuck Winder
H 559	Economic estimates	Mike Reynoldson, Micron Technology, Russ Hendricks, Idaho Farm Bureau Federation

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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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

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Thursday, March 08, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 585	Revenue and taxation	Rep. Roberts
H 634	Income taxes paid to other states	Ken McClure, Idaho Society of CPAs
H 559	Economic estimates	Mike Reynoldson, Micron Technology, Russ Hendricks, Farm Bureau Federation

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood(DeVries)
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 08, 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: Representative Killen

GUESTS: The sign-in sheet will be retained in the committee secretary's office until the end of the session. Following the end of the session, the sign-in sheet will be filed with the minutes in the Legislative Services Library.

Chairman Lake called the meeting to order at 9:05 am.

MOTION: **Rep. Collins** made a motion to approve the minutes of the February 22, 2012 meeting. **Motion carried by voice vote**.

MOTION: **Rep. Collins** made a motion to approve the minutes of the February 24, 2012 meeting. **Motion carried by voice vote**.

H 585: **Rep. Roberts** presented **H 585**. Last week there was a meeting that brought together a number of participants; all three Boise County Commissioners, the Tax Commission, legal council for Boise County, and Representatives. The result of that meeting is a draft engrossed version of **H 585**. The amendments are fairly simple. After discussion with all participants and review of budgets and levy rates, a change to the percentile from a .2 percent limit to a .1 percent limit will be sufficient. There will need to be some additional cuts in budgets in Boise County. The amended document makes it clear that the original intent was the ability to acquire a bond to pay a judgement against the County. The big issue is that there is a bill due and payable by Boise County. They currently cannot acquire a bond that exceeds the 3% cap. State mandated services cannot be cut to pay the judgement. The legislation provides a tool to allow the Commissioners to deal with the judgement. This amended version will allow the County to enter into a bond at a lower interest rate than the judgement interest rate.

Bob Fry, Boise County, spoke **in favor** of **H 585**. He said all three Commissioners agree with and support this draft engrossed version of the Bill. It is the best, most businesslike way to deal with the judgement. The County is required to budget as leanly as possible and use any surplus to pay the bond. The goal of the Board of Commissioners is to limit the effect on the taxpayers. The County does not want to bankrupt the taxpayers.

In response to Committee questions, **Mr. Fry** said that contrary to statements made by a previous testifier, there is money in a fund that could be used to make the February 2013 payment, but not the June 2013 payment. The funds that are being referred to would be available assuming no other litigation or other unexpected expenses arise. It is possible for other taxing districts to meet the requirements spelled out in the bill. If it was only for Boise County, it would be unconstitutional. A county can only issue a bond for jails, etc. The court order requires action and there is not enough time to take it to the voters.

John Blatler, Citizen, spoke **in opposition** to **H 585**. He would like time for the citizens and the County to work out a solution.

Jayne Reed, Citizen, spoke **in opposition** to **H 585**. She said the County could get a judicial confirmation and then a vote of the people. The people in Boise County were not included in the decision-making process. She reiterated that the County can make the payments. They do not have to sue the Tax Commission.

In response to Committee questions, **Ms. Reed** said that under a request for a judicial confirmation, Boise County could take a financial analysis to the judge, then he would direct them to ask the people to approve a levy above the 3%. There are other possible options that were not explored.

John Fiedler, Citizen, spoke **in favor** of **H 585**. He employs 10 people in a business in Boise County. This bill enables the County to meet the judgement of the court. He reminded the committee that the majority of the County is owned by the Federal Government.

Terry Day, Boise County Commissioner, spoke **in favor** of **H 585**. In 2008, when extensive legal fees were imminent, the County implemented a cost reduction plan. The County needs to pay off the judgement at a lower interest rate. It would be detrimental to the County to make further reductions.

Ann Heltsley, Citizen, spoke **in opposition** to **H 585**. She said by backdating the bill, it makes it a special interest bill. Why not back date the bill four years to bail out McCall? The citizens in Boise County can form their own taxing district and have offered to do that to pay the judgement. The legislation allows all taxing districts to use this statute. **H 585** is not protecting the people, but the Tax Commission.

Mary Prisco, Boise County Clerk, spoke **in favor** of **H 585**. When she did a county-wide 2013 top level forecast, there was an estimated drop of 8% in revenue. The County has maxed out all the general fund, road and bridge fund, and district court fund levy limits. If there was a 20% cut, it would have to come from county salaries and benefits. The County could not provide services that they are statutorily required to provide. The County has depleted all excess funds in earlier payments. Any legal fees associated with suing the Tax Commission are not included in the forecast or the budget. There would be no way to pay those fees. There is no Capital Asset Replacement Fund. There are old buildings in Idaho City which are facing large repair and maintenance bills.

In response to Committee questions, **Ms. Prisco** said the County Revaluation Fund falls within the assessor's responsibilities, and reevaluations occur every five years.

Brent Adamson, Boise County Assessor, spoke **in favor** of **H 585**. He said he has been looking at budget cuts since 2008 due to recession. He has already cut about 20% out of the budget, which included the staff taking a 10% reduction in wages. If he were required to cut an additional 25% out of the budget to pay the judgement, it is not there to cut. His department ended September 30, 2011 about 5% in the black. His budget is based on a best case scenario as is that of the Sheriff's Department. Right now, he is just hoping for the best. His department needs a transmission repaired in a vehicle, but there is no money to do it, so they are actually short a vehicle.

Susan Buxton, Boise County, spoke **in favor** of **H 585**. As legal counsel for Boise County, she tried to work out a settlement with the plaintiff, but was unsuccessful. Idaho law does not allow for a long-term payment plan. The County is asking to exceed the 3% cap when it has already been determined to be ordinary/necessary by the Court. Until this judgement is paid off, the decreased budget won't be changed in the County for many years. There is actually no incentive for any other taxing district to copy Boise County and use this legislation, because it will keep their district very lean for many years.

In response to Committee questions, **Ms. Buxton** said if this bill doesn't pass, the County is under orders from Judge Winmill to pay existing warrants at a 5.5% interest rate over time, and go back to court against the Tax Commission for relief.

Nicole Pantera, Idaho Independent Bank, spoke **in favor** of **H 585**. Idaho Independent Bank is the holder of the security interest. The debt has been incurred, the discussion is the manner of payment.

In response to Committee questions, **Ms. Pantera** said she is unable to disclose the interest rate that is being paid.

Mitchel Tain, Citizen, spoke **in opposition** to **H 585**. Federal court ruled that the County must drain their funds. Is this the only avenue for the County to take? There have been a few public meetings held and there is concern about the debt. With proper education, he believes a levy could pass with a two-thirds vote.

Carl Olsson, Office of the Attorney General, Tax Commission, and Citizen, stated the Office of the Attorney General has no position on this legislation. He is representing the Tax Commission who is **in favor** of **H 585**. He is also a resident of Boise County and is personally **in favor** of **H 585**. It benefits the people of Boise County. He helped write the rough draft of the legislation. As a citizen, he urges passage of the bill. He believes there is a strong possibility when requiring a two-thirds vote, the measure won't pass. There is a lot of anger in the county over the judgement. What doesn't change is the fact that the money is owed. The County tried to declare bankruptcy prior to coming before the Legislature, but the judge ruled against them.

Ben Rover, Boise County Sheriff, spoke **in favor** of **H 585**. He has been tasked by the Commissioners to cut his budget. He is now operating under a best-case scenario. Any cuts will affect the safety of the public.

RJ Twilgear, Boise County Prosecuting Attorney, spoke **in favor** of **H 585**. If he is required to cut his budget 20%, he would cut the part-time deputy who solely deals in civil matters.

Rep. Roberts said this is a benefit to the taxpayers of Boise County. It provides a tool to satisfy a debt already due and payable. All the options are unattractive. If this bill is passed, Boise County property taxes go up. If this bill fails, the County is required to sue the Tax Commission and will result in more legal fees. Taxes will go up, no matter what.

In response to Committee questions, **Ms. Buxton** said if the committee chooses to do nothing, the County will be forced to sue the Tax Commission. It is possible to judicially confirm a debt, but that doesn't change anything. The bankruptcy judge has already stated that a warrant reduction levy does not provide exception to go over the 3% cap. The levy limit is currently at its maximum. Trying to pay the $811K required each year will exceed the cap. Nothing in the law specifically addresses judgements since the 3% cap was enacted. This scenario probably won't re-occur. Yes, a warrant is an ordinary and necessary expense. The judge can order this warrant to be paid. The court already found that this is the vehicle to be used. The judge can't order a bond.

MOTION: **Rep. Burgoyne** made a motion to send **H 585** to General Orders with amendments attached. **Rep. Rusche** seconded the motion.

In Committee discussion, the following comments were made: **Ms. Buxton** pulled all the testimony together. The indebtedness exists. This bill is very unusual. It could be used to give other local taxing districts a method for bailout. There is a concern that the 3% cap could be determined to be unconstitutional. Will this affect the Local Improvement District in Kuna? This opens the door for other taxing districts to bring their own bills to fix their problems.

This doesn't bail out any county. It provides a vehicle and tool to save the taxpayers money in a manner that is most efficient and prudent.

David Langhorst, Tax Commission, responded to Committee questions by saying that the State of Idaho has an outstanding credit rating but if one area of the State can't make payments on time, that will affect the others. It has been mandated that the Tax Commission be sued if the issue isn't resolved. The suit will incur a large amount of legal fees.

Additional Committee discussion resulted in the following statements: Who can say that the Tax Commission will not win. The judge will only say the bill must be paid. The County will be an unwilling party to a lawsuit against the state, because the 3% cap wasn't well thought out. Previous legislators didn't contemplate a set of circumstances that doesn't fit the cap.

ROLL CALL VOTE: **Rep. Moyle** requested a roll call vote on the motion to send **H 585** to General Orders with amendments attached. **Motion carried by a vote of 9 AYE, 8 NAY and 1 Absent/Excused**. **Voting in favor** of the motion: **Reps. Collins, Raybould, Roberts, Smith(24), Bedke, Gibbs, Burgoyne, Rusche, Lake**. **Voting in opposition** to the motion: **Reps. Barrett, Moyle, Schaefer, Wood(35), Harwood(DeVries), Barbieri, Bayer, Ellsworth**. **Rep. Killen was absent/excused**. **Rep. Roberts** will sponsor the bill on the floor.

ADJOURN: There being no further business to appear before the committee, the meeting was adjourned at 10:52 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Friday, March 09, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS21465C2	Tax /filing date	David Langhorst, State Tax Commission
H 634	Income taxes paid to other states	Ken McClure, Idaho Society of CPAs
H 559	Economic estimates	Mike Reynoldson, Micron Technology, Russ Hendricks, Farm Bureau Federation
H 606	Ag business investment tax credit credit	Rep. Lacey, Rep. Pence

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood(DeVries)
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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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 / MPIdaho; 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 Stablization 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

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Monday, March 12, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS21394	Cigarette taxes	Heidi Low, American Cancer Society Cancer Action Network

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood(DeVries)
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 12, 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: Reps. Woods(35), Killen

GUESTS: The sign-in sheet will be retained in the committee secretary's office until the end of the session. Following the end of the session, the sign-in sheet will be filed with the minutes in the Legislative Services Library.

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

RS 21394: **Heidi Low**, American Cancer Society Cancer Action Network, presented **RS 21394**. The proposed legislation wants to protect youth from the dangers of tobacco and smoking. Nicotine is more addictive than heroin. Smoking causes cardiovascular damage and lung damage. The current cigarette tax in Idaho is 57 cents per pack. The legislation proposes an increase of $1.25 per pack. This is an effective deterrent that will reduce the number of people currently smoking and stops people from starting to smoke. It is projected that passage of the proposed legislation will result in a 20% decrease in youth use. That translates to 12,400 youth who won't start smoking and 9,400 current smokers who will quit. That results into over $400K in health benefit savings. Public support for the proposed legislation is strong. The polls show that 73% surveyed are in favor of $1.50 per pack increase. Even 45% of current smokers support this tax increase.

Ms. Low said with the new revenue, which would be an additional $47.3M, more tobacco cessation programs can be funded. Some of the additional revenue can go into the Millennium Fund to be used for health care costs related to tobacco use.

In response to Committee questions, **Ms. Low** stated that the tribes are neutral on this legislation. There is empirical data to show that a 10% increase in cost will prevent 6% of our youth from starting to smoke. The $1.25 amount was chosen after polls were completed and a review was done on the costs of cigarettes in the surrounding states. The poll was performed by Bob Moore of Moore Information. In 2010, the State of Washington had a $1 per pack increase. According to a national study, this caused their gross business sales to increase. This would hold true for the border convenience stores. The new revenue would go into the traditional Millennium Fund. The Millennium Fund Committee would not be involved in deciding how the funds will be appropriated. They can make a recommendation, but JFAC will have the final decision.

Youth manage to acquire 3.1M packs per year. There have been significant decreases in those numbers in state after state where tax increases have occurred. Internet controls for cigarette purchases are working. The fear of a small portion of people getting around the law is not a reason to not pass good legislation. Education, smoke-free policies and increased prices are the three-legged stool. A significant tax would encourage cessation, so lower income earners would have more money as well as savings in long-term health care costs. The proposed legislation provides cessation services.

MOTION: **Rep. Rusche** made a motion to introduce **RS 21394**.

Rep. Smith(24) invoked Rule 38 stating a possible conflict of interest because he smokes a package of pipe tobacco every two weeks, but that he would be voting on the legislation.

Committee discussion included the following statements: If revenues are targeted to individuals, then we should get rid of the personal property tax. Some people are over-thinking this issue. The proposed tax increase targets a specific group of individuals. This will decrease sales tax revenue. Why are we trying to stop youth when it is already illegal? Using tax policy to forward social engineering is wrong. The information from the health sector is motivated in health issues. Where is data from other states about contraband?

SUBSTITUTE MOTION: **Rep. Bayer** made a substitute motion to return **RS 21394** to the sponsor.

Committee discussion continued with statements: Tobacco users should pay for tobacco related problems, not the general population. Tobacco companies have implemented a 71 cent per pack increase over last four years. We have an obligation to protect the health of the people of the State of Idaho. All the taxpayers in Idaho pay for these programs. The people who use the system should pay the bill. Just because you smoke doesn't mean you will be ill. This is not about creating the next tax. The concern is about paying for medical consequences using an entitlement program. We should stop paying for medical needs. There is nothing that directs money to be used to cover the consequences of smoking. Page 3 specifies this is only for health care related to tobacco use. We are asking a certain class of people to be treated differently than others.

VOTE ON SUBSTITUTE MOTION: Roll call vote was requested on the substitute motion to return **RS 21394** to the sponsor. **Motion passed by a vote of 11 AYE, 5 NAY, 2 Absent/Excused**. **Voting in favor** of the motion: **Reps. Collins, Barrett, Moyle, Raybould, Schaefer, Bedke, Harwood, Barbieri, Bayer, Ellsworth, Gibbs**. **Voting in opposition** to the motion: **Reps. Roberts, Smith(24), Burgoyne, Rusche, Lake**. **Reps. Wood(35), Killen were absent/excused**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:11 am.

Representative Lake Chair	Janet Failing Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Wednesday, March 14, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 559	Economic estimates, general discussion	Mike Reynoldson, Micron Technology, Russ Hendricks, Idaho Farm Bureau Federation

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, March 14, 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: Representatives Harwood, Burgoyne.

GUESTS: Dave Goins, Idaho News Service

Chairman Lake called the meeting to order at 9:04 am.

MOTION: **Rep. Raybould** made a motion to approve the minutes of the February 28, 2012 committee meeting. **Motion carried by voice vote**.

MOTION: **Rep. Collins** made a motion to approve the minutes of the February 29, 2012 committee meeting. **Motion carried by voice vote**.

MOTION: **Rep. Collins** made a motion to approve the minutes of the March 1, 2012 committee meeting. **Motion carried by voice vote**.

H 559: **Russ Hendricks**, Idaho Farm Bureau Federation, gave a summary of **H 559**. This bill is a simple idea to ensure that state government cannot grow faster than the economy that supports it. It allows state budgeting to be more stable over time.

Rep. Roberts said that concerns have been addressed regarding a conflict with **H 594**, which has been amended. The conflict was due to **H 594** sweeping all the money first, and there would be no money left to be addressed by **H 559**. With the amendment of **H 594**, everything works.

Committee discussion included the following statements: Has there been any opinion issued by the Office of the Attorney General? The change in definition of what we count as personal income lowers revenue by about $6B. There will be a stricter limitation on budgets as a result of this bill. The definition is inappropriate. It doesn't recognize the economic activity of seniors and will be a burden for schools. It will take a long time to fill the rainy day fund under this legislation. Lottery winnings would be considered earned income under this bill.

MOTION: **Rep. Roberts** made a motion to send **H 559** to the floor with a **DO PASS** recommendation.

ROLL CALL VOTE: Roll call vote was requested. **Motion carried by a vote of 11 AYE, 5 NAY, 2 Absent/ Excused. Voting in favor** of the motion: **Reps. Barrett, Moyle, Raybould, Roberts, Schaefer, Wood(35), Bedke, Barbieri, Bayer, Ellsworth, Gibbs**. **Voting in opposition** to the motion: **Reps. Collins, Smith(24), Killen, Rusche, Lake**. **Reps. Harwood, Burgoyne** were absent/excused. **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:18 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Thursday, March 15, 2012

SUBJECT	DESCRIPTION	PRESENTER
H 661	New employee, income tax credit	Rep. Moyle

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE:	Thursday, March 15, 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:	Representatives Bedke, Bayer, Ellsworth, Rusche.
GUESTS:	None.
	Chairman Lake called the meeting order at 9:03 am.
MOTION:	**Rep. Collins** made a motion to approve the minutes of the March 2, 2012 committee meeting. **Motion carried by voice vote**.
H 661:	**Rep. Moyle** presented **H 661**. This bill was brought forward at the request of the Tax Commission. It corrects an oversight from the Hire One Act of 2011. It allows for the collection of the tax credit for new hires between January 1, 2011 through April 14, 2011.
MOTION:	**Rep. Harwood** made a motion to send **H 661** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Moyle** will sponsor the bill on the floor.
ADJOURN:	There being no further business to come before the committee, the meeting was adjourned at 9:06 am.

Representative Lake
Chair

Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

9:00 A.M.
Room EW42
Tuesday, March 20, 2012

SUBJECT	DESCRIPTION	PRESENTER
S 1357	Personal property tax liens	Suzanne Budge, John Deere

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 20, 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: Beverly Heird-Flores and Suzanne Budge, John Deere; Teresa Baker, Ada County; Colby Cameron, Caterpillar; Roger Batt, Pacific Northwest Association

Chairman Lake called the meeting to order at 9:01 am.

MOTION: **Rep. Collins** made a motion to approve the minutes of the March 5, 2012 meeting. **Motion carried by voice vote**.

MOTION: **Rep. Collins** made a motion to approve the minutes of the March 8, 2012 meeting. **Motion carried by voice vote**.

MOTION: **Rep. Collins** made a motion to approve the minutes of the March 9, 2012 meeting. **Motion carried by voice vote**.

S 1357: **Suzanne Budge**, John Deere, presented **S 1357**. The legislation started as a very simple change in the status, and has become an agreed upon approach with the Counties to develop a process to segregate the repossession of a piece of personal property valued over $20K from other personal property reported by the taxpayer. This applies to anyone who finances a piece of equipment and files a UCC filing to show that they own it. In Idaho, all personal property of a taxpayer is treated as one unit. Someone who had financed one piece of equipment should be able to go and get it back. Right now, a repossessor must pay all the personal property tax due for all pieces of equipment, not just the one they own. The legislation solves the dilemma for someone who has financed a large piece of equipment.

In response to Committee questions, **Ms. Budge** said the legislation applies only if the item exceeds $20K in market value. This dollar amount was agreed upon by the Counties. It is difficult to segregate one item from multiple items. This is not just for agricultural equipment, but also for other industries. The financing entity files the request for desegregation. The finance company knows when a loan is in arrears.

Tony Poinelli, Idaho Association of Counties, said when the Assessor looks at the request for an item to be segregated, it would be at the depreciated value. The value of the asset is as it is on the tax rolls (depreciated on an annual basis). The release of the tax liability or lien would occur on that item. The rest of the personal property would stay the same.

In response to Committee questions, **Mr. Poinelli** said this legislation only addresses personal property valued above $20K. If an item is valued under $20K, the legislation does not change anything.

In response to Committee questions, **Teresa Baker**, Ada County, said the legislation is trying to avoid a nightmare for the Treasurer by not allowing segregation of smaller items. The taxpayer assigns the value and the County takes the taxpayer's word for the value. The IRS has indications of values and the taxpayer could use that. Ada County has had requests for segregations. If there is a big piece of property, Ada County has tried to work with the repossessor.

Beverly Heird-Flores, John Deere, said they have had 13 repossessions in 2011, and they have approximately $1M in delinquent payments.

Colby Cameron, Caterpillar, stands **in favor** of **S 1357**.

Roger Batt, Pacific Northwest Association, stands **in favor** of **S 1357**.

MOTION: **Rep. Roberts** made a motion to send **S 1357** to floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Bayer** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:25 am.

Representative Lake
Chair

Janet Failing
Secretary

AMENDED #1 AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, March 26, 2012

SUBJECT	DESCRIPTION	PRESENTER
RS21565	Revenue and Taxation	Rep. Ken Roberts

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

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MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 26, 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: Ann Heltsley, Citizen; Jayne Reed, Citizen; Carl Olsson, Office of the Attorney General, Tax Commission and Citizen; Oscar Baumhoff, Citizen; Brent Adamson, Boise County; Susan Budge, SBS Associates LLC

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

MOTION: **Rep. Collins** made a motion to approve the minutes of the March 12, 2012 committee meeting. **Motion carried by voice vote**.

MOTION: **Rep. Collins** made a motion to approve the minutes of the March 14, 2012 committee meeting. **Motion carried by voice vote**.

MOTION: **Rep. Collins** made a motion to approve the minutes of the March 15, 2012 committee meeting. **Motion carried by voice vote**.

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

RS 21565: **Rep. Roberts** presented **RS 21565**. The proposed legislation is identical to **H 585aa** with one exception. The new Section 2 allows for a vote by the people of a taxing district. A concern with **H 585** was the lack of public involvement and **RS 21565** provides for that. Last week there were meetings held in Idaho City, Horseshoe Bend and Garden Valley. The taxpayers understand that the County is in dire straits due to the judgement. This provides a mechanism to allow the taxpayers in Boise County and other counties to stretch out a judgement payment over time and with a lower interest rate.

Carl Olsson, Office of the Attorney General, Tax Commission, and Citizen, stated that the Office of the Attorney General has no position on this proposed legislation. He is representing the Tax Commission who is **in favor** of **RS 21565**. He is also a resident of Boise County and is personally **in favor** of **RS 21565**. **RS 21565** allows for a vote of the people before the governing board can avail themselves of the relief afforded in the proposed legislation. There are two ways to incur long-term indebtedness; by a vote of the people (super majority) or if incurred to cover ordinary and necessary expenses (no vote required at all). The proposed legislation permits a vote even for ordinary and necessary expenses when it was not required before.

In response to Committee questions, **Mr. Olsson** said the county can still go back to the old way of doing business. Satisfying the judgement is considered an ordinary and necessary expense. If the voters approve the proposed legislation, the county can get a bond. This is due to the judge stating that the payment is an ordinary and necessary expense and it can go outside the 3% cap. Therefore, no vote is required.

A bond is only one of multiple ways to pay off the judgement. Boise County has paid part in cash and the rest in warrants, but they don't have the money to pay the warrants. The Warrant Redemption Fund is now outside of the 3% cap. The Tax Commission's position is that the Fund is under the 3% cap. The 3% cap has a strict interpretation of exceptions which are contained in Idaho Code, Section 63-802. The Warrant Redemption Fund can be used for anything the county cannot pay for in cash, such as paving a road. The proposed legislation is more narrowly tailored than that.

Mr. Olsson responded to additional Committee questions by saying that what is ordinary and necessary for one taxing district may not be ordinary and necessary for another taxing district. The proposed legislation only deals with the payment of judgements. It is very restrictive and can only be used when there is a serious judgement. This is not a way around the Idaho Constitution, Article 8, Section 3. It takes an ordinary and necessary finding. The purpose of the vote is to allow a way to pay ordinary and necessary expenses that fall outside 3% cap.

The 3% cap would restrict in the budget the amount a county can levy if the bill fails or if the voters vote it down. In this case, Boise County would then have to sue the Tax Commission. If the Tax Commission prevails in a court action, Boise County would be required to pay the judgement under the 3% cap. If the County prevails, the Warrant Redemption Fund will be found to be outside the 3% cap and not unconstitutional.

Mr. Olsson said that Article 7, Section 15 lists county budget requirements. In that section, even after they meet all requirements and still can't meet the budget, they can go up to 10 mils. Right now, the Warrant Redemption Fund falls under the 3% cap. This is the first court case that would challenge it. The Tax Commission is not specifically excluded in Idaho Code, Section63 and 63-806. Since it is not specifically exempted, our law is silent.

Oscar Baumhoff, Citizen, spoke **in favor** of **RS 21565**. He previously held a County Commissioner role and when the County previously had to cut back, it took 10 years for the County to get back to normal. The current commissioners are ready to cut county government. There is a need for resolution to the federal judgement.

Brent Adamson, Boise County, spoke **in favor** of **RS 21565**. There will be an overall impact to county employees. The commissioners are hesitant to cut too deep. The County is required to follow statutes which might be in jeopardy.

Ann Heltsley, Citizen, spoke **in favor** of **RS 21565**. Throughout the process, there has been no voice of the people and no citizen involvement. She has been working with **Rep. Roberts** to get those. The proposed legislation protects the taxpayers right to vote. It may not be perfect, but people can have a bond election and hold their officials accountable. There will be some checks and balances. Section 63-802 has been tested in court and has been held to be constitutional. If the County is required to sue the Tax Commission, the County will be stuck in the middle of a Catch 22. This won't negate the responsibilities of the officials.

Jayne Reed, Citizen, spoke **in favor** of **RS 21565**. The Commissioners are crafting the verbiage to put on the ballot. It will include that this is a vote of the people to cover the bond. The wording must also go before the Secretary of State for approval. The overwhelming conclusion at the meetings is that the citizens need to know the steps to bond. Bonding is absolutely necessary for the County to go forward. To address concerns about other taxing districts using this, they would have to hold meetings, show the County's books, and explain how they got to that point before a vote could take place.

Rep. Roberts said the County goes through the process of certifying their budget in September for the following year. There is a very tight timeframe to meet all the required deadlines. The ballots must be mailed this Friday to meet those deadlines. The County doesn't have money available to sue the Tax Commission.

In response to Committee questions, **Rep. Roberts** said the County is required to go to court if the proposed legislation does not pass. Passage of the proposed legislation preserves the 3% cap and discusses how to deal with judgements. Normally taxpayers would vote on whether to incur debt. The debt is already there due to the judgement, so the taxpayers are not voting to incur debt. They are voting to allow the Commissioners to proceed as they would under the ordinary and necessary standard. This would probably never be used by a County again. With a sunset clause, it becomes a special interest bill.

In response to Committee questions, **Mr. Olsson** said this judgement has been deemed ordinary and necessary by the court. The bond falls under the 3% cap and, if passed with a supermajority, it would be outside the 3% cap. Ordinary and necessary falls outside the 3% cap. It is clearer to leave ordinary and necessary verbiage in the proposed legislation. Adding a sunset provision brings up the question of special legislation. Various factors could be reviewed by the Supreme Court. This has never arisen before, but a sunset provision would possibly make it appear that this is special legislation.

MOTION: **Rep. Killen** made a motion to introduce **RS 21565** and send it directly to the Second Reading Calendar.

SUBSTITUTE MOTION: **Rep. Barrett** made a substitute motion to introduce **RS 21565** and send it to General Orders with a sunset provision.

AMENDED SUBSTITUTE MOTION: **Rep. Ellsworth** made an amended substitute motion to introduce **RS 21565** with a five year sunset clause and send it to the Second Reading Calendar.

SUBSTITUTE MOTION WITHDRAWN: **Rep. Barrett** withdrew the substitute motion to introduce **RS 21565** and send it to General Orders with a sunset provision.

AMENDED AMENDED SUBSTITUTE MOTION: **Rep. Rusche** made an amended amended substitute motion to introduce **RS 21565**.

During Committee discussion, the following comments were made: The timeliness issues prohibit introducing **RS 21565** without sending it to the Second Reading Calendar. The current Section 9 can spell out the provisions. Funds are available to make the next payment, but it is unwise to use them. There are two ballot opportunities; May and November. The other problem is Sine Die which is possibly this Thursday or Friday.

AMENDED AMENDED SUBSTITUTE MOTION WITHDRAWN: **Rep. Rusche** withdrew the amended amended substitute motion to introduce **RS 21565**.

ROLL CALL VOTE ON AMENDED SUBSTITUTE MOTION: Roll call vote was requested. On amended substitute motion to introduce **RS 21565** with a five year sunset provision and send it to the Second Reading Calendar. **Motion carried by a vote of 15 AYE, 3 NAY, 0 Absent/Excused. Voting in favor** of the motion: **Rep. Collins, Barrett, Moyle, Raybould, Roberts, Schaefer, Wood(35), Bedke, Harwood, Barbieri, Bayer, Ellsworth, Gibbs, Burgoyne, Lake**. **Voting in opposition** to the motion: **Reps. Smith(24), Killen, Rusche**. **Rep. Roberts** will sponsor the bill on the floor.

ADJOURN: There being no further business to appear before the committee, the meeting was adjourned at 10:21 am.

_____
Representative Lake
Chair

_____
Janet Failing
Secretary

AGENDA

HOUSE REVENUE & TAXATION COMMITTEE

Subject to the Call of the Chair
Room EW42
Wednesday, March 28, 2012

SUBJECT	DESCRIPTION	PRESENTER
	Meeting Subject to the Call of the Chair	

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Lake
Vice Chairman Collins
Rep Barrett
Rep Moyle
Rep Raybould
Rep Roberts
Rep Schaefer
Rep Smith(24)
Rep Wood(35)
Rep Bedke
Rep Harwood
Rep Barbieri
Rep Bayer
Rep Ellsworth
Rep Gibbs
Rep Killen
Rep Burgoyne
Rep Rusche

COMMITTEE SECRETARY

Janet Failing
Room: EW53
Phone: (208) 332-1125
email: jfailing@house.idaho.gov

MINUTES

HOUSE REVENUE & TAXATION COMMITTEE

DATE:	Thursday, March 29, 2012
TIME:	Subject to the Call of the Chair
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:	Representative(s) Moyle, Roberts, Smith(24), Killen, Burgoyne, Rusche
GUESTS:	None.

Chairman Lake called the meeting to order at 11:19 a.m.

MOTION:	**Rep. Wood(35)** made a motion to approve the minutes of the March 26, 2012 committee meeting. **Motion carried by voice vote.**
ADJOURN:	There being no further business to appear before the committee, the meeting was adjourned at 11:22 a.m.

Representative Lake
Chair

Susan Werlinger
Secretary