

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, February 07, 2013

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Rice, Senators Hill, McKenzie, Johnson, Vick, Bayer, Werk and Lacey

**ABSENT/
EXCUSED:**

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Siddoway** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:03 p.m.

MINUTES: **Chairman Siddoway** said the Committee had three sets of minutes to review. **Senator Bayer** moved to approve the minutes of Committee meeting from January 23, 2013 as written. **Senator Werk** seconded the motion. The motion carried by **voice vote**. **Senator McKenzie** moved to approve the minutes of the Committee meeting from January 24, 2013 as written. **Senator Werk** seconded the motion. The motion carried by **voice vote**. **Senator Vick** moved to approve the minutes of the Committee meeting from January 29, 2013 as written. **Senator Werk** seconded the motion. The motion carried by **voice vote**.

GUBERNATORIAL APPOINTMENT **Chairman Siddoway** invited Ken Roberts to the podium for the consideration of his gubernatorial appointment to the Idaho State Tax Commission (Commission.) **Mr. Roberts** introduced his mother, Louise, and thanked her for all she has taught him over the years. He also thanked Governor Otter for his confidence in him. **Mr. Roberts** said he is someone who enjoys tax work and tax policy and hopes to administer taxes in a way that is fair, equitable and long-lasting for the citizens of Idaho. He thanked the legislators with whom he had the pleasure of serving Idaho for many years and his fellow Commissioners with whom he has been working for the past several months. **Mr. Roberts** said he would stand for questions.

Senator McKenzie said he understands that each Commissioner has oversight of a different area of taxation, with Mr. Roberts' being income tax. **Senator McKenzie** asked since Mr. Roberts' background is not really in tax or accounting, how may that benefit him as a Commissioner with oversight in that area. **Mr. Roberts** answered that as a young person, his mother taught him about bookkeeping and he ran his own business for many years, prepared his own tax returns and kept appreciation schedules. As things got more complicated, he sent them to a professional. He said with his background, income tax is probably one of the areas where he has the most to learn. It was a great learning experience sitting on the House Revenue and Taxation Committee working on many tax issues. He said he is in no way an expert in those areas, but he has a basic understanding. He said he has spent a lot of time in the property tax realm as well, and some in sales tax, too.

Senator Johnson asked for Mr. Roberts' thoughts on implementing tax policy fairly. **Mr. Roberts** answered he thinks it is important that the Tax Commission stay ahead of the curve and nudge tax policy forward to keep it fair. **Senator Johnson** said he has known Mr. Roberts for upwards of 13 or 14 years, and in fact has been a guest at his home, and he knows him to be a very fair man. He said he is honored to have him serve the state in this capacity.

Senator Bayer said he also goes back a long way with Mr. Roberts and they have agreed to disagree, co-sponsored agreements, amended one another's measures, and been the demise of others, but it was always deliberative and constructive, and better products came out of the process. **Senator Bayer** said he appreciates the opportunity to express his support.

Chairman Siddoway asked Mr. Roberts if he has come across anything during his time since being appointed to the Commission that he would like to see changed, and if so, is he willing to share some things that might make the Commission more effective and make it a better department. **Mr. Roberts** said he has spent a lot of time listening and keeping his eyes open in the past six to seven months, and there are a couple things he firmly believes will need to be addressed as a state when it comes to some taxation issues.

Mr. Roberts said within the Commission structure, each Commissioner has an oversight area, and it is good to have that plurality of leadership. In statute and in the Idaho Constitution, the forefathers set forth a structure that is a balanced system for looking at different methods and checkpoints in taxation. If someone doesn't agree with the findings of an audit, they're allowed to appeal it at several different levels. In recent years, this legislative body put some parameters on Commissioners signing off on certain settlements, which he thinks was wise. From that, there is another level of checkpoint through the Board of Tax Appeals, and then they can go through the courts if they want after that. **Mr. Roberts** said he thinks those are all good measures to have in place, even though at first he thought it was a very long process. However, now he realizes it takes time to develop arguments and background that taxpayers and Idaho both need to bring a case to fruition.

Mr. Roberts said something dawned on him over the past year that he thinks the state of Idaho needs to consider. He said he thinks Idaho should develop a policy arm within the legislature or administrative executive branch that can take the time and seriously walk through Title 63 of Idaho Code. He said some of the tax policy is in its 150th year life span. He said he brings it up because Idaho's economy is very different today than it was 150 years ago, when Idaho's property taxes were from natural resources, agriculture, timber and mining. In the early 1900's, there was a pots and pans tax, on household goods, which has since been removed. Income tax was instigated in 1933. In 1965, sales tax came and inventory tax went off the books. In 2013, the debate is the remainder of the personal property tax. **Mr. Roberts** said it could be called the pots and pans tax, then pigs and chickens and now tables and chairs tax. He said it's interesting to see how the economy has changed through the years, noting that if someone had told him thirty years ago that you could buy things over an electronic device held in your hand, he'd have said, "What are you talking about?"

Mr. Roberts said there has been so much change in the way business is transacted in this country and around the world in recent years and the tax code needs to be looked at. He said tax code has been piece mealed and patched together for so long, he believes there needs to be a state government, committed group that will go through the tax code and point out inconsistencies and irregularities and streamline it. With that, he thanked the Committee members for their consideration.

Chairman Siddoway thanked Mr. Roberts for being here and said the Committee will vote on his appointment at the Committee meeting next Tuesday.

H 52

Chairman Siddoway welcomed to the podium Bob Aldridge of Trust & Estate Professionals of Idaho, Inc. to present **H 52** relating to the Circuit Breaker Property Tax Relief Program. **Mr. Aldridge** said the organization he represents is a nonprofit group that does cleanup in the Idaho probate and tax codes. He said they have a long relationship with the Tax Commission in working out changes to rules and some other legislative changes.

Mr. Aldridge said the general subject of **H 52** is deferred property taxes. He said it was established around the year 2000. He said "circuit breaker" was a total forgiveness of tax with an income cap of \$28,000. The deferred property tax was for those who made more than \$28,000 up to \$40,000 in 2007 (now adjusted to \$41,000.) The deferral would become a lien against the property that would come due normally upon the death of the person. That program was set up with initial guidelines and relatively small numbers of people apply. **Mr. Aldridge** said there is now a fair amount of confusion of the terms.

Mr. Aldridge said to clarify, the deferral does not remove anything from the existing tax districts as there is a state fund that reimburses them, so local districts are still whole. The state is paid back by the estate when the person dies or when the house is sold and property taxes are paid. The problem in Idaho Code § 63-716 is the lien for deferred property tax has priority from the date of its recording and does not become a priority lien. Therefore, the deferred property tax lien is behind any existing encumbrances. He said it is highly important that there is enough equity in the property to give assurance of future payment of the taxes. However, property values may decrease, so there must be some remaining net equity after the deferred taxes become a lien. However, the existing law only states that the property must have 'sufficient equity' without any definition of that term. The practice of the Idaho State Tax Commission (Commission) has been to use the assessed value, but that is not specified in statute.

Mr. Aldridge said another problem is that there are types of loans, especially reverse mortgages and lines of credit, which are not 'fixed' in their total potential amount. Reverse mortgages in particular may end up exceeding the value of the property, especially in a declining real estate market. However, no guidance is given in the existing statute for how to treat such loans. The practice of the Commission has been to deny applications where there is a reverse mortgage, and this denial was recently upheld by a Board of Tax Appeals decision as appropriate and also that the use of the assessed value was appropriate.

Mr. Aldridge explained that because this practice is not set out in the statute, a relatively high percentage of applications are denied because of reverse mortgages, because applicants are not aware that the reverse mortgage will cause the denial. This ties up staff time, and in the case of an appeal, legal time as well. It also involves the applicant in unnecessary and frustrating proceedings.

Mr. Aldridge said **H 52** offers a solution to these problems. He said the bill amends the statute to provide a definition of "sufficient equity" to mean "(a) the property is not security for a reverse mortgage, or a home equity loan or line of credit, or any similar loan or encumbrance; and, (b) the amount of all encumbrances of any nature on the property which are superior to any liens for deferral, plus the amount of property tax and interest previously deferred on the same property, does not exceed eighty percent (80%) of the current year's market value for assessment purposes."

Mr. Aldridge said if the property has a reverse mortgage or home equity loan or line of credit, or any similar loan where the amount is not fixed, there will not be 'sufficient equity.' In most cases, the reverse mortgage could be used to pay the taxes in any event, as could lines of credit. If the loans are maxed out, they can be converted to fixed amount loans and the application would not automatically be denied.

Mr. Aldridge also pointed out that the bill would clearly define the process and provide for the use of the current year's market value for assessment purposes. He said the applicant automatically knows this value and can compute, accurately and easily, whether there is 'sufficient equity' in the property before submitting the application.

Mr. Aldridge said the rest of the changes in the bill are just housekeeping deletions to remove duplicate language, since all the relevant provisions are now in the definition. He said the bill does not have a negative fiscal impact. Rather, it will eliminate inappropriate applications and save staff time.

Senator Werk said it seems the program is not well utilized and perhaps this clarity will help it be utilized more. He asked about when people use this deferral year after year they would "run on the shoals" when this isn't okay anymore. He said the section under 2c limits deferrals on the same property not to exceed 50 percent of the proportional share of the market value, and this bill eliminates that section and now makes it 80 percent. **Senator Werk** asked if that opens up the process to additional added deferrals that create a pattern that may not be a wise investment.

Mr. Aldridge said the income range for applicants on this program is pretty slim, from \$28,000 to \$41,000, which is why there are a low number of applications, besides it not being well publicized. **Mr. Aldridge** said when he first read the language, he was unsure of its meaning too, which is why he suggested making a simple definition. He said it really fits with what the Commission has been looking at, which is "do we have enough equity and how do we determine that."

Senator Werk pointed out that Section 4 deals with the idea that one has made a deferral but now they have found out that conditions have changed and now have to undo the deferral, and he asked if that is correct. **Mr. Aldridge** answered that yes, the criteria have been simplified. He said he doesn't think anyone has used this provision, because no one has gone through the whole process, meaning no one has died with the provision in place. He said it remains to be seen how it works through to the end of the process, and he said he may be back in the future.

Senator Hill said he doesn't do this very often, but he wanted to say he has worked with Mr. Aldridge for a long time, saying Mr. Aldridge has worked tirelessly to make Idaho Tax Code better over the years, and **Senator Hill** thanked him for his efforts and for being one of the smartest people he knows.

Vice Chairman Rice asked if there has been discussion with county assessors and county commissions and others that receive property taxes, in regard to real property tax deferrals, specifically with the 80 percent value. He said it seems there was some looseness before that gave them discretion for deferrals being good risk v. bad risk, and with the last market downturn, values went down much more than 20 percent in assessed values.

Mr. Aldridge said he has a two part answer. He said yes, he did run this past assessors to get their reaction and they had no problem with it. He said they thought it was easy and it gave them clarity when they were talking with potential applicants. Secondly, he said local districts are 'made whole' anyway, because they get the money they would have gotten if there wasn't a deferral, so it doesn't change their income at all. He said the state level is where the affect is felt by how much that fund will have to pay out and eventually recover. This does have to be real property and the primary residence only, which models the same criteria as the circuit breaker. He said part of the other problem is that the Commission has tried to move away from subjective tests, because too often those situations turn into who knows who and who is a good friend, or at least there are accusations of the appearance of impropriety. **Mr. Aldridge** said now, applicants have to meet the test and recognize if the economy tanks, their property won't 'tank' as much as someone else's. He said the best approach is a straight forward mathematical approach.

MOTION:

Senator Werk moved to send **H 52** to the floor with a **do pass** recommendation. **Senator Lacey** seconded the motion. Motion carried by **voice vote**.

H 20

Chairman Siddoway invited Michael Chakarun, Tax Policy Manager with the Idaho State Tax Commission (Commission) to introduce **H 20**, relating to the Tax on Motor Fuels. **Mr. Chakarun** stated the bill makes two changes to Idaho Code § 63-2423. Section 1 of the bill clarifies § 63-2421(1)(c) to allow for credits or refunds for "gaseous special fuels" rather than the generic special fuels category. He said the term "special fuels" is broadly defined to mean diesel fuel and gaseous fuels such as propane, natural gas, compressed or liquefied gas. Gaseous fuels are petroleum products which are in a gaseous state at 60 degrees Fahrenheit and at standard pressure.

Mr. Chakarun said Section a and b relate to diesel fuel refunds. Section c was intended to pertain to refunds that relate to only gaseous fuel refunds. Users of these fuels pay tax by purchasing a permit, in the form of a decal, whose fees are set by a schedule, based on the weight of the vehicle. He said this bill makes this distinction between filing refund claims for diesel and refund claims for gaseous fuels by adding the word "gaseous" before "special." It also clarifies that the fuel be placed into the main supply tank of the vehicle to avoid any confusion.

Mr. Chakarun said Section 2 of the proposal gives the Tax Commission the authority to sell gaseous fuel permits. He said this will improve customer service by making the permits more available to the public and lessen the chance that the owners of the vehicles will use fuel from nontaxable sources if they can't find the permit distributor. **Mr. Chakarun** said some permit distributors only sell permits for use on their own fleets and not to the general public, so the agency believes it will not be in competition with them. He said the bill makes no change to the existing rates of tax and does not impose new fees on consumers.

Chairman Siddoway said he assumes the gasses being discussed are they ones they are all familiar with, such as propane, butane, methane, but some might be nitrous oxides, or the kinds of fuels used more in racing machines or snow machines where they want a little extra bump. He asked why these are even licensed vehicles and not just incorporated in registration. **Mr. Chakarun** said he is not sure of the answer to that, but these types of fuels are not for on-road vehicles. What they are addressing is the type of fuels, like flex fuel vehicles that can run on natural gas, and they can buy a decal instead of paying tax at the pump. He said they're not getting at the nitrous oxide type of fuels.

Chairman Siddoway asked if there is a better way for those alternative fuel vehicles, or if this is the most efficient way to collect the tax to help with road issues, and if so, where does that tax go. **Mr. Chakarun** answered the tax goes to the highway department for maintaining and building roads. He said the bigger question he thinks the Chairman is asking is if more vehicles are becoming fueled by alternative sources, is this the right mechanism to use anymore, and he answered probably not. He said they're not in the position yet to start addressing that, but that is something the legislature may want to look at seriously in the coming years.

Senator Hill asked if the distributors make any profit off the sales of permits and if the Commission will get any grief for taking over those sales or is it just more of a nuisance for them. **Mr. Chakarun** replied the Commission believes it is a nuisance for the distributors. He said they may charge a small administrative fee to cover their time spent to fill out paperwork and send the money down to the state. He said they're not expecting a lot of use of this, but the Commission wants to make sure people have an alternative if they cannot find a distributor in their area.

Senator Hill asked what process the Tax Commission is going to use to handle the sales of permits. He asked if it will require more resources and staff to process those, and if they will be available online via credit card or will they have to find a Tax Commission office. **Mr. Chakarun** said the Commission will have to set itself up as a distributor of these decals which will involve some bookkeeping. He said it will probably sell them online, whether or not it's through the Idaho Portal, but they anticipate being able to sell them through the mail if the taxpayer requests. He said it will be a little bit of a burden, but not insurmountable nor very costly.

Chairman Siddoway asked how is the general public, who purchases these alternative fuel vehicles, going to know they are obligated to have this decal. **Mr. Chakarun** answered the Commission will put information on its website to notify them and advise them where they can buy these decals. They can still get by without them, but they will pay at the pump every time they fill up. He said the decal short circuits that process so it should be a benefit to those folks.

Senator Rice asked about a section that refers to fuel being placed in the 'main supply tank' of the vehicle and how does that affect rigs with two tanks. **Mr. Chakarun** replied that if the two tanks are joined, it would be permissible.

MOTION:

Senator Hill moved to send **H 20** to the floor with a **do pass** recommendation. **Senator Werk** seconded the motion. The motion carried by **voice vote**.

Chairman Siddoway asked for and received the Committee's unanimous consent to have a typographical error in **H 20** corrected. The word 'second' was missing the letter 'e' and the Committee Secretary has notified the Senate Secretary, who has notified the House.

H 24

Chairman Siddoway invited to the podium Alan Dornfest of the Idaho State Tax Commission (Commission) to share **H 24** relating to Sales Tax Revenues used for Elections. **Mr. Dornfest** said the bill deals with a small correction to the sales tax distribution formula. He said in FY 2011 the state appropriated money for election consolidation from the sales tax account. There was an extra \$200,000, but the statute didn't say which way to distribute it. The Commission discussed it with the Association of Idaho Counties (Association) as they sponsored the original statutory change that provided for this. He says he has a letter from the deputy director of the Association saying they agreed to distribute it based on population in each of the 44 counties. There was a temporary rule in place to describe that. **Mr. Dornfest** said this bill gives clear direction in statute that any increase

resulting from any Consumer Price Index adjustment will be distributed according to each county based on population.

Senator Hill asked how and when is the counties' population being determined. **Mr. Dornfest** answered they determine it by using the "latest estimate" which is an official word in the Census Bureau. It is not from the last decennial (ten year) census.

Chairman Siddoway stated he understands the counties are the ones who asked for the distribution in this way, but would it be more fair, or perhaps advantageous, for the smaller counties if the money was distributed both under population and the 1/44th method. **Mr. Dornfest** said clearly it would be advantageous to not necessarily smaller counties, but to non-growing counties, because some small counties could be in growth mode. However, he said, he discussed it with all the county clerks in the state for nearly two years, as well as the Association, and he has not had anyone suggest this wasn't the best way to do it.

MOTION:

Senator Johnson moved to send **H 24** to the floor with a **do pass** recommendation. **Senator Vick** seconded the motion. The motion carried by **voice vote**.

H 25

Chairman Siddoway asked Mr. Dornfest to continue with the next bill on the agenda **H 25**, relating to Property Tax Administration and certain technical corrections. **Mr. Dornfest** said the bill makes changes to several sections of property tax law. He said in most cases, the changes just clarify current procedures, which will help taxpayers, Commission administrators or taxing districts.

Mr. Dornfest said this bill puts several property tax related topics together, so there are six different sections. He described that Section 1 adds a requirement for taxing districts to include contact information when submitting documentation for boundary changes or when forming. This will make it easier for Tax Commission staff to communicate with such taxing districts when there are confusing elements or discrepancies of their documentation.

Mr. Dornfest outlined that Section 2 corrects a reference date that was inconsistent between two statutes: homeowner's exemption and occupancy tax. He said occupancy tax is a prorated tax so when someone builds a home during the year and they move into it on July 1, then they pay tax on the home for half of the year. That person is also eligible for the homeowner's exemption. The language in statute said occupancy as of January 1. That deadline went away about ten years ago, so this statement of requirement is invalid. This change in Section 2 makes the laws consistent.

Next, **Mr. Dornfest** described that Section 3 amends Idaho Code § 63-509 and clarifies the requirement for abstracts (a summary of the assessment roll) to include increment value by category for property within urban renewal allocation areas. The information is needed to make sure levies are set correctly. All of the information being required is currently reported by each county, and they have been complying with this requirement for a long time, but the language in the statute became unclear in some amendments a few years ago. This change makes it clear that the information required on the abstract is the increment value in the revenue allocation areas. There is no new requirement being imposed in this statute.

Mr. Dornfest said Section 4 provides that appeals of recovery of improperly granted homeowner's exemptions are made to the county board of equalization, rather than the county commissioners. This change is being made to ensure that taxpayers may further appeal the county's decision to the State Board of Tax Appeals. Under current law, the Board of Tax Appeals has refused to hear appeals from county commissioner decisions, and **Mr. Dornfest** said the Commission did not feel that was the intent of the statute, so the change would ensure taxpayers' rights to such an appeal.

Mr. Dornfest outlined how Section 5 ties filing deadlines for the "circuit breaker" property tax reduction program to the Internal Revenue Service (IRS) filing deadlines with respect to April 15. In the past, the IRS has extended the April 15 date, causing confusion for circuit breaker claimants who were not similarly granted the extension. Current statute has an absolute deadline of April 15 and if that fell on a Saturday or Sunday, the deadline would go to the following Monday. However, **Mr. Dornfest** said, in recent years, the IRS has changed the filing deadline for income tax to even later days, and the Commission does not have the ability under circuit breaker statute to do that, even though the state of Idaho complied with the federal changes for filing income tax returns. He said it became so confusing that even an accountant made a mistake on the deadline and paid the fine for the taxpayer. Therefore, this change will allow the Commission to change the filing date to correspond to the IRS deadline if the IRS changed it from April 15.

Finally, Section 6 deals with Idaho Code § 63-810. **Mr. Dornfest** said this section extends the time for discovery of erroneous property tax levies. This pertains to levy errors not of a substantive basis, but of a ministerial basis, such as failure to correctly assign property values to the proper taxing district or mathematical errors in levy calculations. Current law requires discovery by January 30, which is only five or so days after taxing districts receive first payment from counties. The change gives taxing districts an additional two weeks within which such discovery can occur.

Mr. Dornfest described how the Commission made a mistake a few years ago, when they took the amount of operating property in public utilities and railroads and apportioned it back to the tax districts throughout the state. He said they took the amount of value that was to be distributed to the large Mountain Home Highway District and mixed it up with the small City of Mountain Home. They gave the big value to the small place and levies were set too low. The more value one uses, the lower one sets the levy.

Mr. Dornfest said fortunately, the Commission learned of their mistake before the January 30 deadline and the City was able to redo the levies, which otherwise would have cost them more than \$470,000. Counties collect money around December 20, the due date for property taxes. They will hold the funds for about one month and distribute it around the 25th of January to the taxing districts. **Mr. Dornfest** said he spoke with the county clerks and other county officials, and he said everyone is very supportive of this change.

Chairman Siddoway thanked Mr. Dornfest for a very thorough presentation.

MOTION:

Senator McKenzie moved to send **H 25** to the floor with a **do pass** recommendation. **Vice Chairman Rice** seconded the motion. The motion carried by **voice vote**.

RS 21839

Chairman Siddoway invited Senator Werk to share **RS 21839**, relating to solid waste disposal. **Senator Werk** said this proposal is a work in progress as he is working with counties who currently don't like the proposal to find the "sweet spot" that captures what is wanted. He said the idea is to increase local government transparency so the public is better informed. It deals only with what should be substantial changes of the operation of a landfill or county development of an energy project outside of a landfill.

Senator Werk described a Trash to Energy project developed in Ada County. He said current statute for landfills, as used for the public good, was very permissive in terms of what can be done to modify operations. He said Ada County wanted to create the Waste to Energy project and they didn't have public hearings associated with the project, so the public did not get to hear directly what the project was about. **Senator Werk** said the public was upset and there was much misinformation because there was no opportunity for the public to ask questions.

Senator Werk said the idea of this proposal is simply to require a hearing process if a county is looking within the confines of its own landfill to add a procedure that would either increase the discharge of regulated pollutants or the 'added' release of any regulated pollutants and it would require that the permit be modified for the operations associated with those pollutants.

Senator Werk said the public hearing would only be informational and wouldn't allow the public to stop the project, but it makes sure local government has a hearing so the public can be informed. He said another part of the proposal is the development of energy systems. If an incinerator was going to be added, currently a hearing is not required, but it would be under this legislation.

Senator Werk said the idea is simply to make sure there is a hearing process associated with modifications so the public is notified and informed. He said the worst case scenario for a county is the county gets held up for a period of time to get the notification and hearing done. **Senator Werk** said it is work in progress as he works with the counties to narrow the scope and catch everything in the net without interfering with changes in operations at landfills that are necessary and not major. He asked the Committee to print this RS since the Senate is up against the printing deadline and he will continue to work with the parties involved.

Senator Johnson asked if it was Senator Werk's intention to apply this to private landfills in the state. **Senator Werk** said right now it applies to counties and cities, even though currently there are not any cities that operate a landfill. He said no, it would not apply to a private landfill.

MOTION:

Vice Chairman Rice moved to send **RS 21839** to print. **Senator Hill** seconded the motion. Motion carried by **voice vote**.

RS 21898

Chairman Siddoway invited to the podium Woody Richards to present **RS 21898**. **Mr. Richards** said the subject of this proposal is what has been called incident response fees, crash taxes, or misfortune fees. He said he is here on behalf of Farm Bureau, Mutual Insurance Company, American Family Insurance Company, and Allstate. He said he has also been authorized by lobbyists for the Property Tax Insurer Organization, AIA Trade Association, Farmers Insurance, and State Farm, as also in support of this legislation. **Mr. Richards** explained the problem arose when insured started receiving claims from fire districts for cleaning up after auto accidents. He said that for years, accident cleanup and fire truck responses were presumed to be paid for by property taxes. He said there are exceptions in the law, in which Idaho Code allows fire districts to bill when someone drives out of normal boundaries, as in trespassing or if they started a forest fire or some such incident. Hazardous materials are also an exception under federal law.

Mr. Richards said this legislation is almost identical to H 647 that was introduced last session. He said before introducing the legislation last session, he met with numerous interested parties including counties, cities, hospitals, towing companies, fire chiefs and the firemen's association. He said they were able to negotiate solutions with everyone except for the fire chiefs, although, he said, they did put language in the RS to allow the cost to repair damage to property and the cost of materials used at the scene of the accident.

He described the types of bills that have been sent to insureds, including bills for supervision costs, accident costs, scene stabilization charges, cleanup and cost for meals. He noted about ten to twelve of the state's 156 fire districts have authorized 'crash taxes.' Some of these fees are covered by insurance, but for a lot of people, they are not, and in fact, some insurance companies specifically exclude crash taxes. Drivers have to have opted for collision or comprehensive insurance, but Idaho law only requires liability insurance coverage.

He said all of the districts combined billed out about \$50,000 as of the time he last spoke to the fire districts and their billing company, which is EF Recovery, based in Washington state. He said as time goes on, he expects more districts to pass enabling laws, unless curtailed by legislation, which is why he's bringing this proposal today.

Mr. Richards said in fairness, the fire districts say they have more expensive fire equipment that needs to be purchased and **Mr. Richards** said, "Candidly, they would also like to have the option of an additional source of revenue." He said as an aside, the \$50,000 is not a net number because the EF Recovery company that promotes these types of taxes will bill and charge for the first \$50 or 14 percent of whatever is collected to the fire district.

Mr. Richards said the public has a strong negative feeling about this issue. One national Harris poll last year on the subject found that 68 percent of the people surveyed oppose such fees and felt they are already covered by the taxes they pay. He said 13 states passed laws similar to the RS before the Committee, and other states have similar proposals in the works.

Mr. Richards said last year the bill passed the House 54-7-9, but it did not get a hearing on the Senate side. He said he met with the cities and fire chiefs this year and no agreement could be reached and that is why this proposal is brought before the Committee.

MOTION:

Senator Hill moved to send **RS 21898** to print. **Senator Werk** seconded the motion. The motion carried by **voice vote**.

Chairman Siddoway asked for volunteers to carry the bills to the floor. Senator Werk will carry **H 52**. Senator McKenzie will carry **H 20**. Chairman Siddoway will carry **H 24**. Vice Chairman Rice will carry **H 25**.

ADJOURNED:

There being no further business, **Chairman Siddoway** adjourned the meeting at 4:21 p.m.

Senator Siddoway
Chairman

Christy Stansell
Secretary