

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 08, 2013

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** Reps. Erpelding, Wood(35)

GUESTS: Parrish Miller, Idaho Freedom Foundation; Steve Wallace, IBTA; Travis Van Lith, Board of Tax Appeals; Steve Wynn, Idaho State Tax Commission; Tim Larson, Scentsy; Mike Chakarun, Idaho State Tax Commission; Jeff Sayer, Commerce; Lane Packwood, Strategies 360; N.L. Clayville, DFM; Derek Santos, DFM; Jana Jones, BVEP; John Watts, Chamber Alliance; Alex LaBeau, IACI; Benjamin Davenport, Associated Taxpayers of Idaho; Miguel Legarreta, Realtors; Tyler Mallard, Risch Pisca; Raeleen Welton, Westerberg & Associates; Suzanne Budge, SBS Assoc. LLC; Jayson Ronk, IACI; Elizabeth Criner, Veritas Advisors, Max Hadley, Nampa & USA.

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

H 88: **Mark Warbis**, Communications Director & Senior Special Assistant, Office of the Governor, presented **H 88**. This bill deals with the Hire One More Employee (HOME) Act and would replace the current HOME Act, slated to expire the end of 2012. The new HOME Act would be retroactive to January 1, 2013 and has several significant changes, including the inclusion of specifying veterans as a category of newly hired employees. It would eliminate the employer-provided health insurance requirement, the unemployment insurance employer rating, and reduce the unemployment benchmark for qualifying salaries from 10% to 8%. Additionally, **H 88** would establish a single tax credit of 4% of new employee's gross salary as well as add a \$1,000 bonus credit for each new employee who is also a veteran.

This bill would not eliminate salaried employees, as their income can be calculated into a dollar per hour rate. The \$12 per hour requirement is used for higher unemployment areas, which typically are rural, and a \$15 per hour rate is used in lower unemployment areas. The fiscal impact is projected to be a little over \$10 million in the first year but does not take into account the value of possible tax credit that would otherwise still be eligible before the sunset date. There is a 50% cap on the amount of tax liability employers can claim. **Mr. Warbis** used a presentation (see attached handouts) to illustrate the forecast model and resulting fiscal impact.

Derek Santos, Chief Economist, DFM, spoke on the impact of a non veteran being paid \$12/hour over the course of a seven year period. Mr. Santos then compared the same scenario for a veteran. Using an example of 1000 additional jobs under the incentive, the projected negative fiscal impact in year one would be \$10,733,290. If the credit sunsets as is written in the bill, it would no longer be available after 2018, but the benefits would continue, assuming the employee remains employed. Mr. Santos clarified that the examples in the forecast would be only for the jobs that qualified for the credit.

Mr. Warbis responded to a question by stating that the Department of Labor provided the estimates that were used for the calculation of fiscal impact. No sales tax or multiplier was used, only the income tax benefits.

Mr. Santos stated, in response to a question, that not all new jobs created are eligible for the incentive, so they are not included in the cumulative totals. **Mr. Warbis** stated that the fiscal impact is cumulative through 2018. **Mr. Steve Wynn**, Tax Policy Specialist, Idaho State Tax Commission, presented Exhibit A (see attached handout) which illustrates a scenario of an employer hiring ten additional employees.

Mr. Santos clarified that the cumulative total calculation also included jobs not eligible for the incentive. This bill only presumed the program continued through 2018, so the point at which the impact on the bottom line, cumulatively, becomes positive, has not been calculated.

Mr. Warbis stated that the upside to this bill comes from a positive message to business, the local community will see benefit and unemployment will go down. He said less folks are on assistance and Idaho is invested in growing the economy. What is being shown is the impact on income tax. The additional positive benefits, such as sales tax, property tax or the multiplier impact, are not calculated.

Mr. Tim Larsen, Tax Director at Scentsy, Inc., provided an overview on the company which started in 2004 and is now located in Meridian. They are a multinational company and have recently made a large local investment of a 600,000 + sq. foot campus. Scentsy will benefit from the bill, due to the number of employees hired. They are the single largest privately held company in Idaho. From 2009 to the present, Scentsy averaged almost one new employee hired per day. They don't hire just because of the tax credit, but they do determine where that expansion occurs and tax incentives are a consideration. Mr. Larsen stated that they believe the tax incentives received by Scentsy have been far less than the benefits returned to the state and spoke in support of this bill.

Parrish Miller, Policy Analyst, Idaho Freedom Foundation. **Spoke in opposition to H 88.** Mr. Miller stated this bill is an attempt to manipulate the free market. **H 88** also would provide an additional incentive for hiring a veteran, but the wrong message is being sent to employers. This bill is not pro-business.

Jeff Sayer, Director, Idaho Department of Commerce, endorses this bill due to the conversations he is having across the country. Incentives like the HOME Act is among the top three set of tools states use to attract businesses. Mr. Sayer applauds the Governor for taking the existing HOME Act and simplifying it, as these are the kinds of policies that make Idaho more competitive. Mr. Sayer feels the projected benefits are conservative as they do not include the sales tax, property tax and other positive ancillary benefits that will be derived. Other states have gone so far as to put a \$10,000 per job incentive in place. This has been very aggressive and in some cases, gone too far. Idaho has been conservative and the proposed bill is meaningful enough to move the dial but not go crazy. Employers claimed the current act is too complex to use and this bill makes it much easier to implement the intended incentives.

Mr. Sayer responded to a question, saying it is his professional opinion that the Return On Investment will be seen much sooner than the projected year of 2018. The projections have not delved deeper into the possible positive impacts. He said job creation incentives is one of the first questions businesses will inquire about. He stated that the intent is to provide an incentive for new jobs and grow the economy of Idaho.

Mr. Sayer yielded to **Mr. Warbis**, who clarified that if a job is created in Idaho and the company files Idaho taxes, the credit can be used. He acknowledged that one challenge faced was how to draw the line between jobs driven by this incentive and those that would have been created regardless of the modification and extension. This bill will make Idaho more competitive in hiring new jobs. Mr. Sayer stated that the 4% limit on the credit is not as aggressive as the states offering a fixed \$10,000 incentive per job.

John Watts, representing the Idaho Chamber Alliance, said the whole intent of the incentive was that businesses were struggling to climb out of a economic downturn and the Chamber Alliance members believed this would help. It is intended to be a jump start to get the economy rolling. He said in the rewrite of the bill, particularly the rural chambers, the hourly rate needed to be more realistic for their area. This bill does that and the Idaho Chamber Alliance **supports H 88**.

Alex Lebow, President, IACI stated that there are too few tools to do the job effectively. One of the problems is that sometimes the solution gets too prescriptive. This bill is a correction on a piece of legislation that will allow us to go after new jobs and he encourages passing **H 88**.

Max Hadley, Idaho native, representing the U.S. of America. Mr. Hadley proposes that Idaho get on board and for every ounce of gold, silver, or mineral that is taxed, Idaho should put that money into the government to fix the health and welfare problem. He said everybody needs money. Mr. Hadley said cell phones need a password, suggested Idaho patent it so that your fingerprint can be the access code to a cell phone, instead of a password.

Lane Packwood, Communications Director, Strategies 360, representing himself, said he has a 26 year military career. His father was a veteran and today, he is here as a veteran. Mr. Packwood **strongly supports** the provision of this legislation that provides the additional incentive for hiring a veteran.

Mr. Warbis apologized if he minimized the \$1,000 additional credit for hiring a veteran, it's a critical and important aspect of the bill. He stated that the fiscal impact scenario is the 'worst case' projection and clarified that the wage used of \$18.36 is a weighted average of current pay, for jobs being created in Idaho. Mr. Warbis asked for a favorable vote.

MOTION: **Rep. Trujillo** made a motion to send **H 88** to the floor with a **DO PASS** recommendation.

ROLL CALL VOTE: Roll call vote was requested. **Motion carried by a vote of 13 AYE, 1 NAY, 2 Absent/Excused. Voting in favor** of the motion: **Reps. Collins, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Patterson, Trujillo, Burgoyne, Meline. Voting in opposition** to the motion: **Rep. Barrett. Reps. Wood(35), Erpelding were excused. Rep. Moyle** will sponsor the bill on the floor.

S 1009: **Steve Wallace**, Director, Idaho Tax Appeals Board, presented **S 1009**. Mr. Wallace introduced **Travis Van Lith**, Hearings Officer, with the Tax Appeals Board. This legislation would amend current code dealing with the time frame in which appeals to the Board of Tax Appeals, by the County Board of Equalization, can be made. The change would permit appeals to be submitted within 30 days of notification, which allow for more timely hearings and decision on appeals.

MOTION: **Rep. Meline** made a motion to send **S 1009** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Meline** will sponsor the bill on the floor.

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

Representative Collins
Chair

Kathleen A. Simko
Secretary