

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Friday, February 15, 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:** Rep. Meline.

**GUESTS:** Roger Batt, Idaho Heartland Coalition; Sean Ellis, Capitol Press; Benjamin Davenport, Associated Taxpayers of Idaho; McLean Russell, Idaho State Tax Commission; Jay Larsen, Rick Smith, Idaho Technology Council; Elizabeth Criner, J.R. Simplot; Miguel Legarreta, Realtors.

**Chairman Collins** called the meeting to order at 9:01 a.m.

**MOTION:** **Rep. Wood(35)** made a motion to approve the minutes of February 14, 2013.  
**Motion carried by voice vote.**

**RS 21924:** **Jay Larsen**, President & CEO, Idaho Technology Council, presented **RS 21924** which is intended to clarify the definition of software for purposes of sales and use taxation. Access to application software that is provided by vendors, including that which is offered over the internet, or in the "cloud", are economically equivalent to a service and therefore, not subject to Idaho sales and use tax. Cloud technology provides a service, not a tangible product. Mr. Larsen stated the entity that owns the server pays a 6% tax and, as an example, if they were located in Oregon they wouldn't be taxed.

**MOTION:** **Rep. Wood (35)** made a motion to introduce **RS 21924**.

In response to a question, **Mr. Larsen** clarified that the business entity would have to pay all other costs of doing business in Idaho and that this is a sales tax, not a property tax, exemption. Mr. Larsen stated cloud computing offers users a service that was never anticipated. The potential for future development or next iteration of cloud service is not known at this point as it hasn't yet been developed. The current issue being addressed is whether cloud technology is a service or a transaction. Mr. Larsen will follow up on the question on how the Idaho State Tax Commission defines nontaxable services.

**VOTE ON THE  
MOTION:** **Motion carried by voice vote.**

**RS 21976:** **Roger Batt**, Idaho Heartland Coalition, presented **RS 21976**. The purpose of the proposed legislation is to clarify the serving size of a free tasting of beer or wine. It would also exempt food and nonalcoholic beverages from use taxes, when they are given to a potential customer as a free sample.

**MOTION:** **Rep. Trujillo** made a motion to introduce **RS 21976**. **Motion carried by voice vote.**

**Chairman Collins** recognized the service of Legislative Page **Shannon Cooper** for the work she performed during the first half of the session.

**ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 9:30 a.m.

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Representative Collins  
Chair

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Kathleen A. Simko  
Secretary