MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 26, 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 3:04 p.m.

MINUTES: **Senator Vick** moved to approve the minutes from February 5, 2013. **Senator Werk** seconded the motion. Motion carried by **voice vote**.

Senator McKenzie moved to approve the minutes from February 12, 2013. **Senator Lacey** seconded the motion. Motion carried by **voice vote**.

PRESENTATION: **Chairman Siddoway** invited to the podium Dr. Peter Crabb, Professor of Finance and Economics at Northwest Nazarene University (NNU), for a presentation on Personal Property Taxes and the Idaho Economy.

Dr. Crabb offered a disclaimer, saying he is here to represent only his personal views, and his statements are not necessarily representative of the views of his employer, NNU. He said he is here to speak in support of Governor Otter's proposal to eliminate Idaho's personal property tax. He said it is his thesis that the burden of Idaho's personal property tax is largely borne by the state's workers and unjustly taxes the sector of the economy that Idaho is currently trying to promote.

Dr. Crabb said the argument most often put forth for eliminating Idaho's personal property tax is administrative burden. He said economists rate the effectiveness of a tax by looking at how well it raises revenue without distorting incentives for households or businesses, but the administrative burden of tax, like filing tax forms, sending in payments and record keeping, etc., is just one measure of how well a tax is working.

He said the first of two broader economic principles applicable to this debate is that of tax incidence. He said economic theory shows that there should be more worry about the 'incidence' of tax and how businesses respond to tax policies, rather than how hard the taxes are to collect. He said any action that is changed due to taxes will affect the likelihood of investing for economic growth. He said such tax-induced actions affect what is known as 'tax incidence' or how the burden of the tax is shared. **Dr. Crabb** said the citizens of Idaho bear the burden of taxes, even if the citizens don't actually make the payment.

Dr. Crabb said Idaho's personal property tax is a business expense like any other. Businesses must offset this cost against revenues to make a profit, and therefore, such a tax is often passed on directly to consumers in the form of higher prices.

He said in this case, personal property tax is like a hidden sales tax on individual consumers. He said businesses may also adjust other costs when taxed. All businesses are collective enterprises formed by individuals and taxes must in one way or another flow through to the individual.

Dr. Crabb said recent economic research shows that the incidence of corporate income taxes, for example, are borne by workers and shareholders alike. He said work by the Congressional Budget Office suggests it is reasonable to assume that workers and shareholders split the cost of the tax evenly. (See Attachment 1 for source.) He said researchers at the accounting and consulting firm of Ernst & Young estimate that burden of all business taxes, including property, falls disproportionately on workers. (See Attachment 1 for source.) **Dr. Crabb** said, for Idaho, these researchers estimate that 56 percent of all taxes are "shifted back to labor."

Dr. Crabb said in previous testimony before this Committee, Dr. Stephen Cooke suggested that a business personal property tax is purely a tax on capital. **Dr. Crabb** quoted him as stating that taxing "capital less than labor encourages the substitution of the relatively cheaper capital for labor." **Dr. Crabb** said Dr. Cooke further suggested that Idaho is in a "low-skill wage equilibrium trap" and needs revenue from the business property to better educate its workforce.

Dr. Crabb said, however, the research cited above argues that labor productivity rises as more capital is employed in a state. He said higher labor productivity, and the associated higher wages, is exactly the stated objective of Idaho policy makers today. He said the recently passed **H 100**, known as the Idaho Opportunity Fund, will provide $3 million in grants that will supposedly bring higher valued businesses to our state. The act reads, "The intent of the Idaho Opportunity Fund is to promote economic development and provide financial assistance, through the Idaho department of Commerce, to retain, expand or attract quality jobs in industries deemed vital to the health of the local and statewide economy." **Dr. Crabb** said the state should not retard higher productivity in 'quality jobs' by taxing these same industries. He said it will not serve Idaho to increase the skills of its workforce if there are no companies seeking to employ such workers.

Dr. Crabb said the second economic principle applicable to the question of business property taxes is the equity of the tax. He said economists have identified two principles of equity in taxation: horizontal equity and vertical equity. He said horizontal equity is the idea that taxpayers with similar abilities to pay taxes should pay the same amount, like a flat tax, meaning a tax should not favor one group over another. Conversely, he said, vertical equity is the idea that taxpayers with a greater ability to pay taxes should pay larger amounts. (See Attachment 1 for source.) **Dr. Crabb** said all firms are collections of individuals, so it is actually individuals who are paying those taxes. He said the shareholders in Idaho Power are Idaho residents.

Dr. Crabb said personal property tax violates the principle of horizontal equity by favoring service businesses over production or manufacturing businesses. He said a service business relies mostly on people to get its work done, while manufacturers need equipment and therefore generally pay higher personal property taxes. **Dr. Crabb** said many will argue that income taxes should be progressive, whereby the rich pay more as in vertical equity. But, he said, it is hard to make the same argument for businesses. He said if up to 50 percent of all business taxes pass through to workers as previously discussed, the business property tax also violates the principle of vertical equity.

Dr. Crabb said the empirical question of whether or not the personal property tax hinders economic growth is unanswered. He said to date, his review of the economic literature finds no statistical relationship between economic growth and personal property taxes.

Dr. Crabb said Dr. Cooke's earlier testimony included research suggesting that such a tax may be, in Dr. Cooke's words "counter productive." **Dr. Crabb** said that research Dr. Cooke cited does not have such a conclusion.

Senator Werk asked Dr. Crabb if he was asked to come and rebut Dr. Cooke's presentation. **Dr. Crabb** answered no, he was not asked to rebut Dr. Cooke. He said he was asked to come and speak to this Committee about business property tax and in his preparation for that, he found Dr. Cooke's presentation. He said he was aware of it before, but he went to look at his presentation. **Senator Werk** asked if Dr. Crabb listened to Dr. Cooke's presentation. **Dr. Crabb** said yes he did. **Senator Werk** asked if Dr. Crabb was in the room for the presentation. **Dr. Crabb** said he got a copy of the recording from the committee secretary. (Secretary's Note: All requests for recordings of any Committee meetings are referred to Idaho Public Television.)

Dr. Crabb said the researchers studied the relationship between tax expenditure limitations and economic performance within a state. First the authors use data on tax and expenditure limits for 'real property' taxes appropriations, not business taxes, so he said the data for this study is not appropriate or applicable for the analysis of business property taxes. Secondly, **Dr. Crabb** said, the authors concluded that tax expenditure limitations "are not associated with higher levels of business climate and economic performance by states." He said they studied 84 different measures of state economic performance, but only eight showed statistical significance, none of which relate to personal income or economic growth. He said they concluded there is only "limited evidence that tax and expenditure limitations are associated with a poorer business climate." He said that nowhere did the research say it was "counter productive" as Dr. Cooke presumed.

Dr. Crabb said his own review of data confirms little or no relationship between economic growth and a state's personal property tax. He said according to data compiled for 2009 by the Tax Foundation, there is a negative correlation between state income growth and personal property tax collections per capita. He said on average, those states with lower personal property tax revenue grew faster; however, the roughly one quarter of a percent difference in economic growth from 2000 to 2009 between the two groups is not statistically significant at standard levels. (See Attachment 1 for source.) **Dr. Crabb** said while the earlier research he cited does confirm a cost to labor from higher business taxes, such as the personal property tax, he does not know the extent to which other factors impact overall economic growth.

Dr. Crabb said economic theory does predict that, all else equal, a state with a tax system that is easy to administer, spreads the tax burden, and does little to distort incentives will have a faster growing economy. He said repealing Idaho's personal property tax furthers this objective. He said he believes it is also unreasonable to be promoting the development of capital-intensive businesses in Idaho while taxing them more than others. He said the burden of Idaho's personal property tax is borne by the state's workers and unjustly taxes the sector of the economy that Idaho is currently trying to promote.

Senator Hill asked Dr. Crabb to explain what it means when he says "a good tax system does little to distort." **Dr. Crabb** replied that one of the principles of economics is that people respond to incentives, as in "we work harder when we're paid more or we avoid risky behavior when it is costly to us." He said tax policy, like government regulation or other public policy, will somehow change those incentives.

He said when a tax policy is structured in such a way that it causes a particular entity, whether an individual or a group of individuals in a business, to change their behavior, economists say the incentives have been "distorted." He said when that happens, the basic model of supply and demand doesn't hold anymore, and the analysis has to be altered, because the assumptions behind the model are not what they were when they started.

Dr. Crabb said when the assumptions are altered, there are different outcomes. In general, economists measure outcomes in "deadweight loss" which is the difference between the total value to producers and consumers in a particular market from a nondistored market to one that is distorted. When there is a large incentive to change behavior, there is a larger deadweight loss.

Senator Hill said that's a different term that he has not heard before in relation to economics. He said Dr. Crabb seems to be talking about 'negative' incentives in a tax standpoint, so what about positive incentives that choose a certain industry and try to create a change in behavior based on tax incentives for limited industries or limited acts, and if that produces the same kind of "deadweight loss." **Dr. Crabb** said he is not familiar with any study that shows that businesses have responded favorably to higher taxes, if that is what is meant by saying "positive tax effect."

Senator Hill said what he means is, for example, a new jobs credit, to reward businesses that create new jobs. He said that may be more advantageous to manufacturing or to the service sector, depending on how it's looked at. He said Dr. Crabb was speaking about how the free market system can be distorted by distorting the incentives, so what he's asking is if there are 'positive' incentives that are restricted to certain behavior that create distortion or is it better to have a more evenly distributed, broad tax base. **Dr. Crabb** said business enterprise and individuals in the general market model will respond positively to any tax incentives. They will change their behavior. He said the change in the tax code policy that creates the incentives to save more generally leads to more savings, and that can have a positive long-term effect on the economy. Another example is an investment tax credit in certain industries that can create more investment on behalf of firms, which leads to higher productivity in the company and increases the standard of living.

Dr. Crabb said as he mentioned today, such policies might violate one of these two principles, as to whether or not a tax is good or operating well or working sufficiently. He said often they violate the "horizontal equity" or "vertical equity" principle, and in his opinion it is most often horizontal equity. He said the best tax in this general economic theory is one where the tax credit, positive or negative, is spread over the widest segment of the economy.

Senator McKenzie said Dr. Crabb pointed out the principle of equity shifting and that at least half the tax on business gets passed down to workers. He asked about these factors: if the personal property tax is eliminated, and there is the potential to shift the cost to property owners, which are in large part individuals; and, if provided services are maintained by using property taxes are used to cover that; or, if that cost is shifted to the general fund (which is other businesses or individuals paying income tax or sales tax) and reduce the services that are provided to individuals. **Senator McKenzie** said it seems these factors should weigh on the scale somewhere as one of the effects of eliminating or reducing this tax.

Dr. Crabb said he doesn't address the issue of how to replace funds lost by eliminating the personal property tax, nor has he looked at budgets or laws that exist to do so. He repeated his earlier response that the best and most efficient tax would be to spread the burden.

He said a real property tax would do that, just as replacing it with sales tax would. He said it would spread the burden, lower the tax incidence, and support the horizontal equity model in the case of the sales tax; it would support the vertical equity model as well.

Dr. Crabb said, "But, I wouldn't leave it at that." He said the bigger question is whether or not the state of Idaho has to replace that revenue, but he said that is not an issue he has addressed.

Vice Chairman Rice asked for clarification about the studies Dr. Crabb referred to as not significant because they didn't isolate just personal property tax versus other economic factors. **Vice Chairman Rice** said when it's not comparing apples to apples, it's time to turn to economic theory where, if everything else is the same, and personal property tax is eliminated, theory says the economy will grow better. **Dr. Crabb** said yes, that is correct, if he is holding all else constant, which is what he believes these studies were unable to do. He said one piece of research that he cited did have a number of control factors and they were able to isolate some statistical effects. He said he has been unable to locate any further studies that do that, and he said Dr. Cooke's study does not isolate the effects. **Dr. Crabb** said Vice Chairman Rice is correct in that all else equal, investment in the state would increase by the elimination of the personal property tax.

Vice Chairman Rice asked if economic theory would indicate that in addition to increasing economic activity, it would increase the higher wage jobs that come from manufacturing. **Dr. Crabb** said it is his belief that yes, 'if' the elimination of the tax does in fact attract such industries that have higher technology needs, then yes, productivity should rise, but theory cannot predict if it will attract such industries.

Senator Werk said his sense is that economists tend to disagree with each other and there are many schools of thought in economics and asked if he was misguided in that understanding. **Dr. Crabb** answered that yes, economists do disagree. **Senator Werk** said he knows there are different types of economists, and each tends to view economics and theory through a prism. He asked Dr. Crabb what kind of prism does he view it through, and how would he classify his place in economics. **Dr. Crabb** replied he is by trade a financial economist with degrees in finance 'and' economics. He said his professional background is in banking and investment banking. He said as he studies issues, he looks at financial markets and in doing so, he looks at investment and the primary function is to channel savings into investment, and how that leads to higher economic growth. He said the question he addressed today of higher economic growth is part of what is labeled in the twentieth century as 'macro' economics. Prior to the 1930's it was only microeconomics. Most economists in training have micro theory as the basis of their training, as he does, so that is his prism. **Dr. Crabb** said in this analysis, he's not trying to make any moral assumptions or address normative issues, rather he is simply stating what theory predicts would happen should it be decided by policy makers to repeal this tax.

Senator Werk summarized from Dr. Crabb's statement that anytime business is taxed, the tax flows outward because someone has to pay it. **Dr. Crabb** said yes.

Senator Werk said when he hears this argument, it reminds him that Idaho is not a walled country, so what is done in Idaho has more of an effect on Idaho citizens when they subsidize a commodity that goes elsewhere in the world and is sold for a lower price. He said it seems Idaho is placed in a walled compound, which is nice for theory, but when looking at the real world, and widgets are subsidized and get purchased out of state for a lower cost, **Senator Werk** said, he wonders what Idaho gets back for that investment.

Dr. Crabb answered that is good reading between the lines. He said in theory, all else is held constant, and in the scenario Senator Werk suggested, it's not held constant in that Idaho trades with other states, and it is not what would be called a "closed economy." He said however, another principle of economics is that trade makes everyone better off. Trade doesn't occur unless it is a win-win situation.

Dr. Crabb said the fact that Idaho may make widgets here and trade them with other states or the rest of the world, is because they have something Idaho wants. Idaho gains from that trade. He said while it might be true that his analysis is restricted to a closed economy, relaxing that restriction should not change the assumption, because the benefits from trade would still be there. **Dr. Crabb** said when any particular industry is subsidized, it won't trade those products unless there is something mutually beneficial to the trade.

Senator Werk said when Dr. Crabb discussed "the shift" of moving the tax on business properties over to other property owners, his thoughts went to the fair system to evenly distribute the tax. He said when a tax is shifted, it is not necessarily an 'even' shift, and he asked how can the burden be shifted more equitably. **Dr. Crabb** replied under economic theory, the policies that fit the horizontal equity principle the best are sales taxes, because the tax is only incurred if "you're willing to trade." **Dr. Crabb** said there is only a trade if there is some mutually beneficial reason to trade, so the best tax policy under that principle is a consumption tax of some sort. He said he would add that consumption taxes don't have to be 'sales' taxes, but they should be broadly based. To be broadly based, they would not include any exemptions. He said if that principle is to be fulfilled, within economic theory, there would be a consumption based tax that is paid by anyone who makes a mutually beneficial trade.

Senator Vick asked about tax expenditure limitations and economic performance. He said he's struggling a little to see the correlation to the personal property tax and asked Dr. Crabb for clarification. **Dr. Crabb** said the point he makes is there is no correlation. He said these tax expenditure limitations were part of the research cited by Dr. Cooke during his presentation before this Committee. **Dr. Crabb** said he does not think that research is appropriate or applicable to this question of personal property tax exemptions. He said that was the terminology Dr. Cooke used in that study and those were the laws researchers used as indicators.

Chairman Siddoway said there are several personal property ideas floating around and one that has been a struggle is whether the centrally assessed operating properties should be in or out of the exemption. He said there are three different classes of operating properties, including the ones that have the monopolies, like the electrics. **Chairman Siddoway** asked for Dr. Crabb's opinion on whether he would leave those in the exemption or not, because they are good tax collectors since they collect from just about everybody on the basis of "the more you use, the more you pay."

Dr. Crabb said Chairman Siddoway correctly stated the principle of "the more you use, the more you pay," which is consistent with both horizontal and vertical equity principles. **Dr. Crabb** said he is not very knowledgeable with how the personal property tax code system is collected in Idaho, but if he sticks to his principles, a complete elimination of the tax will use both the broad economic issues that he addressed as well as the equity principle that the Chairman addressed. **Dr. Crabb** said for that reason, he supports full elimination.

Senator Bayer asked if Dr. Crabb had any insights in regard to expectations on the budget side of the formula. He said on a state level, when the legislature is faced every year with budget setting challenges, it is a revenue-driven system; as changes come in relation to tax policy, they deal with a budget-driven system that has parameters like limits on growth and other variables like annexation for cities.

Senator Bayer said that sets an entirely different stage and creates challenges when looking at 'shifting' the burdens to make budgets whole. He asked Dr. Crabb for his insight on any expectations on revenue-driven versus budget-driven systems.

Dr. Crabb said what he can offer is comments based only on his personal values and not essential to economic theory. He said essentially if action on repealing this tax leads the state government 'away from' the revenue-driven system, that would be an improvement and would lead to a climate that 'does' attract investment, business with higher skilled labor and higher levels of productivity, and thus higher wages. He said it is not his area of expertise, but when continuing to operate under a revenue-driven system, it will tend to value more revenue and perhaps getting away from that would be a step forward, and be for the better.

Vice Chairman Rice said if he understands correctly, having a revenue-driven system will cause resistance in changing from taxes that have more incidence to ones that have less. **Dr. Crabb** said his statement was personal and not based on analysis. He said his statement is, "If you are immediately, when discussing tax policy, thinking about how do I replace the revenue, then you're not taking the approach that leads to high levels of investment and high levels of economic growth."

Chairman Siddoway thanked Dr. Crabb for coming and for the time and thought he put into this presentation.

S 1107

Chairman Siddoway invited to the podium Senator Winder to introduce **S 1107**, relating to revenue and taxation and certain assessment notices sent electronically to the taxpayer. **Senator Winder** said this is a very simple bill brought on behalf of assessors and he deferred to Bob McQuade, the Ada County Assessor. **Mr. McQuade** said this bill is a technical correction to Idaho Code § 63-308 about "valuation assessment notices to be furnished to taxpayer." He said this is the assessment notice the assessor sends out in May to property owners showing the estimated value of their property. He said the problem is that most of the world is set up electronically, but the way the assessors' legal counsel interprets the law, assessors are not prohibited from sending items electronically, but they're not permitted to either.

Mr. McQuade said they suggest a change in the statute that would add "transmitted electronically" and permit assessors to send out assessment notices electronically. This would not be 'required' but rather it would be 'optional' for both taxpayers and counties. It would require the affirmative action of the taxpayer filling out an application provided by the assessor asking for electronic notice in counties that agree to do electronic transmission.

Mr. McQuade said there is not a lot of information available on this because as far as he could tell, no other counties in the country are doing it this way. He said someone he met in Texas was discussing it, but isn't currently doing it. He said electronic transmission would be an advantage to the taxpayer because they will receive it more quickly and can access the notice anywhere, anytime. Additionally, some businesses get 'stacks' of assessment notices and this format would allow them to put the information in a spreadsheet and pass it on to the appropriate party. **Mr. McQuade** said the cost savings to the county could be significant, as last year Ada County spent $80,000 in postage and statements for sending out 180 thousand assessment notices. He said if there is even one percent participation in electronic transmission, that would be $750 in savings.

Mr. McQuade said the assessors board, the Association of Counties, Potlatch, Micron and others support this legislation. He said their intention with the passage of this bill is to make the first electronic assessment notices available in Ada County in 2014.

Senator Werk asked about some verbiage in the bill, saying it implies that they are sending something electronically to the "last known post office address." **Mr. McQuade** said he reads it as they would 'mail' it to their last known postal address, and this bill would allow it to be sent to the email address, and he reads it as 'either-or.' **Senator Werk** said he feels the language is not precise, but it may be good enough.

Chairman Siddoway said when he reads the paragraph as a whole, he thinks it is correct. **Senator Winder** returned to the podium and said he would answer it the same as Chairman Siddoway, that it is transmitted electronically 'or' mailed. **Senator Winder** said the important thing to remember is this is not 'automatic,' it is 'optional' and at the request of the taxpayer.

MOTION: **Senator Hill** moved to send **S 1107** to the floor with a **do pass** recommendation. **Senator McKenzie** seconded the motion. In discussion, **Vice Chairman Rice** said he initially had the same question about the language, but he thinks the language works. Motion carried by **voice vote**. Senator Winder will carry the bill on the floor.

H 86 **Chairman Siddoway** invited Mike Chakarun, Policy Manager with the Idaho State Tax Commission (Commission) to the podium to discuss **H 86**, relating to taxes and using certified mail versus first-class mail. **Mr. Chakarun** deferred to Rich Jackson, Chairman of the Idaho State Tax Commission. **Mr. Jackson** said the purpose of **H 86** is to remove the sunset clause from a year ago on H 362, which removed the requirement that the Commission send certain notices by certified mail and allowed the use of first-class mail for such mailings. He said the reason for the sunset was to allow the Tax Commission to collect data to determine the impact of using first-class mail and to assure taxpayers were not adversely impacted by the change.

Mr. Jackson said the data presented by the Commission in committee demonstrated that taxpayers' rights to due process have 'not' been affected by the change. He said there have been no claims of inadequate notice by affected taxpayers and the time needed to resolve issues remains statistically identical to when certified mail was used in the previous year. **Mr. Jackson** shared a handout with the Committee, which he described as a "report card" for this process. (See Attachment 2.) He said it compares 2012 and 2013.

Mr. Jackson said changing to first-class mail has resulted in over $100,000 in postage cost savings through the first six months of this fiscal year and the agency is expecting to meet or exceed the annual cost savings of $200,000 identified in H 362. **Mr. Jackson** said passage of this bill, **H 86**, would allow the Commission to continue the use of first-class mail for certain notices beyond this fiscal year and continue the efficiencies and cost savings demonstrated in this trial period.

Mr. Jackson said the notices affected by this legislation include Notices of Deficiency and Notices of Levy and Distraint. He said the Commission does attempt to contact the taxpayer either by phone or first-class mail before the notices are sent. He said the Commission is required to provide notice to the last known address provided by the taxpayer. If notices are returned because of an outdated address, he said the Commission makes a concentrated effort to research and find a current address to re-send the notice. This is the process used whether using first-class or certified mail for the notices.

Mr. Jackson said what prompted the Commission to request the change to first-class mail is that the Commission experienced a 35 percent return rate because notices were refused or unclaimed by the taxpayer. The refused and unclaimed notices had to be removed from their original envelopes and resent via first-class mail, which was time consuming, inefficient and costly. **Mr. Jackson** said in addition, taxpayers often complained about the time necessary to go to the post office to retrieve a certified letter.

Mr. Jackson said the Commission sent out approximately 100,000 certified notices in fiscal year 2012 and most of these notices were the result of non-filed returns. He also pointed out this bill does not prohibit the use of certified mail. He said the Commission will continue to use certified mail for legal decisions or other instances where certified mail be appropriate or at the specific request of the taxpayer.

Senator Vick asked what the return rate was without the certified mail. **Mr. Jackson** answered it used to be 35 percent, but while he doesn't have a specific number yet, it remains about the same, but it is still saving costs and time. **Senator Vick** said he was curious, of the 35 percent that were returned, if half was because of a wrong address or because people saw it was from the Tax Commission and didn't want to sign for it. **Mr. Jackson** answered they could track that 7,400 were refused, but they don't have a tracking for the other issues, and he could research that for Senator Vick if he would like. **Mr. Jackson** said he just knows it has been successful.

Senator Hill said he is sure it has been done multiple times, but never noticed it being done this way. He said when H 362 was passed last year, they went in and amended parts of the statute, and now they're being asked to amend last year's bill. He asked why aren't they going back and amending the statute that was amended by last year's bill. **Mr. Jackson** said he can't explain the procedure, outside of what they're trying to do is remove the sunset.

Vice Chairman Rice asked if he is correct in his understanding that the Internal Revenue Service has been using first-class mail for these same types of things for years. **Mr. Jackson** said like the Idaho State Tax Commission, certain things will go out certified, but a lot of it is through first-class, and they go through the same fire drill trying to find the latest address.

Mr. Jackson said when looking at how can the Commission be more efficient with tight budgets and where can money be saved, this bill is an improvement that will help the citizens and taxpayers of Idaho.

MOTION: **Vice Chairman Rice** moved to send **H 86** to the floor with a **do pass** recommendation. **Senator Johnson** seconded the motion.

DISCUSSION: In discussion, **Senator Vick** asked Senator Hill if he is comfortable with the way the bill is written. **Senator Hill** said yes, he is, it gets the job accomplished. **Senator McKenzie** said it is helpful to have an 'annotated' code book which shows the history of the bill, and annotations cannot be stricken. He said this bill is not an isolated case.

Motion carried by **voice vote**. Vice Chairman Rice will carry the bill on the floor.

H 137 **Chairman Siddoway** welcomed Representative Luke Malek to the Committee. **Representative Malek** said he was here to present **H 137**, relating to Urban Renewal Law. He said the bill had unanimous approval in the House committee and the House floor. He said it strikes language from existing statute that allows for an urban renewal agency or agent thereof to enter a building or dwelling inside a urban renewal area, including a private residence. He said there has been no opposition to this bill from the stakeholders, including urban renewal agencies throughout the state. **Representative Malek** said he views it as a private property rights issue, in that if they don't need that power, they shouldn't have that power. He said he doesn't know that it has ever even been used. He said it is updating language to match current practice.

Senator Werk said whenever he sees something like this in code, it makes him wonder what the history is behind it, and why it is in the code in the first place. He asked for the history of when and why it was entered into the statute.

Representative Malek said he doesn't have a history beyond his own postulation. He said his understanding this law was adopted uniformly from another state and integrated in. He said there is language subsequent to the stricken language that deals with eminent domain; however, this bill has been vetted by urban renewal agencies, and he said they don't believe this bill would affect their eminent domain abilities.

Senator Werk said he assumes Representative Malek had discussions with numerous urban renewal agencies to discuss whether or not this has been used in the past, and whether there is a need to find a way to gain entry into dwellings. **Representative Malek** said he has had conversations with individuals who are crucially involved, but he has not sat down with executive directors or board members of the Capital City Development Corporation (CCDC). However, he said, there has been no indication of any worry that this would harm them.

Chairman Siddoway asked if anyone had testified that they had been intruded upon or 'invaded' because of this clause. **Representative Malek** answered no, to the best of his knowledge, he does not know of any individuals who have been affected by this clause.

Senator Hill asked what brought this issue to Representative Malek's attention. **Representative Malek** said last year he was a substitute in the House and a variation of this bill was being carried by then Representative Nonini, and he got involved in the conversation in the House Local Government Committee. He said the Idaho Freedom Foundation had this drafted and brought the issue to his attention again.

Chairman Siddoway invited to the podium Erik Mekash, policy analyst of the Idaho Freedom Foundation. **Mr. Mekash** said he has worked on urban renewal policy for many years now, and as Representative Malek referenced, a variation of this bill went to the House but did not get a hearing in the Senate for a variety of issues, including bonding issues relating to eminent domain. **Mr. Mekash** said they helped craft this language in this bill.

Mr. Mekash said to answer Senator Werk's question, he actually did meet with representatives from CCDC as well as a group up north and he said they had no opposition. He said to his knowledge, this measure has never been exercised in the districts. He said if someone came into a house, it would be a problem for some people. **Mr. Mekash** said if a district needs to enter a dwelling, they can ask permission or get a court order, as police would for a warrant. He said those provisions remain for local governments to have options.

MOTION: **Senator Hill** moved to send **H 137** to the floor with a **do pass** recommendation. **Senator Vick** seconded the motion.

In discussion, **Senator Werk** said he thinks this measure seems reasonable but he remembers an issue when land surveyors were trying to gain access to property, and there were issues with statutory authority, so he has a similar concern with this bill. He said there may be nothing to it, but he would figure it out.

Motion carried by **voice vote**. Senator Vick will carry the bill on the floor.

ADJOURNED: There being no further business, **Chairman Siddoway** adjourned the meeting at 4:23 p.m.

Senator Siddoway Chairman	Christy Stansell Secretary