MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, March 05, 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 to order the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:01 p.m.

MINUTES: **Senator Johnson** moved to approve the minutes from February 7, 2013. **Senator Bayer** seconded the motion. Motion carried by **voice vote**.

S 1111 **Chairman Siddoway** invited to the podium John Eaton of Idaho Association of Realtors (Association), to introduce **S 1111**, relating to the Condominium Property Act. **Mr. Eaton** said a Ketchum area attorney brought this issue to the attention of Senator Stennett, who sent it to Senator Fulcher, who agreed there may be a problem worth addressing. **Mr. Eaton** said the Association's legislative committee reviewed the concerns and they concurred that a significant issue has been overlooked and needs to be fixed.

Mr. Eaton described the history of the legislation about the "declaration for condominiums." He said a "declaration" is different than the "CC&R's" (Covenants, Codes & Restrictions) that are used in subdivisions and neighborhoods. He said Idaho Code § 55-1505 describes "Contents of declaration" to include a legal description of each property, legal description of each unit, and the percentage of ownership in the common area. He said in a condo subdivision, an owner owns what is in the boundaries of their walls. Then, each owner gets a portion of the common area to share the tax burden of the whole property. **Mr. Eaton** said the way that is generally apportioned is by square footage of each condo, which follows the national standard, as well as historical practice in Idaho. However, under current Idaho law, it is supposed to be apportioned based on the value of each unit in relation to the value of the property as a whole, and that each of the units should be reassessed every three years.

Mr. Eaton gave an example that under the way the law is written, if someone has two condos of the same size, but one was substantially remodeled inside and had a higher market value, it would pay a larger percentage of property taxes for the common area. He called this process an incredibly difficult thing to administer. He said the gentlemen that brought this issue to their attention said he works for fifty condo associations around the state and only 'one' of them follows this law. He said the members of the Association have never seen it operated this way and have only done the valuation by square footage. **Mr. Eaton** said what is being proposed would allow condo associations to do it either by the valuation method or by the square footage method. He said they feel they should leave the language the way it is for the few who are doing it that way.

Chairman Siddoway asked if once a condo association makes the declaration on whether they are going to do it by square foot or by value, if they are locked into that choice for a certain time frame. **Mr. Eaton** replied no, they are not locked in to their selection. He said typically when a builder starts building a condo development, he controls the declaration, so he would write in the option he chooses. Once the building is turned over to the owners, they can change it anytime through whatever their voting process is for that group, just as a homeowner would through their homeowners association. **Chairman Siddoway** said however it is determined will not change their obligation to pay their share. **Mr. Eaton** said that is correct.

MOTION: **Senator Johnson** moved to send **S 1111** to the floor with a **do pass** recommendation. **Senator Bayer** seconded the motion. Motion carried by **voice vote**. Senator Johnson will carry the bill on the floor.

H 139 **Chairman Siddoway** invited to the podium Jonathan Parker of Holland & Hart to introduce **H 139**, relating to Income Taxation to Provide a Sourcing Formula to Idaho for Partnership Income. He said he is here representing the firm of Eide Bailly. **Mr. Parker** said **H 139** is based on a year long joint effort led by taxpayers and the Idaho State Tax Commission (Commission), with the support of the Idaho Society of Certified Public Accountants. He also said he wanted to thank Senator Hill for his assistance and guidance in crafting this legislation.

Mr. Parker said the bill involves individuals who a) own a business and earn profits in the business, and b) who serve as an officer of the same business and earn a salary for that service. He said for instance, if a business operates as a C or S corporation, this salary to the business owner is taxed to the state where the employee performs the service. However, if the business operates as a partnership or LLC, the Internal Revenue Service (IRS) calls the salary a "guaranteed payment" rather than a "salary," and says the guaranteed payment must be taxed like salary. He said the issue at stake in Idaho is whether a guaranteed payment to an officer should be taxed like a salary where the service is performed, or taxed like a distributive share of partnership income to all states where the partnership operates.

Mr. Parker said the Idaho income tax law is based directly on the federal law, and many LLC's have thus followed federal and state codes and paid tax on guaranteed payments as salary, consistent with the practice in C and S corporations. **Mr. Parker** explained the Idaho Tax Commission's position by describing how the Commission has encountered several "abusive partnerships" during audits. He said an example of an abusive partnership is one that 1) operates exclusively in Idaho; 2) has their partners perform services in non-tax states like Wyoming, Nevada or Washington; and, 3) pays their partners through guaranteed payments rather than distributions, thus avoiding all state tax.

Mr. Parker said to resolve this situation, the Tax Commission has taken the position that in 'all' audits, guaranteed payments must be treated as a distributive share rather than a salary. However, he said, he believes that casts too broad of a net, as it treats 'all' LLC's as if they are abusive. He gave an example: one entity was operating as a C corporation and paying its CEO a salary, which was sourced to the state where the service was performed for over 30 years; then the entity recently converted to an LLC and continued to pay the exact same salary as a 'guaranteed payment'; the Tax Commission tried to tax the salary differently just because of the entity change. **Mr. Parker** said in response to this, in 2012, the Tax Commission proposed a rule to codify its position, but the Idaho Legislature rejected the rule in HCR 33 because the rule was inconsistent with statute.

Mr. Parker said **H 139** resolves this problem by taxing 'guaranteed payments' under $250,000 as salary and payments 'over' $250,000 as a 'distributive share.' He said this resolution ensures that taxpayers are not punished by choosing to operate a LLCs, prevents abusive partnerships from moving income inappropriately outside Idaho, and allows predictability and efficient administration for taxpayers 'and' the Tax Commission.

Mr. Parker pointed out he believes the $440,000 fiscal note on the statement of purpose is overstated for two reasons: 1) The fiscal note is based on 2008 returns, where 60 percent of taxpayers were treating guaranteed payments as a distributive share, consistent with Tax Commission instructions and 40 percent of taxpayers were treating guaranteed payments as salary, consistent with the federal and state codes. He said the fiscal note assumes that those 60 percent will now pay less tax (on guaranteed payments 'under' $250,000), but it has 'not' accounted for the 40 percent who will start paying tax on guaranteed payments 'over' $250,000. 2) The fiscal note does not consider the savings of clarifying the law and avoiding audits, appeals and costly litigation.

Senator Hill asked Mr. Parker if he has worked with the Tax Commission to determine an estimate for a better fiscal note. **Mr. Parker** said he believes the fiscal note should be closer to $0 because of the distributives are not being collected right now. He said an exact number would be difficult to calculate, but if it is the will of this Committee, he would be willing work on that.

Chairman Siddoway asked Mr. Parker to provide an example for the Committee to help the members understand the applications and implications of this bill, and **Mr. Parker** deferred to Senator Hill, who is also an accountant.

Senator Hill said the basic principle is whether compensation paid to a partner for services provided is taxed as part of profits of the business or taxed as compensation. **Senator Hill** offered this example: There is a business partnership with three partners, in an LLC, since general partnerships have fallen out of favor. The LLC is taxed as a partnership. The business makes $50,000, before anyone takes wages out for services provided. Partner One lives in Wyoming, because it doesn't have state income tax, which is where the problem typically comes about. Partners Two and Three live in Idaho. All three partners put in an equal amount of effort working full-time in the stores they have in both Idaho and Wyoming. Each of the three partners makes a $10,000 salary. If it were an S or C corporation, they would get a W-2 for the salary. Compensation paid, even to owners, is subtracted from the earnings of the business, to determine what earnings are left to be distributed among the partners as business earnings.

With each partner getting $10,000 salary, they each report it as income. Partner One reports it as Wyoming income, since that is where he was living and performing the services. Partners Two and Three would report their $10,000 each as Idaho income, since they were living and performing services in Idaho. The next step is to subtract the $30,000 ($10,000 times 3 partners) from the $50,000 profits, and that leaves $20,000 to be divided three ways among the equal partners, which is about $6,700 each. That $20,000 to be split three ways has to be apportioned to the owners as far as what state that is taxable in, based on an attribution schedule or apportionment schedule. That schedule is a little different from state to state but is generally based on three factors: Gross sales by state, gross payroll by state, and property and inventory by state.

Those three factors are used to determine what portion of the remaining business income is apportioned to Idaho versus Wyoming. To keep it simple with this example, assume that two-thirds of the partners live in Idaho and two-thirds of the sales and everything else are in Idaho, and one-third is in Wyoming, with three equal stores; two in Idaho and one in Wyoming. That means two-thirds of the $20,000 will be taxed to Idaho and one-third will be taxed to Wyoming. Partner One in Wyoming is the only one concerned, because he will have $10,000 in wages taxed only in Wyoming and he will have $6,700 distributive share of remaining income that will be taxed according to that attribution formula. That means one-third of the $6,700 will be taxed in Wyoming, but two-thirds of that $6,700 will be taxed in Idaho. Partner One will then file a non-resident tax return in Idaho and pay taxes on that $4,400, which was two-thirds of his distributive share of the income of the business.

Senator Hill said that is the way everyone thought it worked. That is how it works if it's an S or C corporation. That is the way they thought it worked in a partnership. However, with the rule change last year, the Idaho State Tax Commission was proposing that not only the distributive share, but also the partners' wages must be applied to Idaho in the same attribution schedule. So, now instead of reporting $4,400 to Idaho, he also has to report two-thirds of his $10,000 salary as income in Idaho. Therefore, Partner One is paying a lot more in taxes to Idaho.

Senator Hill said it makes no difference to the Idaho resident, because they have to pay tax on all of his income regardless of the source. If he has income from another state, he will pay income tax on that in another state, if the other state has a tax. This only makes a difference to a nonresident who would now be taxed on compensation as well as his distributive share of the earnings based on that attribution formula.

Senator Hill said this bill would continue to allow the $10,000 that is paid for services performed in the other state to 'not' be taxed in Idaho, but 'not' more than $250,000. There was the concern that when getting into big numbers, there will be temptation to manipulate the numbers and get more in compensation and less in distributive share, which can be done sometimes if there are unequal partnerships or people working different amounts in different compensation levels, but it is a difficult thing to manipulate.

Senator Hill said the $250,000 limit on compensation is designed to give the bill a "backboard" so the system cannot be subject to manipulation by an abusive accountant. Anything that partner is paid over and above $250,000, even if it is for services rendered, would be taxed to Idaho based on the attribution formula.

Senator Johnson asked if, in this example, Idaho would not tax the first $250,000 from Partner One in Wyoming. **Senator Hill** replied, not exactly. He clarified that the first $250,000 in 'compensation' would not be taxed in Idaho. There is no limit on the amount of distributed share or earnings left in the business that are taxed to the owners. That will be taxed to Idaho in relation to the attribution formula.

Senator Johnson asked if is not 'distributive' but a 'salary' then the first $250,000 would not be taxable in Idaho. **Senator Hill** said that is correct. **Senator Johnson** asked if it matters if the company is based in Idaho. **Senator Hill** replied, no it does not matter. The attribution schedule is based on "how much business, how much property, how much payroll" is in each state. It makes no difference where the state of residency is for the business.

Senator Johnson asked if the individual lives in a state that does not have income tax, would that make a difference to the state of Idaho. **Senator Hill** replied that is the example he used, in that Wyoming does not have income tax, just as Nevada and Washington do not. That is why it is an issue in Idaho, as with the scenario he described earlier. If a state 'does' have income tax, and it is taxed in Idaho, a Utah person for example 'would' get a tax credit on his Utah tax return.

Senator Johnson asked if that individual left Wyoming and came to Idaho and did some work in Idaho, would that be considered salary or part of distributive sharing. **Senator Hill** answered that would be considered salary. He said sometimes someone will receive a W-2 while working for a big company with offices in more than one state, and it will have a break down for their work of three months in one state and nine months in another state, and there will be withholding on that particular state's income based on where the services were performed.

MOTION: **Vice Chairman Rice** moved to send **H 139** to the floor with a **do pass** recommendation. **Senator Werk** seconded the motion.

DISCUSSION: In discussion, **Senator Johnson** pointed out that earlier Senator Hill made a statement about fiscal impact, and trying to get a more precise number. He said the Committee heard from the presenter that impact could actually be closer to $0, which is of interest to him. He said he would like to see the impact as low as possible, and he also would be concerned if this bill went to the House with a fiscal impact of $440,000 and then it changed in the Senate to $0 in reality. **Chairman Siddoway** said that should be addressed. **Senator Hill** said Senator Davis says "we vote on bills and attach Statements of Purposes" and they become points for debate if people agree or disagree on the fiscal impact, but it doesn't change the bill itself. However, he said, this is relevant because in JFAC, these fiscal impacts are subtracted from the amount that can be appropriated. **Senator Hill** said if the Committee does decide to send this forward with a do pass, he would like to ask Mr. Parker to work with the Tax Commission on a better number and let the Senate vote as a whole based on the information they can give. **Senator Johnson** said that would suffice his concerns. **Chairman Siddoway** said they will work on getting a more accurate fiscal note attached to this bill before it goes to the floor.

Motion carried by **voice vote**.

H 141 **Chairman Siddoway** invited Vice Chairman Rice to introduce **H 141**, relating to exemptions from property taxation for wells drilled for the production of oil, gas or hydrocarbon condensate. **Vice Chairman Rice** said this bill arose out of a discussion between Payette County and the Idaho State Tax Commission (Commission). **Vice Chairman Rice** said the Commission advised the county that the casing of an oil or gas well should be taxed as personal property, based on the cost to drill the well. That advice ignored nearly a thousand years of legal history dating clear back to 1066 in England.

Vice Chairman Rice said a well is part of the real estate. He said in this particular instance, it is also not something that is determinative of value. He gave an example of going into a convenience store and purchase a fountain drink and pay for the drink, it doesn't matter if there is a straw in the drink or not, as it will be the same amount of sales tax. He said that is similar to the way oil and gas has been set up in Idaho. He said the legislature passed legislation last year that stated when there is a gas or oil well, every parcel that overlaps the pool of oil or gas from which that well draws, partakes in the revenues from that well. The royalties would go to all of those parcels.

He said there might be eight or ten parcels on top of the same pool, but only one of them will have the well. All of them will have an increased overall value of the parcel because of that producing well. All of those parcels will go up in value, and so will the real property tax, because they would sell for more because of that well. It would be based on how much of that pool is under their parcel. The well itself is irrelevant to the real property tax. He said there is not real property tax based on something other than what the parcel will sell for. That still holds true in situations where the mineral rights have been severed from the surface rights on a parcel because those are two parts of the real property. They would add up to the same value either way and both would be subject to the real property tax.

Vice Chairman Rice said in addition to the parcels being taxed, oil and gas are taxed in a severance tax, which the legislature set last year. He said regardless of the different feelings about the severance tax, it is a uniform tax. Real property taxes are a uniform tax, and this exemption does not affect either of those taxes. This bill does make clear that "we won't go tacking stuff on top" that doesn't belong on top of other taxes, such that real property is not "double taxed." He said this also prevents changing a definition by some "creative reasoning" to not match the law. He said that is the actual effect of this exemption. He said it is listed as an exemption just to make it clear, but it does to eliminate or change those other taxes already in place.

Senator Werk said he did a lot of research surrounding this and he agrees with Vice Chairman Rice in that the hole and casing in the ground should not be taxed as property. He said, however, he would challenge the fiscal note. He said there may be no impact to the state, but there never 'would' be because this is a property tax issue, and there was never guidance for local government to tax a well like this. He asked if water wells were ever taxed, and **Chairman Siddoway** indicated no. **Senator Werk** said he thinks the fiscal note should be changed to reflect the local government impact.

Vice Chairman Rice said Senator Werk is correct in that this bill does not have an impact on local governments since they wouldn't have been authorized to tax these wells as having independent value. He said there was some discussion in the House about the possibility that Bonneville County was taxing irrigation wells. He said he visited with Representative Trujillo, who works for Bonneville County, and he said she said they are not coming up with a different value for the parcel, but they are going through and itemizing some things 'in' the parcel and saying they have a portion of the value. He said they are still coming up with the same total value of what the parcel, with its improvements, would sell for to a willing buyer. He said they are not actually 'taxing the well' but they are listing them as a component of the overall price they come up with, which is reasonable in the first place, but not actually necessary.

Senator Vick said he realizes this is not 'directly' related to this bill, but he is curious about how property taxes are paid when mineral rights are separated from surface rights. **Vice Chairman Rice** said this usually shows up in mining properties. He said there is an actual minimum value per acre for mineral rights when they have been severed from the fee, and he said he believes it is $5 per acre if it has value but "you can't tell exactly what it is." He said in this instance, there are a number of ways mineral rights on a producing situation could be valued and sold for, which would be based off the royalties paid. He said they could also look at similar parcels that didn't have a well from which gas or oil was being drawn and compare them to similar property that did not have a well. He said the difference would be noted and that difference would be attributed to the mineral rights. He said that would be another way of coming up with an accurate number.

Senator Vick asked if the owner of the mineral rights get taxed, so there are two tax bills on that piece of property. **Vice Chairman Rice** answered that is correct, whoever owns that portion of the fee would be responsible for that portion of the tax. He said when "we divide up as tenants in common," only one tax notice is sent out to whomever is designated.

Senator Werk asked, for the record, that equipment and things of value that are "above ground level" and used for the development of a well, are to be taxed as business personal property. **Vice Chairman Rice** said that is correct. He said he used the word "well" deliberately because it does 'not' include pumps, connecting lines, drilling rigs, or other things, because they are not the "well." He said they may be 'related' to the well, but they are not 'the well.'

Senator Werk said, to be clear, what is being exempted here is the hole in the ground, and "that's it." **Vice Chairman Rice** replied yes. **Senator Werk** said he did not know if the Committee would desire to change the fiscal note to indicate there is no impact to local government operations. **Chairman Siddoway** replied there are some people from local governments here to testify, so we would see what they had to say, and if a revision is needed, they could do it.

TESTIMONY: **Chairman Siddoway** invited Georgia Plischke, Washington County Assessor, to the podium. She said she has some questions about **H 141**. **Ms. Plischke** said assessors are not usually in favor of exemptions as they tend to "shift," even though this one does not seem to "shift" as it is a new exemption. She said she attended several hearings in Washington County where the local ordinance for the petroleum industry was discussed. She said it was stated several times by Bridge Energy, Wiser Brown, Snake River and others, that they want to be good neighbors and pay their fair share of the taxes. **Ms. Plischke** said, "And here we are already looking to an exemption."

She said she believes this legislation paints a broad description and she would like to see a more detailed description of what a "well" is. She said there is the casing, the well head, and everything above. She said it is her understanding that this is "just the hole and the casing" and it would be more clear if there was a more definite description in the language.

Ms. Plischke said in her research, she found that Colorado, Texas and Louisiana do assess the entire well, including the hole with the casing or the tubing and the well head. She said Texas and Louisiana use the cost approach, which is also an approach to determine value that is used in Idaho. She said Colorado includes the casing and tubing as part of the land or the leasehold.

Ms. Plischke said she urges the Committee to clarify the bill, or hold it to give more opportunity for clarification and allow the oil industry and gas industry the opportunity to be the good neighbors they want to be and pay their fair share of taxes.

Senator Werk said Idaho's immediate neighbors, Wyoming and Utah for instance, do not tax the well itself, but unlike Idaho, Wyoming and Utah charge a property tax on the property - the oil and gas - that is being 'removed' from the well. He said that is how the counties benefit from having oil and gas exploration. He asked if the only benefit derived for the county from oil and gas exploration is through an assessment on personal property. **Ms. Plischke** said at this time, that is correct, it is personal property tax, as in Payette County, which she said is the only one she knows of in this situation. She said she contends that it could be part of the land, just as the residential wells are assessed throughout the state on a cost comparison.

Chairman Siddoway invited Amanda Buchanan to the podium. **Ms. Buchanan** said she represents herself as a resident of Washington County. She said she agrees with the county assessor that the bill is pretty vague and more clarification about what exactly a well is would be appreciated. She said at the same time, it is important to recognize that the casing of the well is incredibly valuable. She said it costs about a million dollars to put in a well. She said, as the assessor stated, other states do assess this value as personal property tax. **Ms. Buchanan** said there is a formula used to calculate the well depth and multiply it by how much it costs for each foot to install the casing and by how much it will depreciate. She commented, "You could say well, the big bucks will be coming when you get the stuff out," but in the meantime, she said what is coming for local governments is trucks come to do the drilling, all this traffic, all these people, and then the well is capped, and the local governments have to wait for the big money that is going to come. **Ms. Buchanan** said in fairness to counties, if they are going to be absorbing the cost of drilling, perhaps they should also be able to get some revenue in the form of personal property tax on the casing of the well.

Chairman Siddoway invited Michael Christian to the podium. **Mr. Christian** said he represents AM Idaho, which is one of the operators in the Payette basin. He said Senator Rice covered the meat of the bill quite well, but there is one thing he wanted to point out in relation to the benefits of the local counties. He said when there is production, a portion of the severance tax is specifically directed to the counties and cities where production occurs. He said, as Senator Werk observed correctly, when the point of producing is reached, they will have to build infrastructure to get the gas to market, like gathering lines, compression-dehydration facilities and other above-ground equipment, which will be subject to property tax to the counties' benefit.

Senator Hill asked what percentage of the severance tax goes to the local taxing districts. **Mr. Christian** said the total severance tax is 2.5 percent. Of that, 60 percent goes to fund the Department of Lands program, or essentially the general fund. The other 40 percent is divided up, with 28 percent going to the counties where the drilling occurs, 28 percent going to the cities where the drilling occurs, 28 percent to the schools, and the last 16 percent goes to a local development fund to be used in the future to offset adverse economic impacts from a downturn in the industry. He said that last piece has been the subject of some discussion. He said he thinks it should be given to the counties and cities immediately to do with what they see fit, but that is a debate for another day.

Senator Werk said what is being discussed is an exemption on the actual value of the well itself and if the personal property tax is repealed, then there will be no value to the counties, other than a severance tax. He said , when there is development in other states, there would be a property tax levied that would be placed on the product that came out of the well. He said it seems like starting down the road for exemption, but not starting down the road for any kind of revenue that will go to counties to help cover costs of additional roads and road maintenance from large trucks driving on them. **Senator Werk** asked Mr. Christian for his thoughts on this.

Mr. Christian said his observation is that different states do it in many different ways. He said Senator Werk is correct in that some states do impose a tax on the mineral interests, done on a production basis. He said Idaho does it differently, as Vice Chairman Rice described, such that the assessors will derive revenue at the point which production occurs and royalty payments are made.

Mr. Christian said the value will be based on the income and property taxes will then be assessed and paid by the landowners, whether joined or severed. He said yes, there are different ways to do it and whether it becomes a different amount at the end of the day depends on "the scheme" proposed.

He said there will be other considerations in the future as well, including what "bells and whistles" are attached, such as holidays to allow the operator to recover their costs, incentives for exploration wells, and other items that go into determining the effective rate. He said he cannot say today what the outcome of real property tax assessed on a producing interest here based on royalties generated looks like in comparison to a tax that is intended to cover the same thing in another state. He said he suspects it will be in the same ballpark, but that is an analysis that needs to happen down the road as the industry develops in Idaho.

Senator Johnson said he was looking at the language and had concerns about a pitfall in the future and he asked Vice Chairman Rice if there would be value in clarifying the definition of what a "well" is, and what kind of property a well is, whether real property or personal property. **Vice Chairman Rice** said if he were to go into a second grade class and ask what a well is, he would get a picture that includes the stone casing of a wishing well. He said "well" is a very well understood word and has been for much longer than legal history. He said wells go clear back into old testament times. When there are discussions of wells, people know what a well is. He said from a legal standpoint, it is a very clear specific word. **Vice Chairman Rice** said when he was a kid, they had a well for their house and a pressure tank. He said they knew the pressure tank was not the well and the thing the pipe attaches to is the pressure tank, and also not "the well." He said he does not think additional language is required.

Senator Johnson asked again about clarifying the term "property" and whether that should specifically state personal or real for future discussions. **Vice Chairman Rice** said he doesn't think it would be necessary. He said a well has always been considered real property in jurisprudence and well-established legal history. It doesn't change that by calling it something else. He said from time to time, people will call roses by another name, but they're still roses. He said it is better to say "the well is exempt" and leave it at that and not try to say, "you can't tax it as this, then someone will say can you tax it as that if you call it by another name."

MOTION: **Senator Rice** moved to send **H 141** to the floor with a **do pass** recommendation. **Senator Hill** seconded the motion.

In discussion, **Senator Werk** asked to distribute a handout of ancilliary information about how Utah taxes their oil and natural gas. He wanted to pass it out to show that he does think this is reasonable policy associated with the well in the ground and he does not have an issue with it. He said he does have a pretty large issue with the fragmented nature of how things are being done with the oil and gas industry. He said it is a nascent industry in Idaho and he is seeing neighboring states gaining substantial value to support their school systems. **Senator Werk** said he spoke with a tax man in Wyoming and how the oil and gas boom had allowed them to fund their schools in a dramatic way. He said his fear is if Idaho does not decide it is worthy of taxing, besides severance tax, the riches of the state is then withdrawn and sold; Idaho will lose the opportunity and become poorer for it, rather than richer for it. He said he is not "making noise" about this particular bill, because he says it is reasonable.

Motion carried by **voice vote**.

ADJOURNED: There being no further business, **Chairman Siddoway** adjourned the meeting at 4:02 p.m.

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Senator Siddoway Chairman	Christy Stansell Secretary