

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 13, 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 3:05 p.m.

S 1047 **Chairman Siddoway** invited Vice Chairman Rice to introduce **S 1047**, relating to garnishment for payment of state income taxes. **Vice Chairman Rice** said he visited with Chairman Siddoway and Senators Hill and Pearce along with Commissioners from the Idaho State Tax Commission (Commission) and worked out some changes to the garnishment bill previously introduced in this Committee. He said instead of putting the change in title 11, it will be put in the tax code in title 63. He said the intention is to send this bill to the amending order for a "radiator cap."

Vice Chairman Rice said it gives the Tax Commission the authority to do writs of continuing garnishment when they do garnishment of wages. Those will be limited to 25 percent of the gross taxable earnings, except it would be limited to ten percent if the federal government is also garnishing that person's earnings. He said that makes it easy for employers to calculate what should be sent to the Commission. It also lengthens the time to collect on a tax assessment from six years to twelve years.

Vice Chairman Rice said the basic problem is the Tax Commission has been levying 100 percent of a person's wages, which means the employee loses their whole paycheck. He said when the Commission has wanted to "hit a person twice, they get one paycheck, then go back and do a new levy and hit another paycheck" which is a lot of extra work. He said the result is people quit their jobs, because they don't have any money to take home to feed their family or buy diapers. He said they go find another job, go work under the table, or go out of state to avoid the garnishment.

Vice Chairman Rice said he spoke with attorneys who handle garnishment collections, and he said their experience is 90 percent of the time, the garnishment happens. The other ten percent of the time, the employees will contact them wanting to work out a payment schedule, because they are afraid they might lose their job if it is done by garnishment. He said in a few cases, people will leave employment for one reason or another, and it may or may not be because of the garnishment. He said he spoke with them because the Tax Commission does not have experience with anything other than collecting 100 percent of the wages.

Vice Chairman Rice said the Commission was having a hard time coming up with an accurate number for a fiscal impact. He said based on the analysis, it would appear they are likely to have increased collections, but he's not sure, as there might also be a slight decrease, but he said he believes it is more likely to be an increase.

Senator Hill thanked Senator Rice and the others who worked on this bill, saying he appreciates the amendment and thinks it makes it a better bill with which he is more comfortable, and he will be supporting it.

Senator Johnson said in the original bill, the language was 25 percent of 'gross wages' and it also mentioned a percentage of 'disposable income.' He asked if this amendment does not refer to 'disposable income' at all. **Vice Chairman Rice** said it does not refer to that, but rather "gross taxable wages," which is the language specifically suggested by the Tax Commissioners.

MOTION:

Senator Hill moved to send **S 1047** to the amending order. **Senator Werk** seconded the motion. In discussion, **Senator Vick** asked about the difference between an "S corporation" and an "S-corporation". **Vice Chairman Rice** said there is no substantive change, as it only removes a dash, which cannot be seen because of the line through it striking the words. Motion carried by **voice vote**.

H 244

Chairman Siddoway said Representative Moyle was going to introduce **H 244**, but he had another commitment, so he deferred to Gary Rohwer, Director of Idaho State Fire Commissioners Association (Association, ISFCA), to present instead. **Mr. Rohwer** said **H 244** addresses an issue in the fire code that has existed since a rewrite was done in 2006. He said it relates to levy rates in districts that decide to consolidate. He said the way language is now, when commissioners of two districts decide to merge, the levy rate used for the new district would be from the district with the higher rate and it's done without any voter input. He said the only mechanism that existed to put this in front of the voters was convoluted in that the public could protest the consolidation and an election might eventually be held.

Mr. Rohwer gave an example of what happened in the Caldwell Rural and Notus Fire Protection Districts. He said when they merged, Notus citizens said they felt they weren't adequately served. He said they understood the importance of merging with Caldwell Rural to improve their services, but they didn't understand the tax implications. **Mr. Rohwer** said the proposal now would provide that if the difference in the new levy would be more than three percent, the voters could make the determination. The purpose is for the citizens in the district with the lower levy, which would be increased with the merger, would receive representation in the process. He said the bill also places wording to cause commissioners of all the districts involved to have public meetings and work to establish the levy rate between the high and low marks to adequately support and fund the new district. He said they feel it won't inhibit justified consolidations, but it would get voter input, which was their primary concern.

Senator Werk said one concern he has is if the districts meet in a combined meeting and determine that they need a higher levy rate in order for consolidation to take place, and an election is held, would it be one or two questions on the ballot; one to consolidate and another to raise the levy. **Mr. Rohwer** said an election is needed only if the levy rate exceeds a three percent increase and his understanding is it will only be one question. **Senator Werk** said his concern is consolidation may be beneficial in the long run, but in the short run could mean a higher levy and having an election could result in short term consequences of not consolidating. He said he thinks there may be unintended consequences with this bill.

Senator Hill asked Mr. Rohwer if he is aware of any opposition to this bill. **Mr. Rohwer** said he has had no input from the Association's districts around the state. He said the districts he is most familiar with are members of "ISFCA," whose members are 65-70 percent of the districts in the state.

Vice Chairman Rice said he wanted to point out that consolidation of districts by an election is already in Idaho Code § 31-1414. He said what this bill does is provide that if there is a big difference in levy rates, the districts will submit to an election, and it gives more information to the public voting on consolidation.

MOTION: **Vice Chairman Rice** moved to send **H 244** to the floor with a **do pass** recommendation. **Senator Lacey** seconded the motion. Motion carried by **voice vote**.

ADJOURNED: There being no further business, **Chairman Siddoway** adjourned the meeting at 3:22 p.m.

Senator Siddoway
Chairman

Christy Stansell
Secretary