

MINUTES
HOUSE WAYS & MEANS COMMITTEE

- DATE:** Monday, March 18, 2013
- TIME:** 2:30 P.M.
- PLACE:** Room C310 JFAC
- MEMBERS:** Chairman Anderson(1), Representatives Moyle, Crane, Vander Woude, Rusche, Burgoyne, Pence
- ABSENT/
EXCUSED:** None
- GUESTS:** Seth Grigg, Idaho Association of Counties; Rep. Woodings; Rep. Collins; Suzanne Budge, SBS Assoc.; Nathaniel Clayville, Economist, Division of Financial Management
- Chairman Anderson(1)** called the meeting to order at 2:32 p.m.
- MOTION:** **Rep. Rusche** made a motion to approve the minutes of March 14th, 2013 with the correction of listing **Rep. Burgoyne** absent/excused. **Motion carried by voice vote.**
- RS 22296:** **Seth Grigg**, Policy Analyst, Idaho Association of Counties presented **RS 22296**. He explained this proposed legislation is a compromise that presents modifications to **H 276**. It deals with a partial exemption on business personal property. He gave some background information, stating the Association of Counties and the Association of Cities, School Boards and School Administrators have been meeting frequently throughout the session to develop something that would present a path forward for the Legislature to begin the process from exempting personal property from taxation. He explained it would propose the creation of a new exemption, based off of conversations with Legislators and other stake holders, to increase the de minimus personal property tax exemption amount from \$1,500 to \$3,000. The intent is to exempt items of personal property purchased on or after January 1st, 2013 that have a cost of acquisition of \$3,000 or less from ever going on the tax rolls. He said there are some definitions in place that will help to prevent anyone from gaming the system. He gave an example of these items to include; desks, computers, office furniture and tools of the trade. He explained these are items that are difficult to track in inventory, those that depreciate quickly and do not generate a lot of tax revenue. He said the Tax Commission had concerns which prompted them to add guidelines and definitions to close any loopholes.
- Mr. Grigg** explained the second provision of this proposed legislation deals with the \$100,000 exemption on business personal property that is currently on the books, implemented in 2008 as **H 599**. They propose removing the trigger and allowing this exemption to happen this year. In addition, they are proposing the exemption be expanded to include operating property, making each business in the State of Idaho eligible for a \$100,000 personal property tax exemption per county. This includes locally assessed property, traditional businesses and operating property (utilities). There are also provisions that establish the amount of replacement money per taxing district for 2013 will be the amount of replacement money the district receives in perpetuity. This aligns with the agriculture exemption that was granted in 2001; that replacement amount was fixed in time. This gives the Legislature some stability in the event that personal property value of \$100,000 grows in the future, local jurisdictions will not be eligible for replacement funding on money that will be exempted in the future. It would be just for the amounts currently in place and it is a way of capping how much replacement funding the Legislature would have to come up with in years moving forward.

Another provision deals with the application process. They have heard it is burdensome for business to do and track. This would make improvements to make the reporting process easier. **Mr. Grigg** explained this would require the State Tax Commission to create a uniform application to be used in all counties. Additionally, the county assessor will be required to mail the prior year application with the renewal application. He said this would help businesses as it would include their inventory listed from the previous year. Provisions will also allow the County Assessor to E-mail the application if the county has the capability to do that and it was requested by the tax payer; it is optional. He said they have modified the provisions for those who are at the \$100,000 or less exemption, changing the affidavit process from annually to filing an application once every five years. He said this would be similar to what is done with real property appraisal. He explained there are technical corrections and language additions, clarifying that any replacement money that is received by a local taxing district will be treated as if it is property tax revenues which will prevent local taxing districts from being able to take more in revenues in the future.

In response to questions regarding businesses trying to find loopholes to exempt items not within the scope of the exemption, **Mr. Grigg** stated there is language within this proposed legislation that will prohibit those actions. In regards to whether they had the \$20 million dollar fiscal note, that is to be paid out of the sales tax distribution account, he said that is for the Committee to decide. He said at the beginning of the year; Governor Otter stated there was 20 million dollars for personal property tax replacement. He explained that they worked internally, with local government, stake holders, school districts and with Legislators to make the changes for this proposed legislation. In regards to potential lower work loads and staff savings, he explained that many of the smaller counties do not have extra staff and would not have much change.

MOTION: **Rep. Moyle** made a motion to introduce **RS 22296. Motion carried by voice vote.**

Rep. Crane requested a typo to be fixed on the Statement of Purpose in the last sentence of section one from "acquisition cots" to "acquisition costs".

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 2:49 p.m.

Representative Anderson(1)
Chair

Jackie Wright
Secretary