

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 19, 2013

TIME: 7:30 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 (McLean), Meline

**ABSENT/
EXCUSED:** None.

GUESTS: Ryan Armbruster, Jerome URA/RA; Jaime Hansen, Idaho Nonprofit Center; Harold Ott, IRSA; Rob Winslow, Phil Homer, IASA, Jack Lyman, Idaho Mining Assoc.; Mike Chakarun, Idaho State Tax Commission; Brent Adamson, Donna Peterson, IAC, Donna Yule, IPEA; Bobby Sanchez, City of Nampa; Jessica Harrison, ISBA, Tyler Mallard, Risch Pisca; Elizabeth Criner, FWAA/NWFPA/ISBA; Suzanne Budge, SBS Associates.

Chairman Collins called the meeting to order at 7:31 a.m.

MOTION: **Rep. Dayley** made a motion to approve the minutes of March 13, 2013. **Motion carried by voice vote.**

MOTION: **Rep. Anderson(31)** made a motion to approve the minutes of March 14, 2013. **Motion carried by voice vote.**

MOTION: **Rep. Meline** made a motion to approve the minutes of March 15, 2013. **Motion carried by voice vote.**

H 315: **Seth Grigg**, Policy Analyst, Idaho Association of Counties (IAC), presented **H 315**, which relates to the business personal property tax and changes three aspects of the exemption granted under **Idaho Code 63-602KK**. Mr. Grigg testified that **H 315** is a revision and compromise of the previously considered **H 272**. Due to the quick turnaround of this legislation, Mr. Grigg asked the committee to take into consideration the testimony for **H 272**, since many of the individuals previously testifying were unable to be here this morning. Under this legislation, any de minimus tangible personal property, purchased on or after January 1, 2013 and having a purchase price of \$3,000 or less, would be exempt from personal property tax. This legislation also clarifies the definition of an 'item'. **H 315** would trigger the \$100,000 exemption on personal property tax and is expanded to include operating property. To simplify reporting, a uniform application process, prescribed by the Idaho State Tax Commission (ISTC), would be created.

Mr. Grigg stated replacement funding to local governments will be based on the 2013 personal property tax certification, provided by the county clerk to the ISTC, and is estimated to be \$20 million. The replacement will be fixed in time and annually distributed to taxing districts each subsequent year. Mr. Grigg explained that appraisals occur on a five year basis. Motor vehicles, aircraft and boats, which are not registered, would be subject to personal property tax. Replacement funding will come from the sales tax revenue distribution formula, found in **Idaho Code 63-3638**. Mr. Grigg stated **H 315** is fully supported by the Association of Idaho Cities, the Idaho School Administrators, and the Idaho School Boards Association.

In response to a question, **Mr. Grigg** clarified the reimbursement would not apply to new taxing entities established on or after January 1, 2013. However, these new taxing entities would receive the \$100,000 exemption. **Alan Dornfest**, ISTC, clarified replacement revenue for existing Urban Renewal Districts would be funded.

Mr. Grigg stated each County Clerk certifies where property is located and how much is owed to each taxing district. Taxes are paid in two installments to the county and subsequently paid to each taxing district from sales tax revenue. Replacement funding would be taken off the top, before sales tax revenue would go into the State General Fund. ISTC will develop emergency rules to deal with the retroactive date of this legislation.

Mr. Grigg responded to a question stating both regulated and non-regulated operating property is included in the \$100,000 exemption and the total estimated replacement funding is \$20 million. The replacement estimate for inclusion of the \$100,000 operating property exemption is estimated to be \$500,000. The remainder of the replacement funding is for locally assessed property. Mr. Grigg clarified the \$100,000 exemption is on a per county basis, as per current law. Locally assessed property of a business that operates in multiple counties would receive the exemption benefit of \$100,000 per county.

Mr. Grigg stated the reporting of personal property valuation has always operated on the honor system, although random audits are conducted. This legislation treats personal property exemption the same as the agriculture property exemption in terms of inflation and replacement value, which is capped. Consequently, there could be a possibility of some tax shift from personal property to real property, over time. This legislation requires an exemption application every five years, which replaces the affidavit requirement in **H 272**.

Phil Homer, Idaho School Administrators Association, testified in **support of H 315**, stating it is the most affordable option while protecting the market value for future school levies that may be needed.

Brent Adamson, Boise County Assessor, Idaho Association of Counties, spoke in **support of H 315**.

Donna Peterson, Payette County Treasurer and IAC Legislative Committee Chair, testified in **support of H 315**. Ms. Peterson stated this legislation would save County Assessors from spending tax dollars to chase pennies.

Jessica Harrison, Policy and Government Affairs Officer, Idaho School Boards Association, spoke in **support of H 315** stating she believes it is a reasonable compromise to personal property tax.

Pat Charlton, Valley View School District Superintendent, spoke in **support of H 315**. As a rapidly growing school district, Valley View has relied on passage of bonds to keep up with the growth. The school district relies on market value and the ability to pass bonds. Mr. Charlton views this legislation as a reasonable way to accomplish both goals.

Mr. Grigg clarified the sales tax distribution process stating there are about 13 different appropriations funded by sales tax "off the top", before the remainder of sales tax funds are transferred to the General Fund. Sales tax is collected and sent to the ISTC and redistributed by formula, to each county. The county reallocates funds to other taxing districts.

MOTION:

Rep. Burgoyne made a motion to send **H 315** to the floor with a **DO PASS** recommendation.

AMENDED MOTION:

Rep. Burgoyne amended his motion to include a correction in the second sentence of the SOP Fiscal Note, replacing the word 'annual' with 'annually'.

Rep. McLean declared Rule 38, stating she is a member of the Boise City Council and Boise Urban Renewal Agency.

VOTE ON THE MOTION: **Chairman Collins** called for a vote on the motion. **Motion carried by voice vote.** **Reps. Collins, Moyle and Burgoyne** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:14 a.m.

Representative Collins
Chair

Kathleen A. Simko
Secretary