

## MINUTES

# SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

- DATE:** Thursday, March 21, 2013
- TIME:** 3:30 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 Local Government and Taxation Committee (Committee) to order at 3:30 p.m.. There was a later start time posted due to the floor session running long.
- MINUTES:** **Senator Werk** moved to approve the minutes of March 20, 2013. **Senator Hill** seconded the motion. Motion carried by **voice vote**.
- Senator Bayer** moved to approve the minutes of March 13, 2013. **Vice Chairman Rice** seconded the motion. Motion carried by **voice vote**.
- H 80** **Chairman Siddoway** invited Garret Nancolas, Mayor of Caldwell and Chairman of the Emergency Communications Commission, to the podium to present **H 80**, relating to enhanced emergency communication grant fees. **Mr. Nancolas** said the Emergency Communications Commission (Commission) was created by the legislature in 2004, and he has chaired the Commission since its inception. He said they were given the challenge to improve the Public Safety Answering Points (PSAPs) and communications services for 911 services throughout the state. He said the Commission has taken the task seriously and done exactly what was asked of it. He said they could not have done it without more help that came in the form of a grant fund in 2008. The fund helped counties and PSAPs make improvements through phase one and move toward phase two.
- Mr. Nancolas** said most counties in the state are through phase two and some are almost ready to go to "next generation" technology where available. He said they have issued more than \$6 million in grants to counties and PSAPs that otherwise could not have been able to add to their systems and be where they currently are. The result is people would not have been able to reach emergency services when they needed them. Now, when people dial 911, there is quick and efficient response because the systems have been improved so dramatically.
- Mr. Nancolas** the purpose of **H 80** is to remove the sunset clause and allow this program go forward so they can continue to offer grants throughout the state and keep making improvements to emergency communications systems. It is important because technology changes so quickly.
- Senator Bayer** asked if Mr. Nancolas remembered the original bill with the initial authorization for this program. **Mr. Nancolas** said he doesn't remember that information.

**Senator McKenzie** said he appreciates the presentations on this matter in the Senate State Affairs Committee. He said it has been a huge benefit in getting enhanced emergency communications implemented. He asked for more history on this bill, specifically why the sunset clause was there in the first place.

**Mr. Nancolas** said the original thought was that members of the legislature wanted to see if this really would do what the Commission proposed it would do. He said they put the sunset clause in so that if it wasn't working, the program would end. He explained that counties had to authorize their corridor to be added to the 911 fee to be eligible for the grant program. Most are eligible, but some counties chose not to participate and were not eligible for the 25 cents. That provision remains the same.

**Senator Johnson** asked why some counties have not opted to assess the additional 25 cents for this benefit. **Mr. Nancolas** answered he cannot speak for the counties that did not opt in, but his understanding is that they were already at or close to phase two and didn't see a reason to assess the fee. He said, however, as technology and the program moves forward, those who have not utilized the benefit in the past may do so in the future.

**Senator Johnson** asked of the 25 cents per line, how much goes to the counties. **Mr. Nancolas** replied when the Commission was set up, it was funded by one percent of the total one dollar. When the quarter went into effect, one penny went to fund the Commission and 24 cents of the 25 cents goes into the grant fund. All 24 cents is eligible for grants.

**Senator Johnson** asked if the county contributes \$100 and will get back \$100, or do some pay more and get less. **Mr. Nancolas** said the grants are available to 'all' counties who apply, so they may not get back every dime they put in, but there are counties who will receive a lot more than what they put in. He said that is the purpose of the fund, to help those counties that had the most need first. He said the Commission set up rules for the grant, and one criteria for receiving a grant is "those who need it the most" because they simply don't have the funds to build up a system on their own.

**Senator Werk** commented that he quickly researched and found that the original bill was H 447.

**TESTIMONY:**

**Chairman Siddoway** invited David Moore, Blackfoot Chief of Police, to the podium. **Mr. Moore** said he was here to testify in support of **H 80**. He said he was actively involved in getting the original legislation passed. He said when the 911 coverage is compared from 2001 to where it is now, it is a dramatic difference, but the expansion of 911 technology is not yet complete, so he urges the Committee to support this bill and remove the sunset clause. His statement and a written letter can be read in full in the attached documents. (See Attachments 1 and 2.)

**Senator Hill** said while **H 80** removes the sunset clause, there is no provision in the bill to reduce it if that were to become necessary, so it could go on forever. He asked Mr. Moore if he sees a time where the state and counties will be caught up with technology, or will they always be behind and always need the fee. **Mr. Moore** said he would like to see a time when it wasn't needed, but five years ago, they did not see "Next Generation 911" coming, and they were so far behind on "basic 911." He said it took five years to get 911 enhanced through phase one and phase two statewide. He said 43 of 44 counties are in phase two, and the last one just got their grant. He said the counties just do not have the funds to put into the programs. **Senator Hill** asked if they ever get caught up, will they come back and ask for the fee to be removed. **Mr. Moore** answered, yes.

**Senator Bayer** asked for Mr. Moore's opinion on removing the sunset as opposed to just 'extending' it, so there would be a time in the future to reevaluate again. **Mr. Moore** replied that when they came to the legislature in 2008, they were prepared to show they had to make progress with the funds collected and redistributed. He said Lemhi County could not have made up in 15 years the funds they received in one grant. He said they will do whatever the legislature wants them to do, but they think they can continue to show progress toward "Next Generation 911."

**MOTION:**

**Senator Werk** moved to send **H 80** to the floor with a **do pass** recommendation. **Senator Lacey** seconded the motion. Motion carried by **voice vote**.

**H 315**

**Chairman Siddoway** invited Seth Grigg, Policy Analyst with the Idaho Association of Counties, to the podium to present **H 315**, relating to personal property tax. **Mr. Grigg** said this bill has been a collaborative effort by local governments, including the cities, counties, and school districts, as well as lawmakers on both sides of the rotunda. His complete statement can be read in the attached document. (See Attachment 4.)

**Mr. Grigg** gave a brief history and overview of the bill. He referenced the changes to Idaho Code § 63-602KK that was enacted in 2008 with H 599a which established a \$100,000 personal property tax exemption. (See Attachment 3.) He said it was contingent on the growth in the state economy, but when that didn't happen, state revenues declined dramatically and they have yet to return to 2008 levels. He outlined the provisions of what **H 315** would do. 1) Create a de minimus exemption of \$3,000, which means items that have an acquisition cost of \$3,000 or less would be exempt. He said the intent is to prevent the taxpayer from "sectionalizing" or paying in installments. He said an additional intent is to prevent items that are difficult to track and have minimal value, such as computers, desks, chairs, restaurant furniture and the like.

**Senator Hill** asked a question by giving an example. He said if he started a new restaurant and bought 10 tables and 40 chairs all from one supplier, but none of them individually cost more than \$3,000, he would not need to count any of those items. **Mr. Grigg** replied, yes, that is correct.

**Senator Werk** asked if someone were to purchase a large piece of equipment and chop it up into pieces and the aggregate of the pieces does not exceed \$3,000, would it be covered under the de minimus. **Mr. Grigg** answered that is correct, and the language shows any item of taxable personal property that is not an individual component part of a piece of equipment, machinery or furniture or other personal property is not included. He said that language was added after discussion about this session's original bill H 272.

**Mr. Grigg** addressed the second and third provisions of **H 315**. 2) Remove the \$100,000 trigger for exemption and allow it to occur this year, and the exemption would include operating property. He said that would add approximately \$500,000 to the overall fiscal impact. He said based on data from the Idaho State Tax Commission, replacing this revenue will be approximately \$21 million or less. The money will be replaced from the sales tax distribution formula. He explained that as sales tax dollars come into the state, some monies are siphoned off for revenue sharing with local governments, and that is how this money will be handled before it goes to the general fund. He said there is also language that the \$21 million amount is "fixed in time" with the intent to provide certainty to the state. 3) Create a simplified application process. He said they would often hear how onerous the application process and tracking process is. It will be a uniform application to use consistently across all counties. Taxpayers under the \$100,000 threshold would file an affidavit only once every five years instead of annually.

**Mr. Grigg** said the Tax Commission wanted to exclude certain items from exemption, such as motor vehicles, aircraft and boats not registered in Idaho, which means a business owner with a vehicle not registered in Idaho will be subject to personal property tax.

**Senator Vick** asked if the assessors' offices will notify the business owners about the expiration of the application, or if it would be the owners' responsibility. **Mr. Grigg** replied the assessor will send out the application by March 1 of each year, and they will run a query in their software to send it to the correct taxpayers. He said the intent is to make it as easy on the taxpayer as possible. **Mr. Grigg** pointed out this bill also includes language that would allow the assessors to send out "e-assessment notices" which would be email notices, if the taxpayer were to request it.

**Senator Hill** asked a detail about the five year application process, and if during that five years a business purchases a large piece of equipment over the \$100,000 threshold, they would have the responsibility to report it and pay tax on it. The five year application does not mean they can go five years without paying. **Mr. Grigg** answered yes, that is correct, and in order to fall under that five year category, they have to remain under that \$100,000 threshold. He said in existing law, there is a penalty for a business that "knowingly fails to report."

**Senator Hill** asked how far the Tax Commission can go back, as in for example, a business is under the \$100,000 threshold, but then two years later purchases a \$250,000 piece of equipment and it isn't discovered for three years. Can the county go back and assess personal property tax for that item. **Mr. Grigg** replied yes, the county can go back seven years if they find an exemption was erroneously claimed.

**Senator Werk** asked about some confusing language in the emergency clause on this bill. **Mr. Grigg** replied there was a lawsuit in Boise County a few years ago that prompted change in the legislation for them to have a bonding ability. Because H 315 replaces H 599aaSaaS, the language in one will expire July 1, 2017, and when that hits, a new code section will kick in. He said that is why the clause sounds confusing. **Senator Werk** said thanks, that makes sense.

**TESTIMONY:**

**Chairman Siddoway** invited several guests to share their testimony on **H 315**. Speaking in favor of **H 315** were: **John Evans**, Mayor of Garden City speaking as the President of the Association of Idaho Cities; **Jessica Harrison**, Policy and Government Affairs Director for the Idaho School Boards Association (See Attachment 5); **Phil Homer**, representing School Administrators Association of Idaho; **Pat Charlton**, Superintendent of Vallivue School District; **Donna Peterson**, Payette County Treasurer and Chair for the Idaho Association of Counties (See Attachment 6); **Gordon Cruickshank**, Valley County Commissioner and Idaho Association of Counties Legislative Committee member (See Attachment 7); **Brent Adamson**, Boise County Assessor and Idaho Association of Counties (See Attachment 8); and, **Caroline Merritt**, Boise Metro Chamber of Commerce (See Attachment 9) Also providing written testimony in support of **H 315** were Travis Rothweiler, City Manager for City of Twin Falls (See Attachment 10) and Janice Lawes, Bingham County Treasurer (See Attachment 11)

**MOTION:**

**Senator Hill** moved to send **H 315** to the floor with a **do pass** recommendation. **Senator Rice** seconded the motion.

**DISCUSSION:**

During discussion, **Senator Vick** asked if there was ever discussion of putting an inflation index on this number. **Chairman Siddoway** said his recollection of all the negotiations that they never did talk about an indices on this. He said they always talked about using 2012 as the base year, but for some technical reasons that was not possible, so they ended up using 2013 figures.

**Senator Vick** said he would like to comment that he is generally in favor of tax cuts, but it is odd for him to see taxing jurisdictions in favor of cutting taxes. He said in all his years of legislative experience, this is a first for him.

**VOTE:** Motion carried by **voice vote**.

**ADJOURNED:** There being no further business, **Chairman Siddoway** adjourned the meeting at 4:20 p.m.

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Senator Siddoway  
Chairman

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Christy Stansell  
Secretary