

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 13, 2014

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Wood(35), Representatives Barrett, Moyle, Raybould, Denney, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Trujillo, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** None.

GUESTS: Cynthia Adrian, David Langhorst, Idaho Tax Commission; Russell Westerberg; N.L. Clayville, DFM; Benjamin Davenport, Associated Taypayers of Idaho; Zach Hauge, IACI; Brad Hunt, OARC; Elli Brown, Veritas Advisors LLP; Monica Hopkins, ACLU; Mike Brassey, Union Pacific RR; Jesse Taylor, Vapolicy; Hannah Brass Greek, PPVNW.

Chairman Collins called the meeting to order at 9:00 am.

MOTION: **Rep. Wood (35)** made a motion to approve the minutes of the January 9, 2014 meeting. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1301: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0101-1301**, Income Tax Administrative Rules, which was a part of the negotiated rules process. Section 195 is new as a result of legislation passed last year and deals with Ponzi type losses.

MOTION: **Rep. Wood(35)** made a motion to accept **Docket No. 35-0101-1301, Section 195** as presented. **Motion carried by voice vote.**

Cynthia Adrian, continued with her presentation of **Docket No. 35-0101-1301**. Section 201 addresses changes and clarifications dealing with net operating losses. Section 263 clarifies limits of guaranteed compensation treated as compensation within Idaho partnership entities. Section 872 deals with payment of state income tax withheld and due dates for payments when annual threshold amounts are met or exceeded.

MOTION: **Rep. Kauffman** made a motion to accept **Docket No. 35-1010-1301** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1302: **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0101-1302**, Income Tax Administrative Rules, which were not a part of the negotiated rules process. Ms. Adrian stated the rule has been published and the public has had an opportunity to review and provide comment. Rule 180 clarifies, for Idaho tax purposes, the definition of abode. In response to a question, Ms. Adrian stated this is not a substantive change, but a clarification of current practice. Ms. Adrian also clarified the difference between abode and domicile and stated where a person registers to vote or licenses their vehicle is generally what determines the filling of income tax returns. Section 75 is the tax bracket rule and is modified annually. Section 105 is amended to be consistent with taxes paid to another state. Section 120 clarifies that loss recovery not included in taxable income and subsection 104 specifies that technology donations are calculated as the lower of cost or fair market value. Section 121 changes the word 'shall' to 'will', and subsection 17 clarifies carryback of net operating losses for taxable years subsequent January 1, 2000 and prior to January 1, 2013. Section 125, subsection 01 changes the word 'or' to 'and'. Section 140 clarifies the location of a qualifying

energy efficiency upgrade credit which must be located in Idaho. Section 180 deals with technology equipment donations and a clarification limiting the deduction to the lower of cost or fair market value. Section 194 sets the limitation of tax deductible medical costs to the applicable percentage of the Federal Adjusted Gross Income levels. Subsection 6 limits the percentage to 7 1/2 percent for a taxpayer or spouse aged 65 or older, and to 10 percent for taxpayers under age 65, effective January 1, 2013. Section 251 clarifies federal total income. Section 252 changes 'shall' to 'will' in applicable subsections, as well as a clarification for federal computation of net operating loss. Section 254 reflects changes needed due to 2013 legislative action. Section 270 is amended to be consistent with prior legislation to include the word 'partner'. Section 280 adds a code reference in the heading. Section 291 is amended to be consistent with guaranteed payments and pass through entities. Section 710 clarifies that taxpayers do not get investment tax credit. Section 714 clarifies investment tax credit within the recapture period. Section 771 outlines the Idaho grocery tax credit, which is set by statute and amended annually. Section 801 specifies taxable elections period for certain individuals. Section 855 deals with the permanent building fund tax and clarifies when it applies to backup withholding and pass through entities.

MOTION: **Rep. Burgoyne** made a motion to accept **Docket 35-0101-1302** as presented.
Motion carried by voice vote.

DOCKET NO. 35-0201-1301: **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0201-1301**, Administration and Enforcement Rules. Section 705 outlines what requirements are needed in order to constitute a valid written request in cases of identity theft disclosure.

MOTION: **Rep. Wood(35)** made a motion to accept **Docket No. 35-0201-1301** as presented.
Motion carried by voice vote.

DOCKET NO. 35-0201-1302: **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0201-1302** which deals with the interest rate rule and is annually updated. In response to a question, Ms. Adrian clarified that the rate is based on the federal rate and is spelled out in statute.

MOTION: **Rep. Meline** made a motion to accept **Docket No. 35-0201-1302** as presented.
Motion carried by voice vote.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:40 am.

Representative Collins
Chair

Kathleen A. Simko
Secretary