

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 20, 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, Agidius, Burgoyne, Erpelding, Meline

**ABSENT/
EXCUSED:** Reps. Moyle, Erpelding

GUESTS: Benjamin Davenport, ATI; Alan Dornfest, Mike Chakarun, State Tax Commission; Raeleen Welton, Russell Westerberg, Kootenai Tribe; Melissa Nelson, ISCPA; Tamara Mackenthun, Idaho Veteran Services; Bill Roden, Coeur d'Alene Tribe; Tim Olson, Nez Perce Tribe.

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

RS 22381: **Tamara Mackenthun**, Veteran Services, presented **RS 22381**. This proposed legislation would allow donations to the Veterans Support Fund, available on Idaho Individual Tax Form 40, to be added to Form 43 for nonresidents. This proposed legislation would ensure the option to donate can also be done on all tax returns filed electronically. The Veterans Support Fund is utilized to provide a variety of training, rehabilitation and other services to Idaho's Veterans.

MOTION: **Rep. Meline** made a motion to introduce **RS 22381**. **Motion carried by voice vote.**

RS 22431: **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission (ISTC) presented **RS 22431**. This proposed legislation would require tax return professionals, who prepare more than 10 returns, to file Idaho income tax returns electronically. There are some situations where electronic filing is currently required, but some software developers are hesitant to develop electronic filing capabilities in Idaho unless it is mandated by statute.

In response to questions from the committee, **Mr. Chakarun** stated the cost to conform to mandated electronic filing for a small tax preparer is unknown. The federal form uses a declaration the tax payer and preparer both sign, which is also used for Idaho state returns. An LLC must decide if they are a disregarded entity, which impacts the way taxes are filed. Mr. Chakarun stated software vendors are anticipated to be willing to provide the update and there are between 20-30 software developers currently offering products. The Tax Commission did not want to make noncompliance onerous and the \$5 noncompliance fee is felt to be sufficient. This proposed legislation also includes a safe harbour for the tax preparer, if a client refuses to file electronically.

Mr. Chakarun clarified that a third party value added network is the software provider, which provides preparation as well as transmittal software. This proposed legislation would clean up existing language and discourage tax returns from being faxed or submitted in magnetic media format. Mr. Chakarun stated there were no concerns expressed on language included or not included and most tax preparers endorse this proposed legislation since it saves them time and money. Clients like it since they don't have to be concerned with the possibility of the tax return getting lost.

In response to a question, **Mr. Chakarun** stated **RS 22431** does not impose a mandate on an individual to file electronically and only effects paid tax preparers. Software developers make continual changes, so ISTC doesn't anticipate a significant increase in costs for software updates. In the event a tax return cannot be filed electronically, the ISTC will ensure there is a mechanism to allow paper filing. About 50% of business and 70% of individual tax returns are currently being filed electronically. The goal of the ISTC is to have 80% of all tax returns filed electronically.

MOTION: **Rep. Raybould** made a motion to introduce **RS 22431**. **Motion carried by voice vote.**

RS 22452: **Alan Dornfest**, Property Tax Bureau Chief, Idaho State Tax Commission, presented **RS 22452**. **H 599** passed in 2008, set up a mechanism for personal property exemption. Last year, **H 315** amended **Idaho Code 63-803(4)** on the definition of personal property exemption with a substitution of a fixed replacement dollar approach. Once finalized for 2013, the fixed dollar amount will not change, but unless the levy process is modified, it will understate the amount of the levy rate, beginning in 2014. **RS 22452** eliminates the inclusion of exempt value in the formula and corrects the problem.

MOTION: **Rep. Anderson(31)** made a motion to introduce **RS 22452**. **Motion carried by voice vote.**

RS 22522: **Rep. Trujillo** presented **RS 22522**. This legislation would allow a member of a federally recognized Indian tribe who resides on an Idaho Indian reservation, to exclude from Idaho taxable income, income earned by that individual on the Indian reservation of residence. This proposal statutorily implements the legislative intent of **HCR 32** passed in 2013, and codifies current Idaho Tax Commission practice into law.

MOTION: **Rep. Burgoyne** made a motion to introduce **RS 22522**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:29 am.

Representative Collins
Chair

Kathleen A. Simko
Secretary