

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 03, 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:** Rep. Moyle

GUESTS: Alan Dornfest, Mike Chakarun, Idaho State Tax Commission; Mike Brassey, Idaho Power Co.; Russell Westerberg, Rocky Mountain Power; Elizabeth Criner, NWFPA/Simplot; N.L. Clayville, DFM; Julie Hart, Westerberg & Assoc.; Lynn Tominaga, IGWA.

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

MOTION: **Rep. Meline** made a motion to approve the minutes of January 22, 2014. **Motion carried by voice vote.**

MOTION: **Rep. Anderson(31)** made a motion to approve the minutes of January 27, 2014. **Motion carried by voice vote.**

RS 22429: **Alan Dornfest**, Idaho State Tax Commission, presented **RS 22429** which is intended to provide valuation guidance on the assessment of operating property, owned by rate regulated utility companies, for income tax purposes. This proposed legislation would not affect locally assessed property, as determined by the county assessor. This proposed legislation is a result of an ongoing dispute with regard to assessment of obsolete operating property and matches language agreed to in the litigation settlement with Idaho Power Co. Mr. Dornfest stated Rocky Mountain Power/Pacific Corp. and Avista have reviewed this proposed legislation and expressed no opposition.

In response to questions from the committee, **Mr. Dornfest** stated he was unaware of any opposition from electric utility entities, which would be the only utilities impacted by this legislation. He clarified that Atlanta Power Co. may not have been included in notice of the legislation, however, they are a very small company.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 22429**. **Motion carried by voice vote.**

RS 22542C1: **Seth Grigg**, Association of Idaho Counties, presented **RS 22542C1** which makes technical and administrative corrections to business personal property tax exemption. Section 1 removes reference to **Idaho Code 63-602KK**. Section 2 is related to improvements made on property located on tax exempt land, clarifying the improvements are not eligible for tax exemption. Section 3 requires the taxpayer to make application for tax exemption once, providing specific conditions are met. Section 4 removes the reference to **Idaho Code 63-602KK**. The final changes are in Section 5, which speaks to how replacement funds are handled when taxing districts are consolidated.

In response to questions from the committee, **Mr. Grigg** stated he did not know how floating cabins might be treated and would get that information to the committee. He clarified these changes are being requested by the counties to fix unforeseen administrative issues resulting from the passage of the personal property tax legislation in 2013. Idaho Association of Counties is bringing the changes since they brought the original bill forward. Mr. Grigg stated Section 6, subsection 11 deals with agriculture replacement, which is a different tax exemption. This proposed legislation deals specifically with replacement of personal property tax only.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 22542C1**. **Motion carried by voice vote.**

RS 22621: **Alan Dornfest**, Idaho State Tax Commission (ISTC), presented **RS 22621** which is replacement legislation for **H 376**. Current law requires the Board of Tax Commission to meet the 4th Monday in August related to property tax and operating property assessments. **RS 22621** removes the requirement to meet, if all business of the Commission is completed. Section 2 is related to occupancy tax and contains two changes. The first change clarifies when improvements to property are subject to occupancy tax. Mr. Dornfest stated this is to prevent both property and occupancy tax from being charged on the same property. He does not believe this has occurred, but the ISTC is taking a proactive approach. Subsection 3 (b) is related to the notice to the taxpayer for an appeal process. The 28 day time limit will begin once the appraised value is placed on the tax roll. The final change is in Section 3 regarding yield tax assessed to forest land. Forest land owners have the option to pay yield tax or ongoing tax, based on the value of the land. At harvest, the yield tax is owed, but current language is unclear as to whether the owner is ever notified. This proposed change requires the county tax collector to notify the landowner of any yield tax owed.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 22621**. **Motion carried by voice vote.**

H 377: **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **H 377**. This bill clarifies the definition of 'natural person' and inclusion on an Idaho composite return. This bill will include additional entities in the composite return; grantor trust, qualified subchapter S corporation and single member Limited Liability Company (LLC). **H 377** will also provide clarification on payment of the Permanent Building Fund (PBF) fee for qualifying nonresident individuals and pass-through entities. If these new entities are on the composite return, they will still be required to pay the PBF.

MOTION: **Rep. Anderson(31)** made a motion to send **H 377** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderson(31)** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:30 am.

Representative Collins
Chair

Kathleen A. Simko
Secretary