

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 11, 2014

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** Chairman Collins

GUESTS: Benjamin Davenport, Associated Taxpayers; Alan Dornfest, Idaho State Tax Commission; Amber Pence, City of Boise; Melissa Nelson, ISCPA; Rich Hahn, Katrina Basye, Idaho Power; Russell Westerberg, Rocky Mountain Power; Tyler Mallard, Risch Pisca.

Vice-Chairman Wood(35) called the meeting to order at 9:03 am.

MOTION: **Rep. Meline** made a motion to approve the minutes of February 6, 2014. **Motion carried by voice vote.**

MOTION: **Rep. Anderson(31)** made a motion to approve the minutes of February 7, 2014. **Motion carried by voice vote.**

RS 22475C1: **Rep. Morse** presented **RS 22475C1**. This legislation is intended to address the embezzlement and audit risk within local units of government. **RS 22475C1** will increase financial transparency and provide more meaningful salary and benefit information through reporting. Section 1 would require audits to be posted on the governmental entity website, provided they maintain one. Section 2 (e) would require every entity holding government funds, to be audited every two years unless they have established written policies and management controls for oversight.

Rep. Morse stated there are 1500 local units of government required to file audit reports with the Legislative Services Office (LSO), however many are not currently in compliance. Rep. Morse said current code clarifies when audits are due. The proposed legislation does not change this section but adds a 'trigger' requiring an audit every two years **or** the entity must provide written policies and procedures and establish specific management controls and internal oversight. Currently there is no enforcement mechanism for noncompliance. The proposed legislation would put in place an enforcement mechanism resulting in the loss of city, county, or state revenue funds in the event of noncompliance.

Rep. Morse stated Section 2 (f) requires the audit report to include the number of full-time position (FTP) employees as well as salary and benefit costs. A correction on page two, line 49 is needed to replace the word 'of' with 'or'.

In response to questions, **Rep. Morse** clarified this proposed legislation would apply to all units of local government, including school districts. He indicated if some of the information on employee FTP and benefits is currently being collected by the Department of Financial Management (DFM), he has not found consistency in the data. Rep. Morse said the information may be aggregated and not available at the local level.

As only 35% of local units of government currently comply with local audit standards, the changes will be made slowly. Mandating websites, as an example, could be costly for small counties. **Rep. Morse** clarified this is an incremental process.

- MOTION:** **Rep. Barrett** made a motion to introduce **RS 22475C1**.
- Rep. Trujillo** responded to a question from the committee stating her proposed legislation would be a companion to **RS 22475C1** and would create a state website that would show audit information for entities who do not have one.
- VOTE ON MOTION:** **Vice-Chairman Wood(35)** called for a vote on the motion. **Motion carried by voice vote.**
- RS 22588:** **Rep. Dayley** presented **RS 22588** related to the Patient Protection and Affordable Care Act (PPACA) passed by Congress in 2010. This is a joint memorial requesting the Secretary of the United States Department of Health and Human Services suspend imposition of all PPACA taxes until a national review is completed, so a clear understanding of the potential impact can be measured. The PPACA imposes a variety of taxes on the healthcare industry, including a 2.3% medical device tax imposed on a manufacturer, producer or importer. The tax is based on the sales price of the product and is estimated to generate \$29 billion over the next ten years. Impact on Idaho is estimated to be a loss of nearly 100 jobs, \$11.5 million in lost wages, as well as taxes. **Rep. Dayley** stated this is a bipartisan effort across the nation.
- MOTION:** **Rep. Burgoyne** made a motion to introduce **RS 22588**. **Motion carried by voice vote.**
- H 440:** **Alan Dornfest**, Idaho State Tax Commission (ISTC), presented **H 440** which will provide valuation guidance on the assessment of operating property, owned by rate regulated electric utility companies, for property tax purposes. This legislation is in response to a dispute regarding the proper way to account for obsolescence. Litigation between the ISTC and Idaho Power resulted in a method of calculation for obsolete operating property. The language in **H 440** is identical to what was agreed upon in the settlement. Avista and Rocky Mountain Power have expressed no opposition to this legislation.
- If the entity has further forms of obsolescence, no additional recognition by the appraiser will be given. **Mr. Dornfest** stated the method of calculation utilized for assessment takes into account all forms of obsolescence.
- MOTION:** **Rep. Trujillo** made a motion to send **H 440** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.
- H 442:** **Alan Dornfest**, Idaho State Tax Commission, presented **H 442**, which makes four technical corrections to Idaho property tax law. Section 1 eliminates the requirement for the State Tax Commission to meet on the fourth Monday in August to equalize property assessments and to set assessments for operating property, if the work of the Commission is finished. This legislation states they will act no later than the fourth Monday.
- Section 2 adds a provision exempting property subject to occupancy tax from assessment and tax under **Idaho Code 63-602Y** when there is a change in status. This change deals with improvements and how occupancy tax is assessed. Improvements subject to occupancy tax will not also be subject to property tax. **Mr. Dornfest** stated there is no evidence this is occurring, however, this legislation is intended to clarify property is not subject to both taxes.
- The process for notice hasn't been clear and this legislation clarifies notice is upon 'entry of appraised value on the occupancy tax role'. **Mr. Dornfest** stated **H 442** also provides a 28 day notice for a taxpayer to appeal an occupancy tax assessment. Section 3 requires the tax collector to provide a notice to a taxpayer when a yield tax is due on timber harvest.

MOTION: Rep. Burgoyne made a motion to send **H 442** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** Rep. Trujillo will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:37 am.

Representative Wood(35)
Vice Chair

Kathleen A. Simko
Secretary