

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 13, 2014

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Russell Westerberg, Rocky Mountain Power; Suzanne Budge, SBS Associates, LLC; Alan Dornfest, Idaho State Tax Commission; Benjamin Davenport, Associated Taxpayers; Julie Hart, Westerberg & Associates; Robin Nettinga.

Vice Chairman Wood(35) called the meeting to order at 9:01 am.

MOTION: **Rep. Dayley** made a motion to approve the minutes of February 11, 2014 with the following correction: On page 2, paragraph 4, line 4 the word 'rules' should be 'taxes'. **Motion carried by voice vote.**

RS 22712: **Rep. Kauffman** presented **RS 22712** which is intended to provide enhanced funding for Idaho's road infrastructure. Money from the General Fund would be allocated to local road entities, through a modification in the redistribution formula, in the approximate amount of \$22 million. This is the amount of sales tax estimated by the Idaho State Tax Commission (ISTC) on the sale of tires and auto accessories. The \$22 million would be split with 57% going to the state highway account and 43% to units of local government, and expended only for planning, engineering, maintenance and construction of state highways and roads.

In response to questions from the committee **Rep. Kauffman** stated 2% is estimated the tax revenue generated by sales of tires and auto accessories. This amount is \$22 million and would come from the General Fund, but there is not a specific General Fund allocation identified which would be decreased. Rep. Kauffman stated the funds could be additional revenue generated from growth in the economy.

Rep. Kauffman said the tax revenue from tires has been going to the General Fund for years. There was consideration for allocation of tax revenue specifically from the sale of tires, accessories and related auto parts, however, the data does not currently exist to determine the amount generated. The \$22 million estimate was provided by the ISTC and Rep. Kauffman stated he worked backwards to derive the 2% amount. Rep. Kauffman stated the use of a specific percentage will allow revenue to keep pace with inflation.

MOTION: **Rep. Moyle** made a motion to introduce **RS 22712**.

In answering additional questions, **Rep. Kauffman** explained how the split between highways and local units of government was decided. He clarified the tax revenue is not intended to be used for right of way acquisition. Rep. Kauffman stated Idaho is one of only two or three states with no General Fund money going to roads.

Rep. Kauffman stated the current shortfall needed for roads and highways is estimated at \$262 million, by the Idaho Department of Transportation. Any additional income could be used by local highway districts for maintenance, which will help extend usability of the road surface. **Rep. Kauffman** stated farm equipment and machinery are not subject to sales tax.

VOTE ON MOTION:

Vice Chairman Wood(35) called for a vote on the motion. **Motion carried by voice vote.** **Rep. Burgoyne** requested to be recorded as voting **NAY**.

Vice Chairman Wood(35) welcomed **Rep. Ann Collins** to the committee. **Rep. Collins** will be filling in for her husband **Chairman Gary Collins**, until his return.

RS 22676:

Rep. Loertscher presented **RS 22676** which would amend **Idaho Code Section 63-602JJ**. **Rep. Loertscher** stated this is essentially a fairness issue and would eliminate entities from using the tax exemption for property not used in the direct production of electricity. To be eligible for the exemption, property must be used in the actual production of electricity or be a substation.

MOTION:

Rep. Moyle made a motion to introduce **RS 22676**. **Motion carried by voice vote.**

RS 22576C1:

Rep. Vander Woude presented **RS 22576C1**. This proposed legislation would provide a 50% Idaho income tax credit to individuals and corporations making donations to eligible nonprofit Scholarship Granting Organization (SGO's). SGO's would qualify if they provide scholarships to low-income K-12 students attending approved non public schools. The fiscal impact is dependent upon the utilization and approximately \$1 savings to the state for every \$1 donated to SGO would be realized.

In response to questions, **Rep. Vander Woude** stated he is unaware of any potential constitutional problems with the proposed legislation. He stated the total amount of the credit is capped at \$10 million. Once the cap is reached, the limit will only be adjusted by the Consumer Price Index.

MOTION:

Rep. Moyle made a motion to introduce **RS 22576C1**. **Motion carried by voice vote.** **Rep. Burgoyne** requested to be recorded as voting **NAY**.

H 441:

Seth Grigg, Idaho Association of Counties (IAC), presented **H 441**, which makes technical and administrative corrections to the personal property business tax exemption that arose as unforeseen consequences in the implementation of **H 315**.

The first amendment is found in **Idaho Code Section 33-1103** and revises the definition of "market value for assessment purposes" as related to school bonds. The replacement amount of lost income from property tax is fixed in time, based on 2013 assessments. As time passes, the assessor will have no way to determine the value of property and this change corrects that problem.

The change in Section 2 amends **Idaho Code Section 63-309** to clarify that taxable improvements on tax exempt land are not eligible for the business personal property tax exemption.

In Section 3, **Idaho Code Section 63-602KK** is being amended to clarify the application for tax exemption for personal property valued at less than \$10,000 is only required to be made once, provided certain conditions apply. This section also includes several technical corrections.

Section 4 makes a change to **Idaho Code Section 63-808** to clarify the definition of 'taxable value' for determination of property tax levies.

Section 5 adds language to **Idaho Code Section 63-3638** which provides a clarification in the distribution process of personal property tax replacement funds, when taxing districts are consolidated.

MOTION: **Rep. Dayley** made a motion to send **H 441** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Reps. Dayley and Burgoyne** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:36 am.

Representative Wood(35)
Vice Chair

Kathleen A. Simko
Secretary