

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 26, 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:** None

GUESTS: Roger Batt, Idaho Heartland Coalition; Benjamin Davenport, Associated Taxpayers of Idaho; Melissa Nelson, ISCPA; Russ Hendricks, Farm Bureau; Norm Semanko, Idaho Water Users Association; Stacey Satterlee, ACS CAN; Brian Patton, Idaho Department of Water Resources; Roger Seiber, Capitol West.

Chairman Collins called the meeting to order at 9:01 am.

MOTION: **Rep. Dayley** made a motion to approve the minutes of February 20, 2014. **Motion carried by voice vote.**

MOTION: **Rep. Wood(35)** made a motion to approve the minutes of February 21, 2014. **Motion carried by voice vote**

H 547: **Rep. Moyle** presented **H 547** which deals with the allocation of tobacco tax. This legislation would freeze most of the allocations and keep current beneficiaries whole, with the exception of the bond equalization fund, whose allocation floats. As the Idaho Capitol restoration project gets paid off, this bill will allocate \$4.7 million of cigarette tax as the state match for the GARVEE bonds, which will free up funds in the State Transportation Improvement Plan (STIP). The Secondary Aquifer Planning, Management, and Implementation Fund would receive the next \$5 million. Assuming additional funds are available, they would be directed to the State Highway Account. **Rep. Moyle** stated GARVEE bonds can only be paid off early if they have been in place 10 years, which will be in 2016.

MOTION: **Rep. Wood(35)** made a motion to send **H 547** to the floor with a **DO PASS** recommendation.

In response to questions from the committee, **Rep. Moyle** stated the highway funding would go directly into the State Highway Fund as the primary intent is to pay off GARVEE bonds. Consequently, the highway distribution formula for local highway district use was not included in this legislation. Providing the \$4.7 million state match for GARVEE will free up state sales tax dollars that could be used to retire the GARVEE bonds entirely, which would ultimately make more funding available for local highway use.

Rep. Moyle concurred this could be seen as a disproportionate distribution of cigarette tax. However, all of Idaho benefits from the GARVEE projects and this is seen as a fair way to free up funds. He said the tobacco tax in Idaho is less than surrounding states. **Rep. Moyle** speculated more tobacco tax likely is generated in North Idaho.

Responding to another question, **Rep. Moyle** stated the cigarette tax topped out in 2004 and it's uncertain what future revenues might be generated. Rep. Moyle acknowledged careful thought was put into this bill to make the water allocation broad and flexible so the results benefit the entire state. Rep. Moyle said water resource issues are not just an eastern Idaho issue.

VOTE ON MOTION:

Chairman Collins called for a vote on the motion. **Motion carried by voice vote.** **Rep. Burgoyne** requested to be recorded as voting **NAY**. **Rep. Moyle** and **Rep. Bedke** will sponsor the bill on the floor.

H 530:

Rep. Dayley presented **H 530** which would provide exemption from Idaho use tax for qualified donations of food and beverages. This is similar to legislation passed in 2013 providing use tax exemption on beer and wine tastings. As a result of that law, commodity groups have requested they also be exempt from use tax on certain donations.

Roger Batt, Idaho Heartland Coalition, testified **in support of H 530**. Idaho Heartland Coalition is made up of agricultural commodity organizations and producers. In 2011 wineries were requested by the Idaho State Tax Commission (ISTC) to go back three years to calculate and pay use tax on wine tastings. Subsequently, **H 489** was passed in 2012 and **H 187** in 2013 to deal with exemptions of tastings. Mr. Batt said producers were notified in December 2013 that use tax was to be paid on donated food products which resulted in the current legislation under consideration.

In response to a question, **Mr. Batt** stated it is difficult to quantify a precise fiscal impact as the data has not been consistently collected or use tax previously paid on donations.

Russ Hendricks, Idaho Farm Bureau, testified **in support of H 530**, stating producers would rather see excess product go to a good use like a food pantry or homeless shelter, than to just plow it under. Producers and the Idaho Farm Bureau don't see it as good public policy to tax charitable donations.

MOTION:

Rep. Raybould made a motion to send **H 530** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Dayley** will sponsor the bill on the floor.

RS 22991:

Rep. Trujillo presented **RS 22991** which is a revision to **H 523** previously introduced, which is related to audit requirements for local governmental entities. Rep. Trujillo stated the Idaho State Tax Commission (ISTC) requested several changes be made. A date was added for notification to ISTC, an administrative provision was removed and several other wording changes have been made. This proposed legislation will ensure a streamlined audit process and provide information from the ISTC that has been needed.

MOTION:

Rep. Erpelding made a motion to introduce **RS 22991**. **Motion carried by voice vote.**

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 9:28 am.

Representative Collins
Chair

Kathleen A. Simko
Secretary