

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 04, 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:** Rep. Trujillo

GUESTS: Will Hart, Idaho Consumer Owned Utilities; Tom Felzer, Idaho Winds; Scott Nichols, US Geothermal; N.L. Clayville, DFM; Leif Elgethun, ICEA; McLean Russell, ISTC; Elizabeth Criner, ISDA; Julie Taylor, Blue Cross of Idaho; Marnie Packard, Pacific Source; Suzanne Budge, SBS Associates/NFIB.

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

MOTION: **Rep. Meline** made a motion to approve the minutes of February 27, 2014. **Motion carried by voice vote.**

H 506: **Rep. Loertscher** presented **H 506**, stating there are provisions elsewhere in law that conflict with language in this legislation and he requested it be held in committee.

**UNANIMOUS
CONSENT
REQUEST:** **Chairman Collins** asked for unanimous consent to **HOLD H 506** in committee at call of chair. There being no objections, the request was granted.

HCR 45: **Rep. Wood(35)** presented **HCR 45** which rejects Rule 36, **Docket No. 35-0102-1302**, related to taxation of signs and billboards.

MOTION: **Rep. Wood(35)** made a motion to sent **HCR 45** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Wood(35)** will sponsor the bill on the floor.

H 544: **Rep. Hixon** presented **H 544** which would remove the cap for Idaho Medical Savings Account (MSA) contributions, stating this legislation encourages individuals and employers to make contributions. The current statute, established in 1995, has a cap of \$2,000. This MSA is Idaho's own program, different than the federal option. Contributions and interest earned are tax deductible and funds can be used for a wide variety of eligible medical expenses. This legislation would remove the cap and provide incentives to employers to make contributions on behalf of their employees. Employers would be able to take a 7.4% tax credit, which is not refundable, but could be rolled over up to 15 years. The final change is to ensure the MSA funds must be expended before any public assistance, such as Medicaid or CAT funds, be used. Rep. Hixon stated the high costs of health care, combined with Idaho's low wages, present challenges. More than 50% of Idaho bankruptcies filed in Idaho are health care related. Many of Idaho's families are one medical procedure away from bankruptcy and this legislation will provide an alternative and allow greater buying power by consumers.

In response to questions from the committee, **Rep. Hixon** stated the 7.4% credit is not specifically tied to the current top tax rate. The intent was to provide an incentive to the employer to make contributions. The amount of annual contributions are unlimited and a cap was not considered, as the MSA statute limits how the funds can be spent and has early withdrawal penalties. The goal was to ensure sufficient funds could be saved, pre tax, to meet the growing costs of health related expenses.

Rep. Hixon stated the Idaho MSA is different than the federal program and is intended to provide an Idaho tax benefit. He further clarified employers could take the 7.4%, even if their corporate tax rate is lower. Rep. Hixon responded the anticipated decrease in utilization of the indigent CAT funds is possible, since employers of the lowest wage earners could put money into their MSA account. This legislation provides an incentive to employers and puts more buying power back into the hands of the people. Rep. Hixon noted the 7.4% tax credit is on the MSA contribution. A cap was not included since, over the past two decades, health care costs continue to escalate. The MSA rolls over year to year allowing a tax free accrual. In the event of a potential catastrophic health related situation, the balance in a MSA would hopefully be sufficient to cover those costs.

MOTION: **Rep. Barrett** made a motion to send **H 544** to the floor with a **DO PASS** recommendation.

SUBSTITUTE MOTION: **Rep. Burgoyne** made a substitute motion to send **H 544** to General Orders, with an amendment, as follows: Page one, line 19 on page "contributions to a medical savings account be limited to \$19,000".

SUBSTITUTE MOTION WITHDRAWN: **Rep. Burgoyne** withdrew his substitute motion to send **H 544** to General Orders.

Rep. Hixon responded to a question, clarifying the cap is not on the amount of the MSA account balance, but the annual contribution made. He stated this legislation would allow a deduction, as well as a tax credit, on the contribution. Rep. Hixon stated he would like to see a change of the status quo in how we pay for health care and to put more money in the hands of the people. The Idaho MSA is not tied to the federal government and provides Idaho tax free contributions. Rep. Hixon believes this legislation is the way to accomplish these goals. He does not want to tie the 7.4% tax rate to the overall tax rate structure.

MOTION WITHDRAWN: **Rep. Barrett** withdrew her motion to send **H 544** to the floor with a **DO PASS** recommendation.

MOTION: **Rep. Wood(35)** made a motion to **HOLD H 544** in committee, at the call of chair. **Motion carried by voice vote.**

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

Representative Collins
Chair

Kathleen A. Simko
Secretary