

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, March 05, 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: Russell Westerberg, Taxpayers; Caitlin Rusche, IAC; John Eaton, Realtors; McLean Russell, Idaho State Tax Commission; Marnie Packard, Pacific Source; Julie Taylor, BCI; Benjamin Davenport, Associated Taxpayers of Idaho; N.L. Clayville, DFM.

Chairman Collins called the meeting to order at 9:02 am.

MOTION: **Rep. Meline** made a motion to approve the minutes of February 28, 2014. **Motion carried by voice vote.**

MOTION: **Rep. Kauffman** made a motion to approve the minutes of March 4, 2014. **Motion carried by voice vote.**

RS 23050: **Rep. Clow** presented **RS 23050** which will create a savings account from sales tax remitted by retailers, engaged in business in Idaho, but not required to collect sales tax. The funds accrued in this account will be used to provide tax relief, controlled by the Legislature, and not part of the General Fund. Any revenue collected would be held until a future time, when the Legislature determines the appropriate tax relief use.

In response to questions, **Rep. Clow** stated the annual amount of projected revenue would be dependent of several future issues, including the streamlined sales tax or federally implemented remote sales tax. While nothing is assured, \$30-50 million is possible. If Idaho is not a participant in the streamlined sales tax governing board, the amount is not likely to be very significant. This proposed legislation would provide a vehicle to collect the tax in the event out of state sales tax revenue is generated.

Rep. Clow stated while nothing is currently in place, any sales tax collected would be done so by retailers. This proposed legislation is completely separate from any possible legislation to participate in the streamlined sales tax.

McLean Russell, Idaho State Tax Commission, responded to a question stating there are no known retailers, currently collecting tax, without a nexus in Idaho.

Idaho residents and businesses remit use tax through income tax returns. **Rep. Clow** clarified this proposed legislation would only impact sales tax and not use tax. Responding to a question, Rep. Clow stated the thought behind the separate fund was so the revenue could be directed where the Legislature determines most appropriate and it should not be a part of the General Fund.

Rep. Clow said there is no legal means to require tax collection, but if federal legislation is put in place, retailers may feel obligated to collect and remit sales tax to Idaho. There is no expectation of any funds to come immediately, but this is a proactive approach to be ready for potential future opportunities.

MOTION: **Rep. Barrett** made a motion to return **RS 23050** to the sponsor.

SUBSTITUTE MOTION: **Rep. Erpelding** made a substitute motion to introduce **RS 23050**. A roll call vote was requested. **Motion carried by a vote of 12 AYE, 3 NAY, 1 ABSENT/EXCUSED. Voting in favor of the motion: Reps. Collins, Raybould, Anderson(31), Anderst, Dayley, Hartgen, Kauffman, Trujillo, Agidius, Burgoyne, Erpelding, Meline. Voting in opposition to the motion: Reps. Wood(35), Barrett, Denney. Rep. Moyle was absent/excused.**

RS 23061C1: **John Eaton**, Idaho Association of Realtors, presented **RS 23061C1** which will increase the amount of the Idaho homeowners exemption to \$90,000. Prior legislation in 2006 increased the homeowners exemption amount from \$50,000 to \$75,000 and contained an index. In 2014, based on the index, the homeowners exemption is just under \$84,000. This proposed legislation would remove the index and fix the exemption at \$90,000. Mr. Eaton stated an increase in the homeowners exemption does not reduce the amount of funding to the counties, but represents a tax shift. In 2006, this shift was \$23 million. If the exemption increases, businesses and second home owners pay a greater share of the tax. Most people pay their property taxes through an escrow account. They have seen the need to fund the escrow account increase, while property values have declined. Although it was difficult to determine exactly, using the Multiple Listing Service (MLS) the average sales price of a home in Idaho is between \$165,000 - \$170,000. Since the proposed legislation allows the lesser of 50% of the home assessed value or \$90,000, there is a little room for growth in the average home value, before the \$90,000 would be reached.

MOTION: **Rep. Denney** made a motion to introduce **RS 23061C1**.

Responding to a question, **Mr. Eaton** stated he does not believe this change will have a negative effect. It is not reasonable to expect housing prices will never fall again and this isn't about tax relief. While there was some discussion on changing the underlying index, the decision was not to go in that direction as the target would keep moving. When the exemption fluctuates and the resulting tax shift occurs, it makes it difficult for businesses to plan, creating another economic development impediment. Mr. Eaton spoke with several local tax assessors and they believe this change will make their job easier. They get a lot of calls and complaints when property taxes go up and their home value goes down. A flat exemption will make it easier to explain.

Mr. Eaton responded to a question on the impact of home owners on fixed incomes stating the county Circuit Breaker is an option for these situations, as well as private sector solutions, like reverse mortgage.

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**.

RS 23079: **Rep. Hixon** presented **RS 23079** which is related to the Idaho Medical Savings Account (MSA). This proposed legislation contains the changes suggested and would increase the annual contribution amount to \$20,000 per person each year. Employer contributions, made on behalf of employees, would be eligible for a 10% tax credit.

Chairman Collins responded to a question stating funds contributed to an MSA on behalf of employees, can be used for medical insurance premiums.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 23079**.

In response to a question, **Rep. Hixon** said there was no impact in the fiscal note, due to the change in percentage of tax credit eligibility for employer contributions.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:51 am.

Representative Collins
Chair

Kathleen A. Simko
Secretary