

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, March 06, 2014

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Rice, Senators Hill, Johnson, Vick, Bayer, Werk and Lacey

ABSENT/ EXCUSED: Senator McKenzie

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Siddoway** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:06 p.m.

Chairman Siddoway said the Committee will consider the final docket of rules for the session.

PASS THE GAVEL: Chairman Siddoway passed the gavel to Vice Chairman Rice for the consideration of the rules.

DOCKET NO: 35-0103-1302 **Vice Chairman Rice** welcomed Alan Dornfest of the Idaho State Tax Commission (Commission) to the podium to begin presentation of the docket. **Mr. Dornfest** began with Rule 006 which is for incorporation by reference of certain documents and links to websites. It updates references to appropriate and current editions of guides and professional technical standards used to determine value of certain property and to measure assessment level and uniformity.

Vice Chairman Rice asked Mr. Dornfest to present Rule 020. **Mr. Dornfest** said Rule 020 has to do with the value of recreational vehicles for annual registration and taxation. The current method used to value the recreational vehicle (living quarters) portion of the "combined use vehicle" allocates 25 percent or 30 percent of the vehicle's total market value for taxation, depending on the number of heating, cooking and plumbing fixtures in the vehicle. That means only the part used for recreation is being valued and taxed. He said the assessors and Idaho Transportation Department (ITD) informed the Commission this year that the percentages don't reflect current market value as required by law.

Mr. Dornfest said ITD related that it could not determine which unit applied to which percentage, so assessors gathered information from RV dealerships, who said that 50 percent of the sales price would more appropriately represent the market value. He said the language about "fixtures" has been stricken. He said the change does not apply to RVs or trailers not combined with RVs. He said the change has the effect of raising the fee being charged by anywhere from \$5 to \$100. He noted the \$100 figure would be for higher end RVs with trailers. He said the average increase based on data provided is between \$40 and \$53 dollars per unit.

Mr. Dornfest said this was done as a negotiated rule and received no comments. He said outreach has been done to several organizations including Idaho Recreational Council, Good Sam Organization, and some finance managers who are involved in financing these types of units.

Senator Hill asked about the chart and the term "percent good." **Mr. Dornfest** answered that his knowledge of income tax is limited, but from a property tax standpoint "percent good" is the remaining amount after depreciation is taken off. He gave the example that if 85 percent is taken off, that would be the equivalent of 15 percent depreciation.

Vice Chairman Rice asked Mr. Dornfest to present Rule 302. **Mr. Dornfest** said this rule deals with submission requirements for the list of taxable personal property. It was written in accordance with H 599, which had an annual reporting requirement of personal property, even if said property were exempt. He said with H 315, that is no longer needed for most taxpayers who have less than \$100,000 in eligible property. He said to be consistent with current law, this rule is being deleted, except for a few administrative items that will be moved to rule 626.

Vice Chairman Rice asked Mr. Dornfest to present Rule 406. **Mr. Dornfest** said this rule deals with the valuation of operating property of rate regulated utility companies. He said there is companion legislation that this Committee heard and approved in **H 440**. He said this rule mirrors that legislation in that it spells out procedures on how the rate regulated utility companies are to be valued. He said the only difference in this rule is paragraph 01(b), which provides a reference regarding from where the gross domestic product implicit price deflator will be obtained. He said this will probably be moved to Rule 006, and much of it will not even be necessary in the future, but he recommends the Committee approve it as is for now.

Vice Chairman Rice asked Mr. Dornfest to present Rule 407. **Mr. Dornfest** said this rule governs procedures that operating property companies use during their appeals before the Commission. He said these companies are assessed by the Commission, so their first stage of appeal is directly to the Commission rather than to the County Board of Equalization. He said the rule is amended to make the process more of a presentation and less adversarial. He said the rule removes words like "cross-examine" and "examine witnesses" and replaces them with phrases like "parties may ask questions through the presiding officer." He said there is a new provision that allows the taxpayer to accept the stipulated finding rather than have a whole hearing on something upon which everyone agrees. **Mr. Dornfest** said the parties still retain rights to appeal without having to go through the hearing. He said the Commission worked closely with industry representatives from operating property companies and accepted input from them and incorporated changes in the rule to reflect their input. He said in the end, there were no further comments. He said this rule will improve and simplify the appeals process before the Commission.

Vice Chairman Rice asked Mr. Dornfest to present Rule 632. **Mr. Dornfest** said this rule was written to help implement the exemption for oil and gas wells provided in H 141. He said it defines oil and gas wells for purpose of exemption and identifies that land and equipment other than that permanently fixed structures within the wells do not qualify for the exemption. He said the rule does provide for well heads and gathering lines to be centrally assessed and not qualify for exemption, and equipment used in transporting oil and gas shall not qualify for the exemption. **Mr. Dornfest** said the rule also provides for an application process. **Vice Chairman Rice** confirmed that legislation that refers to this rule has passed into law.

Vice Chairman Rice asked Mr. Dornfest to present Rule 700. **Mr. Dornfest** said this rule has to do with definitions that relate to property tax reduction, commonly known as "the circuit breaker program." He said there are no substantive changes, but the rule is amended to provide a cross reference section to Commission Administrative and Enforcement Rules. He said the need for this has arisen with requests for sharing information that would otherwise be confidential information.

Mr. Dornfest said the Commission already has approval to share such information under certain circumstances, as provided by the Administrative and Enforcement Rules. He gave an example in which a legislator called the Commission requesting information about a taxpayer who had contacted the legislator with an issue with the circuit breaker program. He explained that in the past he did not realize there was a provision for disclosure, so the Commission would not have been permitted to share information, but it is permitted, and this rule clarifies that to prevent confusion in the future.

Vice Chairman Rice asked Mr. Dornfest to present Rule 803. **Mr. Dornfest** said this rule makes two changes relating to information provided to the Commission and to the counties by taxing districts when they request their property tax budget each year. He said the amendment requires the budget certification "L2 Form" must be signed and clarifies that whatever levy the Commission approves ultimately shall not exceed the levy computed using the amount shown on the notice of budget hearing. He gave an example in which a district would publish a hearing notice of the intention to have a property tax budget of \$100,000. He said the district is bound by that, and although they are permitted to go lower, they cannot exceed that posted amount. He said to avoid concerns the Commission is codifying that practice with this rule.

Vice Chairman Rice asked Mr. Dornfest to present Rule 902. **Mr. Dornfest** said this rule is about property tax notices and exceptions to those notices. He said there has been an exception in rule for a long time that states when taxpayers have their tax paid by the circuit breaker program, they still have to receive a notice. He said when H 599 passed, it included language stating that similar notice needs to be provided to taxpayers who owe \$0 as a result of the personal property exemption. He said that does not make sense under the current property exemption. He said under H 599 it will be an annually re-computed amount, and taxpayers may be left in question about what amounts may be owed. **Mr. Dornfest** said therefore, they have the requirement to send notice to taxpayers who owe nothing because of the personal property exemption.

Vice Chairman Rice said that concludes the discussion of rules for this meeting, noting consideration of Rule 626 and Rule 205 will be held for a later date.

**PASS THE
GAVEL:**

Vice Chairman Rice returned the gavel to Chairman Siddoway.

Chairman Siddoway thanked Mr. Dornfest for his appearance before the Committee. He commented that legislation is being considered that may impact Rules 626 and 205, so when that is sorted out, the Committee will complete its action on this docket.

ADJOURNED:

There being no further business, **Chairman Siddoway** adjourned the meeting at 3:29 p.m.

Senator Siddoway
Chair

Christy Stansell
Secretary