

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Thursday, January 15, 2015

**TIME:** 9:30 A.M.

**PLACE:** Room EW42

**MEMBERS:** Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/  
EXCUSED:** None

**GUESTS:** Mike Chakarun, McLean Russell, Cynthia Adrian, Idaho State Tax Commission; Ben Davenport, Associated Taxpayers of Idaho; Matt Warnick, DFM; Jack Lyman, Idaho Mining Association; Dennis Stevenson, State of Idaho Rules Coordinator

**Chairman Collins** called the meeting to order at 9:00 A.M.

**MOTION:** **Rep. Raybould** made a motion to approve the minutes of the January 13, 2015 meeting. **Motion carried by voice vote.**

**DOCKET NO. 35-0101-1401:** **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0101-1401**, Income Tax Administrative Rules, which was a part of the negotiated rule process. Rule 560 dealing with allocation and apportionment provisions is amended to conform with the Idaho Supreme Court's interpretation and applications of the statute. The word "shall" has been changed to "will" throughout the rule for consistency purposes. Rule 750 dealing with the broadband equipment tax credit provides additional guidance and clarifies the allowable 14 year carry-over period.

**MOTION:** **Rep. Dayley** made a motion to accept **Docket No. 35-0101-1401** as presented. **Motion carried by voice vote.**

**DOCKET NO. 35-0101-1402:** **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0101-1402**, Income Tax Administrative Rules, which contains two rules which were both part of the negotiated rule process. Rule 268 provides guidance on how a nonresident or part-year resident can deduct suspended losses. Rule 275 adds an example showing how to calculate non-excludable income from a multi-state investment partnership.

**MOTION:** **Rep. Kauffman** made a motion to accept **Docket No. 35-0101-1402** as presented. **Motion carried by voice vote.**

**DOCKET NO. 35-0101-1403:** **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0101-1403**, Income Tax Administrative Rules, which was not a part of the negotiated rule process but mandated by legislation or existing statute. Rule 075 is amended annually and adds tax brackets for calendar year 2014 and removes brackets for the year 2009, thereby retaining 5 years of historical data. Rule 190 deals with Idaho Medical Savings Accounts and increases the maximum amount deductible to conform to **HB 595aa**. Rule 263 is amended annually and updates the amount of guaranteed payments that is sourced as compensation for services. Rule 771 is being amended to add tax year 2014 and the applicable grocery credit amounts. Rule 872 changes from monthly to semi-monthly the reporting and paying of state income tax withholding to match current documentation.

**MOTION:** **Rep. Thompson** made a motion to accept **Docket No. 35-0101-1403** as presented. **Motion carried by voice vote.**

**DOCKET NO. 35-0201-1401:** **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0201-1401**, Administration and Enforcement Rules. Rule 310 is updated annually and adds the interest rate for 2015 applicable to delinquent taxes. Rule 501 reflects the change of name of the Field Services Bureau to the Collection Division.

**MOTION:** **Rep. Erpelding** made a motion to accept **Docket No. 35-0201-1401** as presented. **Motion carried by voice vote.**

**DOCKET NO. 35-0102-1402:** **McLean Russell**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0102-1402**, Idaho Sales & Use Tax Administrative Rules, which deals with taxation on drop shipment transactions. This is not a substantive change but clarifies the responsibilities of manufacturers, retailers and customers with regard to sales and use taxes. In response to a question, Mr. Russell stated this rule was a part of the negotiated rule process and no concerns were expressed.

**MOTION:** **Rep. Anderst** made a motion to accept **Docket No. 35-0102-1402** as presented. **Motion carried by voice vote.**

**DOCKET NO. 35-0102-1403:** **McLean Russell**, Idaho State Tax Commission, presented **Docket No. 35-0102-1403**, Sales & Use Tax Administrative Rules. Rule 012 clarifies what is covered by the out-of-state contract exemption for contractors improving real property. No substantive change was made to the rule but adds language to make it clear the exemption applies only to materials.

Rule 024 is amended due to a taxpayer concern dealing with how the different types of rentals and leases of personal property are taxed. The proposed rule change more clearly explains the original intent of only one lease type applying to a particular lease contract.

Rule 102 is being amended to clarify that materials and equipment used on a tree farm for a purpose other than harvesting can qualify under the production exemption but not the logging exemption. In response to a question, **Mr. Russell** noted that this rule was part of the negotiated rule process and two public meetings were held as well as outreach to several logging contractors. No concerns were expressed. Mr. Russell noted that this amendment conforms the rule to the statute with no substantive changes and should not affect anyone negatively.

Rule 128 is being amended to require exempt organizations to use a specific form for claiming an exemption on purchases of lodging accommodations when a qualifying credit card is used. This amendment would require additional documentation be collected by lodging establishments to insure the exemption is properly claimed. Responding to questions, **Mr. Russell** stated this rule was part of the negotiated rule process and further clarified that it only deals with credit card payments of qualifying employers and that the exemption is not available if the lodging is paid for in cash or a personal credit card. Responding to a question as to why both a credit card number and an EIN # is required on the form, he stated he would bring that to the attention of staff for future consideration.

**Rep. Anderst** expressed concern about Rule 102 relating to logging exemptions as well as Rule 128 which places additional requirements on lodging establishments due to the lack of participation by the industries affected and he would like to see more outreach on behalf of both rules.

**ORIGINAL MOTION:** **Rep. Anderst** made a motion to reject **Docket No. 35-0102-1403**.

**SUBSTITUTE MOTION:** **Rep. Raybould** made a substitute motion to **HOLD Docket No. 35-0102-1403** in Committee at the discretion of the Chair. **Motion carried by voice vote.**

**ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 10:35 A.M.

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Representative Collins  
Chair

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Bev Bean  
Secretary