

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Thursday, January 22, 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:** Suzanne Budge, SBS Assoc., LLC; Jonathan Parker, Internet Truck Stop; Benjamin Davenport, Associate Taxpayers; Cynthia Adrian, ISTC; Mike Chakarun, ISTC; Tom Shaner, ISTC; McLean Russell, ISTC; Brad Hunt, O.A.R.C

**Chairman Collins** called the meeting to order at 9:30 A.M.

**MOTION:** **Rep. Trujillo** made a motion to approve the minutes of January 19, 2015. **Motion carried by voice vote.**

**RS 23310:** **Senator Burgoyne** presented **RS 23310** dealing with the Administrative Procedures Act. **H 202** was passed in 2013 which added a requirement that the Tax Commission include in its proposed rule making notices a description of positive fiscal impacts of more than \$10,000 to the general fund and other funds during the fiscal year when a rule was to take effect. Idaho law had required for some time that the Tax Commission include in its notices of proposed rule making a description of negative fiscal impacts. The purpose of **H 202** was to know if a proposed rule had the effect of raising more than \$10,000 in additional revenue. At the time the bill was enacted, the Tax Commission requested a two-year sunset clause. Now that the Tax Commission has had experience with this bill, it does not object to the removal of the sunset clause and this bill's sole provision is to repeal it.

**MOTION:** **Rep. Erpelding** made a motion to introduce **RS 23310** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Collins** will sponsor the bill on the floor.

**RS 23278:** **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **RS 23278** which would require electronic filing of income tax returns by paid tax preparers, large partnerships and large corporations once they meet a filing threshold. He explained that although 80% of personal returns are filed electronically, only 20% of returns from paid tax preparers and large corporations/partnerships are received in this manner. This proposal requires tax preparers who have more than 25 individual and business tax returns in a calendar year to file electronically. Corporations with more than \$10,000,000 in assets and partnerships and S corporations with more than 100 partners or 100 shareholders must also file their returns electronically. Mr. Chakarun stated that this legislation has the support of CPA's and other practitioners.

In response to a question, **Ms. Doreen Warren**, Administrator of Revenue Operations, Idaho State Tax Commission, said her office works closely with tax preparers and software developers to insure their tax preparation software complies with the State's rules, forms and instructions. **Mr. Chakarun** noted that individuals preparing their own returns would not be subject to this requirement to file electronically, only tax preparers who do this for a living and that the anticipated \$25,000 in savings this proposal will generate will be used to improve the State Tax Commission business processes and improve efficiencies.

**MOTION:** **Rep. Erpelding** made a motion to introduce **RS 23278**. **Motion carried by voice vote.**

**RS 23258:** **Michael Chakarun**, Idaho State Tax Commission, presented **RS 23258** dealing with the retirement benefits deduction. This proposal would expand the retirement benefits deduction to include certain foreign service workers covered under the Foreign Service Retirement and Disability System (FSRDS). Certain federal employees who retired under the Civil Service Retirement System are allowed to claim the retirement benefits deduction because they did not contribute into social security. Retirees who retired under the FSRDS also did not contribute into social security but have been excluded from claiming the retirement benefits deduction, making benefits received from this program taxable. This deduction puts these retirees on the same footing as individuals who receive social security benefits and are able to take an Idaho deduction for those benefits. This legislation also clarifies that retirees under the Federal Employees Retirement System (FERS) do not qualify for this deduction because they are covered under social security and are entitled to deduct those Social Security benefits from Idaho taxable income.

**MOTION:** **Rep. Moyle** made a motion to introduce **RS 23258**. **Motion carried by voice vote.**

**RS 23279:** **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission, presented **RS 23279** regarding charitable contributions and net operating loss. For some taxpayers who report a net operating loss (NOL), the deduction for charitable contributions can result in a permanent loss of part of the charitable contribution on the Idaho tax return. This legislation would allow a deduction for the amount of the charitable contribution lost. An emergency clause is included in the proposal so taxpayers can use it in the current filing season.

**MOTION:** **Rep. Moyle** made a motion to introduce **RS 23279**. **Motion carried by voice vote.**

**RS 23271:** **Michael Chakarun**, Idaho State Tax Commission, presented **RS 23271** dealing with the domestic production activity deduction. This deduction was designed to encourage domestic manufacturing by allowing a manufacturer to claim a deduction of up to 9% of their net income on their federal return which then flows through to their Idaho return. When this deduction was adopted, the regulations did not address the fact that it cannot be used to increase or cause a net operating loss. This proposal modifies the Idaho Income Tax Act to require the add-back of the domestic production activity deduction when computing an Idaho net operating loss.

**MOTION:** **Rep. Kauffman** made a motion to introduce **RS 23271**. **Motion carried by voice vote.**

**RS 23266:** **Michael Chakarun**, Idaho State Tax Commission, presented **RS 23266**. The production exemption in the Sales Tax Act allows an exemption from sales and use tax for certain tangible personal property used in the production process. However, an exception exists for hand tools that cost \$100 or less, making these items subject to tax regardless of how they are used. This \$100 exception has been in place and fixed at that amount since the inception of the Sales Tax Act in 1965 and no longer meets the policy goals it was designed to address. The hand tool exception is difficult for taxpayers to understand and comply with and for the Tax Commission to administer. To simplify the Sales Tax Act, this proposal would repeal the hand tool exception.

**MOTION:** **Rep. Thompson** made a motion to introduce **RS 23266**. **Motion carried by voice vote.**

**ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 10:03 A.M.

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Representative Collins  
Chair

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Bev Bean  
Secretary