

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 26, 2015

TIME: 9:00 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: Steve Wallace, Lee Heinrich & Travis Van Lith, Board of Tax Appeals; Brock Martinson, CTA; Jonathan Parker, Internet Truck Stop; Brent Davis, City of Boise; Amanda Myers, ICCU; Matt Wolff, St. Lukes Health System; Beth Coonts, Hawley, Troxell; Jennifer Howard, Kount; Kyle Carpenter, Idaho State; Jonathan Medalie, BCI; Joey Perry, WTB; Alex McLaughlin, Givens Pursley; Caroline Moore, Bright Star; Meg Boyer, Idaho Statesman; Brody Aston, Lobby Idaho; Alan Dornfest, ISTC; Mike Chakarun, ISTC; Dennis Stevenson, Rules Coordinator

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

MOTION: **Vice Chairman Trujillo** made a motion to approve the minutes of January 20, 2015. **Motion carried by voice vote.**

MOTION: **Rep. Anderst** made a motion to approve the minutes of January 21, 2015. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1403: **Chairman Collins** explained that this Pending Administrative Rule Docket was before the Committee at a prior meeting for discussion and held with no action taken. It is before the Committee now for consideration.

MOTION: **Rep. Trujillo** made a motion to approve **Docket No. 35-0102-1403** with the exception of Rule 102 and Rule 128 which will be rejected. **Motion carried by voice vote. Rep. Erpelding** requested he be recorded as voting **NAY**.

H 27: **Alan Dornfest**, Idaho State Tax Commission, presented **H 27**. This legislation deletes a provision in the Tax Code that excepted recreation districts from the provision in law that requires taxing districts to organize by January 1st in order to levy property tax in that year. Recreation districts are allowed to organize up to June 1st. All other taxing districts are required to adhere to the January 1st deadline so that operating property values can be correctly assigned to the various taxing districts. This proposal would make recreation districts conform to the same formation and levy laws as other taxing districts. If passed, this law would take effect on July 1 so any district formed in the May election would still fall under existing law and not create a hardship for a district in the process of formation.

MOTION: **Rep. Nate** made a motion to send **H 27** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Nate** will sponsor the bill on the floor.

H 28: **Alan, Dornfest**, Idaho State Tax Commission, presented **H 28** relating to levy and apportionment of taxes. Under current law, when maximum property taxes are computed for school districts, it uses a "Hypothetical Levy Rate" which is calculated by adding the tort fund property tax and agricultural equipment replacement dollars. Personal property exemption reimbursement funds are not added, but are subtracted from the tort fund. That means that the hypothetical levy rate will not compensate for the subtraction which is inconsistent with the goal of the personal property reimbursement which was to keep taxing districts whole. In fact, in most cases, there will be no new construction related budget capacity. This legislation will correct the problem by treating personal property replacement money the same as agricultural equipment replacement dollars and raise their tax capacity to pay liability insurance premiums.

Responding to a question, **Mr. Dornfest** clarified that this only affects the tort fund which pays liability insurance premiums and the amount levied cannot exceed the actual cost of those premiums.

MOTION: **Rep. Trujillo** made a motion to send **H 28** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nate** and **Rep. Scott** requested that they be recorded as voting **NAY.** **Rep. Trujillo** will sponsor the bill on the floor.

H 29: **Alan Dornfest**, Idaho State Tax Commission, presented **H 29** which proposes three technical corrections to the Idaho Code section relating to certain personal property tax exemptions. First, this amendment changes the term "taxpayer" to "person" which is more inclusive. It also provides a comprehensive list of relationships that will constitute a taxpayer for purposes of receiving the exemption and replaces the reference to section 267 which was confusing and resulted in inconsistent usage.

The second proposed change deals with replacement money and refunds on improperly claimed exemptions. When taxes related to improperly claimed personal property exemptions are refunded to counties, the money is distributed to the taxing districts who then subtract these amounts from the maximum amount that can be levied. The State, however, is required to continue to make replacement money payments to the districts without regard to this restitution or to the improperly claimed exemption. This change would require refunded amounts to be paid to the state and require the state to reduce future payments to the taxing districts. This change has no adverse tax effects to the state, counties or taxing districts.

The last change proposed relates to operating property and the \$100,000 per county exemption. Idaho Code allows each taxpayer \$100,000 in personal property tax exemption per county. Because of the way operating property is apportioned, this is difficult to administer given software limitations. This change would permit operating companies to receive \$100,000 in personal property exemption for each county in which the company has any apportioned value. It would limit the total amount of the exemption to the lesser of this amount or the total amount of personal property identified. This change is taxpayer and resource friendly and would result in a slight increase of approximately 19¢ per \$100,000 value in the amount of personal property exemptions.

Responding to a question about upgrading the computer system to resolve the administration issue related to the personal property tax exemption, **Mr. Dornfest** indicated that even if there were no software limitations, this change to the personal property tax exemption would still be recommended.

MOTION: **Rep. Chaney** made a motion to send **H 29** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Chaney** will sponsor the bill on the floor.

Steve Wallace, Director, Board of Tax Appeals, gave a presentation on the Board of Tax Appeals, its function and an overview of its decisions for the past several years. The sole purpose of the Board is to be a fair and impartial tribunal to hear and decide cases. Most cases involve local property tax assessments but other cases regularly include income tax, sales and use tax and circuit breaker benefit cases. The Board is comprised of **Chairman David Kinghorn, Linda Pike** and **Lee Heinrich**. Mr. Wallace responded to questions from Committee members on various aspects of the Board's function and gave a breakdown of case decisions over the past several years.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:15 A.M.

Representative Collins
Chair

Bev Bean
Secretary