

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Thursday, January 29, 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:** Jeff Mihalic, Peter Woodko and Russell Westerburg, Western Aircraft; Mike Chakarun and Doreen Warren, Idaho Tax Commission; Ben Davenport, ATI

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

**MOTION:** **Rep. Dayley** made a motion to approve the minutes of January 22, 2015. **Motion carried by voice vote.**

**H 35:** **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **H 35** 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.

The benefits of e-filing from the preparer's perspective are (1) obtain refunds much quicker, (2) receive acknowledgement of receipt of tax return, (3) less math errors and (4) cost savings related to paper and postage. Mr. Chakarun pointed out that this legislation does not pertain to individuals filing tax returns only paid tax preparers who do this for a living. January 2016 is the proposed effective date and the estimated \$25,000 savings in processing costs would be used to improve fraud and identity theft programs and increase efficiencies.

Processing tax returns filed on paper takes considerably longer and uses much more resources for the Idaho State Tax Commission. Attempts to increase the percentage of returns filed by paid tax preparers and large companies has been largely unsuccessful. Software developers are reluctant to convert their format which they already have done for federal returns until Idaho has an e-filing mandate. This legislation provides the impetus for these software developers to provide Idaho e-filing capabilities in their software.

**MOTION:** **Rep. Thompson** made a motion to send **H 35** to the floor with a **DO PASS** recommendation.

In response to a question asking if this was the most effective way to get software developers to provide e-filing capabilities, **Mr. Chakarun** noted that 60 developers already provide e-filing and the 10 vendors who do not will probably make the conversion in their software only after Idaho has a mandate. He also did not think there was significant cost involved as the infrastructure is already there.

**Doreen Warren**, Administrator of Revenue Operations, Idaho State Tax Commission, was called upon to address the question of the January 2016 effective date and if it would give developers an adequate amount of time to accomplish the software changes. She indicated that her department works closely with software developers and this would give them 9 months within which to make the software conversion and would not be an undue burden.

In response to a question, **Commissioner Ken Roberts**, Idaho State Tax Commission, indicated that if there were significant savings resulting from this legislation, the Tax Commission would be willing to revert dollars back to the General Fund.

**Chairman Collins** reported that no one had signed up to testify on this proposal either for or against.

**VOTE ON MOTION:**

**Chairman Collins** called for a vote on the motion. **Motion carried by voice vote.** **Reps. Scott, Dayley, Anderst** and **Nate** requested to be recorded as voting **NAY.** **Rep. Thompson** will sponsor the bill on the floor.

**Russell Westerberg**, Westerberg & Associates, introduced **Jeff Mihalic**, President of Western Aircraft. In 2012, **H 417** was enacted which created a sales tax exemption for parts installed in connection with the repair and maintenance of aircraft. The intention of this legislation was to create new jobs and eliminate the disadvantage Idaho businesses have competing with similar businesses located in states that do not impose taxes on parts. Mr. Mihalic came to the Committee to report on this legislation's affect on the growth of his company and that of Idaho's economy. Over the past 4 years, the company attracted 58 new customers resulting in \$14 million of new sales which drove the addition of 16 more technicians on their payroll. Two new facilities have been constructed on their site representing an investment of over \$2 million. Although their staffing commitments have fallen somewhat short of targets, it is expected to improve as they strengthen their competitive advantage. Without this sales tax exemption, his company would not have achieved the growth they have today which is 5 times the industry standard.

**Mr. Mihalic** responded to questions regarding the current competitive climate and how the company faces challenges due to its geographical location which is less of an obstacle with the sales tax exemption. He also briefed the Committee on the challenges of attracting and keeping qualified workforce employees. The company currently partners with ISU on training courses, scholarships and the donation of a cockpit trainer. They have created an internship program and have received interest from CWI on training and classes related to their industry. **Rep. Moyle** thanked Mr. Mihalic for the update and appreciated the company's commitment to Idaho and its economy.

**ADJOURN:**

There being no further business to come before the committee, the meeting was adjourned at 10:02 A.M.

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Representative Collins  
Chair

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Bev Bean  
Secretary