

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Tuesday, February 10, 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:** Bob Aldridge and John McGown, Tax & Estate Professionals of Idaho; Phil Homer, Idaho Association of School Administrators; Brody Asten, Lobby Idaho; Andrew Mitzel, Realtors

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

**MOTION:** **Rep. Trujillo** made a motion to approve the minutes of the February 4, 2015 meeting. **Motion carried by voice vote.**

**MOTION:** **Rep. Trujillo** made a motion to approve the minutes of the February 6, 2015 meeting. **Motion carried by voice vote.**

**UNANIMOUS  
CONSENT  
REQUEST:** **Chairman Collins** asked for unanimous consent to **HOLD H 84** in Committee. There being no objections, the request was granted.

**RS 23457C1:** **Robert Aldridge**, Trust and Estate Professionals of Idaho, presented **RS 23457C1** dealing with the definitions of "real property" and "personal property" as it relates to the deduction of capital gains. This is a revision of **H 84** which was earlier withdrawn and has now been revised to include some additional definitional language.

This proposed legislation will clarify the definition of "real property" by including the following: (1) qualified conservation easements, (2) grazing permits or leases if it is transferred at the same time as transfer of the base property and (3) any other property conveyed in perpetuity as defined in "Section 1250 Property" of the Internal Revenue Code. That section of the code also requires that transfers of property must be conveyed in writing. Mr. Aldridge stated this will have little or no fiscal impact. At the request of the Tax Commission, this proposal was made retroactive for all tax years beginning on or after January 1, 2010 in order to remove the need for, and costs of, such audits or appeals on existing open tax returns.

**MOTION:** **Rep. Raybould** made a motion to introduce **RS 23457C1**. **Motion carried by voice vote.**

**H 85:** **Robert Aldridge**, Trust & Estate Professionals of Idaho, Inc., presented **H 85** related to the capital gains deduction when a partnership distributes property to another partner. This legislation addresses a discrepancy in how holding periods are calculated to qualify for capital gains deduction when transferring property. Current Idaho Code creates a distinction between distributions to a partner who continues in the partnership versus a partner who is cutting ties and leaving the partnership.

Under Idaho Code, an individual must hold real property for 12 months in order to qualify for the capital gain deduction. A continuing partner receiving a distribution, can "tack on" the amount of time the partnership held the property to determine if he has satisfied the 12-month holding requirement. On the other hand, a terminating partner who receives a distribution and leaves the partnership is not allowed to "tack on" the partnership holding period when calculating the same 12-month holding requirement. This proposal removes any distinction between distributions to an on-going partner versus a liquidating partner. In either case, the individual would be allowed to "tack on" the amount of time the partnership held the property for the purpose of satisfying the 12-month holding period.

**John McGown**, Hawley, Troxell, spoke in favor of **H 85** as it would eliminate a disparity which his clients face when dealing with property transfers. In response to a question, Mr. McGown stated he did not know the State Tax Commission's position on this proposal but believes they are neutral, although he cannot speak for them.

**MOTION:** **Rep. Rudolph** made a motion to send **H 85** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Rudolph** will sponsor the bill on the floor.

**H 76:** **Rep. Kauffman** presented **H 76**. This proposal would allow emergency school levies to be assessed on the current equalized valuation of such taxable property instead of the base assessment roll. Property tax paid for school emergency levies would then go to the school district instead of the urban renewal agencies. This only affects 10 schools in Idaho who have an Urban Renewal District in their district. There is no fiscal impact to the state, but it would have provided an increase of \$374,000 in 2014 to the 10 affected school districts. In response to a question, Rep. Kauffman confirmed this would not result in a decrease to urban renewal agency budgets but it does give school districts the ability to levy taxes based on the full incremental property value.

**Phil Homer**, representing the Idaho Association of School Administrators, urged the Committee to pass this bill as it closes a gap in school funding.

**MOTION:** **Rep. Erpelding** made a motion to send **H 76** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.

**ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 9:25 A.M.

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Representative Collins  
Chair

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Bev Bean  
Secretary