

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Thursday, February 12, 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, Board of Tax Appeals; Kris Ellis, Tony Smith, Jennifer Holman, Randy Andregg, and James Dean, Idaho Optometric Association; Mike Chakarun and McLean Russell, Idaho State Tax Commission; Roger Batt, Pacific Northwest Hardware & Implement Association; Benjamin Kelly, Mitch Royer and Jim Lowe, Food Producers of Idaho; Dan Blocksom, Idaho Association of Counties; Brent Olmstead, Milk Producers of Idaho; Pam Eaton, Idaho Retailers Association; Alex LaBeau, Idaho Association of Commerce & Industry; Ben Davenport, Associated Taxpayers of Idaho.

**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 10, 2015 meeting. **Motion carried by voice vote.**

**H 39:** **McLean Russell**, Tax Policy Specialist, Idaho State Tax Commission presented **H 39** regarding sales tax on hand tools used in the production process which affects mainly farming, mining and manufacturing industries. The Sales Tax Act allows an exemption from sales and use tax for certain personal property used in the production process. However, since its inception in 1965, the Sales Tax Act has had an exception for hand tools that cost \$100 or less, making these items subject to tax regardless of how they are used. This \$100 exception has existed at that fixed amount for almost 50 years and it no longer meets the policy goals the exception was designed to address. It is difficult for taxpayers to understand what tools qualify, for retailers to comply with and for the Tax Commission to administer. This legislation would repeal the hand tool exception, thereby making these hand tools tax exempt. Responding to a question, Mr. Russell affirmed the Tax Commission's intent to inform and educate retailers about this change if it is passed into law.

**MOTION:** **Rep. Chaney** made a motion to send **H 39** to the floor with a **DO PASS** recommendation.

**Reps. Raybould, Moyle and Anderson** invoked Rule 38 stating a possible conflict of interest but they would be voting on the legislation.

**VOTE ON  
MOTION:** **Chairman Collins** called for a vote on the motion. **Motion carried by voice vote.** **Rep. Chaney** will sponsor the bill on the floor.

**H 75:** **Kris Ellis**, representing the Idaho Optometric Association, presented **H 75** dealing with sales tax on prescription eyeglasses, contacts and their components. She explained the purpose of this legislation is to exempt prescription eyeglasses and contacts from sales tax which aligns with the treatment of all other prescriptions and durable medical devices. Taxes on prescription eyeglasses would be eliminated in the first year with taxes on prescription contacts eliminated in the second year. The resulting fiscal impact would be \$1.42 million in fiscal year 2016 and an additional \$1.42 million in fiscal year 2017 for a total of \$2.84 million on going. This legislation would pertain only to prescription eyeglasses, contacts and their replacement parts while readers, sun glasses and safety glasses that do not have a prescription and other accessories associated with glasses would remain taxable.

**Jennifer Holman** and **James Dean**, both optometrists, spoke **in support** of this legislation citing the need to treat eyeglasses and contacts like all other durable medical devices since they are necessary medical equipment. They also cited the complexity of determining what is taxable between patient portion, co-pays, deductibles and insurance company discounts which are not available until months after the sale. **Pam Eaton**, President & CEO of Idaho Retailers Association, also spoke **in support** of this bill.

**McLean Russell**, Idaho State Tax Commission, responding to questions, clarified under current law the tax owing would be on the total amount of the lens and glasses, no matter who pays. This bill would exempt the sales tax on both the lenses and frames that are delivered under a prescription. He gave the analogy of buying ibuprofen over-the-counter or from a pharmacy with a doctor's prescription. The first is taxed, the second is not. It would be the same for glasses and contacts. If prescribed by your doctor, you would not pay sales tax. If you buy glasses or contacts without a prescription, you would pay the tax.

**MOTION:** **Rep. Thompson** made a motion to send **H 75** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Thompson** will sponsor the bill on the floor.

**ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 9:42 A.M.

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Representative Collins  
Chair

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Bev Bean  
Secretary