

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, February 12, 2015

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Johnson, Senators McKenzie, Rice, Vick, Bayer, Guthrie, Werk and Burgoyne

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Siddoway** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:05 p.m.

Chairman Siddoway invited Vice Chairman Johnson to the podium to present **S 1045**.

S 1045 **Vice Chairman Johnson** conducted a teleconference with David Doeringsfeld, Manager of the Port of Lewiston. **Mr. Doeringsfeld** presented **S 1045** relating to the Port of Lewiston's (Port) request to change its reporting period to the State Auditor's office. Idaho Code § 70-1715 currently requires that the annual financial statement of the Port District shall be published in a newspaper printed within the district and within 45 days of the end of the Port District fiscal year. Given today's reporting standards and requirements, an audited financial statement cannot be prepared or published within 45 days of the end of the Port's fiscal year (June 30th).

The Port is seeking to amend Idaho Code § 70-1715 to reflect the same reporting requirement as Idaho Code § 67-450B, Independent Financial Audit of Local Government Entities Filing Requirements. This is the filing requirement for Idaho cities, counties and districts.

Mr. Doeringsfeld reported that they are still operating under what was originally proposed in 1963 and has never been updated. The Port has reviewed the proposed amendment with the Executive Administrator of Idaho Public Utilities Commission, Nez Perce County Auditor, Nez Perce County Treasurer, and the Idaho Legislative Audits Division. None of these individuals or organizations expressed any concern with the proposed changes. **Mr. Doeringsfeld** asked the Committee for a do pass recommendation.

MOTION: **Senator Vick** moved to approve **S 1045** with a **do pass** recommendation. **Senator Guthrie** seconded the motion. The motion carried by **voice vote**.

RS 23621 **Senator Nuxoll** presented **RS 23621** and reported that the Secretary of State found a couple of errors in the bill previously presented. **Senator McKenzie** inquired if **RS 23621** was essentially what Senator Nuxoll had presented on February 10, 2015 except with a few corrections. **Senator Nuxoll** said that was correct.

MOTION: **Senator McKenzie** moved to print **RS 23621**. **Senator Rice** seconded the motion. The motion carried by **voice vote**.

H 42

Mike Chakarun, Idaho State Tax Commission (ITC) Tax Policy Manager, presented **H 42**, relating to motor fuel refunds. This bill clarifies the procedures taxpayers need to follow when filing for a motor fuel tax refund. Current law allows the taxpayer to file refund claims during the year or claim a refund on their annual income tax return. If the taxpayer files one or more refund claim during the year, they must attach a reconciliation to the annual income tax return.

The bill:

1. Drops the reconciliation requirement. No need to place this burden on taxpayers. The ITC has procedures in place to prevent duplicate payments.
2. Clarifies that this is a refundable credit against income tax due.
3. Allows a taxpayer to file refund claims during the year for a period no greater than one year or less than one month.

The bill clarifies for taxpayers that are not required to file an annual income tax return that they can file a refund claim for a period no greater than one year or less than one month. **H 42** makes technical corrections changing "shall" to "will" and adding "state" before tax commission in several places. The bill has no effect on state revenues.

Senator Burgoyne asked about the opposition to this bill in the House and wondered about the nature of the opposition. **Mr. Chakarun** replied that he was not aware of any and couldn't report.

MOTION:

Senator Johnson moved to approve **H 42** with a **do pass** recommendation.

Senator Werk seconded the motion. The motion carried by **voice vote**.

H 77

Mike Chakarun presented **H 77** which is the annual update to references to the Internal Revenue Code (IRC). It conforms the Idaho income tax statutes to the IRC in effect on January 1, 2015. The Idaho Income Tax Act uses the federal Internal Revenue Code as the starting point to determine Idaho taxable income. A taxpayer takes federal adjusted gross income from Form 1040, line 37, and enters it on line 7 of Idaho Form 40. The taxpayer modifies that number based on additions and subtractions specified by Idaho tax law to determining Idaho taxable income. Using the IRC as the base, it relieves the Legislature from the need to create and maintain a stand-alone tax code. Other benefits include simplifying tax preparation and facilitating tax administration. This is an important bill for taxpayers and tax professionals as it provides certainty as to which version of the IRC they need to follow when preparing Idaho returns. The bill has a negative fiscal note of \$10.6 million for FY 2015 and a negative fiscal note of \$7.1 million in FY 2016. A total of \$17.7 million. The Section 179 deduction carried the negative fiscal note. The tax extender bill passed by Congress last year set the Section 179 deduction at \$500,000. It was scheduled to drop \$25,000 per year.

Senator McKenzie asked why a negative impact is shown since conforming is done every year. **Mr. Chakarun** reported that the number used currently is not the same as before. **Senator McKenzie** expressed his understanding that there may be conflict with this provision and the Ninth Circuit Court. He asked if there were any issues that could arise with the current limitations by the Ninth Circuit Court on application under state law. **Mr. Chakarun** answered by saying no, it's not currently in force. **Chairman Siddoway** voiced his concern and questioned if the federal guidelines would be in conflict with what is being passed in Idaho Code. **Senator Guthrie** asked if his understanding was correct in saying that the money is more of a reconciliation based on an estimate with the final numbers coming in. **Mr. Chakarun** explained how conformity works and that the ITC is following old federal law based on 2014 code where this section is expired for Idaho purposes. The ITC is having to change statute to conform as well as the negative fiscal note. **Senator**

Burgoyne asked if the ITC has notified the general public of the change in position given this provision remains on the books. **Mr. Chakarun** replied yes they have.

MOTION: **Senator Rice** moved to approve **H 77** with a **do pass** recommendation. **Senator Werk** seconded the motion. The motion carried by **voice vote**.

RS 23567 **Senator Heider**, the Senate Representative to the Congressional Sportsman Caucus, presented **RS 23567**, which says no city, county or other political subdivision shall enact any ordinance, rule or tax relating to the transportation, possession, carrying, sale, transfer, purchase, gift, devise, licensing, registration or use of a knife or knife making components in the State. The Congressional Sportsman are basically saying that people in the State of Idaho have the right to use a knife without restriction.

Senator Burgoyne asked if the list was regulated by the State or local entities and if Idaho had a problem with how knives are used throughout the State. **Senator Heider** replied there was not an issue in Idaho. **Senator Burgoyne** asked whether a school district would be a political subdivision within the scope of this legislation. **Senator Heider** said he didn't know whether or not a school district would be. **Senator McKenzie**, reiterated that Idaho has state laws that prohibit carrying concealed weapons.

MOTION: **Senator McKenzie** moved to print **RS 23567**. **Senator Rice** seconded the motion. The motion carried by **voice vote**.

ADJOURNED: There being no further business, **Chairman Siddoway** adjourned the meeting at 3:35 p.m.

Senator Siddoway
Chair

Amanda McLennan
Secretary