

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 16, 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: Representative(s) Anderson, Kauffman
GUESTS: Wayne Hammon, Idaho Associate General Contractors; Andrew Mitzel, Realtors; Derek Santos, Division of Financial Management; Benjamin Davenport, Associated Taxpayers of Idaho; Jonathan Parker, Idaho Association of Highway Districts; Dan Blocksom, Idaho Association of Counties; McLean Russell & Mike Chakarun, Idaho State Tax Commission; Jane Wittmeyer, Associated Builders and Contractors Inc.
Chairman Collins called the meeting to order at 9:00 A.M.

H 95: **Senator Jim Rice** presented **H 95** which would exempt road materials used to construct, improve and maintain public roads from the sales/use tax. Currently, all the materials used to construct and build our roads are subject to the State's sales tax. This increases the cost of our highway projects and transfers dollars for roads into the General Fund. It is estimated that approximately \$15-20 million a year is paid in sales tax for these projects which is then not available to build and maintain our roads. This legislation would exempt all materials used in conjunction with right-of-way construction and maintenance but would not include materials that become a part of a water or sewer system or are not intended to become a part of the public road.

Rep. Raybould asked what guarantee do we have that bids will go down once the sales tax is removed. **Senator Rice** explained that even though sales tax is not a separate line item but included in the cost of materials, the bidding process for these road projects is so competitive and the difference between bids so narrow, there is no incentive for the contractor to retain the sales tax margin in the bid.

Mr. Wayne Hammond, CEO of Idaho Associated General Contractors, spoke **in support** of this bill. He felt the Idaho State Tax Commission may need to promulgate rules to clarify exactly what materials are tax exempt when bidding for these road projects. He confirmed that the competitive nature of the bidding process would preclude bidders from not passing on the tax exemption savings in their bids and this legislation should produce the estimated increase in road funding.

MOTION: **Rep. Chaney** made a motion to send **H 95** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Chaney** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:17 A.M.

Representative Collins
Chair

Bev Bean
Secretary