

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 24, 2015

TIME: 8:30 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) Thompson

GUESTS: Sharon Kiefer and Anna Owsiak, Idaho Fish & Game; Mike Chakarun, Idaho State Tax Commission; Jeremy Chou, Givens Pursley; Megan Hill and Jeff Sayer, Idaho Department of Commerce; Zeke Chemodurow, Intralot USA Inc.; Jeremy Pisca, Jobs for Idaho; Benjamin Davenport, Associated Taxpayers of Idaho

Chairman Collins called the meeting to order at 8:30 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the February 19, 2015 meeting. **Motion carried by voice vote.**

Chairman Collins introduced **Page Olivia DeMordaunt** who has been assigned to the Committee for the remainder of the legislative session.

RS 23686: **Rep. Monks** presented **RS 23686** regarding sales tax on lottery tickets. This proposed legislation would remove the sales tax exemption from the sale of lottery tickets. If enacted, the tax on the sale of lottery tickets would generate approximately \$20 million in revenue each year. This revenue would be distributed to the state highway distribution account to fund road and highway construction and maintenance projects.

In an effort to find ways to fund much needed road projects and maintenance, he felt this approach would generate funds without reducing revenue from other sources or budgets. However, **Rep. Monks** conceded that after this proposed legislation had been drafted, he discovered several problems with it as written. He indicated he would like to make the necessary changes to **RS 23686** and bring it back to the committee for consideration after those changes have been made.

MOTION: **Rep. Hartgen** made a motion to return **RS 23686** to the sponsor. **Motion carried by voice vote.**

H 172: **Jeff Sayer**, Director, Idaho Department of Commerce, presented **H 172** dealing with the Reimbursement Incentive Program designed to encourage economic development. This program is a performance-based economic development tool that provides a tax credit up to 30% for up to 15 years on new corporate income tax, sales tax and payroll taxes paid as a result of a company's expansion project in the State. Available to both existing and new companies, the tax credit percentage and length of time the credit can be applied would be negotiated based upon the quality of jobs created, regional economic impact and return on investment for Idaho.

As a result of the past year's experience in administering the program, **Mr. Sayer** outlined the recommended changes which would provide clarity to the statute. The definition of new jobs created to qualify for the program has been revised by adding the words "collectively" to insure that the average wages of the entire project met or exceeded the average county wages. Additionally, those wages were specified to be of the county with jurisdiction over the local government providing the applicant's community match. He also enumerated other minor technical changes contained in the legislation.

MOTION: **Rep. Trujillo** made a motion to send **H 172** to the floor with a **DO PASS** recommendation.

Rep. Hartgen inquired if any thought had been given to reducing or eliminating the requirement for "minimum new jobs" for rural projects in order to encourage more applicants. **Mr. Sayer** noted they are particularly looking at the lower job minimums as it relates to rural projects. If a project would add 20 jobs in 2 to 3 years, they would enter into a contract with them but the project would not qualify for the credit until the jobs were actually added. This program was intended to reward substantial investment and a minimum is needed so it doesn't lose the impact of being an incentive for development.

In response to a question about negative impacts to the community and the competitive environment, **Mr. Sayer** remarked that contacts with like businesses in the project areas revealed that competitors considered these projects good for the entire community. Competitors did not view these projects as a threat, but were in fact considering an application of their own on future development.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to send **H 172** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Trujillo** will sponsor the bill on the floor.

RS 23378: **John Watts**, representing the Flying B Ranch, presented **RS 23378** regarding the production exemption on sales tax. This RS deals specifically with hunting and fishing activities when packaged and sold at retail as an all inclusive product. He explained the purpose of this proposal is to clarify within the existing production exemption statute, a sales tax is to be assessed only on a final product and not on the components that make up that end product. He stated that the Idaho State Tax Commission needs guidance on how to apply the existing statute to hunting and fishing operations and ensure the end user isn't being double taxed.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 23378. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:08 A.M.

Representative Collins
Chair

Bev Bean
Secretary