

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 02, 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 Moyle, Representative(s) Scott

GUESTS: Jason Kreizenbeck and Skip Smyser, Lobby Idaho; Alan Dornfest, Michael Chakarun and McLean Russell, Idaho State Tax Commission; Andrew Mitzel, Realtors; Benjamin Davenport, Associated Taxpayers; Dan Blocksom, Idaho Association of Counties

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 24, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Dayley** made a motion to approve the minutes of the February 26, 2015 meeting. **Motion carried by voice vote.**

RS 23644: **Sen. Burgoyne** presented **RS 23644** regarding property tax relief for disabled persons. Under current law, those who had employment covered by Social Security, Federal Railroad and Federal Civil Service disability programs, and who are recognized as disabled by those programs, are entitled to a circuit breaker reduction of their property taxes. He stated there was an apparent oversight in the law in that some workers, primarily in public safety, are not covered by any of these disability programs. There are some public safety employees who have elected not to participate in Social Security and are therefore not eligible for the circuit breaker tax relief if they become disabled. Sen. Burgoyne believes this tax relief was meant to be all inclusive and not just for disabled individuals who are covered by Social Security, Railroad Retirement or Federal Civil Service programs. This proposed legislation would correct that omission by including those recognized as disabled by public employee disability programs as eligible for this circuit breaker tax reduction.

The fiscal impact is estimated to be \$60,000 which represents 100 property owners becoming eligible at an average of \$600 each. The class of people who will actually be affected is quite small. That is because not everyone who is disabled is eligible. If the disabled person is above the income guidelines or has a spouse who works, they will not be eligible. Or if they are age 65 or older, they already receive the circuit breaker tax reduction.

Rep. Raybould pointed out an error on the fiscal note contained in the Statement of Purpose. The fiscal note mentions 100 property owners at an estimated \$6,000 each for a total of \$60,000. That fiscal note should read 100 property owners at \$600 each for a total of \$60,000.

MOTION: **Rep. Raybould** made a motion to introduce **RS 23644** with an amended Statement of Purpose. **Motion carried by voice vote.**

RS 23710: **Jason Kreizenbeck**, representing Satellite Broadcasting and Communications Association, DISH Network LLC and DIRECTV LLC, presented **RS 23710** regarding taxation of computer software and cloud services. The purpose of this proposal is to amend Idaho Code to revise the definition of "Tangible Personal Property" to clarify that the purchaser of digital music, digital books, digital games or digital videos must be granted a "permanent right to use" in order to be subject to the Idaho Sales and Use Tax, regardless of the method of delivery. It clarifies that if the right to use these digital books, music, games or videos is conditioned upon continued payment from the purchaser, then it is a subscription to a service and is not a "permanent right to use" and is therefore not subject to the Idaho Sales and Use Tax. If an end user is granted a "permanent right to use" digital content, regardless of the method of delivery, then it is subject to the Sales and Use Tax and fits under the description of tangible personal property.

This proposed legislation also removes the definition of "digital videos" in an effort to clarify that broadcast television services, regardless of method of delivery, is also not subject to the Idaho Sales and Use Tax.

The fiscal impact is estimated to be \$375,000 to the General Fund in FY 2015 and could have an annual estimated impact of as high as \$1.5 million. This fiscal impact number of \$1.5 million annually is based mainly on the levying of a tax that some would argue the Tax Commission was not granted legislative authority to levy. Additionally, this proposed legislation does not order a refund of the estimated \$1.125 million that may have been collected under this section so far.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 23710**.

McLean Russell, Idaho State Tax Commission, was called upon to answer a question from the committee as to if this proposed legislation would also apply to on-line delivered information services such as tax updates and newspaper subscriptions, or is it limited to entertainment delivered services. Mr. Russell confirmed that it deals only with entertainment software since digital newspapers and other documents are already excluded and therefore not subject to sales and use tax.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to introduce **RS 23710**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:20 A.M.

Representative Collins
Chair

Bev Bean
Secretary