

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 05, 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:** None

GUESTS: Andrew Mitzel, Realtors; Megan Ronk and Jeff Sayer, Idaho Department of Commerce; Jason Kreizenbeck, Lobby Idaho, LLC; Benjamin Davenport, Associated Taxpayers of Idaho; McLean Russell and Mike Chakarun, Idaho State Tax Commission; Dan Blocksom, Idaho Association of Counties; Jonathan Parker, Internet Truck Stop

Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the March 2, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Raybould** made a motion to approve the minutes of the March 3, 2015 meeting. **Motion carried by voice vote.**

H 208: **Sen. Burgoyne** presented **H 208** related to circuit breaker property tax relief for disabled persons. This legislation is designed to include those disabled individuals who, because they were not covered by Social Security during their career, are not eligible for property tax relief under the circuit breaker program. 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. This includes most everyone who is disabled, but not all. Some workers, primarily in public safety, are not covered by these programs. If they become disabled, they cannot get recognition of their disability by these programs and, therefore, are not eligible for circuit breaker property tax relief. This legislation corrects that omission by including those recognized as disabled by public employee disability programs as also eligible for this important tax relief.

Sen. Burgoyne responded to several questions related to the circuit breaker program including what income is included for determining eligibility and what levels of disability are required to qualify. He noted the fiscal impact is quite low at an estimated \$60,000 decrease in General Fund revenues due to the fact that this legislation will add approximately 100 property owners at \$600 each to the program. That is because only a subset of those newly qualifying under this legislation will be eligible due to income restrictions or if they are 65 or older and already participate.

MOTION: **Rep. Trujillo** made a motion to send **H 208** to the floor with a **DO PASS** recommendation.

Rep Trujillo spoke in support of this legislation. She stated this bill corrects an oversight in the law and she has seen first hand how beneficial it is to those truly in need.

VOTE ON MOTION:

Chairman Collins called for a vote on the motion to send **H 208** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Rudolph** will sponsor the bill on the floor.

H 209:

Mr. Jason Kreizenbeck, representing Satellite Broadcasting and Communications Association, DISH Network LLC and DIRECTV LLC, presented **H 209** 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. This change is necessary to clarify that on-line based subscription services do not allow the end user to keep, copy or permanently use content and is therefore not subject to the Idaho Sales and Use Tax. 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.

Mr. Kreizenbeck referred to a letter from the State Tax Commission which explains how the Commission interprets **H 209** and how they would apply it if approved by the legislature. He asked that this letter be attached and made a part of the minutes of this meeting. (See Attachment 1.) Referring to the fiscal impact, he also pointed out that the estimates were based on the levying of a tax that some would argue the Tax Commission was not granted legislative authority to do so. Additionally, he commented this legislation does not order a refund of an estimated \$1.125 million that may have been collected under this section so far.

MOTION:

Rep. Thompson made a motion to send **H 209** to the floor with a **DO PASS** recommendation.

Rep. Erpelding and **Rep. Rudolph** expressed concerns related to giving some companies a competitive advantage over others. **Mr. Kreizenbeck** explained this legislation is a clarification of provisions already in the statute.

VOTE ON MOTION:

Chairman Collins called for a vote on the motion to send **H 209** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Erpelding** and **Rep. Rudolph** requested to be recorded as voting **NAY. Rep. Moyle** will sponsor the bill on the floor.

RS 23269C2:

Jeff Sayer, Director, Idaho Department of Commerce, presented **RS 23269C2** related to property tax exemption for business expansion. Allowing property tax exemption for qualified projects is one of the few economic development tools available to county governments to support and encourage business expansion opportunities. County Commissioners have suggested that the limited scope of this property tax exemption has been restrictive in supporting businesses that would have provided a boost to the local economy. Namely, it requires \$3 million in capital investment and can only be used to support manufacturing projects. This proposed legislation would enhance the project eligibility beyond manufacturing and create a lower threshold for investment – \$2 million for urban counties and \$500,000 for rural counties. County Commissioners would retain sole discretion on whether to extend this exemption to an eligible project. The County would also be required to notify local taxing and urban renewal districts when considering a property tax exemption.

In response to a question, **Mr. Sayer** indicated this exemption would only apply to non-retail commercial or industrial facilities. **Rep. Moyle** commented he would prefer the investment threshold to be the same for both small and large counties. Perhaps \$1 million threshold for all counties since more projects are the goal of this incentive. **Rep. Moyle** also has concerns about requiring notice to taxing and urban renewal districts as this is unforeseen bonus money that is not anticipated by any of the taxing districts and does not affect them if the project goes forward.

MOTION: Rep. Erpelding made a motion to introduce **RS 23269C2. Motion carried by voice vote.**

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