

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 10, 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: John Watts, Veritas Advisors/Flying B Ranch; Joseph Peterson, Flying B Ranch; Rick Smith, Hawley Troxell; Ben Davenport, Associated Taxpayers of Idaho; Mike Chakarun and McLean Russell, Idaho State Tax Commission; Jonathan Parker, Holland and Hart; Skip Smyser, Lobby Idaho

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

MOTION: **Rep. Dayley** made a motion to approve the minutes of the March 5, 2015 meeting. **Motion carried by voice vote.**

RS 23753C1: **Rep. Luker** presented **RS 23753C1** dealing with sales tax exemptions on certain vehicle sales. This proposed legislation would limit the sales tax exemption to non-residents who are from states not having a sales and use tax. Currently, a non-resident who purchases a vehicle in Idaho for use in another state, does not pay any sales tax. When they title the vehicle in the state they live in, they will pay that state's sales tax but be given a credit for any sales tax they paid in the state of purchase. This proposed legislation would keep the sales tax paid in Idaho rather than a neighboring state without double taxing the purchaser.

Those vehicles affected are motor vehicles, vessels, ATVs, off road motorcycles, snowmobiles and trailers. This proposal would retain the exemption for those same products if manufactured in the state of Idaho and sold directly by the manufacturer to a non-resident purchaser for use out of state. Additionally, this proposal provides for \$10 million of additional revenue generated by this proposal to be allocated to the State Highway Account for construction and maintenance of state highways.

Rep. Kauffman commented he would like to see the funds generated by this legislation to be allocated to the Local Highway Distribution Account (fund 701) so that local entities would receive a portion of these monies rather than putting it all into the State Highway Fund (fund 702).

Rep. Hartgen expressed concern with Section 15 dealing with the allocation of \$10 million to the State Highway Fund indicating this should not be included in this legislation but dealt with separately.

MOTION: **Rep. Hartgen** made a motion to return **RS 23753C1** to the sponsor.

**SUBSTITUTE
MOTION:** **Rep. Moyle** made a motion to introduce **RS 23753C1**.

**VOTE ON
SUBSTITUTE
MOTION:** **Chairman Collins** called for a vote on the substitute motion to introduce **RS 23753C1**. **Motion carried by voice vote.** **Rep. Rudolph** and **Rep. Hartgen** requested they be recorded as voting **NAY**.

H 221: **John Watts**, Veritas Advisors, representing the Flying B Ranch, presented **H 221** regarding sales tax on wildlife hunting and fishing activities. The purpose of this bill is to avoid taxing the end user twice by clarifying within the existing production exemption statutes that a sales tax is to be assessed only on a final product. Clarification includes certain costs associated with an overall wildlife hunting and fishing activity when packaged and sold at retail as an all inclusive product. This language would further explain that intermediate purchases of inputs (birds, feed, ammunition and other bird raising costs) used in a final retail output product (birds, shooting the birds) are exempt from being taxed twice with a sales tax and should be taxed only once at the retail sale.

Testifying **in support** of this bill, **Joseph Peterson** stated he has worked for the Flying B Ranch for 20 years and as manager for the past 12 years. The Tax Commission is finalizing a 4-year audit and has determined the ranch should be paying sales tax on the game birds and ammunition they purchase at wholesale. It also determined the ranch should charge a second sales tax to the end-user hunter/customer for the same game bird and shells sold at retail as part of an all-inclusive price. He noted that the Flying B is a destination experience where customers pay a price that is all inclusive - airport pickup, food, drink, housing, ammunition, targets, hunting & fishing licenses, and packaging and shipping of their game. That differs from other outfitters who charge an access fee to the property and so much per bird release. The assessment from this audit could be as high as \$68,000 for this 4-year period and \$15,000 - \$20,000 a year thereafter in additional taxes.

Rick Smith, Hawley Troxell, testified **in support** stating that the entire price of the hunting and fishing activity is fully taxed, so the intermediate components that go into that product should not be taxed. This legislation would clarify that concept as it relates to wildlife hunting and fishing activities. In response to a question, Mr. Smith stated the Flying B Ranch was audited in 1997 and was not assessed sales tax on the wholesale components that make up the wildlife hunting and fishing package. When asked, **Mike Chakarun**, Idaho State Tax Commission, did not know why the two audits differed in this regard.

MOTION: **Rep. Trujillo** made a motion to send **H 221** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** and **Rep. Erpelding** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:12 A.M.

Representative Collins
Chair

Bev Bean
Secretary