

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 12, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representative(s) Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Moyle, Thompson

GUESTS: Darcy James, Idaho Interfaith Roundtable Against Hunger; Kirstin Mann, student; Rebecca Maguire, student; Mike Chakarun and McLean Russell, Idaho State Tax Commission; Bill von Tagen, Attorney General for Tax; Carl G. VanSlyke, self; Jonathan Parker, Holland & Hart; Toni Lawson, Idaho Hospital Association; Christine Tiddens, Catholic Charities

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

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the March 6, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Dayley** made a motion to approve the minutes of the March 10, 2015 meeting. **Motion carried by voice vote.**

RS 23701C1: **Rep. Nielsen** presented **RS 23701C1** dealing with health care deductions. This proposal would amend Idaho Code to allow individuals to deduct the amount paid for specific, non-reimbursed health care expenses as an adjustment to taxable income. In the computation of Idaho taxable income, an individual would be able to itemize and thereby exclude from their net income amounts paid for prescription drugs or products, doctor visits, hospital stays, co-pays, deductibles, chiropractic services and other physician prescribed services. These health care deductions would be phased in over a three year period. One third of these expenses would be deductible for the 2016 tax year, 2/3 in 2017 and 100% by 2018.

MOTION: **Rep. Nate** made a motion to introduce **RS 23701C1**.

Chairman Collins noted that he agreed to have this RS considered for introduction but the bill would not have a hearing this session if it is printed.

In response to a question, **Rep. Nielsen** confirmed that over-the-counter drugs and therapeutic treatments not prescribed by a physician are not included as deductible expenses. Expenses that are already deductible or are reimbursed by a health plan also are not eligible for this deduction.

**VOTE ON
MOTION:** **Chairman Collins** called for a vote on the motion to introduce **RS 23701C1**. **Motion carried by voice vote.**

H 236: **William von Tagen**, Deputy Attorney General, presented **H 236** regarding fraudulent claiming of the Idaho food tax credit. This legislation creates two new Code sections that would authorize the Tax Commission to exchange

information with both the Idaho Department of Correction and the Department of Health and Welfare in order to verify whether any incarcerated individuals or food stamp recipients erroneously claimed the food tax credit on their tax returns. He explained that most citizens qualify for the food tax credit with a couple of exceptions. Individuals who receive food stamps and those in prison who receive their meals for free are not eligible. This legislation deals with these two exceptions and provides for a means to discover those fraudulently claiming this food tax credit.

Darcy James, Vice Chair of The Idaho Interfaith Roundtable Against Hunger Conveners, spoke **in opposition** to this legislation and asked that it be held in committee for further study and input on alternative solutions. She expressed concern with the fiscal note and is of the opinion that the actual costs to administer this process will exceed the amount of fraudulent tax credits recovered.

MOTION: **Rep. Anderst** made a motion to send **H 236** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Erpelding, Rep. Nate** and **Rep. Scott** requested they be recorded as voting **NAY. Rep. Moyle** will sponsor the bill on the floor.

H 237: **Pam Eaton**, President & CEO, Idaho Retailers Association, presented **H 237** regarding taxation of food and beverages for employees. This proposal would mandate that use taxes shall not apply to food or beverages that are supplied by an employer free of charge to their employees when that retailer sells prepared food or beverages in its normal course of business. Today, the practice of providing free meals to employees by a restaurant or a deli is pretty rare. Most of these establishments provide discounted meals to their employees on which sales tax is paid. This proposal only applies to those few establishments who provide meals free of charge.

She explained that unless it is exempted, use tax is owed on tangible property. Recently, several of these establishments have been audited and the State Tax Commission is requiring they pay use tax on the free meals they provide their employees. That is what has prompted this legislation. This bill will clarify that no use tax is owed on these free meals. Oftentimes those meals are comprised of food that would have been thrown out at the end of the day, incorrect orders or expired food dates and is therefore difficult to track and calculate. Last year, the legislature clarified that use tax was not owed on food or beverages that are given to a non-profit organizations. This legislation would extend that exemption to food and beverages provided free of charge to employees by retailers who sell prepared food or beverages in the normal course of business.

Rep. Nye invoked Rule 38 stating a possible conflict of interest but that he would be voting on the legislation.

MOTION: **Rep. Chaney** made a motion to send **H 237** 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 9:06 A.M.

Representative Collins
Chair

Bev Bean
Secretary