

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 13, 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: Skip Smyser, Idaho Trucking Association; Kevin Hanigan, Idaho Automobile Dealers Association; Ben Davenport, Associated Taxpayers of Idaho; Kate Haas, Kestrel West; Suzanne Budge, SBS Associates; Elizabeth Criner, J. R. Simplot Co.; Mike Chakarun, Idaho State Tax Commission; Dan Blocksom, Idaho Association of Counties

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

H 252: **Rep. Luker** presented **H 252** dealing with sales tax exemptions on certain vehicle sales. 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 legislation would limit the sales tax exemption to non-residents who are from states not having a sales and use tax. Purchasers from states with a sales tax, will pay Idaho's sales tax and when they title their vehicle in their home state, they will receive credit for the tax paid in Idaho. This would keep the sales tax paid in Idaho rather than a neighboring state without double taxing the purchaser. This bill would retain the exemption for vehicles manufactured in the state of Idaho and sold directly by the manufacturer to a non-resident purchaser for use out of state. This additional sales tax money that is now being collected by other states would allow a \$10 million dedicated allocation each year to the State Highway Fund.

Rep. Kauffman questioned why the money raised through this sales tax is allocated to the State Highway Fund rather than the Highway Distribution Fund which would distribute a portion to local entities. **Rep. Luker** responded that major focus was on main transportation corridors, state highways and bridges.

Responding to a question, **Rep. Luker** agreed that a competitive disadvantage is created for those Idaho dealerships who border states with a lower sales tax as they would be paying higher taxes in Idaho on the purchase but only get credit for the lower amount of their home state. The only bordering states with a lower sales tax is Wyoming and he suggested a carve out for Wyoming residents could improve this bill. He cited Arizona policy of charging sales tax on non-resident purchases only up to the amount of their home state sales tax rate.

Kevin Hanigan, Idaho Auto Dealers Association, indicated that although there are some issues with this legislation, his organization will not be opposed to the bill. He would like to see a carve out for purchasers who come from Wyoming with a lower sales tax. He also stated that education of both the dealers and customers would be key to successful implementation of this sales tax program.

Rep. Erpelding asked if he had talked to auto dealers in the part of the state next to Wyoming and if they were supportive of this legislation. Mr. Hanigan indicated he had not, but would surmise they would not be in support of this since it puts them at a competitive disadvantage.

MOTION: **Rep. Hartgen** made a motion to **HOLD H 252** in committee.

Rep. Hartgen stated he was concerned this bill would hurt auto dealers in areas where neighboring states have a lower sales tax. He felt maybe this bill should be rewritten to provide a carve out provision for Wyoming and any other state with a lower sales tax which would eliminate the competitive disadvantage for auto dealers in proximity to those states.

SUBSTITUTE MOTION: **Rep. Trujillo** made a substitute motion to send **H 252** to General Orders.

Rep. Trujillo commented that this is a good piece of legislation but a few revisions could make it better and would address the concerns expressed today. **Rep. Chaney** spoke in support of the **original motion** to hold in committee stating the perception will be that Idaho is imposing a sales tax on non-resident vehicle purchasers despite the offset credits available in their home state.

Reps. Nate, Kauffman and Moyle spoke in support of the **substitute motion** to send to **General Orders** They were of the opinion this is a good way to collect money without raising taxes although areas of concern relating to states with lower sales tax and how the money is distributed to highway needs can be addressed with a couple of revisions to this bill.

ROLL CALL VOTE: **Chairman Collins** requested a **roll call vote** on the substitute motion to send **H 252** to General Orders. **Motion carried** by a vote of **9 AYE, 6 NAY** and **1 ABSENT/EXCUSED**. **Voting in favor** of the motion: **Rep. Trujillo, Rep. Moyle, Rep. Raybould, Rep. Anderst, Rep. Dayley, Rep. Kauffman, Rep. Nate, Rep. Erpelding** and **Chairman Collins**. **Voting in opposition** to the motion: **Rep. Anderson, Rep. Hartgen, Rep. Chaney, Rep. Scott, Rep. Nye** and **Rep. Rudolph**. **Rep. Thompson** was absent/excused. **Rep. Trujillo** will sponsor the bill on the floor.

RS 23822: **Senator Lee** presented **RS 23822** regarding oil and gas tax collection. She explained that current Idaho code for taxing natural gas and oil production does not align with industry practices. This proposed legislation would clarify the code to allow for uniform tax assessment for oil and gas produced in Idaho. The 2.5% tax collected would be based on gross income received by the producer. If the parties to the sale are related parties and the sales price is lower than the price for which that oil or gas could otherwise have been sold, there is an important provision. In those instances, this proposal requires the gross income to be determined by reference to comparable arms-length sales of like kind, quality and quantity in the same field or area. This will ensure Idaho captures the equitable tax if the producer is selling his commodity to a subsidiary at a lower price in order to pay less taxes.

In response to a question, **Senator Lee** noted the recent passage of **H 125** which included "condensate" in the definition of the term "gas". Condensate refers to condensed natural gas which is natural gas in its liquid form and is taxable as outlined in this section of the code.

MOTION: Rep. Anderson made a motion to introduce **RS 23822. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:35 A.M.

Representative Collins
Chair

Bev Bean
Secretary