

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, March 17, 2015

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Johnson, Senators McKenzie, Rice, Vick, Bayer, Guthrie, Stennett and Burgoyne

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Siddoway** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:00 p.m.

UNANIMOUS CONSENT REQUEST: **Chairman Siddoway** asked for unanimous consent to hold **Docket No. 35-0102-1401** in Committee for further evaluation. There were no objections.

H 208

Senator Burgoyne presented **H 208** and said this bill corrects an oversight in Idaho's current property tax circuit breaker law. Under current Idaho Code § 63-701 (1)(d), those who had employment covered by Social Security, federal railroad retirement and federal civil service disability programs, and who are recognized as disabled by those programs, are entitled to a circuit breaker reduction in their property taxes. Some workers, primarily in public safety, including police officers, Sheriff's deputies, firefighters, EMTs and paramedics, are not covered by these programs. If they become disabled, they cannot get recognition of their disability by any of these programs including Social Security and are not eligible for circuit breaker.

This legislation corrects this oversight. Public employee retirement systems and disability plans may be of any state or local unit government in the U.S.

Senator Burgoyne said that it was his understanding that when Social Security started in the 1930s most state and local public employees were not covered. Over the years, more of these workers came within the coverage of the Social Security system. Many people assume all public employees are Social Security covered. He said in his research he has found that employees of the public hospital in Weiser as well as some local public safety employees had been left out of the Social Security system. The issue this bill presents is whether it is fair to leave those public safety and other public employees who are not covered by Social Security outside of circuit breaker protection when they become disabled.

Senator Burgoyne reported that circuit breaker does not impact local budgets because it is paid for from the State General Fund. He said there are reasons why this bill would not add many to the circuit breaker roles. They are:

- A person can only get circuit breaker once. People who are blind or over the age of 65 already qualify.
- Those with a disability are not eligible for circuit breaker if they have income of over \$28,000 or \$30,000 per year exclusive of their medical expenses. Most who have a working spouse and those who have good insurance based disability plans will not qualify.

Senator Burgoyne relayed that after extensive work, the Idaho State Tax Commission concluded that an estimate of 100 new circuit breaker participants, at an estimated cost of \$600 per year each, for an estimated total fiscal impact to the General Fund of \$60,000 per year, was a reasonable estimate of this bill's cost. Determining a precise cost proved impossible. He said the cost of overcoming an oversight and making circuit breaker more fair appears to be low.

Senator Rice asked if other jurisdictions might use a different disability standard other than Social Security. **Senator Burgoyne** said it was possible given the many jurisdictions across the country within the States.

MOTION: **Senator Bayer** moved to send **H 208** to the floor with a **do pass** recommendation. **Senator Vick** seconded the motion. The motion carried by **voice vote**.

H 202 **Joe Stear**, Idaho State Fire Commissioners Association, presented **H 202** and said this legislation gives fire districts the ability to dispose of surplus property without using a certified appraiser. There are no certified appraisers for fire equipment in the State of Idaho, and it is very costly to receive appraisals from out of state appraisers. This legislation ensures that fire districts can receive fair value for surplus equipment. **Mr. Stear** reported that there would be no impact to the General Fund.

Senator McKenzie asked what the standard was in appraising the value of fire equipment. **Mr. Stear** said that knowledge of the value of the equipment as well as knowledge of the condition of equipment was the standard.

Senator Burgoyne asked about how the language in the bill read. **Mr. Stear** said he didn't have a good answer, but deferred to Senator Vick for clarification. **Senator Vick** reiterated that the new paragraph 2 talks about personal property, and the new paragraph 3 talks about real property.

Senator Rice commented on the repetitive use of the word "such" but that the bigger concern was the "knowledge" of personal property could be too broad in its meaning. "Knowledge of value" versus "knowledge" should be clarified. **Mr. Stear** commented that it would be hard to define who that person would be.

Chairman Siddoway asked if knowledge is required to assess the value of the property, and does that imply you have to have knowledge of value. **Senator Rice** replied that it vaguely did, and the bill would read better if it said, "who have knowledge regarding the value of the personal property."

Senator McKenzie asked about the individuals who were going to be chosen to provide value to the fire equipment and what was meant by "independent individuals". Are they independent from the board? **Mr. Stear** said those individuals would be independent from the fire district all together.

MOTION: **Senator Stennett** moved to send **H 202** to the 14th Order for amendment. **Senator McKenzie** seconded the motion. The motion carried by **voice vote**.

H 220 **Blake Youde**, Idaho State Board of Education, presented **H 220** relating to the state income tax credit for charitable contributions to certain education institutions, museum libraries and nonprofit organizations. **Mr. Youde** reported that in 2010, H 630 was passed (effective January 1, 2011), making three changes to the already existing tax credit.

- The limit of the tax credit was temporarily increased. The credit is equal to 50 percent of the aggregate contribution to an eligible entity made by a taxpayer in a year. For individuals, the limit of the credit is \$500 (\$1,000 filing jointly) or 50 percent of the taxpayer's total income tax liability, whichever is less. For corporations, the limit is \$5,000 or 10 percent of the total income or franchise tax liability, whichever is less.

- The legislation temporarily included five state commissions or councils or their foundations as eligible entities to which a charitable contribution could be made with the donor being eligible for the tax credit in return. The Council for the Deaf and Hard of Hearing (added 2010), the Developmental Disabilities Council (added 2010), the Commission for the Blind and Visually Impaired (added 2010), the Commission on Hispanic Affairs (added 2010), and the State Independent Living Council (added 2010)
- Third, January 1, 2016, was established as the sunset for these changes.

The reduction in state income tax revenues due to these changes has been \$2.8 million since fiscal year 2012, the first year of impact on state income tax receipts, and it is thought this credit has provided an important benefit to educational entities without unduly eroding the tax base.

H 220 does four things:

- The sunset is deleted to preserve the credit at its current level. If no action is taken, as of January 1, 2016, the credit will continue, but the limits will decrease to \$100 or 20 percent of an individual taxpayer's total income tax liability, whichever is less, and \$1,000 or 10 percent of a corporate taxpayer's total income or franchise tax liability, whichever is less.
- By deleting the sunset, it maintains the five state commissions and councils added in 2010 as eligible entities.
- It clarifies the relationship between independent foundations and the elementary and secondary schools they support with contributions eligible for the tax credit and includes a January 1, 2020, sunset regarding these provisions to trigger a review.
- There is an additional technical correction to reflect that the State Board of Education does not accredit higher education institutions, rather the Board accepts higher education institution accreditation done by approved accrediting agencies.

Mr. Youde reported that the State Board of Education has endorsed the proposal to remove the sunset and maintain the credit at its current level.

Chairman Siddoway referenced language in the bill, "institutions's sole designated supporting organization" and asked if there could be competing organizations. **Mr. Youde** said the independent foundation could designate more than one school or more than one school district. That most likely could happen for a private school. A foundation must be supporting for different purposes.

TESTIMONY:

Testifying in favor of **H 220** were:

Ron Pisaneschi, General Manager for Idaho Public Television, said because of the voluntary contributions they receive, **H 220** is valuable. Their donors give generously because of the availability of the educational tax credit set forth in **H 220**.

Phil Homer, Idaho Association of School Administrators, said **H 220** is an important funding mechanism for those education foundations in the school districts.

Dax Chizum, Administrator Idaho Historical Society Developer, said income tax credits are a valuable tool to their agency that encourages donor support.

Bob Geddes, referenced a handout and said the quick reference outlined those entities who qualified to receive donations all of which are worthy of support. That support helps to generate revenue for important causes to continue their operations (see attachment 1).

MOTION: **Senator Johnson** moved to send **H 220** to the floor with a **do pass** recommendation. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

PASSED THE GAVEL: Chairman Siddoway passed the gavel to Vice Chairman Johnson.

S 1147 **Chairman Siddoway** presented **S 1147** and said current code provides for the purchase of fire equipment with the proceeds from a bond issue. The added verbiage to this section of code allows for local agencies to procure police equipment through a bond election and issuance as well. He reported that the change in code will have no fiscal impact to the state and will only impact local agencies of government if electors approve a local bond election.

MOTION: **Senator Rice** moved to send **S 1147** to the floor with a **do pass** recommendation. **Senator Stennett** seconded the motion.

Senator Vick asked if they wanted to use the money to buy police cars. **Senator Siddoway** replied yes and that it may also include buildings and equipment as well. The motion carried by **voice vote**.

PASSED THE GAVEL: Vice Chairman Johnson returned the gavel to Chairman Siddoway.

H 109 **Bob Aldridge**, Chartered Attorney at Law, presented the **H 109** amendments. He reported that the amended language is on page 2 and gave a quick history of how the language was drafted.

This bill is about income tax and is specifically limited to capital gain treatment of sales of real property under Idaho tax law. Idaho Code § 63-3022H deals with whether a sale qualifies for capital gain treatment in determining Idaho taxable income. If the income is capital gain income, then 60 percent of the gain is deducted to determine Idaho taxable income. The main property that qualifies for capital gain treatment is real property held at least 12 months. The reason for the deductibility of capital gains is to encourage long-term investments in real property, therefore the 12 month holding period.

Mike Chakarun, Idaho State Tax Commission (ISTC), addressed the fiscal note and estimated it would cost approximately \$50,000 for the ISTC covering 16 cases currently in protest. He also answered a question regarding January 1, 2010, which was the effective date. He said this will clear out the cases under protest.

MOTION: **Senator Stennett** moved to send **H 109** to the 14th Order for amendment. **Senator Rice** seconded the motion. The motion carried by **voice vote**.

MINUTES APPROVAL: **Senator Johnson** moved to approve the Minutes of March 5, 2015. **Senator Guthrie** seconded the motion. The motion carried by **voice vote**.

ADJOURNMENT: There being no further business, **Chairman Siddoway** adjourned the meeting at 4:00 p.m.

Senator Siddoway
Chair

Amanda McLennan
Secretary