

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 27, 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: Darcy James, Idaho Interfaith Roundtable Against Hunger; Bob Neugebauer, Gem State Patriot; Wayne Hoffman, Idaho Freedom Foundation; Roger Seiber, Ada County Highway District; Lauren Necochea, Idaho Center for Fiscal Policy; Christine Tiddens and Douglas Alles, Catholic Charities of Idaho; Donna Yule, Idaho Public Employees Association; Andrew Mitzel, Realtors; Pam Eaton, Idaho Retailers Association and Idaho Lodging & Restaurant Association; Karen Vauk, Idaho Foodbank; Marya Bruning, IIRAH; Suzanne Budge, SBS Associates

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 25, 2015 meeting. **Motion carried by voice vote.**

H 311: **Rep. Moyle** presented **H 311** regarding taxation policy on motor fuel, income tax and sales tax on food. He explained this proposal will remove sales tax from groceries, repeal the Food Tax Credit, raise the motor fuel tax (gasoline and diesel) by 7¢ per gallon, increase transportation funding and reduce individual income tax rates.

To increase transportation funding, the proposal will raise the motor fuel tax (gasoline and diesel) by 7¢ per gallon. Licensed distributors of motor fuels will pay the difference between the old rate and the new rate on the motor fuel in inventory on the last day of the old rate. This 7¢ tax increase will be distributed 60% to the State Highway Account and 40% to the Highway Distribution Account. A one-time distribution from the State Refund Account will be made in the amount of \$3 million to the State Highway Fund and \$2 million to the Local Highway Distribution Account.

It will remove the sales tax on food (except restaurant food sales) as defined under the Federal Supplemental Nutrition Assistance Program (SNAP). It will also repeal the Food Tax Credit to offset the reduction in General Fund revenue. To protect local cities and counties from the loss of tax revenues received from the sale of food, a floor is established for revenue sharing which guarantees these local entities will not experience a decline of revenue from sales tax for the next 3 years.

This bill will move toward a flat income tax by consolidating the upper tax brackets and reducing them to a rate of 6.7%. Those taxpayers who fall in the lower income tax brackets will continue to pay at their current rate. Taxpayers with taxable incomes of \$5,860 or higher, as adjusted for inflation, will have all income taxed at the 6.7% rate.

Effective dates for the repeal of the grocery tax and increase of the fuel tax is October 1, 2015. The repeal of the grocery tax credit will be effective January 1, 2015.

Rep. Moyle answered questions related to revenue sharing protection for local governments, timing of the bill and effect on the General Fund.

Darcy James, Idaho Interfaith Roundtable on Hunger, **Kristine Tiddens**, Catholic Charities of Idaho, **Donna Yule**, Idaho Public Employees Association spoke **in opposition** to this legislation. They believe this is a tax shift inordinately affecting the lower income population and it creates unsustainable cuts to the General Fund while not providing adequate funding for roads and bridges.

Bob Neugebauer, Gem State Patriot Publisher and **Wayne Hoffman**, Idaho Freedom Foundation, testified **in support** of the bill. They share the opinion this will increase Idaho's competitive stature with bordering states, attract new business, grow the economy and provide a tax decrease for most Idahoans.

Pam Eaton, Idaho Retailers Association, although neither supporting or opposing, expressed concern with implementation of the repeal of the sales tax on food citing the need for adequate rules from the Tax Commission to limit liability for retailers when collecting sales taxes. **Lauren Necochea**, Idaho Center for Fiscal Policy, felt this bill would result in a tax increase on the lower income taxpayers while reducing General Fund dollars which is the major source of education funding.

Rep. Bedke, Speaker of the House, shared his strategic goals for this session of the Legislature which were educational funding, investment in infrastructure of roads and bridges, and growing the state's economy. He stated this bill puts Idaho in a net better position to better compete and grow our economy while benefiting Idaho residents as a whole.

MOTION: **Rep. Trujillo** made a motion to send **H 311** to the floor with a **DO PASS** recommendation.

Reps. Nate, Hartgen and **Anderst** spoke **in support** of the bill saying it will strengthen Idaho's economy and roads infrastructure, create incentive for more investment in the state, increase Idaho's competitiveness while reducing taxes.

Rep. Nye spoke **in opposition** stating it does not provide the revenue needed for the state's roads and bridges.

Reps. Chaney, Nate, Hartgen and **Anderst** spoke **in support** of the bill stating it will make Idaho more economically competitive, provide additional funding for roads and bridges and provide tax relief for Idaho residents.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to send **H 311** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nye** and **Rep. Erpelding** requested to be recorded as voting **NAY**. **Rep. Moyle** and **Rep. Bedke** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:08 A.M.

Representative Collins
Chair

Bev Bean
Secretary