

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Thursday, January 14, 2016

**TIME:** 9:00 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) Erpelding

**GUESTS:** Alan Dornfest, Cynthia Adrian, Mike Chakarun, Steve Fiscus, Idaho State Tax Commission; Steve Wallace, Idaho Board of Tax Appeals; Ben Davenport, Associated Taxpayers of Idaho; J. Shaw, self; Jonathan Parker, Holland and Hart; Melissa Nelson, ISCPA; John Foster, Jack Foster, Kestrel West

**Chairman Collins** called the meeting to order at 9:00 A.M.

**DOCKET NO. 35-0101-1501:** **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0101-1501**, Income Tax Administrative Rules, which contains three rules. Rule 016 will provide guidance regarding the definition of Idaho gross income and how it is calculated. Rule 171 modifies the definition of real property, the list of nonqualifying property for the Idaho capital gains deduction and the procedure to follow when property is distributed by an S corporation or partnership. Rule 291 provides guidance regarding items allowed as a deduction to owners of an interest in a pass-through entity when the tax is paid by the entity. All of these rules were part of the negotiated rule process and received no negative comments from those involved.

**MOTION:** **Rep. Trujillo** made a motion to approve **Docket No. 35-0101-1501** as presented. **Motion carried by voice vote.**

**DOCKET NO. 35-0101-1502:** **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0101-1502**, Income Tax Administrative Rules, which contains eight rules. Rule 075 is amended annually and adds tax brackets for the calendar year 2015. Rule 130 conforms to **H 36** passed last year dealing with the Retirement Benefits Deduction. Rule 173 changes who must meet the gross income limitations for the Idaho capital gains deduction when the gain is passed through from an S corporation, partnership, trust or estate to conform with **H 133** passed in 2015. Rule 201 clarifies the procedure for adjustments to a net operating loss. Rule 252 remedies the distortional percentage that occurs when the ratio of Idaho total income is used to allow certain deductions for part-year or nonresidents. This happens when a federal Net Operating Loss (NOL) carryover wipes out income for federal purposes. Rule 263 updates the amount of guaranteed payments that are sourced as compensation for services for S Corporation and partnership income when determining taxable amount of distributive share of income. Rule 771 adds the tax year 2015 and the applicable grocery credit amounts to the existing table. A technical change removing a reference no longer applicable is being made to Rule 855 in order to conform to a statutory change made in 2012 but missed when updating the rules.

**MOTION:** **Rep. Anderst** made a motion to approve **Docket No. 35-0101-1502** as presented. **Motion carried by voice vote.**

**DOCKET NO. 35-0103-1503:** **Alan Dornfest**, Property Tax Bureau Chief, Idaho State Tax Commission, presented **Docket No. 35-0103-1503** dealing with levies and the apportionment of taxes. Rule 803 relates to budget certification by taxing districts and requires that personal property replacement revenue is added back to the tort budget when computing the school district hypothetical new construction levy. Secondly, when taxes related to improperly claimed personal property exemptions are refunded to counties, the money is distributed to the taxing districts which are then required to subtract amounts received from maximum amounts that may be levied. This change would require refunded amounts to be paid to the state and require the state to reduce future payments to the taxing districts. These changes were mandated by **H 28** and **H 29** passed during the 2015 Legislative Session.

Rule 804 was changed in accordance with **H 76** passed last year and allows the emergency school levy to be assessed on the current equalized valuation of taxable property instead of the base assessment roll. This allows property tax paid for school emergency levies to go to the school district instead of the urban renewal agencies.

**MOTION:** **Rep. Anderson** made a motion to approve **Docket No. 35-0103-1503** as presented. **Motion carried by voice vote.**

**DOCKET NO. 35-0103-1504:** **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1504** containing two rules, both of which went through the negotiated rule process. Rule 315 pertains only to the Boise School District which has authority to conduct a maintenance operation levy. This rule provides guidance so that at the termination of a revenue allocation area (RAA), the Boise School District will know how to handle the increment value. The increment value of a terminating RAA will be included in the taxable value and if a ratio study indicates that an adjustment should be made, the adjustment will be applied to the actual value including the increment value.

Rule 626 provides guidance on the reporting and apportionment procedures of the personal property exemption for operating properties in order to conform to **H 29** passed last year. The term "taxpayer" is changed to "person" which is more inclusive. It also provides a comprehensive list of relationships that will constitute a taxpayer for purposes of receiving the exemption. Operating properties that operate in multiple counties are entitled to an exemption equal to the lesser of the amount (1) computed by multiplying the number of counties where operating property operates times \$100,000, or (2) the value of personal property reported by the company. For private rail car companies, the taxable value of the company determines the apportionment of value and allocation of the tax collected from rail car companies. The taxable value is determined after deducting the exemption from the Idaho value prior to apportionment.

**MOTION:** **Rep. Thompson** made a motion to approve **Docket No. 35-0103-1504** as presented. **Motion carried by voice vote.**

**DOCKET NO. 35-0103-1505:** **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1505** dealing with property tax Administrative Rules. Rule 627, Rule 632 and Rule 645 make technical corrections to conform to **H 29** passed by the legislature in 2015. Rule 802 adds a new provision requiring qualifying new construction which is valued by the Idaho State Tax Commission to be reported to the county assessor by October 1 and be listed on the immediate next new construction roll.

**MOTION:** Rep. Thompson made a motion to approve Docket No. 35-0103-1505 as presented. **Motion carried by voice vote.**

**ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 10:07 A.M.

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Representative Collins  
Chair

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Bev Bean  
Secretary