

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Monday, January 18, 2016

**TIME:** 9:00 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:** None

**GUESTS:** Mike Chakarun, Mark Stones, Randy Tilley, Cynthia Adrian, Idaho State Tax Commission; Steve Wallace, Idaho Board of Tax Appeals; Ben Davenport, Associated Taxpayers of Idaho; Jack Lyman, Idaho Mining Association  
**Chairman Collins** called the meeting to order at 9:00 A.M.

**MOTION:** **Rep. Trujillo** made a motion to approve the minutes of the January 13, 2016 meeting. **Motion carried by voice vote.**

**DOCKET NO.:  
35-0201-1501:** **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0201-1501**, Tax Administration and Enforcement Rules, containing three rules. Rule 310 is being amended to add the interest rate applicable to delinquent or unpaid taxes for succeeding calendar years (2016) and is updated annually. Rule 400 clarifies the penalty computation for substantial understatement. Rule 704 is being amended to be consistent with **H 236** passed in 2015 to allow the Tax Commission to exchange information with the Department of Correction and the Department of Health and Welfare regarding incarcerated persons and food stamp recipients claiming the food tax credit.

**MOTION:** **Rep. Kauffman** made a motion to approve **Docket No. 35-0201-1501** as presented. **Motion carried by voice vote.**

**DOCKET NO.:  
35-0102-1501:** **Randy Tilley**, Audit Division Manager, Idaho State Tax Commission, presented **Docket No. 35-0102-1501**, Idaho Sales and Use Tax. In accordance with **H 209** passed last year, Rule 027 amends the definition of tangible personal property clarifying that digital videos, digital music, digital books, and digital games are tangible personal property only when the purchaser has a permanent right to use the digital product. Other technical changes include removing conflicts with the new law and bringing the rule into line with legislative changes from previous years (**H 598** from the 2014 session). Rule 056 has been updated to address taxability of digital photographs in accordance with **H 598**. That law removed digital photographs from the definition of tangible personal property unless the photographs are delivered on disc. As a result, where a photographer primarily sells digital photographs delivered electronically, they no longer qualify for the production exemption on their purchases. Rule 107 is being amended due to the passage of **H 12** last year which added utility-type vehicles (UTVs) and specialty off-highway vehicles to the exemption available to nonresidents purchasing certain vehicles and boats in Idaho.

**MOTION:** **Rep. Trujillo** made a motion to approve **Docket No. 35-0102-1501** as presented. **Motion carried by voice vote.**

**DOCKET NO.: 35-0102-1502:** **Randy Tilley**, Idaho State Tax Commission, presented **Docket No. 35-0102-1502**, Idaho Sales and Use Tax. Last year, the passage of **H 237** exempted food and beverages given to employees free of charge if the retailer is in the business of selling prepared food and beverage. As part of the negotiated rulemaking process, input was received from many interested parties including grocery stores. Subsequently, a new subsection has been added to Rule 041 to define prepared food and prepared beverage for clarification purposes. The passage of **H 39** last year allowed hand tools with a unit cost of less than one hundred dollars (\$100) to qualify for the production exemption. Rules 050, 079, 083 and 103 have been amended to remove language relating to hand tools that is in conflict with the new law. Rule 128 relating to certificates for resale and other exemption claims, changes several descriptions of exemption certificates that have been updated to reflect the current version of the form. In addition, several changes have been made to remove hand tool language due to the passage of **H 39** in 2015.

**MOTION:** **Rep. Erpelding** made a motion to approve **Docket No. 35-0102-1502** as presented. **Motion carried by voice vote.**

**DOCKET NO.: 35-0102-1504:** **Randy Tilley**, Idaho State Tax Commission, presented **Docket No. 35-0102-1504**, Idaho Sales and Use Tax. The passage of **H 39** during the 2015 Idaho Legislative Session allowed hand tools with a unit cost of less than one hundred dollars (\$100) to qualify for the production exemption where they did not qualify previously. Rule 81 has been changed to remove the language that is in conflict with the new law and shows how the production exemption applies to the underground mining industry. Rules 099 and Rule 110 have been amended to change references to an exemption certificate to reflect the current version of the form.

**MOTION:** **Rep. Anderson** made a motion to approve **Docket No. 35-0102-1504** as presented. **Motion carried by voice vote.**

**ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 9:42.A.M.

---

Representative Collins  
Chair

---

Bev Bean  
Secretary