

MINUTES
JOINT MEETING
HOUSE REVENUE & TAXATION COMMITTEE
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 16, 2016

TIME: 9:00 A.M.

PLACE: House Majority Caucus Room

MEMBERS: Chairman Collins, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen (Hartgen), Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett, Burgoyne

**ABSENT/
EXCUSED:** Vice Chairman Trujillo, Representative(s) Chaney

GUESTS: John Watts, Chamber Alliance

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

Chairman Collins explained the purpose of this meeting is to recap and discuss results of the Tax Working Group which has been meeting in an effort to identify ways to revise our tax system and policies. **Senator Siddoway** thanked the members of the Tax Working Group and acknowledged **Senators Den Hartog** and **Abby Lee** who were also part of this Work Group. This meeting is intended for discussion purposes and the Committee will not be voting or taking testimony. **Senator Siddoway** introduced **Eric Milstead**, Director, Legislative Services Office, who will give a recap of this Interim Committee's work.

Eric Milstead summarized the goals of this group as (1) to address and discuss Idaho Tax policy in a broad sense and (2) develop approaches to tax reform and avoid "late in the session" issues. Both long and short term issues were explored with a focus on income tax, sales tax, personal property tax and exemptions. Members of the Committee met with State of Utah officials about how they approached a systematic review of tax policy and income tax reform.

Senator Siddoway enumerated topics of discussion for the meeting. (1) Identify a target number for corporate/individual income tax, (2) Review deductions as way to get to the targeted rate, (3) Discuss reducing sales tax and reducing exemptions and (4) identify which issues should be targeted.

Rep. Moyle feels that tax rates are too high and harm Idaho's competitiveness although he disagrees that taxes must be raised somewhere in order to cut taxes. As the economy grows each year, he feels we can offset some of these issues with that revenue growth. Comparing Idaho to surrounding states, he doesn't believe we should be raising taxes.

Senator Burgoyne stated the issue of tax rates is also a marketing challenge. We want to bring tax rates down but continue to generate revenue at the same effective rate. **Senator McKenzie** noted Idaho has high apparent tax rates but a lower effective tax rate. He believes it would be worthwhile to look at our effective tax rate which should be transparent, predictable and broad. If our rates appear high because we have a lot of exemptions perhaps we want lower rates across the board with less deductions. He stressed that whatever direction the Committee decides to go, we will need strong public involvement and marketing to get it to work.

Rep. Raybould expressed concern the Interim Committee was not able to identify or give direction as to how we should revise our tax policy although many areas were explored. **Senator Bayer** noted that growing budgets slower than economic growth doesn't work and we would be better served with a plan that gives a glide path rather than growing and waning with the economy.

Rep. Nye stated his conditional support for continuation of the Committee in order to develop a long range, five-year plan with goals and measurement. He noted we currently operate under a one-year plan which involves cutting taxes and not filling needs.

Senator Rice felt the Workin Group was hindered somewhat by political agendas and therefore was not able to address the issues and was even counterproductive to some degree. He feels we are substituting the Tax Working Group for the discussions we ought to be having in session with our committees, our counterparts and our constituents.

Rep. Anderst stated that if the Committee does decide to continue the Interim Committee, it should first focus on budget needs, then budge stabilization which would be paid for by growth. **Rep. Rudolph** and **Senator Vick** both would like to see more focus with the development of a multiple year plan and vision for our future tax policy. Once a long range plan is developed, evaluation of whether or not to cut taxes or to add services will be greatly enhanced.

Rep. Erpelding thinks a working group should include more stakeholders, JFAC, cities and counties. He is disappointed the group devolved into discussing what was going to be done next session rather than looking at both short and long term goals. He believes revenue needs to be balanced between the discussions on tax relief.

Senator Guthrie believes the total tax package needs to be reviewed before decisions are made on particulars. We will need to look at exemptions, deductions, spending and compare to other states. We also need to do a more effective job of marketing. Our messages are negative when we have a lot of positives to talk about.

Senator Burgoyne noted there is a need for more professional help to gather and analyze data during the session in order to formulate policy goals and make more intelligent decisions.

Senator Siddoway summed up the meeting noting what an enormous task lay ahead. He said that discussions have started on an internet sales tax which could be used to reduce our tax rate if enacted. As to continuation of the Committee, he will yield to the judgment of the two committees and Leadership. If the decision is made to move forward establishing this Interim Committee, we will have a joint resolution in our committees to discuss and vote on.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:19 A.M.

Representative Collins
Chair

Bev Bean
Secretary