

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, February 17, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/ EXCUSED: Chairman Siddoway

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: **Vice Chairman Guthrie** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:10 p.m. and asked the secretary to take a silent roll.

RS 24295 **Kelli Brassfield**, Idaho Association of Counties, presented **RS 24295**. **Ms. Brassfield** explained that under current law, real property is auctioned by the county if the landowner is delinquent in tax payments for three years. The proceeds are then used to pay delinquent taxes, and the excess proceeds are placed in an interest-bearing trust if unclaimed by parties of interest; if those excess funds are not claimed within three years, the funds are transferred to the county indigent fund. **Ms. Brassfield** indicated that it is often difficult for county prosecutors and treasurers to determine the legitimacy and priority of claims to excess proceeds. **RS 24395** amends § 31-808, Idaho Code, to remove the requirements to notify parties of interest about tax deed sales and transfer responsibility for determining the legitimacy and priority of claims to excess proceeds to the Unclaimed Property division of the State Treasurer's Office.

Senator Burgoyne inquired whether all the excess proceeds go to the State Treasurer or just excess proceeds for which a potential claimant cannot be identified. **Ms. Brassfield** replied that all excess proceeds will go to the State Treasurer, pointing out that the State Treasurer is better equipped to handle complex claims. **Senator Burgoyne** sought clarification regarding the fiscal note, asking if there are cost savings associated with county officials no longer processing excess proceeds claims, and if the State Treasurer's Office can manage the resulting increased workload. **Ms. Brassfield** stated that the State Treasurer's Office has indicated they can manage the extra workload without incurring additional costs. **Senator Burgoyne** asked for reassurance that the State Treasurer would not seek additional funding as a result of increased workload, to which **Mr. Brassfield** affirmed.

MOTION: Although not written on the agenda, **Vice Chairman Guthrie** stated that the intent was to ask for unanimous consent to send **RS 24295** to a privileged committee for printing and refer it back to the Committee for further review.
Senator Vick asked for unanimous consent to send **RS 24295** to the State Affairs Committee to print and be referred back to the Local Government and Taxation Committee for further review. There were no objections.

H 346 **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission (Commission), presented **H 346**, which updates an obsolete code reference in § 23-907, Idaho Code. This code section relates to the ability of the Idaho State Police to investigate retail applicants who want to sell liquor by the drink. The bill changes the term "Idaho Property Relief Act of 1931" to the "Idaho Income Tax Act." **Mr. Chakarun** indicated there are no other statutory changes to the bill.

MOTION: **Senator Stennett** moved to approve **H 346** with a **do pass** recommendation. **Senator McKenzie** seconded the motion. The motion carried by **voice vote**.

PASSED THE GAVEL: Vice Chairman Guthrie passed the gavel to Senator McKenzie.

H 386 **Vice Chairman Guthrie** presented **H 386**, which amends § 63-3622D, Idaho Code, to include the term "removal from storage" of agricultural commodities to the production exemption for farming operations. **Vice Chairman Guthrie** pointed out the fiscal note of \$125,000 was determined with input from the Commission to cast a wide net to include other items that may not qualify under the narrow language of the bill.

TESTIMONY: **Russ Hendricks**, Idaho Farm Bureau Federation, spoke in support of **H 386**. He explained the proposed changes provide clarity to where total farming business ends and other activities begin, as well as what items are eligible for the production exemption. **Mr. Hendricks** noted that the Idaho Farm Bureau worked with the Commission when drafting these changes.

Senator McKenzie asked for clarification on why the term "initial storage" was drafted in the original language, to which **Mr. Hendricks** replied that he was unsure of the original intent. However, he indicated that removal of the term "initial" gives farmers the freedom to use different storage facilities.

MOTION: **Senator Burgoyne** moved to approve **H 386** with a **do pass** recommendation. **Senator Bayer** seconded the motion. The motion carried by **voice vote**.

PASSED THE GAVEL: Senator McKenzie passed the gavel back to Vice Chairman Guthrie.

H 357 **Vice Chairman Guthrie** indicated that Senator Lee was in another committee meeting, so **H 357** would be presented first.

Senator Nonini presented **H 357**, which adds STEM action centers to the existing list of educational entities for which a taxpayer would qualify for the existing income tax credit for charitable contributions to education-related funds. **Senator Nonini** provided clarification regarding the January 1, 2020, date of enforcement, explaining that STEM action centers will remain in the legislation when other parts of the legislation are repealed.

Senator Stennett asked why provisions of § 63-3029A, Idaho Code, will be repealed. **Senator Nonini** explained that the Idaho House of Representatives passed legislation in 2015 regarding the relationship between private entities and public schools, resulting in language that repeals certain provisions. He indicated that STEM action centers will remain part of the legislation after the repeal.

Senator Burgoyne asked if the references to "STEM action center" were added in two sections to ensure that these entities remain part of the legislation after the repeal of provisions in § 63-3029A, Idaho Code, to which **Senator Nonini** affirmed.

MOTION: **Senator Bayer** moved to approve **H 357** with a **do pass** recommendation. **Senator Johnson** seconded the motion.

Senator McKenzie expressed concern about making changes such as those proposed in **H 357**, noting that legislation ought to be crafted from a policy-driven approach with consideration of overall tax policy; however, he acknowledged that Idaho STEM action centers are deserving entities of such an exemption.

Senator Burgoyne commented that when he served on the House Revenue and Taxation Committee, he participated in discussions regarding how to articulate these types of charitable exemptions in legislation. He indicated that the consensus was that listing exemptions in general terms was the most effective method.

The motion carried by **voice vote**.

H 405

Senator Lee presented **H 405**, which resolves issues brought to attention by fire protection districts. The first proposed change allows fire districts to evaluate and redistrict, if necessary, at least every ten years following the administration of the U.S. Census. The second proposed change provides a process for decreasing the size of a fire protection board from five to three members. **Senator Lee** indicated that smaller fire protection districts consistently find it difficult to fill all five board positions.

Senator Burgoyne made an observation regarding an increasing reluctance of the public to participate in government, referencing the need to decrease the size of the district boards as an example. He questioned whether functions typically performed by taxing districts will be transferred to the counties as a result of citizen non-participation.

Senator Rice pointed out several language inconsistencies, and **Senator Lee** assured the Committee that the language will be reviewed and taken into consideration in the future.

Senator McKenzie questioned whether consolidation of Idaho's numerous taxing districts would help relieve some of these problems and that these functions may be better served at the county level. He then commented that this legislation will be beneficial to districts that are unable to fill board seats.

Senator Johnson asked if new fire protection districts will be formed in the future, and if so, are boundary revisions prevented by striking the language in § 31-1410, Idaho Code. **Senator Lee** asked Gary Rohwer, Chairman of the Parma Rural Fire District and Executive Board Member of the Idaho State Fire Commissioners Association (ISFCA), to respond. **Mr. Rohwer** replied that there may be three or four new fire protection districts forming in the near future in high growth areas. He explained that when IFSCA examined fire districts, it was discovered that some districts had never been redrawn. This bill will initiate the redistricting process every ten years and when fire protection board members determine a need. **Senator Johnson** asked if, in fact, the authority to draw new district boundaries is being eliminated. **Mr. Rohwer** explained that the issue in question is how fire subdistricts are redrawn, whether into three or five subdistricts. **Senator Johnson** then asked if residents of districts were polled prior to redistricting, to which **Mr. Rohwer** replied that fire district commissioners typically decide when redistricting is necessary but acknowledged the need for public input in that process.

Senator Stennett sought clarification regarding the composition of the fire protection district board, specifically whether commissioners were appointed by the Governor. **Mr. Rohwer** explained that the Governor appoints the three initial

commissioners, and then as their terms expire, their commission goes for reelection within the fire district. **Senator Stennett** asked how fire protection districts transition from five to three board members, and **Mr. Rohwer** provided an example.

MOTION: **Senator McKenzie** moved to approve **H 405** with a **do pass** recommendation. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

ADJOURNED: There being no further business, **Vice Chairman Guthrie** adjourned the meeting at 3:57 p.m.

Senator Siddoway
Chair

Jennifer Carr
Secretary