

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, March 02, 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) Chaney

GUESTS: Russell Westerberg, John Blakely, AvCenter

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

MOTION: **Rep. Dayley** made a motion to approve the minutes of February 26, 2016. **Motion carried by voice vote.**

MOTION: **Rep. Anderson** made a motion to approve the minutes of February 29, 2016. **Motion carried by voice vote.**

H 540: **Rep. Anderst** introduced **Russell Westerberg**, representing AvCenter, who presented **H 540** regarding a sales tax exemption for aircraft involved in fire suppression activities. This proposed legislation would provide a sales tax exemption for the sale, lease, purchase or use of fixed wing aircraft used under contract with a government entity for wildfire activity.

Mr. Westerberg explained it has been the long-held understanding that sales tax did not apply to aircraft leased or purchased by licensed aircraft charters and was relied upon when preparing bids to provide air tactical platforms for agencies of the Federal government for wildfire suppression activities. A recent routine audit of the AvCenter by the Tax Commission determined that because fixed-wing flights under contract with the Federal Government for wildfire suppression took off and landed at the same airport, they were excluded from the sales tax exemption. Competing for these government contracts is very competitive and Idaho companies will be at an immediate 6% disadvantage if this proposed exemption is not approved. Idaho companies are competing with companies from other states who are exempt in Idaho because they are usually in the state less than 90 days.

Rep. Nye invoked Rule 38 stating a possible conflict of interest and that he would not be voting on the legislation.

In response to questions about helicopters and drones being included in the scope of this exemption, **Mr. Westerberg** stated this legislation was narrowly drafted to minimize its impact and to clarify that tactical services by fixed-wing aircraft qualify for this exemption. Drones and helicopters do not normally provide these tactical services. He also noted that helicopters and drones are not confined to an airport and unlike fixed wing aircraft can take off anywhere. This legislation is being proposed due to a technicality in the statute language which excluded aircraft that took off and landed from the same airport. Statute language requires fixed wing aircraft to go from point A to point B in order to be eligible for this exemption.

Russell Westerberg introduced **John Blakely**, also with AvCenter. **Mr. Blakely** briefly described his company which employs approximately 45 people with an annual payroll of \$1,450,000 and operations in Pocatello, Nampa and Idaho Falls. They provide aircraft charter flying services and all of their air charter services that go from point A to point B are currently exempted from sales tax. A significant portion of their services (20-30%) of annual sales consist of wildfire activities for the Federal government using fixed wing aircraft on tactical missions. Because fixed wing aircraft take off and land at the same airport when flying these tactical missions, the State Tax Commission is requiring they pay 6% sales tax on the lease payments between their operating company and their holding company for these services. He asked for favorable consideration of this legislation to eliminate the 6% advantage out-of-state competitors enjoy when bidding against Idaho companies for federal fire fighting contracts.

MOTION: **Rep. Thompson** made a motion to send **H 540** to the floor with a **DO PASS** recommendation.

Responding to a committee question, **Mr. Blakely** explained that aircraft they purchase is already tax exempt because it is a charter service. In his case, a holding company leases the aircraft to an operating company. This tax exemption would apply to the lease payment between the companies and not the revenue from the government contract. The AvCenter case before the Tax Commission is disputing \$109,000 in sales tax on these lease payments for a 3-year period.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to send **H 540** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderst** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:21 A.M.

Representative Collins
Chair

Bev Bean
Secretary