

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 21, 2016

TIME: 8:30 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: Dan Blocksom, Idaho Association of Counties; Jonathan Parker, Holland & Hart
Chairman Collins called the meeting to order at 8:30 A.M.

RS 24777: **Rep. Moyle** presented **RS 24777** which deals with income and sales tax policy. This proposed legislation does two things: (1) Reduces each of the individual income tax rate brackets by 0.1 percentage point; (2) Modernizes the definition of a retailer doing business in Idaho to impose a sales/use tax collection responsibility on retailers that sell into Idaho but do not currently have a physical presence in the state.

MOTION: **Rep. Thompson** made a motion to introduce **RS 24777** and recommend it be sent directly to the Second Reading Calendar.

Rep. Clow took the podium to answer questions from the committee related to the sales tax portion of this proposed legislation. He explained the redefinition of a retailer will result in additional revenue but it is not a tax increase. It is a tax that is already owed and this will provide for the collection of these taxes. He noted that 26 states have already passed similar or more stringent legislation. He knows of no pending lawsuits against any of this legislation and the 10th Circuit Court has upheld Colorado's law.

Ken Roberts, Idaho State Tax Commissioner, was called upon to answer questions from the committee. He explained that the Idaho Tax Commission has authority to send letters of deficiency to out-of-state retailers who do not collect the sales tax. Asked if the Tax Commission has authority to access database of customers of a retailer in an attempt to collect this sales tax, he noted the Tax Commission has never done that since the responsibility for collection lies with the retailer.

Rep. Nate, speaking **in opposition**, has concerns about this proposal's constitutionality as well as the State's ability to enforce these requirements with on-line retailers.

Rep. Chaney spoke **in support** stating this was good policy and technological changes in how we do business today justifies moving forward with this proposed legislation. **Rep. Hartgen** also voiced his **support** because of the tax reduction component although he has concerns about other parts of this proposal.

**ROLL CALL
VOTE:** **Chairman Collins** requested a roll call vote on **RS 24777**. **Motion carried by a vote of 12 AYE, 3 NAY, 1 absent/excused.** Voting in favor of the motion: **Reps. Trujillo, Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Thompson, Rudolph and Collins.** Voting in opposition to the motion: **Reps. Nate, Scott and Nye.** **Rep. Erpelding** was absent/excused. **Rep. Moyle** will sponsor the bill on the floor.

RS 24783: **Rep. Moyle** presented **RS 24783** related to de-annexation of agricultural lands. This legislation would permit a landowner to petition the city council to be de-annexed if it is determined that his or her property is greater than five acres and is used exclusively for agricultural purposes. Its purpose is to allow agricultural lands to remain agricultural in the face of forced annexation. He noted that some cities have used road right-of-ways to surround agricultural parcels for the purposes of annexation and that was not the intent.

Responding to a committee question, **Rep. Moyle** clarified that the exclusive agricultural use does not need to pre-date an annexation in order to request de-annexation from a city under this provision.

MOTION: **Rep. Anderst** made a motion to introduce **RS 24783**. **Motion carried by voice vote.**

RS 24774: **Rep. Wintrow** presented **RS 24774** dealing with charitable tax credits for medical residency placement organizations. This proposed legislation provides an income tax credit for charitable contributions made to Idaho-based medical residency placement organizations. Medical professional who serve their residency in Idaho have a tendency to remain in Idaho to establish their practice. These residency placement programs enhance programs like the University of Washington Medical School Regional Training Program by encouraging doctors to stay in the state of Idaho.

MOTION: **Rep. Nye** made a motion to introduce **RS 24774** and recommend it be sent directly to the Second Reading Calendar.

In response to a committee question about the fiscal note, **Rep. Wintrow** indicated the \$25,000 estimated impact to the General Fund was based upon the fact that these residency programs last year raised approximately \$80,000.

SUBSTITUTE MOTION: **Rep. Anderson** made a substitute motion to introduce **RS 24774**. **Motion carried by voice vote.**

RS 24780: **Dan Blocksom**, Association of Idaho Cities, presented **RS 24780** regarding the Homeowners Exemption. **H 431** was passed earlier this session which removed the index on the Idaho homestead exemption and set the exemption value at \$100,000 or 50 percent of assessed value, whichever is less. It becomes effective on July 1, 2016. This proposed legislation changes the effective date to January 1, 2017. By changing the effective date to January 1st, it will avoid having to calculate two different exemption formulas for each property assessment which is done on a calendar year basis.

MOTION: **Rep. Kauffman** made a motion to introduce **RS 24780** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Trujillo** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:54 A.M.

Representative Collins
Chair

Bev Bean
Secretary