## AGENDA

### SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Thursday, January 14, 2016

<table>
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<tr>
<th>SUBJECT</th>
<th>DESCRIPTION</th>
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<tr>
<td>Introductions</td>
<td>Page, Committee Secretary</td>
<td>Senator Siddoway</td>
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<tr>
<td>Rules Assignments</td>
<td>Distribution of Rules</td>
<td>Senator Siddoway</td>
</tr>
</tbody>
</table>

### COMMITTEE MEMBERS

- Chairman Siddoway
- Vice Chairman Guthrie
- Sen McKenzie
- Sen Johnson
- Sen Rice

- Sen Vick
- Sen Bayer
- Sen Stennett
- Sen Burgoyne

### COMMITTEE SECRETARY

Jennifer Carr
Room: WW50
Phone: 332-1315
e-mail: sloc@senate.idaho.gov
DATE: Thursday, January 14, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators Johnson, Rice, Vick, Bayer, Stennett, and Burgoyne
ABSENT/EXCUSED: Senator McKenzie
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: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:04 p.m. He noted that other committee meeting times were in conflict and that the Committee would be brief in order to accommodate its membership.
SECRETARY & PAGE INTRODUCTION: Chairman Siddoway introduced the Committee page, Caleb Richardson, and the Committee Secretary, Jennifer Carr.
PASSED THE GAVEL: Chairman Siddoway passed the gavel to Vice Chairman Guthrie.
RULES REVIEW & ASSIGNMENTS: Vice Chairman Guthrie assigned the rules to Committee members and asked members to review the rules for accuracy, content and potential problems.
PASSED THE GAVEL: Vice Chairman Guthrie passed the gavel to Chairman Siddoway.
DISCUSSION: Chairman Siddoway stated that Committee meetings have been scheduled for the following week to review the rules. He indicated that there is flexibility in extending the time to review the rules if questions or issues arise during the review process.

Senator Bayer asked for clarification regarding the voting process on the rules, specifically whether Senators would vote on rules during the review process after each presentation or at a future Committee meeting.

Chairman Siddoway clarified that votes will be held on each docket after the respective presentation.

Vice Chairman Guthrie confirmed the voting process and asked the Committee Secretary to include the points of contact for each rule with the distribution list.

ADJOURNED: There being no further business, Chairman Siddoway adjourned the meeting at 3:14 p.m.
AMENDED AGENDA #1
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Tuesday, January 19, 2016

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<tr>
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<tbody>
<tr>
<td>MINUTES</td>
<td>Approval of Minutes from January 14, 2016</td>
<td>Senator Guthrie</td>
</tr>
<tr>
<td>RULES REVIEW</td>
<td>IDAPA 35-Idaho State Tax Commission</td>
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<tr>
<td>Docket No. 35-0101-1501</td>
<td>Income Tax Administrative Rules</td>
<td>Cynthia Adrian, Idaho State Tax Commission</td>
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<tr>
<td>Docket No. 35-0101-1502</td>
<td>Income Tax Administrative Rules</td>
<td>Cynthia Adrian, Idaho State Tax Commission</td>
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<tr>
<td>Docket No. 35-0103-1503</td>
<td>Property Tax Administrative Rules</td>
<td>Alan Dornfest, Idaho State Tax Commission</td>
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<tr>
<td>Docket No. 35-0103-1504</td>
<td>Property Tax Administrative Rules</td>
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<td>Docket No. 35-0103-1505</td>
<td>Property Tax Administrative Rules</td>
<td>Alan Dornfest, Idaho State Tax Commission</td>
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<tr>
<td>Docket No. 35-0201-1501</td>
<td>Tax Commission Administration Rule and Enforcement</td>
<td>Cynthia Adrian, Idaho State Tax Commission</td>
</tr>
</tbody>
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COMMITTEE MEMBERS
- Chairman Siddoway
- Vice Chairman Guthrie
- Sen McKenzie
- Sen Johnson
- Sen Rice

COMMITTEE SECRETARY
- Jennifer Carr
- Room: WW50
- Phone: 332-1315
- email: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, January 19, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: Senator McKenzie

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: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:02 p.m. and asked the secretary to take a silent roll. He noted that he had a conflicting appointment and would be leaving the Committee meeting early.

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

MINUTES APPROVAL: Vice Chairman Guthrie moved to approve the Minutes of January 14, 2016. Senator Johnson seconded the motion. The motion was approved by voice vote.

DOCKET NO. 35-0101-1501

Vice Chairman Guthrie welcomed Cynthia Adrian, Tax Policy Specialist with the Idaho Tax Commission (Commission).

Ms. Adrian presented Docket No. 35-0101-1501, stating that all the rules in the docket are negotiated rules. Rule 016 is a new rule that provides a definition of Idaho gross income and how it is calculated. Ms. Adrian emphasized that because gross income has many components that determine filing requirements, a definition of gross income was provided in the rule. Rule 171, amended consistent with 2015 HB 109A, modifies the definition of real property included in capital gains deductions. Rule 171 also modifies the procedure when property is distributed by an S corporation or partnership, consistent with 2015 HB 85. Rule 291 provides a list of deductible items that are allowed when a pass-through entity pays tax for the owners.

Senator Burgoyne asked if Rule 016 is a reiteration of federal and state case law relating to what constitutes gross income and what parties were involved in the negotiating process. Ms. Adrian responded that Rule 016 lays the groundwork for what federal law means regarding gross income. She stated that members of the Idaho Society of Certified Public Accountants were involved in the negotiating process, and that the public had an opportunity to provide input. Senator Burgoyne asked if there were any negative comments to Rule 016, to which Ms. Adrian stated there were none.

Senator Rice asked if a definition of "apportionment factor" is provided in rules or statute. Ms. Adrian confirmed that a definition is provided. Senator Johnson asked for clarification on where the term "apportionment factor" appears in the rules, to which Senator Rice directed the Committee to the specific page.

Senator Johnson inquired if all three rules were negotiated rulemaking, which Ms.
Adrian affirmed. Senator Johnson sought clarification on how composite returns are determined among various owners. Ms. Adrian responded that entities are able to make decisions about composite returns on behalf of their members.

Senator Rice sought clarification on how gross income is calculated and reported under Rule 016, and if the definition of gross income is the same as defined in statute. Ms. Adrian responded that there is no line on a tax return to record gross income, so the definition is provided for taxpayers to determine if they have a filing requirement. She continued to clarify that the definition of gross income in Rule 016 is the same as defined in statute, but the rule provides further explanation on how to calculate gross income.

MOTION: Senator Stennett moved to approve Docket No. 35-0101-1501. Chairman Siddoway seconded the motion. The motion was carried by voice vote.

DOCKET NO. 35-0101-1502 Ms. Adrian presented Docket No. 35-0101-1502. Rule 075 changes the tax bracket by removing calendar year 2010 and adding calendar year 2015. Rule 130, amended consistent with 2015 HB 36, adds the Foreign Service Retirement and Disability System to the list of qualifying retirement benefits. Rule 173, amended consistent with 2015 HB 133, shifts responsibility from the individual to the entity in meeting gross income limitations for capital gains deductions. Rule 201 clarifies the procedure for adjusting a net operating loss in a closed year by the Commission, the adjustment not resulting in tax due or a refund. Rule 252 clarifies language regarding how part-year residents calculate income to avoid distortive percentage by removing federal net operating losses. Rule 263 updates the amount of guaranteed payments that are sourced as compensation for services for 2015. Rule 771 adds tax year 2015 to the grocery credit, amounting to $100 per person regardless of income. Rule 855 removes reference to the election in the permanent building fund tax rule.

Senator Burgoyne sought clarification on Rule 201, specifically subparts relating to net operating loss carrybacks. Ms. Adrian explained that if the Commission decides during an audit in a closed year that a net operating loss was improperly calculated, the adjustment will not result in any tax due or refund.

MOTION: Senator Stennett moved to approve Docket No. 35-0101-1502. Senator Johnson seconded the motion. The motion was carried by voice vote.

DOCKET NO. 35-0201-1501 Vice Chairman Guthrie asked Ms. Adrian if she would like to present Docket No. 35-0201-1501 at that time, rather than at the end of the meeting, and asked the Committee to voice objections to such action. There being no objections, Vice Chairman Guthrie asked Ms. Adrian to continue her presentation.

Ms. Adrian presented Docket No. 35-0201-1501, stating that the rules in the docket relate to administration and enforcement. Rule 310 adds a 4 percent interest rate for calendar year 2016. Rule 400 adds the terms "substantial understatement" and "tax required to be shown on the return" to be consistent with statute. Rule 704 adds the Department of Correction and the Department of Health and Welfare to the list of agencies with which the Commission can exchange and disclose information.

Chairman Siddoway asked for clarification on the meaning of "substantial understatement." Ms. Adrian explained that substantial understatement is reached when the understatement exceeds the greater of 10 percent of the tax required to be shown on the tax return or $5,000. She also indicated there is a threshold that would trigger a notice from the Commission.

MOTION: Senator Johnson moved to approve Docket No. 35-0201-1501. Senator Stennett seconded the motion. The motion was carried by voice vote.
DOCKET NO. 35-0103-1503

Alan Dornfest, Property Tax Policy Bureau Chief with the Idaho Tax Commission, presented Docket No. 35-0103-1503, property tax administrative rules. Rule 803 relates to the way taxing districts certify their budgets to the Commission, specifically how they subtract replacement money received from personal property replacement since 2013. The rule divides replacement money from personal property into two categories, and Mr. Dornfest explained the distinction between both. He pointed out that there have been no recovery requests to date, but language was amended to be consistent with 2015 HB 29. Mr. Dornfest continued to explain the final change in Rule 803, which affects school districts' budget capacity for liability insurance premium funds. School districts are allowed to add back replacement revenue related to personal property, consistent with 2015 HB 28. Rule 804 relates to urban renewal districts and how tax levies are calculated when taxing districts overlap a revenue allocation area of an urban renewal district. Mr. Dornfest indicated changes were made to the rule consistent with 2015 HB 76, which added school emergency fund levies to the list of funds.

MOTION: Senator Rice moved to approve Docket No. 35-0103-1503. Senator Burgoyne seconded the motion. The motion was carried by voice vote.

DOCKET NO. 35-0103-1504

Mr. Dornfest presented Docket No. 35-0103-1504, property tax administrative rules. Rule 315 is a negotiated rule that applies only to the Boise School District and affects how urban renewal increment values are equalized. Mr. Dornfest explained that the rule change was made to address timing issues for filing dates and allows for an amended value to be provided for the school district. Rule 626, amended consistent with provisions of HB 29, is a negotiated rule for the administration of personal property exemptions for operating properties. Mr. Dornfest stated the rule provides reporting and apportionment procedures of the personal property exemption for operating property companies. He reported that the rule also clarifies language, defining the term "taxpayer" as the claimant of the exemption.

Senator Burgoyne asked if the Boise School District was satisfied with the rule. Mr. Dornfest replied that the Boise School District had initiated the rule and participated in the negotiating process.

MOTION: Senator Burgoyne moved to approve Docket No. 35-0103-1504. Senator Bayer seconded the motion. The motion was carried by voice vote.

DOCKET NO. 35-0103-1505

Mr. Dornfest presented Docket No. 35-0103-1505, property tax administrative rules. Rule 006 is updated annually for assessment purposes and includes date changes and updated website information. Rule 627, amended consistent with 2015 HB 29, is a personal property exemption rule. Mr. Dornfest explained there were no substantive changes, the rule simply provides examples. Rule 632, amended consistent with 2014 S 1213, removes the application requirement for oil or gas-related well exemptions. Rule 645 relates to land actively devoted to agriculture. Mr. Dornfest stated the application period for exemptions for small agricultural tracks, five acres or less, was changed from March to April. He indicated that there were no objections or comments relating to this rule change. Rule 802 pertains to budget certification relating to new construction and annexation, and Mr. Dornfest explained that the rule change clarifies the process by which qualifying properties are assessed; it also changes reporting dates.

MOTION: Senator Johnson moved to approve Docket No. 35-0103-1505. Senator Bayer seconded the motion. The motion was carried by voice vote.

ADJOURNED: There being no further business, Vice Chairman Guthrie adjourned the meeting at 3:55 p.m.
AMENDED AGENDA #1
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Thursday, January 21, 2016

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<tr>
<td>RS24153</td>
<td>Relating to the Catastrophic Health Care Cost Program</td>
<td>Senator Dan Schmidt</td>
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<tr>
<td>RULES REVIEW</td>
<td>IDAPA 35-Idaho State Tax Commission</td>
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<td>Docket No. 35-0102-1501</td>
<td>Idaho Sales and Use Tax Administrative Rules</td>
<td>Randy Tilley, Idaho State Tax Commission</td>
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COMMITTEE MEMBERS
Chairman Siddoway
Vice Chairman Guthrie
Sen McKenzie
Sen Johnson
Sen Rice

COMMITTEE SECRETARY
Jennifer Carr
Room: WW50
Phone: 332-1315
email: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, January 21, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: Senator McKenzie

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: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:07 p.m. and asked the secretary to take a silent roll.

RS 24153 Chairman Siddoway welcomed Senator Dan Schmidt to the podium to introduce RS 24153, relating to the catastrophic health care cost program. RS 24153 amends Idaho Code § 31-3517 to authorize reimbursement for travel expenses for county commissioners who are members of the Catastrophic Health Care Cost Program Board. Senator Schmidt pointed out that commissioners from small counties are often unable to participate in board meetings due their inability to pay for travel.

MOTION: Senator Burgoyne moved to print RS 24153. Senator Stennett seconded the motion. The motion was carried by voice vote.

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

Vice Chairman Guthrie noted for the record that a procedural error was made during the Committee meeting of January 19, 2016, referencing his declaration of a voice vote as "unanimous"; he assured the Committee the error was corrected.

DOCKET NO. 35-0102-1501

Mr. Tilley welcomed Randy Tilley, Audit Division Administrator for the Idaho State Tax Commission (Commission).

Mr. Tilley presented Docket No. 35-0102-1501, sales and use tax administrative rules. Rule 027, amended consistent with 2015 HB 209, modifies the definition of tangible personal property to include digital videos, digital music, digital books and digital games. Mr. Tilley explained these digital media items are taxable only when the purchaser has a permanent right to use the product. Rule 056, amended consistent with 2014 HB 598, removes digital photographs from the definition of tangible personal property. Mr. Tilley pointed out that the Commission was unable to get industry groups to participate in negotiated rulemaking in 2014 or 2015. He then explained that digital photographs are now non-taxable unless delivered on a separate physical medium, such as a disc or in printed form. Mr. Tilley also explained that photographers qualify for the production exemption if the majority of their activities result in tangible personal property; for example, if photographers produce most of their work in digital form and not a physical medium, they no longer qualify for the exemption.
Senator Rice sought clarification on the language regarding production exemptions in the rule and in statute. Mr. Tilley explained that statute requires photographers to primarily engage in the production of tangible personal property in order to qualify for the exemption, and that "primarily" is defined in separate statute as greater than 50 percent of activity.

Mr. Tilley presented Rule 107, amended consistent with 2015 HB 12, which adds utility-type vehicles and specialty off-road highway vehicles to the tax exemption available to nonresidents purchasing vehicles in Idaho.

Senator Burgoyne asked if Rule 027 was negotiated rulemaking and if there were any negative comments to the rule. Mr. Tilley asked Doug Harry, Managing Tax Auditor with the Idaho State Tax Commission, to respond. Mr. Harry affirmed that Rule 027 was negotiated rulemaking and reported that the main concern during that process was how to define "permanent use." He indicated that participants were satisfied with the definition at the conclusion of rulemaking.

MOTION: Senator Bayer moved to approve Docket No. 35-0102-1501. Senator Vick seconded the motion. The motion was carried by voice vote.

DOCKET NO. 35-0102-1502

Mr. Tilley presented Docket No. 35-0102-1502, sales and use tax administrative rules. Rule 041 pertains to the application and payment of use tax and was amended consistent with 2015 HB 237, which exempted prepared foods and beverages freely given to employers if the retailer is in the business of selling prepared foods, such as restaurants or grocery stores with a deli. Mr. Tilley highlighted the substantive changes to the rule, which include the definitions of "prepared food" and "prepared beverage." Rule 072 also pertains to the application and payment of use tax. Mr. Tilley indicated the only substantive change is a cross reference to Rule 041. Rules 050, 079 and 083 were amended consistent with 2015 HB 39, which removed the hand-tools-under-$100 exclusion from the production exemption. Mr. Tilley specified that hand tools with a value of $100 or less used in production activity now qualify for the exemption. He pointed out the substantive changes in Rules 050, 079 and 083, which include the removal of conflicting language. Rule 128 adds other non-governmental agencies, as listed in Idaho Code § 63-3622(o), that now qualify for hotel room tax exemption. Rule 128 also clarifies that sales of transport trailers and office trailers do qualify for the occasional sales tax exemption.

A discussion ensued regarding what constitutes "prepared food" as defined in Rule 041 and in statute. Chairman Siddoway inquired whether ice cream meets the criteria of a prepared food as defined in the rule, which Mr. Tilley affirmed.

Senator Rice asked if an apple or banana given freely to an employee by a retailer qualify as prepared food. Mr. Tilley explained that since fruits do not meet the criteria of items given away as prepared meals, as defined in statute, they do not qualify for the exemption. He pointed out that grocery stores did participate in negotiated rulemaking and provided input regarding the definition of "prepared food." Senator Rice then asked if a cheeseburger and apple were given away as a meal, would each item be treated separately in terms of taxability. Mr. Tilley affirmed, explaining that an apple would be subject to use tax, while the cheeseburger would be exempted. Mr. Tilley pointed out that grocery stores often have items that go to waste, such as dairy items, that when given away would not be taxable because they would have no value. Senator Rice followed up by asking if a cheeseburger and apple were given away as a meal, would the meal as a whole be exempt or would each item be treated separately. Mr. Tilley responded that the statute defines prepared foods, not prepared meals.
Senator Burgoyne provided a scenario in which microwaveable popcorn was the food item given to an employee, illustrating that popcorn meets criteria of prepared food, even though popcorn is not typically regarded as a meal, and thus not taxable. He then inquired whether the inconsistency stems from the rule or statute. Mr. Tilley asked Mark Stone, Bureau Chief for Sales Tax with the Idaho State Tax Commission, to respond. Mr. Stone indicated that the intent of Rule 041 was to include food items prepared and served by a food retailer in its normal course of business. Senator Burgoyne remarked that the introductory language in the rule does not control the outcome and is inconsistent with the intent of the statute; he then asked if the problem is with the drafting of the rule or the statute itself. Mr. Stone replied that the Commission would continue to examine the issue in the future.

Senator Rice asked which section of Idaho Code pertains to the rule change, to which Mr. Stone replied §§ 63-3612(2)(b), 63-3621(p) and 63-3622(j).

Senator Burgoyne commented that Rule 041 needs further review, regardless of whether the docket is approved, to ensure that the language represents the intent of the statute. Mr. Tilley stated they will address these issues in future negotiated rulemaking.

Senator Rice commented that he felt the specific language in the rule is consistent with the statute.

Senator Vick commented that rules should be drawn more broadly rather than narrowly to avoid potential problems. He then inquired if an ice cream cone and ice cream served in a dish both met the criteria of prepared food, to which Mr. Tilley affirmed.

MOTION: Senator Vick moved to approve Docket No. 35-0102-1502. Senator Siddoway seconded the motion. The motion was carried by voice vote.

DOCKET NO. 35-0102-1504

Mr. Tilley presented Docket No. 35-0102-1504, sales and use tax administrative rules. Rule 081 removes the hand-tools-under-$100 exclusion. Rule 099 pertains to occasional sales exemptions and updates the exemption form for office trailer and transport trailer sales to document non-taxable transactions. Rule 110 adds reimbursement for county assessors for each occasional sale exemption claim for office trailers and transport trailers.

MOTION: Senator Burgoyne moved to approve Docket No. 35-0102-1504. Senator Bayer seconded the motion. The motion was carried by voice vote.

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

Chairman Siddoway recognized Commissioners Ken Roberts and Elliot Werk and thanked the Commission for appearing before the Committee.

ADJOURNMENT: There being no further business, Chairman Siddoway adjourned the meeting at 3:49 p.m.
**AGENDA**

**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

3:00 P.M.

Room WW53

Tuesday, January 26, 2016

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<tr>
<th>SUBJECT</th>
<th>DESCRIPTION</th>
<th>PRESENTER</th>
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<tbody>
<tr>
<td>Gubernatorial Appointment</td>
<td><em>Linda Pike</em> of Moscow, Idaho was reappointed to the Board of Tax Appeals to serve a term commencing April 13, 2015 and expiring June 30, 2017.</td>
<td>Linda Pike</td>
</tr>
<tr>
<td>Gubernatorial Appointment</td>
<td><em>David E. Kinghorn</em> of Lewisville, Idaho was reappointed to the Board of Tax Appeals to serve a term commencing April 13, 2015 and expiring June 30, 2016.</td>
<td>David E. Kinghorn</td>
</tr>
<tr>
<td>Gubernatorial Appointment</td>
<td><em>Leland G. Heinrich</em> of Cascade, Idaho was reappointed to the Board of Tax Appeals to serve a term commencing June 30, 2015 and expiring June 30, 2018.</td>
<td>Leland G. Heinrich</td>
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**COMMITTEE MEMBERS**

Chairman Siddoway  
Vice Chairman Guthrie  
Sen McKenzie  
Sen Johnson  
Sen Rice  
Sen Vick  
Sen Bayer  
Sen Stennett  
Sen Burgoyne

**COMMITTEE SECRETARY**

Jennifer Carr  
Room: WW50  
Phone: 332-1315  
email: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, January 26, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: None

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: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:03 p.m. and asked the secretary to take a silent roll.

GUBERNATORIAL APPOINTMENTS: Chairman Siddoway welcomed Steve Wallace, Director of the Idaho Board of Tax Appeals (Board), to the podium to introduce the appointees. Mr. Wallace highlighted the uniqueness of the entire Board appearing before the Committee at the same time and introduced each Board member in turn. Senator Burgoyne inquired whether the Board positions are part- or full-time and how members are compensated. Mr. Wallace responded that Board members serve no more than 80 days per year and earn a $20-per-day stipend; they are also reimbursed for related expenses.

Chairman Siddoway welcomed Linda Pike, member of the Board. Ms. Pike provided a summary of her professional experience, pointing out that she was originally appointed to the Board in 1996; she also highlighted memorable cases over which she has presided. Ms. Pike then stood for questions.

Senator Johnson commented that he had the opportunity to meet Ms. Pike and appreciated her knowledge and commitment to her work.

Senator Burgoyne praised Ms. Pike's enthusiasm for her work on the Board and thanked her for her service.

Chairman Siddoway asked Ms. Pike to provide a brief description of the types of appeals heard and how many hearings are conducted each year. Ms. Pike replied that most appeals pertain to property tax exemptions, and the number of appeals submitted typically increases as the economy grows stronger. She specified that the Board conducted approximately 200 hearings in 2015. Ms. Pike continued to explain that most appeals are heard by one Board member and are benign; however, she did indicate that some appeals are contentious, and a hearing officer may be requested to accompany Board members.
Chairman Siddoway welcomed David E. Kinghorn, Chairman of the Board. Mr. Kinghorn provided a brief history of his professional experience, stating that he was appointed to the Board in 2001, has served as Chairman since 2012 and represents Eastern Idaho. He then stood for questions.

Senator Stennett asked for clarification regarding Mr. Kinghorn's dates of service, specifically why his term ends in June of this year. Mr. Kinghorn explained that because he was not immediately reappointed at the end of his previous term, he continued to serve as a holdover appointment into the new term, up for reappointment this year.

Chairman Siddoway asked for a synopsis of Mr. Kinghorn's work in general and if there are any issues that the legislature may address to facilitate the work of the Board. Mr. Kinghorn recognized that there is risk involved in handling appeals, but he works well with the counties in his jurisdiction to address potential risks. He specified that he typically holds hearings in courthouses to mitigate risk. Chairman Siddoway recognized Mr. Kinghorn's concerns relating to safety and security and asked that he continue to work with the Committee to ensure a safe working environment for the Board.

Chairman Siddoway welcomed Leland G. Heinrich, member of the Board. Mr. Heinrich commented briefly on the appeals process, listing factors that believe foster agreement among Board members and ensure fairness in the decision making process. He provided a brief description of his background and professional experience and then stood for questions.

Senator McKenzie asked Mr. Kinghorn to comment on the types of issues coming before the Board and if suitable meeting places are available. Mr. Heinrich responded that the Board employs five staff members who arrange meeting places but that appropriate locations are often unavailable, providing specific examples.

Senator Bayer recognized Mr. Heinrich as a former legislator and thanked Mr. Heinrich for his public service.

Senator Burgoyne acknowledged the safety and security concerns brought to the attention of the Committee and praised the demeanor of the Board members in the execution of their job.

Chairman Siddoway thanked the Board members for appearing before the Committee and welcomed future input regarding safety and security. He indicated that confirmation votes may take place during the next Committee meeting.

ADJOURNMENT: There being no further business, Chairman Siddoway adjourned the meeting at 3:54 p.m.

________________________________________
Senator Siddoway
Chair

________________________________________
Jennifer Carr
Secretary

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
Tuesday, January 26, 2016—Minutes—Page 2
AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Tuesday, February 02, 2016

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<tr>
<td>S 1211</td>
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<td>Senator Schmidt</td>
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</table>

Vote on Gubernatorial Appointment
Linda Pike was reappointed to the Board of Tax Appeals to serve a term commencing April 13, 2015 and expiring June 30, 2017.

Vote on Gubernatorial Appointment
David E. Kinghorn was reappointed to the Board of Tax Appeals to serve a term commencing April 13, 2015 and expiring June 30, 2016.

Vote on Gubernatorial Appointment
Leland G. Heinrich was reappointed to the Board of Tax Appeals to serve a term commencing June 30, 2015 and expiring June 30, 2018.

Minutes
Approval of Minutes from January 19, 2016 Senator Rice

Minutes
Approval of Minutes from January 21, 2016 Senator Burgoyne

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS
Chairman Siddoway
Vice Chairman Guthrie
Sen McKenzie
Sen Johnson
Sen Rice

COMMITTEE SECRETARY
Jennifer Carr
Room: WW50
Phone: 332-1315
e-mail: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 02, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: Senator McKenzie

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: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:02 p.m.

MINUTES APPROVAL: Senator Burgoyne moved to approve the minutes of January 21, 2016. Senator Stennett seconded the motion. The motion carried by voice vote.

MINUTES APPROVAL: Senator Bayer moved to approve the minutes of January 19, 2016. Senator Guthrie seconded the motion. The motion carried by voice vote.

S 1211 Chairman Siddoway welcomed Senator Dan Schmidt to the podium to introduce S 1211.

Senator Schmidt presented S 1211, which amends Idaho Code § 31-3517 to authorize reimbursement for travel expenses for county commissioners who are members of the Catastrophic Health Care Cost Program Board (Board). Senator Schmidt pointed out that this section of code change was voted on during the last legislative session but it did not pass the House; only a small section of that code change is currently before the Committee. The Board consists of six county commissioners, four legislators, the Director of the Department of Health and Welfare and a Gubernatorial appointee. Senator Schmidt stated that county commissioners are currently not compensated for their travel, noting that the Idaho Association of Counties (IAC) will not reimburse travel expenses because such action is not clearly outlined in statute.

Senator Johnson commented that notwithstanding the Board contract with the IAC that does allow for travel reimbursement, he does support this legislation.

Chairman Siddoway also recognized that the contract permits reimbursement for travel and expressed concern that the money budgeted for the Catastrophic Health Care Cost Account (CAT Fund) be utilized to protect the health and welfare of Idaho's citizens. Even though the amount requested is relatively small, funds redirected for travel reimbursement are no longer available for citizens in need. The Chairman sought assurance that the money will be spent in a manner consistent with the mission of the program. Senator Schmidt explained the administrative costs that are paid out of the CAT Fund to the IAC, which handles the bulk of administrative work, and acknowledged that those funds will not be available for patient care costs. He commented that travel expenses fall under the same category of administrative costs.
Chairman Siddoway asked how many meetings are held per year and if funding affects attendance at those meetings. Senator Schmidt responded that commissioners from larger counties have more of a presence on the Board due to larger county budgets, while commissioners from smaller counties typically phone in, resulting in underrepresentation of these counties.

Senator Stennett sought confirmation regarding how commissioners are compensated and if commissioners from rural counties are at a disadvantage due to funding issues. Senator Schmidt did not comment on how commissioners are compensated but stated that it is the responsibility of the respective county to pay for travel.

MOTION: Senator Johnson moved to send S 1211 to the floor with a do pass recommendation. Vice Chairman Guthrie seconded the motion. The motion carried by voice vote.

GUBERNATORIAL APPOINTMENT: Senator Burgoyne moved to send the Gubernatorial appointment of Linda Pike to the Idaho Board of Tax Appeals to the floor with the recommendation that she be confirmed by the Senate. Senator Stennett seconded the motion. The motion carried by voice vote.

GUBERNATORIAL APPOINTMENT: Vice Chairman Guthrie moved to send the Gubernatorial appointment of David E. Kinghorn to the Idaho Board of Tax Appeals to the floor with the recommendation that he be confirmed by the Senate. Senator Vick seconded the motion. The motion carried by voice vote.

GUBERNATORIAL APPOINTMENT: Senator Rice moved to send the Gubernatorial appointment of Leland G. Heinrich to the Idaho Board of Tax Appeals to the floor with the recommendation that he be confirmed by the Senate. Senator Bayer seconded the motion. The motion carried by voice vote.

ADJOURNED: There being no further business, Chairman Siddoway adjourned the meeting at 3:15 p.m.
AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Wednesday, February 03, 2016

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>H 344</td>
<td>Tax Hardship Application Deadline</td>
<td>Alan Dornfest, Idaho State Tax Commission</td>
</tr>
<tr>
<td>H 345</td>
<td>Forest Land Designation Appeals</td>
<td>Alan Dornfest, Idaho State Tax Commission</td>
</tr>
<tr>
<td>H 347</td>
<td>Sales and Use Tax, Hand Tools</td>
<td>Michael Chakarun, Idaho State Tax Commission</td>
</tr>
<tr>
<td>H 352</td>
<td>Income Tax, Employer Reports</td>
<td>Tom Shaner, Idaho State Tax Commission</td>
</tr>
<tr>
<td>H 425</td>
<td>Internal Revenue Code, Conformity</td>
<td>Ken Roberts, Idaho State Tax Commission</td>
</tr>
</tbody>
</table>

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS
Chairman Siddoway
Vice Chairman Guthrie
Sen McKenzie
Sen Johnson
Sen Rice

Sen Vick
Sen Bayer
Sen Stennett
Sen Burgoyne

COMMITTEE SECRETARY
Jennifer Carr
Room: WW50
Phone: 332-1315
e-mail: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, February 03, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: Senator McKenzie

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.

CONVENCED: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:04 p.m. and asked the secretary to take a silent roll.

H 344 Chairman Siddoway welcomed Alan Dornfest, Property Tax Policy Bureau Chief, Idaho State Tax Commission (Commission), to the podium.

Mr. Dornfest presented H 344, which changes the filing date to apply for a hardship exemption for relief from personal and real property taxes. The application deadline in current law is June 20; all other applications to the Board of Equalization must be filed by the fourth Monday in June. This legislation changes the deadline for the hardship exemption to the fourth Monday in June, aligning application filing dates. Mr. Dornfest indicated that the change also provides the taxpayer with a few more days to file applications.

MOTION: Senator Johnson moved to approve H 344 with a do pass recommendation. Vice Chairman Guthrie seconded the motion. The motion carried by voice vote.

H 345 Mr. Dornfest presented H 345, which provides an appeals process for taxpayers relating to forestland designation. Taxpayers choose a tax designation for timberland property, either as productive land (which precludes severance tax at time of harvest), or as bare land (which assigns a 3 percent tax on the value of timber at time of harvest). Taxpayers may defer this tax for a maximum of ten years. Mr. Dornfest specified that the bill addresses problems associated only with the bare land and yield tax option, should a county assessor determine a loss of designation as timberland. Under current law, property taxes are due at the time of redetermination and there is no appeals process in place. This legislation establishes an appeals process that provides notice to the taxpayer and time to file an appeal prior to billing, and is consistent with other property tax law.

MOTION: Senator Burgoyne moved to approve H 345 with a do pass recommendation. Senator Vick seconded the motion. The motion carried by voice vote.

H 347 Michael Chakarun, Tax Policy Manager, Idaho State Tax Commission, presented H 347. This legislation repeals language relating to hand tools costing $100 or less, making these items exempt from sales tax when used in the production of radio/television broadcasts, production of certain free newspapers, agricultural irrigation and logging. Mr. Chakarun indicated these changes were made consistent with 2015 HB 39, which removed the hand tools under $100 exclusion from the production exemption.
MOTION: Senator Vick moved to approve H 347 with a do pass recommendation. Senator Bayer seconded the motion. The motion carried by voice vote.

H 352 Tom Shaner, Income Tax Policy Specialist, Idaho State Tax Commission, presented H 352. This legislation changes the due date for employers to file employee income and withholding information with the Commission from the last day of the second month to the last day of the first month. Mr. Shaner indicated the change was made as a safeguard against identity theft and fraud and helps reduce delays in requests for physical copies of W-2s for refund requests reviewed by the Commission. He noted that the change is consistent with requirements in many other states and also adds a five-business-day period for employers to correct electronic filing errors. Mr. Shaner indicated the Commission received favorable feedback from the Idaho Society of Certified Public Accountants and a local payroll processing company. He then stood for questions.

Senator Rice asked if there was a process for extending the filing date for W-2s. Mr. Shaner replied that he is unaware of a mechanism for a formal extension, but if an individual requested an extension within the filing deadline, the Commission may consider delaying a penalty; he stated he would report back with a definitive answer. Senator Rice remarked that the federal government does provide opportunity for a 30-day filing extension under certain circumstances and has a corresponding form. He then asked how corrections are made on W-2s that are not submitted electronically and if the taxpayer is penalized for taking such action. Mr. Shaner replied that there is a process in place to receive subsequent corrected W-2s, similar to an amended tax return. He pointed out that the bill adds five business days to correct electronic filing errors, included at the request of industry groups. Senator Rice asked for further clarification from the Commission regarding extension procedures.

Senator Burgoyne asked if any state employers expressed opposition to this legislation, to which Mr. Shaner responded that he is not aware of any opposition, pointing out that these filing procedures are considered best-practice ideas within the tax industry to help combat identity theft.

MOTION: Chairman Siddoway asked for unanimous consent that HB 352 be held in Committee while awaiting clarification from the Commission regarding filing extension procedures. There were no objections.

H 425 Ken Roberts, Chairman, Idaho State Tax Commission, presented H 425, the annual tax conformity bill. Mr. Roberts stated that H 425 conforms Idaho income tax statute to the Internal Revenue Code (IRC) effective January 1, 2016, and is necessary because Idaho uses federal tax code as a base for determining taxable income. He pointed out that conformity also relieves the Legislature from creating and maintaining stand-alone tax code, simplifies tax preparation and facilitates tax administration. The passage of this bill is essential for taxpayers and tax professionals to begin processing and filing tax returns. Mr. Roberts explained the fiscal impact, outlining the $17.2 million General Fund revenue deduction for fiscal year (FY) 2016 and $28.7 million for FY 2017. He highlighted section 179, a federal deduction that allows taxpayers to deduct the cost of qualifying property in the year the asset is placed in service, rather than depreciating the asset over its tax depreciation life. He pointed out that passage of the bill prevents the $500,000 cap from resetting back to $25,000. Mr. Roberts then described additional changes in language regarding the definition of marriage for the purpose of the Idaho Income Tax Act. He indicated that the original language in subsection (c) was kept in the bill and subsection (d) was added in accordance with a Supreme Court ruling. He then stood for questions.
Senator Rice commented on the nature of the fiscal note, questioning the timing and sequence of lawmaking regarding the extension of federal deductions in relation to the state budgetary process.

Senator Burgoyne remarked that the conformity bill is necessary legislation but expressed a sense of disappointment that the language in subsection (c) was not stricken from Idaho code. He commented on the fiscal note and the impact of the 179 deduction in the current economic environment at the state and national level.

Chairman Siddoway expressed disappointment that a resolution was not reached by the Legislature regarding the issue of marriage in this circumstance, noting that a conflict exists between state and national primacy over certain issues. He stated that conformity is necessary, regardless of the conflicts pertaining to the definition of marriage.

Senator Rice commented that the bill acknowledges federal court rulings pertaining to the definition of marriage but does not change the result.

**MOTION:** Senator Rice moved to approve H 425 with a do pass recommendation. Senator Johnson seconded the motion.

Vice Chairman Guthrie commented that while he will supports the legislation, he feels subsections (c) and (d) are in conflict with one another. He also expressed concern regarding the sovereignty of the states relating to federal court rulings.

The motion carried by voice vote.

**ADJOURNED:** There being no further business, Chairman Siddoway adjourned the meeting at 3:50 p.m.

___________________________
Senator Siddoway
Chair

___________________________
Jennifer Carr
Secretary
AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Thursday, February 04, 2016

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<tr>
<td>H 348</td>
<td>Sales and Use Tax, Paddleboards</td>
<td>Michael Chakarun, Idaho State Tax Commission</td>
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<tr>
<td>H 353</td>
<td>Income Tax Withholding, Employers</td>
<td>Cynthia Adrian, Idaho State Tax Commission</td>
</tr>
<tr>
<td>H 358</td>
<td>Tax Commission, Requirement Removed</td>
<td>Alan Dornfest, Idaho State Tax Commission</td>
</tr>
<tr>
<td>H 361</td>
<td>Sales and Use Tax, Aircraft</td>
<td>Russell Westerberg, Western Aircraft</td>
</tr>
</tbody>
</table>

COMMITTEE MEMBERS
Chairman Siddoway
Vice Chairman Guthrie
Sen McKenzie
Sen Johnson
Sen Rice

Sen Vick
Sen Bayer
Sen Stennett
Sen Burgoyne

COMMITTEE SECRETARY
Jennifer Carr
Room: WW50
Phone: 332-1315
email: sloc@senate.idaho.gov
MOTION:

CONVENED:

TIME:

DATE:

HEAD:

NOTE:

MEMBERS PRESENT:

H 348

MOTION:

H 353

MOTION:

H 358

MOTION:

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

Thursday, February 04, 2016
3:00 P.M.
Room WW53
Vice Chairman Guthrie, Senators Rice, Vick, Bayer, Stennett and Burgoyne
Chairman Siddoway, Senators McKenzie and Johnson

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.

Vice Chairman Guthrie called the meeting to order at 3:01 p.m. and recognized
that Chairman Siddoway and Senator Johnson were attending a panel discussion
and absent from the Committee meeting.

Michael Chakarun, Tax Policy Manager, Idaho State Tax Commission
(Commission), presented H 348, which addresses a tax inequity pertaining to the
purchases of certain watercraft by nonresidents. The bill adds paddleboards and
similar vessels, defined as any boat intended to carry one or more person and is
11 or more feet in length, to the list of watercraft that are taxable to nonresident
purchasers. Mr. Chakarun pointed out that under current law, paddleboards
meeting these criteria may be purchased and used in Idaho by nonresidents without
paying sales tax.

Senator Stennett asked if there are other watercraft besides paddleboards that fit
the criteria outlined in H 348. Mr. Chakarun was unaware of any specific vessels
but indicated the language is inclusive of other watercraft that may emerge in the
future.

Senator Stennett moved to approve H 348 with a do pass recommendation. Senator
Vick seconded the motion. The motion carried by voice vote.

Cynthia Adrian, Tax Policy Specialist, Idaho State Tax Commission, presented H
353. This legislation modifies § 63-3035, Idaho Code, and allows employers who
pay employees once a month to file and remit withholding on a monthly schedule
instead of twice a month under current law. Ms. Adrian noted that this change will
lessen the burden on employers who remit just once a month.

Senator Bayer moved to approve H 353 with a do pass recommendation. Senator
Burgoyne seconded the motion. The motion carried by voice vote.

Alan Dornfest, Property Tax Policy Bureau Chief, Idaho State Tax Commission,
presented H 358. Mr. Dornfest explained the first technical change, which deletes
the requirement that the Commission provide valuation information to the Idaho
Department of Education and State Board of Education, indicating the report is
no longer being utilized. The second change pertains to the distribution of sales
tax revenue. Mr. Dornfest explained that there is a reference in the sales tax
distribution law that is not found within current statute; the legislation clarifies that
reference and provides direction to the appropriate section.

Senator Bayer moved to approve H 358 with a do pass recommendation. Senator
Vick seconded the motion. The motion carried by voice vote.
Russell Westerberg, speaking on behalf of Western Aircraft, introduced H 361. This legislation eliminates the June 30, 2016, expiration of the 1988 sales tax exemption on aircraft (and parts installed on them) used to provide passenger or freight service. Mr. Westerberg noted that the exemption was designed to encourage commercial aircraft to enlist repair and maintenance services in Idaho and has positively impacted aviation services around the State. He pointed out that the exemption was instrumental in Sky West's decision to build a $18.5 million facility at Boise Airport, and he suggested that Sky West would consider relocating if the exemption were to expire. He then asked Austin Shontz, General Manager, Western Aircraft, to the podium.

Mr. Shontz provided an overview of Western Aircraft's operations, as well as the positive effects the exemption has had on its ability to compete with larger companies, increase its labor force and expand its operations. Mr. Shontz indicated that 47 out of 50 states currently have a sales exemption for aircraft parts, and the continuation of the exemption will help create a level playing field for aviation companies in Idaho.

Senator Stennett sought clarification regarding statistics pertaining to a decrease in the labor force in 2015, as presented in slide 23 (see attachment 1). Mr. Shontz explained that Western Aircraft restructured and resized its operations as a result of market changes.

Jeff Jackson, CEO of Jackson Jet Center, spoke in support of H 361. Mr. Jackson expressed how the exemption has allowed his business of aircraft management to grow and prosper. He stated his competitors are largely out-of-state operators, and without the exemption his company would be at a disadvantage.

Jani Revier, Administrator, Idaho Division of Financial Management (DFM), expressed concern about the fiscal note as recorded in H 361. She stated that DFM projects a fiscal impact of $1.7 million in fiscal year (FY) 2017 and $1.8 million in each subsequent year, which represents the projected sales tax that would be collected should the exemption expire. She pointed out DFM does not utilize dynamic scoring when preparing fiscal impacts. Ms. Revier explained that the projected fiscal impact is important because the forecasted revenue is used as the basis for the budgeting process.

Senator Burgoyne inquired if the projected fiscal impact is a net of increased employment and resulting income taxation that will occur as a result of a multiplier effect, to which Ms. Revier responded that DFM does not take into consideration dynamic scoring. She recognized that the multiplier effect does exist but explained that DFM takes a more conservative approach when examining fiscal impact.

Vice Chairman Guthrie invited Mr. Westerberg back to the podium to offer a closing statement. Mr. Westerberg noted that he consulted with DFM while preparing this legislation and then highlighted the economic benefits the exemption has provided the aircraft industry and the State of Idaho.

Vice Chairman Guthrie posed a question to Ms. Revier, asking if DFM reports projected revenue under similar circumstances when legislation calls for the continuation of an exemption. Ms. Revier replied that this is similar to tax extenders or conformity bills and indicated that DFM is not opposed to the content of H 361 but wants to ensure accountability in the budgeting process.

Senator Burgoyne asked Ms. Revier if the projected fiscal impact figures take into account a situation in which there is no additional business or revenue generated
as a result of the exemption expiring. Ms. Revier responded that the fiscal impact does not take dynamic factors into account when projecting fiscal impact.

**MOTION:** Senator Vick moved to approve H 361 with a do pass recommendation. Senator Burgoyne seconded the motion.

Senator Bayer commented that he appreciated the presentation and subsequent dialogue about the implications to business. He noted that although he does not necessarily support the foregone collections perspective, he recognizes the value of the exemption and supports the motion.

Senator Burgoyne commented that he believes the exemption has worked as originally intended and the approach taken by industry in this case is what should be expected from other stakeholders seeking a continuation of similar exemptions. He remarked that he recognizes the approach taken by DFM in regards to projecting fiscal impact, the Legislature should consider dynamic scoring, especially when examining the economic benefits and consequences of such exemptions.

The motion was carried by voice vote.

**ADJOURNED:** There being no further business, Vice Chairman Guthrie adjourned the meeting at 3:45 p.m.
Western Aircraft Testimony
Regarding H.361 – Sales Tax Exemption for Aircraft Parts

February 4, 2016

Austin Shontz, General Manager
Kevin Kaye, Controller
Brian Rehberg, Director Sales & Marketing
Peter Woodke, Govt Relations & Contracts Mgr
• Introduction – Western Aircraft
• The Sales Tax Exemption and the Aviation Services Industry
• What Does the Sales Tax Exemption Mean for Western Aircraft and Other Aviation Services Companies in Idaho?
• Western’s Master Plan with the Sales Tax Exemption
Western Aircraft is an aviation services company located at the Boise Airport for more than 80 years.

Western has been an FAA certified repair station for 60 years and is one of 30 FAA certified repair stations in the state of Idaho.
The Sales Tax Exemption and the Aviation Services Industry
47 out of 50 States have a Sales Tax Exemption for Aircraft Parts*

- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Delaware
- Florida
- Georgia
- Hawaii
- Idaho
- Illinois
- Kansas
- Kentucky
- Louisiana
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Mississippi
- Missouri
- Montana
- Nebraska
- Nevada
- New Hampshire
- New Jersey
- New Mexico
- New York
- North Carolina
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Rhode Island
- South Carolina
- Tennessee
- Utah
- Virginia
- Vermont
- Washington
- West Virginia
- Wisconsin
- Wyoming

States with No Sales Tax Exemption
North Dakota
South Dakota
Texas

*Competitors’ States in Bold
• **94%** of Western’s business comes from out of state. To grow our business we must expand to the East.

• Since 2014, the following states have expanded or passed a sales tax exemption on aircraft parts: Arkansas, Georgia, Missouri, New York, South Carolina, Wisconsin and Nevada.

• Western’s primary competitors all benefit from a sales tax exemption.
Western Aircraft is competing against companies with multiple facilities and larger employee bases.

- **All** of Western’s key competitors benefit from a state sales tax exemption on installed aircraft parts.
- The market for aircraft maintenance services currently has approximately 50% excess capacity.
- The impact on companies like Western Aircraft is tighter margins and lower labor rates.
- Labor rates have decreased to $55-$75/hour on some projects.
What does the Sales Tax Exemption mean for the Idaho Aviation Services Industry and Western Aircraft?
Aircraft Maintenance Drives Jobs

- Accounts for approximately **70%** of Western’s workforce.
- Drives job growth and Western’s master plan.

**Maintenance has:**
- Tightest margins and challenged labor rates.
- Fiercest competition out of all of Western’s business units.

No sales tax exemption risks existing jobs, future job growth, and the economic benefits they provide.
Without the sales tax exemption, Western’s competition will have an immediate and ongoing 6% cost advantage on sales of parts.
Each of these jobs were > $500K and required more than 15 technicians.

Increased win rate in this category will drive job growth and allow Western to follow its Master Plan.

Competition is fierce and the sales tax exemption levels the playing field. All of Western’s key competitors benefit from a state sales tax exemption.

Western is working to increase the quantity of jobs that we bid as well as our success rate against larger competitors.
## Idaho’s FAA Approved Repair Stations

90% of the repair stations responding said that they benefit from the sales tax exemption.

<table>
<thead>
<tr>
<th>Company</th>
<th>Address</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVIATION SPECIALITES UNLIMITED INC</td>
<td>4632 WEST AERONCA STREET, BOISE, ID 83705</td>
<td>(208) 426-8117</td>
</tr>
<tr>
<td>AVIONICS SHOP INC</td>
<td>105 JOSLIN WAY, TWIN FALLS, ID 83301</td>
<td>(208) 733-4855</td>
</tr>
<tr>
<td>BIRD SPACE TECHNOLOGY INC</td>
<td>1655 GLENGARY BAY RD., SANDPOINT, ID 83864</td>
<td>(509) 263-2549</td>
</tr>
<tr>
<td>CONYAN AVIATION INC</td>
<td>4888 AERONCA, BOISE, ID 83705</td>
<td>(208) 342-1042</td>
</tr>
<tr>
<td>EMPIRE AIRLINES INC</td>
<td>11549 N. ATLAS ROAD, HAYDEN, ID 83835</td>
<td>(208) 292-3850</td>
</tr>
<tr>
<td>EXECUTIVE AVIONICS INC</td>
<td>2465 COMMERCE AVENUE, BOISE, ID 83705</td>
<td>(208) 336-5571</td>
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<tr>
<td>HELICOPTER MAINTENANCE CORP</td>
<td>2465 COMMERCE AVENUE, BOISE, ID 83705</td>
<td>(208) 344-6521</td>
</tr>
<tr>
<td>HELL-JET CORP</td>
<td>4130 HELI PORT ROAD, NAMPA, ID 83687</td>
<td>(208) 318-0100</td>
</tr>
<tr>
<td>HILLCREST AIRCRAFT COMPANY INC</td>
<td>540 O’CONNOR ROAD, LEWISTON, ID 83501</td>
<td>(208) 746-8271</td>
</tr>
<tr>
<td>LENNYS AIMOTIVE INC</td>
<td>PO BOX 101, SALMON AIRPORT, SALMON, ID 83467</td>
<td>(208) 756-3152</td>
</tr>
<tr>
<td>MACHEN INC</td>
<td>10555 AIRPORT DRIVE, HAYDEN LAKE, ID 83835</td>
<td>(208) 762-0338</td>
</tr>
<tr>
<td>MISSION AVIATION FELLOWSHIP</td>
<td>107 N PILATUS LN, NAMPA, ID 83687</td>
<td>(208) 498-0800</td>
</tr>
<tr>
<td>NIICD AVIONICS</td>
<td>3833 S. DEVELOPMENT AVENUE, BOISE, ID 83705</td>
<td>(208) 387-5648</td>
</tr>
<tr>
<td>SELKIRK AVIATION INC</td>
<td>3155 CESSNA AVENUE, HAYDEN, ID 83835</td>
<td>(208) 664-9589</td>
</tr>
<tr>
<td>SKYLINE AIRCRAFT AVIONICS DIVISION</td>
<td>3323 AIRPORT RD, NAMPA, ID 83687</td>
<td>(208) 461-8458</td>
</tr>
<tr>
<td>TETON AVIONICS INC</td>
<td>1940 INTERNATIONAL WAY, IDAHO FALLS, ID 83402</td>
<td>(208) 524-2666</td>
</tr>
<tr>
<td>TETON AVJET LLC</td>
<td>253 WARBIRD LANE, DRIGGS, ID 83422</td>
<td>(208) 354-3188</td>
</tr>
<tr>
<td>TRANSPORTATION SYSTEMS INC</td>
<td>3541 RICKENBACKER , BOISE, ID 83705</td>
<td>(208) 343-2524</td>
</tr>
<tr>
<td>TURBO AIR INC</td>
<td>4000 S. ORCHARD, BOISE, ID 83705</td>
<td>(208) 343-3300</td>
</tr>
<tr>
<td>WESTERN AIRCRAFT INC</td>
<td>4300 S KENNEDY ST, BOISE, ID 83705</td>
<td>(208) 338-1800</td>
</tr>
<tr>
<td>AERO ACCESSORY SVC INC</td>
<td>612 SCOTT STREET, BOISE, ID 83705</td>
<td>(208) 344-4641</td>
</tr>
<tr>
<td>BOISE AEROSTAT SERVICE EXCHANGE</td>
<td>12378 CEDARWOOD DRIVE, BOISE, ID 83709</td>
<td>(208) 323-7278</td>
</tr>
<tr>
<td>JC &amp; ASSOCIATES INC.</td>
<td>650 EAST AMITY , BOISE, ID 83716</td>
<td>(208) 338-1723</td>
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<tr>
<td>NAMPA VALEY HELICOPTERS INC</td>
<td>5717 ALBATROSS, BOISE, ID 83705</td>
<td>(208) 362-0854</td>
</tr>
<tr>
<td>PRECISION PROPELLER SERVICE INC</td>
<td>4777 AERONCA ST, BOISE, ID 83705</td>
<td>(208) 344-5161</td>
</tr>
</tbody>
</table>
Western Aircraft’s Master Plan with the Sales Tax Exemption
New Aircraft Coming to Market

- Falcon 8x - 2016 Entry Into Service
- Falcon 5x - 2017 Entry Into Service
- Pilatus PC24 - 2017 Entry Into Service
Two lease parcels were added in 2014 to prepare for the additional construction as part of our Master Plan.
## Capital Investment Plan

<table>
<thead>
<tr>
<th>Project</th>
<th>Budget</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tool Room &amp; shops</td>
<td>$1,100,000</td>
<td>Complete</td>
</tr>
<tr>
<td>Parts Facility</td>
<td>$1,000,000</td>
<td>Complete</td>
</tr>
<tr>
<td>Interiors Facility</td>
<td>$2,000,000</td>
<td></td>
</tr>
<tr>
<td>Aircraft Sales Facility</td>
<td>$700,000</td>
<td></td>
</tr>
<tr>
<td>Paint Hangar #1</td>
<td>$4,000,000</td>
<td></td>
</tr>
<tr>
<td>Maintenance Hangar</td>
<td>$4,000,000</td>
<td></td>
</tr>
<tr>
<td>Paint Hangar #2</td>
<td>$5,000,000</td>
<td></td>
</tr>
</tbody>
</table>

**Total Planned Spending**  $18,934,022
New Parts Warehouse - Complete 2014

- Occupancy Date: January 2014
- 14,000 square feet
Infill Building – Complete June 2014

- Occupancy Date: June 2014
- 12,000 square feet
Proposed Interiors Facility

22,940 ft² building at Kennedy & Boeing Streets
– Across the street from the new OTC parts facility
Proposed Aircraft Sales & Charter Facility

Attached to the existing Hangar 5, facing Aeronca Street
Proposed Paint Facility with Future Downdraft Bay

Phase II

Phase III

Downdraft Bay

Crossdraft Bay
Since Passage of the Sales Tax Exemption in March 2012 Western Aircraft has:

• Increased employment by an annual average of 26 positions.
  – Added $2.77M to annual payroll.
  – Produced a total sales and income tax benefit of $407K utilizing the formula provide by the Idaho Department of Labor.
  – Increased average salary from $54,535 to $61,956.

• Spent $3.3M on capital improvements with another $15M in the master plan.
  – Capital spending generated $79K of sales tax revenue.

• Generated $500K per year of spending on hotel rooms, rental cars and restaurants by its customers.
Western Aircraft Maintenance Employment with and without the Sales Tax Exemption

![Bar chart showing employment trends with and without the sales tax exemption from 2011 to 2020.](chart.png)
Western Aircraft – Projected Sales, Income and Construction Tax Collection and the Sales Tax Exemption

Western Added Jobs Tax Collection & Construction Taxes Projections

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$50,000</td>
<td>$-</td>
<td>$-</td>
<td>$100,000</td>
<td>$200,000</td>
<td>$300,000</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

- **With Exemption**
- **Without Exemption**
Conclusion

Re-authorization of the sales tax exemption in 2016 is imperative to create a level playing field for aviation companies in Idaho.

- 94% of Western Aircraft’s business comes from out of state.
  - We compete in a national marketplace.
  - Competition is fierce.
  - To be competitive we must attract more out-of-state business.

- 47 out of 50 states have a sales tax exemption on installed aircraft parts.
  - Arkansas, Georgia, Missouri, New York, South Carolina, Wisconsin and Nevada passed the exemption since 2014.

- 90% of responding Idaho FAA Repair Stations (representing 1,000 jobs) said they benefit from the sales tax exemption.

- The sales tax exemption benefits the state of Idaho by allowing companies to compete and grow their business, generating new jobs, and increasing capital investment.
Western Aircraft appreciates the support from the Idaho legislature and requests reauthorization of the sales tax exemption and the permanent removal of the sunset provision.
Appendix
Western Faces Excess Capacity in the Industry

The market for aircraft maintenance services currently has approximately 50% excess capacity. The impact on companies like Western Aircraft is tighter margins and lower labor rates. Labor rates have decreased to $55-$75/hour on some projects.
Western Aircraft is an aviation services company located at the Boise Airport for more than 80 years.

Western has been an FAA certified repair station for 60 years and is one of 30 FAA certified repair stations in the state of Idaho.
Idaho Sales Tax Exemption for Aircraft Parts passed in 2012

- Applies only to non-resident aircraft.

94% of Western Aircraft’s business comes from out of state

- Includes aircraft of any size in private use (Part 91). No weight restriction.

- Restricts the tax exemption to parts installed at FAA approved repair stations.

Benefits Western Aircraft and 29 other companies throughout Idaho

- The exemption includes a sunset clause and will expire on June 30, 2016 unless re-authorized by the Idaho Legislature.
### Key Competition - Employment

<table>
<thead>
<tr>
<th>Location</th>
<th>Company</th>
<th>Employment</th>
<th>Sales Tax on Aircraft Parts?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boise, ID</td>
<td>Western Aircraft</td>
<td>179</td>
<td>No</td>
</tr>
<tr>
<td>Battle Creek, MI</td>
<td>Duncan Aviation</td>
<td>574</td>
<td>No</td>
</tr>
<tr>
<td>Lincoln, NE</td>
<td>Duncan Aviation</td>
<td>1897</td>
<td>No</td>
</tr>
<tr>
<td>Provo, UT</td>
<td>Duncan Aviation</td>
<td>18</td>
<td>No</td>
</tr>
<tr>
<td>Wichita, KS</td>
<td>Bombardier &amp; Hawker Beech</td>
<td>400</td>
<td>No</td>
</tr>
<tr>
<td>Little Rock, AR</td>
<td>Dassault FalconJet</td>
<td>1400</td>
<td>No</td>
</tr>
<tr>
<td>Reno, NV</td>
<td>Dassault FalconJet</td>
<td>18</td>
<td>No</td>
</tr>
<tr>
<td>Wilmington, DE</td>
<td>Dassault FalconJet</td>
<td>340</td>
<td>No</td>
</tr>
<tr>
<td>Springfield, IL</td>
<td>Standard Aero</td>
<td>300</td>
<td>No</td>
</tr>
<tr>
<td>St. Louis, MO</td>
<td>Midcoast (Jet Aviation)</td>
<td>950</td>
<td>No</td>
</tr>
<tr>
<td>East Alton, IL</td>
<td>West Star Aviation</td>
<td>210</td>
<td>No</td>
</tr>
<tr>
<td>Grand Junction, CO</td>
<td>West Star Aviation</td>
<td>300</td>
<td>No</td>
</tr>
<tr>
<td><strong>Total Employment</strong></td>
<td><strong>Total Employment</strong></td>
<td><strong>6586</strong></td>
<td></td>
</tr>
<tr>
<td>In states w/o sales tax on parts</td>
<td><strong>6586</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In states w/ sales tax on parts</td>
<td><strong>0</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **None** of Western’s competitors charge a sales tax on installed parts.
The Sales Tax Exemption Benefits Aircraft Operations in Idaho including Western Aircraft

- Creates a level playing field for Idaho aviation service companies when competing with larger companies.
- Leads to opportunities to win large out-of-state projects.
- Provides overall stability of employment.
- Promotes growth leading to increased good paying skilled jobs.
What else must Western do to Compete for Large Jobs (94% Out of State Customers)?

- We Provide Customers with Fuel Credits to Fly an Aircraft to Idaho and Fly Over Competition.
- We Offer Discounted Labor Rates to Customers.
- We Provide Hotel Rooms and Rental Car Services.
Commitment to Hire Idaho Residents and Veterans

• **Hire local Idaho residents**
  64% of new hires at Western Aircraft from 2012 thru 2015 were Idaho residents.

• **Veteran Workforce**
  30% of Western Aircraft’s Workforce are Veterans.
  Of these individuals, 76% work in Aircraft Maintenance.
Partnership with ISU and Internships

- **Partner with Idaho State University**
  - Donated cockpit trainer in 2012
  - Conducted training courses in 2012, 2013 and 2014
  - In 2015, 2 Interns came from Idaho State and Western hired 1 female A&P Tech
  - In 2015, hosted tour and information session for educators from State of Idaho Division of Professional & Technical Education
  - Planned for 2016
    - Interview for Intern & Tech 1 positions in Spring
    - More training courses

- **Create paid internships at Western Aircraft**
  - Hired engineering interns in 2013, 2014, and 2015
  - Hired technician interns in 2014 and 2015
  - Open house with Dehryl Dennis Tech Center in 2012 and 2013
Working with OEM’s to Expand Fleet Types

EMBRAER

BOMBARDIER

Gulfstream®
A General Dynamics Company
More than 60 new customers were landed at Western from 2012 thru 2015. The sales tax exemption is helping to grow Western’s market share.
New Fleet Capability - Challenger

Commitment: Add Challenger to maintenance capabilities

Actual: Western Aircraft added Challenger in 2012 and two other fleet types (Quest and Cessna) in 2013.
Expanding Western’s Capabilities

• Expanded Avionics and Interiors Capabilities
• Added PT6 Engine Repair Capability
• Added NDT (Non-Destructive Testing) Capability
Expand Avionics Capability

Commitment: Expand Avionics Capability

Actual: Added 8 avionics technicians in 2013. Staff fully trained on Garmin G1000 and Falcon Easy2 mods
Expanded Interior Capability

Commitment: Expand Interiors Capability

Actual: Increased interiors shop from 5 to 18 employees in 2012
Shop is now fully staffed and capable
New PT6 Engine Repair Capability

- Technician performs torque limit testing and borescope inspection on PT6 engine
- In 2014 Western gained authorization to disassemble and inspect the core engine
New Tool Room- Infill Building
New Data Center in Hangar 2
Hangar 3 Upgrades

- Made possible by relocating Avionics to new facility
- Supports additional back shop activity and design center
New Training Room - Infill Building
New Planning Offices in Hangar 2
New Avionics Shop- Infill Building
TITLe 63
reVEnue And TaxAtion

chApEr 36
saLes TaX

63-3622GG. AIRCRAFT. [EFFECTIVE UNTIL JUNE 30, 2016] There is exempted from the taxes imposed by this chapter:
   (1) The sale, lease, purchase, or use of aircraft primarily used to provide passenger or freight services for hire as a common carrier only if:
       (a) The person operates the aircraft under the authority of the laws of this state, the United States or any foreign government; and
       (b) The aircraft is used to provide services indiscriminately to the public;
   (c) The aircraft itself transports the person or property from one location on the ground or water to another.
   (2) The sale, lease, purchase or use of aircraft primarily used for air ambulance services.
   (3) The sale, lease or purchase of aircraft for use outside this state by nonresidents, even though delivery be made within this state, but only when:
       (a) The aircraft will be taken from the point of delivery to a point outside this state;
       (b) The aircraft will not be used in this state more than ninety (90) days in any twelve (12) month period.
   (4) Repair and replacement materials and parts installed in or affixed or applied to, or sold, leased or purchased to be installed in or affixed or applied to, aircraft in connection with the remodeling, repair or maintenance of aircraft described under subsections (1) and (2) of this section and industry standard, federal aviation administration (FAA) approved materials, parts and components installed on non-resident privately owned aircraft by qualified employees of an FAA approved Idaho repair station are exempt. Tools and equipment utilized in performing such remodeling, repair or maintenance are not exempt.

History:

How current is this law?
Search the Idaho Statutes
## AMENDED AGENDA #1
### SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Tuesday, February 09, 2016

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>DESCRIPTION</th>
<th>PRESENTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>MINUTES</td>
<td>Approval of Minutes from January 26, 2016</td>
<td>Senator Bayer</td>
</tr>
<tr>
<td>H 352</td>
<td>Income Tax, Employer Reports</td>
<td>Chairman Siddoway</td>
</tr>
<tr>
<td>H 359</td>
<td>Operating Property, Taxable Value</td>
<td>Alan Dornfest, Idaho State Tax Commission</td>
</tr>
<tr>
<td>H 360</td>
<td>Taxing Districts, Date Requirements</td>
<td>Alan Dornfest</td>
</tr>
<tr>
<td>H 376</td>
<td>Cigarette Tax, Wholesaler Bonding</td>
<td>Michael Chakarun, Idaho State Tax Commission</td>
</tr>
</tbody>
</table>

### COMMITTEE MEMBERS
- Chairman Siddoway
- Vice Chairman Guthrie
- Sen McKenzie
- Sen Johnson
- Sen Rice
- Sen Vick
- Sen Bayer
- Sen Stennett
- Sen Burgoyne

### COMMITTEE SECRETARY
- Jennifer Carr
- Room: WW50
- Phone: 332-1315
- email: sloc@senate.idaho.gov
MINUTES  
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 09, 2016  
TIME: 3:00 P.M.   
PLACE: Room WW53 

MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Vick, Bayer, Stennett and Burgoyne  
ABSENT/EXCUSED: Senator Rice  

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 3:04 p.m. and asked the secretary to take a silent roll. He noted that Chairman Siddoway would be joining the Committee meeting after attending a panel discussion.

MINUTES APPROVAL: Senator Bayer moved to approve the Minutes of January 26, 2016. Senator Stennett seconded the motion. The motion carried by voice vote.

H 359  
Alan Dornfest, Property Tax Policy Bureau Chief, Idaho State Tax Commission (Commission), presented H 359. The purpose of this legislation is to clarify that operating property is not apportioned to flood control, community infrastructure, watershed improvement, herd and levee districts. These taxing districts only levy on real property. Mr. Dornfest noted that this bill provides clarity and continuation of current practice. He explained that prior to statutory changes made in 2008 HB 599, operating property was not delineated into real and personal property. This meant that for certain taxing districts, specifically flood control, community infrastructure, watershed improvement, herd and levee districts, which are only permitted to levy property tax against real property, operating property companies did not pay any tax. Mr. Dornfest indicated the Commission seeks to codify current practice by providing that operating property not be included in the taxable value for the purpose of making a levy against real property.

MOTION: Senator Johnson moved to approve H 359 with a do pass recommendation. Senator Bayer seconded the motion. The motion carried by voice vote.

H 360  
Mr. Dornfest presented H 360, pertaining to filing requirements for taxing districts. This legislation requires taxing districts be formed by January 1 in order to levy property tax in the subsequent year. Mr. Dornfest indicated that all taxing districts, with the exception of three community infrastructure districts in Ada County, are currently held to this provision. The bill requires all districts in the State of Idaho be subject to the January 1 filing deadline, and he noted that this will reduce the likelihood of levy calculation errors and mapping and tax code area inconsistencies. Mr. Dornfest also specified that enforcement will not go into effect until January 1, 2017, in order to incorporate any new community infrastructure districts that may form. He then stood for questions.

Senator McKenzie asked if a different filing date for community infrastructure districts is written in statute and in which case would need to be retracted, or is not clearly stated in current code. Mr. Dornfest replied that current code is unclear because it does not include a filing date for these districts.
Senator Burgoyne inquired if urban renewal districts are affected by this legislation, to which Mr. Dornfest replied that urban renewal districts are already held to the January 1 filing requirement.

Senator Bayer asked how the proposed filing date change may affect the process for cities considering expansion through annexation. Mr. Dornfest replied that cities are already held to the January 1 filing requirement, so the legislation would not impact that process. He emphasized that there is no change for any taxing district except community infrastructure districts.

Senator Burgoyne asked if the three community infrastructure districts specified were involved in drafting this legislation and provided a position regarding the filing date change. Mr. Dornfest replied that the Commission did not reach out to these districts.

MOTION: Senator Johnson moved to approve H 360 with a do pass recommendation. Vice Chairman Guthrie seconded the motion. The motion carried by voice vote.

H 376 Michael Chakarun, Tax Policy Manager, Idaho State Tax Commission, presented H 376, which updates cigarette tax bonding requirements in § 63-2510A, Idaho Code. Mr. Chakarun reported that this legislation repeals the minimum bond requirement of $1,000 and now requires a bond amount to be the greater of twice the estimated average tax liability for the reporting period or the value of stamps in the wholesaler's inventory, including the value of stamps ordered but not received. The legislation also continues the bond waiver program. Mr. Chakarun explained that there is guesswork on the part of the taxpayer when applying for a permit to become a cigarette wholesaler; often, a minimum bond requirement is provided by the applicant, who subsequently requests more cigarettes than are covered by the initial bond amount. The result is continued back-and-forth communication between the Commission and applicant to determine the correct bond amount. He indicated that the proposed changes will streamline this process. Mr. Chakarun also stated the cost of stamps and cigarettes are now more expensive, making the original bond amount obsolete. He then stood for questions.

Senator Stennett asked if the proposed changes are a result of delinquency or loss caused by applicants manipulating the bond application process. Mr. Chakarun responded that the Commission does not currently have problems with permit holders; as a preemptive approach, the Commission wants to ensure that the correct bond amount is identified at the front-end of the process.

Senator Burgoyne sought clarification on the relationship between the value of stamps and estimated tax liability. Mr. Chakarun explained that through the proposed changes the Commission wants to be able to match the tax liability with the amount of bonds in place.

Chairman Siddoway asked for clarification on how stamps are placed on cigarette packages. Mr. Chakarun explained there is a machine that applies stamps to individual packages of cigarettes before the box is sealed. In some cases, the wholesaler will send cigarettes unstamped to the distributor, who will then apply the stamps.

MOTION: Vice Chairman Guthrie moved to approve H 376 with a do pass recommendation. Senator McKenzie seconded the motion. The motion carried by voice vote.
Chairman Siddoway invited Tom Shaner, Tax Policy Specialist, Idaho State Tax Commission, to the podium.

Mr. Shaner provided clarification to the Committee regarding questions posed about tax extension procedures during a previous meeting. He explained that the Commission does allow for certain extensions, noting that Idaho Code § 63-114 allows for a one-year extension for an officially declared disaster; in addition, he described a Commission rule that allows for a one-month filing extension. Mr. Shaner pointed out that the Commission routinely receives and honors state extension requests and will honor federal extensions as well.

Senator Burgoyne asked if a federal extension is granted in conjunction with a state exemption, is the taxpayer then not obligated to pay and report until the extension period expires. Mr. Shaner explained that Idaho routinely grants 30-day extensions under reasonable circumstances. Senator Burgoyne then asked if the state waiver simply provides a reconciliation period or relieves the taxpayer of the obligation to pay, and how such policy relates to Internal Revenue Service (IRS) policy. Mr. Shaner replied that report and payment are delayed 30 days by the State without penalty, while the IRS provides 15 days for such action. He indicated that if the IRS granted a waiver, the Commission would take similar action.

MOTION: Vice Chairman Guthrie moved to approve H 352 with a do pass recommendation. Senator Stennett seconded the motion. The motion carried by voice vote.

ADJOURNED: There being no further business, Chairman Siddoway adjourned the meeting at 3:30 p.m.
**SUBJECT** | **DESCRIPTION** | **PRESENTER**
--- | --- | ---
 | Working Tax Group Progress Report | Eric Milstead, Legislative Services Office |
 |  | Discussion on forming an Interim Tax Committee |  |

*If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.*

**COMMITTEE MEMBERS**
- Chairman Siddoway
- Vice Chairman Guthrie
- Sen McKenzie
- Sen Johnson
- Sen Rice

**COMMITTEE SECRETARY**
- Jennifer Carr
- Room: WW50
- Phone: 332-1315
- email: sloc@senate.idaho.gov
MINUTES
JOINT MEETING
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 16, 2016
TIME: 9:00 A.M.
PLACE: House Majority Caucus Room
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
Chairman Collins, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen (Hartgen), Kauffman, Nate, Scott, Thompson, Erpelding, Nye and Rudolph

ABSENT/EXCUSED: Vice Chairman Trujillo and Representative Chaney

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: Chairman Collins called the joint meeting of the Senate Local Government and Taxation Committee and House Revenue and Taxation Committee to order at 9:01 a.m. He welcomed members from both committees and explained that the meeting was intended to provide a forum for discussion on tax issues, as well as a review of the progress of the Tax Working Group.

Chairman Siddoway explained that the decision to meet in a different location was to allow face-to-face discussion and gather ideas on how to proceed in terms of future tax policy. He welcomed Senators Lee and Den Hartog, who are members of the Tax Working Group.

PRESENTATION: Eric Milstead, Director, Legislative Services Office (LSO), reviewed the work and progress of the 2015 Tax Working Group. Mr. Milstead noted that this group was appointed in September 2015, to discuss tax policy, identify short- and long-term goals and develop strategies to avoid potential late-session issues. He indicated that as the Group's work progressed, the focus narrowed to include income, sales and personal property tax. Mr. Milstead then discussed the Group's visits to the Utah legislature and the knowledge gained from those visits regarding Utah's process of creating and implementing tax policy. He highlighted the collaborative nature of their approach, as well as their emphasis on transparency and public outreach, which contributed to their success in achieving their goals. Mr. Milstead shifted his focus back to the Idaho Working Tax Group, providing information on the varying tax issues addressed, noting topics of general and specific emphasis (see attachment 1), as well as Idaho’s current tax exemptions and deductions (see attachment 2). He addressed possible pathways to future implementation of tax reform, including the creation of a permanent interim tax committee by concurrent resolution. Mr. Milstead argued that the benefit of such a committee, when given specific directives, is the ability to handle groundwork for germane committees. He suggested that LSO may be utilized for limited staffing; for more extensive staffing needs, money would need to be appropriated for permanent positions.
DISCUSSION: Chairman Collins asked the members for input regarding a target tax rate to work towards, referencing Utah's progression to a 5 percent tax rate.

Chairman Siddoway referenced the map of national tax rates (see attachment 3) and noted that Idaho has made some attempts to reduce tax rates over recent years. He commented that if Idaho did identify a target rate, it would be necessary to eliminate a number of current deductions in a manner similar to Utah's legislature as they worked to reach a 5 percent tax rate. Chairman Siddoway remarked that if the consensus is that current tax rate needs to be changed in order to make Idaho more competitive with its neighbors, it will be necessary to reduce the number of exemptions in the tax code. Public outreach will be a critical part of this process in terms of educating taxpayers on the benefits of potential reform. He asked the committee to consider which tax (property, sale or individual) to focus on and if there is a need to form a permanent interim committee to continue work on these issues.

Chairman Collins referenced current tax exemptions and deductions in Idaho, commenting on the nature of untaxed revenue.

Representative Moyle commented that although he agrees that income tax rates are too high, he does not agree that a tax cut requires a corresponding tax increase. He remarked that as Idaho's economy continues to grow, we can offset some of these issues with revenue growth. Representative Moyle referenced various tax rates of neighboring states in comparison to Idaho, stating he does not believe Idaho should raise taxes.

Senator Burgoyne remarked that a policy decision must be made on how to approach potential reductions of tax rates. He commented that from a marketing standpoint, a reduction in tax rates will make Idaho more economically competitive with its neighbors while simultaneously generating similar effective rates. Senator Burgoyne felt that a resolution must be reached by this body before effectively moving forward with tax reform.

Representative Anderson remarked that Idaho has one of the lowest overall tax burdens in the country and asked if the Tax Working Group took that into consideration. Chairman Collins responded that they did consider equitable tax rates, among other factors, and the meeting today is an opportunity to consider how to incorporate these factors into future tax policy. Representative Anderson then provided examples of how tax rates in Utah and Idaho are fairly similar in impact on the taxpayer.

Chairman Collins asked Keith Bybee, Principal Budget and Policy Analyst, LSO, to provide comparison information. Mr. Bybee provided specific information on how tax comparisons are generated and what factors are included in analysis.

Senator McKenzie remarked that if Idaho has lower effective tax rates than other states but higher apparent rates, this becomes a policy issue rather than a marketing issue, emphasizing that tax policy should be transparent and predictable. He commented that there is value in examining the number of expenditures, in coordination with the executive branch and with public involvement.

Representative Raybould remarked that if a decision is made to form an interim tax committee, germane committees, as well as the executive branch, must identify specific areas of focus and provide direction for future action. He explained that specific problem areas need to be identified, followed by the examination of similar problem areas in surrounding states and discussion of possible solutions.
Senator Bayer recognized that defining a specific problem area is not easy due to the complexity and political nature of the issue; if transparency, predictability and equitability are goals, there currently exist tax incentives that do not support such intentions. Senator Bayer indicated that data on sales tax, overall tax burden, cost of living and average household means in neighboring states would provide a more accurate metric of comparison when examining potential tax reform in Idaho.

Chairman Siddoway specified that the Tax Working Group did examine various tax differentials of neighboring states, but due to time constraints, that information was not presented at this meeting.

Representative Nye commented that long-term planning is necessary and should include a needs assessment that incorporates education, transportation and justice-related funding needs. He noted that Idaho currently operates under a one-year budget plan which involves cutting taxes but not meeting the needs of the State.

Senator Rice expressed frustration with the political climate surrounding the Tax Working Group and remarked that questions about tax reform should be addressed during the legislative session rather than in an interim committee. He stated that working through an interim committee or working group creates barriers to discussion of tax policy, discussion be believes should occur in germane committees and with public input.

Representative Anderst agreed that without specific guidance and focus, it is difficult to produce meaningful tax reform. He suggested that if an interim committee was created, a long-term policy approach should be utilized with focus on budget needs, stabilization and growth. Representative Anderst remarked that instead of identifying a specific target number for tax rates, focus on making Idaho more competitive and any target tax rate should be reflective of that.

Senator Vick agreed that specific direction is necessary before for an interim tax committee is created, and such direction can be provided by germane committees. He then commented on factors outside of tax policy that influence economic growth and attract business, and future work on tax policy should incorporate these variables.

Representative Rudolph commented that a multi-year budgeting plan should be implemented before taking into consideration specific issues such as tax cuts. He feels there is a systemic error in focusing on single-year budgeting.

Representative Erpelding expressed disappointment in the short-term focus taken by the Tax Working Group; rather than working towards long-term goals, discussions were centered on the upcoming legislative session. He remarked that future planning and discussions pertaining to tax policy should include not only the Legislature, but State departments, school districts and county commissioners. He stated that revenue needs to be balanced between discussions regarding tax relief.

Vice Chairman Guthrie commented that the overall tax package should be examined when considering changes to tax policy, including current deductions and exemptions. He remarked that in terms of marketing, Idaho is sending the wrong message by communicating how the State lags behind others rather than creating a positive image of what the State has to offer.

Representative Thompson encouraged the continuation of the Tax Working Group, as well as building upon their work to revamp Idaho’s tax structure through
a multi-faceted approach. He pointed out that short- and long-term planning will be important moving forward.

**Senator Burgoyne**, commenting on his experiences in the Tax Working Group, noted that the opportunity to examine and interpret data was beneficial and allowed participants to engage in analysis not always undertaken during the legislative session. He emphasized that this type of background work is necessary prior to making tax policy decisions.

**Senator Bayer** remarked that the timing of discussions regarding an interim tax committee should not preclude debate and action on tax proposals presented during the current legislative session. He emphasized that it is the responsibility of this body to continue working on tax legislation and these discussion serve as a complement to work completed during the session.

**Chairman Collins** commented that his overall experiences with the Tax Working Group were beneficial and aided his understanding of the tax process. He feels there is merit to establishing an interim committee if specific direction and focus are provided.

**Representative Anderst** suggested collaboration and consensus building between the House and Senate committees, rather than attempting to define specific areas of focus. **Chairman Collins** responded that meeting today was an opportunity for the joint membership to discuss and review the efforts of the Tax Working Group, not to make specific decisions.

**Chairman Siddoway** highlighted the efforts of the Tax Working Group and the difficulties they faced when deciding how to proceed during the current legislative session. He mentioned internet sales tax as being an issue that could be addressed in the future, explaining that legislation already exists to set aside funds from interest sales. **Chairman Siddoway** commented that he will yield to the judgment of the combined committees and leadership about how to move forward with tax policy changes. He asked the combined membership to examine the value of establishing an interim committee and to act accordingly in germane committees.

**Chairman Collins** remarked that if a decision is made to introduce a concurrent resolution for an interim tax committee, the Legislature as a whole will have the opportunity to provide input and engage in debate about how to proceed with future tax policy.

**ADJOURNED:** There being no further business, **Chairman Collins** adjourned the meeting at 10:20 a.m.
Recap of Ad Hoc Tax Working Group—2015 Interim

Eric Milstead, Director
Legislative Services Office

Attachment 1
Tax Working Group

- Appointed by Senate President Pro Tem and Speaker of the House
- Encourage Senate/House to develop approaches to tax reform and avoid “late in the session” issues
- Worked on both short-term and long-term matters
- Focused on income tax, sales tax and personal property tax
Tax Working Group

- The effort included a total of 8 meetings
  - Initial meeting of only 4 members and staff
    - Met with state of Utah officials
    - Meeting was process-focused—how to approach systematic review of tax policy; income tax reform
  - Define the goal
  - Establish working relationships among Senate, House and Governor's office and their staffs
Tax Working Group

Utah legislation established a tax reform task force:
"The task force shall review and make recommendations on issues relating to tax reform in the state as determined by the task force."

- Monthly reports to germane committees
- Emphasized:
  - Frequent task form meetings, transparency, public outreach and sought buy in from other policy makers
Idaho Tax Working Group—Subjects Considered

- Broad-based discussions on specifics of Idaho tax policy
- Heard from many stakeholders, interest groups, state agencies, members of the public, LSO, DFM, etc.
- Tax issues discussed (to varying degrees):
  - Personal property tax; corporate income tax, personal income tax, sales tax, sales tax on food, grocery tax credit, tax on services, review sales tax expenditures—exemptions, credits and deductions, long-term approaches to tax policy, short-term approaches, impacts on rural areas, emergency and supplemental levies, Internet purchases, tax models of Oregon and Washington, etc.
Topics of Emphasis

- General themes
  - Simplicity/stability/transparency
  - Reduce rates
  - Maintain but strengthen the three-legged stool

- Specifics
  - Reduce income tax rates—review/revise deductions/credits
  - Examine sales tax exemptions
  - Increase personal property tax exemption
  - Sales tax on groceries and related credit
December Meeting--Four Drafts Discussed

- Reduction of top income rate by one-tenth of one percent
- Two drafts increased the amount of personal property tax exemption ($150,000 and $250,000)
- Repeal of grocery tax credit and repealed sales tax on food
Process--Options to Move Forward

- Concurrent resolution
  - Specific directive
  - General directive—e.g., broad direction relating to tax policy; leaves specifics to task force/interim committee
  - Staffing possibilities
    - Continue with LSO staff--Tax Working Group
    - Special projects position—limited duration but might be used for other purposes
    - Additional permanent position—tax policy analyst (initial work for task force; could staff germane tax committees; fiscal notes?)
Questions?
INDIVIDUAL AND CORPORATE INCOME TAX

The Idaho income tax is a tax levied on individuals and corporations based on their income during a 12-month tax period. In the case of businesses (proprietorships, partnerships, and corporations) the concept of income is not gross receipts, but rather is most closely associated with the economic concept of profit.

The rate of Idaho’s income tax is a flat 7.4% on corporate income. Tax rates on individuals vary from a low of 1.6% to a top rate of 7.4%. Idaho’s individual income tax brackets are adjusted each year for inflation.

The tax expenditures granted under the income tax can be classified into two principle categories: exemptions based on the source of income (exclusions); and exemptions based on the use of income (deductions and credits). Source exemptions include interest from certain government securities, capital gains, and social security payments. Use exemptions include donations to educational institutions and purchases of equipment used in business enterprises. Notable features of the income tax structure that are within Idaho’s policy discretion but are not considered tax expenditures include: the rate brackets, personal exemptions, and standard deductions. These features of the tax structure have the effect of reducing revenues, but they are not selective with regard to whom they apply.

A special note concerning tax expenditure definitions is relevant in the case of the income tax. Since the foundation of the Idaho income tax is federal taxable income, there are a number of federal tax expenditures that are adopted in Idaho by default. These federal tax expenditures could technically be considered Idaho tax expenditures, since Idaho adopts them by law. However, this report takes the approach that federal tax expenditures related to the definition of taxable income are not Idaho tax expenditures. Thus, the federal tax expenditure associated with the mortgage interest deduction is not considered an Idaho tax expenditure. Similarly, Idaho’s exclusion of social security income from the income tax base is treated as an Idaho tax expenditure only to the extent that it exceeds the partial federal exclusion for social security income.

The principal Idaho income tax expenditures relating to uses of income are:

- Investment Tax Credit
- Other States Tax Credit
- Elderly Dependent Credit
- Youth and Rehabilitation Credit
- Schools, Libraries, and Museums Credit
- Grocery Credit
- Recycling Equipment Credit
- Technological Equipment Deduction
- Long-Term Care Insurance Deduction
- Alternative Energy Device Deduction
- Insulation Deduction
- Workers’ Compensation Premium Deduction
- Child Care Deduction
- College Savings Deduction
- Health Insurance Deduction
Elderly and Developmental Disability Deduction
Adoption Expense Deduction
Medical Savings Account Deduction
Right Income Adjustment Credit
Riparian Land Improvements Credit (Sunset 2002)
Broadband Investment Credit
County Incentive Investment Tax Credit (Sunset 2001)
Research Activity Credit
Promoter Sponsored Events Credit
Corporate Headquarters Investment Credit (Repealed 2008)
Corporate Headquarters Real Property Improvement Credit (Repealed 2008)
Corporate Headquarters New Jobs Credit (Repealed 2008)
Small Employer Capital Investment Credit (Sunsets 2020)
Small Employer Real Property Improvement Credit (Sunsets 2020)
Small Employer New Jobs Credit (Sunsets 2020)
Live Organ Donation Expenses Credit
Biofuel Investment Tax Credit (Sunset 2011)
Special Job Credit (Sunsets 2016)
Reimbursement Incentive Credit
Certain Charitable Contributions Deduction

The principal Idaho income tax expenditures relating to sources of income are:

Capital Gains Exclusion
Government Interest Exclusion
Social Security Exclusion
Railroad Retirement Exclusion
Retirement Benefit Exclusion
Idaho Lottery Winnings Exclusion
Indian Earnings on Reservation Exclusion
World War II Reparations Exclusion
Marriage Penalty Deduction
Certain Loss Recoveries Deduction
Nonresident Guaranteed Partnership Income Exclusion
SALES AND USE TAX

The Idaho sales tax is a 6.0% transaction tax levied on the purchase or use of goods and services by consumers, where consumers may be either individuals or businesses. Transactions involving purchases by businesses are included in the sales tax base if the goods or services are consumed by the purchasing business. Transactions involving purchases of goods or services for resale (including components or parts used in manufactured goods) are not considered a part of the sales tax base. The legal incidence of the Idaho sales tax is on the purchaser. Sales taxes are distant relatives of value-added taxes.

Consumption, as an economic concept, can be divided into consumption of goods and consumption of services. The purchase of a hotel room is classified as a service, since it is only the right to use the hotel room for a limited time that it is being purchased. Purchase of a tent is classified as a good since the buyer becomes the owner of a tangible item. An interesting characteristic of Idaho's sales tax is that unless specifically exempted, purchase of a tangible good is a taxable event. On the other hand, the purchase of a service is generally not taxable unless the service is specifically included in the list of taxable transactions. Three major service categories that are completely taxable are “Hotels and Other Lodging Places,” “Amusement and Recreation Services,” and “Admissions.” Two other types of sales defined by Idaho law as taxable are restaurant meals, which contain both tangible property and service elements, and charges for producing, processing, printing, or imprinting tangible personal property when the property is supplied by the consumer of these services.

The tax expenditures granted under the sales tax can be classified in three principal categories: exemptions based on the use of the good or service, exemptions based on the specific good or service being purchased, and exemptions based on the individual or entity making the purchase or sale.

Principal Idaho sales tax expenditures relating to specific uses are:

- Production Exemption – Equipment
- Production Exemption – Supplies
- Irrigation Equipment and Supplies
- Pollution Control Equipment
- Broadcast Equipment and Supplies
- Publishing Equipment and Supplies
- Commercial Aircraft (Sunsets 2016)
- Railroad Rolling Stock and Remanufacturing
- Interstate Trucks
- Out-of-State Contracts
- Trade-in Value
- Sale or Lease of Businesses or Business Assets
- Supplemental Nutrition Assistance Program (SNAP)/Women, Infants, and Children (WIC)
- Vehicles and Vessels Sold to Nonresidents
- Common Carrier Purchases and Out-of-State Sales
- Donations of Real Property to Idaho Government
- Incidental Sales of Tangible Personal Property
- Lodging, Eating, and Drinking Places
School Lunches and Senior Citizen Meals
Drivers Education Automobiles
Ski Lifts and Snowgrooming Equipment
Clean Rooms
Alternative Electricity-Producing Equipment (Sunset 2011)
Research and Development Equipment
Corporate Headquarters Construction (Repealed 2008)
Small Employer Headquarters Construction (2006-2020)
Glider Kit Vehicles
Media Production Projects (Sunsets 2016)
State Tax Anticipation Revenue
Motor Vehicles of Nonresident Students
Personal Property of Military Personnel
Beverage and Food Samples
Beverage and Food Donations
Prepared Beverage and Food Given to Employees

Principal Idaho sales tax expenditures relating to specific goods and services are:

**Goods Not Taxed**
- Motor Fuels
- Heating Materials
- Utility Sales
- Used Manufactured Homes
- Vending Machines and Amusement Devices
- Prescriptions and Durable Medical Equipment
- Funeral Caskets
- Containers
- Nonprofit Literature
- Official Documents
- Precious Metal Bullion
- Idaho Commemorative Silver Medallions
- New Manufactured Homes or Modular Buildings
- Telecommunications Equipment
- Personal Property Tax on Rentals
- Remotely-Accessed Computer Software

**Services Not Taxed**
- Construction
- Agricultural and Industrial Services
- Transportation Services
- Information Services
- Repairs
- Professional Services
- Business Services
- Personal Services
- Health and Medical Services
- Social Services
- Educational Services
Lottery Tickets and Pari-Mutuel Betting
Media Measurement Services
Miscellaneous Services
Nonprofit Shooting Range Fees
Gratuities for Meals

Principal Idaho sales tax expenditures relating to specific entities are:

Educational Institution Purchases
Hospital Purchases
Health Entity Purchases
Canal Company Purchases
Forest Protective Association Purchases
Food Bank Purchases
Nonsale Clothier Purchases
Centers for Independent Living
State of Idaho and Local Government Purchases
Ronald McDonald House Rooms
INL Research and Development Purchases
Motor Vehicle Purchases by Family Members
Sales by 4-H and FFA Clubs at Fairs
Sales by Nonretailers (Yard and Occasional Sales)
Sales by Indian Tribes on Reservations
Sales of Meals by Churches to Members
Sales by Outfitters and Guides
Sales Through Vending Machines
Auto Manufacturer Rebates
Incidental Sales by Churches
Federal Excise Tax Imposed at Retail Level
Federal Constitutional Prohibitions
Other Federal and State Statutory Prohibitions
Volunteer Fire Departments and Emergency Medical Service Agencies
Senior Citizens Centers
Blind Services Foundation, Inc.
Advocates for Survivors of Domestic Violence and Sexual Assault
Free Dental Clinics
Museums
# Income Tax Expenditures ($000)

## 1.1 Uses of Income Not Taxed

<table>
<thead>
<tr>
<th>Description</th>
<th>CY2010</th>
<th>CY2011</th>
<th>CY2012</th>
<th>CY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.01 Investment Tax Credit</td>
<td>$27,665</td>
<td>$28,836</td>
<td>$28,861</td>
<td>$25,349</td>
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<td>1.1.02 Other States Tax Credit</td>
<td>$60,382</td>
<td>$64,584</td>
<td>$68,284</td>
<td>$71,753</td>
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<tr>
<td>1.1.03 Elderly Dependent Credit</td>
<td>$735</td>
<td>$747</td>
<td>$771</td>
<td>$754</td>
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<tr>
<td>1.1.04 Youth and Rehabilitation Credit</td>
<td>$8,148</td>
<td>$7,725</td>
<td>$7,756</td>
<td>$8,113</td>
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<tr>
<td>1.1.05 Schools, Libraries, and Museums Credit</td>
<td>$4,118</td>
<td>$8,946</td>
<td>$7,477</td>
<td>$7,844</td>
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<td>1.1.06 Grocery Credit</td>
<td>$76,288</td>
<td>$89,727</td>
<td>$103,456</td>
<td>$118,584</td>
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<td>1.1.07 Recycling Equipment Credit</td>
<td>$1</td>
<td>$4</td>
<td>$9</td>
<td>$0</td>
</tr>
<tr>
<td>1.1.08 Technological Equipment Deduction</td>
<td>$56</td>
<td>$62</td>
<td>$58</td>
<td>$57</td>
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<tr>
<td>1.1.09 Long-Term Care Insurance Deduction</td>
<td>$1,127</td>
<td>$1,198</td>
<td>$1,258</td>
<td>$1,315</td>
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<td>1.1.10 Alternative Energy Device Deduction</td>
<td>$487</td>
<td>$422</td>
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<td>$321</td>
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<td>1.1.11 Insulation Deduction</td>
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<td>$373</td>
<td>$913</td>
<td>$1,165</td>
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<td>1.1.12 Workers’ Compensation Premium Deduction</td>
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<td>$400</td>
<td>$400</td>
<td>$400</td>
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<tr>
<td>1.1.13 Child Care Deduction</td>
<td>$3,861</td>
<td>$3,917</td>
<td>$3,921</td>
<td>$4,008</td>
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<tr>
<td>1.1.14 College Savings Deduction</td>
<td>$1,559</td>
<td>$1,628</td>
<td>$1,661</td>
<td>$1,843</td>
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<tr>
<td>1.1.15 Health Insurance Deduction</td>
<td>$13,282</td>
<td>$14,593</td>
<td>$14,936</td>
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<td>1.1.16 Elderly and Developmental Disability Deduction</td>
<td>$9</td>
<td>$9</td>
<td>$9</td>
<td>$9</td>
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<tr>
<td>1.1.17 Adoption Expense Deduction</td>
<td>$41</td>
<td>$30</td>
<td>$27</td>
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<tr>
<td>1.1.18 Medical Savings Account Deduction</td>
<td>$817</td>
<td>$787</td>
<td>$742</td>
<td>$725</td>
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<tr>
<td>1.1.19 Right Income Adjustment Credit</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>1.1.20 Riparian Land Improvements Credit</td>
<td>Repealed</td>
<td>Sunset</td>
<td>Sunset</td>
<td>Sunset</td>
</tr>
<tr>
<td>1.1.21 Broadband Investment Credit</td>
<td>$688</td>
<td>$574</td>
<td>$2,081</td>
<td>$1,347</td>
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<tr>
<td>1.1.22 County Incentive Investment Tax Credit</td>
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<td>Sunset</td>
<td>Sunset</td>
<td>Sunset</td>
</tr>
<tr>
<td>1.1.23 Research Activity Credit</td>
<td>$1,868</td>
<td>$1,697</td>
<td>$3,449</td>
<td>$1,990</td>
</tr>
<tr>
<td>1.1.24 Promoter Sponsored Events Credit</td>
<td>$6</td>
<td>$95</td>
<td>$1</td>
<td>$2</td>
</tr>
<tr>
<td>1.1.25 Corporate Headquarters Investment Credit</td>
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<td>Repealed</td>
<td>Repealed</td>
</tr>
<tr>
<td>1.1.26 Corporate Headquarters Real Property Improvement Credit</td>
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<td>Repealed</td>
<td>Repealed</td>
</tr>
<tr>
<td>1.1.27 Corporate Headquarters New Jobs Credit</td>
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<td>Repealed</td>
<td>Repealed</td>
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<tr>
<td>1.1.28 Small Employer Capital Investment Credit</td>
<td>$858</td>
<td>$597</td>
<td>$203</td>
<td>$2,118</td>
</tr>
<tr>
<td>1.1.29 Small Employer Real Property Improvement Credit</td>
<td>$24</td>
<td>$5</td>
<td>$141</td>
<td>$478</td>
</tr>
<tr>
<td>1.1.30 Small Employer New Jobs Credit</td>
<td>$40</td>
<td>$147</td>
<td>$26</td>
<td>$157</td>
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<tr>
<td>1.1.31 Live Organ Donation Expenses Credit</td>
<td>$45</td>
<td>$19</td>
<td>$25</td>
<td>$23</td>
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<tr>
<td>1.1.32 Biofuel Investment Tax Credit</td>
<td>$0</td>
<td>$95</td>
<td>$55</td>
<td>Sunset</td>
</tr>
<tr>
<td>1.1.33 Special Job Credit</td>
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<td>$125</td>
<td>$0</td>
<td>$0</td>
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<tr>
<td>1.1.34 Reimbursement Incentive Credit</td>
<td>$0</td>
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<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>1.1.35 Certain Charitable Contributions Deduction</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

## 1.2 Sources of Income Not Taxed

<table>
<thead>
<tr>
<th>Description</th>
<th>CY2010</th>
<th>CY2011</th>
<th>CY2012</th>
<th>CY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2.01 Capital Gains Exclusion</td>
<td>$11,322</td>
<td>$10,616</td>
<td>$19,534</td>
<td>$13,399</td>
</tr>
<tr>
<td>1.2.02 Government Interest Exclusion</td>
<td>$2,350</td>
<td>$2,050</td>
<td>$1,826</td>
<td>$1,448</td>
</tr>
<tr>
<td>1.2.03 Social Security Exclusion</td>
<td>$50,602</td>
<td>$54,887</td>
<td>$60,143</td>
<td>$66,409</td>
</tr>
<tr>
<td>1.2.04 Railroad Retirement Exclusion</td>
<td>$5,975</td>
<td>$6,460</td>
<td>$6,890</td>
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</tr>
<tr>
<td>1.2.05 Retirement Benefit Exclusion</td>
<td>$4,775</td>
<td>$4,856</td>
<td>$4,901</td>
<td>$4,886</td>
</tr>
<tr>
<td>1.2.06 Indian Earnings on Reservation Exclusion</td>
<td>$565</td>
<td>$598</td>
<td>$628</td>
<td>$653</td>
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<tr>
<td>1.2.07 World War II Reparations Exclusion</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>1.2.08 Marriage Penalty Deduction</td>
<td>$0</td>
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<td>$0</td>
<td>$0</td>
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<tr>
<td>1.2.09 Certain Loss Recoveries Deduction</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$250</td>
</tr>
<tr>
<td>1.2.10 Nonresident Guaranteed Partnership Income Exclusion</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$440</td>
</tr>
</tbody>
</table>
How High Are Income Tax Rates in Your State?

Top State Marginal Individual Income Tax Rates in 2015 (as of Apr 15, 2015)

Note: Map shows top marginal rates: the maximum statutory rate in each state. It represents the statutory tax rate on the last dollar of income earned for the highest income individuals in that state. It is not an effective marginal tax rate, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included.

Source: State tax forms and instructions; Facts & Figures 2015: How Does Your State Compare?

Source: http://taxfoundation.org/sites/taxfoundation.org/files/docs/PIT-2015.png
# AGENDA

**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**  
**3:00 P.M.**  
**Room WW53**  
**Wednesday, February 17, 2016**

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>DESCRIPTION</th>
<th>PRESENTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>MINUTES</td>
<td>Approval of Minutes from February 2, 2016</td>
<td>Senator Vick</td>
</tr>
<tr>
<td>RS24295</td>
<td>Relating to Tax Deed Sales</td>
<td>Kelli Brassfield, Idaho Association of Counties</td>
</tr>
<tr>
<td>H 346</td>
<td>Relating to Alcoholic Beverages, to provide a correct code reference.</td>
<td>Michael Chakarun, Idaho State Tax Commission</td>
</tr>
<tr>
<td>H 386</td>
<td>Relating to the Production Exemption, to revise a term.</td>
<td>Vice Chairman Guthrie</td>
</tr>
<tr>
<td>H 405</td>
<td>Relating to Fire Protection Districts</td>
<td>Senator Lee</td>
</tr>
<tr>
<td>H 357</td>
<td>Relating to Income Tax Credit, to allow a certain income tax credit for a charitable contribution to the Idaho STEM Action Center.</td>
<td>Senator Nonini</td>
</tr>
</tbody>
</table>

*If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.*

**COMMITTEE MEMBERS**  
Chairman Siddoway  
Vice Chairman Guthrie  
Sen McKenzie  
Sen Johnson  
Sen Rice  

**COMMITTEE SECRETARY**  
Jennifer Carr  
Room: WW50  
Phone: 332-1315  
email: sloc@senate.idaho.gov
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 ISFCA 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.
<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>DESCRIPTION</th>
<th>PRESENTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Page Graduation</td>
<td>Farewell to Committee Page Caleb Richardson</td>
<td>Chairman Siddoway</td>
</tr>
<tr>
<td>Minutes</td>
<td>Approval of Minutes from February 3, 2016</td>
<td>Senator Johnson</td>
</tr>
<tr>
<td><strong>RS24535</strong></td>
<td>Relating to Tax Deeds</td>
<td>Neil Colwell, Avista Corporation</td>
</tr>
<tr>
<td>Unanimous Consent Request to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>print in State Affairs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>H 431</strong></td>
<td>Taxation, Exempt Property</td>
<td>John Eaton, Idaho Association of Realtors</td>
</tr>
</tbody>
</table>

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS
Chairman Siddoway
Vice Chairman Guthrie
Sen McKenzie
Sen Johnson
Sen Rice

COMMITTEE SECRETARY
Jennifer Carr
Room: WW50
Phone: 332-1315
e-mail: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, February 18, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: None
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: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:08 p.m. and asked the secretary to take a silent roll.
PAGE FAREWELL: Chairman Siddoway thanked Senate Page Caleb Richardson for his service, recognizing his hard work and dedication to the Committee.
MINUTES APPROVAL: Senator Johnson moved to approve the Minutes of February 3, 2016. Senator Rice seconded the motion. The motion carried by voice vote.
RS 24535 Neil Colwell, Avista Corporation, introduced RS 24535. Mr. Colwell stated that he also represents an ad hoc coalition that includes representatives from counties, highway districts, canal companies, irrigators and utility companies, among others. The coalition brought to attention legal issues pertaining to encumbrances when property is transferred by a county. Mr. Colwell specified that the bill clarifies for tax deed purposes that an encumbrance does not include easements, highways and rights-of-way.
MOTION: Senator Rice asked for unanimous consent to send RS 24535 to the State Affairs Committee to print and be referred back to the Committee for consideration. There were no objections.
H 431 John Eaton, Director of Government Affairs, Idaho Association of Realtors, presented H 431, which removes the index on the Idaho homestead exemption and places the exemption value at $100,000 or 50 percent of assessed value, whichever is less. Mr. Eaton indicated that this will provide taxpayers with a slightly larger exemption and a stable and predictable tax policy. He noted that in 2006, there was significant discourse about increasing the homeowners' exemption prior to the exemption being set at $75,000 and the index being added; he then provided explanation about the resulting tax shift to other taxpayers. Mr. Eaton explained that the proposed $100,000 exemption was chosen after examining median home values to strike a balance between higher- and lower-priced areas around the State. He stated that the Legislature should reexamine property exemption values in the future and the impact of resulting tax shifts.
Chairman Siddoway explained that he requested that the Idaho State Tax Commission present information regarding property taxes and effects of the homeowners’ exemption.

Alan Dornfest, Property Tax Policy Bureau Chief, Idaho State Tax Commission (Commission), reiterated that the information he was presenting to the Committee did not represent a position by the Commission on this bill and that no recommendation would be provided. Mr. Dornfest outlined the history of the homeowners’ exemption, emphasizing changes in Idaho property values and taxes beginning in 2006. He explained that the housing price index is a lagging indicator, demonstrating that there is a one-year lag in the homeowners’ exemption ceiling as home values increase or decrease. Mr. Dornfest commented on possible tax shifting effects of capping the homeowners’ exemption, explaining that if home values continue to increase, high value homes will pay more tax, which would be reflected as a decrease to other property types. Mr. Dornfest also referenced statewide data regarding the percent of homes receiving the maximum homeowners’ exemption (see attachment 1). He then stood for questions.

Senator Stennett asked if the index alleviates a tax shift from one type of property to another. Mr. Dornfest replied that when the exemption ceiling and home values are increasing at a similar rate, it results in some tax relief to higher-value homes. Senator Stennett asked if removing the index would impact higher-value homes, to which Mr. Dornfest replied that if home values do not increase, there will be no resulting tax shift; however, if values continue to increase, especially for higher-end homes, there will be a resulting tax shift to that group. Senator Stennett then asked if removing the index will impact low income, elderly and/or rental properties. Mr. Dornfest responded that if home values continue to rise, the tax shift will impact higher-value properties while benefitting lower-value properties.

Senator Rice asked if indexing shifts taxes onto farms, businesses and lower-value properties, and if removal of the index will shift the tax burden to higher-value properties. Mr. Dornfest affirmed but explained that it is dependent on the assumption that the upward trend of increasing home values will continue in the future.

Dan Blocksom, Idaho Association of Counties (IAC), spoke in opposition to H 431. Mr. Blocksom explained that the IAC opposes a fixed homeowners’ exemption that does not account for future fluctuations in property values. In response to a question from Senator Rice, Mr. Blocksom indicated that the IAC will support the legislation if the value of the homeowners’ exemption is reconsidered on a regular basis.

Patrick Vaughan, Latah County Assessor, expressed concerns regarding removal of the index. He remarked that the index has mitigated tax shifts to other property owners in Latah County and disagreed with the characterization that it was injurious to homeowners during the recession.

Chairman Siddoway asked if the exemption is capped at $100,000, would Latah County act to reduce the levy amount to keep the county at a neutral net income. Mr. Vaughan responded that careful consideration is given when examining variables pertaining to property tax values.

Senator Vick sought clarification regarding tax shifts in Latah County, specifically if indexing minimizes the effects of tax shifts, to which Mr. Vaughan affirmed. Senator Vick then asked if the lagging effect of the index has an impact on tax rates. Mr. Vaughan answered that there are other variables that impact property tax values, such as levy rates and changes in overall home values, that make that determination difficult. He noted that Latah County employs a homeowner
exemption adjustor to monitor long-term shifts in residential values. In response to a question from Senator Johnson, Mr. Vaughan stated he first learned of the bill a few weeks ago.

Senator Guthrie asked which model is easier to administer, and Mr. Vaughan responded that there is no difference because data is computer-generated.

Justin Baldwin, Gooding County Assessor, spoke in opposition to the bill. He stated that because of the nature of the property tax system, which is constantly in flux, indexing will continue to serve a purpose. In response to a question from Senator Johnson, Mr. Baldwin stated he first learned of this legislation a few weeks ago.

Russ Hendricks, Idaho Farm Bureau Federation, spoke in support of H 431. He commented that indexing has been problematic for his membership and provided an example. Although this legislation does not address high tax rates, Mr. Hendricks stated it does address the issue of tax shifts under the current system. He pointed out that agricultural landowners in Idaho pay in excess of $8 million or more per year in property tax due to tax shifts, which impacts farming communities.

John Eaton was invited back to the podium to provide closing remarks. Senator Johnson asked when the Idaho Association of Realtors first introduced this legislation, to which Mr. Eaton replied that since 2006, there have been numerous discussions about property tax with the Legislature, including the Interim Tax Working Group, regarding how to address these issues legislatively. Senator Johnson expressed concern about the apparent lack of public input received prior to introduction of this legislation and lack of support from citizens in his district.

Senator Vick asked for clarification as to why the Association of Realtors supports legislation that will seemingly shift the tax burden onto residential property owners. Mr. Eaton explained that realtors represent many other interests besides owner-occupied residential property that are impacted by tax policy; furthermore, decisions regarding tax policy should be made by the Legislature.

MOTION: Vice Chairman Guthrie moved to approve H 431 with a do pass recommendation. Senator Rice seconded the motion.

Senator Burgoyne stated that he does not support the motion, questioning if this legislation will improve current tax policy or provide any real benefit to taxpayers because the projected impact is based on predictions and assumptions. He remarked that capping the homeowners’ exemption now will result in a need to reconsider that cap in the future as it becomes outdated in a changing economic climate.

Senator Rice expressed support for the motion, commenting that indexing is a failed system that burdens working class families by shifting taxes from higher-value to lower-value property owners.

Chairman Siddoway expressed support for the motion, pointing out that indexing negatively impacts lower-value property owners. He commented that although property tax determinations would be more appropriately made by local taxing districts, the proposed changes will create stability for Idaho counties while alleviating some of the tax burden from lower-value property owners.

Senator McKenzie indicated that he was involved in the legislative process that originally incorporated the index and noted consequences that were not anticipated; such consequences include the significant downshift in residential values and the
one-year lag that resulted in homeowners paying higher property taxes as their home values decreased. He expressed support for the motion and commented that any cap on the homeowners’ exemption should and will likely be revisited by the Legislature in the future.

Senator Bayer noted that he was also involved with the original legislation and expressed disappointment in unanticipated outcomes. Senator Bayer recognized that current system has provided little relief to taxpayers in his district and expressed support for the motion.

Vice Chairman Guthrie noted that the $100,000 exemption is unique to Idaho compared to surrounding states. He recognized the impact of tax shifts on lower-value property owners and expressed support for the motion.

Senator Stennett stated that she will not support the motion due to a lack of support for this legislation from citizens in her district.

Chairman Siddoway called for a roll call vote. Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Rice, Vick and Bayer voted aye. Senators Johnson, Stennett and Burgoyne voted nay. The motion carried.

ADJOURNED: There being no further business, Chairman Siddoway adjourned the meeting at 4:38 p.m.
Property Taxes and the Effects of the Homeowner's Exemption

Alan S. Dornfest
Property Tax Policy Bureau Chief
Idaho State Tax Commission
February 18, 2016
Significant Changes in Idaho Property Values and Taxes beginning in 2006

Homeowner’s exemption – 50% not to exceed upper limit which has been annually adjusted since 2006
- Was locked at 50%, up to $50,000 from 1983 – 2006
- Upper limit changed to $75,000 in 2006 and tied to HPI with annual adjustments
## History of the Homeowner’s Exemption Limit

### History of maximum homeowner’s exemption

<table>
<thead>
<tr>
<th>Years</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-1982</td>
<td>$10,000</td>
</tr>
<tr>
<td>1983-2005</td>
<td>$50,000</td>
</tr>
<tr>
<td>2006</td>
<td>$75,000</td>
</tr>
<tr>
<td>2007</td>
<td>$89,325</td>
</tr>
<tr>
<td>2008</td>
<td>$100,938</td>
</tr>
<tr>
<td>2009</td>
<td>$104,471</td>
</tr>
<tr>
<td>2010</td>
<td>$101,153</td>
</tr>
<tr>
<td>2011</td>
<td>$92,040</td>
</tr>
<tr>
<td>2012</td>
<td>$83,974</td>
</tr>
<tr>
<td>2013</td>
<td>$81,000</td>
</tr>
<tr>
<td>2014</td>
<td>$83,920</td>
</tr>
<tr>
<td>2015</td>
<td>$89,580</td>
</tr>
<tr>
<td>2016</td>
<td>$94,745</td>
</tr>
</tbody>
</table>
10 Year Chart of Taxable Value Changes by Major Property Category (est.)

Note: All values shown are net taxable after subtracting any applicable exemptions
Homeowner's exemption ceiling adjustments lag the market
So, who pays the property tax?

Distribution shown is statewide in Idaho for 2015

- Owner occupied residential: 44.9%
- Commercial/Industrial: 28.6%
- Non-owner occupied residential: 4.0%
- Agricultural: 2.8%
- Timber: 0.5%
- Mining: 0.2%
- Operating (Utilities): 19.0%
# Residential Value and Tax Since 2013

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner-occupied residential</td>
<td>+10.8%</td>
<td>+6.9%</td>
<td>+6.0%</td>
<td>+5.2%</td>
</tr>
<tr>
<td>Other residential</td>
<td>+9.2%</td>
<td>+7.0%</td>
<td>+4.1%</td>
<td>+3.3%</td>
</tr>
<tr>
<td>All property</td>
<td>+8.0%</td>
<td>+4.5%</td>
<td>+5.3%</td>
<td>+4.7%</td>
</tr>
<tr>
<td>Housing Price Index</td>
<td>+3.6%</td>
<td>NA</td>
<td>+6.7%</td>
<td>NA</td>
</tr>
</tbody>
</table>

Note: The Housing Price Index increase for 2015 – 2016 is 5.8%

All value changes shown are based on net taxable value after subtracting any homeowner’s exemption

Note: 2013 represents the first year since 2008 in which residential values increased

<table>
<thead>
<tr>
<th>Category of Property</th>
<th>Overall Percent Change in Value</th>
<th>Existing Property Value % Change</th>
<th>Existing Property Tax % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Residential</td>
<td>+ 6.0%</td>
<td>+ 4.5%</td>
<td>+ 4.6%</td>
</tr>
<tr>
<td>Other Residential</td>
<td>+ 4.1%</td>
<td>+ 1.4%</td>
<td>- 1.2%</td>
</tr>
<tr>
<td>Commercial and industrial</td>
<td>+ 4.8%</td>
<td>+ 3.3%</td>
<td>+ 2.9%</td>
</tr>
</tbody>
</table>
What About During Down Markets?  
2009 - 2010

<table>
<thead>
<tr>
<th>Category of Property</th>
<th>Overall Percent change in Value</th>
<th>Existing Property Value % Change</th>
<th>Existing Property Tax % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Residential</td>
<td>- 11.2%</td>
<td>- 13.2%</td>
<td>- 3.3%</td>
</tr>
<tr>
<td>Other Residential</td>
<td>- 13.5%</td>
<td>- 14.5%</td>
<td>- 1.9%</td>
</tr>
<tr>
<td>Commercial and industrial</td>
<td>- 4.7%</td>
<td>- 5.5%</td>
<td>+ 5.4%</td>
</tr>
</tbody>
</table>
Definitions and Counts

- For purposes of this analysis, higher value homes are ones with 2015 assessed values >$168,000
  - This means that they would have higher taxable values and a tax shift in 2015 had the homeowner’s exemption been capped at 2014 levels.
  - There were 193,393 higher value homes in 2015 (43.7% of all homes)
- Note: Because the cap currently changes each year, the percent of higher value homes is presumed to be about the same as in 2017, given the $100,000 proposed cap that year.
Tax Shifting Effects of Capping the Homeowner’s Exemption

- Dependent on direction of future value changes
  - If upward value change pattern from 2012 – 2015 continues:
    - $100,000 cap will begin to restrict homeowner’s exemption increases for high value homes in 2018
    - Beginning in 2018 high value homes will pay more and other property types will pay less:
      - In the first year, based on what a similar cap would have done if imposed in 2014, higher value homes would pay about $10 million more in tax (+2.2%)
      - This amount would be reflected as a decrease to other property types
  - Overall property tax collections will change only slightly
    - Two School Districts have fixed rate budget systems that would add budget capacity if there were less homeowner’s exemption:
      - Boise School District – ~$900,000
      - Lewiston School District - ~$100,000
Median Owner-Occupied Home Assessed Values 2015
### Tax Shifting Potential by Property Category – assuming continued residential value growth and cap in place

<table>
<thead>
<tr>
<th>Property Category</th>
<th>Change in tax ($ Millions) 2015 – 2015 if HE had not increased</th>
<th>Percent Change 2015 – 2015 if HE had not increased</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lower Value Homes (below cap)*</td>
<td>$ - 1.2</td>
<td>- 0.5%</td>
</tr>
<tr>
<td>Higher Value Homes (capped – exemption falls below 50%)</td>
<td>$ + 10.3</td>
<td>+ 2.2%</td>
</tr>
<tr>
<td>Other Residential (not eligible for homeowner’s exemption)</td>
<td>$ - 3.0</td>
<td>- 1.0%</td>
</tr>
<tr>
<td>Commercial / Industrial</td>
<td>$ - 5.2</td>
<td>- 1.1%</td>
</tr>
<tr>
<td>Agricultural</td>
<td>$ - 0.4</td>
<td>- 0.8%</td>
</tr>
<tr>
<td>Timber</td>
<td>$ - 0.1</td>
<td>- 0.7%</td>
</tr>
<tr>
<td>Mining</td>
<td>$ - 0.0</td>
<td>- 0.4%</td>
</tr>
<tr>
<td>Operating</td>
<td>$ - 0.6</td>
<td>- 0.9%</td>
</tr>
</tbody>
</table>

Notes: *Low value homes are not presently capped by the upper $ limit on the homeowner’s exemption. Based on numbers of homes with value <$168,000 in 2014 (these received the maximum homeowner’s exemption that year).  
** No increase in taxes for Boise or Lewiston School districts assumed.
# AGENDA

**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

3:00 P.M.

Room WW53

Tuesday, February 23, 2016

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>DESCRIPTION</th>
<th>PRESENTER</th>
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<tbody>
<tr>
<td>MINUTES</td>
<td>Approval of Minutes from February 4, 2016</td>
<td>Senator Stennett</td>
</tr>
<tr>
<td></td>
<td>Approval of Minutes from February 9, 2016</td>
<td>Senator McKenzie</td>
</tr>
<tr>
<td>S 1325</td>
<td>Relating to Regulatory Takings, to provide that an owner of private property may submit a written request for a regulatory takings analysis.</td>
<td>Senator Lakey</td>
</tr>
<tr>
<td>H 474</td>
<td>Relating to Taxing Districts Budgets, to require notice and public hearing prior to a taxing district budgeting a forgone increase.</td>
<td>Representative Moyle</td>
</tr>
</tbody>
</table>

*If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.*

**COMMITTEE MEMBERS**

Chairman Siddoway
Vice Chairman Guthrie
Sen McKenzie
Sen Johnson
Sen Rice

**COMMITTEE SECRETARY**

Jennifer Carr
Room: WW50
Phone: 332-1315
e-mail: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 23, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: None

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: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:04 p.m. and asked the secretary to take a silent roll.

MINUTES APPROVAL: Senator Stennett moved to approve the Minutes of February 4, 2016. Vice Chairman Guthrie seconded the motion. The motion carried by voice vote.

Senator McKenzie moved to approve the Minutes of February 9, 2016. Senator Stennett seconded the motion. The motion carried by voice vote.

S 1325 Senator Lakey presented S 1325, which clarifies that the right of a property owner to request a regulatory takings analysis is voluntary. Senator Lakey explained that if a property owner believes their property has been unjustly seized, they can request a regulatory takings analysis. This has always been voluntary and Senator Lakey pointed out that it is a rare occurrence. He also indicated that past litigation has suggested that a regulatory takings analysis may be required pursuant to legal action; however, the purpose of this legislation is to clarify that if a property owner does not request a regulatory takings analysis, it will not limit their ability to pursue other legal remedies. This legislation also replaces the term "real property" with "private property" to clarify that private property includes both real and personal property. Senator Lakey indicated that if regulatory takings analyses became a requirement, cities and counties would see an increase in these requests from property owners.

Chairman Siddoway asked if this legislation applies to agencies that are able to seize private property, such as the Idaho Department of Fish and Game which allows enforcement personnel to seize many types of property; and if so, are property owners able to apply for a regulatory takings analysis. Senator Lakey replied that a property owner would be able to apply for a regulatory takings analysis but indicated that if a criminal violation were to occur, civil action may be required to recover property.

MOTION: Senator Johnson moved to approve S 1325 with a do pass recommendation. Senator Burgoyne seconded the motion. The motion carried by voice vote.
Representative Moyle presented H 474, which will require non-school taxing districts that elect to take a foregone property tax increase to hold a hearing in conjunction with their annual budget hearing. Representative Moyle explained that when preparing budgets, taxing districts are allowed to increase their budgets by three percent per year; if they choose not to collect that money, it is set aside and the district is able draw from that foregone balance at a later date. He commented that citizens see this in the form of increased property tax and do not always understand why. The legislation requires taxing districts that draw upon foregone balances to do the following: 1.) provide notice of intent; 2.) hold a public hearing; and 3.) certify by resolution the amount of money being taken and for what purpose. Representative Moyle emphasized that the legislation puts into place a mechanism of transparency that Idaho counties and cities support.

Senator Vick asked why schools are not included, to which Representative Moyle explained that school districts do not have foregone balances; however, community colleges do have foregone balances and will have to comply with requirements outlined in this legislation.

Senator Bayer asked if any consideration was given to incorporating this as a line item on state tax returns. Representative Moyle replied that due to costs and obstacles associated with such action, it was not included on tax notices.

TESTIMONY: Seth Grigg, Executive Director, Association of Idaho Cities (AIC), spoke in support of H 474. Mr. Grigg noted that the process for local jurisdictions to provide public notice is relatively simple and the AIC supports the resulting increased transparency.

Chairman Siddoway asked how the public notice of intent would be advertised. Mr. Grigg explained that the language allows for the public hearing to occur in conjunction with a budget meeting; accordingly, the notice of resolution on foregone balances can be added to annual budget meeting notices with no extra burden to local jurisdictions.

MOTION: Senator Burgoyne moved to approve H 474 with a do pass recommendation. Senator Bayer seconded the motion. The motion carried by voice vote.

ADJOURNED: There being no further business, Chairman Siddoway adjourned the meeting at 3:26 p.m.
### AGENDA
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**
3:00 P.M.
Room WW53
Wednesday, February 24, 2016

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>S 1347</td>
<td>Relating to Tax Deed Sales, to transfer authority of handling excess proceeds from tax deed sales to the State Treasurer.</td>
<td>Kelli Brassfield, Idaho Association of Counties</td>
</tr>
<tr>
<td>H 463</td>
<td>Relating to Minimum Wages, to prohibit political subdivisions from establishing minimum wages higher than the minimum wages provided by state law.</td>
<td>Pam Eaton, Idaho Retailers Association</td>
</tr>
</tbody>
</table>

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

**COMMITTEE MEMBERS**
Chairman Siddoway
Vice Chairman Guthrie
Sen McKenzie
Sen Johnson
Sen Rice

**COMMITTEE SECRETARY**
Jennifer Carr
Room: WW50
Phone: 332-1315
e-mail: sloc@senate.idaho.gov
CONVENED: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:04 p.m. and asked the secretary to take a silent roll.

S 1347 Kelli Brassfield, Idaho Association of Counties (IAC), presented S 1347. 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 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. S 1347 amends § 31-808, Idaho Code, to remove the requirements to notify parties of 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. Ms. Brassfield then specified that the IAC is seeking to amend the current language in S 1347 by striking lines 18-30 in § 31-808(c), Idaho Code.

Senator Burgoyne provided a scenario in which a property owner is clearly identified and asked if excess proceeds go to the State Treasurer for disbursement to that owner as unclaimed property. Ms. Brassfield replied that all funds go to the State Treasurer's Office, which will subsequently provide notice to the property owner on how to retrieve excess funds. Senator Burgoyne commented that the process of transferring excess funds to the State Treasurer, even when the property owner is clearly identified, seems incongruous and asked for clarity. Ms. Brassfield explained that the IAC did examine this issue and decided that due to timing, the issue may be addressed in the next Legislative Session in the form of clean-up language. Senator Burgoyne asked if the IAC foresees any difficulties if the legislation is held until the next Legislative Session, to which Ms. Brassfield asked Donna Peterson, Payette County Treasurer, to respond. Ms. Peterson outlined problems regarding third party vendors that are signing contracts with potential claimants of excess proceeds, explaining that counties are not aware of nor responsible for tracking these contracts. She also indicated that claims involving third party vendors periodically result in litigation.
TESTIMONY: Ms. Peterson stated that the State Treasurer's Office expressed support for this legislation, pointing out that the State Treasurer is better equipped to handle contentious claims, especially claims involving third party vendors. She commented that S 1347 provides a streamlined process for handling claims for excess proceeds that relieves the burden currently placed on counties.

Senator McKenzie asked for clarification regarding notice provided to parties of interest prior to sale. Ms. Peterson explained that counties are required to notify parties of interest within six months of the county taking possession of the tax deed; in addition, counties provide notification of delinquent tax payments to property owners for three years, as well as public notice two weeks prior to public auction. Senator McKenzie asked how "parties of interest" are defined and identified, and Ms. Peterson explained that Idaho Code defines "person of interest" as anyone with a security interest in the property.

Senator Stennett sought clarification on how the IAC would like the Committee to proceed regarding S 1347. Ms. Peterson explained that after the legislation was drafted, the IAC concluded that lines 18-30 in § 31-808(c), Idaho Code, needed to be stricken and therefore S 1347 sent to the 14th Order for amendment.

Vice Chairman Guthrie asked why there is no fiscal impact resulting from the State Treasurer's Office taking on this responsibility. Ms. Peterson replied that she visited with the State Treasurer's Office, which indicated there would be no resulting financial impact. Chairman Siddoway asked if State Treasurer Crane expressed support for this legislation, to which Ms. Peterson affirmed.

Senator Johnson sought clarification on language referencing excess funds, and Ms. Peterson explained that "excess proceeds," "unclaimed funds" and "excess funds" all refer to unclaimed excess funds.

Ms. Brassfield returned to the podium and in response to a question from Vice Chairman Guthrie, explained that once a property is sold, the costs associated with transferring property to the county are subtracted from excess funds; the remaining balance is transferred to the State Treasurer's Office to be provided to parties of interest.

Cozette Walters, Unclaimed Property Division, Idaho State Treasurer, took the podium and in response to a question from Senator Burgoyne, explained that there will be no additional costs associated with these changes. She indicated that the State Treasurer's Office already handles these types of claims and has systems in place to process them.

Senator McKenzie commented that additional steps should be taken to contact parties of interest regarding excess funds in addition to posting notices online; if conflicting claims arise, then the transfer of those claims to the State Treasurer's Office should be initiated.

MOTION: Senator Vick moved to hold S 1347 in Committee subject to the call of the Chair. Senator Rice seconded the motion. The motion carried by voice vote.
**Pam Eaton**, President of the Idaho Retailers Association and Idaho Lodging and Restaurant Association, presented **H 463**, which prohibits political subdivisions from establishing minimum wages higher than the minimum wages provided by State law. **Ms. Eaton** indicated that this legislation is intended to avoid potential problems of patchwork regulations, which hurt local businesses. She pointed out that 29 states and the District of Columbia have state preemption legislation regarding minimum wage, and that Idaho is typically included in that determination (see attachment 1a). **Ms. Eaton** explained that the authority of political subdivisions to increase the minimum wage was challenged twice last year in Idaho, and in both cases that authority was not granted. **Ms. Eaton** also referenced a 2015 economy and wage survey conducted in Idaho regarding minimum wage policy (see attachment 2b).

In response to questions from Senator Stennett, **Ms. Eaton** stated that the issue in question is not whether to increase or decrease the minimum wage, but to ensure that policy decisions regarding minimum wage are made by the State Legislature. **Senator Stennett** disagreed, stating that this is a local issue and asked why input from voters in the form of local ballot initiatives is insufficient. **Ms. Eaton** responded that this is a feel-good issue and the consequences of raising minimum wage are not adequately presented to the public; businesses are often tasked with this effort at their own expense. **Senator Stennett** questioned whether there were any technical considerations pertaining to differing minimum wages, to which **Ms. Eaton** replied that when minimum wage determinations are based on varying factors, such as Consumer Price Indices, it becomes difficult to account for the resulting patchwork of wages that may crosscut city lines.

**Senator Rice**, citing § 44-1502, Idaho Code, asked if a city were to set its own minimum wage level, would it be in conflict with existing law, to which **Ms. Eaton** affirmed. **Senator Rice** stated that according to the Idaho Constitution, cities and counties are currently prohibited from making laws in conflict with State law, which includes minimum wage determinations.

**Senator Burgoyne** asked for the confidence level and error range of the wage survey provided (see attachment 2b), and **Ms. Eaton** stated she would provide that information to the Committee.

**Senator Johnson** sought clarification regarding the statutory definition of "political subdivision" and how it relates to the ability of county hospital boards to determine their own minimum wages. **Ms. Eaton** explained that local government offices may establish wages for their own employees and that the preemption language in this bill is taken from other sections of Idaho Code.

**TESTIMONY:**

**Patrick O'Very**, testifying as a private citizen, spoke in opposition to **H 463**. He expressed concerns regarding the constitutionality of the legislation and stated that if passed, it will set a bad precedent.

**Marty Durand**, Legislative Counsel for Idaho Building Trades, spoke in opposition to **H 463**. She discussed Idaho's minimum wage in relation to other states and stated that this bill reinforces Idaho's status as a low-wage state.

**Donna Yule**, representing the Idaho Public Employees Association (IPEA), spoke in opposition to **H 463**. She stated that IPEA supports increasing the minimum wage and does not believe that such an increase will result in job loss or undue burden on small businesses. IPEA also believes decisions about minimum wage are most appropriately made by local governments.

**Aaron White**, President of the Idaho AFL-CIO, spoke in opposition to **H 463**. He
stated that economic decisions, including minimum wage determinations, should be made by citizens at the local level.

**Suzanne Budge**, representing the National Federation of Independent Business (NFIB) and the Idaho Petroleum Marketers and Convenience Store Association, spoke in support of H 463. She remarked that statewide uniformity in relation to tax policy, specifically wages and taxation, is supported by her clients.

**Adrienne Evans**, Executive Director of United Action for Idaho, spoke in opposition to H 463. She discussed the impact of current wages on Idaho citizens and expressed support for increasing the minimum wage. **Ms. Evans** commented that a higher minimum wage will increase consumer purchasing power and benefit the economy and local businesses.

**John Watts**, representing the Northwest Grocery Association, spoke in support of H 463. He commented that differing wages create disparities among workers performing the same duties and problems for workers such as fleet truck drivers who move throughout districts.

**MOTION:** Senator **Rice** moved to approve H 463 with a do pass recommendation. Senator **Bayer** seconded the motion.

Senator **Burgoyne** stated that he does not support the motion. He commented that legislation is not created to address existing problems and further recognized that to date, no local government has passed a minimum wage in excess of State minimum wage. If such a situation does arise, the appropriate entity to consider preemption is the court. **Senator Burgoyne** also remarked that there is currently no unifying view of how minimum wage increases affect the economy.

Senator **Bayer** commented that when the Legislature is presented with tax proposals, it must examine what is fair and equitable across a broad platform while taking into consideration local flexibility. He noted that when taxing districts change their policies, such as through the annexation process, it will have an impact on businesses; the more significant the difference between taxing districts are, the more variables businesses and taxpayers must work through.

Senator **Johnson** expressed support for the motion, emphasizing the purpose of the legislation is to provide clarity regarding where the authority resides to establish minimum wages. He acknowledged comments made regarding efforts to improve wages for Idaho citizens and pointed out that he will continue to focus on creating jobs and a skilled workforce within the current framework.

Senator **Rice** expressed support for the motion, commenting that any analysis of legislative proposals should begin with an examination of the Idaho Constitution. He stated that city minimum wage ordinances conflict with existing State law, which dictates State preemption; however, because existing language is not sufficiently clear, H 463 is necessary to provide clarity for local governments.

The motion carried by voice vote, with Senators **Stennett** and **Burgoyne** requesting that they be recorded as voting nay.

**ADJOURNED:** There being no further business, **Chairman Siddoway** adjourned the meeting at 4:30 p.m.
State and Local
Minimum Wage Preemption

Minimum Wage Preemption Legislation Enacted

Legal analysis has shown repeatedly that Idaho already has preemption unless the state specifically gives power to the local subdivisions or it's a health or safety issue.
Executive Summary

- More than seven in 10 Idaho residents describe the current business climate as either “excellent” (8 percent) or “good” (65 percent), while only 27 percent give it ratings of “fair” or “poor.”

- When given the choice between the State Legislature or local leaders, 60 percent of residents say the State Legislature is the best place to decide minimum wage policy for Idaho, while 40 percent say local leaders should be allowed to set minimum wage policy for their own community.

- When given the choice between having a single minimum wage for Idaho or allowing the minimum wage to vary by community, 68 percent of residents say there should only be a single minimum wage for Idaho, while 32 percent think the minimum wage should be allowed to vary by community.

Methodology

- The survey was fielded as part of an online omnibus study conducted by ORC International among a demographically representative sample of 505 adults ages 18 or older, comprising 255 males and 250 females living in the state of Idaho. This survey was live on December 1-6, 2015.

- Detailed survey results are on the following pages.
Majority of Idaho Residents Have a Favorable Opinion About the State’s Business Climate

- A strong majority of Idaho residents have a positive opinion about the business climate in the state. More than seven in 10 Idaho residents describe the current business climate as either “excellent” (8 percent) or “good” (65 percent), while only 27 percent give it ratings of “fair” or “poor.”
- A majority of residents across all demographic categories describe the state’s business climate in positive terms.

How would you describe the current business climate in the state of Idaho?

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<th>Excellent</th>
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*Small sample size
Idaho Residents Are Generally Positive About the State Legislature’s Role in Promoting a Positive Business Climate

- When asked how good a job the Idaho State Legislature is doing to foster a climate that is good for business in the state, responses were generally positive. Three percent of residents say the State Legislature is doing an “excellent” job in this area, while 54 percent give it a rating of “good.”

- In comparison, 32 percent say the Idaho State Legislature is only doing a “fair” job fostering a good business climate in the state, while 11 percent say it is doing a “poor” job.

**How good a job is the Idaho State Legislature doing to foster a climate that is good for business in the state?**

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*Small sample size
Six in Ten Idaho Residents Say the State Legislature Should Decide Minimum Wage Policy

- When given the choice between the State Legislature or local leaders, a majority of Idaho residents say the State Legislature is the best place to decide minimum wage policy for Idaho.
- Sixty percent of residents say the State Legislature is the best place to decide minimum wage policy for Idaho, while 40 percent say local leaders should be allowed to set minimum wage policy for their own community.
- A majority of Idaho residents across all demographic categories think the State Legislature should decide minimum wage policy for the state.

Do you think the State Legislature is the best place to decide minimum wage policy for Idaho, or should local leaders be allowed to set minimum wage policy for their own community?

<table>
<thead>
<tr>
<th></th>
<th>State Legislature is the best place to decide minimum wage policy for Idaho</th>
<th>Local leaders should be allowed to set minimum wage policy for their own community</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Adults</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>68</td>
<td>32</td>
</tr>
<tr>
<td>Female</td>
<td>53</td>
<td>47</td>
</tr>
<tr>
<td><strong>Age Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 to 24</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>25 to 34</td>
<td>60</td>
<td>40</td>
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<td>35 to 44</td>
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<tr>
<td>45 to 54</td>
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<td>40</td>
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<td>55 to 64</td>
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<td>49</td>
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<tr>
<td>65 or older</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td><strong>Household Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than $35,000</td>
<td>61</td>
<td>39</td>
</tr>
<tr>
<td>$35,000 to $49,999</td>
<td>57</td>
<td>43</td>
</tr>
<tr>
<td>$50,000 to $74,999</td>
<td>72</td>
<td>28</td>
</tr>
<tr>
<td>$75,000 to $99,999</td>
<td>51</td>
<td>49</td>
</tr>
<tr>
<td>$100,000 or more</td>
<td>55</td>
<td>45</td>
</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>White only (Non-Hispanic)</td>
<td>63</td>
<td>37</td>
</tr>
<tr>
<td>Black only (Non-Hispanic)</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Hispanic (Any race)</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High school graduate or less</td>
<td>59</td>
<td>41</td>
</tr>
<tr>
<td>College incomplete</td>
<td>63</td>
<td>37</td>
</tr>
<tr>
<td>College graduate</td>
<td>58</td>
<td>42</td>
</tr>
</tbody>
</table>

*Small sample size*
Two-Thirds of Idaho Residents Think There Should be a Single Minimum Wage for the State

- When given the choice between having a single minimum wage for Idaho or allowing the minimum wage to vary by community, a solid majority of Idaho residents believe there should only be a single minimum wage for the state.
- Sixty-eight percent of residents say there should only be a single minimum wage for Idaho, while 32 percent think the minimum wage should be allowed to vary by community.
- A majority of residents across all demographic groups think there should only be a single minimum wage for the state of Idaho.

Do you think there should be a single minimum wage for the state of Idaho, or should the minimum wage be allowed to vary by community?

<table>
<thead>
<tr>
<th></th>
<th>There should only be a single minimum wage for Idaho</th>
<th>Minimum wage should be allowed to vary by community</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>All Adults</strong></td>
<td>68%</td>
<td>32%</td>
</tr>
<tr>
<td><strong>Sex</strong></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>73</td>
<td>27</td>
</tr>
<tr>
<td>Female</td>
<td>63</td>
<td>37</td>
</tr>
<tr>
<td><strong>Age Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 to 24</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>25 to 34</td>
<td>75</td>
<td>25</td>
</tr>
<tr>
<td>35 to 44</td>
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<td>46</td>
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<tr>
<td>45 to 54</td>
<td>66</td>
<td>34</td>
</tr>
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<td>55 to 64</td>
<td>69</td>
<td>31</td>
</tr>
<tr>
<td>65 or older</td>
<td>60</td>
<td>40</td>
</tr>
<tr>
<td><strong>Household Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>26</td>
</tr>
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<td>34</td>
</tr>
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<td>$100,000 or more</td>
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</tr>
<tr>
<td><strong>Race</strong></td>
<td></td>
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<td>White only (Non-Hispanic)</td>
<td>67</td>
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</tr>
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<td>*</td>
<td>*</td>
</tr>
<tr>
<td>Hispanic (Any race)</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td><strong>Education</strong></td>
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</tr>
<tr>
<td>High school graduate or less</td>
<td>71</td>
<td>29</td>
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<tr>
<td>College incomplete</td>
<td>72</td>
<td>28</td>
</tr>
<tr>
<td>College graduate</td>
<td>63</td>
<td>37</td>
</tr>
</tbody>
</table>

*Small sample size
Organizations Supporting H463, Minimum Wage Preemption

Food Producers of Idaho
Idaho Association of Commerce & Industry
Idaho Farm Bureau Federation
Idaho Freedom Foundation
Idaho Lodging & Restaurant Association
Idaho Petroleum Marketers & Convenience Store Association
Idaho Retailers Association
Maverik, Inc.
National Federation of Independent Business (NFIB) – Idaho
Northwest Food Processors Association
Northwest Grocery Association
City Minimum Wage Laws: Recent Trends and Economic Evidence

NELP’s Minimum Wage Basics series sheds light on key issues related to the minimum wage, drawing on the latest research and campaign developments.

Introduction

While the U.S. economy continues to see steady growth and an improvement in the jobless rate, wages have been flat or falling for much of the labor force. This dynamic has prompted a record number of municipal leaders to tackle this problem locally with city minimum wage ordinances that substantially raise the wage floor for low-paid workers in their communities. Equally significant, cities today are calling for higher minimum wages than ever before. With wage levels of $15 per hour or more, these new measures go beyond simply catching up the minimum wage for inflation; they begin to raise pay broadly across the bottom of local economies.

This fact sheet provides an overview of recent trends in local minimum wage ordinances, paying particular attention to how businesses have adjusted to the implementation of local wage increases over time. Overall, the economic evidence indicates that local minimum wages have proven to be effective tools for raising pay and improving job quality without reducing employment or encouraging businesses to leave cities.

Local Minimum Wages Have Become Mainstream Policy Tools in Diverse Cities Across the Country

Over the past year, an unprecedented number of cities and counties have moved to adopt higher local minimum wages. In addition, cities are proposing substantially higher wage levels than in past years (see Table 1). Indicative of this new wave of action around local minimum wages was the U.S. Conference of Mayors’ “Cities of Opportunity Task Force,” which in August 2014 endorsed higher city minimum wages as key tools for fighting income inequality at the local level.
<table>
<thead>
<tr>
<th>Passed in 2003</th>
<th>Minimum Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Fe, NM</td>
<td>$10.84</td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>$12.25</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Passed in 2012</th>
<th>Minimum Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albuquerque, NM</td>
<td>$8.75</td>
</tr>
<tr>
<td>San Jose, CA</td>
<td>$10.30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Passed in 2013</th>
<th>Minimum Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bernalillo County, NM</td>
<td>$8.65</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>$11.50 (by 2016)</td>
</tr>
<tr>
<td>Montgomery County, MD</td>
<td>$11.50 (by 2017)</td>
</tr>
<tr>
<td>Prince George’s County, MD</td>
<td>$11.50 (by 2017)</td>
</tr>
<tr>
<td>SeaTac, WA</td>
<td>$15.24</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Passed in 2014</th>
<th>Minimum Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Las Cruces, NM</td>
<td>$10.10 (by 2019)</td>
</tr>
<tr>
<td>Santa Fe County, NM</td>
<td>$10.84</td>
</tr>
<tr>
<td>Mountain View, CA</td>
<td>$10.30</td>
</tr>
<tr>
<td>Sunnyvale, CA</td>
<td>$10.30</td>
</tr>
<tr>
<td>San Diego, CA</td>
<td>$11.50 (by 2017)*</td>
</tr>
<tr>
<td>Oakland, CA</td>
<td>$12.25</td>
</tr>
<tr>
<td>Berkeley, CA</td>
<td>$12.53 (by 2016)</td>
</tr>
<tr>
<td>Richmond, CA</td>
<td>$13.00 (by 2018)</td>
</tr>
<tr>
<td>Louisville, KY</td>
<td>$9.00 (by 2017)</td>
</tr>
<tr>
<td>Chicago, IL</td>
<td>$13.00 (by 2019)</td>
</tr>
<tr>
<td>San Francisco, CA</td>
<td>$15.00 (by 2018)</td>
</tr>
<tr>
<td>Seattle, WA</td>
<td>$15.00 (by 2018-21)</td>
</tr>
</tbody>
</table>
Table 1. Local Minimum Wage Ordinances in the U.S.

<table>
<thead>
<tr>
<th>Passed in 2015</th>
<th>Minimum Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emeryville, CA</td>
<td>$15.00 (by 2018)</td>
</tr>
<tr>
<td>Los Angeles, CA</td>
<td>$15.00 (by 2020)</td>
</tr>
<tr>
<td>Portland, ME</td>
<td>$10.68 (by 2017)</td>
</tr>
<tr>
<td>Kansas City, MO</td>
<td>$13.00 (by 2020)**</td>
</tr>
<tr>
<td>Birmingham, AL</td>
<td>$10.10 (by 2017)</td>
</tr>
<tr>
<td>St. Louis, MO</td>
<td>$11.00 (by 2018)**</td>
</tr>
<tr>
<td>Palo Alto, CA</td>
<td>$11.00 (by 2016)</td>
</tr>
<tr>
<td>Johnson County, IA</td>
<td>$10.10 (by 2017)</td>
</tr>
<tr>
<td>Los Angeles County, CA</td>
<td>$15.00 (by 2020-21)</td>
</tr>
<tr>
<td>Mountain View, CA</td>
<td>$15.00 (by 2018)</td>
</tr>
<tr>
<td>Sacramento, CA</td>
<td>$12.50 (by 2020)</td>
</tr>
<tr>
<td>Lexington, KY</td>
<td>$10.10 (by 2018)**</td>
</tr>
<tr>
<td>Tacoma, WA</td>
<td>$12.00 (by 2018)</td>
</tr>
<tr>
<td>Bangor, ME</td>
<td>$9.75 (by 2019)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current Proposals</th>
<th>Proposed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olympia, WA</td>
<td>$15.00</td>
</tr>
<tr>
<td>Davis, CA</td>
<td>$15.00</td>
</tr>
<tr>
<td>Sacramento, CA</td>
<td>$15.00</td>
</tr>
<tr>
<td>Washington, DC</td>
<td>$15.00 (by 2020)</td>
</tr>
<tr>
<td>Pasadena, CA</td>
<td>$15.00</td>
</tr>
<tr>
<td>Palo Alto, CA</td>
<td>$15.00 (by 2018)</td>
</tr>
<tr>
<td>Long Beach, CA</td>
<td>$16.00</td>
</tr>
<tr>
<td>Sunnyvale, CA</td>
<td>$15.00 (by 2018)</td>
</tr>
</tbody>
</table>

*San Diego increase awaits review by votes in 2016

**Preemption lawsuits currently ongoing in Kansas City, MO, Louisville, MO, and Lexington, KY
The Distinct Role of Local Minimum Wages

Local minimum wages offer several distinct advantages that differentiate these policies from state or federal minimum wage laws:

- They allow higher-cost cities to set minimum wage rates that better correspond to higher local living costs;
- They allow localities in states where the legislature is slow to raise the minimum wage to address the problem on their own;
- They provide venues for demonstrating the feasibility of substantially higher minimum wages, and pursuing key reforms such as annual inflation indexing and higher tipped-minimum wages, which are less commonly adopted at the state level.

How Have Local Businesses Responded to Recently Adopted City Minimum Wages?

Reports from cities that have adopted significantly higher minimum wages in recent years have shown that higher wages have been manageable for businesses and have not led to layoffs or slowed job growth.

In both San Jose and San Francisco, for example, jobs in the restaurant industry grew faster after the minimum wage was increased than they did in surrounding cities and counties that did not raise wages. In SeaTac, Washington—the first city in the United States to fully transition to a $15 minimum wage for workers in the hospitality and travel industries—predicted layoffs and expansion-plan cancellations did not materialize, and in fact some business owners, who were previously opposed to the wage increase, have expanded operations. And in Seattle, which began phasing-in its $15 minimum wage in April 2015, initial signs are positive. The Seattle region’s unemployment rate hit an eight-year low of 3.6 percent in August 2015, significantly lower than the state unemployment rate of 5.3 percent. And King County, where Seattle is located, is well on its way to breaking last year’s record for the number of business permits issued to food service establishments.

This is how the media has reported on city minimum wage increases in San Jose, SeaTac, and Seattle:

"Interviews with San Jose workers, businesses, and industry officials show it has improved the lives of affected employees while imposing minimal costs on employers."

- USA Today, “In San Jose, Higher Minimum Wage Pays Benefits” (June 14, 2014)  

"Fast-food hiring in the region accelerated once the higher wage was in place. By early this year, the pace of employment gains in the San Jose area beat the improvement in the entire state of California."

"Those who opposed the $15 wage in SeaTac and Seattle admit there has been no calamity so far."

- Washington Post, "No Calamity Yet as SeaTac, WA, Adjusts to $15 Minimum Wage" (September 5, 2014)

"For all the political uproar it caused, SeaTac’s closely watched experiment with a $15 minimum wage has not created a large chain reaction of lost jobs and higher prices..."

- Seattle Times, "$15 Wage Floor Slowly Takes Hold in SeaTac" (June 13, 2014)

"When Seattle's pioneering $15 minimum wage law was the subject of fierce debate last year, Tom Douglas predicted it would inflict a $5 million hit on his empire of more than a dozen restaurants... Yet six months after the first wage increase to $11 per hour took effect, the fear of soaring payrolls shows no signs of killing the appetite of Douglas — or the rest of the Seattle restaurant world — for rapid expansion. Dozens of new restaurants have opened in the city since April 1, including many new eateries run by the law's fiercest critics, such as Douglas."

- Puget Sound Business Journal, "Apocalypse Not: $15 and the Cuts that Never Came" (October 23, 2015)

Small Businesses Favor Citywide Minimum Wages to Match Local Costs of Living

As more cities consider local minimum wages, opinion research has begun to examine the views of employers on such measures. Polling and interviews with individual business owners have shown that employers find that the statewide minimum wage is often insufficient to reflect local living costs and support cities' adopting higher local minimum wages. For an example from New York, see Figure 1.

Figure 1. Two-Thirds of New York Small Business Owners Support Local Minimum Wages

Do you agree or disagree that cities and counties in New York should have the ability to determine their own minimum wage rates above the level of the state minimum wage?

Agree

Disagree

34%

66%

Source: Small Business Majority, 2014
The Economic Evidence Shows that City Minimum Wages Boost Earnings Without Reducing Employment

Economic evidence indicates that the higher city minimum wages enacted in U.S. cities to date have boosted earnings without slowing job growth or causing business relocations. These findings are consistent with the bulk of modern research on higher state minimum wages, which has generally found no statistically significant evidence of job losses resulting from minimum wage increases passed over the last 20 years in the United States.

This is partly because the bulk of the low-wage positions affected by city minimum wages are in fields such as restaurants, retail, building services, home health care, and child care - jobs that serve city-based customers such as residents, office workers, and tourists at city locations. As a result, most cannot practically be moved by their employers to locations outside of the city while still retaining their customer bases.

Table 2 below summarizes the most rigorous research examining the employment impact of minimum wage increases at the local level. The studies below pay particular attention to the experience of minimum wage increases in Santa Fe and San Francisco, which have had local minimum wages in place for over a decade now and offer the most complete picture of how businesses in low-wage sectors have adjusted to higher wage floors.

<table>
<thead>
<tr>
<th>Study</th>
<th>Year Published</th>
<th>Cities Studied</th>
<th>Summary of Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;The Wage and Employment Impact of Minimum-Wage Laws in Three Cities&quot; 8 Center for Economic and Policy Research</td>
<td>2011</td>
<td>San Francisco, CA Santa Fe, NM Washington, DC 9</td>
<td>&quot;The results for fast food, food services, retail, and low-wage establishments... support the view that citywide minimum wages can raise the earnings of low-wage workers, without a discernible impact on their employment...&quot;</td>
</tr>
<tr>
<td>&quot;When Mandates Work: Raising Labor Standards at the Local Level&quot; 10 University of California-Berkeley</td>
<td>2014</td>
<td>San Francisco, CA</td>
<td>This book-length study of San Francisco's minimum wage, living wage, health care, and paid sick leave laws, which collectively raised the compensation of low-wage workers 80 percent higher than the federal minimum wage, found that these laws raised pay without costing jobs. Researchers found that from 2004 to 2011, private sector employment grew by 5.6 percent in San Francisco but fell by 4.4 percent in other Bay Area counties that did not have a higher local wage. Among food-service workers, who are more likely to be affected by minimum wage laws, employment grew 17.7 percent in San Francisco, faster than in the other Bay Area counties. San Francisco employers absorbed the higher costs through a combination of reduced employee turnover and improved customer service and worker productivity.</td>
</tr>
</tbody>
</table>
Table 2. Summary of Economic Research on Citywide Minimum Wages

<table>
<thead>
<tr>
<th>Study Title</th>
<th>Year</th>
<th>Location</th>
<th>Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;The Economic Effects of a Citywide Minimum Wage&quot;</td>
<td>2007</td>
<td>San Francisco, CA</td>
<td>&quot;We find that the San Francisco wage floor policy increased pay significantly at affected restaurants. We do not detect any increased rate of business closure or employment loss among treated restaurants; this finding is robust across a variety of alternative specifications and control subsamples.&quot;</td>
</tr>
<tr>
<td>University of California-Berkeley</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Measuring the Employment Impacts of the Living Wage Ordinance in Santa Fe, New Mexico&quot;</td>
<td>2006</td>
<td>Santa Fe, NM</td>
<td>&quot;Overall, this analysis found that the living wage had no discernible impact on employment per firm, and that Santa Fe actually did better than Albuquerque in terms of employment changes.&quot;</td>
</tr>
<tr>
<td>University of New Mexico, Bureau of Business and Economic Research</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&quot;Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties&quot;</td>
<td>2010</td>
<td>288 pairs of contiguous U.S. counties with differing minimum wage rates at any point between 1990 and 2006</td>
<td>Taking advantage of the fact that a record number of states raised their minimum wages in the 1990s and 2000s, this widely cited study compares employment levels among every pair of neighboring U.S. counties that had differing minimum wage rates at any point between 1990 and 2006 and finds that higher minimum wages did not reduce employment. This is a particularly important finding regarding the impact of higher minimum wages at the local level, as the county-level analysis found no evidence of businesses crossing borders or reducing employment in response to higher minimum wages.</td>
</tr>
<tr>
<td>University of California-Berkeley, University of Massachusetts-Amherst, and University of North Carolina-Chapel Hill</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Endnotes


9. Study finds that the minimum wage increase implemented in Washington, DC, in 1993 was too small to raise wages in fast-food, food services, retail, and other low-wage establishments. The citywide increase therefore does not allow the authors to draw conclusions about the employment effects of citywide minimum wages for DC.


Idahoans Want Minimum Wage Hiked to $10 Per Hour
Written by Bob Bernick
Published: 07 June 2015

By far most Idahoans want the state’s minimum wage increased from $7.25 an hour to $10 an hour, a new Idaho Politics Weekly survey shows.

The new Dan Jones & Associates survey of 601 adults finds that 70 percent of Idahoans believe the minimum wage should go up by 38 percent.

Twenty-nine percent said the wage should not be increased, and 1 percent didn’t know.

Jones also finds in a new poll that two-thirds of Gem State residents don’t want the Social Security retirement age to go from the current 66 years old to 70 years old.

And Jones finds that 30 percent – by far the largest group – of citizens say education is the most important issue facing Idaho today.

The new survey was taken May 20-28. It has a margin of error of plus or minus 3.98 percent.

Across the nation, politicians are talking about increasing the minimum wage, with the general argument being that a single person, much less a family, can’t live on the minimum wage anymore.

Those who oppose the hike – usually small business owners – say they can’t afford such an increase.

And they would have to reduce the working hours of their low-wage earners, or lay people off.

However, Jones finds support for increasing the minimum wage in Idaho across the demographic board, to varying degrees.

For example:

- Among all Idahoans: 70 percent say increase the wage from $7.25 to $10 an hour; 29 percent oppose such an increase; 1 percent don’t know.
- Among Republicans: 56 percent say increase the minimum wage; 43 percent say don’t; and 3 percent don’t know.
- Democrats want the wage increased, 90-3 percent, with 1 percent undecided.
- While political independents favor increasing the minimum wage, 74 percent-to-26-percent, with 1 percent don’t know.

Only those who described themselves as “very conservative” politically are opposed to increasing the minimum wage.

Jones finds that the “very conservative” oppose the increase, 53-45 percent, with 2 percent undecided.
Idaho wages 50th in nation as inflation-adjusted wages fall in Boise

By Audrey Dutton

Boise is among the nation’s bottom 10 mid-sized metro areas for wage growth, among both the lowest- and highest-paid workers, according to Headlight Data, a data aggregation company.


According to BLS data for the first quarter of 2015, the average weekly wage in Ada County was $873. In Canyon County, it was $630. The average statewide was $736, compared with $1,048 nationwide and ranking Idaho 50th in the U.S. for wages, ahead of only Mississippi.

This story appears in the Nov. 18-Dec. 15, 2015, edition of the Idaho Statesman’s Business Insider magazine.
Senate Bill 1347

Mr. Chairman and members of the committee, my name is Donna Peterson and I represent the Idaho Association of Counties and the Idaho Association of County Treasurer’s. Today before you is SB 1347 dealing with excess funds from the sale of tax deeded property.

Kelli has done an excellent job outlining the issues that both the county treasurer’s and clerks face when dealing with excess proceeds as a result of a tax deed sale.

Earlier this summer we met with State Treasurer Crane and Cozette from the Unclaimed Property Division to discuss the idea of moving the excess proceeds to the Unclaimed Division. They were familiar with the issues we deal with in determining the rightful owner of those proceeds. They were enthusiastic about assisting the counties in taking over the process of determining who received the proceeds. They deal with this issue every day and have policies, procedures, and expertise in dispersing funds to the proper person.

With the emergence of this new industry that Kelli mentioned in her testimony it has placed additional time and effort to those counties who have excess proceeds in dealing with public records requests and what items are actually subject to public records. The title companies do not want us to share title reports. Again, this industry is encouraging taxpayers to contract with them then collecting 30-50% of whatever monies they “find”. These contracts are not recorded so the treasurer or clerk has no way of knowing the delinquent taxpayers have signed them. The State Treasurer’s Office has dealt with these companies and/or individuals and has specific procedures to deal with those situations.

We believe SB 1347 provides a cleaner process than the law we are currently operating under and would not affect any future levying capacity. At this time I would ask for your support and a DO PASS of SB 1347.

I would stand for questions. We also have Cozette from the Unclaimed Property Division here should you have any specific questions for her.

Submitted by:

[Signature]

Donna D Peterson, Payette County Treasurer, Chair IAC Legislative Committee
1130 Third Ave N. Rm #103
Payette County Idaho.
## AGENDA

### SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

**3:00 P.M.**

Room WW53

Thursday, March 03, 2016

<table>
<thead>
<tr>
<th>SUBJECT</th>
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<th>PRESENTER</th>
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<tbody>
<tr>
<td>MINUTES</td>
<td>Approval of Minutes from February 16, 2016</td>
<td>Senator Burgoyne</td>
</tr>
<tr>
<td>MINUTES</td>
<td>Approval of Minutes from February 17, 2016</td>
<td>Vice Chairman Guthrie</td>
</tr>
<tr>
<td>MINUTES</td>
<td>Approval of Minutes from February 18, 2016</td>
<td>Senator Stennett</td>
</tr>
<tr>
<td>MINUTES</td>
<td>Approval of Minutes from February 23, 2016</td>
<td>Senator Bayer</td>
</tr>
<tr>
<td>S 1347</td>
<td>Relating to Tax Deed Sales</td>
<td>Kelli Brassfield, Idaho Association of Counties</td>
</tr>
<tr>
<td>H 496</td>
<td>Relating to Cemeteries, Recovery/Resale of Unused Lots</td>
<td>Seth Grigg, Association of Idaho Cities</td>
</tr>
</tbody>
</table>

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*If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.*

### COMMITTEE MEMBERS

- **Chairman Siddoway**
- **Vice Chairman Guthrie**
- **Sen McKenzie**
- **Sen Johnson**
- **Sen Rice**

### COMMITTEE SECRETARY

- **Jennifer Carr**
- Room: WW50
- Phone: 332-1315
- email: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, March 03, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: None

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: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:03 p.m. and asked the secretary to take a silent roll.

MINUTES APPROVAL: Senator Burgoyne moved to approve the Minutes of February 16, 2016. Senator McKenzie seconded the motion. The motion carried by voice vote.

Senator Stennett moved to approve the Minutes of February 18, 2016. Senator Johnson seconded the motion. The motion carried by voice vote.

Senator Bayer moved to approve the Minutes of February 23, 2016. Senator Stennett seconded the motion. The motion carried by voice vote.

Chairman Siddoway indicated that the Minutes of February 17, 2016, would be approved later in the meeting.

S 1347 Kelli Brassfield, Idaho Association of Counties (IAC), presented S 1347. She stated that IAC worked with county treasurers, the Idaho State Treasurer's Office and Deputy Attorney General Julie Weaver to address the Committee's concerns and present amended language. The amended language allows counties to process excess proceeds if the parties of interest or owners of record are clearly known; if not clearly identified, excess proceeds are transferred to the Unclaimed Property Division of the State Treasurer's Office. Ms. Brassfield indicated that the amended language addresses the Committee's concerns regarding notification of excess proceeds. She also addressed how the Unclaimed Property Division is funded, explaining that funds that cannot be linked to a party of interest are used to support the Division; funds that are linked to a party of interest but remain unclaimed are transferred to an interest-bearing trust account. Ms. Brassfield outlined criteria for determining when claims will be transferred to the State Treasurer's Office and provided specific examples.

MOTION: Senator McKenzie moved that S 1347 be referred to the 14th Order for amendment. Senator Burgoyne seconded the motion. The motion carried by voice vote.
Seth Grigg, Executive Director, Association of Idaho Cities (AIC), presented H 496, which provides a process for cities or cemetery maintenance districts to recover and resell unused cemetery lots. Mr. Grigg explained that current procedures for purchasing cemetery lots include reversionary language that dictates a timeframe for use of that lot. In the case of unused lots purchased decades ago, there is often uncertainty about whether the purchaser or heir intends to use the lot. H 496 provides a way for cities or cemetery maintenance districts to process these lots if unused for more than 50 years. The owner of record or known heir(s) is contacted and given 60 days to provide notification of use; if notice cannot be served, the city or cemetery district must provide public notice for three consecutive weeks. If after 60 days the owner or heir fail to come forward, the lot may be reclaimed by the city or cemetery maintenance district. Mr. Grigg pointed out that if the owner of the plot comes forward after 60 days and the lot has been reused, they will be given the choice of another existing lot or financial compensation for the value of the lot.

Chairman Siddoway asked how many previous generations are permitted to reclaim a family lot. Mr. Grigg asked Aaron Seable, Legal Counsel for the City of Caldwell, to respond. Mr. Seable stated that under current law, two degrees of consanguinity are permitted. He reported that this legislation requires cities and cemetery maintenance districts to make a reasonable effort to search for heirs, and modern technology aids this endeavor. Chairman Siddoway inquired what would happen if a lot was subsequently sold to a different owner after all the steps were taken to locate the original owner or heir, and after a period of time the original owner sought to reclaim that lot. Mr. Seable explained that if the original lot has been resold, the individual may either request a different lot in the same cemetery or be financially compensated for the value of the lot.

Senator Stennett asked if cities are prepared for the possible financial impact of compensating families for their original lots. Mr. Seable stated the legislation only applies to lots unused for more than 50 years, and that funds for such compensation come from a city perpetual burial fund.

Senator Burgoyne asked if the city or cemetery maintenance district is required to reclaim unused lots, to which Mr. Grigg explained that this is a voluntary process for jurisdictions with limited space and resources that seek to fully utilize all of their space.

MOTION: Senator McKenzie moved to approve H 496 with a do pass recommendation. Senator Rice seconded the motion. The motion carried by voice vote.

MINUTES APPROVAL: Vice Chairman Guthrie moved to approve the Minutes of February 17, 2016. Senator Bayer seconded the motion. The motion carried by voice vote.

ADJOURNED: There being no further business, Chairman Siddoway adjourned the meeting at 3:25 p.m.

___________________________
Senator Siddoway
Chair

___________________________
Jennifer Carr
Secretary

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
Thursday, March 03, 2016—Minutes—Page 2
February 29, 2016
Senate Local Government and Taxation
Idaho State Senate
700 W. Jefferson
Boise, Idaho 83702

Dear Senators,

The Office of the State Treasurer, Unclaimed Property Program has reviewed the proposed amendment to Senate Bill 1347. The transfer of tax deed proceeds to the Program does not represent a significant increase in the workload of the Program and will not require additional staff or equipment. It will be absorbed into the regular work of the program with no need for increased funding.

As you may know, the Program does not receive general fund monies. A limited amount of funds not identified to a specific person and thus unable to be claimed are used to operate the Program as described in Idaho Code section 14-523. All other monies are held to be claimed by the owner. The interest earned on the monies held for owners is credited to the general fund. The addition of tax deed proceeds may result in a slight increase in the interest earned and credited to the general fund.

Please contact if I can assist you further.

Sincerely,

Cozette Walters
Administrator, Idaho Unclaimed Property
Cozette.walters@sto.idaho.gov
(208) 332-2979

Cc: Ron Crane, State Treasurer
Real Life Examples from the Counties

Example 1
Funds amount: $22,921.76

Owner of record: Deceased

Claimants: Son (Spouse of deceased lives and Europe and told County to sell property.)

Cause of confusion: Lack of documentation proving son is actual descendant of owner of record.

Example 2

Fund amount: $6,518.75

Owner of record: Deceased

Claimants: 1 party of interest claimed their lien

Cause of confusion: No other claimants for excess funds.

Example 3

Fund amount: $50,000 +

Owner of record: Homeowner

Claimants: None outside the Homeowner

Cause of confusion: Homeowner won't fill out a W-9 for the 1099R paperwork being required by the independent auditor.

Example 4

Fund amount: $4,853.51

Owner of record: Deceased

Claimants: 2 Heirs

Cause of confusion: Statute (according to legal counsel) does not provide for distribution to heirs.
Dear Committee Members,

I would like to encourage you to approve S1347 Excess Proceeds bill. In Twin Falls County we have had a large case where one of the residents with excess proceeds coming to them was contacted by a company called “Found Extra Money” out of Nevada. This resulted in the judicial system becoming involved in determining who should receive the money. There is another case where we had to have the courts decide who should receive the excess proceeds because another third party company called “Capstone Asset Management” out of the State of Washington became involved. In this case the former property owner was deceased with no known heirs and the judge had to decide who should receive the excess funds.

I believe it would be best to have the State Treasurer’s Office distribute the tax sale excess funds because unclaimed funds are something they deal with every day and they are set up to handle them properly.

If you would like us to contact the owner of record following the Tax Sale, we could certainly do that and distribute the money to those who respond.

If you have any questions about our handling of excess funds, please feel free to call me. Thank you for taking the time to read this email.

Debbie Kauffman  
Twin Falls County Treasurer  
Office: 208-736-4092  
Cell: 208-731-6900
AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Wednesday, March 09, 2016

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>DESCRIPTION</th>
<th>PRESENTER</th>
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<tbody>
<tr>
<td>H 534</td>
<td>Energy Tax, Solar Energy</td>
<td>Ron Williams, Williams Bradbury</td>
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<tr>
<td>H 535</td>
<td>Income Tax, Capital Gains Deduction, Cattle</td>
<td>Senator Brent Hill</td>
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<tr>
<td>H 372</td>
<td>Auxiliary Containers</td>
<td>Representative Clark Kauffman</td>
</tr>
</tbody>
</table>

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS
Chairman Siddoway
Vice Chairman Guthrie
Sen McKenzie
Sen Johnson
Sen Rice

COMMITTEE SECRETARY
Jennifer Carr
Room: WW50
Phone: 332-1315
email: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:       Wednesday, March 09, 2016
TIME:       3:00 P.M.
PLACE:      Room WW53

MEMBERS PRESENT:  Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vic, Bayer, Stennett and Burgoyne

ABSENT/EXCUSED: None

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: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:02 p.m. and asked the secretary to take a silent roll.

MOTION: Chairman Siddoway asked for unanimous consent to reorder the agenda to allow Senator Hill to present H 535 first due to a scheduling conflict. There were no objections.

H 535 Senator Hill presented H 535, relating to capital gains deductions for certain livestock. Senator Hill explained that current law requires more than 50 percent of income to come from farming or ranching activity in order for gains on the sale of certain livestock to be classified as capital gains, thus qualifying for the Idaho capital gains exclusion. He specified that this is not a federal requirement. Senator Hill indicated that this legislation conforms Idaho capital gains law with federal law by removing the gross income requirement that over 50 percent of income be generated from farming or ranching.

MOTION: Senator Burgoyne moved to send H 535 to the floor with a do pass recommendation. Senator Bayer seconded the motion. The motion carried by voice vote.

H 534 Ron Williams, representing Grand View Solar and SunEdison Utility Holdings, presented H 534. Mr. Williams explained that this legislation accomplishes three things: 1.) exempts large-scale solar energy projects from real and personal property tax; 2.) replaces property tax with a 3.5 percent tax on gross revenues; and 3.) provides solar production revenues received by local taxing districts are used to reduce property taxes levied to finance annual budgets. He outlined the specific statutory language being proposed that will accomplish these goals.

Alan Dornfest, Property Tax Policy Bureau Chief, Idaho State Tax Commission (Commission), reiterated that the Commission has no position on this legislation and no recommendation would be provided. Mr. Dornfest provided information and examples on the technical aspects of the legislation. He specified that solar energy tax is levied differently than wind or geothermal energy tax. Mr. Dornfest also noted that "operating property" was eliminated from some sections when it pertained to anything other than public utilities and railroads that are assessed directly by the Commission.

Senator Burgoyne noted there will be no fiscal impact and inquired if this will remain consistent in the long-term. Mr. Dornfest stated it is difficult to determine without knowledge of how much money or what percentage of a taxing district's
budget would be generated. Senator Burgoyne sought clarification regarding the percentage of tax on solar energy, asking if the solar industry is projected to pay more or less as a result of this legislation, to which Mr. Dornfest indicated he did not have enough information to answer definitively.

Senator Johnson asked if this legislation results in a tax shift, to which Mr. Dornfest replied that the did not foresee a tax shift.

Mr. Williams returned to the podium, and in response to a question from Senator Burgoyne regarding the fiscal note, stated there will be no General Fund impact.

**MOTION:** Senator Burgoyne moved to send H 534 to the floor with a do pass recommendation. Senator Stennett seconded the motion. The motion carried by voice vote.

**H 372** Senator Patrick introduced H 372, indicating that this legislation pertains not only to plastic bags but other types of auxiliary containers and provided a list of supporters.

Representative Kauffman stated that the purpose of this legislation is to ensure the uniform and prudent regulation of auxiliary containers, requiring any regulation or taxation of these containers be done by the Legislature rather than individual political subdivisions. He pointed out that it would not interfere or limit municipal or county recycling programs nor prevent retailers from utilizing any type of container they choose. Representative Kauffman specified that this regulation does not apply to the use of auxiliary containers in any event organized, sponsored or permitted by a county, municipality or school district; for example, a town may impose restrictions on certain types of water bottles used during a parade.

Senator Burgoyne asked if this legislation would apply to events that do not occur on property owned by a county, municipality or school district but instead by a highway district. Representative Kauffman responded that the same regulations would not apply to such events. Senator Burgoyne then asked if the provision is broad enough, to which Representative Kauffman affirmed, stating that to his knowledge, similar requests have not been made for events held within highway districts. Senator Burgoyne commented that this legislation may become problematic in his jurisdiction where streets are owned by the Ada County Highway District.

Senator Stennett inquired if the intent of this legislation is to impede school activities or projects that focus on plastic bags or food containers because the language prohibits political subdivisions, which include school districts, from regulating auxiliary containers. Representative Kauffman stated that he encourages students to participate in these efforts but discussions should occur at the state level. Senator Stennett noted that only two companies reside in Idaho that manufacture plastic bags and asked if this legislation was created to protect these companies. Representative Kauffman replied that the legislation includes other types auxiliary containers, which are defined in statute, and provided a list of manufacturing companies in Idaho.

Senator Johnson referenced sections of Idaho Code relating to solid waste management and the authority of counties to engage in solid waste management practices and their respective roles in that process. He pointed out that language in H 372 that prevents the limitation of any local or municipal recycling program may, in fact, allow a local municipality to place restrictions on what items are permitted in the waste stream. Senator Johnson also referenced Article XII, Section 2, of the Idaho Constitution, noting that it gives local entities the power to regulate sanitation issues, which could include restrictions on plastics or other materials; he expressed...
concern about preemption of local municipalities to regulate sanitation when such authority is already granted in Idaho Code.

**TESTIMONY:**

**Ariela Gruzska,** as a private citizen, spoke in opposition to **H 372.** Ms. Gruzska stated that this legislation infringes on the ability of Idaho cities to make decisions that best serve their communities. Her son, **Matias Vidal Russell,** also offered comments in opposition to the bill.

**John Watts,** representing the Northwest Grocery Association, spoke in support of **H 372.** He stated that he believes the purpose of the bill is not to regulate consumer behavior but the containers used to transport merchandise or food from food and retail facilities. **Mr. Watts** provided examples of how patchwork regulations will affect grocery retailers and ultimately consumers.

**Kelli Brassfield,** representing the Idaho Association of Counties, spoke in opposition to **H 372.** She stated that historically, Idaho counties have not regulated auxiliary containers and local governments are the most appropriate entities to make these types of decisions for their communities.

**Justin Ruen,** representing the Association of Idaho Cities, spoke in opposition to **H 372.** He noted that this legislation does not adequately reflect the diversity of Idaho's 200 cities, which have different needs and concerns with respect to agriculture, timber, tourism and mining. **Mr. Ruen** indicated that locally elected officials should be able to make these determinations for their communities.

**Pam Eaton,** representing the Idaho Retailers Association and Idaho Lodging and Restaurant Association, spoke in support of **H 372.** She pointed out that this legislation protects restaurants and other retailers that use auxiliary containers during the course of business. **Ms. Eaton** stated that businesses take the brunt of these types of regulations, when made by local municipalities, in the form of community education; as a result, these complex decisions should be made at a state level.

**Suzanne Budge,** representing the Idaho Petroleum Marketers and Convenience Store Association, spoke in support of **H 372,** noting that statewide uniformity of the regulation of auxiliary containers will positively impact local businesses.

**MOTION:**

Senator **Rice** moved to approve **H 372** with a do pass recommendation. Senator **Bayer** seconded the motion.

Chairman **Siddoway** called for a roll call vote. Vice Chairman **Guthrie,** Senators **McKenzie,** **Rice,** **Vick** and **Bayer** voted aye. Chairman **Siddoway,** Senators **Johnson,** **Stennett** and **Burgoyne** voted nay. The motion carried.

**ADJOURNED:**

There being no further business, **Chairman Siddoway** adjourned the meeting at 4:00 p.m.
March 9, 2016

TO: Members of the Senate Local Government & Taxation Committee

FR: Wyatt Prescott, President  
Food Producers of Idaho

H534

Food Producers of Idaho, representing over 40 commodity and farm organizations in Idaho and the Northwest, supports H534 dealing with exemption of certain solar energy property from Idaho property tax. The members of Food Producers have voted to support and track this legislation in the Idaho Senate.

H534 allows the producers of solar energy to join the producers of wind energy and geothermal energy in having a flat percentage of their gross earnings paid in lieu of property tax. Wind and geothermal pay 3% of their gross earnings, this legislation would require solar to pay 3.5% of their gross earnings in lieu of property tax.

The legislation would require any revenues earned by a county to be added to their overall revenues thus reducing the property tax to be levied to finance an annual budget. However, these revenues shall not be included in the amount of property tax revenues to finance an annual budget for purposes of limitations on increases in the annual budget.

In addition, the revenues provide a relatively level stream of revenues for the county that are predictable and can be budgeted. The solar company is not hit hard up front with a large tax bill in conjunction with recently completed construction costs. The Idaho Tax Commission has made several minor changes in this bill to clarify provisions of Idaho Code relating to taxation.

Food Producer members believe in advancing energy alternatives in Idaho. We believe H534 helps accomplish that goal. We ask for your “yes” vote on H534 to send it to the Senate with a “do pass” recommendation. H534 passed the Idaho House by a vote of 69-1-0 on March 2.
March 9, 2016

To: Members of the Senate Local Government & Taxation Committee

From: Seth Grigg, Executive Director

RE: Association of Idaho Cities Opposes House Bill 372 on Auxiliary Containers

The Association of Idaho Cities respectfully asks that House Bill 372 on auxiliary containers be held in committee.

There are currently no cities or counties in Idaho that regulate auxiliary containers. The City of Blackfoot was approached by a high school student last year about banning plastic bags and the city council listened respectfully and then rejected the proposal. An initiative regulating plastic bags proposed by students at Wood River High School in 2011 was rejected by voters in the City of Hailey.

Many city mayors and council members are business owners themselves and understand the impacts that regulations have on business. City elected officials have no desire to burden businesses with unnecessary regulations.

Our concern with House Bill 372 is that the bill imposes a one-size-fits-all policy that does not adequately reflect the diversity of Idaho’s 200 cities. Resort communities that rely on tourism have vastly different needs and concerns than communities with agriculture, timber or mining economies.

The tourists who come to spend time in our resort communities have high expectations. Pristine lakes and rivers, scenic mountains, and clean and inviting downtown areas are part of the allure of communities like Sandpoint, Coeur d’Alene, McCall and Sun Valley. These communities have to meet high expectations for these visitors to return. Litter, in the form of plastic bags and bottles, is exactly what these tourists don’t want to see.

If House Bill 372 were to become law, a city or county would be prohibited from enacting any regulations, even if the policy was requested by local businesses.

Local elected officials have their community’s best interests at heart and we should respect their ability to represent their community.

We appreciate the committee’s consideration of House Bill 372 and respectfully ask that the bill be held in committee.
March 8, 2016

Chairman Siddoway & Members of the Senate Local Government Committee
Idaho State Senate
State Capitol, 700 West Jefferson
Boise, ID 83702

Dear Senators,

On behalf of the Idaho Petroleum Marketers and Convenience Store Association (IPM&CSA), I urge you to please support House Bill 372. HB 372 provides that any regulation regarding the use, disposition or sale—or any prohibition, restriction, fee or taxation—of auxiliary containers at the retail, manufacturer or distributor setting shall be done only by statute enacted by the Legislature.

Ensuring statewide uniformity of regulations is vital for our success. When it comes to packaging, our members harness purchasing power by buying in large quantities and dispersing to their affiliated stores. Having to adjust to unnecessary local regulations on food containers or plastic retail carry-out bags adds to the cost and administrative burden for each of our stores, many of which are independently owned small businesses.

We believe a decision to regulate any auxiliary container should be done by you and your colleagues in the Legislature. A patchwork of local ordinances is neither good for our businesses nor our consumers, who have come to rely on convenient, highly re-usable and 100% recyclable packaging.

House Bill 372 passed the House with strong support (52-17-1) on February 3, 2016. We ask you to help pass it through the Senate to ensure any regulations deemed necessary are done on a statewide basis. As other states in the nation move toward greater uniformity in packaging regulations, Idaho can add to its reputation as one of the friendliest business environments in the nation by passing HB 372.

Sincerely,

Suzanne Budge
Executive Director, IPM&CSA
AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Thursday, March 10, 2016

<table>
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<tr>
<th>SUBJECT</th>
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<tr>
<td>H 443aa</td>
<td>Municipal Records, Retention/Storage</td>
<td>Justin Ruen, Association of Idaho Cities</td>
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<tr>
<td>H 406aa</td>
<td>Recreational Water/Sewer Districts, Annexation</td>
<td>Representative Terry Gestrin</td>
</tr>
<tr>
<td>H 540</td>
<td>Sales Tax Exemption, Aircraft, Wildfire Activities</td>
<td>Russell Westerberg, AVCenter</td>
</tr>
</tbody>
</table>

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS
Chairman Siddoway
Vice Chairman Guthrie
Sen McKenzie
Sen Johnson
Sen Rice

COMMITTEE SECRETARY
Jennifer Carr
Room: WW50
Phone: 332-1315
e-mail: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, March 10, 2016
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: None

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: Chairman Siddoway 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.

H 443aa Justin Ruen, Policy Analyst, Association of Idaho Cities (AIC), presented H 443aa, pertaining to the retention of city records. Current law requires cities to retain permanent records in paper form. H 443aa extends to cities the authority to retain permanent records using digital media, and Mr. Ruen stated the intention is to improve records management and make storage space available for historical records. Mr. Ruen stated that a definition is provided for "historical records," which are required to be retained in paper form in perpetuity. He noted that this legislation provides new language that authorizes the city to reproduce, retain and manage records in a photographic, digital or other non-paper medium, and the reproduced medium must accurately reflect the paper version. Mr. Ruen pointed out that for non-permanent records, once a digital copy is preserved, the original paper document is considered a copy and may be destroyed pursuant to the process outlined in provisions of the bill.

Jeri DeLange, Council Member, City of Hayden, spoke in support of H 443aa. Ms. Delange commented that this legislation will help reduce storage requirements for paper documents that local governments would otherwise be required to maintain.

David Matte, Administrator, ISHS, spoke in support of H 443aa. Mr. Matte stated that the ISHS worked with the AIC in drafting this legislation, which he believes meets the best practices of his profession.

Senator McKenzie asked if there are guidelines that determine what constitutes a historical record. Mr. Matte explained that ISHS examines retention schedules and assesses the long-term value of records for the purposes of historical research.

Senator Johnson sought clarification regarding the technology used to preserve records and asked if these technological capabilities will evolve over time. Mr. Matte replied that technologies are constantly evolving and the ISHS implements archival best practices.

Chairman Siddoway asked if historical records are stored in one secure location or in several across the State, to which Mr. Matte explained that the majority of historical records are stored at the main State Archives facility in Boise; more active state records are kept in a satellite facility.
MOTION: Senator Johnson moved to send H 443aa to the floor with a do pass recommendation. Senator Vick seconded the motion. The motion carried by voice vote.

H 406aa Representative Gestrin introduced H 406aa, relating to annexation of recreational water and/or sewer districts. Representative Gestrin provided a brief history of recreational water and sewer districts in Idaho. He explained that this legislation provides a mechanism for cities and recreational water and/or sewer districts to consolidate services under one operating unit. Representative Gestrin then introduced William Gigray, Legal Counsel for the City of McCall and Payette Lakes Recreational Water and Sewer District.

Mr. Gigray explained that this legislation provides a way for governing bodies of a water and/or sewer district and a city to include or withdraw an area from that district by resolution or ordinance, similar to the manner in which areas are annexed in and out of fire districts. Mr. Gigray pointed out that both governing entities must be in agreement before a resolution or ordinance is passed; that agreement is reached through a process which includes public notice and hearing. If a resolution or ordinance is reached, it is then submitted to the District Court for approval. Mr. Gigray asserted that consolidating water and sewer services under one governance will reduce costs and improve efficiencies.

Senator Johnson asked how conflicts are handled with existing permits, such as those with Department of Environmental Quality. Mr. Gigray reported that this is handled through due diligence when drafting agreements; all permits are reviewed to determine what logistics are associated with consolidation.

Chairman Siddoway asked if there are bonding requirements associated with annexation, to which Mr. Gigray replied that it is dependent upon each situation and must take into account subdistricts of water and sewer districts.

Senator Stennett commented that in smaller areas, the same individuals often hold the same jobs across governing bodies; she asked if this would be the case if districts were consolidated under one governing body. Mr. Gigray responded that currently, the district elects directors who are required to reside in that district; however, resident zones could be created during the annexation process to preclude the same individuals from serving in multiple roles. He pointed out that this option to create resident zones was included in the legislation to ensure that all parts of the district and city were represented.

Senator Burgoyne expressed support for this legislation and acknowledged that while he generally does not support commissioned zones, he does supports the notion that directors of resident zones will be elected on a district-wide basis.

MOTION: Senator Burgoyne moved to send H 406aa to the floor with a do pass recommendation. Senator Stennett seconded the motion. The motion carried by voice vote.
**H 540**

**Russell Westerberg**, representing Avcenter, introduced **H 540**, which provides a sales and use tax exemption for the sale, lease and purchase or use of fixed-wing aircraft primarily used for wildfire air tactical support under contract with the federal government. **Mr. Westerberg** indicated that until a recent Idaho State Tax Commission (Commission) audit, there was an understanding that sales and use taxes did not apply to aircraft leased or purchased by licensed aircraft operators used for wildfire suppression activities. The Commission audit determined that flights under contract with the federal government for wildfire suppression that take off and land at the same airport are not tax exempt per § 63-3622GG, Idaho Code. **Mr. Westerberg** emphasized that the 6 percent tax on these activities will put Idaho charter operators at a disadvantage with out-of-state companies when competing for contracts with the federal government.

**Senator Rice** sought clarification regarding the June 30, 2016, effective date referenced in the bill. **Mr. Westerberg** explained that this date was specifically provided to resolve issues involving the Commission audit.

**Senator Sten nett** commented on recent wildland fire activity in her district and expressed support for the legislation.

**John Blakely**, Owner of Avcenter, an Idaho-owned aviation company operating in Pocatello, Nampa and Idaho Falls, spoke in support of **H 540**. **Mr. Blakely** indicated that most of the services his company provides are exempt from sales and use tax; however, 20-30 percent of Avcenter's annual sales consists of air support for wildfire suppression for the federal government. He explained that because these flights typically take off and land at the same airport, they do not meet criteria for tax exemption as defined in § 63-3622GG, Idaho Code; as a result, Avcenter must pay a 6 percent sales tax on this revenue. **Mr. Blakely** emphasized that federal contracts for fire fighting are competitive and the 6 percent tax will put Idaho companies at a disadvantage with out-of-state competitors.

**MOTION:** **Senator Rice** moved to send **H 540** to the floor with a **do pass** recommendation. **Vice Chairman Guthrie** seconded the motion. The motion carried by **voice vote**.

**ADJOURNED:** There being no further business, **Chairman Siddoway** adjourned the meeting at 4:00 p.m.

__________________________________________  ____________________________________________

Senator Siddoway                                              Jennifer Carr
Chair                                                        Secretary
WHAT DOES H.B. 406aa PROPOSE TO DO?

Amend the water and sewer district law by providing a process for the governing bodies of a water and/or sewer district and a city to include or remove area, within a city, to or from a water and/or sewer district by resolution and/or ordinance, subject to certain minimum qualifications where there is an existing water or sewer system;

Process includes a public hearing and a special election option;

Maintains the status of a recreational water and sewer district upon completion of annexation; and

Provides an option to establish residence zones for election of directors of water and/or sewer districts.
WHY IS H.B. 406aa GOOD PUBLIC POLICY?

1. BECAUSE it provides an option for cities and districts, subject to public notice and approval, to consolidate water and/or sewer services under one governance to reduce costs and improve efficiencies.

2. BECAUSE of the expense of constructing and maintaining potable water and sanitary sewer systems – requires a critical mass of users to be economically affordable.

3. BECAUSE clean potable water and sanitary sewer services sustains life, preserves health, and protects the environment.
IDAHO AREAS H.B. 406aa MAY AFFECT:

**Resort – Recreational Areas**
- Where there is a mix of development and population in and out of cities

**Payette Lakes Recreational Water & Sewer District and City of McCall**
- Where existing systems of a district and a city are interlinked

**Garden Valley area**
- Where existing wastewater treatment plant is in a district that could serve city residents
MAPS DEPICTING:

Garden Valley area – Boise County

City of McCall and Payette Lakes Water & Sewer District
2 FORKS RECREATIONAL WATER AND SEWER DISTRICT
REGIONAL WASTEWATER PROJECT
CONCEPTUAL PLAN

NOTE: This map is conceptual only. Lines were drawn based on existing roads and estimated elevations. Actual sewer line placement will be determined during Design.

ENGINEERING AND ENVIRONMENTAL SOLUTIONS
2210 W. MAIN ST
BOISE, IDAHO 83702
208-780-3990
520 H RIDGEFIELD
BAILEY-ANDERSON PLANNING
Note: This diagram was created without the benefit of a field survey. The boundaries depicted were determined using recorded data only and the areas shown are approximate. The words "own" and "allotted" geographically were inserted in the parcel names. Many of the names and numbers attached to the parcels do not pertain to the parcels shown. The parcel numbers are for parcel reference and the boundaries of parcels are subject to change.
SPECIAL MINIMUM REQUIREMENTS OF ANNEXATION OR WITHDRAWAL IF A WATER OR SEWER SYSTEM ALREADY EXISTS WHICH SERVES THE AFFECTED AREA

1. Is capable of providing all the essential functions of the existing system;

2. Has agreed to assume and perform the essential existing system functions;

3. Either has or is acquiring sufficient assets, infrastructure and other resources to perform the essential operations of the existing system;

4. Provisions have been made for the retirement, payment or assumption of any debt, bonds, or other liabilities and obligations of existing system;

5. Provisions have been made for the liquidation and disbursement of the existing system assets and infrastructure not intended to be transferred; and

6. Provisions setting forth requirements for post-annexation or withdrawal operations.
**PROCESS**

**All steps required:**

1. Both Governing Boards draft an agreement of annexation or withdrawal including post withdrawal or annexation operations.
2. Both Governing Boards hold joint public hearing to receive testimony preceded by published notice with info re: proposal and how to request an election.
3. Joint public hearing held.
4. Both Governing Boards either take under advisement for 30 days or approve resolutions for special election or if 10% of qualified electors of District or City petition for a special election.
5. Certification of Resolutions and/or Ordinances and election to District Court for Order of Annexation or Withdrawal.
6. Both Governing Boards approve a Resolution and/or Ordinance including terms and conditions.
7. **Election Alternative:** Requires special election in May or November and requires majority vote of electors of both the District and the City.
OTHER PROVISIONS
OF H.B. 406aa

Provides for the option to create DIRECTOR ZONES for election.

Protects the status of a recreational water and sewer district upon annexation in order to prevent disenfranchisement of non-resident property owners who qualify to be electors in Idaho.
If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

<table>
<thead>
<tr>
<th>SUBJECT</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>H 380</td>
<td>Income Tax, Grocery Tax Credit</td>
<td>Representative Mike Moyle</td>
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</table>

COMMITTEE MEMBERS
Chairman Siddoway
Vice Chairman Guthrie
Sen McKenzie
Sen Johnson
Sen Rice

COMMITTEE SECRETARY
Jennifer Carr
Room: WW50
Phone: 332-1315
e-mail: sloc@senate.idaho.gov
DATE: Thursday, March 17, 2016
TIME: 2:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Senators McKenzie, Johnson, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: Vice Chairman Guthrie and Senator Rice
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: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 2:07 p.m.

H 380 Representative Moyle, District 14, presented H 380. Representative Moyle explained that H 380 lowers the top two income tax brackets by 0.1 percent, from 7.4 to 7.3 percent and 7.1 to 7.0 percent, respectively. Taxpayers who earn less that $7,260 will be eligible for a grocery tax credit increase of $10. Additionally, this legislation lowers the corporate income tax rate from 7.4 to 7.3 percent.

Chairman Siddoway indicated that there may be possible amendments to this legislation.

MOTION: Senator McKenzie moved that H 380 be referred to the 14th Order for amendment. There being no second, the motion failed.

ADJOURNED: There being no further business, Chairman Siddoway adjourned the meeting at 2:10 p.m.
## AGENDA

### SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

1:00 P.M.  
Room WW53  
Wednesday, March 23, 2016

<table>
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<tr>
<th>SUBJECT</th>
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<tr>
<td>Page Graduation</td>
<td>Farewell to Committee Page Jaymond Richardson</td>
<td>Chairman Siddoway</td>
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<tr>
<td>Minutes Approval</td>
<td>February 24, 2016</td>
<td>Senator Rice</td>
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<td></td>
<td>March 3, 2016</td>
<td>Senator Vick</td>
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<td>March 9, 2016</td>
<td>Senator Johnson</td>
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<td>March 10, 2016</td>
<td>Senator McKenzie</td>
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<tr>
<td><strong>H 606aa</strong></td>
<td>Urban Renewal</td>
<td>Senator Johnson, Representative</td>
</tr>
</tbody>
</table>

*If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.*

### COMMITTEE MEMBERS

- Chairman Siddoway  
- Vice Chairman Guthrie  
- Sen McKenzie  
- Sen Johnson  
- Sen Rice  
- Sen Vick  
- Sen Bayer  
- Sen Stennett  
- Sen Burgoyne

### COMMITTEE SECRETARY

- Jennifer Carr  
- Room: WW50  
- Phone: 332-1315  
- email: sloc@senate.idaho.gov
MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 23, 2016
TIME: 1:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
ABSENT/EXCUSED: None
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.

CONVENELED: Chairman Siddoway called the meeting of the Local Government and Taxation Committee (Committee) to order at 1:03 p.m. and asked the secretary to take a silent roll.

PAGE GRADUATION: Chairman Siddoway thanked Senate Page Jaymond Richardson for his service, recognizing his hard work and dedication to the Committee.

MINUTES APPROVAL: Senator Rice moved to approve the Minutes of February 24, 2016. Senator Vick seconded the motion. The motion carried by voice vote.

Senator Vick moved to approve the Minutes of March 3, 2016. Senator Stennett seconded the motion. The motion carried by voice vote.

Senator Johnson moved to approve the Minutes of March 9, 2016. Senator McKenzie seconded the motion. The motion carried by voice vote.

Senator McKenzie moved to approve the Minutes of March 10, 2016. Senator Rice seconded the motion. The motion carried by voice vote.

H 606aa Senator Johnson presented H 606aa, pertaining to urban renewal. Senator Johnson explained that the Urban Renewal Interim Committee (Interim Committee) studied Idaho statutes and laws regarding urban renewal agencies, revenue allocation areas and the Economic Development Act, and upon completion, made recommendations for changes in related statutes. He stated that the Interim Committee received input from the public and various stakeholders and ultimately made five key recommendations in February, 2015. Senator Johnson then referenced correspondence from the Pocatello Development Authority, disagreeing with the assertion made that this legislation will undermine the intent of urban renewal and negatively impact urban renewal efforts around the State.

Senator Johnson outlined the specific statutory changes in H 606aa. In addition to other technical changes, Senator Johnson highlighted new language added to § 50-2903A, Idaho Code, that clarifies existing statute regarding the base reset resulting from urban renewal plan modification. Senator Johnson referenced the Idaho Attorney General's opinion that modification of an urban renewal plan would in fact result in a reset of the base assessment roll values; he explained there are four exceptions when an urban renewal plan can be amended without a base reset, which are listed in this section. Senator Johnson also pointed out the addition of "with specificity" in § 50-2905, Idaho Code, explaining that this language benefits urban renewal agencies when modifying plans in anticipation of future economic growth. He emphasized that any changes made to an urban renewal plan will be
required to have a public notice and meeting in an effort to promote transparency and accountability in the process.

**Representative Youngblood**, co-chair of the Interim Committee, stated that one of the goals of H 606aa is to provide transparency and accountability to the urban renewal process.

**TESTIMONY:**

**Brian Blad**, Mayor of Pocatello, commented on the positive impact urban renewal has had on his city, including a significant decrease in the unemployment rate. He offered comments in support of sending H 606aa to the 14th Order for possible amendment, to permit the amendment of new urban renewal plans for unanticipated economic development projects without resetting the base value.

**John Evans**, Mayor of Garden City and Chair of the Association of Idaho Cities (AIC), spoke in support of sending H 606aa to the 14th Order. **Mayor Evans** submitted language for possible amendment that incorporates publicly owned infrastructure; he explained that it is difficult to anticipate future infrastructure needs during initial planning (see attachment 7). He also expressed concerns regarding the addition of "with specificity," pointing out that specificity denotes a level of precision, and the items listed in § 50-2905, Idaho Code, are difficult to forecast over a long period of time with precision.

**Senator Rice** asked if H 606aa was sent to the 14th Order and passed by the Senate but not the House, and litigation resulted from urban renewal districts challenging the base reset, what the consequences would be if this issue was decided by the courts. **Mayor Evans** replied that this is a scenario that the AIC considered and remarked that the primary intent of adding certain kinds of infrastructure is to create private sector opportunities to invest money in urban renewal areas; he believes this reward mitigates the risk of possible litigation.

**Ryan Armbruster**, representing Elam and Burke and the Redevelopment Association of Idaho, spoke in support of sending H 606aa to the 14th Order. **Mr. Armbruster** expressed concerns regarding the base reset as outlined in the amended bill, specifically the inability of a plan amendment to identify additional urban renewal projects to respond to unanticipated economic development opportunities without triggering a base reset. He also expressed support for the amendment proposed by Mayor Evans regarding the addition of certain kinds of infrastructure.

**Russ Hendricks**, Idaho Farm Bureau Federation, spoke in support of sending H 606aa to the 14th Order. **Mr. Hendricks** expressed concerns regarding the base reset. He stated that the Farm Bureau was supportive of a base reset resulting from a plan modification as initially drafted; however, the legislation as amended does not support the original intent of the Interim Committee and changes the nature of the bill.

**Ray Stark**, Boise Chamber of Commerce, spoke in support of sending H 606aa to the 14th Order. **Mr. Stark** shared similar concerns regarding the amended legislation straying from the original intent of the Interim Committee. He commented that every urban renewal district is unique, which creates difficulties when crafting legislation such as this.
Travis Rothweiler, Twin Falls City Manager, remarked that urban renewal has had a positive impact on Twin Falls, resulting in growth in capital investment in urban renewal areas and a decrease in unemployment rates. Mr. Rothweiler stated that urban renewal is a tool used to leverage and offset costs of expanding critical infrastructure and is worth preserving. He expressed support for H 606aa and commented that these issues should be dealt with at the legislative level rather than the courts.

John Watts, Idaho Chamber Alliance, spoke in support of sending H 606aa to the 14th Order. He shared similar concerns regarding the base reset, commenting that future plan modifications should be able to incorporate unanticipated development opportunities without triggering a base reset. He remarked that urban renewal is the only tool that local communities have to facilitate growth.

Ken McClure, representing Chobani and Clif Bar, spoke in support of sending H 606aa to the floor with a do pass recommendation. Mr. McClure pointed out that if the Idaho Attorney General's opinion is in fact correct, and any plan modification results in a base reset, then all of the revenue generated since the origination are drawn into question if the plan has been modified. He remarked that the legislation as amended is not perfect, but if this legislation does not pass, urban renewal agencies will be negatively impacted.

DISCUSSION: Representative Youngblood returned to the podium to providing closing remarks. He reiterated the emphasis on transparency and accountability and recognized concerns regarding the base reset, pointing out that that provision has been in statute since 1988. Representative Youngblood stated that this legislation allows the process to move forward by providing the opportunity to make changes to the statute in the future.

Vice Chairman Guthrie asked Representative Youngblood to provide some clarity regarding this bill, pointing out the many differing opinions presented during testimony. Representative Youngblood replied that the challenge has been that urban renewal agencies have translated law to their best use regarding the base reset; the process, as outlined in statute, required a revenue allocation area to be eliminated once an urban renewal plan is complete and the increment returned to the taxing districts. Opposition to returning the increment stems from urban renewal agencies wanting to use that money to fund other projects, taking it beyond the scope of original intent.

Senator Stennett asked why the original legislation drafted by Interim Committee was amended, to which Representative Youngblood replied that House leadership supported changes to the legislation.

Senator Johnson commented that the urban renewal tool is vital to the State of Idaho. He indicated that the statute was not changed in a way to make it so restrictive that it dictates how urban renewal agencies operate; instead, specificity was incorporated to maintain decision making at the local level and if plans need to be modified, there is the option to do so by ordinance with or without resetting the base value.

MOTION: Senator Burgoyne moved that H 606aa be referred to the 14th Order for amendment. Senator Stennett seconded the motion.

SUBSTITUTE MOTION: Senator Rice moved to send H 606aa to the floor with a do pass recommendation. Senator Johnson seconded the motion.
DISCUSSION: Senator Rice commented that this legislation is not perfect but it addresses the risk of having urban renewal districts that get reset retroactively from going bankrupt and causing disruption to the urban renewal process. Sending H 606aa to the floor with a do pass recommendation mitigates this risk but also allows changes to be made in future legislative sessions.

Vice Chairman Guthrie spoke in favor of the original motion to send H 606aa to the 14th Order, stating he supports the legislative process.

Senator McKenzie recognized the concerns brought forth by Senator Rice but expressed support for the original motion to send H 606aa to the 14th Order.

Chairman Siddoway stated he supports the substitute motion to approve H 606aa with a do pass recommendation, pointing out that the Legislature will have the opportunity to make changes, if needed, in the future.

ROLL CALL VOTE ON SUBSTITUTE MOTION: Chairman Siddoway called for a roll call vote on the substitute motion. Chairman Siddoway, Senators Johnson and Rice voted aye. Vice Chairman Guthrie, Senators McKenzie, Vick, Bayer, Stennett and Burgoyne vote nay. The substitute motion failed.

ROLL CALL VOTE ON ORIGINAL MOTION: Chairman Siddoway called for a roll call vote on the original motion. Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Rice, Johnson, Vick, Stennett and Burgoyne voted aye. Senator Bayer voted nay. The motion carried.

ADJOURNED: There being no further business, Chairman Siddoway adjourned the meeting at 2:17 p.m.
March 23, 2016

The Honorable Jeff Siddoway, Chairman
Senate Local Government and Taxation Committee
Idaho Legislature
Statehouse
Boise, Idaho

Dear Chairman Siddoway,

The Idaho Chamber Alliance supports HB606a, but it is the view of Idaho’s chambers of commerce that HB606a requires further amendment to facilitate future public-private partnerships in municipal economic development. If Idaho wants to grow business and increase revenue supporting future tax reduction and more fully fund education, new revenue streams from business development must be allowed under urban renewal, there simply are no other tools to support local community growth.

We are optimistic that previous changes to HB606a will improve Idaho’s URA policy but we feel language is still required to address a key core concern. Specifically, future plan modifications are necessary to allow unanticipated yet congruent development opportunities within a revenue allocation area and not trigger a reset of base values.

We urge you to amend HB606a. If you have any questions about the Chamber Alliance position please feel free to contact me at 208-882-1800 or our legislative advisor John Watts at 890-4878.

Sincerely,

Gina Taruscio, CEO, Moscow Chamber of Commerce
President, Idaho Chamber Alliance

cc: Members, Senate Local Government and Taxation Committee
March 23, 2016

VIA EMAIL AND HAND DELIVERY

Senate Local Government & Taxation Committee  
The Honorable Jeff Siddoway, Chairman  
Idaho State Capitol  
700 W. Jefferson  
Room WW53  
Boise, ID 83720-0042

RE: Redevelopment Association of Idaho, Inc.’s Position – Cannot Support HB606a

Dear Chairman Siddoway:

I am the current President of the Redevelopment Association of Idaho, Inc. (RAI). The members of RAI include a majority of the urban renewal/redevelopment agencies in the State. RAI was formed for the purpose of, and is committed to, facilitation of communication between and among Idaho redevelopment practitioners, education and encouragement of best practices in the redevelopment enterprise, facilitation of compliance with applicable state laws, and improvement of accountability and advancement of the effectiveness of the redevelopment tool. Since RAI’s incorporation in late-2010, RAI has regularly advised and updated its membership as to all changes to the urban renewal laws and/or laws impacting urban renewal agencies. RAI also has had the opportunity to assist representatives of the Idaho State Tax Commission with the collection of data. RAI works closely with representatives of the Association of Idaho Cities.

RAI has reviewed and analyzed HB606a. The amendments made by the House on Friday, March 18, 2016, improve the bill by protecting those urban renewal plans approved by urban renewal agencies and their sponsoring cities who seek an amendment to their plans without triggering a reset of the base assessment value. However, additional amendments modernizing this important economic development tool are needed to allow new plans adopted after July 1, 2016, to respond to economic development opportunities. Consequently, RAI cannot support HB606a.

RAI applauds the efforts of the Urban Renewal Interim Committee Co-Chairs Senator Dan
Johnson and Representative Rick Youngblood, along with the other Interim Committee members, all of whom spent many meetings and hours analyzing the Idaho Urban Renewal Law, Chapter 20, Title 50, Idaho Code, and the Local Economic Development Act, Chapter 29, Title 50, Idaho Code. From the outset the Interim Committee was charged with making urban renewal “better,” but in the process ensuring “no harm” was done to one of the very few economic development tools available to local government. The Interim Committee worked hard to find a balance in modernizing the urban renewal tool and to improve upon the perceived lack of accountability and transparency of urban renewal agencies.

During the Interim Committee process, RAI representatives, its members and its counsel provided to the Interim Committee a great deal of background information, many examples of successful projects, attended meetings with individual Interim Committee members and offered to assist in the drafting of proposed legislation.

Ultimately, urban renewal agency representatives conceded their positions in order to reach consensus on a number of issues, such as: agency board composition, limitations on the use of tax increment revenue to fund construction of certain public buildings, and increased reporting requirements and penalties for non-compliance. As a result, while not actively supportive of the Interim Committee’s recommendations dated February 18, 2016, RAI was willing to stand down and remain neutral on that proposed bill. The Interim Committee proposal provided for plan amendments responding to unanticipated economic development opportunity. **HB606a** continues to limit the ability of urban renewal agencies to respond to real economic development opportunities.

Despite the initial goals of the Interim Committee to modernize the economic development tool and do “no harm,” the efforts once again turned towards “reining in” urban renewal agencies. This annual effort to limit urban renewal agencies and the use of revenue allocations has reached the point where passage of **HB606a** will impact the viability of the economic development tool and calculation of lost opportunities cannot be defined. Business requires consistent application of policies and stability. These frequent statutory revisions that have a direct impact on an agency’s revenue stream also impact an agency’s ability to access financial markets. With **HB606a**, for plans adopted after July 1, 2016, there is a factual issue as to under what circumstances a plan may be modified. Business will not expend its resources in an area where litigation will be imminent and will locate elsewhere, likely outside of Idaho, where there is more certainty.

RAI’s main concerns over **HB606a** are as follows:

**Urban renewal agencies need to retain flexibility to respond to unanticipated economic development opportunities.**
Section 4 (p. 9) of HB606a sets forth the limited circumstances when an agency can amend a plan without resetting the base values of the entire revenue allocation area to the then current values:

- Technical or ministerial changes to a plan that do not involve an increase in the use of revenues allocated to the agency (p. 9, ll:32-35).
- One-time increase to a revenue allocation area by 10% (as is currently allowed under Idaho Code § 50-2033) and the expansion must be contiguous to the existing revenue allocation area. (p. 9, ll:36-38).
- De-annexation of parcels from within a revenue allocation area (p. 9, ll:39-40).
- To support growth of an existing commercial or industrial project in an existing revenue allocation area (p. 9, ll:41-44).

Based on the above, there is no ability to amend a plan adopted after July 1, 2016, to identify projects in support of unanticipated or new economic development opportunities, an exception unanimously approved by the Interim Committee in its February 18, 2016, recommendations. The effect of this language is to preclude urban renewal agencies from amending their urban renewal plans adopted after July 1, 2016.

Requiring an urban renewal plan to have “specificity” creates litigation risks requires plan amendments.

Section 5 of HB606a (p. 10, l.47) requires an urban renewal plan to include “specificity.” The level of plan specificity is subjective and could lead to unnecessary litigation. Additionally, the statutory life of an urban renewal plan is 20 years. The level of detail required would be impossible. Any deviation from a specific plan would require an amendment, which would reset the base as an exception would likely not apply. Urban renewal plans, specifically for a deteriorated, downtown area require flexibility to support unanticipated economic development opportunities that by definition cannot be defined with a level of specificity at plan adoption. By requiring a plan to include with specificity those items listed on page 11 of the bill without any opportunity for amendment will hinder economic development.

The potential loss of revenue stream due to plan modification or non-compliance with new reporting requirements makes accessing financial markets even more difficult.

Under current law it is difficult for urban renewal agencies to access financial markets. Underwriters, developers, lenders, and others have to be satisfied that the anticipated revenue stream will be there. The proposed new language in HB606a could create an impairment of contracts issue and will have to be disclosed. This will make it even more difficult for agencies to access the financial markets.

- P. 10, ll:1-24. If a modification is deemed to occur, which may be a question of fact, or litigated, the base assessment value resets to the then current value resulting in an immediate loss of revenue for the agency. There is some protection for the repayment of “indebtedness,” but there is a requirement any excess be rebated back to the taxing districts. This will not provide much comfort
to the financial markets, if for example there is a shortfall one year and but for the modification, the revenue would have been in the agency’s account to pay the obligation. Additionally, **HB606a** provides no protection for those agencies which fund their projects on a pay-as-you-go basis. At the very least this new language will require specific disclosure by any agency seeking to borrow funds from any source and may result in negative responses from those sources, higher financing costs or more burdensome loan covenants.

- P. 13, ll:14-32. This language provides that if an agency fails to provide a copy of its plan or amended plan, or other certification, to the State Tax Commission, the agency will annually lose any property tax revenue that exceeds the amount received in the immediate prior tax year. Additionally, the agency will also lose its annual distribution of the personal property tax reimbursement amount and be subject to a county imposed fine. There is no protection for outstanding indebtedness. This potentially draconian penalty for an administrative oversight could lead to immediate default of debt or in a year of shortfall, an impairment of contracts claim. Again, this section results in the same disclosure and response impacts described in the previous bullet point.

Based on the foregoing, the RAI cannot support **HB606a** without at least providing for amendments to those plans adopted after July 1, 2016.

Please feel free to contact me should you have any further questions or concerns.

Sincerely,

[Signature]

Gary Riedner  
President  
Redevelopment Association of Idaho, Inc.

cc: The Honorable Jim Guthrie, Vice Chairman  
    The Honorable Curt McKenzie  
    The Honorable Dan Johnson  
    The Honorable Jim Rice  
    The Honorable Steve Vick  
    The Honorable Clifford Bayer  
    The Honorable Grant Burgoyne  
    The Honorable Michelle Stennett  
    Jennifer Carr, Secretary
The Honorable Jeff C. Siddoway, Chair  
Senate Local Government and Taxation Committee  
Idaho State Legislature  
P.O. Box 83720  
Boise, Idaho 83720

RE: H606a (URBAN RENEWAL)

Dear Chairman Siddoway:

I am writing to you in my capacity as President of the Idaho Chapter of the American Planning Association (APA Idaho) representing more than 200 local planning officials, private-sector planners, and planning commission members statewide. We wish to register our concern regarding H606a amending Idaho’s urban renewal statutes. The APA Idaho Executive Board has reviewed this issue and supports the proposed amendment offered by the Association of Idaho Cities.

APA Idaho suggests that House Bill 606a be amended to allow urban renewal plans created after July 1, 2016 to be amended for economic development purposes without resetting the base assessment value (market valuation used to determine tax increment revenues).

APA Idaho would like to thank all the members of the interim committee, especially Co-Chairs Representative Rick Youngblood and Senator Dan Johnson, for their hard work over the past year. After listening to numerous hours of supporting and opposing testimony for and against urban renewal, we felt the committee responded fairly with sensible legislation. We disagree with the modifications made by the House of Representatives in the drafting of H572, H606 and H606a because it practically disregards a full year’s worth of public testimony and collaboration by the interim committee.

APA Idaho urges the Senate Local Government and Taxation Committee to amend H606a to allow an urban renewal board to amend an urban renewal plan after July 1, 2016 for unanticipated economic development activities. Thank you for your consideration.
American Planning Association
Idaho Chapter

Sincerely,

Daren Fluke, AICP
President, APA Idaho

Cc: The Honorable Jim Guthrie, Vice Chairman
    The Honorable Clifford Bayer
    The Honorable Grant Burgoyne
    The Honorable Dan Johnson
    The Honorable Curt McKenzie
    The Honorable Jim Rice
    The Honorable Michelle Stennett
    The Honorable Steve Vick
    Jennifer Carr, SLOC Secretary
    The Honorable Rick Youngblood
    APA Executive Board
    Association of Idaho Cities
March 22, 2016

Senator Jeff Siddoway, Chair
Senator Jim Guthrie, Vice Chair
Senator Curt McKenzie
Senator Dan Johnson
Senator Jim Rice
Senator Steve Vick
Senator Clifford Bayer
Senator Michelle Stennett
Senator Grant Burgoyne

RE: House Bill 606A

Dear Honorable Chairman Siddoway and Members of the Senate Local Government & Taxation Committee:

On behalf of the City of Moscow, I would like to thank you for the time and effort you are investing in consideration of urban renewal in Idaho. Your thoughtful consideration of House Bill 606A and previous legislation is appreciated.

As you continue your deliberations, I am writing to urge you to retain flexibility in the judicious use of the urban renewal tool by allowing an amendment which would allow urban renewal plans created after July 1, 2016 to be amended in order to take advantage of economic development opportunities that had not been anticipated when the urban renewal plan was adopted.

In the City of Moscow, urban renewal has been extremely valuable in our economic development efforts.

- Alturas Technology Park was established in 1996 as Moscow’s first urban renewal district and is home to many of Moscow’s premier high-tech companies, including Comtech EF Data Corporation, Alturas Analytics, Inc., Anatek Labs, Inc., and BioTracking, LLC. The project had a base annual assessment of $6.4 million, and improvements and private developments made possible through the plan have increased property values to more than $22 million. We were fortunate enough to be able to close the revenue allocation area a year ahead of the schedule and allow the incremental tax revenues to return to the taxing districts.

Alturas provides an important example of how providing the amendment as stated is crucial to the ability of urban renewal to achieve the best outcome for our community. Nine years after adoption of the Alturas Park Urban Renewal Plan, the plan was amended to accommodate the need for additional building lots for technology based businesses, continuing the initial success of Alturas Technology Park. The amendment allowed Alturas Analytics, a pharmaceutical testing firm and spin-off of Anatek Labs, to construct a new building for its operations. Although the principal of Alturas Analytics recognizes that the firm would be more accessible to customers if located in the San Francisco area, they have elected to expand their business significantly in
Alturas Park, providing additional high-paying jobs and brings money from outside of the state to Idaho.

- The Legacy Crossing Urban Renewal District was created in June of 2008, as Moscow’s second urban renewal district, and with the early closure of Alturas, it’s only remaining urban renewal district. This district’s formation resulted from the community’s desire to eliminate deteriorated conditions. The goal of the district is to spur transition underdeveloped properties to new uses, thereby enhancing private investment and supporting the City’s economic growth.

This district is in a former agriculture/industrial railroad corridor located between Moscow’s historic downtown and the University of Idaho campus. The Legacy Crossing District covers approximately 163 acres and includes a number of underutilized and deteriorated properties (former industrial and railroad right-of-way) located between Moscow’s historic downtown and the University of Idaho. A number of projects are currently underway or in the planning stages, including Gritman Medical Office Building, Sangria Downtown LLC (restaurant, residential and mixed use), Field Holdings (residential and mixed use) and several others. We expect increased development activity in the District over the next several years as a result of the implementation of the Legacy Crossing Urban Renewal Plan.

Urban renewal remains one of the most viable tools for local government to work to enhance our state and local economies. Given our economic development goals and the important role urban renewal plays in making that development a reality, these urban renewal projects continue to provide the only means available for our state and local governments to remain competitive.

Please let me know if I can answer any further questions. We stand shoulder to shoulder with the State of Idaho in our desire to increase economic opportunities for our citizens. Please allow us to retain the flexibility in the urban renewal laws in order to compete effectively in the economic marketplace and continue to do our part to strengthen the great State of Idaho.

Sincerely,

Bill Lambert
Mayor

cc: Moscow City Council
    Gary J. Riedner, City Supervisor
    Seth Grigg, Association of Idaho Cities
Senate Local Government and Taxation Committee
Pocatello Development Authority Response to HB606/HB606a

Dear Ms. Carr:

The Pocatello Development Authority (PDA) is the urban renewal agency representing properties within the municipal boundaries of the City of Pocatello including some Bannock County property. The PDA currently manages four (4) urban renewal areas and four (4) subsequent Tax Increment Financing (TIF) districts of which one (1) is fully functional and paying off a bond for significant public infrastructure, two (2) are semi-functional and paying for maintenance of some public and minor private infrastructure and one (1) is not performing due to bankruptcy of the primary business located within that district. The PDA is also a member of the Redevelopment Association of Idaho (RAI) and fully supports the letter dated February 26, 2016 provided by Elam & Burke on behalf of the Redevelopment Association of Idaho.

The proposed bill, HB606/HB606a, would significantly hamper economic development in Idaho. As Planning and Development Director for the City of Pocatello, Executive Director of the Pocatello Development Authority, and board member and former Vice President of RAI, I have personally participated in the legislative effort for over one year in what was promised to be a new URA code. It was represented that the new code would “do no harm” while incorporating various components used by surrounding states to increase economic opportunity and flexibility but address local concerns held by a very select few. There were many different presentations by various groups which indicated the incredible benefit that urban renewal has provided to Idaho and surrounding states and the importance of certain processes that would allow Idaho to remain competitive for jobs and economic growth. There were also many presentations indicating the negative effect that certain text would have on urban renewal which, in the printed bill, has been ignored. In addition, the Urban Renewal Interim Committee included only one member east of Twin Falls which we believe does not represent the majority interest in urban renewal or the best interest for the State of Idaho.

Urban renewal is the most successful and widely used economic development tool in Idaho today, used to allow development to pay for itself over time without directly taxing every property owner for generously received public infrastructure and other improvements. Jobs and economic growth bring additional income, new residents that need more services and places to live, and increased property value that significantly supports existing local businesses of all sizes. In Pocatello, businesses that have located within an urban renewal area directly support over 250 small local businesses in our community for their operation. Urban renewal has been the catalyst that has
brought over $150 million in public infrastructure, over $500 million in private investment and over 3,000 jobs within the past decade which would have not otherwise come to Pocatello. New jobs mean new investment into our community, new homes, increased retail spending, new businesses to support incoming business, employees and their families and an ensuing increased tax base throughout an entire community.

Urban renewal, or its replacement, should provide the necessary tools to move Idaho ahead of our competition for economic development and economic growth. HB606/HB606a, as proposed, is written to do just the opposite. This bill has been carefully crafted to undermine the very intent of urban renewal which will have a negative effect on the State of Idaho.

Several specific examples if I may:

1. "New Section" 50-2913. The reporting requirements and penalties suggested seem to be a very personal attempt to publicly shame a specific authority in local jurisdictions which some may represent. This does not solve any legitimate concerns over accountability for following a legislatively and publicly approved plan. Every plan is approved through a public process and a final decision by the local legislative elected body. Every agency is already required to produce and provide an annual report indicating its projects and financial standing over the prior fiscal year.

2. "New Section" 50-2905(A). Proposed text that suggests a community may elect a board that answers to another elected board is unprecedented in Idaho; suggesting the local governing body serves as the board creates the same problem. It creates a legally questionable process with regard to bonding and funding public infrastructure. Many believe this language would require the development authority to place every agency funding opportunity paid by increment before a general bond election. This very requirement would destroy the process which urban renewal agencies follow when recruiting new business, attracting jobs and growth. Cities and states do not exist in an entropic environment. In other words, communities do not remain stagnant, they either grow or decline. If efforts are not made to compete, to improve or to grow consistent with surrounding states, then we simply fall further and further behind as we decline. This action places the financial, social, physical and environmental demands onto less people, our future generations. Every effort should be made to improve, not obstruct, economic growth in Idaho.

3. Amendment to Section 50-2903(A). Proposed text suggesting the base tax roll should be reset if an agency amends any new plan and has been specifically written to stop an agency from doing so. Resetting the base would not allow an agency to fund existing debt and could significantly reduce increment needed to fund economic growth. In addition, not allowing an agency to amend a plan to accommodate an unexpected development opportunity within an urban renewal area simply stops economic development and growth. It is not realistic to expect an agency to project every possible scenario within any given location in a given community. In addition, current Idaho Code Section 50-2008 suggests that an urban renewal area may not be planned unless the local governing body has already declared an area deteriorated or deteriorating. This does not allow an agency or the locally elected body to review or assess the specific details of projects before the locally elected body is requested to act on what may become a potential future urban renewal area.
The City of Pocatello is a strong proponent of the Pocatello Development Authority and also works in conjunction with Bannock Development Corporation. These entities leverage urban renewal and tax increment financing to provide the necessary means to attract business and employment. Increased employment provides additional local income, an increased demand for the local services provided by local business and increased taxes and valuation. The Pocatello Development Authority would support new legislation that is more transparent and addresses economic development separately in a flexible and competitive manner. This type of legislation deserves the time and attention necessary to create an adequate bill that will positively impact Idaho. HB606/HB606a does not accomplish this.

Therefore, we respectfully request that you oppose HB606/HB606a as written.

Please feel free to contact me should you have any further questions or concerns. I may be reached by phone at 208-234-6184 or by email lcrowell@pocatello.us.

Sincerely,

Lon Crowell, Executive Director
Pocatello Development Authority

Pocatello Development Authority Board
Scott Smith, Chair
Chad Carr, Vice Chair
Brian Blad, Mayor
Steve Brown, Councilman
Howard Manwaring, Commissioner
Cynthia Hill
Russ Meyers
Larry Fisher
Thomas Ottaway

Enclosure
cc: The Honorable Jeff Siddoway, Chairman
The Honorable Jim Guthrie, Vice Chairman
The Honorable Curt McKenzie
The Honorable Dan Johnson
The Honorable Jim Rice
The Honorable Steve Vick
The Honorable Clifford Bayer
The Honorable Michelle Stennett
The Honorable Grant Burgoyne
TAX ACCOUNTABILITY COMMITTEE
Of
Idaho
Wednesday, March 23, 2016
TAC Idaho idahotaxaccountcomm@gmail.com
Or
ranhsrrimnn@q.com

The Senate Committee on Local Government and Taxation

Before you vote on

May we point out several issues involved with this Urban Renewal bill?

First, this is just a reminder note: Please keep in mind the entire cost of Urban Renewal is shifted to the property tax payers of the district wherein the urban renewal area is sited. The reason being that the operating funds paid to an urban renewal agency are the new property taxes created within the urban renewal district when growth occurs or simply by inflation. When this happens the cost of providing the services and maintenance paid for by property tax to cover or make up the “New Values” or inflated costs are shifted to the property tax payers of the city and county. However, the taxing districts are required to provide these services by law and without the property tax which is now paid to the urban renewal agency as operating funds, to pay for these costs, have to raise their levy rates to recover these lost funds. This is why property tax rises where urban renewal is used. You can confirm this by asking your county assessor.

Second, page 2 (3) lines 30-35, should your constituents be entitled to have a say in how their government runs and how their money is spent? This is not the case with urban renewal as the commissioners of an urban renewal agency are generally appointed either by the mayor with the consent of the city council or appointed by the urban renewal board. In this bill is an attempt to limit the ability of the citizens to hold an urban renewal board responsible for the spending urban renewal funds (people’s taxes) in an irresponsible way. The amendment of the existing statute will remove the ability of a local governing body to appoint itself to be the urban renewal commissioners. This will remove the ability that a voter has to remove an urban renewal commissioner by ballot in a city or county election. Both Nampa and Caldwell have selected this form of city council urban renewal board and will be affected by this amendment. The Redevelopment group of cities and counties are behind this and want to be able to continue spending urban renewal funds without any control from the tax

The Tax Accountability Committee, (aka “TAC”) is an Idaho unincorporated non-profit association established pursuant to Chapter 7 of Title 53 of the Idaho Code and organized for the purpose of fostering and promoting the responsible, constitutional, and conservative use of the taxing power by local, state, and national government, and in support of this purpose to engage in study and education, and promote, propose, and challenge the verity of legislation and public policies to these purposes in all venues, including schools, news media, local and state government, administrative agencies, the legislature, and courts of law.
payers who are paying the bill for their exuberance. **Please request that this amendment is removed before passage.**

Third, page 2 (5) lines 47-50 & page 3 lines 1-21 is a new amendment allowing a city or county to choose to elect an urban renewal board during the normal election cycle. The election process for an urban renewal board was discussed by the Ad-Hoc 2015 urban renewal committee. The general consensus of the city and county representatives was that it is too hard to find people to run for this type of position and that not enough people would file for these positions resulting in an inadequate number of commissioners. It was dismissed and was not a constituent of the "List of Concerns developed in that group. It is a superfluous amendment of no consequence. **TAC has no opinion on this amendment.**

Fourth, page 3 (6) lines 16-21 is an important amendment as it requires that an urban renewal board member must be a resident of the county wherein the urban renewal agency is sited. This will make the urban renewal board member accountable for raising taxes more than necessary as they will also be affected by that spending. **TAC supports this amendment.**

Fifth, page 5 (4) lines 20-24 is an important amendment dealing with a description of the modification of an urban renewal area and is an important component of the "New Section" 50-2903A beginning on line 15 page 9 and continuing through page 40 of page 10. This "New Section" is a needed limitation on the ability of an urban renewal agency to use tax dollars from previous Revenue Allocation Areas for costs within "New" revenue allocation areas. Nearly all of the Idaho Urban Renewal Agencies have been forming one urban renewal area which may overlay another previous renewal area and then using the taxes meant for the previous plan to pay for items within the new plan that were never intended by the first or previous plan. It is important to the efficient use of your constituent's property tax dollars that they be spent for the intended purpose of the "Plan" not on items that were never intended. This "New Section" deals with the adjustment of the "Base Assessment" which is the assessed value of an urban renewal area as of January 1 of the year an urban renewal plan is approved. The "Base Assessment" property taxes are not paid to an urban renewal agency, but are still paid to the county's general fund and do not raise the property taxes, but help pay the county's bills. This "New Section" requires that when a new urban renewal or community development area is formed, that the "Base Assessment" includes the assessed valuation of the present year which eliminates the ability of an urban renewal agency from including a new developing areas within the urban renewal area and taking all of the property taxes from that new development to pay for urban renewal and make the tax payers make up the difference. This exact condition occurred in Nampa when the NDC was formed. The areas was extended to include a developing commercial area entitled the "Treasure Valley Market Place" which was developed by an General Obligation Bond not Urban Renewal and all of the property taxes on this

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new development are being used to pay for Nampa’s new police building and the Nampa Library. The people of Nampa are paying for both with increased taxes and never had the opportunity to approve these expenditures by a vote. **TAC requests that you support this amendment.**

Sixth, on page 11 beginning on line 27 is a “New Section” 50-2905A which allows an urban renewal agency to use Tax Increment Funding to build municipal buildings if the “Project Cost” is less than 51% without a vote of the people. It requires a vote of the people if the cost exceeds 51% by a 60% majority vote. The question you must ask yourself and be ready to defend with your electorate is, should a city be able to build any municipal building no matter what the project cost is without asking the peoples permission? This “New Section” actually allows tax increment funding to build any building, private or public as long as the public buildings cost can be kept below 51% of the identified project costs. It does not delineate conditions of “Project Costs”. The amendment refers to 50-2008 as the description of “Project Costs”, but project costs are not listed in that existing section of the present statute. To make this section function, “Project Costs” must be identified for without this item any list could be “Project Costs”. **TAC believes that neither public nor tax exempt building should be built without a vote of approval.**

Ronald M. Harriman Chairman of the TAX Accountability Committee of Idaho

You may contact me at ronharriman@q.com

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LEGISLATURE OF THE STATE OF IDAHO
Sixty-third Legislature Second Regular Session – 2016
Moved by: ______________________
Seconded by: ________________

IN THE SENATE
HOUSE BILL NO. 606a
BY LOCAL GOVERNMENT AND TAXATION COMMITTEE

AMENDMENT TO SECTION 4

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On page 9 of the bill, in line 44, delete “.”, and insert “;or”.

On page 9 of the bill, following line 44 insert: “(v) There is a plan amendment to develop
publicly owned infrastructure including streets or other public rights-of-way, sewer or water
facilities, sidewalks, curbs, gutters, public utilities, or fiber-optic cable or for site remediation or
demolition.”

4821-8731-3711, v. 1