

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

**DATE:** Thursday, February 02, 2017

**TIME:** 3:00 P.M.

**PLACE:** Room WW53

**MEMBERS PRESENT:** Chairman Johnson, Vice Chairman Bayer, Senators Hill, Siddoway, Vick, Patrick, Bock(Burgoyne), and Nye

**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:** **Chairman Johnson** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:00 p.m.

**H 29** **Relating to the Grocery Tax Credit. Cynthia Adrian**, Tax Policy Specialist with the Idaho State Tax Commission (Commission), presented **H 29**. **Ms. Adrian** explained that when the grocery tax credit was adopted in 2008, language was included to suspend the scheduled increase of \$10 per year if certain conditions were met. Because the grocery tax credit has reached the maximum amount of \$100, the original language is now obsolete. **H 29** amends Idaho Code § 63-3024A to remove this language.

**MOTION:** **Senator Patrick** moved to send **H 29** to the floor with a **do pass** recommendation. **Vice Chairman Bayer** seconded the motion. The motion carried by **voice vote**.

**H 30** **Relating to Electric Utilities, Discount Rate. Alan Dornfest**, Property Tax Policy Bureau Chief with the Commission, presented **H 30**, which amends Idaho Code § 63-205B. **Mr. Dornfest** reported that this section of statute provides a valuation system for property tax purposes for electric utility companies. Idaho Code § 63-205B is being amended to specify that 0.2 percent be included in the capitalization rate to account for flotation costs, which are incurred when electric utilities issue stocks or bonds. Current law provides that the flotation costs component be supported by unspecified, nationally-recognized sources, which has been problematic during the valuation process.

**Senator Siddoway** asked how an income approach is utilized in this process. **Mr. Dornfest** explained how the Commission uses both an income and cost approach when assessing operating property and determining capitalization rates. There are various components in the capitalization rate, and **Mr. Dornfest** indicated that the flotation component has become problematic. **Senator Siddoway** sought clarity regarding the flotation cost component. **Mr. Dornfest** explained that a 0.2 percent rate was included in the capitalization rate to account for costs associated with the issuance of stocks and bonds, in lieu of the approach currently mandated.

**Senator Nye** sought clarity regarding the fiscal impact. **Mr. Dornfest** reported there is no general fund component; the Commission determines the value of electric utilities, following statutory guidelines, and allocates a portion of that value back to the State. He explained that taxing districts are apportioned shares of an electric utility based on the percentage of the company that resides within the district; those apportioned shares are affected by the value of the capitalization rate. **Mr. Dornfest** pointed out that specifying a 0.2 percent rate be included in the capitalization rate

will preclude possible tax shifts resulting from changes in the value of those shares.

**Senator Vick** asked if this legislation will impact rates of service. **Mr. Dornfest** stated he has is unable to comment on how rates are determined by public utility companies.

**Chairman Johnson** commented on the use of price deflators in general and how they are identified in statute. **Mr. Dornfest** stated the price deflator referenced in **H 30** is the only one referenced in statute regarding the valuation of operating property.

**MOTION:** **Senator Siddoway** moved to send **H 30** to the floor with a **do pass** recommendation. **Senator Bock** seconded the motion. The motion carried by **voice vote**.

**H 31** **Relating to Property Tax Relief, Roth IRA Distributions.** **Mr. Dornfest** presented **H 31**, which amends Idaho Code § 63-701(5) to exclude non-taxable Roth IRA distributions from the income calculation for the circuit breaker property tax relief. The circuit breaker program helps low-income homeowners pay property tax, and **Mr. Dornfest** stated that the Commission reimburses counties rather than individual beneficiaries. **Mr. Dornfest** explained how income affects the circuit breaker program; as a claimant's income increases, the amount of reduction they receive as a credit to property tax decreases. There are approximately 100 claimants Statewide in this program receiving Roth IRA distributions, but **Mr. Dornfest** indicated this number is likely to grow in the future.

**Senator Patrick** asked about the relatively low projected fiscal note. **Mr. Dornfest** explained that only ten claimants currently enrolled in the program who receive Roth IRA distributions will be affected. The typical claimant receives approximately \$600 in benefits, resulting in a projected \$5,000 fiscal impact. He explained that for the remaining 90 claimants who receive Roth IRA distributions, their circuit breaker benefit would be unaffected if the distribution amount were deducted from their income. However, **Mr. Dornfest** pointed out that the Commission anticipates the number of claimants taking Roth IRA distributions to grow in the future.

**MOTION:** **Senator Vick** moved to send **H 31** to the floor with a **do pass** recommendation. **Vice Chairman Bayer** seconded the motion.

**Senator Hill** asked if income level is the only indicator used by the Commission to determine eligibility to the circuit breaker program. **Mr. Dornfest** replied there is no asset test nor does the Commission have a way to analyze assets of program participants. **Senator Hill** sought assurance that participants in the circuit breaker program who have Roth IRAs will not be taxed twice. **Mr. Dornfest** replied that the distributions received by most participants are not great enough to meet that threshold or affect the amount of property tax relief they receive.

The motion carried by **voice vote**.

**S 1032** **Relating to Anticipation of Revenues in the Permanent Building Fund, Obsolete References.** **Morgan Howard**, Senate Intern, presented **S 1032**, on behalf of Senator Johnson. This legislation amends Idaho Code § 57-1112 by removing reference to code sections that were repealed in 1983.

**MOTION:** **Senator Nye** moved to send **S 1032** to the floor with a **do pass** recommendation. **Senator Siddoway** seconded the motion.

**Vice Chairman Bayer** asked for the content of the code section being stricken. **Ms. Howard** stated Idaho Code § 63-3205 is titled "Expenses of Negotiating Loans and Issuing Notes" but she was unable to find the content of this statute. **Ms. Howard** will provide that information to the Committee.

The motion carried by **voice vote**.

**ADJOURNED:** There being no further business at this time, **Chairman Johnson** adjourned the meeting at 3:30 p.m.

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Senator Johnson  
Chair

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Jennifer Carr  
Secretary