

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 08, 2017

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Johnson, Vice Chairman Bayer, Senators Hill, Siddoway, Rice, Vick, Patrick, Burgoyne, and Nye

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 Johnson** convened the meeting of the Local Government and Taxation Committee (Committee) to order at 3:03 p.m.

MINUTES APPROVAL: **Senator Hill** moved to approve the Minutes from February 23, 2017. **Senator Burgoyne** seconded the motion. The motion carried by **voice vote**.

H 215 **Relating to Reimbursement Incentive.** **Morgan Howard**, Senate Intern, presented **H 215**, pertaining to the Tax Reimbursement Incentive Act. This bill amends Idaho Code § 67-4738 to add "franchise tax" to the definition of "new state revenue", as well as to exclude from that definition taxes that have been or will be reimbursed by the federal government. **H 215** also adds language to Idaho Code § 67-4740 to specify that no credit will be allowed for taxes that have been or will be reimbursed by the federal government.

MOTION: **Senator Burgoyne** moved to send **H 215** to the floor with a **do pass** recommendation. **Vice Chairman Bayer** seconded the motion. The motion carried by **voice vote**.

H 130 **Relating to Local Government Finances, City Treasurers.** **Jerry Mason**, representing the Association of Idaho Cities (AIC), presented **H 130**. This bill amends Idaho Code §§ 50-208, 50-7085, and 57-135 to address compliance requirements and reporting procedures for city treasurers and other fiscal officers. **Mr. Mason** explained that these code sections are outdated and require modernization. City treasurers will still be required to provide monthly and quarterly reports, but publication of quarterly reports may be done online. Monthly financial reports will be required to be included on city council agendas; quarterly reports be completed within 30 days of the end of the month; and financial reports for political subdivisions be presented to the governing board. Additionally, **Mr. Mason** stated that because computers have streamlined financial record-keeping processes, treasurers will no longer be required to provide receipts for every transaction or file copies of receipts with monthly reports.

Senator Patrick asked if customers should be able to receive receipts for online transactions via email. **Mr. Mason** stated that most electronic systems provide customers the option to print receipts for online transactions; the requirement to provide a copy of the receipt for every transaction is impractical for city officials.

Senator Burgoyne commented that the existence of a receipt is an important control mechanism and asked if receipts will be automatically generated for online transactions. **Mr. Mason** reported that cities use a modular accounting system that allows a customer to request electronic copies of receipts for online transactions; even when a receipt is not requested, the transaction is still recorded in the customer's account. **Senator Burgoyne** inquired if the process is the same for cash payments and how integrity is maintained given the new provisions in this bill. **Mr. Mason** replied that cash payments are handled in a similar manner, and safeguards exist to ensure integrity in this regard. He noted that the intent is to address the impracticality of attaching copies of receipts to financial reports.

Senator Vick asked why a 60 day reporting period is necessary. **Mr. Mason** explained that a city treasurer has 30 days to complete the monthly report; it is then put on the city council agenda for an additional 30 day period. **Mr. Mason** explained that this was designed to accommodate smaller cities that often meet only once a month. **Senator Vick** then asked Mr. Mason to comment on how this legislation may impact efforts to prevent embezzlement at the local level. **Mr. Mason** responded that periodically, a city council will compare a treasurer's report to financial statements to ensure accuracy and integrity of reporting.

MOTION: **Senator Hill** moved to send **H 130** to the floor with a **do pass** recommendation. **Senator Nye** seconded the motion. The motion carried by **voice vote**.

H 154aa **Relating to Property Tax Notice.** **Representative Ron Nate** presented **H 154aa**, which amends Idaho Code § 63-902 to require that information for each taxpayer-approved bond to be printed on county tax statements. **H 154aa** will require that a property tax notice contain the following information specific to the taxpayer: 1.) name of the bond; 2.) payoff date; 3.) levy rate; and 4.) dollar amount due for the calendar year. **Representative Nate** stated that bond information currently provided on tax statements is difficult for taxpayers to interpret; as such, these provisions will allow taxpayers to delineate their tax liability for each bond. He emphasized that the benefits of transparency for taxpayers outweigh the additional reporting requirements.

Senator Rice asked Representative Nate how many taxing districts there are in the county in which he resides, and how many bonds affect him as a taxpayer in that county. **Representative Nate** was unsure of taxing districts but responded approximately three to five bonds. **Senator Rice** inquired whether it would be suitable to provide this information electronically through the county. **Representative Nate** replied that the intent of this legislation is to allow taxpayers to access bond information specific to their property value and tax liability.

Senator Burgoyne commented on a possible alternative that allows taxpayers to access information online if they so choose. He remarked that in terms of logistics, there is no free space left on property tax statements to include additional bond information. **Representative Nate** replied that providing and accessing taxpayer specific bond information online is difficult; security of personal information would be problematic in this regard.

TESTIMONY: **Donna Peterson**, Payette County Treasurer representing the Idaho Association of County Treasurers (IACT), spoke in opposition to **H 154aa**. **Ms. Peterson** stated that adding additional bond information to current tax forms will result in additional costs and workload for county officials. Additionally, current tax forms do not have enough space to add delineated bond information. **Ms. Peterson** reported that when county treasurers receive questions from taxpayers about levy rates and payment amounts, they direct taxpayers to the appropriate taxing district.

Vice Chairman Bayer asked if space on current property tax statements was not a limiting factor, would it be possible for counties to implement the provisions being set forth in this legislation. **Ms. Peterson** replied that if given time to reformat the property tax statement, it would be possible to add lines to delineate bond information.

Senator Rice sought clarification as to what information regarding school bonds county treasurers have access to. **Ms. Peterson** explained that school districts only provide basic information not including the date the bond was passed, the maturity date, or if the bond was refinanced.

Senator Vick inquired if counties require taxing districts to submit bond reports by a certain date. **Ms. Peterson** stated that there is a deadline and information is first submitted to the county clerk, who calculates the levy rate and transmits that information to the treasurer.

Brian Stutzman, testifying as a private citizen, spoke in favor of **H 154aa**. **Mr. Stutzman** stated that when he attempted to discern his tax liability for each bond on his tax statement, he ran into sufficient difficulties and ultimately determined that he was paying more than expected. Taxpayers have a right to transparency and to access information regarding their taxes with ease. He disagreed with the assertion that reformatting tax forms will be time-consuming and costly.

Tracie Lloyd, Treasurer, Canyon County, spoke in opposition to **H 154aa**. **Ms. Lloyd** spoke to complexities involving bonding within an urban renewal revenue allocation area which make it more difficult to provide information in a condensed, readable format. Additional complexities arise when properties are annexed and de-annexed into an urban revenue allocation area once a bond has been passed. **Ms. Lloyd** noted that Canyon County has 62 taxing districts, each having its own variance of bonds. The additional information required in this bill will result in tax statements being many pages long; as a result, software will need to be enhanced. **Ms. Lloyd** felt that other possibilities should be explored to provide this information to taxpayers in a more efficient, readable fashion.

Senator Rice asked if software enhancements will be required to implement these provisions. **Ms. Lloyd** responded that because current tax forms only allow for 20 rows of data, software enhancements will be necessary.

Senator Vick sought clarification of how urban renewal districts affect property tax in this regard. **Ms. Lloyd** described how levy rates are determined and distributed onto tax statements. She also explained that for urban renewal districts, county clerks do not calculate levies by individual bond but rather levies are determined by bonds approved pre- and post-2008. She noted there is not enough space on the tax statement for this level of detail.

David Hay, testifying as a private citizen, spoke in favor of **H 154aa**. **Mr. Hay** commented that transparency is important to taxpayers and provided examples of other transactions that break down costs for consumers. **Mr. Hay** felt that the State should extend the same courtesy to taxpayers regarding their tax obligations.

Drew Maffei, Chief Deputy Clerk, Canyon County, spoke in opposition to **H 154aa**. He introduced his colleagues from Canyon County and indicated that the County was in opposition to the legislation.

Steve Onofrei, Senior Systems Analyst, Canyon County, spoke in opposition to **H 154aa**. **Mr. Onofrei** spoke to complexities of disseminating and distributing complex property tax information to taxpayers. He indicated that counties do not currently have the statutory authority to require taxing districts to provide the detailed information required in these provisions. If this bill were to pass, **Mr. Onofrei** stated that system enhancements will be necessary. While he agreed with the need for transparency, he felt that other reporting options would be more appropriate.

Senator Rice asked how long it would take to make software enhancements to include this information on tax statements. **Mr. Onofrei** stated that if legislation is passed that mandates that taxing districts provide this information to the counties, it would be possible to implement within one year. **Senator Rice** then asked how long it would take to create an online depository for taxpayers to access this information. **Mr. Onofrei** replied within one year.

John Taylor, testifying as a private citizen, spoke in favor of the bill. **Mr. Taylor** commented that this bill helps build trust with school districts by creating transparency for taxpayers.

Zach Wagner, Controller, Canyon County, spoke in opposition to **H 154aa**. **Mr. Wagner** expressed concern regarding the level of detail being required and indicated this information is not readily available to county clerks.

Senator Rice asked what code sections would need amendment to require that taxing districts provide this information to the counties. **Mr. Wagner** was unsure of specific code sections but felt it may be possible to accomplish through the rulemaking process. If these conditions were met, **Mr. Wagner** indicated implementation would be possible within one year; however, he felt that providing this information electronically is a better option.

Dr. Don Schanz, testifying as a private citizen, spoke in support of the bill. **Dr. Schanz** commented that the benefits of transparency for taxpayers outweigh additional efforts of implementation. He remarked that providing online access to this information is not suitable for everyone.

Representative Nate reviewed current statutory requirements pertaining to property tax notice and emphasized that additional provisions provided in **H 154aa** increase transparency for taxpayers. He acknowledged costs associated with reformatting tax forms but felt the costs would be minimal. **Representative Nate** concluded that information for all taxpayer approved bonds, the ending year, and the amount due by the taxpayer should be provided on property tax statements; this will ensure statewide uniformity and transparency for taxpayers in the State.

Senator Rice asked Representative Nate if he would object to **H 154aa** being sent to the 14th Order to add an effective date of July 1, 2018, and to consider further statutory amendments. **Representative Nate** did not object.

Senator Burgoyne commented that transparency is not simple; citizens are entitled to information about their government that is often complex. He suggested that in order to create an informed citizenry, information must be made accessible to everyone through electronic delivery. **Senator Burgoyne** recognized costs and time-constraints associated with **H 154aa** and thus will not be supporting the bill.

MOTION:

Senator Rice moved to send **H 154aa** to the 14th Order for amendment. **Senator Vick** seconded the motion.

Senator Rice stated that his concerns pertain to software capabilities and how this information is distributed to taxpayers. He commented that stakeholders believe in transparency but disagree on the mechanism for providing this information.

Vice Chairman Bayer agreed that there is a common thread of transparency throughout this debate; his interest is in taxpayer specific information. He commented that conduits of information between taxing districts and county officials is worthwhile in this regard.

SUBSTITUTE MOTION:

Senator Patrick moved that **H 154aa** be held in Committee. **Senator Nye** seconded the motion.

Senator Nye stated that while transparency is important, he would like feedback from the Association of Idaho Taxpayers, Idaho State Tax Commission, Association of Cities, Idaho counties and other stakeholders regarding the efficacy of this legislation.

Chairman Johnson noted that he did not receive support from counties in his district; however, he agreed with the importance of transparency for taxpayers and thanked Representative Nate's efforts in that regard.

The substitute motion carried by **voice vote**.

ADJOURNED:

There being no further business at time, **Chairman Johnson** adjourned the meeting at 4:42 p.m.

Senator Johnson
Chair

Jennifer Carr
Secretary