

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, March 14, 2017

TIME: Upon Adjournment of the Transportation Committee

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 2:28 p.m.

MINUTES APPROVAL: **Senator Vick** moved to approve the Minutes from March 2, 2017. **Senator Rice** seconded the motion. The motion carried by **voice vote**.

RS 25509 **Senator Vick** presented **RS 25509**, which would reduce the value of the site improvement exemption from 75 percent to 35 percent and limit it to two years.

MOTION: **Senator Vick** asked for unanimous consent to send **RS 25509** to the State Affairs Committee to print. There were no objections.

H 205 **Relating to Recorder's Fees for Certain Instruments.** **Representative Blanksma** presented **H 205**, which amends Idaho Code § 31-3205 to change recording fees for certain types of documents. **Representative Blanksma** stated that this bill changes the fee for certain documents not exceeding 30 pages to a flat fee rather than a per page fee. **Representative Blanksma** indicated that this bill is revenue-neutral to the counties and will not impact the General Fund.

MOTION: **Senator Patrick** moved to send **H 205** to the floor with a **do pass** recommendation. **Senator Vick** seconded the motion. The motion carried by **voice vote**.

H 216 **Relating to Short-Term/Vacation Rental Marketplaces.** **Pam Eaton**, representing the Idaho Lodging and Restaurant Association, presented **H 216**, which adds new sections to Idaho Code pertaining to the regulation of short-term and vacation rental marketplaces. **Ms. Eaton** reported that this bill protects the property rights of both rental owners and their neighbors and creates a platform for these marketplaces to collect and remit applicable taxes. **Ms. Eaton** also described the tax collection process: 1.) local governments may not levy tax on the business of operating a short-term rental marketplace; 2.) short-term rental marketplaces are required to register with the Idaho State Tax Commission (Commission) to collect and remit all applicable taxes to the Commission, as well as to local governments that may collect related taxes; 3.) local governments may choose to contract with the Commission to administer and collect tax pursuant to current statute; and 4.) new short-term marketplaces have 45 days from their first transaction to begin remitting taxes. **Ms. Eaton** explained the limitations of local governments to regulate short-term rentals, providing that neither cities nor counties may enact ordinances that may effectively prohibit short-term rentals, but may implement reasonable regulations to safeguard the safety and general welfare of neighborhoods where short-term rentals operate. Additionally, neither a city nor county may regulate the operation of a short-term rental marketplace. The intent of these provisions is to balance the private property rights of rental owners and those that live nearby.

TESTIMONY: **Derek Pollard**, testifying as a private citizen, spoke in support of **H 216**. As the owner of a rental property, he stated that **H 216** protects his property rights, creates a level playing field for the remittance of taxes by rental owners, and prevents unfair regulation of rental properties.

Darrell Burchfield, testifying as a private citizen, spoke in support of **H 216**. As the owner of several short-term rental units, he spoke to the benefits of short-term rentals to the State. **Senator Hill** asked how this bill will affect current practices of rental owners. **Mr. Burchfield** stated that this bill will provide consistency for rental owners who are already remitting applicable taxes. He also commented that people have misperceptions regarding short-term rentals and provided examples.

Senator Siddoway commented on the governance of cities and counties by the State in this regard and asked Ms. Eaton if feedback was given by local entities. **Ms. Eaton** indicated that this was well-negotiated with input from various stakeholders. The intent was to allow cities and counties to reasonably regulate short-term rentals while protecting the private property rights of rental owners and the community-at-large.

MOTION: **Senator Rice** moved to send **H 216** to the floor with a **do pass** recommendation. **Vice Chairman Bayer** seconded the motion.

Senator Burgoyne spoke in support of the motion, highlighting the protections provided for property owners and the importance of these protections for neighborhood communities.

Senator Rice commented on levels of governance and principles of creating and regulating private property rights. He felt this bill creates a balance between private property rights and the functionality of government.

The motion carried by **voice vote**.

H 235 **Relating to Property Tax, Existing Plants.** **Representative Moyle** presented **H 235**. In 2008, legislation was passed that allowed county commissioners to give a tax exemption for a property if it met certain criteria; it required \$3 million in capital investment and that it be used to support manufacturing projects. Since 2008, concerns have arisen that the \$3 million threshold is too high for rural communities. This bill give county commissioners discretion set a threshold as low as \$500,000 while maintaining the ability to annually establish a higher threshold; it also expands project eligibility. **Representative Moyle** emphasized that this bill requires county commissions to hold a public meeting when considering granting such an exemption; it also protects existing taxpayers by keeping projects off new construction rolls, precluding a subsequent tax shift.

Senator Rice commented that cities and school districts are not subordinate to county commissions and questioned why existing statute allows county commissioners to waive taxes of local entities that are not subordinate to them. **Representative Moyle** stated that this concern was addressed in the bill by requiring county commissions to hold a public hearing for local entities to communicate their concerns.

Senator Siddoway expressed concerns regarding the exclusion of operating property from this bill. **Representative Moyle** acknowledged those concerns and stated the issue was debated during the drafting process; however, he felt this bill was not the vehicle to address these issues.

TESTIMONY: **Megan Ronk**, Director, Idaho Department of Commerce, spoke in support of **H 235**. **Director Ronk** commented that this tool has successfully promoted economic development and expansion around the State. This bill will help rural counties attract investment opportunities by lowering the threshold to \$500,000; local stakeholders have provided feedback that the \$3 million threshold was unattainable.

Gordon Cruickshank, Valley County Commissioner representing the Idaho Association of Counties (IAC), spoke in support of **H 235**. **Mr. Cruickshank** remarked that the \$3 million threshold puts smaller counties at a disadvantage; this bill creates a more level playing field to attract investment opportunities.

Arlen Wittrock, representing ON Semiconductor and the Idaho Economic Advisory Council, spoke in support of **H 235**. **Mr. Wittrock** described how the property tax exemption for qualified projects has been critical to the success of his business. Additionally, the threshold reduction to \$500,000 and the expansion of project eligibility will help smaller counties incentivize future economic development.

Miguel Legarreta, representing the Associated Taxpayers of Idaho, spoke in support of **H 235**. **Mr. Legarreta** provided several examples of county increases in budget authority from new construction. He remarked that lowering the threshold to \$500,000 will likely incentivize economic development and diverse business opportunities around the State, especially in smaller communities.

DISCUSSION: **Representative Moyle** pointed out that this bill gives county commissions discretion on whether to extend this exemption to an eligible project and requires them to notify local taxing districts when considering a property tax exemption in this regard. In its current form, this tax incentive has been a successful development tool to support and encourage business expansion opportunities around the State.

Vice Chairman Bayer sought clarification regarding how county commissions may withdraw the tax exemption for projects that no longer meet statutory criteria. **Representative Moyle** explained that statute does not currently provide a mechanism for terminating tax incentives for projects that no longer qualify; this bill allows county commissions to unilaterally withdraw the tax exemption when appropriate. He further noted that this language was added to address concerns at the county level.

Senator Burgoyne stated that he supports the threshold reduction to \$500,000, as well as the requirement of county commissions to hold a public hearing prior to granting such an exemption. However, he felt that additional approval should be required when qualified property is located within a school district or city limits.

Chairman Johnson commented that he also has concerns regarding the exclusion of operating property from this bill. However, the bill in its current form does improve upon the original version and does provide an important tool for economic development for the State.

MOTION: **Senator Hill** moved to send **H 235** to the floor with a **do pass** recommendation. **Senator Vick** seconded the motion.

Senator Rice commented that he will support the motion; however, he felt the issue of subordination of cities and school districts to county commissions needed to be addressed.

The motion carried by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Johnson** adjourned the meeting at 3:25 p.m.

Senator Johnson
Chair

Jennifer Carr
Secretary