

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Monday, January 15, 2018

**TIME:** 9:00 A.M.

**PLACE:** Room EW42

**MEMBERS:** Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/  
EXCUSED:** None

**GUESTS:** Alan Dornfest, ISTC; Brian Stender, Canyon County Assessor; Tom Shaner, ISTC; Nick Veldhouse, IAHD; Savannah Renslow, IAHD; Jack Lyman, Idaho Housing Alliance; Alex LaBeau, IACI; John Eaton, IACI; Melinda Smyser, IDOL; Kelli Brassfield, IAC; Laura Lantz, ID Society of CPAs; John Watts, Chamber Alliance

**Chairman Collins** called the meeting to order at 9:00 a.m.

**RS 25731:** **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission presented **RS 25731**. This bill relates to income taxes. It is the annual bill to update references to the Internal Revenue Code (IRC). The bill will conform the Idaho income tax code to changes made to the IRC that affect the 2017 taxable year. The Idaho income tax code is based on using the federal adjusted gross income as a starting point for both businesses and individuals. In response to an inquiry about the child tax credit not being a part of conformity with the federal tax law, Mr. Shaner confirmed that Idaho conforms to the federal taxable income as a starting point, modifications are made according to Idaho law to the Idaho taxable income and the federal tax credits take place after the starting point and we've never conformed to that.

**MOTION:** **Rep. Anderst** made a motion to introduce **RS 25731**. **Motion carried by voice vote.**

**H 335:** **Rep. Moyle** presented **H 335** amends Section 72-1350, Idaho Code, to reduce the taxable wage rate used for determining employers' unemployment insurance taxes by adjusting the unemployment fund size multiplier downward. This bill will result in a substantial net tax savings to Idaho's covered employers. Rep. Moyle stated that this bill would allow the state to have an estimated \$900 million in the fund by the year 2020. He also stated the balance is bigger than it was during the recession and it should be enough to protect the fund.

**Alex LaBeau**, President, Idaho Association of Commerce & Industry, spoke **in support** of **H 335** stating Idaho is one of sixteen states that is solvent concerning unemployment funds which is important to employers in an economic downturn as well as the government.

**John Watts**, Partner, Veritas Advisors, spoke **in support** of **H 335** stating that the issue of reducing the taxable wage rate was discussed in forums throughout the state of Idaho and approved by all employers who attended.

**Melinda Smyser**, Director, Idaho Department of Labor, spoke **in support** of **H 335** stated the entire staff worked with the business communities and chambers to make sure that it's acceptable.

**MOTION:** **Rep. Thompson** made a motion to send **H 335** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

**DOCKET NO.  
35-0103-1701:**

**Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **Docket No. 35-0103-1701**, Property Tax Administrative Rules, **Rule 509** defines abstract as a document summarizing taxable and market value for assessment purposes by secondary categories and outlined the signature requirements. **Rule 609** changes deal with partial ownerships and instructs to count the community property interest as 50% interest in the property rather than 66 2/3%. **Rule 619** changes date from April 15 to March 15. **Rule 700** changes deal with partial ownership and instructs to count the community property interest as 50% interest in the property rather than 66 2/3%. **Rule 804** covers levy setting when there is refinancing of bonded debt. Since this is not considered new debt it may still generate revenue for urban renewal agencies depending on the year incurred. Also, the urban renewal attestation of the plan's modification due date is changed to first Monday in June to match law. **Rule 995** states the Sales Tax Distribution makes the payment no later than next quarterly sales tax distribution due date. Mr. Dornfest confirmed that the legal opinions were all in concert of the rule changes and that counties can now avoid further discrepancies. He reiterated that these are instructions to the county clerks. Mr. Dornfest explained that every taxing district with a bond fills out a special form and it's used as a means of reporting details to the Tax Commission and he will do a follow up and report back after contacting the finance director of the Department of Education concerning rules about school bonds.

**MOTION:**

**Rep. Kauffman** made a motion to approve **Docket No. 35-0103-1701**. **Motion carried by voice vote.**

**DOCKET NO.  
35-0103-1704:**

**Alan Dornfest**, Property Tax Policy Bureau Chief, Idaho State Tax Commission presented **Docket No. 35-0103-1704**, Property Tax Administrative Rules, **Rule 314** This is relating to county valuation program to be carried on by assessor and it addresses the use of aerial photographs and other digital imaging technology tools. These tools may supplement but not replace physical site inspections. The IAAO Standard on Mass Appraisal suggests such tools and applies to the extent that resources are available. Deletes the Idaho Supreme Court Brandon Bay case cross reference concerning section 42 properties. **Rule 404** relates to day for day penalty extension for date to file the operator's statement applies only to geographic information and not to financial information. **Rule 612** relates to property exempt from taxation - motor vehicles, recreational vehicles, and vessels properly registered. **(H 156)** park model recreational vehicles - the assessor makes the determination that the park model is permanently attached to a foundation, has attached building addition or has been substantially modified and no longer meets the definition of a park model recreational vehicle. In these cases, as provided by statute, the vehicle is subject to property tax and cannot be licensed. **Rules 631 (H 235)** addresses the BOCC resolution to establish minimum investment requirement of not less than \$500,000. It expands the examples to explain the base value, which is the value during the year immediately preceding the first year of exemption. **Rule 803** allows taxing districts to disclaim forgone accumulation from the previous year rule change also deletes requirements related to county property tax relief related to local sales taxes. In relation to **Rule 314**, Mr. Dornfest confirmed the field inspection technology is only for an exterior inspection and that it is not a substitute, but an enhancement tool. He confirmed that the 5 year inspection requirement remains the same and this rule only alerts the appraisers that they have additional ways to enhance the inspection. In response to a question concerning the use of drones, Mr. Dornfest stated that drones were not discussed in meetings concerning aerial photography. He confirmed counties administer the inspections based upon the resources they have. Relating to **Rule 631**, Mr. Dornfest responded to a question by reiterating the counties have the authority to grant or not to grant the exemption and the Idaho Tax Commission has a bit of oversight, but the county is the determining

body. In reference to **Rule 803**, Mr. Dornfest confirmed districts did not take their forgone this year and this area is looked at closely by the Idaho Tax Commission.

**ORIGINAL MOTION:**

**Rep. Nate** made a motion to approve **Docket No. 35-0103-1704** with the exception of **Section 314.03, Field Inspections**.

**Rep. Nate** stated the expanding of the appraisal technique to include drone technology might create concerns for property owners and this may be a leap to far to do through a rule change. He would rather see this come through statute where it could be fully vetted and get testimony from both sides. **Rep. Hartgen** supports the motion and agrees with **Rep. Nate**. Mr. Dornfest responded to a concern about privacy by reiterating that discussions of drones never came up with the county accessors and their groups. **Mr. Dornfest** deferred to **Brian Stender, Canyon County Assessor**, to respond to a question about the rule. Mr Stendor confirmed they are able to take and they do use aerial photos now. Mr. Dornfest stated again that this is an alerting rule and that most of our accessors are members of the national organization which has this language in its mass appraisal standard.

**SUBSTITUTE MOTION:**

**Rep. Erpelding** made a motion to approve the entire **Docket No. 35-0103-1704**.

**Rep. Erpelding** stated there is no mention of drones in the entire docket and you have Google Imaging, Google Earth and satellite imaging. **Mr. Dornfest** confirmed that the standards are voluntary, not mandatory so they don't bind the accessors and they don't conflict and they all contain a disclaimer stating state law will prevail. He also stated the standards are designed as an alert accessing officers around this country that this added technology exists and there's no design to substitute or take away that technology for the inspection. The inspections are still required. **Mr. Stendor** responded to a question by stating they currently use digital maps to contribute to the inspection process and that this rule is mirroring what the IWAO standard is to what we currently do. He also stated he does not assume the rule to give him permission to use drone technology and has no intent to use it in the foreseeable future. Mr. Stendor explained that drone use had never been addressed. In reference to the substitute motion, **Rep. Nate** stated he does not see how we can read the language on aerial photographs and other digital imaging technology to not be interpreted as including drones at some point. He stated to approve the rule docket except for **Section 314.03** where we can come back and fully vet it and he agrees with **Rep. Moyle** that incorporation by reference is a dangerous thing that we do time to time again in state law. Rep. Nate stated he is against the substitute motion and is for the original motion. **Rep. Kauffman** stated he is in favor of the substitute motion.

**ROLL CALL VOTE ON SUBSTITUTE MOTION:**

Roll call vote was requested. **Substitute Motion failed by a vote of 4 AYE and 11 NAY, 1 Absent/Excused. Voting in favor of the motion: Vice Chairman Kauffman, Reps. Anderst, Stevenson, Erpelding. Voting in opposition to the motion: Reps. Moyle, Raybould, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Troy, Gannon, Chairman Collins.**

**VOTE ON ORIGINAL MOTION:**

**Chairman Collins** called for a vote on the motion to approve **Docket No. 35-0103-1704** with the exception of **Section 314.03, Field Inspections. Motion carried by voice vote.**

**ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 10:46 a.m.

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Representative Collins  
Chair

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Susan Steed  
Secretary