

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 29, 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: John Watts, Veritas; Ryan Pidde, Mickelson & Co.; Dan DeGon, St. Maries RR/Washington & Idaho RR/BGCM; Jeff Short, Idaho Northern & Pacific RR; Benjamin Kelly, Food Producers of Idaho; Jon Watson, J.C. Watson Co. Parma; Margaret Watson, J.C. Watson Co. Parma; James C. Lynch, Lynch Oil Inc; Scott B. Lynch, Lynch Oil Inc; Russell Westerberg, RMP; Lucas Bellamy, Watco; Rich Gardner, IGPA; Stacey Satterlee, Idaho Grain Producers; Ted Kadau, Watco; Dennis Tanikuni, Idaho Farm Bureau; Kelli Brassfield, IAC; Alex LaBeau, IAC; Jack Lyman, Idaho Housing Alliance

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

MOTION: **Rep. Kauffman** made a motion to approve the minutes of January 22, 2018.
Motion carried by voice vote.

H 375: **John Watts**, Partner, Veritas, presented **H 375**. This legislation is to authorize a non-refundable income tax credit for short line transportation investment and maintenance into Idaho's short line railroad infrastructure. Improved short line rail infrastructure will allow heavier and fully loaded cars to move more product for less cost to a shipper, and improved railroad infrastructure will increase safety, efficiency and reliability. This legislation provides 50% income tax credit on the value of investment, capped at \$3,500 per mile of track owned/operated by the short line railroad in Idaho. If not used by the short line railroad, credit is transferable only to railroad customers and vendors. The effective date is January 1, 2019 and sunsets in five years in 2024.

Ryan Pidde, Mickelson & Associates, spoke **in support** of **H 375**. Mr. Pidde stated how transfers work between transferrer and transferee. He also spoke about how the market works and gave examples of reinvestment activity with railroads and customers.

Ted Kadau, Great Northwest RR and Boise Valley RR, spoke **in support** of **H 375**. Mr. Kadau gave an overview of infrastructure requirements for the railroad. He gave examples of how Great Northwest RR and Boise Valley RR would use the credit and it would work for customers.

Jeff Short, Idaho Northern and Pacific RR, spoke **in support** of **H 375** and gave an overview of infrastructure requirements for the railroad. He gave examples of how Idaho Northern RR and Pacific RR would use the credit and it would work for customers in the Emmett, New Plymouth, Payette and the Horseshoe Bend area.

Jon Watson, J.C. Watson Co., spoke **in support** of **H 375** and gave background on his use of the short line railroad with his business and how he would use transferred tax credit dollars.

Margaret Watson, J.C. Watson Co., spoke **in support** of **H 375** stating that as the ex-Mayor of Parma, she knows how important the short line is to rural America. She spoke about the negative affects that a lack of a short line railroad has on rural communities and that having a short line railroad is an incentive for bringing in businesses.

Stacey Satterlee, Idaho Grain Producers, spoke **in support** of **H 375** by stating wheat and barley are among the top ten products moved by a short line railroad and overall railroads move about 36% of Idaho's wheat to market. Ms. Satterlee said this maximum 3.1 million dollar credit would provide a timely and prudent investment by the state to improve the overall transportation infrastructure and without using rail to ship, the amount of trucks on the roads would be tremendous.

Dan Degon, St. Maries, Washington & Idaho and BGCM railroads, spoke **in support** of **H 375**, he explained what track credit means to them by stating it allows them to focus on growth and new business and maintaining support to their customers.

Benjamin Kelly, Food Producers of Idaho, spoke **in support** of **H 375** stating the bill will benefit agricultural producers by creating an incentive for short line railroads to invest in their infrastructure, allowing them to continue carrying commodities into their future.

Alex LaBeau, President, Idaho Association of Commerce & Industry, spoke **in support** of **H 375** stating that Idaho is clearly an exporting state. He confirmed there are four ways goods go out of the state, by way of air, water, truck and rail. Three of the four is operated and supported by the government and supported by government taxation. Rail is different and because it is owned by the private sector, it requires a unique way of financing the product itself.

Chairman Collins called upon **John Watts** to conclude his presentation of **H 375**. In response to questions, Mr. Watts confirmed the Idaho Tax Commission has reviewed this and they have forms and agreements that the short line railroad would be subject to the rules written by the tax commission. He stated that other eligible items identified on Page 2, lines 3 through 11 are the qualifying expenditures. Mr. Watts confirmed each railroad is an individual and would not be a group. He stated the 6.2 million dollars is an aggregate representation of \$3,500 per mile which is the cap times the 885 miles of the railroad in the state. Mr. Watts reiterated the federal program sunsetted in 2016 and this bill applies to the federal income tax not the Idaho state tax. He confirmed that Broadband Investment Tax credit can be transferred to anyone and it costs an average of \$14,000 per mile for maintenance. Mr. Watts reiterated that because bonds and loans are leveraged and collateralized, it's better to do the tax credit because it's a revenue generator. He yielded to **Ryan Pidde** who responded to a question, by confirming there is nothing to prevent a railroad from deducting expenses and also taking the tax credit. Mr. Watts stated this bill is a means to generating the money from everyone that is participating in this piece of transportation infrastructure to allow for an expenditure into the ground. This is means to generate additional revenue from a private partner in the business.

MOTION: **Rep. Hartgen** made a motion to send **H 375** to the floor with a **DO PASS** recommendation.

Reps. Kauffman and Thompson spoke **in support** of the motion. **Rep. Moyle** spoke **in opposition** of the motion.

VOTE ON MOTION: **Motion carried by voice vote. Reps. Moyle, Troy and Erpelding** requested their **NAY** vote be recorded. **Rep. Kauffman** will sponsor the bill on the floor.

RS 25725: **Rep. Moyle** presented **RS 25725**. This proposed legislation will exempt the sale of precious metals bullion from being subject to capital gains.

- MOTION:** Rep. Gibbs made a motion to introduce **RS 25725. Motion carried by voice vote.**
- RS 25937:** Rep. Harris presented **RS 25937.** Taxing districts, such as cities and counties, may elect to disclaim any or all their forgone balance for the current year. This proposed legislation adds flexibility as to when the district may adopt such a resolution. It also requires that the resolution be filed with the county clerk and the state tax commission.
- MOTION:** Rep. Erpelding made a motion to introduce **RS 25937. Motion carried by voice vote.**
- RS 25807:** Rep. Erpelding presented **RS 25807.** This proposed legislation provides an income tax credit for charitable contributions made to Idaho-based medical residency placement organizations, accredited by the Accreditation Council for Graduate Medical Education or the American Osteopathic Organization.
- MOTION:** Rep. Thompson made a motion to introduce **RS 25807. Motion carried by voice vote.**
- RS 25806:** Rep. Nate presented **RS 25806.** This proposed legislation amends section 67-6539, of the Idaho Code, to align the law with the original intent of **H 216** (2017 Session). The word "throughout" and the phrasing of what regulation is allowable, with limitations, left ambiguity about whether some prohibitions on short-term rentals were legal. This legislation revises the language to eliminate the ambiguity. In response to a question, Rep. Nate confirmed that his community of Rexburg is wanting clarification of the language.
- MOTION:** Rep. Erpelding made a motion to introduce **RS 25806. Motion carried by voice vote.**
- RS 25936:** Rep. Moyle presented **RS 25936.** This proposed legislation will raise the amount of legal fees, medical expenses and other costs that adoptive parents may deduct from their taxable income.
- MOTION:** Rep. Thompson made a motion to introduce **RS 25936. Motion carried by voice vote.**
- ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 10:49 a.m.

Representative Collins
Chair

Susan Steed
Secretary