

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 01, 2018

TIME: 8:30 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:** Representative(s) Moyle, Thompson

GUESTS: Melinda Merrill, NW Grocery Association; Jim Riley, Riley Stegner & Associates; Steve Thomas, IFG; Seth Grigg, IAC; Jim Lynch, Mr. Gas; Ken McClure, IMA; Pam Eaton, Idaho Retailers Association; Fred Birnbaum, IFF; Suzanne Budge, IPM & CSA

Chairman Collins called the meeting to order at 8:33 a.m.

MOTION: **Rep. Gannon** made a motion to approve the minutes of January 18, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Gannon** made a motion to approve the minutes of January 23, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Gannon** made a motion to approve the minutes of January 25, 2018. **Motion carried by voice vote.**

H 462: **Rep. Kauffman** presented **H 462**. Property taxes for timberland owners with more than 5,000 acres are taxed differently than other types of property. Owners of 5,000 or more acres pay county property taxes according to a formula developed by the Committee of Forestland Taxation Methodology, which is codified in Title 63, Chapter 17. The formula takes into account several variables. One variable is how productive a particular parcel of land is for growing timber. Based on the results of several different forestry measurements, a parcel is classified as either poor, medium, or good for this purpose, which is referred to as the land's productivity classification. The Tax Commission and the Committee on Forestland Taxation set rules and procedures for county assessors to follow when considering changes to a parcel's productivity classification. The current rules have not provided a consistent, objective, or transparent process. Landowners in some counties have received assessment notices reflecting substantial (50% to 200%) increases in valuations due to productivity class changes, but no documentation exists to show the forest measurements required by the current rule were ever performed. This bill would require the Idaho Tax Commission and the Committee on Forest Land Taxation to review and revise the rule for forestland productivity classification to provide a professional and consistent process for all counties, including notification to landowners, qualifications for those conducting forestry measurements, and standards for documentation and retention. The bill would set productivity classifications at their 2016 levels until the rule is complete and approved by the legislature.

Jim Riley, Principal, Riley Stegner & Associates spoke **in support** of **H 462** stating the proposed legislation resets the status quo until such time when rules can be issued that are agreed upon and that every county does things consistently, fairly and transparently for the landowners. Mr. Riley stated that 79 parcels are affected by reverting this back to 2016 values. He reiterated that there were issues in three counties where their productivity classification changed and it increased the assessed value for their parcels. Mr. Riley confirmed the reversion does not apply retroactively from this point going forward; it's not a tax credit, it's a tax refund. He reiterated this requires a rule to talk about the guidelines for how land owners are notified for when one of those assessments reviews are going to be undertaken, what kind of documentation has to occur with the counties so the landowner can avail themselves of that and what type of credentials are necessary for somebody to go out and do such reviews.

Seth Grigg, Idaho Association of Counties spoke **in opposition** of **H 462** stating there is a process set forth in the Idaho Code for those 79 parcels and appeal process. He wants clarifying language, proper notification to the landowners, records retention, qualification of those going out and determining the productivity classification. Mr. Grigg has concerns there is no sunset clause and thinks there are some frameworks that we can work with within the statute. In response to questions, he stated the CFTM would have to meet to make recommendations to the tax commission and the rules would be promulgated thereafter. Mr. Grigg confirmed that the 5% annual ceiling does not apply to the parcel, but it applies to the productivity classification. Mr. Grigg deferred to **Steve Fiscus**, Idaho State Tax Commission, to respond to other questions. Mr. Fiscus replied to a question stating line 38 sets the values by four zones in the state for ten years; values are being set on the four zones, not on individual parcels.

MOTION: **Rep. Troy** made a motion to send **H 462** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.

H 405: **Rep. Harris** presented **H 405**. The purpose of this legislation is to repeal the Unfair Sale Act, Chapter 4, Title 48, Idaho Code. This depression-era statute became law in 1939 and, with limited exceptions, required merchandise to be marked-up over cost by a minimum, statutorily-set amount. Today, it is common for merchants to offer their wares at or below cost as an inducement to patronize the merchandiser and purchase other goods. Other merchants, such as grocery stores, commonly set prices at very low margins, making their profits through high volume. Although the law is generally not enforced, its violation is a misdemeanor carrying fines and jail time. As the enforcement of such a price-fixing scheme would harm consumers and reduce competition, this Act should be repealed.

Sen. Burgoyne spoke **in support** of **H 405**. He stated this bill gets people off the hook for technically violating the law simply because they are, doing every single day, what we expect them to do in the marketplace by pricing their products competitively and not marking their products up at 6% over their cost. Sen. Burgoyne reiterated that there was a case where the statute was used in court, so it does present a danger of possibly others that could be brought forth. He confirmed that the petroleum industry is concerned because they have attempted to use this statute occasionally demanding legal action when someone is engaged in predatory pricing and stating this is not the right statute to cite.

Jim Lynch, Mr. Gas, spoke **in opposition** of **H 405**. He stated he can't compete with the larger businesses and that he needs this current law to protect him and keep him in business. In response to questions, Mr. Lynch stated with the current law, the small businesses are at a disadvantage.

Pam Eaton, Idaho Retailers Association, spoke **in support** of **H 405**. Ms. Eaton stated she represents retailers of all sizes and none of them support the current law. She stated she is nervous about the possibilities of law suits because of the current law and the new one will protect retailers.

Suzanne Budge, Idaho Petroleum Marketers Association and Convenience Store Association, spoke **in opposition** of **H 405**. She stated petroleum marketers do their business differently and removing this bill removes a tool that protects them from predatory pricing and her members will not be protected if this law is repealed.

MOTION: **Rep. Nate** made a motion to send **H 405** to the floor with a **DO PASS** recommendation.

ROLL CALL VOTE: **Chairman Collins** requested a **roll call vote** on the motion to send **H 405** to the floor with a **DO PASS** recommendation. **Motion carried** by a vote of **10 AYE, 4 NAY, 2 ABSENT**. **Voting in favor** of the motion: **Reps. Kauffman, Raybould, Anderst, Dayley, Chaney, Nate, Gibbs, Erpelding, Gannon and Chairman Collins**. **Voting in opposition** to the motion: **Reps. Hartgen, Gestrin, Stevenson and Troy**. **Reps. Moyle and Thompson** were absent/excused. **Rep. Harris** will sponsor the bill on the floor.

H 451: **Rep. Erpelding** said this 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. Residency placement programs are essential to the final stages of M.D. and D.O. educational processes, and residency placement programs enhance programs like WWAMI by encouraging doctors to stay in the state of Idaho.

MOTION: **Rep. Anderst** made a motion to send **H 451** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote**. **Rep. Erpelding** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:21 a.m.

Representative Collins
Chair

Susan Steed
Secretary