

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

- DATE:** Monday, February 12, 2018
- TIME:** 8:30 A.M.
- PLACE:** Room EW42
- MEMBERS:** Chairman Collins, Acting Vice Chairman Kauffman, Representative(s) Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon
- ABSENT/
EXCUSED:** None
- GUESTS:** Jonathan Packer, IAHD
- Chairman Collins** called the meeting to order at 8:30 a.m.
- MOTION:** **Rep. Dayley** made a motion to approve the Minutes of the January 17, 2018 meeting. **Motion carried by voice vote.**
- H 513:** **Rep. Kauffman** presented **H 513**. This legislation is to provide a sales and use tax exemption for the Idaho Association of Free and Charitable Clinics and its member clinics.
- Arne Walker**, Executive Director of the Wellness Tree Community Clinic in Twin Falls, ID and the President of the Idaho Association of Free and Charitable Clinics spoke **in support** of **H 513**. In response to committee questions, Mr. Walker indicated that none of the free and charitable clinics offer abortions and a majority of the clinics are operated by faith-based entities.
- Rep. Kauffman** stated there were 18,000 encounters to the clinics at an estimated value of \$160 per visit. There was an estimated savings to state and counties of \$4.2 million by just 20% of those encounters using the free and charitable clinics instead of using emergency rooms. Rep. Kauffman also responded to committee questions stating there are health-related industries that are non members of the free and charitable clinics that may receive the tax exemption, also.
- MOTION:** **Rep. Hartgen** made a motion to send **H 513** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nate** requested to be recorded as voting **NAY.** **Rep. Kauffman** will sponsor the bill on the floor.
- H 492:** **Rep. Giddings** presented **H 492**. This legislation provides disabled Veterans who have 100% service-connected disability to receive a special property tax reduction of \$1320, not to exceed the amount of the Veteran's actual property taxes. The \$1320 flat credit is independent of the Veteran's income. This credit is separate from the circuit-breaker reduction.
- In response to committee questions, **Rep. Giddings** clarified that the credit cannot benefit other living relatives other than the Veteran's surviving spouse. A surviving spouse would continue to receive the credit as long as he/she is paying the property taxes.
- Rep. Giddings** also responded to committee questions by stating that a Veteran's maximum monthly pay for 100% service-connected disability is just under \$3000 per month. The maximum monthly pay if the Veteran has dependents is just under \$3500 per month.

Rep. Giddings discussed the fiscal impact in response to committee questions. She stated that the \$1.1 million was the amount the Tax Commission estimated to reimburse the counties for the claims of potentially 1,000 to 1,500 new beneficiaries and, if needed, to hire an additional staff member to process those claims.

Those speaking **in support** were **Dr. Daniel Hamry**, 100% service connected disabled Veteran and general trauma surgeon; and **Rick Harper** representing 13,000 members of the American Legion in Idaho and 7,000 Veterans of Foreign Wars in Idaho.

Alan Dornfest, Property Tax Policy Bureau Chief with the Idaho State Tax Commission, answered committee questions pertaining to Veterans owning a property in a living trust or in a trust to see if they would qualify for the special property tax reduction. He stated in certain trust ownership situations and if the beneficial interest is still retained by the claimant, then the claimant or the surviving spouse would qualify for the special property tax reduction.

Pam Waters, coordinator of the Property Tax Reduction program for the Idaho State Tax Commission, answered committee questions. She stated there are accommodations for living trusts and other types of ownerships, if the property is owned by the trust. As long as the surviving spouse is a beneficiary of that trust they would retain the claimant status to receive the special property tax reduction. No other relatives would qualify.

Rep. Stevenson voiced concern regarding the \$1.1 million fiscal note as it pertains to the vagueness of the administrative costs.

MOTION: **Rep. Anderst** made a motion to send **H 492** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Giddings** will sponsor the bill on the floor.

RS 25976: **Seth Grigg**, on behalf of the Idaho Association of Counties presented **RS 25976** This proposed legislation will increase the statutory limit on the county justice levy to twenty-five hundredths of a percent of taxable market value (.0025).

The county justice levy was established to allow counties to levy a dedicated property tax to fund county justice related services. The current county statutory levy limit of the county justice levy is twenty hundredths of a percent of a taxable market value (.002). Thirty-two counties currently levy a justice levy. Of these 32 counties, 16 are at or near statutory levy limits, thus capping their ability to raise revenues to pay for necessary justice related services.

In response to committee questions, **Seth Grigg**, explained that 9 of the 16 counties have a forgone balance. The smaller counties typically don't have a forgone balance. He also explained a levy increase does not necessarily mean the budget will increase. The budget system in Idaho is not dependent on the rate but the budget of the entity itself.

MOTION: **Rep. Thompson** made a motion to introduce **RS 25976.** **Motion carried by voice vote.** **Rep. Moyle** requested to be recorded as voting **NAY.**

RS 26023: **Alex LaBeau**, President of the Idaho Association of Commerce and Industry, presented **RS 26023.** This proposed legislation gives local control of personal property tax. It provides county commissioners the opportunity to grant complete exemption of the personal property tax on those businesses within their county boundaries that are still tracking and paying the tax. County commissioners have the authority to grant the exemption for a time certain after public meetings have been held.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26023.** **Motion carried by voice vote.**

RS 25989C2: **Rep. Barbieri** presented **RS 25989C2**. This proposed legislation repeals the sales tax on food sold for human consumption, using the definition of food products provided under the Federal Supplemental Nutrition Assistance Program (SNAP). To offset the reduction in General Fund revenue, the proposal will repeal the Grocery Tax Credit. Revenue sharing with local governments is increased from 11.5% to 13.2% to mitigate the lower sales tax collections. Local governments are kept whole.

This legislation lowers individual tax rates by .5% through all income brackets. The corporate income tax rate is reduced from 7.4% to 5.0%. There is no conformity in this bill.

In answer to committee questions, **Rep. Barbieri** stated full conformity will injure Idaho families and should be addressed as a separate matter as a follow-up bill. In addition, he stated that he does not believe that **RS 25989C2** penalized businesses and we have to start somewhere by making it friendly to bring in business to help grow the economy.

MOTION: **Rep. Nate** made a motion to introduce **RS 25989C2**.

ROLL CALL VOTE: **Chairman Collins** requested a roll call vote on **RS 25989C2**. **Motion carried by a vote of 9 AYE, 6 NAY, 1 Absent/Excused. Voting in favor** of the motion: **Reps. Dayley, Hartgen, Nate, Gestrin, Stevenson, Troy, Erpelding, Gannon, Collins. Voting in opposition** to the motion: **Reps. Kauffman, Moyle, Raybould, Anderst, Thompson, Gibbs. Rep. Chaney was absent/excused. Rep. Barbieri** will sponsor the bill on the floor.

RS 26127: **Sen. Siddoway** presented **RS 26127**. This proposed legislation relates to income taxes. The bill will conform the Idaho tax code to changes made to the Internal Revenue Code that affect the 2018 taxable year, including but not limited to standard deduction increase, personal exemption elimination, itemized deduction cap, 529 savings plan definition, and miscellaneous business income tax changes. The Idaho income tax code is based on using the federal taxable income as a starting point for both business and individual income tax returns. There is no child tax credit in this bill.

MOTION: **Rep. Moyle** made a motion to introduce **RS 26127. Motion carried by voice vote.**

RS 26054: **Rep. Moyle** presented **RS 26054**. This proposed legislation will provide for a provisional property tax exemption on property that is under construction for a tax exempt purpose.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26054. Motion carried by voice vote.**

RS 26044: **Rep. Nate** presented **RS 26044**. This proposed legislation amends Title 63, Chapter 8 of Idaho Code by adding a new section with a requirement for bond election ballot questions. When taxing district proposes a bond election, the ballot will include a disclosure statement indicating the term of the bond and the anticipated average annual tax increase per \$100,000 of property value (based on the amount of the bond, net interest costs, the term of the bond, and the most recent valuation of taxable property in the taxing district). The district will provide information to the county clerk, and the county clerk will make the calculation and include the financial information on the disclosure statement on the bond ballot.

MOTION: **Rep. Moyle** made a motion to introduce **RS 26044. Motion carried by voice vote.**

RS 26028: **Rep. Monks** presented **RS 26028**. This proposed legislation creates a plan to reduce taxes while acknowledging that sufficient funds must be available to sustain government services and functions and that additional funds are also necessary for inflation and population growth within the State.

This legislation will reduce corporate and all individual tax brackets by 0.1% when revenue growth from year to year exceeds 6%. This process will repeat until the corporate tax rate and the top individual tax rate bracket reaches 6%.

In addition, this legislation provides for a safety value that allows the governor and legislature to forgo the reduction if economic conditions necessitate.

MOTION: **Rep. Thompson** made a motion to introduce **RS 26028**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the Committee, the meeting was adjourned at 10:00 a.m.

Representative Collins
Chair

Shellie Coates
Secretary