

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 09, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Dayley, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Erpelding, Ellis, Mason

**ABSENT/
EXCUSED:** None

GUESTS: Steve Wallace, Board of Tax Appeals; Cynthia Adrian, Idaho State Tax Commission (ISTC); Tom Shaner, ISTC; Jack Lyman, Idaho Housing Alliance; Liz Hatter; Brody Aston; Brad Hunt, OARCC; Miguel Legarreta, ATI.

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

Chairman Collins welcomed the committee and introduced new members to the committee **Rep. Jim Addis, Rep. Sage Dixon, Rep. Rodney Furniss, Rep. Priscilla Giddings, Rep. Tammy Nichols, Rep. Doug Ricks, Rep. Jake Ellis** and **Rep. Rob Mason**. He also introduced the temporary page, **Bradley Chrysler**, and Secretary, **Lorrie Byerly**. Chairman Collins discussed the committee Administrative Rule Process.

DOCKET NO. 35-0101-1801: **Cynthia Adrian**, Tax Policy Specialist, ISTC, began by presenting Rules 15, 17 and 75 as part of **Docket No. 35-0101-1801**. Rule 015 addresses Idaho's application of federal retroactive and uncodified provisions, clarifying that uncodified provisions of federal law are included in calculating Idaho taxable income. Rule 17 is a new rule instructing Idaho taxpayers how to report Internal Revenue Code (IRC) Section 965 Subpart F deemed repatriation income on an Idaho return. Subpart F, Income and Related Exclusions, was a part of federal tax reform that passed last year, and Rule 075 is the tax bracket rule which is being amended to remove the information for year 2013 and add new tax brackets for year 2018.

In response to committee questions, **Ms. Adrian** confirmed that IRC Section 965 Subpart F is part of the federal return Idaho tax payers need to pick up for Idaho.

Ms. Adrian continued presenting **Docket No. 35-0101-1801** stating Rules 108 and 253 were amended to comply with **H 515**. Rule 108 adds a statement that the additional taxable income for a non-qualified withdrawal from a college savings plan is limited to any contributions previously exempt from Idaho income tax and to earnings the college savings plan generates. The earnings can't already be included in federal adjusted gross income. Rule 253 addresses the same issue. Rule 185 is amended to comply with **H 514** that increased adoption expenses last year from 3,000 to 10,000 per adoption. Rule 263 adds 2018 data to a table of amounts of guaranteed payments that are sourced as compensation for services, which are re-calculated annually. The amount for 2018 is \$263,000. Rule 300 adds a table for corporate income tax rates for 2001 to 2018. The statute which goes back to 2001 confuses tax payers, and the new table clarifies the rate for taxpayers to use. Rules 745-748 Credit for Qualifying New Employees; Rules 755-759, Hire One Act Credit for Qualifying New Employees; Rules 760 and 763, Idaho Incentive Investment Tax Credit; Rules 765-767, Biofuel Infrastructure Investment Tax Credit; Rules 790, 791 and 793, Transfer of Credit; and Rule 799, Priority Order of Credits and Adjustment to Credits were all deleted because they related to expired statutes or references to expired statutes. Rule 799 also added the new child tax credit.

Rule 830 changes the date that income tax withholding reconciliation returns must be filed from the last day of February to the last day of January. Rules 890 and 891 were amended to align with **H 382** by modifying the time period a taxpayer has to notify ISTC of a change in federal taxable income or tax paid to another state from 60 days to 120 days. Since IRS gives taxpayers 90 days, this rule change gives taxpayers more time.

In response to committee questions **Ms. Adrian** stated that an uncodified provision of federal law is a federal rule that ISTC would use for Idaho income tax purposes that is not actually in code. To provided examples and further respond to committee questions, she introduced **Tom Shaner**, Tax Policy Manager, ISTC, who provided examples and addressed the challenges involved in conformity timing of Idaho and federal tax laws.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0101-1801**. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1804: **Cynthia Adrian**,, ISTC, presented **Docket No. 35-0101-1804** which amends Rule 171 to comply with **H 514** by modifying the reference to partnership interest as non-qualifying property for the Idaho capital gains deduction and adds a subsection dealing with the sale of a partnership interest. The rule explains how to determine the gain in a way that aligns with federal code layout.

MOTION: **Rep. Moyle** made a motion to approve **Docket No. 35-0101-1804**. **Motion carried by voice vote.**

DOCKET NO. 35-0201-1801 **Cynthia Adrian**,, ISTC, said that Rule 310, **Docket No. 35-0201-1801**, is an interest rate rule that is changed statutorily every year. For 2018, a 5% interest rate is added.

In response to Committee questions, **Ms. Adrian** said the interest is imposed on tax after the fact, if a refund payout is made, it is the amount of interest. The rate formula is set out in Idaho Code § 63-3045.

MOTION: **Rep. Anderst** made a motion to approve **Docket No. 35-0201-1801**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:40 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary