

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 17, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Dean Cameron, Idaho Department of Insurance (DOI); Terry Easley, DOI; Renee Iverson, DOI; Tom Shaner, Idaho State Tax Commission (ISTC); Russell Westerberg, RMP; Liam Stickers, Veritas; Melinda Merrill, Northwest Grocery.

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

RS 26425: **Dean Cameron**, DOI, informed the committee that every year insurance companies pay a premium tax to the DOI in lieu of income tax. **RS 26425** would require premium tax returns from insurers to be rounded up or down to the nearest whole dollar. Considerable time and effort is spent by insurance companies and the DOI staff in preparation and auditing the premium tax returns and other reports to the specific penny. These efforts are not commensurate with the value gained by such level of detail. If **RS 26425** was in place last year, it would have generated approximately \$22, but at the cost of hours of labor processing.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26425**. **Motion carried by voice vote.**

H 13: **Tom Shaner**, Tax Policy Manager, ISTC, stated **H 13** is the annual bill conforming Idaho income tax code to the Internal Revenue Code, with current alignment to January 2018 and **H 13** moving it to January 2019. Idaho's income tax code is based on starting with the federal taxable income, and Idaho returns begin with adjusted gross income. Idaho is able to use most of the federal definitions and doesn't have to start by scratch to define all the basic elements. Using the same starting point of income saves taxpayers effort. The \$320,000 fiscal note has to do with extender bills passed last February and is based on estimates from the Joint Committee of Taxation and reduced to Idaho's economy.

MOTION: **Rep. Erpelding** made a motion to send **H 13** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Giddings** requested to be recorded as voting **NAY**. **Rep. Erpelding** will sponsor the bill on the floor.

H 14: **Tom Shaner** said **H 14** makes slight corrections to tax reform measures passed in 2018, including the 20% pass through expense, which is limited to taxable income. By adding it back in calculating a net operating loss (NOL), it keeps the 20% expense from creating or expanding a NOL, so it is not an operating expense but a deduction based on the amount of qualified business income. Corrections were made to the excess non-corporate business loss limitation which was allowed to be used up to the limits and excesses carried over to following year, but federal uses in NOL and Idaho do not conform so language was added about subtracting it in the second year. These changes make the law function as intended. There is no fiscal cost.

In response to committee questions about why there was no fiscal cost, **Mr. Shaner** replied that they were counted last year.

- MOTION:** **Rep. Ellis** made a motion to send **H 14** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Ellis** will sponsor the bill on the floor.
- H 15:** **Tom Shaner** informed the committee **H 15** makes it clear that sales tax cannot be imposed on copies of official documents by amending Idaho Code §63-3622AA to exempt documents from taxes for sales of public records responsive to public records act requests. The fiscal note is estimated at \$10,000 because all state, city and county governments that collect taxes on copy charges will be impacted by approximately \$5,000 and mailing of notification costs are estimated at \$5,000.
- MOTION:** **Rep. Anderst** made a motion to send **H 15** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nichols** will sponsor the bill on the floor.
- H 16:** **Tom Shaner** said that because federal tax reforms made the exemptions worth zero and no longer of use in the withholding process, **H 16** amends the language, taking out the word "exemption" and replacing with the word "allowance." **H 16** has no fiscal impact.
- MOTION:** **Rep. Anderst** made a motion to send **H 16** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Ricks** will sponsor the bill on the floor.
- H 17:** **Tom Shaner** stated the word "exemption" in the grocery credit statute, Idaho Code §63-3024A is replaced with the word "allowance" on tax returns where it will be a mechanism to count the number of people in a household on tax returns and print the appropriate credit. There is no fiscal impact.
- MOTION:** **Rep. Erpelding** made a motion to send **H 17** to the floor with a **DO PASS** recommendation.
- In response to committee questions on whether this section was to be eliminated from the Internal Revenue Code, **Mr. Shaner** responded it was not eliminated, including exemptions, they were just set at zero value. This is a label change with no function change and does not change anything regarding the new credit for child exemption.
- VOTE ON MOTION:** **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 adjourned at 9:26 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary