

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 01, 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:** Representative(s) Chaney, Erpelding

GUESTS: Alan Dornfest, Idaho State Tax Commission (ISTC); Chelsea Wilson, PPA; Russell Westerberg, RMP; Marv Patten, Milk Producers of Idaho; Fred Birnbaum, IFF.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of January 29, 2019.
Motion carried by voice vote.

H 62: **Sen. Grant Burgoyne** informed the committee that **H 62** amends the existing circuit breaker and 100% disabled veterans residential property tax exemptions to the occupancy tax and requires residential property owners to be notified of their right to apply for these exemptions. Newly constructed and occupied residential property is not subject to property taxes during the year of construction, but is subject to occupancy tax. The General Fund impact would be approximately \$68,000.

In response to committee questions, **Sen. Burgoyne** replied that whose eligible and the percentage of disability eligible for the circuit breaker exemption is set out in Idaho Code. He provided examples of tax reduction income brackets utilized for the 100% disabled veterans' residential property tax exemption, and said the history of the circuit breaker exemption is that it has been state funded.

MOTION: **Rep. Anderst** made a motion to send **H 62** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Giddings** will sponsor the bill on the floor.

RS 26669C1: **Rep. Mike Moyle** presented **RS 26669C1**, saying it provides a sales tax exemption for the labor cost of adding accessories to a new vehicle. The fiscal impact from lost sales tax revenues is estimated at less than \$1 million. If you buy a new pickup truck, and the dealer puts new wheels on it before it is taken home, it is taxable for sales tax purposes. Rep. Moyle spoke to an ISTC representative who advised him to take the vehicle home, bring it back the next day and it won't be taxed. **RS 26669C1** ensures new vehicle add-ons are not taxed for the add-ons.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26669C1**. **Motion carried by voice vote.**

RS 26687:

Rep. Mike Moyle stated **RS 26687** clarifies Idaho Code §63-02EE to ensure that all agricultural operations are treated consistently and equitably when agricultural personal property is assessed for property tax purposes. **RS 26687** takes tax off of farm equipment. Rep. Moyle gave a brief history of this and connected legislation, and discussed the legislative intent of Idaho Code §63-02EE "to ensure that county assessors treat all farming operations fairly and consistently throughout the state." The proposed legislation defines "harvest" so that hops and other crops are covered. There is no impact to the General Fund, and counties that levied property tax on personal property that should have been exempt under Idaho Code §63-602EE will have a de minimum shift in property taxes.

In response to committee questions, **Rep. Moyle** said that mint was included in the "harvest" definition.

MOTION:

Rep. Stevenson made a motion to introduce **RS 26687**. **Motion carried by voice vote.**

Alan Dornfest, Property Tax Policy Bureau Chief, ISTC, gave an informative presentation on urban renewal and tax increment financing in Idaho. He began by defining terminology, what levy revenue does not go to Urban Renewal Agencies (URA), and the hierarchal authority between municipalities and Revenue Allocation Areas (RAA)s. He reported in 2018 there were 79 separate RAAs with \$5.86 billion in taxable value of increment and \$153.2 billion net taxable value, which is the base value only, after subtracting exempt personal property. Mr. Dornfest provided information on the duration and area limitations of Idaho RAAs, as well as the status of URA funding and the overall effect of urban renewal on taxpayers. He explained Tax Increment financing (TIF) concepts where the base value of the RAA goes to the taxing district and increment value goes to the URA, so there is generally no loss of revenue to taxing districts. Mr. Dornfest included information on what happens at dissolution of an RAA, the impact of new construction outside the RAA, and how the Idaho Code §63-602NN, exemption impacts RAAs and taxing districts.

In response to committee questions, **Mr. Dornfest** informed the committee twelve or thirteen Idaho RAAs have been dissolved with a good consistency on how the base and increment are settled; the original law did not limit how long an RAA could last, but over the years different laws have been limiting the time; the base value in all of a municipality's RAAs cannot exceed ten percent of taxable value in the municipality but there is no limit on increment value; RAAs have no levy authority; buildings built in RAAs do not count as new construction; two separate RAAs cannot overlap; if a dissolved RAA starts up again, the original increment is added into the base, and increment value has to be taxable value. He said if an RAA formed, there is no effect on taxing district budgets usually because the rate calculated does not include the increment value in the taxing district budget. The effect on tax payers is generally neutral if the values in the RAA would not have increased without urban renewal. Mr. Dornfest further stated the ISTC has no resources to audit counties.

Brian Sender, Canyon County Assessor was called upon to answer a question from the committee regarding whether RAA funds were used to build Canyon County municipal buildings. He explained the library was built with RAA funds.

Chairman Collins responded the Canyon County justice center was built with RAA funds, and since they are used for public administration today, they are not on the tax rolls.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:19 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary