

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 06, 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

GUESTS: Roger Batt, Idaho Mint Growers Association; Brian Stender, Canyon County Assessor; Marv Patten, MPI; Tom Shaner, Idaho State Tax Commission (ISTC); Leah Parsons, ISTC; Russ Hendricks, Farm Bureau; Rebecca Word, Lincoln County; Brenda Farnsworth, Lincoln County; Brenda Armstrong, Lemhi County; Benjamin Kelly, Idaho Honey Industry Association; Pam Eaton, Idaho Retailers Association.

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

MOTION: **Rep. Stevenson** made a motion to approve the minutes of February 1, 2019. **Motion carried by voice vote.**

RS 26727: **Rep. Megan Blanksma** presented **RS 26727** which proposes to make decisions of the State Tax Commission subject to the Administrative Procedures Act (APA). Currently their decisions are not appealable. There is a de minimus impact to the General Fund.

In response to committee questions, **Rep. Blanksma** said she was not able to find out why State Tax Commission decisions were not part of the APA.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 26727**. **Motion carried by voice vote.**

RS 26678: **Rep. Doug Ricks** said **RS 26678** amends Idaho Code §34-439 by adding a new subsection with a disclosure requirement for property tax levy election ballot questions. When a taxing district authorizes a levy election, the ballot must include a disclosure statement indicating the estimated average annual cost to a property owner per \$100,000 of property value and the length of time. The county clerk will make the calculation and include the fiscal information on the disclosure statement for the levy ballot. There is no fiscal impact. There was a similar bill considered last year but it dealt with bond elections

MOTION: **Rep. Addis** made a motion to introduce **RS 26678**. **Motion carried by voice vote.**

H 87: **Rep. Robert Anderst** indicated **H 87** deals with the taxation of personal property relating to the agricultural exemption. There has been some confusion regarding what is and is not exempt, and **H 87** puts in extra guidance for counties on how property should be viewed and removes and replaces its sunset provision. The definition of harvest is amended to state "shall include all activities necessary for a raw agricultural commodity to be put into its most basic salable form and shall also include on-farm storage of the commodity before it is first handled in the primary channels of trade." **H 87** tries to get to the intent of the original legislation.

In response to committee questions, **Rep. Anderst** replied the sunset law provisions in the previous legislation were not added for the purposes of a two-year hiatus from something but for a continuation in figuring out the best steps forward, allowing time to find a solution. He provided a brief history of exemption applications for the last two years. He indicated the issue was when is harvest complete and whether it was the intent of the agricultural exemption to get the harvest to its saleable form. There was a difference of opinion among assessors, especially regarding crops involving more steps.

Rep. Moyle was called upon to further address committee questions, and he stated Idaho counties did not treat everything the same and some counties taxed farm equipment and some did not, and clarification was needed to ensure consistent and equitable treatment.

MOTION:

Rep. Furniss. made a motion to send **H 87** to the floor with a **DO PASS** recommendation.

Speaking **in opposition**, **Brian Stender**, Canyon County Assessor, said the assessors agree on the intent of the bill, but they have an issue with Idaho Code §63-602EE(4) that says they need to broadly construe in favor of granting exemptions moving forward. In their industry exemptions are to be narrowly construed, which seems inconsistent, and **H 87** is supposedly about being consistent.

In response to committee questions on what the assessors would consider consistent, **Mr. Stender** responded they would like that section stricken. The intent from his county is that they will exempt until the saleable time.

Those speaking **in support** were **Roger Batt**, Idaho Mint Growers Association; **Russ Hendricks**, Idaho Farm Bureau Federation; **Benjamin Kelly**, Idaho Honey Industry Association; and **Marv Patten**, Milk Producers of Idaho, who stated **H 87** provides uniformity and accomplishes the goal of the exemptions for agricultural machinery being received by those who had received it previously and those who felt they should have been covered in 2001, without expanding it. They informed the committee they were involved with representatives from the State Tax Commission and county assessors in the process of finding common ground in their understanding of where the harvest process begins and ends. Mr. Hendricks said they recognize broadly construing an exemption is different from county assessors' normal narrow construction, but the State Tax Commission advised there was no reason it can't be broadly construed.

Rep. Anderst closed by remarking **H 87** provides more clarification for assessors and the State Tax Commission

VOTE ON MOTION:

Motion carried by voice vote. Rep. Moyle will sponsor the bill on the floor.

H 86:

Rep. Mike Moyle reported a business selling ATVs in Idaho was audited and fined for not charging tax for the labor cost of adding accessories to a new ATV purchase. A vehicle purchased and then brought back the day after purchase could have accessories installed without having taxes added to the labor cost of adding the accessories. **H 86** provides a sales tax exemption so that when an automotive dealers adds an accessory to a vehicle purchase they cannot charge tax for the labor costs.

In response to committee questions, **Rep. Moyle** responded that the \$1 million fiscal impact was a figure the State Tax Commission calculated at his request, but he thinks it will be a great deal less.

Pam Eaton, Idaho Retailers Association, spoke **in support** of **H 86** opining that it clarifies and makes the tax exemption clear.

MOTION: **Rep. Addis** made a motion to send **H 86** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

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

Representative Collins
Chair

Lorrie Byerly
Secretary