

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, February 07, 2019

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Vice Chairman Grow, Senators Hill, Vick, Anthon, Lakey, Cheatham, Burgoyne, and Nye

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Rice** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 3:02 p.m.

S 1047 **Repeals and Replaces Procurement Statute Idaho Code § 67-2807 Related to Political Subdivision. Senator Lori Den Hartog**, District 22, presented **S 1047**, a bill to repeal and replace the cooperative purchasing process for political subdivisions. The current statute is outdated and does not serve the needs of Idaho cities, counties and other political subdivisions. Several of those entities took the opportunity to review state code related to state procurement processes, and there has been legislation since that time to update those methods. **S 1047** is intended to provide a more streamlined and efficient process for those local units of government.

Senator Den Hartog introduced Keith Watts, Legislative Chairman of the Idaho Public Purchasing Association and Purchasing Manager for the city of Meridian. **Mr. Watts** stated by combining multiple smaller government agencies, cities are able to increase their purchasing power. When these cooperative agreements are used, small and mid-sized towns, such as Melba or Rexburg, have the same purchasing power as larger cities like Seattle or Los Angeles. **Mr. Watts** referred to the National Association of State Procurement Officers and other government sponsored co-ops the Committee might have heard of. The State is unable to use them due to current statutes. **Mr. Watts** added that many for profit co-ops are no longer accessible, and currently only nonprofit associations are available for our political subdivisions to utilize.

MOTION: **Senator Anthon** moved to send **S 1047** to the floor with a **do pass** recommendation. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

H 62 **Amends Idaho Code § 63-317 and Portions of Title 63, Chapter 7, to Apply Existing Circuit Breaker and Disabled Veterans Residential Property Tax Exemptions to the Occupancy Tax. Senator Burgoyne** presented **H 62**, stating the bill applies a property tax circuit breaker, along with the residential property tax exemption, to the occupancy tax. This is available to 100 percent disabled veterans. The occupancy tax substitutes for real property tax on a residence the first year the residence is occupied. **Senator Burgoyne** stated it came to his attention through a former Board of Tax Appeals member, Linda Pike, who wrote him upon completion of a case she was involved in. The appellants had built a new home which was assessed as new construction. They applied for a circuit breaker and the Ada county clerk said a circuit breaker did not apply to occupancy tax.

They would have met all qualifications had it not been considered new construction. The case was brought before the Board of Tax Appeals, and it was ordered that the decision of the Idaho State Tax Commission (Commission) be upheld. A circuit breaker is defined in Idaho Code § 63-701. 2019 property tax reduction income brackets show a sliding scale; if income goes up, the circuit breaker benefit goes down. The Commission has estimated the cost to the State of reimbursing the counties for the circuit breaker program to be approximately \$68,000.

MOTION: **Senator Vick** moved to send **H 62** to the floor with a **do pass** recommendation. **Senator Anthon** seconded the motion. The motion carried by **voice vote**.

PASSED THE GAVEL: Chairman Rice passed the gavel to Vice Chairman Grow.

DOCKET NO. 35-0101-1801 **Relating to Income Tax Administrative Rules. Cynthia Adrian**, Income Tax Policy Specialist, Idaho State Tax Commission (Commission), stated Rule 015 of Idaho Code § 63-3004 clarifies how the Commission applies federal retroactive provisions. The section also states that uncodified provisions of federal law are included when calculating Idaho taxable income. It follows the provisions that were upheld by the Idaho Supreme Court in the Zippora Stahl case.

DISCUSSION: **Chairman Rice** stated the reason the docket had been previously held was the internal revenue code definition portions being added regarding uncodified provisions in federal law. He was not comfortable with the rules stating something different from the statute.

MOTION: **Chairman Rice** moved to approve **Docket No. 35-0101-1801** with the exception of subsection 02 of Rule 015. **Senator Burgoyne** seconded the motion.

DISCUSSION: **Senator Burgoyne** related his concern with the words "any other provision of federal law" which could be a non internal revenue code provision. There are provisions of federal law and provisions of state law and this type of language could include any relevant provision of federal law that might impact federal tax liability, then by extension state liability.

VOICE VOTE: The motion to approve **Docket No. 35-0101-1801** with the exception of subsection 02 of Rule 015 carried by **voice vote**.

DOCKET NO. 35-0102-1802 **Relating to Sales and Use Tax Administrative Rules. Tom Shaner**, Tax Manager, Idaho State Tax Commission (Commission), referred to administrative appeals Rule 003. This section allows administrative relief as provided in Idaho Code § 63-3626, § 63-3631, § 63-3633, § 63-3634 and § 63-3049, and is a standard rule with reference to making the appeals process as uniform as possible. **Mr. Shaner** proceeded to present Rule 107, noting that since the original presentation, there had been additional written explanation provided. Code section references were added, as well as updated form titles. Most of the previous questions dealt with whether they were adding the word "motor" ahead of "vehicles", or in other places taking the word "motor" out. In certain areas the statute is very specific to motor vehicles, other places it includes any vehicle. **Mr. Shaner** continued that the Commission had replaced "nation" with "country", and noted Senator Rice had previously requested adding the word "vessels" in the non-resident statute Idaho Code § 63-3622R.

DISCUSSION: **Senator Lakey** questioned if all instances of changing "motor vehicle" to "vehicle", including or not including vessels, was intentional based on code provision. **Mr. Shaner** stated it was, that the Commission was trying to be consistent with the definitions and related sections.

Mr. Shaner then presented Rule 110, stating it was the financial institutions themselves who prompted this rule change. Existing rules refer to retailers as being the primary remitter of sales tax. When a financial institution, a bank or credit union, collects sales tax as part of financing, they turn it in to the Commission without a tax permit. Funds would then be received with no account number. This would clarify if you collect and remit sales tax, you need to file using an account number.

Senator Lakey expressed his concern with having to get a permit as specified in subsection 03 of Rule 110. As described in the rule, rather than a permit, it is really an account number. An account number is not something that can be denied. He asked that the Commission consider changing the terminology from "permit" to "account number" as a consumer and business friendly perspective. **Mr. Shaner** responded this had been discussed often, however, it is in statute. In reality, the permit is a simple name and address with no fees and can be canceled at any time. **Senator Hill** agreed with Senator Lakey, explaining he had filed for many sales tax permits for clients and an explanation was always required that they were not just getting permission to pay sales tax to the State. He stated his desire that the Commission go through the statutes per the Governor's Executive Order, and try to clean up some of the language in the rules. With the Commission's help identifying the affected statutes, the Legislature could make policy decisions to improve perception of the Commission.

MOTION: **Chairman Rice** moved to approve **Docket No. 35-0102-1802**. **Senator Hill** seconded the motion. The motion carried by **voice vote**.

PASSED THE GAVEL: Vice Chairman Grow passed the gavel to Chairman Rice.

ADJOURNED: There being no further business, **Chairman Rice** adjourned the meeting at 3:30 p.m.

Senator Rice
Chair

Machele Hamilton
Secretary