

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 27, 2019

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** Representative(s) Dayley, Gestrin,

GUESTS: Brody Aston, Westerberg Associates; Russell Westerberg, Capital City Development Corp.; Alan Dornfest, Idaho State Tax Commission (ISTC); Rep. Jarom Wagoner, District 10;

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

RS 26945: **Rep. Anderst**, District 12, Nampa, presented **RS 26945**. This legislation presents amendments to the Local Economic Development Act. The purpose is to establish a closer tie between voter input and municipal expenditures for particular types of structures. Utilization of Urban Renewal dollars through revenue allocation was not intended to become the path of least resistance for the construction or financing of municipal buildings. It was designed to encourage private sector development. The primary changes of the amendments are: 1. The term remodel of a municipal building was added. 2. Multipurpose sports stadium complex was added to the types of property that would be subject to a public vote in order to spend Urban Renewal dollars from a Revenue Allocation Area. 3. A requirement for all municipal buildings, remodels and multipurpose sports stadium complexes go to the voters in the qualified municipality for approval. 4. The threshold was lowered to approve spending on qualified project costs from 60% to 55%. 5. Established the types of spending that would not be subject to a vote, refocusing the use of Urban Renewal dollars to infrastructure in advance of private sector economic development. Multipurpose sports stadium complex was defined. The definition of municipal building will include buildings that are owned and leased or operated by a municipality. In addition, an emergency clause was included.

In response to committee member questions, **Rep. Anderst**, explained the primary reason the threshold was lowered from 60% to 55% was to use it as a negotiating point to get all of the component pieces together to move the bill forward. This is a change to the way Urban Renewal Districts operate. The primary problem is there is not any public input on these types of projects. Rather than it being about lowering the percentage to approve spending on qualified projects costs from 60% to 55%, it is more about allowing voters to agree or disagree with the direction the district is going.

Committee members made comments about other ways to change Urban Renewal districts without mandating them and that it was specific to only District 19. **Rep. Moyle**, stated the tax increases from Urban Renewal Districts impact all areas of the county rather than just a specific district. In response to committee members comments, **Rep. Anderst** explained the issue of Multipurpose sports stadium complexes could impact other districts in the future, but emphasized it was only one of the five components of this legislation.

MOTION:

Rep. Addis made a motion to introduce **RS 26945. Motion carried by voice vote.**

H 193:

Rep. Wagoner, District 10, Caldwell, presented **H 193**. He declared a Rule 38 since he works for a taxing district for the city of Caldwell. No cities came to him to propose this legislation. He brought the issue forward on his own after seeing these issues come up first hand. He explained this legislation helps to clarify the Tax Commission's duties in reviewing a taxing district's proposed boundary changes. These duties would be limited to reviewing proposed legal descriptions and total boundary areas that are submitted by a taxing district to ensure they are accurate. If the Tax Commission finds any errors in those legal descriptions or boundary changes, they would then be required to notify the appropriate taxing district. Currently, the Tax Commission reviews the changes submitted to determine if they comply with Idaho law. He does not feel that it is appropriate for an administrative body to interpret Idaho law against the decisions made by elected officials or an elected body, such as a city counsel.

Rep. Moyle asked what the effect would be from this legislation if a city does a forced annexation. **Rep. Wagoner** said this legislation is not restricted to private developers. Property owners have the right to appeal any annexation. A judge can make a decision regarding the annexation in dispute. **Rep. Moyle** commented that it is much faster and cheaper to resolve an issue with an administrative person at the state Tax Commission versus taking these disputes to district court. He is concerned with shoestringing and some annexations that are not right.

Alan Dornfest, Property Tax Policy Bureau Chief, (ISTC), testified about concerns in the language of the bill from the agency's perspective. The strikeout on line 38 "not to be recognized" can be problematic when the boundaries don't close or creates a situation where it is felt it is not contiguous thus creating other issues. The first issue is when valuing a company statewide like Idaho Power or Union Pacific Railroad. The Tax Commission must apportion those companies based on things like the miles of lines in each taxing district, each city, each highway district, etc. around the state. If those cities have changed their boundaries and the Tax Commission has a dispute that the boundary doesn't close or it is not contiguous, then they will not be able to correctly apportion operating property. The ISTC must use their maps and provides them to the companies for reference. The company may end up paying taxes inside or outside of the city incorrectly. ISTC is responsible for making sure the tax rates and tax payers are correct. ISTC would not amend their map, if it is disputable. If there is a dispute in the boundaries of an annexation and it cannot be resolved, then the levies would be wrong and taxes paid to the wrong place. The second issue pertains to allowing only one annexation to Urban Renewal Agency Revenue Allocations Areas. Those annexations must be contiguous. Those annexations are only allowed to be up to 10% of the area by law. Disputes of the boundaries of the annexations will be problematic again, because ISTC will use their maps based on whatever they have approved. If there are disputes, this may lead to the inability of the ISTC to understand whether an annexation of a Revenue Allocation Area exceeds the 10% annexation maximum area rule.

In response to testimony and committee member comments, **Rep. Wagoner**, agreed the rewording of the verbiage of the **H 193** would be appropriate and it should be sent to General Orders.

MOTION: **Rep. Erpelding** made a motion to send **H 193** to General Orders. **Motion carried by voice vote. Rep. Wagoner** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:34 a.m.

Representative Collins
Chair

Shellie Coates
Secretary