

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Thursday, February 13, 2020

**TIME:** 8:30 A.M.

**PLACE:** Room EW42

**MEMBERS:** Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Kiska, Ellis, Mason, Necochea

**ABSENT/  
EXCUSED:** None

**GUESTS:** Megan Keene; Hollie Ann Strong; Lori Bunelle, Southwest Idaho Now; Annette Cygert; Jeremy Chou, Idaho Association of Counties; Phil McGrane, Ada County Clerk; Mike Paananen, Ada County Clerk; Savannah Renslow, IAHD; Jayme Sullivan, City of Boise; Tom Kealey, Idaho Department of Commerce; David Lincoln, IAHD; Shelly Tilton; and Marcia Yiapn.

**Chairman Collins** called the meeting to order at 8:30 a.m.

Continuation of the meeting of February 11th and 12th, 2020.

**H 409:** Those speaking in opposition to **H 409** were **Phil McGrane**, Ada County Clerk; and **Jeremy Chou**, Idaho Association of Counties, who said Ada County is seeing enormous shifts with property taxes going up while other parts of the state are not having the issue of huge shifts, and the freeze will allow them to continue to shift. With frozen budgets, 82.8% of Ada County properties would see an increase, and without the freeze, 92.1% would see an increase of property taxes. A freeze will not stop the shifting and may help shifting taxes. There is a housing shortage which is the largest force causing home prices to rise. The circuit breaker needs to be increased and expanded for older people and for older property. Property taxes can automatically increase by 3% a year or they can be tied to an economic indicator such as the Consumer Price Index (CPI) which ties to inflation. If Boise was tied last year to the CPI, the tax increase would have been 2.1% instead of 3%. Most Idaho county tax bases are shrinking. Either the 3% or CPI plus new construction needs to be considered instead of a freeze. A freeze will impact all taxing districts across the state. A budget freeze does not provide a tax freeze on obligation. Counties do not rely on fees like cities, and a budget freeze will hurt small counties who are losing population. The state's austerity budget this year is 7.3% and is not frozen.

In response to committee questions, **Mr. McGrane** indicated he was unaware that the funds to pay for circuit breaker expansion would come from Idaho's General Fund which would raise income taxes Idahoans would need to pay. He further replied to committee questions by informing the committee Ada County's current budget is \$24 million, and the ability to live on that budget for a one-year freeze was dependent upon the outcome of other pending legislation that could impact the county indigent funds. He further opined Idaho has a tax policy issue because property taxes are just one of many taxes rising this year, including state income taxes, but sales taxes are not as visible. There needs to be a larger discussion on tax policy.

**Mr. Chou** responded to committee concerns that services required for new growth are not being paid for by new growth by agreeing that in Urban Renewal Areas tax increment financing takes the increment and doesn't allow it to be used by local districts, but he doesn't know the impact it has on property taxes.

Committee members commented there is no way for homeowner exemption taxes to shift to commercial property when in many areas there is no commercial property. The circuit breaker relief could come from the Tax Relief Fund instead of the General Fund. Other policies that can be looked into would be to have a tax force working over the summer because there needs to be a larger discussion on tax policy

**Rep. Moyle** was recognized to close testimony on **H 409**. He said the testimony was largely from cities and counties, and they all agreed there is a problem, but no one wants to find a solution. **H 409** has protection for local jurisdictions so that if they have a problem, they can go to their voters to get what they need. Only the property taxes are frozen, and local districts will still have sales tax which goes up about 6% a year. Values are shifting up but that does not mean taxes need to go up. Property taxes are tied to a budget. Idaho does not have a taxation problem but a spending problem. All state agencies are pulling back their budgets 1% which sets the example in the state of Idaho. **H 409** slows things down in order to find a solution and get an interim committee to address the problem.

**ORIGINAL  
MOTION:**

**Rep. Anderst** made a motion to send **H 409** to the floor with a **DO PASS** recommendation.

**SUBSTITUTE  
MOTION:**

**Rep. Ellis** made a motion to send **H 409** to the floor without recommendation.

Speaking **in support** of the **Original Motion** were **Reps. Anderst, Addis, Furniss, Nichols, Ricks and Kiska** who said new development is not paid for by new development completely so taxes go up, yet not everything is being frozen because it is not the intent to harm cities and counties; cities and counties align themselves very well, but don't come with solutions; taxpayers are hurting, there are multiple levels of issues on both city, county and state levels; there is not an unlimited pot of money available; the state has taken the initiative to cut costs, and that needs to trickle down to all levels; some counties have pushed their growth onto their taxpayers and others with significant growth have handled debt well, but incentive growth cannot come on the backs of widows losing their homes to high property taxes; and without pushing the process, a meaningful conversation by all parties will not be held.

Speaking **in opposition** to the **Original Motion**, were **Reps. Mason and Necochea** who said crucial services to cities and counties cannot in good conscious be impacted, and they are highly motivated to find solutions; the circuit breakers has not been updated since 2006 and needs to be considered; there is a proposed constitutional amendment and other legislation being worked upon to provide property tax relief to Idahoans; and there is an active tax shift going on which will not stop with the freeze, limiting its effective impact on many people.

**Rep. Ellis** spoke **in support** of the **Substitute Motion** and said cities and counties are asking for this conversation. This is an election year which provides a mechanism to debate because local leaders will be held accountable by their voters.

**ROLL CALL  
VOTE ON  
SUBSTITUTE  
MOTION:**

A roll call vote was requested. **Motion failed by a vote of 2 AYE and 14 NAY.** **Voting in favor** of the motion: **Reps. Ricks and Ellis.** **Voting in opposition** to the motion: **Chairman Collins, Vice Chairman Stevenson, and Reps. Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Kiska, Mason, and Necochea.**

**ROLL CALL  
VOTE ON  
ORIGINAL  
MOTION:**

A roll call vote was requested. **Motion carried by a vote of 13 AYE and 3 NAY.** **Voting in favor** of the motion: **Chairman Collins, Vice Chairman Stevenson, and Reps. Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks and Kiska.** **Voting in opposition** to the motion: **Reps. Ellis, Mason and Necochea.**

**RS 27241:** **Tom Kealey**, Director, Idaho Department of Commerce, said **RS 27241** relates to the Idaho Small Employer Incentive Act(Act) which is due to sunset December 31, 2020 and proposes to extend the sunset to 2030. The Act is one of two tax incentives their department has to offer when a competitive project is looking to move or expand in Idaho. To qualify for the incentive, companies must create 10 new jobs paying \$40,000 per annum plus benefits, any additional new positions must pay \$15.50 an hour plus benefits, and they must invest a minimum of \$500,000 in plant facilities. For those that qualify the incentives are a 3.75% investment tax credit, which is slightly higher than the 3% investment tax credit on tangible personal property; a 2.5% investment tax credit on real property investments on new plants, buildings and structural components in Idaho; a new job tax credit of \$3,000 for each new qualified job created; and 25% sales tax paid on construction materials for new facilities can be refunded. Mr. Kealey listed the benefits to the state of Idaho under the Act, and provided a history of how many companies have utilized the incentive over the last ten years. He indicated Idaho must be competitive with surrounding states that have incentives for small businesses to expand as well as attracting business.

In response to committee questions regarding the fiscal note, **Mr. Kealey** replied the \$390,000 fiscal note is the estimate of the program's benefits to three companies in one year that utilized the credit.

**MOTION:** **Rep. Stevenson** made a motion to introduce **RS 27241**. **Motion carried by voice vote.**

**ADJOURN:** There being no further business to come before the committee, the meeting adjourned at 9:51 a.m.

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Representative Collins  
Chair

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Lorrie Byerly  
Secretary