

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Tuesday, February 18, 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:** Tom Shaner, Idaho State Tax Commission (ISTC); Russell Westerberg, Western Aircraft; Ken Pidjeon; Tamara Hunter; Judy Hudson; Charlotte Hudson; and Fred Birnbaum, Idaho Freedom Foundation.

**Chairman Collins** called the meeting to order at 8:31 a.m.

**HJR 5:** **Rep. Gannon** said the resolution addresses exempt public properties leased to private entities that do not pay their fair share of property taxes. It is the first exemption in Idaho Code § 63-602A out of about thirty-seven. Unfortunately the exemption cannot be changed through the bill process but must be done through a constitutional amendment. **HJR 5** authorizes the legislature to change the code section to allow taxation of public property leased to private entities. The resolution applies to property tax reduction because it will provide additional revenue that locals can use to reduce the levy rate. Rep. Gannon gave examples of properties owned by Boise State University (BSU) and the Boise Airport that aren't fully on the tax rolls and have partial or significant exemptions even though large percentages of the properties are leased to private parties. Idaho schools are not getting any support from these properties. Rep. Gannon provided examples of the taxable value of like-businesses with the exemption and without. **HJR 5** does not apply to endowment lands. The amount of tax relief is difficult to estimate because assessors do not assess these types of land, and no one has ever cataloged all the public properties leased to private entities. There are hospital, urban renewal, and charitable exemptions listed in Idaho Code §63-602A, and they need to be addressed due to the property tax crisis in Idaho and to make the system fair to all Idaho taxpayers.

In response to committee questions on whether county assessors would portion public properties with a variety of differing corporate leases and what the process would be, **Rep. Gannon** replied that other states have done this, but the process will be up to the Legislature who would craft a statute to address the concerns about these properties. He said this would not impact personal or private property at places like the Boise Airport. He further replied to questions regarding whether valuations would shift from residential onto commercial property by indicating it would be beneficial to both types of property but is difficult to figure exactly, including how the issue of leases would work. The reduction would be around 1%, but the complex nature of property taxes makes it hard to figure. The economic engines in Boise are all tax exempt, such as BSU, all of the government since we are the center of the government, the airport, and hospitals. The principle of taxing leases is established in code. He provided examples of a main hospital being exempt but doctors offices getting taxed, and churches with pre-schools where only the pre-school portion of the property is assessed. The principle is established in

code but has not been applied to government properties because of a 40-year-old Idaho Supreme Court case saying they cannot be taxed.

**Rep. Steve Harris** continued presenting **HJR 005** by addressing the purchase of the Hewlett Packard campus where the concerns were the state taking over less than a third of the facility and being landlords for the remaining two-thirds of the facility with the rest of the citizens in Boise picking up the reduction in the tax rolls.

The committee members asked questions and discussed the difference between competing in the private market and managing leases until contract completion; what entity should pay the property tax; the amount of government-owned land that is leased for the benefit of profit versus community organization; and issues of who owns the land and who owns the buildings or improvements. **Rep. Moyle** stated the Legislature will have the ability to determine what happens if the constitutional amendment passes.

Those speaking **in support** of **HRJ 5** were **Ken Pidjeon**, Boise; **Tamara Hunter**, Boise; and **Judy and Charlotte Hedson**, Boise, who said their property taxes have increased 20%, 38% and 70%, respectively, while their income has risen 4%; the government removed more and more property off the tax rolls shifting the taxes to everyone else; the City of Boise is engaging in private public partnerships which tax the buildings but not the land upon which they sit; they are unable to retire and their children are moving out of state or out of the area because they cannot afford to live in the Treasure Valley; and at 80 years old, they are in danger of losing their homes.

**Russell Westerberg**, Western Aircraft, spoke **in opposition** to **HJR 5** who did not speak on Western Airport's behalf but provided background by saying that Western Airport pays a variety of taxes based on the most current market value, a leaseholder pays taxes on leasehold improvements but they never get to own the property, not all the equipment of airport business are subject to the exemptions, and there is no competitive advantage created because the city owns the property. He suggested the committee get more information before approving **HJR 5**.

In response to committee questions, **Rep. Gannon** replied **HJR 5** does not apply to grazing lands or state endowment lands administered by the Idaho Department of Lands under authority of the Idaho Constitution. Those involved in the development of this legislation were twenty-five state legislators, the City of Boise, BSU, and the Idaho Department of Administration about Hewlett Packard. **HJR 5** will align Idaho Code § 63-602A with other exemptions in the code such as hospitals, charities, religious institutions who lease private land.

**ORIGINAL MOTION:**

**Rep. Stevenson** made a motion to send **HJR 5** to the floor with a **DO PASS** recommendation.

**SUBSTITUTE MOTION:**

**Rep. Necochea** made a substitute motion to **HOLD HJR 5** in committee.

**Rep Necochea** spoke **in support** of the substitute motion saying the committee does not have all the information they need to decide the issue.

Speaking **in support** of the original motion were **Rep. Anderst** and **Chairman Collins**, who said there was a time limit on hearing constitutional amendments.

**VOTE ON SUBSTITUTE MOTION:**

**Motion failed by voice vote.**

**VOTE ON ORIGINAL MOTION:**

**Motion carried by voice vote.** **Rep Necochea**, **Giddings** and **Nichols** requested to be recorded as voting **NAY**. **Rep. Gannon** will sponsor the bill on the floor.

**H 483:**

**Rep. Anderst** said **H 483** is a simple bill to create a tool to incentivize savings for first-time home buyers and to help create a stable buyer. It is similar to education and health care savings accounts. The amount of money people put into their first home purchases is decreasing while values increase, which creates unstable buyers over the long run. This has been seen as a problem in previous recessions. The savings accounts are a tool to allow an individual to deposit \$15,000, or a couple \$30,000, a year in savings which is a deduction on their net taxable income. **H 483** is trying to create a better home purchaser.

**Rep. Anderst** introduced **Max Pond**, Government Affairs Director for Idaho Realtors, who said **H 483** is supported by the Idaho Association of Realtors, the Idaho Banking Association, Northwest Credit Union Association and Idaho Building Contractors among others. He said 83% of first-time home buyers brought 3% or less to closing, and a first-time home buyer savings accounts helps prevent buyers from being over their head at purchase. Other states have established first-time home buyer savings accounts.

In response to committee questions, **Mr. Pond** said purchasers are not prohibited from using FHA and that demographic information on users is not available because of privacy standards. He further addressed committee questions regarding monitoring of the timing and number of withdrawals, caps on the amount of funds that can be deposited and the length of time over which they can be deposited, proofs of Idaho residency and lack of previous home ownership in other jurisdictions by saying the account holder must report withdrawals to the ISTC within 90 days or be subject to audit, the ISTC will be able to promulgate rules for oversight, and a signed attestation under penalty of purchase for taxes owed on the funds is utilized by the first-time home buyer.

**Fred Birnbaum** Idaho Freedom Foundation, spoke **in opposition** to **H 483** saying he has concerns with policy as well as how it is written. Idaho has forty credits or exemptions that are not taxed. Outside of his policy concern, he said the legislation is problematic because the account can be used to benefit a part-year Idaho resident, the definition of a first-time home buyer could include those who have owned many homes around the United States and be 100% eligible because it is their first home in Idaho. The fact that money can be moved in and out, along with language that says that upon the death of the account holder, the funds can be distributed without penalty, make it possible to be used as an out-of-state party estate tax vehicle.

**Rep. Anderst** closed by saying the death benefit not being subject to penalty does not mean not subject to tax.

**ORIGINAL MOTION:**

**Rep. Ellis** made a motion to send **H 483** to the floor with a **DO PASS** recommendation.

**SUBSTITUTE MOTION:**

**Rep. Kiska** made a substitute motion to send **H 483** to General Orders.

**Rep. Necochea** debated against the original motion because of concerns about inequity to lower-income persons and the fiscal note.

**VOTE ON SUBSTITUTE MOTION:**

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

**RS 27371C2:** **Rep. Greg Chaney** informed the committee **RS 27371C2** is a tax exemption from sales tax for the equipment to operate a data center. The threshold for an exemption is above the level we have in Idaho. Based on feedback from others, **RS 27371C2** does have a new provision to tamp down a property tax liability issue in taxing districts where a data center might be placed, which is that the data center operating equipment be subject to personal property tax, but not added to new property tax rolls to impact property tax.

In response to committee questions regarding whether the exemption language include the building or just personal property, **Rep. Chaney** replied none of the language contemplates the building, just server equipment inside the building.

**MOTION:** **Rep. Anderst** made a motion to introduce **RS 27371C2**. **Motion carried by voice vote.**

**ADJOURN:** There being no further business to come before the committee, the meeting adjourned at 10:38 a.m.

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Representative Collins  
Chair

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Lorrie Byerly  
Secretary