

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 21, 2020

TIME: 9:00 A.M.

PLACE: Room EW40

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: Russell Westerberg, Capital City Development Corporation (CCDC); Meghan Conrad, RAI; Jayme Sullivan, City of Boise; and Tom Shaner, Idaho State Tax Commission (ISTC).

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

H 484: **Rep. Mike Moyle** stated **H 484** says before an Urban Renewal Area (URAs) can take revenue increment from a highway district, they need to come to an agreement with the highway district. If the URA and the highway district cannot come to an agreement, the revenue goes to the highway district. This gives highway districts an opportunity to be a part of planning that impacts them.

Russell Westerberg, CCDC, appeared on behalf of Urban Renewal Districts (URD)s and spoke **in opposition** to **H 484**. He said Ada County has a consolidated highway district that works with six cities, and the CCDC has five urban renewal districts. CCDC has a cooperative working relationship with ACHD and enters into cooperative agreements for joint projects. Mr. Westerberg discussed the benefits to the city and ACHD in working with URDs and shared past and upcoming local projects beneficial to ACHD. He indicated that while property levies are frozen within an active URD, ACHD still receives significant revenue from new development within those districts.

Meghan Conrad, Redevelopment Association of Idaho, also spoke **in opposition** to **H 484** by saying growth and the imposition of impact fees by highways on development would not occur without the URD. There is no sideboard in the statute regarding what has to be included in the agreement, such as a requirement the parties negotiate in good faith, needs to be in writing, needs the approval by resolution of the highway district and agency boards, terms for entering the agreement, and entry and exit timing for the entire project. Currently URDs send notice to highway districts, provide a comment period on URD plans, and works cooperatively with the highway districts.

Rep. Moyle closed by saying URDs are supposed to be tied to blight, but current URDs are in high growth areas, not blighted areas, because high growth areas are a revenue growing machine. No one in the CCDC is elected though property tax goes into it. URDs are not working on agreements with highway districts except on limited select projects. **H 484** just says URDs need to talk to highway districts about roads before taking the money for them. This will make a better URD because they have to work with the people impacted, and the money will be more likely go to road projects.

In response to committee questions, **Rep. Moyle** replied that a thirty-day notice to highway districts is not working together with them because the highway districts do not have a seat at the table, and the amount of money going back to highway districts will likely be in the millions. He further said the language in statute regarding agreements is deliberately left broad to allow room for the highway districts and URDs to work agreements out.

MOTION: **Rep. Anderst** made a motion to send **H 484** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Mason, Necochea** and **Ellis** requested to be recorded voting **NAY.** **Rep. Moyle** will sponsor the bill on the floor.

H 442: **David Lehman**, Idaho Agricultural Aviation Association, said **H 442** adds aircraft primarily used for the purpose of agricultural spraying and seeding to the list of commercial aircraft currently exempt from sales tax under Idaho Code. It does not remove aircraft from the list of non-exempt equipment under Idaho Code §63-3622D, which is the production exemption. It adds it to the current list of tax exempt commercial aircraft in Idaho Code §63-3622GG. The fiscal note was determined by the Idaho Agricultural Aviation Association doing a survey that returned an amount of \$1.75-2 million in taxable sales which includes parts and aircraft with limited exceptions. He said the word "primarily" in line 39, Idaho Code §63-3622GG(6) means "the primary use shall be the greater of the total use or taxable non-use." If an aircraft is used for nontaxable uses like spraying or seeding, it would be considered a primary use.

Rep. Stevenson declared Rule 80 stating a possible conflict of interest but that she would be voting on the legislation.

Mike Urack, Idaho Agricultural Association, spoke **in support** of **H 442.** He operates Red Baron Ag Services, a multi-generational small, family agricultural business that serves farmers using ground and air equipment. His ground equipment is exempt but not his air equipment which causes tax problems such as whether a pump is for a spreader or an airplane. To finance buying a new aircraft, which are a major expense for a small business, he needs cash for twenty percent down plus six percent for sales taxes, and he usually has to borrow money to pay the sales tax. If he needs to lease an airplane for 90 days he has to pay use tax, which he cannot do. He doesn't have the burden of taxes on his ground equipment that does the same thing.

MOTION: **Rep. Stevenson** made a motion to send **H 442** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Boyle** will sponsor the bill on the floor.

RS 27746C1: **Rep. Mike Moyle** stated currently in Idaho statute the STARS program allows road developers to pay for a road project and then recoup the money spent on the project. He gave examples in Couer d'Alene and Meridian where big store businesses built interchanges or widened roads and were able to keep 60% of their sales tax until they paid themselves back. Although the businesses collect 60% of the sales tax until they are paid back, it is all new revenue the state will not receive without the new business. **RS 27746C1** is an expansion of the statute to include fulfillment center businesses who will need to meet the same criteria as other STARS program businesses of having to spend \$4 million on a building and \$6 million on a project to keep 60% of their sales tax revenue until they are paid back. **RS 27746C1** also says the businesses can make the development area where they collect the sales tax larger by picking up existing businesses. This legislation will hold the state harmless and provide an opportunity for growth to pay for growth.

MOTION: **Rep. Chaney** made a motion to introduce **RS 27746C1.** **Motion carried by voice vote.**

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

Representative Collins
Chair

Lorrie Byerly
Secretary