

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Wednesday, February 26, 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 Kealey, Idaho Department of Commerce (IDC); Peter Stegner, Riley Stegner & Associates; Steve Delbianco, Net Choice; Lisa Holland, Kuna Economic Development; Clark Krause, Boise Valley Economic Partnership; Caroline Merritt, Idaho Chamber Alliance; Alex LaBeau, IACI; Megan Rowley, Idaho Power; Sean Schupack, Idaho Associated General Contractors; Jake Reynolds, IDC; Susan Daerdon, IDC; Jason Barnes, IDC; Rick Smith, Facebook; Russell Westerberg, RMP; Jayme Sullivan, City of Boise; and Seth Grigg, Idaho Association of Counties.

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

**MOTION:** **Rep. Stevenson** made a motion to approve the minutes of the February 11, 2020, February 12, 2020, and February 13, 2020 meeting. **Motion carried by voice vote.**

**H 521:** **Rep. Greg Chaney** said **H 521** would exempt the purchase price sales tax on data center equipment. The legislation seeks to avoid a fiscal impact. Idaho does not have a sales and use exemption for capital expenditures of \$250 million within five years of commencement of construction. **H 521** is about growing an ecosystem of high tech employment and high tech expenditures that data centers would bring, which would attract a diversity of high tech jobs and enable the recruitment of top industry talent to Idaho. Even with the tax exemption, Idaho would receive the incremental tax revenue. This tax benefit would be instead of, not in addition to, other state tax incentives for new businesses. It would not go on the new construction roles which would help local taxing districts in driving down property taxes.

He introduced **Steve DelBianco**, President, Net Choice, to further present **H 521**. He shared information on data centers in other states and the economic opportunity and jobs they provide, including incremental economic and incremental tax benefits. He informed the committee that seventeen other states offer the sales tax exemption for server equipment, but in the last five years not a single data center was built in states without a tax exemption. He gave an example of a state that recovered nineteen cents for every dollar exempted.

In response to committee questions, **Mr. DelBianco** said non-exempt items outside the scope of the legislation would be subject to sales tax; the data centers would provide high-paying jobs to local people, in addition to employing local HVAC, plumbing and electrical contractors for ongoing maintenance of facilities and to repair and upgrade equipment; the intention is for data centers to use rural energy; the track record of data center companies leans toward investing in carbon-free energy solutions; and they are asking to be treated the same way as agriculture and industry regarding equipment exemptions in Idaho

Those speaking of **in support** of **H 521** were **Lisa Holland**, Economic Development Director, City of Kuna; **Clark Krause**, Executive Director, Boise Valley Economic Partnership; **Alex LaBeau**, President, Idaho Association of Commerce and Industry; **Sean Schupack**, Director, Post Falls Associated General Contractors; and **Carolyn Merritt**, Idaho Chamber Alliance, that is comprised of 22 chambers across Idaho, who said before data centers can qualify, they would need to spend \$250 million and create thirty direct jobs, which would be a lot of jobs for small communities and be an economic benefit; it would be a good opportunity for rural and metro Idaho; it will help the tech sector all over the state; the legislation would foster \$100 million in new construction, which would help many Idaho households and families; data center companies are looking for communities in which to invest, providing local education for children, outfitting school buses with WIFI, wanting to provide grants for more classrooms and providing communication devices for non-verbal students and other benefits.

**Rick Smith**, Hawley Troxell, representing Facebook, spoke **in support** of **H 521**. He stated he would answer questions about the terms of the legislation, and in response to committee questions said data centers will provide a huge increase in the property tax base which will reduce levies for taxpayers; the legislation clarifies that data center equipment is not considered a part of new construction; the new property will not go onto tax rolls for the purpose of increasing local government budgets; local governments can assess impact fees on infrastructure costs and any demand on local services would be provided by local utility companies; everything would go on the tax rolls but none of the sales tax exempted new construction would go on new construction rolls; Facebook is committed to being environmentally responsible; and property tax will be assessed at 100% of the value.

**Rep. Chaney** closed by saying data centers diversify Idaho's portfolio. The trend is storage of more and more data, including social and political data, such as with iCloud.

**Rep. Chaney** responded to committee questions by saying the typical investment in a data center that would be exempt from sale tax is \$500 million; any portion of the profits attributable to data center operations in the state would be subject to income tax; and income tax would be paid on employees salaries.

**MOTION:**

**Rep. Anderst** made a motion to send **H 521** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Giddings, Nichols, Kiska** and **Necochea** requested to be recorded as voting **NAY**. **Rep. Chaney** will sponsor the bill on the floor.

**H 553:**

**Senator Jim Rice** stated **H 553** deals with forest land taxation problems regarding reclassifying forest land without meeting certain standards for reliability in assessing those lands. He said timber is not like other things because trees take a number of years to harvest. Statutorily a number of changes in forest land classification and treatment were reversed out by a group of owners of forest land, assessors and the Idaho State Tax Commission who agreed on legislation that included changes in statute and a set of rules. However, having rules that deal with tax assessment and changing classifications in assessments can be problematic because changes to rules can have a substantive impact on tax rates and the taxation of the land. An assessment change can have the same impact as a fee rule change. So **H 553** rolls the rules into statute, encapsulating all the process within statute.

In response to committee questions, **Senator Rice** replied a legislative group made up of assessors, the ISTC, industry representatives and forest land owners collaborated for the last 15 years on the legislation.

- MOTION:** **Rep. Addis** made a motion to send **H 553** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Addis** will sponsor the bill on the floor.
- H 510:** **Rep. Rod Furniss** said **H 510** 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. He said the Act was enacted at a time of economic downturn 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.
- Rep. Furniss** introduced **Tom Kealey**, Director, IDC, who said the Act is important for their department going forward. Economic development associations have supported **H 510** and no one has opposed it. The bill assists any entrepreneurial businesses and small employers. Any industry is eligible for the benefit.
- Lisa Holland**, Economic Director, City of Kuna; **Carolyn Merritt**, Idaho Chamber Alliance; and **Clark Krause**, Executive Director, Boise Valley Economic Partnership, spoke **in support** of **H 510** saying the Act makes a significant up front investment in businesses and creates ten jobs, which is a lot for a small community.
- MOTION:** **Rep. Stevenson** made a motion to send **H 510** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nichols** requested to be recorded as voting **NAY.** **Rep. Furniss** will sponsor the bill on the floor.
- RS 27784:** **Rep. Robert Anderst** said **RS 27784** says if a home is purchased in Idaho that does not have the home owners exemption and the closing is after April 15th, the home owners exemption cannot be taken and the home owner will pay higher property taxes for the remainder of the year. The proposed legislation allows a home owner to file a home owners exemption application anytime during the year. It doesn't affect a lot of properties.
- MOTION:** **Rep. Stevenson** made a motion to introduce **RS 27784.** **Motion carried by voice vote.**
- RS 27841:** **Rep. Megan Blanksma** stated **RS 27841** is a replacement for **H 495.** The change arises from a request from assessors on what the actual values are and what data can be used.
- MOTION:** **Rep. Moyle** made a motion to introduce **RS 27841** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Blanksma** will sponsor the bill on the floor.
- RS 27832:** **Rep. Mike Moyle** said **RS 27832** is a change to **H 390** introduced earlier this session that allowed an individual appealing their tax appraisal to use an arm's length transaction or an appraisal on the property that is less than a year old. A concern this committee had about **H 390** is that it might allow Idaho to go from a non-disclosure state to a disclosure state regarding the purchase and sale of property in Idaho. Lines 27 through 29 of **RS 27832** make it clear the information does not need to be disclosed and can be kept private.
- MOTION:** **Rep. Anderst** made a motion to introduce **RS 27832** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

**ADJOURN:** There being no further business to come before the committee, the meeting adjourned at 10:12 a.m.

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Representative Collins  
Chair

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Lorrie Byerly  
Secretary