

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 02, 2020

TIME: 8:00 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: Leah Marchbanks, Idaho Mortgage Lenders; Krista Deacon, Idaho Realtors; Mark Jones, Idaho Realtors; Elizabeth Crier; Tom Shaner, Idaho State Tax Commission (ISTC); Patrick Clayton, Idaho Mortgage Lender Association; Jeremy Chou, Givens Pursley; and Brian Stender, Canyon County Assessor's Office.

Chairman Collins called the meeting to order at 8:00 a.m.

RS 27815: **Sen. Brackett** said **RS 27815's** purpose is to address the dangers of vaping or uses of electronic smoking devices, and to establish a public education program to be administered by Idaho health districts to educate students, teachers and the public at large on their use by minors. **RS 27815** amends Idaho Code by adding electronic smoking devices to the list of tobacco products.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27815**. **Motion carried by voice vote.**

RS 27847: **Rep. Moyle** informed the committee **RS 27847** replaces **H 484**. The proposed legislation says Urban Renewal Areas (URA) need to work to come to a deal regarding taxable property within highway districts because the bill prevents taking a highway district's increment without the approval of the highway district. In response to concerns of the ISTC, **RS 27847** added language to Idaho Code §50-2908 specifying a URA "first formed or expanded to include the property on or after July 1, 2020" does not get to increment funds until it enters into an agreement with the highway district.

MOTION: **Rep. Stevenson** made a motion to introduce **RS 27847** and recommend it be sent directly to the Second Reading Calendar.

In response to committee questions, **Rep. Moyle** replied a county treasurer collects revenue, and the money going to the URA goes back to the highway district unless there is an agreement made between the URA and the highway district for the purpose of capturing revenue going to roads so it does not go to other places. The effective date would explicitly apply to URAs first formed and expanded on or after July 1, 2020.

VOTE ON MOTION: **Motion carried by voice vote.** **Reps. Ellis, Mason and Necochea** requested to be recorded as voting **NAY**. **Rep. Moyle** will sponsor the bill on the floor.

RS 27833: **Rep. Anderst** indicated that **RS 27833** is a re-draft of **H 483**, first-time home buyers' savings accounts, and is based upon concerns expressed about an account holder's residence requirements and the possibility of prior out-of-state home purchases. **RS 27833** defines an account holder as a person residing in Idaho who has filed an income tax return in Idaho for the most recent taxable year and requires an attestation statement that they never purchased multiple family residences in any location. In addition a cap of \$100,000 was placed on the total deposits that could be made to both individual and married accounts.

In response to committee questions, **Rep. Anderst** replied the interest growth and account contributions are tax deferred. He also said the issue is to get everyone to save as much as possible.

ORIGINAL MOTION:

Rep. Ellis made a motion to introduce **RS 27833**.

SUBSTITUTE MOTION:

Rep. Furniss made a substitute motion to introduce **RS 27833** and recommend it be sent directly to the Second Reading Calendar.

Rep. Furniss spoke **in support** of the substitute motion saying the first-time home buyer accounts will help all income levels and resolve some problems when buying homes, such as people getting up-side down when buying a home. **RS 27833** will also help Idaho first-time home buyers establish equity at the time of purchase.

ROLL CALL VOTE ON SUBSTITUTE MOTION:

A roll call vote was requested on **RS 27833**. **Substitute motion failed by a vote of 7 AYE and 8 NAY. Voting in favor** of the motion: **Chairman Collins, Vice Chairman Stevenson, Reps, Moyle, Anderst, Furniss, Kiska, and Ellis. Voting in opposition** to the motion: **Reps. Chaney, Gestrin, Addis, Dixon, Giddings, Ricks, Mason and Necochea.**

VOTE ON ORIGINAL MOTION:

Motion carried by voice vote. Rep. Necochea requested to be recorded as voting **NAY**.

RS 27824C1:

Rep. Addis said what is spent on tax budgets, levies and assessments affect tax. **RS 27824C1** deals with how assessors will be able to assess business or commercial property. There are currently three approaches to value property: market, cost, and income. In **RS 27824C1**, assessors will look at the actual costs to build a business facility, rather than make arbitrary or subjective valuations which can lead to valuing perceived incomes without reducing out the business expenses. This will make a fairer determination of a property's worth in an assessed value. The proposed legislation addresses our property tax issues from a different angle.

MOTION:

Rep. Stevenson made a motion to introduce **RS 27824C1. Motion carried by voice vote.**

H 562:

Rep. Anderst stated **H 562** removes the April 15th deadline for a homeowner to file a homeowner's exemption. When a house is purchased that does not have a homeowner's exemption, the deadline can cause significant affordability problems for buyers who would be required to calculate property tax into their assessment for loan qualifications. It is arbitrary to deny the benefits of a homeowner's exemption based upon a deadline date for purchase of a home.

Rep. Anderst introduced **Max Pond**, Idaho Realtors, who remarked **H 562** is a property tax fairness bill. He discussed the fiscal impact to counties based on the past number of properties purchased.

Speaking in support of **H 562** were **Mark Jones**, Idaho Realtors; **Leah Marsh Banks**, Idaho Mortgage Lenders Association; **Krista Deacon**, Idaho Realtors, and **Jeremy Piska**, Idaho Association of Realtors who said **H 562** addresses the affordability issue which is rapidly rising in Idaho; it favors equitability based on the date of the home purchase; and the goal is to have the homeowner's exemption in real time.

Speaking in opposition were **Brian Sender**, Canyon County Assessor, and **Jeremy Chou**, Idaho Association of Counties, who were concerned about the impact of **H 562** on county assessors' administration of the homeowner's exemption which requires them to provide abstracts to all budget districts by a cutoff date to set a levy. They said allowing the homeowner's exemptions to roll on rather than having a hard, firm date changes taxable value and will impact taxing district budgets; counties could face budget obstacles and unintended consequences; the impact on market values and levy rates would be complicated; and it raises questions on proration of exemptions. Mr. Senders discussed the fiscal note in relation to county statistics, and he said he was in favor of everyone qualifying for a homeowner's exemption, but there are issues that need to be addressed, which he would like to see addressed by amendments he is prepared to propose.

Rep. Anderst closed by saying the issues have been discussed with and are not new to Idaho counties. Counties do have the ability to estimate and those dollars are available in the budget to offset the cost. **H 562** would make a significant difference in some buyers ability to purchase homes. Prorating is not addressed, a buyer either qualifies or does not qualify for the homestead exemption.

In response to committee questions concerning counties and county assessor's involvement in drafting **H 562**, **Mr. Pond** indicated he meet with county assessors in December 2019 and has not received amendment language since then. He further informed the committee the effective date of **H 562** was January 2021 which gives the counties time to prepare.

The committee members discussed addressing county concerns, proposed amendments **Mr. Sender** may propose, this issue being before the counties for years and the passage of **H 562** forcing counties to address the issue, and the acceptance by the counties of homeowners's exemptions falling off immediately in certain circumstances compared to the lack of acceptance of the proposals in **H 562**.

MOTION: **Rep. Stevenson** made a motion to send **H 562** to the floor with a **DO PASS** recommendation.

ROLL CALL VOTE: Roll call vote was requested. **Motion carried by a vote of 10 AYE and 4 NAY.** **Voting in favor** of the motion: **Chairman Collins, Vice-Chairman Stevenson, Reps. Moyle, Anderst, Addis, Dixon, Giddings, Nichols, Ricks and Kiska.** **Voting in opposition** to the motion: **Reps. Chaney, Gestrin, Furniss, Ellis, Mason and Necochea.** **Rep. Anderst** will sponsor the bill on the floor.

H 574: **Rep. Mike Moyle** said upon divorce, the child tax credit can be an issue. **H 574** provides that when an individual involved in a divorce in Idaho files their taxes, they can also send a domestic court order to the ISTC that makes it clear which parent gets the child tax credit.

Rep. Moyle introduced **Sen. Jim Rice** to speak to the merits of **H 574**. Sen. Rice indicated the most common contention in divorce is people claiming their children on their tax return without being entitled to the claim. The tax benefit is shared and child support is adjusted up or down based upon who gets to claim the child. When someone claims the child who is not supposed to the other parent has already paid for that right. ISTC says the parent who signed the return gets the child tax benefit, and they will not honor the court order. The only way for the injured parent to rectify this is to seek a contempt action in court, which causes problems with withholding as well as leaves a parent with lengthy and court costs. Sen. Rice said this happens often enough that it is a serious problem.

In response to committee questions, **Sen. Rice** said the problem is the Idaho agency ignoring a court order where the federal tax agencies abide by court orders.

MOTION:

Rep. Ellis made a motion to send **H 574** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

H 524:

Rep. Marshall stated ISTC believes money stolen or embezzled is taxable income, and they believe they have the right to tax the stolen monies before the victim can claim restitution. In bankruptcy, assets from the crime can be protected by a criminal. Federal law allows state agencies, but does not mandate them, to have a first claim of priority in bankruptcy before other claimants, including victims. The effect of ISTC having a first claim victimizes the crime victims a second time. Restitution should be made to the victims of a crime first, and the state can tax them on whatever income they may recover. **H 524** prohibits ISTC from claiming a first priority position in a bankruptcy if five narrowly written conditions are met: the unpaid tax claim is on money obtained by criminal activity; the person owing the tax is convicted of a crime; the criminal files for bankruptcy protection; the victim of the crime files a creditor claim in the same bankruptcy estate; and there are insufficient funds to pay both claims. The retroactive nature could be problematic, but his constituents need to be made whole.

In response to committee questions, **Rep. Marshall** indicated the retroactive provision is directed toward a particular victim whose court case is already settled, and he doesn't know whether the victim claimed an ongoing business loss with ISTC. He further replied to committee questions by informing them the Idaho Attorney General stated **H 524** does have some ambiguity problems, and no statistics were gathered regarding the number of victims that could be impacted.

Committee members expressed a concern about a crime victim's ability to utilize the tax code to offset their loss and their desire to hear more from the Idaho Attorney General.

ORIGINAL MOTION:

Rep. Stevenson made a motion to send **H 524** to the floor with a **DO PASS** recommendation.

SUBSTITUTE MOTION:

Rep. Anderst made a motion to **HOLD H 524** in committee at the call of the chair.

MOTION WITHDRAWN:

Rep Stevenson withdrew her original motion.

In response to **Chairmen Collin's** inquiry, **Rep. Marshall** said he would supply the committee members with more information from the Attorney General.

**VOTE ON
SUBSTITUTE
MOTION:**

Motion carried by voice vote. Reps. Dixon, Giddings and Nichols requested to be recorded as voting **NAY**.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 9:54 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary