

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

**DATE:** Thursday, March 05, 2020

**TIME:** 3:00 P.M.

**PLACE:** Room WW53

**MEMBERS PRESENT:** Chairman Rice, Vice Chairman Grow, Senators Hill, Anthon, Lakey, Cheatham, Burgoyne, and Nye

**ABSENT/ EXCUSED:** Senator Vick

**NOTE:** The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

**CONVENED:** **Chairman Rice** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:03 p.m.

**PASSED THE GAVEL:** Chairman Rice passed the gavel to Vice Chairman Grow.

**H 521** **Chairman Rice** presented **H 521**, to provide a sales and use tax exemption. **Chairman Rice** explained that **H 521** makes certain activity exempt from sales tax and the new construction roll. He gave an example to the Committee of looking at the planet at night, when you can see that most of the population is on sea coasts and major rivers, clustering at natural harbors. This allows for more commerce as it moves items at a lower transportation rate. He explained that data centers are the electronic version of natural harbors. Data transfer capabilities in those areas are upgraded, drawing in other data center businesses and electronics. Data centers require few services and provide a number of benefits to the community.

**Chairman Rice** introduced Steve DelBianco, President, Net Choice. **Mr. DelBianco** gave a presentation regarding **H 521** (see Attachment 1).

**DISCUSSION:** **Senator Burgoyne** requested clarification from Mr. DelBianco regarding the new construction roll provision of the bill. He questioned if this was typical in states that do sales tax exemptions. **Mr. DelBianco** responded that this was the first time he had seen it in a piece of state legislation.

**TESTIMONY:** **Seth Grigg**, Executive Director, Idaho Association of Counties, indicated support for the intent to not have personal property go on the new construction roll. He felt the language in **H 521** has the potential that real property would be prohibited from being added to the new construction roll. He expressed concern that it would not provide the additional budget capacity that local taxing districts would otherwise receive from new development.

**Sean Schupack**, Director of Public Policy, Idaho Association of General Contractors; **John Eaton**, Vice President, Idaho Association of Commerce and Industry; **Benjamin Kelly**, Food Producer; and **Rick Smith**, Hawley Troxell, representing Facebook, all testified in support of **H 521**.

**MOTION:** **Senator Burgoyne** moved to send **H 521** to the floor with a **do pass** recommendation. **Senator Cheatham** seconded the motion. The motion carried by **voice vote**.

**H 409** **Chairman Rice** presented **H 409**, to provide a limitation on nonschool taxing district budget requests. **Chairman Rice** called on the Committee to send **H 409** to the 14th Order of Business for amendment. He explained that he wanted to extend the length of time from one year to three and add a percentage of growth for each of the three years. This would result in a cap rather than a freeze. In addition there are some urban renewal districts that will be ending during that time and those revenues would be added. **Chairman Rice** related that it is his intent to adjust it to a 4 percent growth while the property tax issue is looked at more in depth.

**DISCUSSION:** **Senator Burgoyne** questioned if **H 409** would stop the shift that has been occurring from commercial property taxes to residential. **Senator Nye** also questioned if the bill would provide any relief for seniors or those on fixed incomes. **Chairman Rice** stated that **H 409** by itself would not accomplish property tax reduction as a whole. He explained that commercial and residential property values are not increasing at the same rate. He also explained that it is unlikely there would be any freeze on supplemental levies by school districts, which play a part in tax increases as well. All property tax issues would be looked at during the interim, and **H 409** would slow the growth of property taxes from the rate they would be without it.

**TESTIMONY:** **Seth Grigg**, Executive Director, Idaho Association of Counties, expressed opposition to **H 409**. **Mr. Grigg** emphasized that compared to other local units, the counties are unique in that they are an arm of the state. So much of what is required of counties is directed by statute. He stated there are distinct differences all over the state between cities and counties, and they do not feel **H 409** reflects those differences.

**Stephen Freiburger**, President, Paragon Consulting, informed the Committee that he had 30-years experience as an engineer and has worked for 83 different jurisdictions across Idaho. Currently he is responsible for asset management, capital improvements, and budget analysis for 18 jurisdictions. He reported that property tax makes up 37 percent of highway district budgets, the largest revenue source they have. In 2015 they began keeping track of deferred maintenance, which has increased for all highway districts by 12 percent annually. This results in a 58 percent increase, affecting the ability to maintain roads, as well as public safety. **Mr. Freiburger** observed that for every year there is a property tax freeze, it takes a 5 percent increase to return to the original amount of funding.

**Kendra Kenyon**, Chairman, Ada County Commissioners, expressed her concern for the tremendous growth experienced by Ada County. There are estimates that by 2040, Ada County will have a population of 1.5 million people, 3 times the current population. She related that Ada County is at the tipping point with facility maintenance and infrastructure needs and she believes **H 409** would be devastating to Ada County.

**DISCUSSION:** **Senator Burgoyne** questioned Ms. Kenyon if growth paid for itself. **Ms. Kenyon** responded that new growth construction helps pay for itself. Without new construction rolls they would not be able to sustain services at current levels. She specified that some types of services are mandated by the State, such as safety, public health, and security.

**TESTIMONY:** **Doug Fowler**, President, LeNir Ltd, Harris Ranch Development, expressed his concern regarding **H 409**, but clarified that he had not had the opportunity to consider the proposed amendments. He informed the Committee that as written, **H 409** would not allow them to keep their commitments to the city, or to the property owners of Harris Ranch.

- DISCUSSION:** **Bob VanArnem**, citizen, informed the Committee he had come prepared to discuss **H 409** only to learn it was proposed for amendment. After several more questions regarding the amendments, **Senator Anthon** clarified that no one had seen the amendments and **H 409** was before the Committee as it had been drafted and sent from the House.
- TESTIMONY:** **Russ Smerz**, Star, Idaho, and **Hubert Osborne**, Nampa, Idaho, testified in support of **H 409**. **John Eaton**, Vice President, Idaho Association of Commerce and Industry, and **Ed Parnell**, Nampa, Idaho, testified in support of amending **H 409**.
- Fred Birnbaum**, Executive Director, Idaho Freedom Foundation, testified in support of **H 409**. **Mr. Birnbaum** related that property taxes have increased at a compound annual growth rate of 5.9 percent a year for 40 straight years. If frugal governments need a 6 percent per year increase - far more than inflation or population growth - the system is broken. **Mr. Birnbaum** stated this process cannot continue and **H 409** is necessary.
- John Evans**, Mayor, Garden City, representing the Association of Idaho Cities, testified against **H 409**. **Mr. Evans** relayed that capping new growth exacerbates housing problems and impacts our fastest growing cities.
- Rick Visser**, Ada County Commissioner, testified in support of **H 409**. **Mr. Visser** reported that the ongoing large increases in Ada County property tax bills have hit a crisis stage. Over the last 10 years, the cumulative rate of inflation was 19.2 percent, while the county's budget increased 49.3 percent. That equates to an average annual increase that is 2.5 times greater than the rate of inflation.
- DISCUSSION:** **Senator Burgoyne** inquired what Mr. Visser believed to be the biggest proportion of residential property tax increase: the shift from commercial to residential property taxes, or the increase in budgets. **Mr. Visser** responded that he believed budget increases to be excessive.
- TESTIMONY:** **Miguel Legarreta**, President, Associated Taxpayers of Idaho, gave the Committee an example of property value and tax increases over a decade, speaking neither in support, nor opposition, of **H 409**.
- Hethe Clark**, citizen, related to the Committee that he believes there is a constrained housing supply that pushes property values up. **H 409** will restrict the budgets of local governments, which will continue to constrain supply.
- Representative Mike Moyle**, District 14, informed the Committee that he believes **H 409** to be a worthy bill without amendment. He believes citizens will take drastic action if the Legislature does not act to protect taxpayers.
- MOTION:** **Senator Nye** moved that **H 409** be held in Committee. The motion failed for lack of a second.
- MOTION:** **Senator Cheatham** moved to send **H 409** to the 14th Order of Business for possible amendment. **Senator Hill** seconded the motion.
- SUBSTITUTE MOTION:** **Senator Burgoyne** moved that **H 409** be held in Committee. **Senator Nye** seconded the motion.
- DISCUSSION:** **Senator Burgoyne** related to the Committee that **H 409** does not address the difference in appreciation between residential and business property. It does not address what was done with the homestead exemption in 2016, or the fact that growth does not pay for itself. **Senator Burgoyne** stated he wants to focus on true property tax relief and making actual property tax cuts.

**Senator Hill** voiced to the Committee his concern regarding tax uniformity across the state. He feels it necessary to do something for those who have extreme need and **H 409** could end up as something worse in the amending order. **Senator Hill** stated he was opposed to the substitute motion.

**Senator Lakey** stated his opposition to the substitute motion in favor of the original motion. He told the Committee about a town hall where constituents made their feelings known regarding property taxes. He believed it to be a complex issue that needs to be looked at from all aspects: property tax, sales tax, and income tax.

**Senator Anthon** explained that he would not support the substitute motion, but would support the original motion. He expressed his desire that the public be aware that this is not a tax relief bill, but a bill to limit government growth. Also, this is not a universal problem across the state. Understanding that there is a problem in the Treasure Valley, he would support a process where they continue to have a dialog regarding equalization, looking at the overall tax system.

**VOICE VOTE:** The substitute motion that **H 409** be held in Committee failed by **voice vote**.

**DISCUSSION:** **Senator Nye** questioned if within the amending order adjustments to homeowners exemption and the circuit breaker program could be addressed. His constituents need immediate relief. **Senator Hill** responded that he did not have a definitive answer and felt it was something that would require consulting the Attorney General.

**VOICE VOTE:** The motion to send **H 409** to the 14th Order of Business for possible amendment carried by **voice vote**, with **Senator Burgoyne** requesting that he be recorded as voting nay.

**ADJOURNED:** There being no further business at this time, **Vice Chairman Grow** adjourned the meeting at 4:27 p.m.

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Senator Rice  
Chair

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Machele Hamilton  
Secretary