

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, March 10, 2020

TIME: 2:30 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Vice Chairman Grow, Senators Hill, Vick, Lakey, Cheatham, Shank (Burgoyne), and Nye

ABSENT/ EXCUSED: Senator Anthon

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 2:31 p.m.

H 510 **Representative Rod Furniss**, District 35, introduced Tom Kealey, Director, Idaho Department of Commerce, to present **H 510**. **Director Kealey** related to the Committee that the Idaho Small Employer Incentive Act of 2005, commonly known as Business Advantage, is due to sunset at the end of calendar year 2020. **H 510** would extend the sunset date until 2030. This Idaho incentive is one of only two that Idaho offers (see Attachment 1).

TESTIMONY: **Norris Krueger**, PhD, Entrepreneurship Northwest; **Caroline Merritt**, Idaho Chamber Alliance; **Alex LeBeau**, President, Idaho Association of Commerce and Industry; and **Hillary Lee**, local business owner, all testified in support of **H 510**.

DISCUSSION: **Senator Vick** inquired regarding the time period in which the ten new jobs were to be created. **Jake Reynolds**, Business Development Operations Administrator, Idaho Department of Commerce, responded that the time period is from ground breaking until facilities are complete. **Senator Vick** also questioned why, on page 3 of **H 510**, they changed the definition from a taxpayer to a business entity. **Susie Davidson**, Business Attraction Manager, Idaho Department of Commerce, responded that the Idaho State Tax Commission had specifically requested they make the change. Today, a business can have multiple Employer Identification Numbers (EINs). In some situations one EIN could buy real estate and another EIN could be used to hire employees. The way the bill was previously written, if that happened with a large company they would not qualify. By calling it a business entity it allows them to divide the EINs and qualify, expanding the number of businesses.

MOTION: **Senator Nye** moved to send **H 510** to the floor with a **do pass** recommendation. **Vice Chairman Grow** seconded the motion.

Senator Hill informed the Committee that he would support the motion, but he was confused by the change in terminology from taxpayer to business entity. He stated he believed **H 510** was to extend the program, not to expand it, but clarified that expanding was not negative to him. He requested tax clarification before they voted in the Senate.

VOICE VOTE: The motion to send **H 510** to the floor with a **do pass** recommendation carried by **voice vote**.

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

H 553 **Chairman Rice** presented **H 553**, relating to forest land taxation. He explained to the Committee that **H 553** is a culmination of years of work. There were problems with reclassification of forest lands in various parts of the state. Previous legislation required work by the tax commission, forest land owners, and county assessors. **H 553** is a methodology for the assessed classification and assessment of forest lands. This gives certainty and clarity by putting the rules in statute.

DISCUSSION: **Senator Shank** questioned why **H 553** only pertains to landowners with 5,000 or more acres. **Emily McClure**, Riley Stegner and Associates, informed the Committee that she was there representing several large timberland owners who had worked with the Idaho Association of Counties (IAC) and the county assessors to come up with **H 553**. She explained to Senator Shank and the Committee that Idaho tax law breaks up different amounts of land ownership into different sections of code. Owners of less than five acres are not considered in the commercial timber industry and are taxed as residential. Between 5 and 5,000 acres are considered smaller forest lands and taxed accordingly. Over 5,000 acres are considered a commodity. **Senator Shank** asked for clarification regarding someone that owned between 5 and 5,000 acres having the option to consider it a backyard or a commercial property. **Ms. McClure** pointed out that this was their option, but they must choose once every ten years unless they change their classification.

MOTION: **Senator Hill** moved to send **H 553** to the floor with a **do pass** recommendation. **Senator Cheatham** seconded the motion. The motion carried by **voice vote**.

H 551 **Representative Paul Amador**, District 4, presented **H 551**, relating to college savings accounts. He explained that the bill represents changes to the statute for Idaho's IDEal 529 Education Savings Account program. There is only one substantive change to **H 551** and it is regarding military academy attendees. Federal laws have changed, allowing military academy scholarships to count as scholarships. **H 551** adopts the new federal rules instituted to ensure that Idahoans with a child attending a military academy have the same rights as in other states.

Christine Stoll, Executive Director, IDEal, referred to a handout that summarized the IDEal College Savings Program (see Attachment 2). She stated that the Committee is not one that she is used to presenting to and it was her desire to familiarize them with the program. She also presented a slide show that referred to the **H 551** administrative code updates (see Attachment 3).

MOTION: **Senator Nye** moved to send **H 551** to the floor with a **do pass** recommendation. **Senator Shank** seconded the motion. The motion carried by **voice vote**.

H 587 **Chairman Rice** presented **H 587**, relating to highway district levies. He explained to the Committee that this was a change to urban renewal districts created on or after July 1, 2020. It requires an agreement between the highway entity and the urban renewal district that the highway entity would keep any increment fund increase that normally would stay in the urban renewal district.

DISCUSSION: **Senator Cheatham** questioned if each individual highway district could use their discretion regarding the use of the funds. **Chairman Rice** responded that they could. **Senator Nye** asked Chairman Rice to explain how this did not deplete urban renewal benefits. **Chairman Rice** stated that he believes in most cases the urban renewal district would choose to work together with the highway districts. Spending on road upkeep is beneficial to a community.

Representative Mike Moyle, District 14, responded to Senator Nye. He believed that **H 587** will help urban renewal districts do a better job with projects that have overlapping highway districts. This forces them to work together, not deplete the funds.

TESTIMONY: **Steve Price**, General Counsel, Ada County Highway District (ACHD), informed the Committee that urban renewal takes funds that are necessary for road maintenance. ACHD does not believe that urban renewal districts are forthcoming with information on where the funds are spent. It also feels that worthy projects are not supported by urban renewal, and the decisions regarding transportation that urban renewal districts make do not work with the overall system. Constitutionally, the funds ACHD receive are specifically limited to the construction, reconstruction, and maintenance of roads. When funds go to urban renewal, they have none of that accountability. **Mr. Price** felt that **H 587** is a tool to help identify projects within the urban renewal district and use that source of revenue.

DISCUSSION: **Senator Lakey** pointed out a provision in **H 587** that says the highway district and the urban renewal agency can enter into an agreement for a different allocation. He found it hard to envision the ACHD allowing a different allocation. **Mr. Price** responded that there are so many needs within urban renewal districts that it will be easy to find those projects that fit within the overall network. **H 587** will give them the ability to have input on how those funds are directed,

Senator Nye requested Mr. Price give the Committee an example of opposition to **H 587**. **Mr. Price** responded that with **H 587**, urban renewal districts lose control of where the funds are allocated. To date, they have been using the funds at will and are not required to spend any on transportation needs. This will require transportation dollars be directed to transportation.

TESTIMONY: **Ryan Armbruster**, Elam and Burke, representing the Redevelopment Association of Idaho (RAI), testified against **H 587**. RAI includes approximately 32 urban renewal agencies throughout the State of Idaho. **Mr. Armbruster** expressed concern that there were no sideboards concerning the use of revenue allocation generated funds coming from the revenue allocation area. As drafted, the funds could be spent anywhere within the highway district boundaries and could be used for administrative expenses. **Mr. Armbruster** stated that urban renewal agencies have spent millions of dollars on roadway related improvements within a revenue allocation area, all done in a cooperative manner. **Mr. Armbruster** believes that **H 587** provides negotiating leverage to the highway district.

DISCUSSION: **Senator Shank** requested clarification from Chairman Rice regarding urban renewal district projects. He stated that those projects not only include infrastructure and roads, but also projects such as sidewalks and bike lanes, projects that are not always a priority to the highway districts. He questioned if urban renewal districts would have the same leeway to incorporate these type of projects. **Chairman Rice** related they would be subject to negotiation if road dollars would be used.

Senator Lakey pointed out that **H 587** does not affect urban renewal agencies that existed prior to July 1, 2020. He did notice language that refers to urban renewal district expansion. He requested clarification that if an urban renewal agency does an expansion, will **H 587** apply to the entire urban renewal agency, or just the portion that has been expanded. **Representative Moyle** affirmed that **H 587** applies only to the expansion. **Chairman Rice** also confirmed that the actual language of **H 587** states an urban renewal district that is first formed, or that is the expanded property, is all that would be affected. The original portion of an expanded urban renewal district would not be part of it.

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

MOTION: **Chairman Rice** moved to send **H 587** to the floor with a **do pass** recommendation. **Senator Cheatham** seconded the motion. The motion carried by **voice vote**, with **Senators Nye** and **Shank** requesting they be recorded as voting nay.

ADJOURNED: There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:48 p.m.

Senator Rice
Chair

Machele Hamilton
Secretary