

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 11, 2020

TIME: 2:00 P.M.

PLACE: Room WW53

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

ABSENT/ EXCUSED: None

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 2:02 p.m.

H 517AA **Scott Turlington**, Primus Policy Group, representing the Valley County Bondholders, presented **H 517aa**, relating to local improvement district assessments. He stated that **H 517aa** proposes to fix the statutory ambiguity that exists in Idaho Code dealing with property tax delinquencies and collections and local improvement districts. Currently, if there is a delinquency, a municipality or district can go through the process of ultimately foreclosing on those properties, then selling them. They can also certify the delinquencies to the county assessor who would then go through the steps of notice, then have an auction. When an individual purchases a tax deed at auction, it is expected to be free and clear. **Mr. Turlington** explained to the Committee that there appeared to be some ambiguity where a district could still potentially go back on the entity that acquired the tax deed. **H 517aa** clearly states that if a district certifies a property and goes through the process, it is not subject to additional taxes once the deed has been issued.

Senator Anthon questioned when a tax sale and tax deed are effectuated, why the delinquent taxes are not paid at that time. **Mr. Turlington** replied that they are paid and dispersed, and the district in question receives their apportioned share. **Senator Anthon** concluded that the proceeds from the tax sale are not sufficient to meet the taxes of record. **Mr. Turlington** confirmed that was correct.

MOTION: **Senator Lakey** moved to send **H 517aa** to the floor with a **do pass** recommendation. **Vice Chairman Grow** seconded the motion. The motion carried by **voice vote**.

H 562 **Max Pond**, Idaho Realtors, presented **H 562**, relating to property taxes; to revise provisions regarding the homestead exemption. **Mr. Pond** informed the Committee that **H 562** is designed to address a long standing problem with inequity in the law. If a family purchases a rental home as their residence, current Idaho law does not allow that family to take advantage of the homeowner's exemption if the purchase takes place after April 15. There must be a current homeowner's exemption in place, or the home must be classified as new construction. **H 562** removes the April 15 deadline. It also provides an effective date of January 1, 2021 which allows the taxing district to complete the current schedule.

DISCUSSION: **Senator Shank** requested clarification that the language of **H 562** will provide a prorated homeowner's exemption. **Senator Rice** responded that page 2, lines 29 and 30, strikes the date of January 1. It then inserts the language that the exemption shall be effective upon the date of application.

- TESTIMONY:** **Leah Marchbanks**, Idaho Mortgage Lenders Association; **Steve Cox**, Fairway Mortgage; **Phil Mount**, Idaho Realtors, National Association of Realtors; **Mark Jones**, Idaho Realtors; **Cameron McFadden**, Title One; and **Jeremy Pisca**, Risch Pisca, representing Idaho Realtors, all testified in support of **H 562**.
- Brad Wills**, Twin Falls County Assessor, detailed to the Committee that they value property as of January 1 and in the spring, which is then used to create the levy rate. County assessors are in favor of anything that helps homeowners, they are just frustrated that there is no plan to deal with the lack of funding. If homeowner exemptions after April 15 go into affect, there is no way to adjust the figures.
- DISCUSSION:** **Vice Chairman Grow** stated that at the state level they must project revenue figures. Projecting the rate of homeowner's exemptions would solve the problem of the county exemptions. **Mr. Wills** explained that they must be accurate and could not forecast. **Senator Vick** concluded that some homes are becoming rentals and some rentals are becoming homes, which would appear to balance the projections.
- TESTIMONY:** **Brian Stender**, Canyon County Assessor, stated to the Committee that he recommends that **H 562** include a transition date. The date is necessary to create a point in time for the net taxable value of the county.
- MOTION:** **Vice Chairman Grow** moved to send **H 562** to the floor with a **do pass** recommendation. **Senator Vick** seconded the motion. The motion carried by **voice vote**.
- PASSED THE GAVEL:** Chairman Rice passed the gavel to Vice Chairman Grow.
- H 574** **Chairman Rice** presented **H 574**, relating to child tax benefits; to revise provisions regarding the food tax credit for certain dependents. **Chairman Rice** informed the Committee that as a practicing attorney, a large part of his business is dealing with custody and child support issues. The Supreme Court sets guidelines as to which parent can claim children as dependents, and their child support is adjusted accordingly. Frequently, the parent who is not allowed to take the tax and grocery credit do so, in violation of the court order. The Idaho State Tax Commission (Commission) will not enforce Idaho court orders. This results in a contempt action seeking punishment for violation of a court order. **H 574** requires the Commission accept an Idaho court order that awarded the exemptions to the taxpayer. The Commission could then give those tax exemptions to the person that is legally entitled.
- DISCUSSION:** **Senator Hill** informed the Committee that federal returns had recently changed to whichever parent had the greatest amount of custody. Fair or unfair, he believed they were trying to simplify the issue. **Senator Hill** did not agree with passing **H 574** as it would only affect Idaho, leaving federal laws the same. **Chairman Rice** disagreed, saying federal code does not require the parent who has custody more than 50 percent of the time to receive the claim. Federal code says the parent who does not receive the credit is supposed to fill out a form and give it to the parent who is receiving the credit to file with their taxes. **Senator Hill** responded if **H 574** is passed, from a tax preparation point of view, you have a federal law that says one thing, and a state law that says another.
- MOTION:** **Chairman Rice** moved to send **H 574** to the floor with a **do pass** recommendation. **Senator Nye** seconded the motion.
- DISCUSSION:** **Senator Hill** stated he would oppose the motion. He believed it is not good tax policy. He has worked over the years to achieve conformity between federal and state tax laws in order to keep it simple for citizens. **Chairman Rice** reiterated that this does not affect everyone, only those who choose not to obey court orders when there is a child support order in place.

VOICE VOTE: The motion to send **H 574** to the floor with a **do pass** recommendation carried by **voice vote**.

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

H 561 **Representative Jim Addis**, District 4, presented **H 561**, relating to property; to revise provisions regarding the determination of market value for assessment purposes upon appeal. **Representative Addis** explained to the Committee that Representative Moyle was unable to attend the meeting and he was presenting for him. **H 561** provides that if a property owner has an appraisal, or an arm's length transaction on a property within the previous 12 months, that appraisal or transaction can be considered the market value of that property for assessment purposes.

DISCUSSION: **Vice Chairman Grow** stated he was comfortable with the arm's length amount, but was uncomfortable with allowing one's own appraiser. He related that there is too much subjectivity among appraisers. **Representative Addis** responded that experience shows not that much difference in appraisals. **Senator Anthon** pointed out that he appreciates **H 561** because it preserves the process by which one is assessed, and the ability to provide evidence against that assessment and process.

TESTIMONY: **Brad Wills**, Twin Falls County Assessor, informed the Committee he believe there were issues with **H 561**, particularly that it is only being looked at from a residential property point of view rather than commercial, industrial, or agricultural. Also, a fee appraisal report within 12 months of an exact time should be specified. **Brian Stender**, Canyon County Assessor, requested that the Committee hold **H 561** in Committee, as it is not beneficial to all property taxpayers.

DISCUSSION: **Representative Addis** stated that **H 561** was intended to be a safety valve for property owners. **Vice Chairman Grow** stated that if it specified residential property he would be much more comfortable. He also believed using the value of an appraiser is too subjective.

MOTION: **Vice Chairman Grow** moved to send **H 561** to the 14th Order of Business for possible amendment. **Senator Nye** seconded the motion.

DISCUSSION: **Senator Lakey** emphasized his agreement that **H 561** needs work. He understands the frustration of discovering a property sale price that is determined a different value. The end goal of everyone should be fair market value.

ROLL CALL VOTE: **Chairman Rice** called for a roll call vote on the motion to send **H 561** to the 14th Order of Business for possible amendment. **Chairman Rice, Vice Chairman Grow, Senators Vick, Shank, and Nye** voted aye. **Senators Hill, Anthon, and Lakey** vote nay. The motion carried.

ADJOURNED: There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:39 p.m.

Senator Rice
Chair

Machele Hamilton
Secretary