

MINUTES  
**HOUSE REVENUE & TAXATION COMMITTEE**

**DATE:** Tuesday, February 02, 2021  
**TIME:** 9:00 A.M.  
**PLACE:** Room EW42  
**MEMBERS:** Chairman Harris, Vice Chairman Addis, Representatives Moyle, Chaney, Gestrin, Dixon, Nichols, Kauffman, Adams, Cannon, Hartgen, Manwaring, Okuniewicz, von Ehlinger, Weber, Necochea, Ruchti  
**ABSENT/  
EXCUSED:** Representative(s) Hartgen, Adams  
**GUESTS:** Jake Cluff, BB&A.

**Chairman Harris** called the meeting to order at 9:03 a.m.

**Alex Adams**, Administrator, Division of Financial Management, discussed managing the uncertainty of Idaho's revenue forecast. He reviewed the evolution of the revenue forecast for FY2021, including forecast updates prepared for a deficit, revenue sources and funds used to cut the Idaho General Fund, a spending cut of five cents on the dollar, revenue coming in stronger than predicted under a global pandemic, and decreased agency spending due to COVID-19 restrictions. He said stronger revenue than forecast and lower spending resulted in excess revenue which the Governor chose to invest in the future in the Building Idaho's Future program. The Building Idaho's Future investment package includes transportation infrastructure, water and agriculture infrastructure, broadband and economic development, education investments, public safety and capital construction and repair projects. He stated broadband and economic development would be germane to this committee. Two Idaho State Tax Commission (ISTC) supplementals are a part of that package: \$15 million of CARES Act funds for cash grants to small businesses and Idahoans who have been disproportionately impacted by the COVID-19 pandemic, and \$647,200 for rent reduction. He indicated the Governor would work with the Legislature to establish appropriate parameters to ensure the small business grants are targeted to those with significant pandemic-related impacts.

In response to committee questions, **Administrator Adams** said the CARES Act funds are limited by federal statutes and cannot be used to backfill loss revenue choices but cover direct un-budgeted COVID-19 expenses. He cautioned using small business grants for landlords' collection of rents because under the federal COVID-19 relief, Idaho is eligible for \$200 million for state rental assistance. He informed the committee the ISTC was chosen to administer the program because an organization used to dealing with a large influx of applications was needed, and last year ISTC administered a small business program the Governor created, and they did so with very limited technical issues juxtaposed to technical problems from another agency. He discussed the reduction in ISTC's rental at the Chinden Campus, which is an ongoing rescission of \$647,200 that can be used for other purposes, and compared the rental costs of the Chinden Campus and the Capital Mall to state agencies.

**Chairman Harris** turned the gavel over to **Vice Chairman Addis**.

**H 58:** **Chairman Harris** said a conformity bill is done each year to align development of the initial number on Idaho Form 40, adjusted gross income, with the Internal Revenue Code. The first line on Idaho's Form 40 is taken from the last line of the federal Form 1040 and follows federal tax code definitions. This is typical across the nation, with some states having rolling conformity year to year and some voting once a year to conform. This year, full conformity involves large changes, the cost of which is disadvantageous to states but a \$26 million advantage to taxpayers. Full conformity would cost Idaho \$60 million. Conformity includes adjustments resulting from the 2017 Tax Cuts and Jobs Act being affected by the CARES Act and the December 2020 Stimulus Bill. Idaho is not conforming to one item. Current codes limit a non-corporate pass-through and Sub Chapter S Corporation businesses from taking \$250,000 of loss, for a single person, or \$500,000, if filing jointly, in a given year and carrying that forward year to year. Idaho will hold to the current limits. This will bring the cost of conformity by Idaho down from \$60 million to \$26 million. The Statement of Purposes for the proposed legislation shows the effects for FY2022.

**MOTION:** **Rep. Dixon** made a motion to send **H 58** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Chairman Harris** will sponsor the bill on the floor.

**Vice Chairman Addis** turned the gavel over to **Chairman Harris**.

**ADJOURN:** There being no further business to come before the committee, the meeting adjourned at 9:33 a.m.

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Representative Harris  
Chair

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Lorrie Byerly  
Secretary