

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 09, 2021

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Vice Chairman Grow, Senators Vick, Souza, Bayer, Ricks, Nye, and Rabe

ABSENT/ EXCUSED: Senator Lakey

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 3:00 p.m.

MINUTES APPROVAL: **Senator Nye** moved to approve the Minutes of February 4, 2021. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

H 15 **Relating to Property Taxes; To Remove Obsolete Language and Make Technical Corrections.** **Kathlynn Ireland**, Property Tax Policy Specialist, Idaho State Tax Commission (Commission), presented **H 15**. She explained that **H 15** was broken into two sections, with two statutes to amend. Idaho Code § 50-1008 requires obsolete language to be removed, with no fiscal impact.

The second statute to amend is Idaho Code § 63-308, regarding valuation assessment notices. **Ms. Ireland** stated that currently, the deadline for assessment notices are the same day as the deadline for appeals. **H 15** changes the due date from the fourth Monday in November to the third Monday in November.

DISCUSSION: **Senator Bayer** questioned if one week was sufficient to rectify the deadline issue. **Ms. Ireland** responded that the assessment cycle is extremely busy with tax notices and tax bills. The Commission surveyed the counties, and respondents said one week was adequate. Counties have the option to send out the notices early, and more than 50 percent do so. **Ms. Ireland** added that if it was found necessary, the property owner would always have the ability to go to the county commissioners and seek a legal remedy for a missed deadline.

Ms. Ireland reminded the Committee that the referenced section of **H 15** affects the subsequent property roll only. This includes businesses with large, heavy mining equipment; construction companies of great magnitude; and logging companies. It would be unusual for any additional properties to be found on the subsequent roll. These types of businesses have a relationship with the assessor's office and are expecting their assessment notice.

MOTION: **Senator Rabe** moved to send **H 15** to the floor with a **do pass** recommendation. **Senator Nye** seconded the motion. The motion carried by **voice vote**.

H 32 **Relating to Sales Tax; To Revise Provisions Regarding the Applicability of the Sales and Use Tax to a New Manufactured Home.** **Jack Lyman**, Idaho Manufactured Housing Association, presented **H 32**, which would amend Idaho Code § 63-3606. Confusion arose last spring during an audit by the Commission where they reported that the sale of manufactured homes were subject to sales tax. The Commission staff mistakenly viewed the sale of a manufactured home as a sale to a customer who would use it to construct, alter, repair, or improve real estate, rather than make a wholesale transaction.

The Commission subsequently resolved the issue, and **H 32** is intended to clarify that any sale of a new manufactured home by a licensed manufacturer to a licensed retailer with a resale certificate is exempt from sales tax.

In addition, **H 32** would add the term "manufactured home" to Idaho Code § 63-3609(b). Mobile homes ceased being built in 1976 and homes constructed after that date are manufactured homes.

MOTION: **Senator Lakey** moved to send **H 32** to the floor with a **do pass** recommendation. **Senator Bayer** seconded the motion. The motion carried by **voice vote**.

H 58 **Relating to Income Taxes; To Provide for Applicability of Certain Provisions of the Internal Revenue Code.** **Tom Shaner**, Tax Policy Manager, Idaho State Tax Commission, presented **H 58**, the annual bill necessary to conform to the Internal Revenue Code (IRC). Idaho aligned with the IRC as of January 1, 2020. **H 58** would move that date forward to January 1, 2021, enabling taxpayers and tax professionals to prepare 2020 income tax returns. Idaho's income tax code starts with federal taxable income. Idaho conforms only to the calculation of federal taxable income, including IRC changes affecting that calculation. Federal taxable income for each taxpayer is then adjusted according to Idaho law to arrive at the Idaho taxable income.

By starting with federal taxable income, Idaho can use federal definitions of income and deductions and avoid having to duplicate the necessary statutes, while retaining control of issues Idaho chooses to adopt, **Mr. Shaner** said. Using the federal taxable income as a starting point saves Idaho taxpayers much time and money. If Idaho did not update the conformity date, it would have a significant negative impact on Idaho businesses and individuals.

The higher-than-average cost of conforming this year was a result of Congress trying to help businesses and individuals survive the uncertain economy of 2020, according to **Mr. Shaner**. In addition to the direct stimulus payments, Congress relaxed tax rules in several places to provide relief. An overall weighted average of a cost of \$59 million was used. A review committee consisting of Commission staff, Division of Financial Management staff, and members of the Idaho Society of Certified Public Accountants (ISCPA) was formed to review bills and formulate the cost (see Attachment 1).

DISCUSSION: **Senator Nye** questioned Mr. Shaner regarding what he believed to be an error in the Statement of Purpose for **H 58**. Number 3 of the second page of the Statement of Purpose should read, "Change in depreciation of nonresidential property from 39 yrs to 30 yrs," **Senator Nye** said. **Mr. Shaner** agreed that it was a typing error.

Senator Nye asked why, if there was a trailer bill forthcoming, would the Committee vote on **H 58** now? **Chairman Rice** explained it was important to pass **H 58** today, as it affects current tax issues, while any trailer bill would not be as time-sensitive and predominantly affect future tax issues.

MOTION: **Vice Chairman Grow** moved to send **H 58** to the floor with a **do pass** recommendation. **Senator Souza** seconded the motion.

- DISCUSSION:** **Vice Chairman Grow** informed the Committee that he could have a potential point of conflict. His son serves as a Certified Public Accountant (CPA) on the ISCPA Income Tax Committee. **Chairman Rice** stated it is always appropriate to err on the side of caution rather than fail to declare any potential conflict of interest.
- VOICE VOTE:** The motion to send **H 58** to the floor with a **do pass** recommendation carried by **voice vote**.
- ADJOURNED:** There being no further business at this time, **Chairman Rice** adjourned the meeting at 4:04 p.m.

Senator Rice
Chair

Machele Hamilton
Secretary