

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Monday, April 26, 2021

TIME: 1:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Vice Chairman Grow, Senators Vick, Hogaboam (Lakey), Funk (Souza), Bayer, Ricks, Nye, and Rabe

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 1:14 p.m.

H 380 **To Revise Provisions Regarding Income Taxes and the Tax Relief Fund, and to Establish the 2021 Idaho Tax Rebate Fund. Representative Steve Harris**, District 21, presented **H 380**, explaining to the Committee that it was a rewrite of **H 332**. **H 380** corrects mathematical errors, reduces Idaho's seven income tax brackets to five brackets, and clarifies that \$180 million of the \$220 million for tax rebates will come from the Tax Relief Fund. **Representative Harris** informed them it also retains the sunset clause for the Tax Relief Fund, enabling funds to flow normally to general funds after 2024.

DISCUSSION: **Senator Bayer** questioned if the \$220 million distribution figure was adequate to fund the tax rebates. **Representative Harris** replied that was the reason for the language used in **H 380**, specifically stating "up to" \$220 million. **Senator Rabe** requested clarification on the tax brackets that had been removed in **H 380**. **Representative Harris** explained that the second and third tax brackets had been combined, as well as the sixth and seventh brackets. **Senator Rabe** asked if the sixth and seventh tax brackets when combined was Idaho's highest tax bracket. **Representative Harris** replied that it was. **Senator Rabe** questioned how much of the fiscal note listed in **H 380** is from combining the top two tax brackets. **Representative Harris** informed her that the second and third tax brackets combined does not have any substantial fiscal impact, but the savings to the State combining the sixth and seventh tax brackets is approximately \$6 million.

Senator Nye questioned if proper public notice of the meeting was given. **Chairman Rice** assured him it had been published within the rules of the Senate. **Senator Nye** asked Representative Harris if he had any legal opinions from the Attorney General's Office regarding **H 380**. **Representative Harris** replied that he did not.

Senator Hogaboam requested more information regarding the Tax Relief Fund. **Representative Harris** explained that the \$180 million available in the Tax Relief Fund was accumulated over a period of time. Once the \$180 million is distributed, the ongoing tax relief amount would be \$110 million.

TESTIMONY: **Fred Birnbaum**, representing the Idaho Freedom Foundation, testified in support of **H 380**. **Mr. Birnbaum** addressed several objections against **H 380**, one being that the money should be spent on education. He pointed out that Idaho shows no correlation between per pupil spending and test results. **Mr. Birnbaum** also stated that the objection that **H 380** favors the rich is not valid, as even if an Idaho resident paid zero taxes they will receive a benefit.

- MOTION:** **Senator Vick** moved to send **H 380** to the floor with a **do pass** recommendation. **Senator Bayer** seconded the motion.
- DISCUSSION:** **Senator Nye** requested the Chairman and Committee extend the hearing for two legislative days. **Chairman Rice** denied the request. **Senator Nye** related that he wished the record to reflect he had received notice of the meeting at 9:30 a.m.
- Senator Rabe** informed the Committee members she would be voting against **H 380**. She related that her constituents were not asking for income tax relief, and believes the tax dollars should be redirected.
- Vice Chairman Grow** explained that the issue is Idaho has excessive revenue generated by income tax, and that issue has nothing to do with property tax. The State has over-collected and **H 380** seeks to reduce the brackets and make refunds. **Vice Chairman Grow** clarified tax policy is the work of this Committee, and education policy should be handled by the germane committee.
- VOICE VOTE:** The motion to send **H 380** to the floor with a **do pass** recommendation carried by **voice vote** with **Senators Nye** and **Rabe** voting nay.
- ADJOURNED:** There being no further business at this time, **Chairman Rice** adjourned the meeting at 1:52 p.m.

Senator Rice
Chair

Machele Hamilton
Secretary