

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, March 01, 2022

TIME: 3:00 P.M.

PLACE: Room WW53

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

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** convened the meeting of the Senate Local Government and Taxation Committee at 3:00 pm.

MINUTES APPROVAL: **Senator Semmelroth** moved to approve the minutes of February 16, 2022. **Senator Souza** seconded the motion. The motion passed by **voice vote**.

RS 29608 **Chairman Rice** moved for unanimous consent to send **RS 29608** to the Senate State Affairs Committee to print. There was no objection.

RS 29585 **Chairman Rice** moved for unanimous consent to send **RS 29585** to the Senate State Affairs Committee to print. There was no objection.

H 563 **Vice Chairman Grow** presented this bill. He explained that Idaho currently uses a three factor method to apportion taxation of multistate business income that includes property, payroll and double weighted sales. **Vice Chairman** further explained that Idaho currently taxes multistate income for sales other than tangible property using a "cost of performance" method. That method assigns the sales revenue to the location having the greater proportion of services performed. Most states have gone to a "market based, " single income approach. This method assigns the sales revenue to the location receiving or benefitting from the services.

TESTIMONY: **Mark Wyan**, Vice President of the Associated Taxpayers of Idaho, Tax Policy Chairman for the Idaho Association of Commerce and Industry and Vice President of Lamb Weston, spoke in favor of the bill. He stated that it would provide uniformity in taxation of multistate income. He cited instances of double taxation for Idaho based companies doing business elsewhere using the "market based" approach. In addition, **Mr. Wyan** noted that there were out of state companies doing business in Idaho without paying income taxes or paying only partial taxes as a result of the current "cost of performance" method of taxing multistate income.

DISCUSSION: **Senator Souza** asked whether small companies would benefit from this bill. **Mr. Wyan** replied that they would benefit. He explained that under current law a small business in Idaho doing business in Oregon, a "market based" state, would be taxed twice. However, an Oregon company doing business in Idaho under the "cost of performance" approach wouldn't be taxed. This would give an Oregon company an advantage.

MOTION: **Senator Lakey** moved that **H 563** be sent to the floor with a **do pass** recommendation. **Senator Nye** seconded the motion. Senator Grow will carry the bill on the floor.

H 564

Senator Stennett presented the bill. She explained that this bill prevented an individual from claiming more than one homestead exemption and cited several examples of abuse. The bill required the county tax assessor to research whether the individual applying for the homestead exemption had previously claimed a homestead exemption. **Senator Stennett** further explained that this bill requires the Idaho State Tax Commission to provide relevant information to assessors. In addition, the bill set forth an appeals process. **Senator Stennett** noted that this bill did not address a situation where the exemption remained one year after sale of property and another exemption would be available on a newly purchased property.

DISCUSSION

Vice Chairman Grow asked whether there was any effort to have the Idaho State Tax Commission proactively investigate. **Senator Stennett** responded that there was not. **Vice Chairman Grow** asked whether an assessor in one county could access data from another county or the Idaho State Tax Commission. **Senator Stennett** responded a common database would enable all county assessors and the Idaho State Tax Commission to share information. **Senator Souza** asked whether there was a penalty above paying back the amount of homestead exemption. **Senator Stennett** replied that there was not. **Chairman Rice** noted that current law does provide for late charges and penalties on delinquent payments. **Senator Bayer** asked whether the community property laws would prevent each spouse from claiming a homestead exemption. **Chairman Rice** responded that if a husband and wife owned 2 properties and each lived in one, current law would permit 2 exemptions. However, if the couple owned 2 properties, but resided in one this bill should prevent 2 exemptions.

MOTION:

Senator Bayer moved to send **H 564** to the floor with a **do pass** recommendation. **Vice Chairman Grow** seconded the motion. The motion passed by **voice vote**.

ADJOURNMENT:

There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:32 pm.

Senator Rice
Chair

Meg Lawless
Secretary