AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Thursday, January 20, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
INTRODUCTIONS	Introduction of page, Tyler Freeman	Senator Rice

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Thursday, January 20, 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** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 3:01 p.m.
INTRODUCTIONS:	**Chairman Rice** introduced the Committee's page, Tyler Freeman. He thanked him for his service to the Committee, and asked Mr. Freeman to tell the Committee a little about himself. **Mr. Freeman** shared that he was a Senior at Boise High School. He intends to enroll at Boise State University and pursue a degree in Political Science with possible graduate degrees thereafter. Several committee members asked Mr. Freeman about his hobbies, interests and reason for joining the page program.
ADJOURNED:	There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:06 p.m.

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Senator Rice
Chair

_____

Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Wednesday, January 26, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of Minutes of January 20 Meeting of the Senate Local Government and Taxation Committee	Senator Ricks
RS 29211	Relating to property tax reduction; amending Section 63-705, Idaho Code,to revise provisions regarding property tax reduction; and declaring an emergency and providing retroactive application.	Senator Bayer
35-0107-2101	Kilowatt Hour Tax Administrative Rules (New Chapter) - Proposed Rule	Tom Shaner, Tax Policy Manager, Idaho State Tax Commission Cynthia Adrian, Income Tax Policy Specialist, Idaho State Tax Commission
35-0201-2101	Tax Commission Administration and Enforcement Rules (New Chapter) - Proposed Rule	Tom Shaner, Tax Policy Manager, Idaho State Tax Commission Cynthia Adrian, Income Tax Policy Specialist, Idaho State Tax Commission

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Wednesday, January 26, 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** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 3:01 P.M.
MINUTES APPROVAL:	**Senator Ricks** made a motion to approve the Minutes of the January 20, 2022 meeting of the Senate Local Government and Taxation Committee. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.
RS 29211	**Relating to property tax reduction; amending Section 63-705, Idaho Code, to revise provisions regarding property tax reduction; and declaring an emergency and providing retroactive application. Senator Bayer** presented **RS 29211**. **Senator Bayer** explained that this bill would make a change to one item that was a part of HB 389 that the legislature passed last year. She explained that HB 389 set a maximum assessed value of a qualifying residence for the property tax reduction, also known as the circuit breaker, at 125 percent of the median assessed valuation of all homes in the county receiving the homestead exemption. **Senator Bayer** further explained that **RS 29211** would increase the maximum assessed value of a qualifying residence for the property tax reduction to 200 percent of the median assessed valuation of all qualifying homes. She noted that the Tax Commission estimates that this legislation would add 1003 applicants back to the circuit breaker. Of those applicants, approximately 200 were first time applicants and approximately 800 were existing applicants.
MOTION:	**Senator Vick** moved to send **RS 29211** to print. **Senator Lakey** seconded the motion. The motion to send **RS 29211** to print carried by **voice vote**.
DOCKET NO. 35-0107-2101	**Kilowatt Hour Tax Administration Rules. Cynthia Adrian**, Idaho State Tax Commission Tax Research Specialist, presented **Docket No. 35-0107-2101**. Ms. Adrian stated that these rules removed sections that are in statute or better as part of the Idaho State Tax Commission's website. She further stated that Idaho Power has no objection to these rules.
DISCUSSION:	**Senator Vick** asked if most of the deleted rules are in the Idaho Code, if that is why they were able to remove them. **Ms. Adrian** responded that most of the rules are in statute or are on their website. In addition, some of the information, such as the calculation of kilowatt hours, is in forms. **Senator Vick** then asked how we know that the information is on the website and that it won't be changed if that is the only place it is located. **Ms. Adrian** repeated that most of these rules are in the statute. She explained that calculation of kilowatt hours is in statute as well as in a form.
MOTION:	**Senator Grow** moved to approve **Docket No. 35-0107-2101**. **Senator Ricks** seconded the motion. The motion to approve **Docket No. 35-0107-2101** carried by **voice vote**.

DOCKET NO. 35-0201-2101 **Tax Commission Administration and Enforcement Rules. Cynthia Adrian** presented **Docket No. 35-0201-2101**. **Ms. Adrian** explained that most of the deleted rules are in the Idaho Code as well as on their website.

DISCUSSION: **Chairman Rice** asked what types of rules are covered in this docket. **Ms. Adrian** explained that these rules address disclosures of information, partial payments, electronic transfers, what constitutes a valid tax return, interest rates and other topics. **Chairman Rice** stated that section 35.02.01.327 places restrictions on communications between an appeals officer with employees of the originating division with certain exceptions. He further stated that Idaho Code § 63-3045 (2)(b) states that the Idaho State Tax Commission shall adopt rules governing communications with the originating division. **Chairman Rice** expressed a concern that if section 35.02.01.327.02 is removed that only leaves the exceptions in section 35.02.01.327.03. **Ms. Adrian** responded that she agreed that they missed out on a reference. She suggested that they should probably correct section 35.02.01.328 where it says that if an appeals officer believes the discussion with staff from the originating division is warranted, those communications are restricted by section 35.02.01.327.02 which no longer exists. **Senator Grow** asked what the illegal drug tax was. **Tom Shaner**, Idaho State Tax Commission Research Manager, explained that under the Red Tape Reduction Act a couple of years ago they deleted the drug stamp rules. The statutes and forms remain in effect. They no longer require tax commission staff to accompany police on drug raids and stamp things that were untaxed. **Senator Grow** then asked Ms. Adrian why the fraud penalties were being removed. **Ms. Adrian** explained that those are in statute so a rule was not necessary.

MOTION: **SenatorGrow** moved to approve **Docket No. 35-0201-2101** with the exception of section 35.02.01.327. **Senator Semmelroth** seconded the motion. The motion to approve **Docket 35-0201-2101** with the exception of section 35.02.01.327 carried by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:25 pm.

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Senator Rice
Chair

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Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Thursday, January 27, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
RS 29241	Regarding compensation for board members of Water and Sewer Districts.	Senator Vick
RS 29256	Relating to property tax budgets; amending Section 63-802, Idaho Code, to revise provisions regarding limitations on taxing district budgets; and declaring an emergency and providing retroactive application.	Senator Rice
H 436	INCOME TAXES - Amends existing law to revise the individual and corporate income tax rate and to provide for an income tax rebate.	Senator Rice

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
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MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Thursday, January 27, 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** called the Local Government and Taxation Committee to order at 3:03 pm.
PASS THE GAVEL:	**Chairman Rice** stated that because he was presenting on a bill, Vice Chairman Grow would chair the meeting.
RS 29241	**Relating to water and sewer districts; amending Section 42-3209, Idaho Code, to revise provisions regarding compensation and to make technical corrections. Senator Vick** presented **RS 29241**. **Senator Vick** explained that this bill would allow local water and sewer districts to increase compensation for their board members from $100 per meeting to $150 per meeting. He noted that the last increase in compensation for local water and sewer board members was in 2003.
MOTION:	**Senator Souza** moved to send **RS 29241** to print. **Senator Lakey** seconded the motion. The motion to send **RS 29241** to print passed by **voice vote**.
RS 29256	**Relating to property tax budgets; amending Section 63-802, Idaho Code, to revise provisions regarding limitations on taxing district budgets.**. **Chairman Rice** presented **RS 29256**. **Chairman Rice** explained that this bill is a bit of housekeeping related to H 389 passed last session. Expiring tax districts were not supposed to be subject to the 8 percent cap. This fixes that and closes an unintended loophole regarding the use of foregone balances. He further explained that a taxing district explored the idea of not taking 3 percent on their new construction and, instead, doing a 20 percent tax increase or budget increase purely from foregone balances. That was never intended under H 389. This bill closes that loophole and leaves people able to use forgone balances, but in a more limited way.
MOTION:	**Senator Vick** moved to send **RS 29256** to print. **Senator Souza** seconded the motion. The motion to send **RS 29256** to print passed by **voice vote**. **Senator Nye** stated that although he was voting to send **RS 29256** to print, he reserved the right to change that vote on the floor.

H 436 **Relating to income tax; amending Section 63-3024, Idaho Code, to revise provisions regarding Income Tax.**. **Chairman Rice** presented **H 436**. **Chairman Rice** explained that this bill is an ongoing tax cut. It reduces the tax brackets from five to four: 1 percent, 3 percent, 4,5 percent and 6 percent. Currently our top tax bracket is 6.5 percent for both individuals and corporations. He further explained that this bill reduces the corporate tax rate to 6 percent. This bill is retroactive to January 1, 2022, the beginning of the tax year. **Chairman Rice** stated that this bill would result in $350 million in one time rebates. Idaho has a large surplus as a result of the collection of income and sales taxes which amounted to about $900 million above what was projected. **Chairman Rice** explained that the tax rebates amount to 12 percent of what people paid in state income taxes in 2020, or $75 per individual that received a grocery credit, whichever is higher. **Chairman Rice** then shared a survey that Boise State University conducted. The survey asked residents from across the state which type of tax relief should be provided if there was a budget surplus. 37.7 percent said property taxes should be reduced. 37.4 percent said income taxes should be reduced. Only 19.4 percent said sales tax should be reduced.

DISCUSSION: **Senator Nye** asked Chairman Rice whether there had been a study regarding whether any of the increase in tax revenue was the result of the federal stimulus money. **Chairman Rice** responded that the Economic Outlook Committee discussed that. When you insert large amounts of money into the supply there is a combination of increased economic activity and inflation. We are looking at an ongoing year after year increase in revenue of $750 million. And we are likely to see that increase to $900 million or $950 million next budget year. **Senator Nye** then asked whether there had been studies as to whether the increase in the revenue may have been a result of the federal stimulus. **Chairman Rice** explained that since we haven't finished with the impacts over the next several years, there couldn't be a study. We have to look at similar periods of time, similar situations throughout history and estimate from there.
Senator Souza asked Chairman Rice why we were keeping the lowest tax rate of 1 percent. **Chairman Rice** responded that those in the lowest tax bracket would only pay $8. **Chairman Rice** further explained that Idaho has narrow tax brackets so that a family of four who is paying $260 in income taxes is already in the top tax bracket.

TESTIMONY: Testifying in favor of **H 436** in person or virtually were the following: Suzanne Budge on behalf of the National Federation of Independent Business; Caroline Merritt representing the Idaho Chamber Alliance; John Eaton, Vice President of the Idaho Association of Commerce and Industry; Miguel Legarreta with the Associated Taxpayers of Idaho; and Alex Adams, Administrator of the Idaho Division of Financial Management.

- **Ms. Budge** stated that independent businesses have faced many challenges during the pandemic. Among these were labor shortage, supply chain disruptions, inflation and energy costs. **H 436** would provide helpful tax relief to small businesses.
- **Ms. Merritt** stated that lower individual and corporate income tax rates assist local areas, Chambers of Commerce, economic development organizations and the Idaho Department of Commerce in recruiting, retaining and expanding new businesses in Idaho. She further stated that Idaho has a higher corporate income tax rate than our neighboring states and that lower corporate tax rates would make us more competitive.
- **Mr. Eaton** also stated that the lower corporate income tax rates would make Idaho more competitive. He noted that **H 436** simplifies the tax code by eliminating one of the brackets and is more fair in that it makes the corporate income tax rates the same as the individual income tax rates.

- **Mr. Legarreta** discussed the impact of lower corporate income tax rates on our community. He noted the large contributions of corporations such as Albertsons who provide food to people in need and provide service to the community. **H 436** is a way to return revenue and promote growth in a fair, transparent manner.
- **Mr. Adams** stated that our income tax rates are comparatively higher than other states. He noted that **H 436** ensures economic vibrancy. He further noted that, although this bill does not address property tax relief, the governor's budget provides for an increase in teacher pay which is one of the largest drivers of property taxes and supplemental levies. In addition, transportation is another driver of property taxes. The governor's budget proposes fully funding transportation at the local level.
- **Chairman Rice** concluded his remarks by noting that, while the income tax rate in most states are generally lower than the sales tax rate, Idaho's income tax rate is higher than our sales tax rate. Finally, he stated that other areas of concern such as roads and property taxes are being addressed in the governor's budget and other legislation.

TESTIMONY:: Testifying against **H 436**, in person, virtually or in writing were the following:

- Evan Koch representing the Kootenai County Democratic Central Committee;
- Heather Stout;
- Mary Ruckh;
- Phyllis Lamken;
- Kay Hummel;
- Carol Rachel;
- Nate Roberts;
- Stephanie Hanson;
- Kathleen Lacey;
- William Brudenell; and
- John Poole.

They expressed common concerns. Some felt that a reduction in sales taxes, especially on groceries, and property taxes should be a priority. Some felt that the tax rates in this bill favored the wealthy and corporations. Some felt that priority should be given to spending for transportation and education, teacher pay and all day kindergarten over income tax relief.

MOTION: **Senator Vick** moved to send **H 436** to the floor with a **do pass** recommendation. The motion was seconded by **Chairman Rice**.

DISCUSSION: **Senator Ricks** thanked the sponsor of the bill. He emphasized that this bill would provide a minimum tax rebate of $75 to everyone who qualifies for the grocery tax credit. He supported the reduced tax brackets and pointed out that twenty six states have a lower income tax rate than Idaho. **Senator Semmelroth** asked to explain why she would be voting against **H 436**. She cannot vote in favor of **H 436** because of the overwhelming number of her constituents who have asked her to vote no. **Senator Vick** noted that he has proposed a bill that would increase the grocery tax credit. **Senator Bayer** suggested that additional legislation increasing the grocery tax credit could be advanced. She also noted that she has proposed legislation that would enhance the circuit breaker program which would allow more senior citizens to remain on the program and reduce the risk of losing their

homes. All of these proposals together could provide real relief. **Senator Souza** commented that this bill would provide relief to small businesses who have suffered during the last two years. **Senator Lakey** expressed his support of **H 436** citing the strong economy which gives the legislature the ability to provide tax relief while also funding infrastructure and education. **Senator Nye** stated that he would be voting in opposition to **H 436** for many of the reasons stated by those who testified previously against this bill. He expressed a desire to defer a vote on this bill until the budgetary needs of education, transportation and other needs are addressed.

VOICE VOTE: The motion to send **H 436** to the floor with a **do pass** recommendation carried by **voice vote**.

ADJOURNMENT: There being no further business at this time, **Vice Chairman Grow** adjourned the meeting at 4:10 pm.

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Senator Rice
Chair

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Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Tuesday, February 01, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
S 1241	PROPERTY TAXES - Amends existing law to revise provisions regarding homes ineligible for the circuitbreaker program.	Senator Bayer
S 1249	TAXING DISTRICTS - Amends existing law to revise provisions regarding taxing district budget limitations.	Senator Rice

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Tuesday, February 01, 2022
TIME:	3:00 P.M.
PLACE:	Room WW53
MEMBERS PRESENT:	Chairman Rice, Vice Chairman Grow, Senators Lakey, Bayer, Ricks, Nye, and Semmelroth
ABSENT/ EXCUSED:	Senator Vick and Senator Souza
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:	3:00 PM

S 1241 **Relating to property taxes - Amends existing law to revise provisions regarding homes ineligible for the circuitbreaker program.Senator Bayer** presented **S 1241**. She stated that **H 389** last session amended Idaho Code §63-705 setting a maximum assessed value of a qualifying residence for the property tax reduction program, also known as the circuit breaker program, at 125 percent of the median assessed valuation of all homes in the county receiving a homestead exemption. **S 1241** would increase that amount to 200 percent of the median assessed valuation. As a result, more people would be eligible for the program. **Senator Bayer** explained that this would allow more senior citizens whose value of their homes had increased through no fault of their own to remain on the program which began in 1974.

TESTIMONY: **Josh Dyson**, representing the Idaho Association of County Assessors, stated that they support **S 1241**. They feel that this corrects issues resulting from lowering the threshold for eligibility for the circuit breaker program to 125 percent. He explained that in Elmore County the median home value used for this purpose in 2021 would have been $225 thousand. 125 percent of that would have been $283 thousand. Because of the rising home values, 30 out of 464 circuit breaker recipients in Elmore County would no longer qualify. Raising the maximum assessed value for qualifying for the circuit breaker program to 200 percent increases the median home value to $453 thousand. This reduces those that no longer qualify down to three applicants. Less than .5 percent of current recipients would no longer qualify.

Jerry White, Shoshone County Assessor's office, stated that Shoshone County has 2,057 out of 12,500 residents that receive a homeowner's exemption. 91 of those would have been excluded under the 125 percent of median home valuation standard, 44 of whom were widows. He shared several personal stories of family members and others who have benefitted from the circuit breaker and are able to continue to live out their lives in their home. With the increase to 200 percent of median home value, only 8 homeowners would no longer qualify.

Lupe Wissel, state director for AARP expressed her support for **S 1241**. She shared that one of the priorities of AARP is affordable housing. The circuit breaker program help keep property taxes manageable and foster housing stability. Increasing the cap for the circuit breaker allows more seniors to benefit from this property tax relief.

Mayor John Evans of Garden City indicated that he was in favor of **S 1241** for

many of the reasons previously stated.

Senator Bayer concluded her remarks by reading a letter from Nampa Mayor Debbie Kling. Ms. Kling wrote that the fact that the assessed value of someone's home increased doesn't indicate that the person's ability to pay property taxes has increased. Ms. Kling further noted that the average qualified applicant for the circuit breaker program is an elderly couple or widow making below the poverty level of $12,590.

MOTION: **Senator Lakey** moved to send **S 1241** to the floor with a **do pass** recommendation. **Senator Grow** seconded the motion. The motion to send **S 1241** to the floor with a **do pass** recommendation carried by **voice vote**.

PASS THE GAVEL: Chairman Rice explained that since he would be presenting S 1249, he was passing the gavel to Vice Chairman Grow.

S 1249 **Taxing Districts - Amends existing law to revise provisions regarding taxing district budget limitations.Senator Rice** presented **S 1249**. He explained that in last year's **H 389** expiring urban renewal districts were not supposed to be subject to the 8 percent cap That increment was supposed to be returned to the budget at 80 percent. **Chairman Rice** further explained that page one of this bill clarifies that if the urban renewal district expires or if there is a deannexation from the urban renewal district or a plan modification that takes part of it out, that is not subject to the 8 percent cap on budget increases. Page 2 of the bill makes changes to the use of foregone permitted in **H 389**. This bill closes a loophole that would have allowed a district to not take the 3 percent, not take new construction, and take as much foregone as they want. He cited one district that had discussed doing this. This bill allows the use of foregone in addition to the 8 percent, but in a fashion that was contemplated.

TESTIMONY: **Mayor John Evans** of Garden City representing the Idaho Association of Cities indicated that his association supports this bill.

MOTION: **Senator Lakey** moved that **S 1249** be sent to the floor with a **do pass** recommendation. **Senator Nye** seconded the motion. The motion to send **S 1249** to the floor with a **do pass** recommendation carried by **voice vote**.

ADJOURNMENT: There being no further business at this time, **Vice Chairman Grow** adjourned the meeting at 3:23 pm.

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Senator Rice
Chair

_____

Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Wednesday, February 02, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of the minutes of the Senate local Government and Taxation for January 26, 2022.	Senator Bayer
S 1248	WATER AND SEWER DISTRICTS - Amends existing law to revise provisions regarding compensation.	Senator Vick

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Wednesday, February 02, 2022
TIME:	3:00 P.M.
PLACE:	Room WW53
MEMBERS PRESENT:	Chairman Rice, Vice Chairman Grow, Senators Vick, Souza, Ricks, Nye, and Semmelroth
ABSENT/ EXCUSED:	Senators Bayer and 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 Senate Local Government and Taxation Committee to order at 3:00 pm.
MINUTES APPROVAL:	**Senator Grow** moved to approve the minutes of the Senate Local Government and Taxation Committee meeting on January 26, 2022. **Senator Souza** seconded the motion. The motion to approve the minutes of the Senate Local Government and Taxation Committee on January 26, 2022 passed by **voice vote**.
S 1248	**Water and sewer districts - Amends existing law to revise provisions regarding compensation**. **Senator Vick** presented **S 1248**. **Senator Vick** explained that **S 1248** allows, but does not require, an increase in the compensation local water and sewer board members may receive from $100 to $150 per meeting.
TESTIMONY:	**Barbara Neal**, a Hayden Lake water and sewer board member, spoke in favor of **S 1248**. Ms. Neal explained that the increased growth in the Hayden Lake area has resulted in increased responsibilities for the water and sewer board members. She noted that Idaho Code §42-309 had not been updated in 20 years. She further stated that the increase in the maximum compensation would more fairly compensate the board members for their time and effort. **Chairman Rice** thanked Ms. Neal for her service. He further explained regarding the emergency clause, that the Legislative Services Office was inserting that in all bills unless there was already a specific effective date. **Senator Vick** concluded his remarks by thanking Ms. Neal for bringing this to the attention of the Senate Local Government and Taxation Committee.
MOTION:	**Senator Grow** moved to send **S 1248** to the floor with a **do pass** recommendation. **Senator Souza** seconded the motion. The motion to send **S 1248** to the floor with a **do pass** recommendation passed by **voice vote**.
ADJOURNMENT:	There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:10 pm.

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Senator Rice
Chair

_____

Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Tuesday, February 08, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of the minutes of January 27, 2022	Senator Grow
MINUTES APPROVAL:	Approval of the minutes of February 1, 2022	Senator Nye
GUBERNATORIAL APPOINTMENT:	Appointment of Jared Zwygart to the Idaho State Tax Commission	Jared Zwygart, Tax Commissioner
35-0000-2100	Income Tax Administration Rules	Tom Shaner, Tax Research Manager, Idaho State Tax Commission
H 472	INCOME TAXES - Amends existing law to update references to the Internal Revenue Code regarding unemployment benefits and the recognition of marriage.	Tom Shaner, Tax Research Manager, Idaho State Tax Commission

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

Sen Souza

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Tuesday, February 08, 2022
TIME:	3:00 P.M.
PLACE:	Room WW53
MEMBERS PRESENT:	Chairman Rice, Vice Chairman Grow, Senators Vick, Lakey, Souza, Bayer, Nye, and Semmelroth
ABSENT/ EXCUSED:	Senator Ricks
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 Senate Local Government and Taxation Committee to order at 3:00 pm.
MINUTES APPROVAL:	**Senator Grow** made a motion to approve the minutes of the January 27, 2022 meeting of the Senate Local Government and Taxation Committee. **Senator Lakey** seconded the motion. The minutes of the January 27, 2022 meeting of the Senate Local Government and Taxation Committee were approved by **voice vote**.
MINUTES APPROVAL:	**Senator Ricks** made a motion to approve the minutes of the February 1, 2022 meeting of the Senate Local Government and Taxation Committee. **Senator Semmelroth** seconded the motion. The minutes of the February 1, 2022 meeting of the Senate Local Government and Taxation Committee were approved by **voice vote**.
GUBERNATORIAL APPOINTMENT:	**Committee Consideration of the Gubernatorial Appointment of Jared Zwygart to the Idaho State Tax Commission** for a term commencing August 20, 2021 and expiring March 8, 2027. **Jared Zwygart** presented. **Mr. Zwygart** discussed his education and experience. He graduated from Boise State University in 1983 with a bachelor's degree in accounting. He worked for several firms as a CPA since 1983 including Dille and Associates, Bailey and Company, CPAs where he was a partner, and Zwygart John and Associates where he is currently a partner. His most recent experience is in auditing. He expressed a desire to serve on the Idaho State Tax Commission as a way to give back to the community.
DISCUSSION:	**Senator Lakey** asked Mr. Zwygart to share what he enjoyed about serving on the Tax Commission. **Mr. Zwygart** responded that he was used to fighting the Tax Commission on behalf of his clients. Now he fights to uphold the Tax Commission rules and laws. **Chairman Rice** asked Mr Zwygart how he would handle a tax appeal involving one of his sons, who are also CPAs, or their firms. **Mr. Zwygart** responded that if another member of the firm, other than one of his sons, handled the appeal he would see no conflict. However, he would recuse himself if one of his sons were handling the appeal. He further noted that he has been up front about the potential conflict of interest with his sons' firms. **Chairman Rice** then asked Mr. Zwygart to explain the difference between preparing income tax returns and auditing. **Mr Zwygart** responded that when preparing taxes it was difficult for him to tell his client that he or she couldn't take

a particular deduction. In auditing you make certain the individual or company is keeping the books properly. **Chairman Rice** thanked Mr. Zwygart for his willingness to serve and said the committee would consider his appointment to the Idaho State Tax Commission within the next week.

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

DOCKET NO. 35-0000-2100 **Income Tax Administration Rules**. **Tom Shaner**, Tax Research Manager, Idaho State Commission, presented. He explained that these rules are in keeping with the governor's request for agencies to review 20 percent of their administrative rules on a five year cycle. The rules addressed in this docket include: income taxes; tax administration; sales and use taxes; property tax administration; motor fuel taxes; hotel, motel and campground taxes; mine license taxes; beer and wine taxes; and cigarette and tobacco taxes. **Mr. Shaner** explained that many of these rules were written prior to the internet. Everything was in the rules. As a result of the Red Tape Reduction Act, they realized that much of this did not need to be in the rules since it was in statute or on the website.

The changes to section 35.01.01.075 reflect that the tax rates applied to the Idaho taxable income of an individual, trust or estate are listed at https://tax.idaho.gov/indrate. What remains in this section is that the tax rates for individuals, trusts and estates are pursuant to Idaho Code §63-3024.

Section 35.01.01.263 states that the first $264,000 in guaranteed payments from a S corporation and partnership to a non-resident individual are considered as income. Rather than include this in the rules, the rule now references the website and provides that the amounts of guaranteed payments that are sourced as compensation for services are listed at https://tax.idaho.gov/guarpay.

Section 35.01.01.300 addresses the corporate tax rates. Rather than include a table of the rates in the rules, the rule references the website where the rates are listed.

DISCUSSION: **Senator Souza** asked Mr. Shaner whether she was missing changes to beer and wine taxes, tobacco taxes and others that he mentioned in his presentation. **Mr. Shaner** explained that there were no changes to those sections of the rules.

MOTION: **Senator Lakey** moved to approve **Docket No. 35-0000-2100**. **Senator Nye** seconded the motion. The motion to approve **Docket No. 35-0000-2100** carried by **voice vote**.

H 472 **Income Taxes - Amends existing law to update references to the Internal Revenue Code regarding unemployment benefits and the recognition of marriage**. **Tom Shaner**, Tax Research Manager, Idaho State Tax Commission, presented. **Mr Shaner** explained that **H 472** was the annual bill to conform the Idaho Income Tax Act to the Internal Revenue Code (IRC). By conforming to the IRC we avoid duplication. Furthermore, deviations from the IRC can create confusion and extra work for taxpayers, tax preparers and tax software developers. The effects of nonconformity that pose the biggest problems for the Tax Commission are the potential for an increase in audits, litigation, and general confusion among taxpayers. **Mr. Shaner** further explained that Idaho's income tax code uses the IRC definition of adjusted gross income. He noted that Idaho has typically conformed to the IRC annually, with the exception of the bonus depreciation expense and net operating loss provisions. **Mr. Shaner** cited the specific statutes, in part, that adopt conformity. First, Idaho Code § 63-3002 states the intent of the legislature to, insofar as possible, make the Idaho Income Tax Act conform to the IRC's measurement of taxable income. Idaho Code § 63-3011 defines "gross income" in accordance with the IRC. Idaho

Code § 63-3011A defines "adjusted gross income" as defined in the IRC. Idaho Code § 63-3011B defines "taxable income" in conformity with the IRC. Finally, Idaho Code § 63-3011C defines "Idaho taxable income" as, "taxable income as modified pursuant to the Idaho adjustments specifically provided in this chapter."

Mr. Shaner then discussed the fiscal impact of this bill. He stated that the fiscal impact of this conformity bill is estimated at $8.6 million. He explained that there is a slight change in the process of calculating the interest expense for a combined group of companies, especially if there are foreign subsidiaries involved. This is estimated to increase the amount of corporate income tax collected by approximately $238,500 in the first year.

In addition, the Idaho Child Tax Credit used the IRS definition of a qualifying child. **Mr. Shaner** explained that Congress temporarily increased the age of a qualifying child from under 17 years of age to under 18 years of age. This change is for one year only and is expected to have a fiscal impact of $5.2 million.

Idaho also allows a deduction for any expenses paid to care for a child or other dependent. We use the federal limitations on the amount of expenses that can be paid. The fiscal impact of this is approximately $3.2 million. The federal limits were raised from $3,000 for one dependent or $6,000 for more than one dependent to $4,000 for one or $8,000 for more than one dependent.

Finally, as part of the American Rescue Plan, Congress allowed taxpayers to claim a casualty loss which occurred during 2020 even if they used the standard deduction. To be claimed, losses have to be within a federally declared disaster area and all insurance reimbursements have to be exhausted first. The estimated fiscal impact of this is approximately $447,300 in the first year and declining amounts in future years as taxpayers finish the insurance mitigation on their losses. Only losses incurred during the 2020 tax year are deductible. For future years, losses will have to be reported on federal schedule A and are limited.

DISCUSSION: **Senator Bayer** asked Mr. Shaner what was the significance of the elimination of Idaho Code § 63-3004(2) and Idaho Code § 63-3004(3). **Chairman Rice** responded to that question stating that because the United States Supreme Court changed Idaho's definition of marriage by judicial ruling, we no longer need these provisions.

MOTION: **Chairman Rice** moved to send **H 472** to the floor with a **do pass** recommendation. **Senator Souza** seconded the motion. The motion to send **H 472** to the floor with a **do pass** recommendation passed by **voice vote**.

ADJOURNMENT: There being no further business at this time, **Vice Chairman Grow** adjourned the meeting at 3:25 pm.

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Senator Rice
Chair

_____

Meg Lawless
Secretary

Conformity to the Internal Revenue Code.

General Background

The Idaho Income Tax Act is based on conforming to the Internal Revenue Code (IRC). Idaho is a "static" conformity state, meaning that we conform as of a specific date. Conformity is the foundation of the Idaho income tax code. We avoid having to duplicate the federal laws and allow taxpayers to utilize the work that they put into preparing the federal return.

Tax laws that Congress passes can have a large impact on Idaho's income tax revenue. It's important for the Legislature to carefully consider the impact of conforming or not conforming. There are indirect effects that go beyond the fiscal impact. Deviations from the IRC create confusion and extra work for taxpayers, tax preparers, and tax software developers. The effects of nonconformity that pose the biggest problems for the Tax Commission are the potential for an increase in audits, litigation, and general confusion among taxpayers.

Because Idaho's income tax code uses the IRC as a starting point, Idaho's income tax returns begin with the federal adjusted gross income (AGI). Idaho lawmakers generally have conformed to the IRC each year historically – except for the bonus depreciation expense and net operating loss provisions.

These are the specific statutes, in part, that are involved in our conformity:

63-3002. DECLARATION OF INTENT. It is the intent of the legislature by the adoption of this act, insofar as possible to make the provisions of the Idaho act identical to the provisions of the Federal Internal Revenue Code ***relating to the measurement of taxable income,*** to the end that the taxable income reported each taxable year by a taxpayer to the internal revenue service shall be the identical sum reported to this state, subject only to modifications contained in the Idaho law; to achieve this result by the application of the various provisions of the Federal Internal Revenue Code relating to the definition of income, exceptions therefrom, deductions (personal and otherwise), accounting methods, taxation of trusts, estates, partnerships and corporations, basis and other pertinent provisions to gross income as defined therein, resulting in an amount called "taxable income" in the Internal Revenue Code, and then to impose the provisions of this act thereon to derive a sum called "Idaho taxable income"; to impose a tax on residents of this state measured by Idaho taxable income wherever derived and on the Idaho taxable income of nonresidents which is the result of activity within or derived from sources within this state. All the foregoing is subject to modifications in Idaho law including, without limitation, modifications applicable to unitary groups of corporations, which include corporations incorporated outside the United States. ***Emphasis added.***

63-3004. INTERNAL REVENUE CODE. (63-3004. INTERNAL REVENUE CODE. (1) The term "Internal Revenue Code" means the Internal Revenue Code, as amended, and in effect on the first day of January 202~~1~~2, except that Internal Revenue Code sections 85 and 461(l) ~~is~~ are applied as in effect on January 1, 2020.

~~(2) For all purposes of the Idaho income tax act, a marriage must be one that is considered valid or recognized under section 28, article III, of the constitution of the state of Idaho and defined in section 32-201, Idaho Code, or as recognized under section 32-209, Idaho Code.~~

Underlines added.

Conformity to the Internal Revenue Code.

~~(3) Notwithstanding subsection (2) of this section, marriages recognized and permitted by the United States supreme court and the ninth circuit court of appeals shall also be recognized for purposes of the Idaho income tax act.~~

63-3011. GROSS INCOME. The term "gross income" means gross income as defined in section 61(a) of the Internal Revenue Code.

63-3011A. ADJUSTED GROSS INCOME. The term "adjusted gross income" means adjusted gross income as defined in section 62 of the Internal Revenue Code.

63-3011B. TAXABLE INCOME. The term "taxable income" means federal taxable income as determined under the Internal Revenue Code. Emphasis added.

63-3011C. IDAHO TAXABLE INCOME. The term "Idaho taxable income" means taxable income as modified pursuant to the Idaho adjustments specifically provided in this chapter. Emphasis added.

Underlines added.

AMENDED AGENDA #1

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Thursday, February 10, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of the minutes of the Senate Local Tax and Government Committee meeting of February 2, 2022	Senator Semmelroth
RS 29520	Relating to Urban Renewal Districts	Senator Guthrie
RS 29486	Relating to Taxation, school levies, establishment of the Tax and Levy Fund; distributions from the Tax Relief Fund and distribution of certain sales tax revenue.	Senator Rice
RS 29375	Relating to Self Storage Facilities	Robert Anderst, Risch Pisca

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Thursday, February 10, 2022
TIME:	3:00 P.M.
PLACE:	Room WW53
MEMBERS PRESENT:	Chairman Rice; Vice Chairman Grow; Senators Vick, Lakey, Souza, Bayer, Ricks, who was represented by Senator Melissa 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** called the meeting of the Senate Local Government Committee to order at 3:00 pm.
MINUTES APPROVAL:	**Senator Semmelroth** moved to approve the minutes of the Senate Local Government and Taxation meeting of February 2, 2022. **Senator Bayer** seconded the motion. The motion to approve the minutes of the Senate Local Government and Taxation Committee meeting of February 2, 2022 passed by **voice vote.**
MOTION	**Senator Bayer** moved to send **RS 29520, RS 29486**, and **RS 29375** to print. **Senator Grow** seconded the motion. The motion to send **RS 29520, RS 29486**, and **RS 29375** to print passed by **voice vote**.
ADJOURNMENT:	There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:03 pm.

Senator Rice
Chair

Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Wednesday, February 16, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of the minutes from the February 8, 2022 meeting of the Senate Local Government and Taxation Committee	Senator Vick
MINUTES APPROVAL:	Approval of the minutes of the February 10, 2022 meeting of the Senate Local Government and Taxation Committee	Senator Souza
H 480	USE TAX - Amends existing law to clarify that the use tax exemption for personally owned vehicles applies to individuals and to grantor trusts.	Rep. Addis
GUBERNATORIAL APPOINTMENT VOTE:	Vote on gubernatorial appointment of Jared Zwygart to the Idaho State Tax Commission	Senator Rice
PRESENTATION:	Graduation of Senate Local Government and Taxation Committee page Tyler Freeman	Senator Rice

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Wednesday, February 16, 2022
TIME:	3:00 P.M.
PLACE:	Room WW53
MEMBERS PRESENT:	Chairman Rice, Vice Chairman Grow, Senators Vick, Lakey, Bayer, Ricks, and Semmelroth
ABSENT/ EXCUSED:	Senators Souza and Nye
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 Senate Local Government and Taxation Committee (Committee) to order at 3:00 pm.
MINUTES APPROVAL:	**Senator Vick** moved to approve the minutes of the February 8, 2022 meeting of the Committee. **Senator Lakey** seconded the motion. The motion to approve the minutes of the February 8, 2022 passed by **voice vote**.
MINUTES APPROVAL:	**Senator Bayer** moved to approve the minutes of February 10, 2022. **Vice Chairman Grow** seconded the motion. The motion to approve the minutes passed by **voice vote**.
H 480:	**Vice Chairman Grow** presented this bill on behalf of Representative Addis who was unable to be present. **Vice Chairman Grow** explained that this bill modified Idaho Code §63-3621 which deals with taxes on personal property brought into Idaho by new residents of the state. Current code allowed an individual to bring personal property into Idaho without paying use tax as long as the item was purchased at least three months prior to it being brought into Idaho. This bill clarifies that the sales tax exemption in Idaho Code §63-3621 for "personally owned" property brought to Idaho by individuals more than 3 months after the purchase of that property shall also apply to grantor trusts. **Vice Chairman Grow** explained that grantor trusts were treated as individuals for federal income tax purposes, state income tax purposes, and the circuit breaker exemption.
DISCUSSION:	**Chairman Rice** explained that a grantor trust was a revocable living trust used for estate purposes. The grantor could take the property back at any time, although the trustee had the use and enjoyment of the property. There was no separation of ownership.
MOTION:	**Senator Lakey** moved that **H 480** be sent to the floor with a **do pass** recommendation. **Senator Semmelroth** seconded the motion. The motion to send **H 480** to the floor with a **do pass** recommendation passed by **voice vote**.
GUBERNATORIAL APPOINTMENT VOTE:	**Senator Grow** moved to send the Gubernatorial Appointment of Jared Zwygart to the Idaho State Tax Commission to the floor with a recommendation that he be confirmed by the full Senate. **Senator Lakey** seconded the motion. **Senator Grow** and **Senator Lakey** stated that they had known Mr. Zwygart personally and professionally for a number of years and supported his appointment to the Idaho State Tax Commission. **Senator Grow** further commented that he thought it was important to appoint a CPA to the Idaho State Tax Commission. The motion to send the Gubernatorial Appointment of Jared Zwygart to the Idaho State Tax Commission to the floor with a recommendation that he be confirmed by the full Senate passed by **voice vote**.

PRESENTATION: **Page Graduation** - **Chairman Rice** honored page Tyler Freeman and thanked him for his service to the Committee. He asked Mr. Freeman what he learned during his time as a page. **Mr. Freeman** responded that he learned how important perspective is and being able to look at things from different angles and change perspective. **Senator Rice** then asked Mr. Freeman what he has enjoyed about his experience as a page. **Mr. Freeman** replied that he enjoyed the people and their warm, welcoming nature.

Senator Ricks asked Mr. Freeman whether he would consider becoming a legislator after being here for 6 weeks and seeing legislators for who they are. **Mr. Freeman** answered that he absolutely would. **Senator Ricks** then thanked Mr. Freeman for his service.

Senator Lakey asked Mr. Freeman whether his experience as a page would help him in college and in his profession. **Mr. Freeman** stated that it absolutely would, and added that there was no better way to learn about how the legislative process works.

Chairman Rice asked Mr. Freeman what he intended to major in at Boise State University. **Mr. Freeman** replied that he wasn't certain, but that he had an interest in Political Science. **Chairman Rice** noted that when he was in college the average student changed his or her major 3 times. He advised Mr. Freeman not to worry if he hasn't decided yet.

Senator Bayer encouraged Mr. Freeman to bring his fellow Boise State University Political Science classmates to observe the legislature.

Chairman Rice encouraged Mr. Freeman to stay in touch with the Committee and let them know how school and career were going. The committee then presented Mr. Freeman with several gifts along with a letter of appreciation from the committee and a letter of recommendation from Chairman Rice.

ADJOURNMENT With no further business at this time, **Chairman Rice** adjourned the meeting at 3:00 pm.

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Senator Rice
Chair

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Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Tuesday, March 01, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of the minutes of the February 16, 2022 meeting of the Senate Local Government and Taxation Committee (Committee)	Senator Semmelroth
RS 29608	Requesting unanimous consent to send RS to print and send to Senate State Affairs Committee.	Senator Rice
RS 29585	Request unanimous consent to send RS to print and send to Senate State Affairs Committee.	Senator Rice
H 563	INCOME TAXES - Amends existing law to revise provisions regarding computing Idaho taxable income of multistate or unitary corporations.	Senator Grow
H 564	TAXATION - Amends existing law to provide for investigation by a county assessor into a person's entitlement to the homestead tax exemption.	Senator Stennett

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Bayer
Sen Ricks
Sen Nye

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315

Sen Lakey
Sen Souza

Sen Semmelroth

Email: sloc@senate.idaho.gov

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.

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Senator Rice
Chair

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Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Thursday, March 03, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
H 550	PROPERTY TAXES - Amends existing law to authorize a city to have a property tax rebate program for taxpayers receiving the state circuitbreaker tax exemption.	Rep. Moyle Rep. Gannon
H 565	PROPERTY TAX - Amends existing law to revise provisions regarding personal property tax exemptions.	Rep. Moyle
S 1301	SELF-SERVICE STORAGE FACILITIES - Amends existing law to provide for methods to assess self-service storage facility properties.	Robert Anderst, Risch Pisca
H 576	HEALTH - Amends existing law to provide that an abatement district board may have either three or five members.	Rep. Gestrin
H 663	PROPERTY TAXES - Amends existing law to revise provisions regarding a property tax credit for certain plant and building investments.	Rep. Burns
S 1362	Property Taxes - relating to the interest rate payable on delinquent property taxes	Senator Ricks

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS
Chairman Rice
Sen Bayer

COMMITTEE SECRETARY
Meg Lawless

Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza

Sen Ricks
Sen Nye
Sen Semmelroth

Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Thursday, March 03, 2022
TIME:	3:00 P.M.
PLACE:	Room WW53
MEMBERS PRESENT:	Chairman Rice, Vice Chairman Grow, Senators Vick, Lakey, Souza, Bayer (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.
H 550	**Representative Gannon** presented **H 550**. He explained that this bill allowed a city council to authorize rebates on property taxes. If the city decided to issue a rebate, it must pass an ordinance describing the total amount appropriated for the program, providing instructions and a deadline for taxpayers to apply for the rebate, and setting forth the formula for determining the tax rebate amounts, the method of distributing rebates, and other matters necessary to administer the program. If a city decided to rebate "circuit breaker" taxes, the Idaho Tax Commission must provide a list of those within the city who were eligible. However, any rebate provided by the city plus any amount paid by the State of Idaho through the property tax reduction program may not exceed the amount of property taxes payable by the property owner on the applicable property.
DISCUSSION:	**Chairman Rice** noted that this mirrors the circuit breaker program and allowed the city to supplement the circuit breaker exemption.
MOTION:	**Senator Ricks** moved that **H 550** be sent to the floor with a **do pass** recommendation. **Senator Semmelroth** seconded the motion. The motion passed by **voice vote**. Senator Ricks will carry on the floor.
H 565	**Representative Moyle** presented **H 565**. He explained that this bill exempted transient property from property taxes.
MOTION:	**Vice Chairman Grow** moved to send **H 565** to the 14th order. **Senator Nye** seconded the motion. The motion passed by **voice vote**.
S 1301	**Robert Anderst** of Risch Pisca representing the Idaho Self Storage Association, presented the **S 1301**. He stated that this bill gave clarity to assessors regarding valuation of self storage facilities for property tax purposes. **Mr. Anderst** further stated that the bill allowed assessors to use one or more market valuation methods provided that the market value would be capped at the reproduction or replacement cost of the improvements, less depreciation, plus land value for the real property.

DISCUSSION: **Senator Souza** asked how other businesses were assessed in comparison to self storage facilities. **Mr. Anderst** explained that in assessing the value of self storage facilities, unlike other businesses, assessors included value that was created by the leases and other intangibles in addition to the value of the land and improvements. **Senator Souza** then asked whether other businesses were experiencing the same issues. **Mr. Anderst** responded that it was possible that there were. **Senator Vick** asked whether there was a definition of self storage facility. **Mr. Anderst** replied that there was a definition of self storage facility in Idaho Code § 55-2301 which was referenced in this bill.

Senator Lakey asked why a self storage facility in an area with many businesses and another in a less populated area were treated differently. **Mr. Anderst** responded that the determining factor would be the value of the land. **Senator Lakey** then asked why the fair market value shouldn't include history as a successful business. **Mr. Anderst** noted that income taxes would be paid on the income from leases and should not be included in property tax assessment.

TESTIMONY: The following people spoke in favor of the bill:

- **Inake Lete**, Idaho Self Storage Association
- **Tim Olson**, Idaho Self Storage Association
- **Ron Osborne**, Idaho Self Storage Association

They argued that the bill provides clarification and consistency regarding the valuation of self storage facilities for property tax purposes. They cited examples of assessors including rental income and other revenue in the valuation, not just the land and buildings.

The following people spoke against the bill:

- **Kathleen Atkinson** with the Idaho Association of Assessors
- **Troy Steiner**

They expressed concern about being taxed based on replacement value. They argued that replacement cost was not fair market value. They further expressed a concern that self storage unit facilities were being given preferential treatment that was unethical.

Chairman Rice stated that, there being no motion, **S 1301** will remain in committee.

S 576 **Representative Gestrin** presented **H 576**. He explained that current law required abatement districts to have a five member board. This bill allowed abatement districts to reduce the board to three members. He further explained that in smaller districts it was hard to get a quorum present with the requirement for a five member board.

MOTION: **Senator Souza** moved to send **H 576** to the floor with a **do pass** recommendation. **Senator Semmelroth** seconded the motion. The motion passed by **voice vote**. Senator Thayn will carry on the floor.

H 663 **Representative Burns** presented the bill. He explained that this bill allowed a County Board of Commissioners to offer a tax exemption for multifamily rental units. The exemption would last no more than five years. **Representative Burns** noted, however, that the Association of Idaho Cities pointed out that the current bill allowed entire subdivisions to claim this exemption. Therefore, he requested that **H 663** be sent to the 14th order to amend and correct this error.

DISCUSSION: **Senator Vick** asked why this bill was needed when current law allowed two counties to enact such an exemption. **Representative Burns** responded that when Kootenai and Blaine counties drafted their ordinances they perhaps took some liberties with what would qualify as planned investment and that he wanted to ensure that other counties had the authority to enact similar ordinances. **Senator Vick** suggested that there would be additional expenses for fire, schools and so forth as a result of additional apartment complexes and asked who would pay for those services. **Representative Burns** stated that the counties would consider these costs when deciding whether to enact an ordinance for a tax exemption.

Senator Souza asked whether there was any impetus for owners of multifamily dwellings to pass the tax exemption on to their renters. **Representative Burns** replied that the owners could pass along the savings, but wouldn't be required to.

TESTIMONY: **Julie Hart** with the Association of Idaho Cities stated that they had been in opposition to this bill until they spoke to Representative Burns and he was willing to send the bill to the 14th order to remove the language regarding single family housing.

MOTION: **Senator Semmelroth** moved to send the bill to the fourteenth order. **Chairman Rice** stated that, there being no second, the motion fails and **H 663** will be held in committee.

S 1362 **Chairman Rice** presented **S 1362** on behalf of Senator Ricks. He explained that this bill would reduce the interest rate charged on delinquent property taxes from 12% per year, 1% per month, to .5% per month.

MOTION: **Senator Souza** moved to send **S 1362** to the floor with a do pass recommendation. **Senator Vick** seconded the motion. The motion passed by **voice vote**. Senator Ricks will carry on the floor.

ADJOURNMENT: There being no further business at this time, **Chairman Rice** adjourned the meeting at 4:07 pm.

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Senator Rice
Chair

_____

Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Wednesday, March 09, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of minutes of March 1, 2022 meeting	Senator Ricks
S 1301	SELF-SERVICE STORAGE FACILITIES - Amends existing law to provide for methods to assess self-service storage facility properties. No further testimony will be taken.	
H 637	COMMUNITY INFRASTRUCTURE DISTRICTS - Amends existing law to revise provisions regarding the district formation and membership of a community infrastructure district board.	Rep. Green
H 678	SALES TAX - Adds to existing law to provide a sales and use tax exemption for certain semiconductor projects.	Tom Kealey, Director of Idaho Department of Commerce

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

Sen Souza

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Wednesday, March 09, 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 at 3 pm.
MINUTES APPROVAL:	The approval of the minutes was postponed until a future meeting.
S 1301	Having heard testimony previously, no further testimony was taken.
MOTION:	**Vice Chairman Grow** moved to send **S 1301** to the floor with a **do pass** recommendation. **Senator Bayer** seconded the motion. The motion passed by **voice vote**. Vice Chairman Grow will carry the bill on the floor.
H 637	**Representative Green** presented **H 637**. She explained that there were two changes to Community Improvement Districts (CID) in this bill. The first change related to what property can be included in the CID. The second change related to membership of the CID board. **H 637** required that a CID shall not exclude from the district any land that is completely surrounded by property in the district. **Representative Green** noted that there was a lot of friction as a result of neighbors who were enjoying the same infrastructure, but were being taxed at different rates depending on whether they were included in the CID. Second, the bill required that the membership of a CID board, in the event that a county or city has redrawn its county commissioner boundaries or has changed from at large city council elections to city council district elections, include one homeowner residing in the district, to be appointed by the city council; one city council member whose new city council district or one county commissioner whose new county commissioner district included the CID, to be appointed by the district board; and one additional city council member, to be appointed by the CID board. She explained that currently the CID board of Harris Ranch was comprised of 3 city council members who do not reside within the CID. Finally, **Representative Green** stated that developers of Avimor and Harris Ranch had been consulted and that they were neutral regarding this bill.

DISCUSSION: **Vice Chairman Grow** asked whether the provisions of this were retroactive or would only apply to new CIDs. **Representative Green** responded that the bill would not be applied retroactively, only to future CIDs.

Senator Souza expressed a concern for existing homes within an area being proposed for a CID being forced to be part of the CID and pay increased taxes. **Representative Green** stated that existing law already required a 2/3 vote of the existing residents to create a CID. She noted that this could result in someone who voted against the formation of a CID to, nevertheless, have to pay the additional taxes. **Chairman Rice** further clarified that Idaho Code § 50-3103 required that a CID be initiated by a petition signed by not less than 2/3 of the district residents or, in the case of bare land, all of the owners of property located within the district.

Senator Souza next asked for clarification on the changes regarding membership of the CID board. **Representatiive Green** referenced her earlier discussion regarding the board requirements.

Senator Vick asked whether one property owner could object to the formation of the CID and later develop the land and enjoy the infrastructure. **Chairman Rice** stated that his interpretation of **H 637** was that they could not form a CID that surrounded that property, but they could form a CID that was next to the property.

MOTION: **Senator Semmelroth** moved to send **H 637** to the floor with a **do pass** recommendation. **Vice Chairman** seconded the motion.

Senator Souza made a substitute motion to hold **H 637** in committee. **Senator Vick** seconded the motion. The motion to hold the bill in committee failed.

Senator Lakey stated that he would vote to send the bill to the floor with a do pass recommendation, but that he reserved his right to vote in opposition to the bill on the floor. The original motion to send **H 637** to the floor with a **do pass** recommendation passed by **voice vote**. **Senators Vick, Souza and Bayer** asked to be recorded as voting no. Senator Ward-Engleking will carry the bill on the floor.

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

H 678 **Chairman Rice** presented **H 678**. He explained that **H 678** was a tax incentive that was critical to our national security and our economy. He further explained that most chips were manufactured outside of the United States in increasingly unstable countries such as Taiwan and that **H 678** provided tax incentives to encourage domestic production and manufacturing of semiconductor chips.

TESTIMONY: **Tom Kealey**, Director, Idaho Department of Commerce, first provided some background on semiconductor manufacturing.. He stated that domestic semiconductor manufacturing had declined from 37% of the world's semiconductor chips in 1930 to 12% today and was forecasted to decline to 10% by 2030. He explained that in 2021 the U.S Senate passed the United States Innovation and Competition Act that included $52 billion aimed at increasing domestic chip manufacturing, research and design which they hoped to finalize and submit for congressional and presidential approval. **Mr. Kealey** further explained that, once funded, this federal legislation would create fierce competition for this money. He noted that the Semiconductor Association estimated that this federal investment would add approximately $148 billion in economic success and add 1.1 million permanent jobs. He stated that Idaho currently ranked sixth in the nation for semiconductor workforce with 12,300 employed and that Idaho represented 4% of the total semiconductor employment in the United States. In addition, the average wage in the semiconductor industry was $135,000 annually and the

industry provided $2.5 billion in GDP for Idaho. He further stated that Idaho had approximately 50 semiconductor facilities in Idaho.

Mr. Kealey next explained the details of **H 678**, the Idaho Semiconductors for America Act or Idaho Act. **H 678** exempts sales tax on the purchase or use of construction and building materials to construct, expand or modernize a semiconductor facility in Idaho by any new or existing business. In order to qualify for the exemption, however, a semiconductor business would also have to qualify for the new federal incentives by the end of December 2026. If no federal incentive were enacted before December 31, 2026, no entity would qualify for the exemption. The sales tax exemption lasted until construction was completed. All construction must be completed by December 31, 2040.

DISCUSSION: **Senator Vick** asked why it was important that the companies who applied for the exemption to first qualify for the federal exemption. **Mr. Kealey** responded that they used the criteria for the federal program rather than create separate criteria for the Idaho exemption. A business may never see any federal money.

Senator Semmelroth inquired about what special skills or education were required for the semiconductor industry and whether there had been any discussions with universities to ensure the education would be available. **Mr. Kealey** responded that they have had discussions with the universities. While they offer many courses for the industry, they may need to expand that.

MOTION: **Senator Nye** moved to send **H 678** to the floor with a **do pass** recommendation. **Chairman Rice** seconded the motion. The motion passed by **voice vote**. **Chairman Rice** will carry the bill on the floor.

ADJOURNMENT: There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:50 pm.

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Senator Rice
Chair

_____

Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

3:00 P.M.
Room WW53
Thursday, March 10, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of the minutes of March 1, 2022.	Senator Ricks
H 689	STATE TAX COMMISSION - Amends existing law to revise duties of the chairman.	Rep. Manwaring Rep. Ruchti
H 713	INCOME TAXES - Amends existing law to revise provisions regarding state and local tax treatment for affected business entities.	Rep. Addis Ken McClure, Givens Pursley
H 714	INCOME TAXES - Amends existing law to revise provisions regarding taxation of adjustments of certain bonus depreciation.	Rep. Kauffman Ken McClure, Givens Pursley
H 635	CITIES - Amends existing law to revise provisions regarding city annexations.	Rep. Okuniewicz

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Thursday, March 10, 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 at 3:02 pm.
MINUTES APPROVAL:	**Senator Ricks** moved to approve the minutes of the Senate Local Government and Taxation Committee meeting of March 1, 2022. **Vice Chairman Grow** seconded the motion. The motion to approve the minutes of March 1, 2022 passed by **voice vote**.
H 689	**Representative Manwaring** presented **H 689**. He explained that **H 689** deals with the responsibilities and delegations of authority of the Idaho State Tax Commission (Commission). Last year **H 214** attempted to strike balance of the day to day authority between the chairman of the Commission and the full Commission. **H 214** authorized a single commissioner to place a decision item before the Commission. **H 689** required the majority of the commission to bring a decision item before the Commission. Delegations of authority and assigments of authority can be reviewed by the Commission.
MOTION:	**Vice Chairman Grow** moved to send **H 689** to the floor with a **do pass** recommendation. **Senator Ricks** seconded the motion. The motion passed by **voice vote**. Vice Chairman Grow will carry the bill on the floor.
H 713	**Ken McClure**, of Givens Pursley representing the Idaho Society of CPAs, presented **H 713**. He first provided some background and noted that Congress limited the number of deductions that individuals can take on their state income taxes to $10,000, but allowed businesses to deduct the entire amount of state taxes paid. The State and Local Tax (SALT) work around for that allowed pass through entities such as partnerships, sub S corporations and LLCs to get the same amount of deduction on their federal taxes as other businesses get. It allowed the business itself, rather than the individual members, to pay the taxes on behalf of its members. Idaho adopted the SALT workaround in **H 317** last year. However, it was discovered that **H 317** did not include tiered entities where a partnership is an owner of a sub S corporation or a sub S corporation had an LLC as a shareholder and would not allow the tax benefits to accrue to the individual. **H 713** corrects that problem.
DISCUSSION:	**Chairman Rice** asked Mr. McClure to discuss the fiscal note. **Mr. McClure** explained that **H 713** would cost the state nothing. The same amount of taxes were paid, but they were paid by the entity rather than the individual.
MOTION:	**Vice Chairman Grow** moved to send **H 713** to the floor with a **do pass** recommendation. **Senator Semmelroth** seconded the motion. The motion passed by **voice vote**. Vice Chairman Grow will carry the bill on the floor.

H 714 **Ken McClure**, of Givens Pursley representing the Idaho Society of CPAs, presented **H 714**. He explained that Congress enacted legislation many years ago to allow bonus depreciation, however, Idaho opted to not conform to that legislation due to the high cost. **Mr McClure** stated that **H 714** addressed part of the concerns related to Idaho opting out of the bonus depreciation. He explained that normally, if you take depreciation, it reduces your basis. When you sell the asset you may pay taxes on the gain. Your basis for state tax purposes is the same as for federal tax purposes. Under the bonus depreciation law, you were allowed to take additional depreciation on your federal taxes, but not your state taxes. Legislation last year addressed this discrepancy. However, the Commission had interpreted that legislation as new law rather than a clarification of existing law and had continued to use the old law in audits. **H 714** made last year's legislation retroactive and clarified other issues for the Commission.

DISCUSSION: **Matthew Grow**, with the Idaho Society of CPAs, stated that he was present to answer any questions, but there were none.

MOTION: **Vice Chairman Grow** moved to send **H 714** to the floor with a **do pass** recommendation. **Senator Lakey** seconded the motion. The motion passed by **voice vote**. Vice Chairman Grow will carry on the floor.

H 635 **Representative Okuniewicz** presented **H 635**. He explained that **H 635** clarifies Idaho Code § 50-222 and allowed a property owner to pick which city he or she wants to be annexed to in situations where they live on a county property that is contiguous to more than one city. It required that all landowners consent to annexation.

TESTIMONY: **Shelby White** resident of Star opposed **H 635** because it allowed a city to force annexation without any voice.

DISCUSSION: **Senator Souza** commented that she did not read **H 635** as allowing a city to annex landowners within their area of impact.

TESTIMONY: **Trace Leighton**, representing his homeowner's association, expressed a concern regarding forcing residents to be annexed without being given a voice. He stated that individuals should be able to rely on an existing comprehensive land use plan and that a developer should not be able to purchase land and then ask the city to change the comprehensive land use plan.

DISCUSSION: **Senator Bayer** stated that she felt that **H 635** required the consent of the landowners prior to annexation. **Vice Chairman Grow** asked whether amending **H 635** to read that "residents" rather than "landowners" could decide which city they wish to be annexed to would make him happier. **Mr. Leighton** replied that it would.

TESTIMONY: **Mayor John Evans** of Garden City stated that he felt that a county's comprehensive land use plan created an expectation and property right. He cited several concerns regarding **H 635**. First, **H 635** was in conflict with Idaho Code § 50-222 that requires the orderly planning and development of a parcel. In addition, **H 635** was in conflict with Idaho Code § 67-6526 that required notice and hearing procedures for establishing or amending an area of impact.

DISCUSSION: **Senator Ricks** asked whether a group of homeowners could decide they want to move to a neighboring city. **Mayor Evans** responded that they could, but it required compliance with annexation procedures. **Chairman Rice** asked whether, when a city annexed a piece of county property, the city determinds the zoning and land use. **Mayor Evans** responded that was correct.

TESTIMONY: **Mayor Steve Rule** of Middleton expressed a concern regarding action taken by the city of Star to seek approval of the Canyon Commissioners to annex an area already within the city of Middleton's area of impact. He conveyed a desire to hold **H 635** and let the process of annexation take play out.

Keri Smith, Chairman of the Board of Canyon County Commissioners. She noted that there were 13 purposes of the Land Use Planning Act (LUPA), the first of which was property rights. The second purpose was to ensure that adequate public facilities and services were provided at a reasonable cost. She expressed a concern regarding two communities spending taxpayer money on the same infrastructure. She expressed a further concern regarding how areas of impact were created. One of the requirements for establishing an area of impact is that the city must be able to annex within a reasonable time. A third purpose of LUPA was to support agriculture, but it was difficult for an individual to say that he or she was supporting agriculture when the individual knew that after annexation the property was going to be developed.

Scott Emerich, a Star resident, stated that the legislative intent of Idaho Code § 50-222 was that cities should be able to annex lands that are reasonably necessary: 1. To ensure the orderly development of cities, 2. In order to follow efficient and economically viable provision of tax supported and fee supported municipal services, and 3. To enable orderly development of private lands which benefit from cost effective availability of municipal services. Mr. Emerich asserted that by allowing a city to annex land and extend into any city's area of impact, the orderly development and cost effective provisions prescribed in the legislative intent were negated.

Steve Burton, a Star resident, argued that landowners purchased their property with an expectation based on the land use comprehensive plan regarding zoning and lot size. **Senator Vick** noted that the city could change the zoning.

JoAnn Butler, a Boise resident, asserted that the area of impact statute requires a very public process. **H 635** will undermine the power and right of cities and counties to contract with one another to create an area of impact. In addition, it will further undermine the rights of landowners who rely on the promises and obligations.

Rosalyn Studarus, a Star resident, expressed a concern regarding developers coming in and creating denser housing and denser traffic and further expressed concerns about aquifers and water.

Rodney Ashby, Nampa city planner, stated that as a city planner he was looking for tools for reasonable growth and that would take into account taxpayer dollars. He expressed a concern that **H 635** weakened the area of impact.

DISCUSSION: **Senator Vick** referenced earlier testimony and asked whether 16 years was a reasonable time within which to have an area of impact and not develop it. **Mr. Ashby** responded that there was not a clear answer in Idaho Code.

TESTIMONY: **Ron Brutsman**, a Nampa resident, expressed a concern for a developer coming in and building three houses per acre around his three acre property.

Bianca Stevenson, representing the mayor of Caldwell, relayed Mayor Wagner's concerns regarding **H 635**. Mayor Wagner requested that the committee hold the bill and work to add additional language regarding whether neighboring cities whose impact area the land owner is proposing to annex into has legitimate plans for sewer and water into those areas.

Chris Meyer, of Givens Pursley representing the city of Middleton, argued that **H 635** would cut the heart out of LUPA. The area of impact is the core of LUPA. **H 635** would allow another city to go into an area of impact that a city and developer have already invested money in for infrastructure such as a sewer line.

Mayor Robert Simison of Meridian stated that the legislature should not become involved in a dispute between two cities. He felt that the cities should work together to resolve their problems.

Mayor Debbie Kling of Nampa provided an example of how **H 635** would affect her city. Nampa had a waste water treatment project in the planning for ten years that the voters approved a bond for fours years ago. She asserted that projects such as this took years of planning and that **H 635** would cost the taxpayers of Nampa millions of dollars.

Representative Ned Burns spoke in favor of the bill and stated that he witnessed as Mayor of Bellevue, what he considered to be use of area of impact as a land grab tool. He further stated that **H 635** promoted property rights and allowed homeowners to choose which city they want to be annexed to.

Jim Hunter, owner of Hunter Homes, spoke in favor of **H 635** stating that his business purchased land with the intention of developing the land and putting in infrastructure after connecting to city services adjacent to them.

Mayor Trevor Chadwick of Star, stated that **H 635** would help clarify property rights. He argued that **H 635** allowed a city to create an area of impact that may take years to develop. He further stated that Idaho Code § 67-6526(b) required that in defining an area of impact the following factors must be considered: trade area, geographic factors, and area that could reasonably be expected to be annexed to the city in the future.

MOTION: **Senator Vick** moved that the committee hold **H 635** subject to the call of the chairman. **Senator Bayer** seconded the motion. The motion passed by **voice vote**.

ADJOURNMENT: There being no further business at this time, **Chairman Rice** adjourned the committee at 4:40 pm.

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Senator Rice
Chair

_____

Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

2:00 P.M.
Room WW53
Tuesday, March 15, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of the minutes of the March 3, 2022 meeting of the Senate Local Government and Taxation Committee	Senator Grow
H 575	COUNTY PROPERTY - Amends existing law to revise provisions regarding lease to purchase arrangements for courthouses and jails.	Rep. Skaug Senator Agenbroad
H 677	CORPORATE ACTIVITIES TAX - Adds to existing law to prohibit the enforcement of taxation of Idaho businesses by certain out-of-state taxing entities.	Rep. Addis

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Tuesday, March 15, 2022
TIME:	2:00 P.M.
PLACE:	Room WW53
MEMBERS PRESENT:	Chairman Rice, Vice Chairman Grow, Senators Vick, Souza, Bayer, Ricks, Nye, and Semmelroth
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** convened the meeting of the Senate Local Government and Taxation Committee at 2:10 pm.
MINUTES APPROVAL:	**Vice Chairman Grow** moved to approve the minutes of March 3, 2022. **Senator Ricks** seconded the motion. The motion passed by **voice vote**.
H 575	**Representative Skaug** presented the bill. He explained that **H 575** would require any county lease for a jail or courthouse lasting longer than five years to have voter approval. Currently, two out of three commissioners could approve a lease for up to 30 years. He further explained that this was against the Idaho Constitution's restrictions on the accrual long term debt without voter approval. This would not take away leasing as a tool for counties to get new jails and courthouses, it would simply involve the taxpayers in that decision. Any lease beyond five years would require approval by a majority of voters.
DISCUSSION:	**Chairman Rice** asked whether **H 575** was retroactive to existing leases. **Representative Skaug** replied that it was not retroactive.
TESTIMONY:	**Doug Zimmer**, Nez Perce County Commissioner expressed a concern about walking away from financing and the effect on interest rates on bonds.
DISCUSSION:	**Vice Chairman Grow** and **Chairman Rice** asked whether the problem Mr. Zimmer cited exists if **H 575** is not retroactive. **Mr. Zimmer** responded that counties would have expended money for resources anticipating the need for additional staffing and so forth that would be required with new buildings. **Senator Ricks** asked why not use a certificate of participation which doesn't require a vote? **Mr. Zimmer** explained that they had already had an advisory vote on the courthouse, but used a certificate of participation for the jail.
TESTIMONY:	**Hubert Osborne** of Nampa, argued that a lease purchase agreement was an attempt to get around the constitutional prohibition against long term debt. **Sheriff Andy Creech**, Payette County, stated that the law requires the county to provide a jail and courthouse and noted that **H 575** only applied to jails and courthouses. **Russ Hendricks**, representing Idaho Farm Bureau, asserted that a long term lease is in violation of limitations on long term in Article 8, Section 3 of the Idaho Constitution. **Mr. Hendricks** stated that **H 575** was a step toward allowing the counties to incur long term debt without voter approval. **Glen Rimby** expressed support for **H 575** and stated that it was not right for two commissioners to bind taxpayers to long term debt.

Don Hall, Twin Falls County Commissioner, spoke in opposition to **H 575**.

Patty Weeks, Nez Perce County auditor, relayed the experience Nez Perce County had in finding their new jail. They did a certificate of participation for the jail. Afterward several large businesses, including Walmart, left the county. The loss of revenue made it difficult to pay for the jail which resulted in them having to severely trim their budget.

Victor Rodriguez spoke in favor of the bill.

Rebecca McLaughlin, Nez Perce County Treasurer argued that indebtedness incurred for a jail or courthouse were ordinary and necessary expenses not subject to the limitations on long term indebtedness in Article 8, Section 3 of the Idaho Constitution.

MOTION: **Senator Bayer** moved to send **H 575** to the floor with a **do pass** recommendation. **Senator Souza** seconded the motion. The motion passed by **voice vote**. Senators Nye and Semmelroth are recorded as voting nay. Senator Agenbroad will carry the bill on the floor.

H 677 **Representative Addis** presented **H 677**. He stated that **H 677** protects Idaho businesses from being taxed by out of state entities for conducting sales or other business, taking place within the State of Idaho, between an Idaho business and a non-resident who is physically present within Idaho, while engaging in the business transaction. He explained that in 2019 the Oregon governor signed into law a bill that created a student success fund and levied a corporate activity tax to fund it. **Representative Addis** further explained that this tax was not an income tax or sales tax, but rather a tax for the privilege of doing business in Oregon. He asserted that the capital activity tax applied to almost all tangible property and amounted to tax without representation. **Representative Addis** read from a decision from the Idaho Attorney General stating that in the situation where an Idaho business is not doing business in Oregon, there was no reason to believe that a substantial nexus existed and, as such, Oregon's capital activity tax violated the due process and commerce clauses of the United States Constitution. **Representative Addis** stated that **H 677** would make Oregon's corporate activity tax null and void.

DISCUSSION: **Chairman Rice** noted that the corporate activity tax was different from the single factor test they saw with sales taxes between two states. He explained that this tax was a tax on Oregon businesses doing business in Oregon and, as such, in violation of Idaho's sovereignty. **Vice Chairman Grow** asked what happens if businesses don't pay these taxes. **Representative Addis** responded that a lien could be levied. **Chairman Rice** noted that the lien would have to be enforced in Idaho where it would be null and void.

MOTION: **Senator Nye** moved to send **H 677** to the floor with a **do pass** recommendation. **Senator Vick** seconded the motion. The motion passed by **voice vote**. Senator Vick will carry the bill on the floor.

ADJOURNMENT: There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:12 pm.

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Senator Rice
Chair

_____

Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

2:00 P.M.
Room WW53
Wednesday, March 16, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of the minutes of the March 9, 2022 meeting of the Senate Local Government and Taxation Committee	Senator Vick
GUBERNATORIAL REAPPOINTMENT:	Gubernatorial reappointment of Lee Heinrich to the Board of Tax Appeals	Lee Heinrich, Board of Tax Appeals
H 635	CITIES - Amends existing law to revise provisions regarding city annexations. No further testimony will be taken.	
H 673	PROPERTY - Amends existing law to revise provisions regarding property that has changed in use.	Senator Guthrie Rep. Harris
H 715	INCOME TAXES - Amends existing law to revise provisions regarding filing for certain income tax refunds or credits.	Rep. Cannon

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Wednesday, March 16, 2022
TIME:	2:00 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** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 2:00 pm.
MINUTES APPROVAL:	**Senator Vick** moved to approve the minutes of March 9, 2022. **Senator Semmelroth** seconded the motion. The motion passed by **voice vote**.
GUBERNATORIAL APPOINTMENT:	**Lee Heinrich**, who had been reappointed to the Board of Tax Appeals (Board) to serve a term that commenced June 30, 2021 and expired June 30, 2024, introduced himself to the Committee. He also introduced Chairman Cindy Pollock and discussed his time on the Board. **Mr. Heinrich** shared about his growing up on a potato farm in Lake Fork. His educational background included a Bachelors of Science in Agricultural Economics from the University of Idaho and attendance at National Judicial College. **Mr. Heinrich** also discussed his work experience which included managing the family farm while his father recuperated from a heart attack and sales and management at Idaho Farm Bureau and Arizona Farm Bureau. Finally, he spoke of love of public service as shown by his time with the legislature and serving on numerous boards.
DISCUSSION:	**Senator Ricks** asked how many tax appeals the Board hears in a year. **Mr. Heinrich** responded that in a normal year the Board heard about 500 cases, but last year, due to the pandemic, there were approximately 200 appeals. **Vice Chairman Grow** asked what percentage of appeals were denied. **Mr. Heinrich** replied that about 85% of the appeals were tax assessments and of those cases, 25-30% were reversed and 35-40% were modified. **Senator Souza** stated that Mr. Heinrich had a rich, diverse background and brought a lot to the Board. She asked how the influx of people to the Valley County recreational area affected tax appeals. **Mr. Heinrich** responded that Valley County had seen an increase in non-resident owned homes. This had resulted in an increased demand for local services. As a result, property taxes had increased. **Chairman Rice** thanked Mr. Heinrich and stated that the Committee would vote on his reappointment the following week.
H 635	Having previously taken testimony on **H 635**, no further testimony was taken.
MOTION:	**Vice Chairman Grow** moved to send **H 635** to the floor with a **do pass** recommendation. **Senator Vick** seconded the motion.

DISCUSSION: **Senators Lakey and Nye** each stated he had a conflict of interest pursuant to Senate Rule 39(H), but intended to vote.

Senator Lakey stated that Idaho Code § 50-222 allowed the annexation of land reasonably necessary to assure the orderly growth of the city. That statute required that the city was able to deliver municipal services in a cost effective manner. He asserted that statute needed to be reconciled with Idaho Code § 67-6526 which addressed areas of city impact. **Senator Lakey** stated that voters did not have the opportunity to vote on areas of impact, but had an opportunity to voice their opinion during the hearing process. He noted that homeowners were opposed to city development and density and that 16 years to develop an area of impact may be too long. **Senator Lakey** felt that more time was needed for the parties to work on a resolution.

SUBSTITUTE MOTION: **Senator Lakey** made a substitute motion to hold **S 635** in committee. **Senator Semmelroth** seconded the motion

The original motion to send **H 635** to the floor with a **do pass** recommendation failed.

The substitute motion to hold **H 635** in committee passed by **voice vote**. **Senator Vick** asked that he be recorded as voting nay.

H 673 **Senator Guthrie** presented **H 673**. He explained that **H 673** changed how a description of land and its change of use were stated on the new construction rolls. It deleted a description of the land and its change of use as additions to the new construction roll. It recognized that a change in land use was not new construction. In addition, **H 673** removed the obligation of taxing districts to deduct any reduction in value that resulted from a change of land use clarification.

TESTIMONY: **Russ Hendricks**, of Farm Bureau, stated support for **H 673** and noted that it didn't affect the amount of taxes collected.

MOTION: **Senator Souza** moved to send **H 673** to the floor with a **do pass** recommendation. **Senator Nye** seconded the motion. The motion passed by **voice vote**. Senator Guthrie will carry the bill.

H 715 **Representative Cannon** presented the bill. He explained that **H 715** extended the statute of limitations for making a claim for credit or for a refund of certain overpaid taxes from three years to ten years.

DISCUSSION: **Vice Chairman Grow** noted that the federal statute of limitations for making a claim for credit was seven years and asked why **H 715** wasn't drafted to be consistent with the seven year federal statute of limitations. **Representative Cannon** responded that the ten year statute of limitations was in line with the tradition within the Idaho Tax Commission of going back ten years. **Senator Souza** suggested sending **H 715** to the amending order.

MOTION: **Vice Chairman Grow** moved to send **H 715** to the 14th order. **Senator Souza** seconded the motion. The motion passed by **voice vote**.

ADJOURNMENT: There being no further business at this time, **Chairman Rice** adjourned the meeting at 2:46 pm.

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Senator Rice
Chair

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Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

2:00 P.M.
Room WW53
Thursday, March 17, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
H 509	TAXES - Amends existing law to increase the grocery income tax credit.	Senator Vick
H 481	PROPERTY TAX REDUCTION - Amends existing law to revise criteria for homes that are ineligible for the circuitbreaker program.	Rep. Shepherd

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Thursday, March 17, 2022
TIME:	2:00 P.M.
PLACE:	Room WW53
MEMBERS PRESENT:	Chairman Rice, Vice Chairman Grow, Senators Vick, Bayer, Ricks, Nye, and Semmelroth
ABSENT/ EXCUSED:	Senators Lakey and Souza
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 Senate Local Government and Taxation Committee to order at 2:05 pm.
H 509	**Senator Vick** presented **H 509**. He explained that **H 509** increased the grocery tax credit from $100 to $120 per individual and from $120 to $140 for eligible seniors. This tax credit would begin in 2023 and the credit would be paid in 2024. **Senator Vick** further explained that the fiscal impact of increasing the grocery tax credit was $32.4 million, but that was offset by the projected growth in the Tax Relief Fund. He noted that there had not been an increase in the grocery tax credit since 2015.
DISCUSSION:	**Senator Nye** asked who benefits from this tax credit. **Senator Vick** replied that it benefitted most Idaho residents. **Senator Ricks** commented that he estimated that the increase in the grocery tax credit amounted to about $2000 or $40 worth of groceries per week which essentially eliminated the sales tax on groceries.
TESTIMONY:	**Miguel Legarreta**, President of the Associated Taxpayers of Idaho, provided additional information regarding who benefitted from **H 509**. He stated that a family of four making $100,000 a year was slightly better off and that all eligible residents were able to receive the grocery tax credit, even those who did not file a tax return. In addition, when you included those who received food stamps, over 90% of Idahoans received a food credit or benefit.
MOTION:	**Senator Vick** moved to send **H 509** to the floor with a **do pass** recommendation. **Senator Semmelroth** seconded the motion. The motion passed by **voice vote**. Senator Vick will carry the bill.
H 481	**Senator Bayer** presented **H 481**. She explained that **H 481** raised the value of a residence that will qualify for the circuit breaker program to 150% of the assessed median value of homes in the county. In addition, **H 481** provided that any home that is assessed at $300,000 or less will automatically qualify for the circuit breaker program. **Senator Bayer** stated that this increased value prevented many elderly widows and widowers from being kicked off the circuit breaker program.

DISCUSSION: **Senator Nye** asked what this increased value of a qualifying residence meant in dollars. **Senator Bayer** explained that the value of the house would not make a difference in the amount of taxes paid, it was simply a factor in determining whether the residence qualified for the circuit breaker exemption. She further noted that the circuit breaker exemption resulted in property tax savings for individuals in the lowest income bracket of $1500 a year and for those in the highest income bracket it resulted in a tax savings of $250 per year. The median tax savings under the circuit breaker program was just under $800 per year.

MOTION: **Senator Bayer** moved to send **H 481** to the floor with a **do pass** recommendation. **Senator Semmelroth** seconded the motion. The motion passed by **voice vote.** Senator Bayer will carry the bill on the floor.

ADJOURNMENT: There being no further business at this time, **Chairman Rice** adjourned the meeting at 2:20 pm.

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Senator Rice
Chair

_____

Meg Lawless
Secretary

AGENDA

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

2:00 P.M.
Room WW53
Monday, March 21, 2022

For members of the public to observe the meeting, please click on the following link:
https://www.idahoptv.org/shows/idahoinsession/ww53/

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of the minutes of the March 10, 2022 meetingof the Senate Local Government and Taxation Committee	Senator Semmelroth
MINUTES APPROVAL:	Approval of the minutes of the March 15, 2022 meeting of the Senate Local Government and Taxation Committee	Senator Nye
MINUTES APPROVAL:	Approval of the minutes of the March 16, 2022 meeting of the Senate Local Government and Taxation Committee	Senator Grow
MINUTES APPROVAL:	Approval of the minutes of the March 17, 2022 meeting of the Local Government and Taxation Committee	Senator Bayer
GUBERNATORIAL APPOINTMENT VOTE:	Gubernatirial reappointment of Lee Heinrich to the Idaho Tax Appeals Board	
H 735	COUNTY INDIGENT SERVICES - Amends, repeals, and adds to existing law to revise provisions regarding county indigent services and finances.	Rep. Moyle Rep. Weber
PRESENTATION:	Graduation of page Mark Vincent	Senator Rice

Public Testimony Will Be Taken by Registering Through the Following Link:
Register to Testify

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Rice
Vice Chairman Grow
Sen Vick
Sen Lakey
Sen Souza
Sen Bayer
Sen Ricks
Sen Nye
Sen Semmelroth

COMMITTEE SECRETARY

Meg Lawless
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Phone: 332-1315
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MINUTES

SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE:	Monday, March 21, 2022
TIME:	2:00 P.M.
PLACE:	Room WW53
MEMBERS PRESENT:	Chairman Rice, Vice Chairman Grow, Senators Vick, Lakey, Souza, Bayer, Ricks, and Semmelroth
ABSENT/ EXCUSED:	Senator Nye
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 to order the meeting of the Senate Local Government and Taxation Committee (Committee) at 2:06 pm.
MOTION TO RECONSIDER H 635:	**Senator Ricks** moved to reconsider **H 635**. **Senator Bayer** seconded the motion. The motion to reconsider **H 635** passed by **voice vote**. Senators Semmelroth and Lakey are recorded as voting nay.
MOTION:	**Vice Chairman Grow** moved to send **H 635** to the floor with a **do pass** recommendation. **Senator Bayer** seconded the motion.
DISCUSSION:	**Senator Lakey** expressed his opinion that there was a better approach. The motion to send **H 635** to the floor with a **do pass** recommendation passed by **voice vote**. Senators Semmelroth and Lakey are recorded as voting nay. Senator Grow will carry on the floor.
MINUTE APPROVAL:	**Senator Semmelroth** moved to approve the minutes of the March 10, 2022 meeting of the Committee. **Senator Souza** seconded the motion. The motion passed by **voice vote**. **Senator Ricks** moved to approve the minutes of the March 15, 2022 meeting of the Committee. **Vice Chairman Grow** seconded the motion. The motion passed by **voice vote.** **Vice Chairman Grow** moved to approve the minutes of the March 16, 2022 meeting of the Committee. **Senator Souza** seconded the motion. The motion passed by **voice vote.** **Senator Bayer** moved to approve the minutes of the March 17, 2022 meeting of the Committee. **Senator Vick** seconded the motion. The motion passed by **voice vote.**
GUBERNATORIAL APPOINTMENT:	**Senator Lakey** moved to send the gubernatorial reappointment of Lee Heinrich to the Idaho Tax Appeals Board to the floor with recommendation that he be confirmed. **Vice Chairman Grow** seconded the motion. The motion passed by **voice vote.** Senator Lakey will carry on the floor.

H 735

Representative Weber presented the bill. He explained that **H 735** was a property tax relief bill. He further explained that **H 735** repealed the county Charity and Indigent Fund Levy. In addition, **H 735** established a new Public Defense Fund beginning in fiscal year (FY) 2025. Furthermore, for FY 2023 and FY 2024 the counties would be reimbursed for the total amount levied. Starting in FY 2025, the Tax Relief Fund money would be distributed under the sales tax distribution formula. In addition, $36 million with a possible 3% escalator for five years would be transferred from local distribution to the Public Defense Fund. With that amount, combined with the current general fund appropriation to the Public Defense Commission of approximately $12 million, the state would fund indigent public defense and relieve the counties of that obligation. Finally, **Representative Weber** explained that **H 735** expressed legislative intent that in the next legislative session a new model of public defense would be adopted.

Representative Weber advised the Committee that there had been discussions regarding proposals to amend **H 735** and stated that Seth Grigg would discuss those proposals.

TESTIMONY:

Seth Grigg of the Association of Idaho Counties, explained that there were two big changes in the proposed amendments. One was on the establishment of the Public Defense Fund and how the money would proceed to that fund. The other changes correct errors in the original draft with respect the repeal of the county medically indigent program. The proposed amendments took $36 million off the top of revenue sharing and diverted it to the Public Defense Fund. **Mr. Grigg** stated that this had an impact on the special purpose districts, but that there was no nexus between special purpose districts and public defense. The proposed amendments took $20 million off the top of county revenue sharing moving forward to fund public defense. And then on the city revenue sharing side, it removed $16 million off the top of city revenue sharing in the first year. That would generate $36 million that would be dedicated to funding public defense. In addition to the state general funds that are appropriated on an annual basis for public defense, which amounts to about $11 million. The amount of funds that came out of county revenue sharing increased by 5% a year for five years. And once they hit the ceiling, which was approximately $26 million, they would be fixed at that $26 million threshold. Moving forward, the city revenue share out remained at $60 million for the duration.

Next, **Mr. Grigg** discussed the changes in the proposed amendments to **H 735** relating to the repeal of the county medically indigent program. He stated that there were errors in some dates. On page two of the proposed amendments, line 30, there was a series of date changes. **Mr. Grigg** explained that those date changes were to align with current statutes.

Mr. Grigg then discussed the last substantive change in the proposed amendments to **H 735**. That proposal increased the amount of property tax relief from $20.9 million in the original draft to $33 million. He explained that amounted to a 5% to 6% reduction statewide in county levy property taxes. In addition, for the next two years, there would be a one time general fund appropriation of $34 million to the counties to help pay for public defense until we get to 2025. **Mr. Grigg** added that this provided time for stakeholders to work towards an alternative public defense model in the state.

DISCUSSION: **Senator Lakey** asked what happened once the automatic allocation of funds to the counties ended. **Mr. Grigg** explained that at that point, those shares would continue to go to the Public Defense Fund that was established to help pay for public defense, but that amount would be capped at the amounts that they were at that time, and the general fund would provide support for expenses above that.

Senator Ricks asked how the transfer of money from the Tax Relief Fund to the general fund translated to tax relief for county residents and how we knew that would happen. **Mr. Grigg** explained that a proposed amendment to Idaho Code § 63-802 required counties to reduce their base budget in the last three years the amount they spent on public defense.

Senator Lakey asked Mr. Grigg to explain further about the elimination of the Wayfair money which would be supplemented by additional allocations of funds, but not as much. **Mr. Grigg** explained that the Tax Relief Fund would end in FY 2025 at which time there would be an infusion of revenue sharing dollars into the counties and cities from online sales tax dollars which would be distributed in accordance with the sales tax distribution formula rather than going to the Tax Relief Fund. He estimated that the proceeds to the counties and cities would be close to $36 million. The county's share of that will be roughly $17 million. Revenue from the sales tax distribution would also result in additional revenue in the approximate amount of $16 million which was about a wash. In the first year, the full amount of the Wayfair money coming to them went toward public defense funding. And then, in future years online sales taxes generated increasing revenue. Any revenue sharing above that $16 million went to the cities. And for the counties, any amount of revenue sharing from online sales taxes above $26 million went to the county budgets.

TESTIMONY: **Mayor John Evans** of Garden City, and Legislative Chairman for the Association of Idaho Cities, stated that they had been briefed on the discussions regarding the amendments and supported **H 735** with the proposed amendments, but were opposed to it without the proposed amendments.

Mark Mitton, Burley City Administrator, explained the impact of **H 735** on the city of Burley and stated opposition to any amount coming out of the city's share of sales tax.

MOTION: **Senator Lakey** moved to send **H 735** to the 14th Order of Business for possible amendment. **Vice Chairman Grow** seconded the motion. The motion passed by **voice vote**. Senator Lakey will carry on the floor.

PRESENTATION: **Chairman Rice** honored page Mark Vincent and thanked him for his service to the Committee. **Mr. Vincent** introduced himself and stated that he was a Senior at Eagle High School.

Chairman Rice asked Mr. Vincent what he had enjoyed the most about his experience as a page. **Mr. Vincent** responded that he had enjoyed sitting in the committees he served and interacting with senators and staff.

Senator Souza asked Mr. Vincent what he had learned that he hadn't expected to. **Mr. Vincent** replied that he had learned a lot about local government and taxation.

Senator Lakey asked how Mr. Vincent thought he could apply what he learned in the future. **Mr. Vincent** responded that he wanted to pursue a degree in political science and that his experience as a page would benefit him in that pursuit.

Senator Bayer asked where Mr. Vincent intended to attend college. **Mr. Vincent** stated that he intended to begin at the College of Western Idaho and finish his degree at the University of Idaho.

Vice Chairman Grow complimented Mr. Vincent for the amazing job he had done.

The Committee then presented Mr. Vincent with several gifts along with a letter of appreciation from the Committee and a letter of recommendation from Chairman Rice.

ADJOURNMENT: There being no further business at this time, **Chairman Rice** adjourned the meeting at 2:37 pm.

Senator Rice
Chair

Meg Lawless
Secretary

Seth Grigg

On page 2 of the printed bill, on lines 17-21, delete "Further, it is the intent of the Legislature that, before the sunset of the three percent escalator after fiscal year 2030, as provided in section 3 of this act, the Legislature reassess the need for ongoing contributions from local government to indigent public defense, if any, in the form of an ongoing escalator." and insert the words "It is also the intent of the legislature that all administrative rules promulgated by the public defense commission shall expire on and after October 1, 2024, after the transition to the new model."

On page 4 of the printed bill on lines 29-42, after the word "treasury", insert ", and the" and delete ". Beginning in fiscal year 30 2025, nine million dollars ($9,000,000) shall be transferred from the revenue-sharing account each quarter to the state public defense fund created in section 57-827, Idaho Code. Growth percentage in the revenue-sharing account shall be recalculated each quarter beginning in fiscal year 2026 and in each fiscal year thereafter through fiscal year 2030. If the growth is positive in the revenue-sharing account and is calculated over the same period from the previous fiscal year, a proportional increase in the initial transfer amount of up to three percent (3%) annually shall be transferred to the state public defense fund. After fiscal year 2030, an amount equal to one-fourth (1/4) of the total amount transferred from the revenue-sharing account to the state public defense fund in fiscal year 2030 shall be transferred quarterly from the revenue-sharing account to the state public defense fund. The remaining"

On page 4 of the printed bill, beginning on line 47, after "(i)" insert the words "Beginning fiscal year 2025 and each fiscal year thereafter, four million dollars ($4,000,000) shall be transferred each quarter to the state public defense fund created in section 57-827, Idaho Code."

On page 4 of the printed bill, beginning on lines 47, after the addition of the language above insert "(ii) After the distribution in subparagraph (10)(a)(i) of this section,"

On page 5 of the printed bill, on line 43, after "(i)" insert the words "Beginning fiscal year 2025, five million dollars ($5,000,000) shall be transferred each quarter to the state public defense fund created in section 57-827, Idaho Code. The growth percentage distributed pursuant to this subparagraph shall be recalculated each quarter beginning in fiscal year 2026 and in each fiscal year thereafter through fiscal year 2030. If the growth is positive and is calculated over the same period

from the previous fiscal year, a proportional increase in the initial transfer amount of up to five percent (5%) annually shall be transferred to the state public defense fund. After fiscal year 2030, an amount equal to one-fourth (1/4) of the total amount transferred to the public defense fund pursuant to this subparagraph shall in fiscal year 2030 be transferred quarterly to the public defense fund."

On page 5 of the printed bill, on line 40, delete "(i)" and after the addition of the language above insert "(ii) After the distribution in subparagraph (10)(b)(i) of this section,"

On page 6 of the printed bill, on line 1, delete "(ii)" and insert "(iii) After the distribution in subparagraph (10)(b)(i) of this section,"

On page 8 of the printed bill, delete lines 31-36 and insert the words "For fiscal years 2023 and 2024 only, a sum of thirty four million dollars ($34,000,000) shall distributed each year by the state tax commission to the forty-four counties in the proportion that the expenditures of indigent defense services of the county during fiscal year 2021, excluding any state aid or grants, bears to the expenditures for the indigent defense services of all counties in the state, excluding any state aid or grants. On or before July 1, 2022, the public defense commission shall certify to the state tax commission each county's proportionate share of indigent defense expenses, excluding any state aide or grants, for county fiscal year 2021."

On page 11 of the printed bill, on line 12, delete the word "January" and insert the word "March"

On page 11 of the printed bill, on line 15, delete the word "January" and insert the word "March"

On page 11 of the printed bill, on lines 19-20, delete the word "January" and insert the word "March"

On page 11 of the printed bill, on line 21, after "(4)" insert "A board of county commissioners, the board of the catastrophic health care cost program, or the department of health and welfare receiving an application for assistance for services received through March 31, 2022 shall process such application pursuant to this chapter as it existed on March 1, 2022."

On page 11 of the printed bill, on line 21, delete "(4)" and insert "(5)"

On page 11 of the printed bill, on line 38, after "(1)" delete "Receipt of" and insert "An applicant that received services through March 31, 2022 and was approved for"

On page 12 of the printed bill, on line 32, after the words "not assigned to" delete the words "catastrophic health care cost program" and insert the word "state"

On page 12 of the printed bill, on line 33, after the word "county" delete the words "medically indigent" and insert the words "current expense"

On page 12 of the printed bill, on lines 34-38, after "(8)" delete the words "If, after a hearing, the final determination of the county commissioners is to require a reimbursement amount or rate the applicant believes excessive, the applicant may seek judicial review of the final determination of the county commissioners in the manner provided in section 31-1506, Idaho Code." and insert the words "The automatic lien attached to an application for services received through March 31, 2022, pursuant to this chapter as it existed on March 1, 2022, shall remain solely for the collection of reimbursement pursuant to this section."

On page 20 of the printed bill, on lines 37-38, after the words "amount levied for" delete the words "the charities fund authorized in section 31-863, Idaho Code" and insert the words "indigent public defense services. The reduced budget amount shall be the base budget for purposes of this section."

On page 26 of the printed bill, delete lines 26-42.

On page 16 of the printed bill, add new section to repeal Section 63-3558, Idaho Code (was somehow left out of the original bill)

New section to be inserted into bill with amendments, location TBD

That section 57-811, Idaho Code, be, and the same is amended hereby amended to read as follows:

57-811. TAX RELIEF FUND. (1) There is hereby created in the state treasury the tax relief fund to which shall be credited all moneys remitted from sections 63-3620F and 63-3638, Idaho Code, from federal grants, donations, or any other source. Moneys in the fund are intended to fund future tax relief statutes enacted by the legislature and may be expended pursuant to

appropriation. All interest earned on the investment of idle moneys in the fund shall be returned to the fund.

(2) On July 15, 2021, the state controller shall transfer one hundred eighty million dollars ($180,000,000) from the tax relief fund to the 2021 Idaho tax rebate fund.

(3) For fiscal year 2022 and each fiscal year thereafter, the state controller shall transfer one hundred ten million dollars ($110,000,000) from the tax relief fund to the general fund.

(4) In addition to any other transfers authorized under this section, for fiscal years 2023 and 2024 only, the state controller shall transfer up to thirty four million dollars ($34,000,000) from the tax relief fund to the general fund.