

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, January 25, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:00 p.m.

PASSED THE GAVEL: **Chairman Ricks** passed the gavel to **Vice Chairman Schroeder**.

DOCKET NO. 35-0101-2202 **Cynthia Adrian**, Tax Research Specialist with the Idaho Tax Commission (Commission) presented the docket. She stated that these rules had been reviewed in accordance with Governor Little's Zero-Based Regulation guidelines. Public meetings were conducted on April 28, 2022; July 14, 2022 and September 1, 2022 with attendance by the Idaho Association of Commerce and Industry (IACI), Associated Taxpayers of Idaho (Association), the Idaho Society of CPAs and the Idaho Bankers Association. **Ms. Adrian** explained that the changes in this docket were the result of **H 563** passed by the legislature last session. **H 563** changed the calculation of the Idaho tax apportionment percentage from a three-factor method that included property, payroll and double-weighted sales to a single-sales factor method. In addition, **H 563** changed the way sales revenue was assigned from the cost-of-performance method to market-based sourcing. Under the cost-of-performance method as sales revenue from intangible goods and services was assigned to a location having the greater proportion of services performed. Under the market-based sourcing sales revenue was assigned to the location receiving or benefitting from the services.

DISCUSSION: **Senator Grow** repeated that these rules were the result of H 563 passed by the legislature last session. Idaho was one of the few states using the old method. It could be a problem in interstate commerce in that businesses could be overtaxed in one state and undertaxed in another.

TESTIMONY: **John Eaton**, Vice President of IACI, testified in support of the rules. He stated that the rules benefitted all companies, large and small. He noted that the fiscal analysis showed no additional impact.

Tom Shaner, Tax Research Manager at the Commission, stood before the Committee to answer any questions. There were none.

DISCUSSION: **Chairman Ricks** reiterated that these rules were the result of H 563 passed by the legislature last session. He further stated that he felt these rules were needed.

MOTION: **Senator Grow** moved to approve **Docket No. 35-0101-2202**. **Senator Adams** seconded the motion. The motion passed by **voice vote**.

PASSED THE GAVEL: Vice Chairman Schroeder passed the gavel back to Chairman Ricks.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting of the Committee at 3:12 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary