

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, February 02, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

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

ABSENT/ EXCUSED: Senator Adams

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 3:01 p.m.

DOCKET NO. 35-0109-2201 **Idaho Beer and Wine Administrative Rules. Tom Shaner** Tax Research Manager at the Idaho State Tax Commission (ISTC), presented **Docket No. 35-0109-2201**. **Mr. Shaner** explained that these rules combined the rules for beer and wine distributors which had previously had separate rules. In addition, the deleted rules were in statute or adequately covered in statute. For example, the rule regarding a petition to waive a security requirement was included in the Administrative Procedures Act. **Mr. Shaner** stated that there were no substantive changes.

DISCUSSION: **Senator Cook** inquired whether there was a fee to open a tax account. **Mr. Shaner** responded that there was no fee for opening a tax account.

MOTION: **Senator Cook** moved to adopt **Docket No. 35-0109-2201**. **Senator Rabe** seconded the motion. The motion to adopt **Docket No. 35-0109-2201** passed by **voice vote**.

DOCKET NO. 35-0201-2201 **Tax Commission Administrative and Enforcement Rules. Cynthia Adrian**, Tax Research Specialist at ISTC, presented **Docket No. 35-0201-2201**. **Ms. Adrian** stated that the only change in this rule was that the deadline previously in this rule was reverted to statute. She further explained that there were no public hearings because the rulemaking aligned the rule with statute.

DISCUSSION: **Senator Grow** asked whether the 60 day deadline for filing an amended return in the rule was inconsistent with statute. **Ms. Adrian** affirmed that the statute had a 120 day deadline.

MOTION: **Senator Grow** moved to adopt **Docket No. 35-0201-2201**. **Chairman Ricks** seconded the motion. The motion to adopt **Docket No. 35-0201-2201** passed by **voice vote**.

DOCKET NO. 36-0101-2200 **Idaho State Board of Tax Appeals - Notice of Omnibus - Temporary and Proposed Rules. Travis VanLith** with the Idaho State Board of Tax Appeals (ISBTA) presented **Docket No. 36-0101-2200**. **Mr. Van Lith** stated that this rule was to bring the rules into conformity with a 2021 statute that enacted Idaho Code § 63-3810A. That statute removed the restriction against non-attorneys representing an individual before ISBTA.

DISCUSSION: **Senator Grow** requested clarification regarding whether "taxpayer" included only a natural individual or whether it included a corporation, limited liability company, partnership, joint venture and other entities. **Mr. VanLith** replied that "taxpayer" was defined more broadly to include corporations and other entities.

MOTION: **Senator Bernt** moved to adopt **Docket No. 36-0101-2200**. **Senator Grow** seconded the motion. The motion to adopt **Docket No. 36-0101-2200** passed by **voice vote**

PRESENTATION: Property Tax Basics. **Kolby Reddish**, Legal Counsel for the Legislative Services Office, gave a presentation on Property Tax Basics. He discussed the history of property taxes in Idaho. **Mr. Reddish** outlined the legal authority. The primary sources of authority are Article VII of the Idaho Constitution and Idaho Code Title 63.

Mr. Reddish explained that Idaho was a budget-based property tax system. Each entity set its own budget annually to determine a levy rate charged for each property. **Mr. Reddish** further explained that there were three main components to determining an individual's property taxes: the district's budget, the district's total taxable value and the individual taxable value.

Mr. Reddish stated that Idaho's property taxes were known as an ad valorem tax, based proportionately on the value of property. Valuation of each property for purposes of assessing taxes under **Idaho Code § 63-201** was based on the market value of each property on January 1 of each year. The County Assessor was responsible for assessing each property annually pursuant to **Idaho Code § 63-314**.

Article VII, Section 5 of the Idaho Constitution required that all taxes be uniform within the same class of subjects within the authority levying the tax provided, that the legislature may allow such exemptions from taxation as shall seem necessary and just. Idaho's uniformity protection required that taxpayers' property taxes were based upon the same levy rate.

Idaho's Constitution gave power to the legislature to grant exemptions which may be whole or partial. An exemption resulted in a reduction in taxable value.

DISCUSSION: **Senator Trakel** asked what would be required to change from a budget based property tax system to a revenue based system where cities and counties have to base their budget on anticipated revenue. **Mr. Reddish** replied that it would take a significant revision to Idaho Code. **Chairman Ricks** asked whether that would also require a constitutional amendment. **Mr. Reddish** responded that before he could answer that he would have to review case law.

Vice Chairman Schroeder requested clarification of the concept of uniformity within the same class of subjects. **Mr. Reddish** explained that there were three defined property class: personal, operating, and real property. He further explained that the Idaho Supreme Court had held that uniformity required not solely uniformity within a class, but also uniformity between classes.

Senator Rabe requested additional information regarding exemptions. **Mr. Reddish** stated that he would provide that.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:48 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary