

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

**DATE:** Tuesday, March 21, 2023

**TIME:** 2:00 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 2:10 p.m.

**MINUTES APPROVAL:** **Vice Chairman Schroeder** moved to approve the minutes of March 9, 2023; March 14, 2023; and March 15, 2023. **Senator Trakel** seconded the motion. The motion passed by **voice vote**.

**H 288** **Income Taxes. Representative Raybould** presented **H 288**. She explained that this bill increased the income tax deduction for qualifying expenses for dependent care from \$3000 for one child or \$6000 for 2 or more to \$12,000. A qualifying dependent, as defined in Internal Revenue Code § 21(b)(1), included a taxpayer's child under the age of 13, a dependent of a taxpayer with a physical or mental disability, and the spouse of a taxpayer with a physical or mental disability. Qualifying expenses were those defined in Internal Revenue Code § 21(b)(2). This was a deduction from gross income, not a credit or rebate. The estimated amount of tax savings for a household with 2 children were as follows:

\$27,000 - \$43,000 income, \$440

\$49,000 - \$83,000 income, \$336

\$83,000 - \$130,000, \$302

.

**DISCUSSION:** **Chairman Ricks** asked whether taxpayers would have to itemize deductions to take advantage of this deduction. **Representative Raybould** replied that this deduction was added as part of the standard deduction.

**Senator Grow** asked for clarification that this deduction was for dependents with physical and mental disabilities. **Representative Raybould** explained that there were 3 classes of dependents: children under the age of 13, children over the age of 13 with mental or physical disabilities, and spouses with mental or physical disabilities. **Senator Grow** asked how they determined the fiscal impact of \$4 million to \$5 million. **Representative Raybould** responded that they had consulted with the Idaho State Tax Commission and the Idaho Fiscal Policy Center. **Senator Grow** noted that the bill was retroactive to January 1, 2023 and asked how that would reduce revenues in fiscal year (FY) 24. **Representative Raybould** stated that she estimated they would see half of the \$4 million in reduced revenues in FY 24.

**Vice Chairman Schroeder** clarified that the standard deduction was on the front page of form 1040 and then other deductions were included on form 39R. A taxpayer was not required to itemize their deductions in order to take advantage of this one.

**MOTION:** **Vice Chairman Schroeder** moved to send **H 288** to the floor with a **do pass** recommendation. **Senator Rabe** seconded the motion. The motion passed by **voice vote**.

**H 328** **Urban Renewal. Representative Ehlers** presented **H 328**. He stated that in 2020 this legislature passed H 521 which created an incentive to attract large data centers to Idaho. If they met certain criteria they would be exempt from sales tax. The Statement of Purpose for that bill stated that these data centers would significantly add to the property tax base. The increased tax base provided property tax relief for homeowners through reduced levies. In exchange, the data centers received a sales tax exemption. **Representative Ehlers** stated that **H 328** required that a data center that met those qualifications be kept on the property tax base and not be allocated into a revenue allocation area or an urban renewal district. This was a targeted bill and not broader urban renewal reform.

**DISCUSSION:** **Senator Grow** asked whether **H 328** circumvented H 521. **Representative Ehlers** explained that a data center had already agreed to locate in Idaho when H 521 was passed in 2020. Recently, however, a revenue allocation area was created around the data center which would have taken it off the property tax base. **Senator Grow** argued that **H 328** was in line with the original intent of H 521. That intent was to allow businesses five years within which to meet the criteria for a sales tax exemption after which it would revert to the taxpayer.

**TESTIMONY:** **Brent Tolman**, President of the Redevelopment Association of Idaho, testified in opposition to **H 328** and asked that it be held in Committee. He expressed concern that the rules that were in place when the data center that was the target of this legislation agreed to locate in Idaho were now being changed. He felt this had a negative effect on attracting other companies and providing economic growth and development. The Local Economic Development Act and Idaho Code Title 50, Chapter 29 allowed local communities to offer incentives for development. It was the city council that had authority to establish an urban renewal plan. **Mr. Tolman** was uncertain what would happen if the businesses were part of an urban renewal area initially and later met the criteria for a sales tax exemption (Attachment 2).

**DISCUSSION:** **Senator Trakel** asked whether they had established the urban renewal district around the data center. **Mr. Tolman** responded that he could not speak to the timing of the establishment of the revenue allocation area as he was not involved with that.

**Vice Chairman Schroeder** stated that it was his understanding that if you had an urban renewal area with a building or property that was part of the existing base and you overlaid a revenue allocation area over that, the incremental value of any improvements would go to the urban renewal district and not to the remainder of the tax base. **Mr. Tolman** confirmed Vice Chairman Schroeder's understanding. However, **H 328** was unclear as to whether the difference in value of a building within an existing urban renewal district that later became part of a revenue allocation area and was purchased by a data center that retrofit the building was incremental value which went to the urban renewal district or part of the base value. **Vice Chairman Schroeder** opined that if the revenue allocation area was adopted after H 521, **H 328** provided that value was part of the base and not part of the increment. However, they were not aware of the timing of the establishment of the revenue allocation area.

- TESTIMONY:** **Kelley Packer**, Executive Director of the Association of Idaho Cities, spoke in opposition to **H 328**. She asserted that this bill eliminated an important tool that local governments had for economic development. She clarified that data centers in urban renewal revenue allocation areas did pay property taxes. This economic development provided substantial infrastructure improvements. Changing the rules hurt future economic development.
- DISCUSSION:** **Vice Chairman Schroeder** noted that the main concern regarding **H 328** was confusion regarding whether any increase in value was part of the increment or base value. He asked whether there were other misrepresentations. **Ms. Packer** stated that the statement in Attachment 1 that the data centers would provide a huge increase in the property tax base and thereby provide property tax relief to taxpayers was correct whether now or in the future.
- TESTIMONY:** **David Lehman**, representing the Meridian Development Corporation, testified in opposition to **H 328**. He argued that the bill was part of a chipping away at the ability of urban renewal districts to facilitate local development and business recruitment. Urban renewal districts helped to provide infrastructure and created jobs and economic development.
- Neil Durrant**, a citizen of Kuna, spoke in support of **H 328**. He stated that it provided immediate property tax relief by adding the value of capital improvements by data centers to the property tax base.
- Morgan Treasure**, Economic Development Director for the city of Kuna and agency administrator for Kuna Urban Renewal, testified in opposition to **H 328**. The agreement with Meta made it financially feasible to expand infrastructure. This bill reduced their ability to expand infrastructure and eliminated a source of economic development. Taxpayers in Kuna would be forced to pay to operate and maintain the \$100 million of infrastructure provided by the agreement with Meta. If property tax relief was provided now by making the value of capital improvements by the data center part of the base, the long term benefit from economic development was reduced.
- DISCUSSION:** **Vice Chairman Schroeder** asked whether it was their intent to take the increment financing tax revenue and use it to operate the plant, or was it their intent to use the increment financing revenue to expand infrastructure. **Ms. Treasure** responded that it was their intent to expand the infrastructure to other users.
- Senator Trakel** asked whether they had intended to put an urban renewal district around the data center when H 521 was passed in 2020. **Ms. Treasure** replied that had been their intent.
- Senator Grow** asked Ms. Treasure to discuss what she felt this bill did. **Ms. Treasure** stated that **H 328** took the value of the data center and put it immediately on the tax base. If, however, they deferred the benefits it would allow them to further expand infrastructure and provide an increased amount of economic development.
- TESTIMONY:** **Representative Durrant** spoke in support of **H 328**. She explained that when the data center came in 2020 it was understood by most of the residents in Kuna that the data center would immediately become part of the property tax base and create property tax relief. She asserted that changing the game plan now would discourage other industry from locating in Idaho.
- Representative Ehlers** clarified that the revenue allocation area was adopted by the city of Kuna on November 1, 2022. **H 328** provided immediate property tax relief by keeping the data center on the tax base.
- MOTION:** **Senator Trakel** moved that **H 328** be sent to the floor with a **do pass** recommendation. **Senator Adams** seconded the motion.

**SUBSTITUTE MOTION:** **Senator Bernt** moved to hold **H 328** in Committee. **Senator Just** seconded the motion. The motion failed.

**ORIGINAL MOTION:** The motion to send **H 328** to the floor with a **do pass** recommendation passed by **voice vote**.

**PRESENTATION: Page Appreciation Bradley Boyd.** **Mr. Boyd** stated that he had enjoyed being a Page for the Agricultural Affairs Committee and filling in for the Local Government and Taxation Committee. He planned to attend Boise State University in August and major in English and Political Science. He would then like to attend law school and return to work in the Attorney General's office. The Committee thanked him for his service and presented him with a gift and letter of appreciation.

**ADJOURNED:** There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:26 p.m.

---

Senator Ricks  
Chair

---

Meg Lawless  
Secretary