

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 20, 2024

TIME: 2:00 P.M.

PLACE: Room WW53

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

ABSENT/ EXCUSED: Senator Cook

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** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 2:03 p.m.

S 1428 **Senator Trakel** presented **S 1428**. This legislation created a deduction from Idaho income taxes for military retirement benefits. Idaho was one of 17 states that taxed military retirement income. This deduction would attract more veterans to Idaho. Military retirees brought many skills to the workplace. They often retained their security clearances for several years. That saved employers such as Micron a significant amount in obtaining security clearances. Military retirees, on the average, made \$10,000 more annually than non-military. According to the Idaho Department of Labor, Idaho lost approximately 1.02 percent of its veterans annually and ranked fifth nationally in the percentage of decline in veterans.

DISCUSSION: **Chairman Ricks** asked whether the anticipated reduction in income of \$12.2 million was based on the current number of veterans in Idaho or a projected number. **Senator Trakel** responded that was based on the current number of veterans in Idaho. **Chairman Ricks** then asked whether there was a projection of the fiscal impact for the following year. **Senator Trakel** responded that any reduction in income tax from military benefits would be offset in the long term by the income taxes paid by additional veterans who came to Idaho and earned other income. **Chairman Ricks** asked how many military retirees there were currently in Idaho. **Senator Trakel** replied there were 4,589 according to the Department of Defense.

Vice Chairman Schroeder, addressing the language on page 1, line 37, asked whether retirement benefits paid to a retired member of the military service would include those who were not veterans. **Senator Trakel** interpreted that language to require that the retiree had to be a member of the military.

Senator Adams read the definition of veteran in U.S. Code § 38-101: "a person who served in the active military, naval, air, or space service and who is discharged or released therefrom under conditions other than dishonorable, " and noted that did not require combat.

TESTIMONY: **Ivan Hurlburt**, representing the Idaho Workforce Enhancement Advocacy Group and the Veterans Association of Real Estate Professionals, testified in support of **S 1428**. He argued that these retirement benefits were already taxed by the federal government and the State also taxing these benefits was an insult. Idaho was a veteran friendly state in terms of the support veterans received from many organizations. This bill would make Idaho more veteran friendly.

Fred Birnbaum, Idaho Freedom Foundation, spoke against **S 1428**. He objected to the carve out for a single group, veterans. He noted that, unlike most pensions, military pensions were totally funded by the government without any contribution from the veteran. The average age of a military retiree was 47. Therefore, this was an advantageous pension.

DISCUSSION: **Senator Adams** noted that many individuals and organizations received tax deductions and asked whether Mr. Birnbaum objected to all deductions. **Mr. Birnbaum** responded that if military pensions were deductible, all pensions should be. He objected to all deductions.

Senator Grow asked, with respect to the language on page 1, lines 39 through 41, "regardless of the age or disability classification of the retired member...", whether Mr. Birnbaum would feel more comfortable specifying age 65 or something else. **Mr. Birnbaum** replied that he would be comfortable specifying age 65 because that maintained the status quo.

TESTIMONY: **Maureen O'Toole**, a Lieutenant Colonel retired from the army reserves, spoke in support of **S 1428**. She explained that there was a distinction between active duty retirement and reserve retirement. One could not collect reserve retirement until age 60, even if they retired 20 years earlier. Therefore, it was a much shorter period of taxable income. Those who retired from active duty had a much longer period of retirement benefits.

DISCUSSION: **Chairman Ricks** asked why she chose to retire in Idaho where the military retirement benefits were not tax exempt. **Mrs. O'Toole** explained that it was because her husband got a job here, her father, retired from active duty in the Air Force, had Parkinson's disease and Idaho's VA hospital was the second best in the United States.

TESTIMONY: **Senator Trakel** concluded his remarks. He cited the definition of veteran in Idaho Code § 65-203. He further cited numerous individuals and organizations who received tax deductions.

DISCUSSION: **Vice Chairman Schroeder**, pursuant to Senate Rule 39(H), declared a conflict of interest. He received military retirement benefits.

MOTION: **Senator Adams** moved to send **S 1428** to the floor with a **do pass** recommendation. **Senator Just** seconded the motion.

DISCUSSION: **Senator Adams** argued that the revenue brought in by providing employees with qualifications and security clearances together with revenue from income taxes on high paying jobs by military retirees coming to Idaho would offset the reduction in income projected in the fiscal note.

Vice Chairman Schroeder stated that he supported the concept of the deduction in this bill. However, he wasn't sure Idaho could afford the reduction in revenue, especially where the State faced shortfalls and there were urgent needs such as statewide EMS services.

Senator Rabe expressed concern about the budget as well and requested more details on the information in the fiscal note.

Senator Adams noted that Idaho would not incur the reduction in tax revenue until 2026. He further distinguished this reduction in revenue from an increase in cost.

Chairman Ricks also expressed concerned about the State's budget and the potential fiscal impact of this bill. He commented that 4,500 military retirees chose to live in Idaho without this tax exemption.

Vice Chairman Schroeder stated that he supported the motion, but might not vote for it on the floor.

VOTE: The motion carried by **voice vote**.

S 1420 **Senator Den Hartog** presented **S 1420**. This bill related to the practice of flow control. It involved an important conversation about the interplay between local governments and private enterprise regarding solid waste control. She asked that **S 1420** be sent to the 14th Order for possible amendment.

Ben Brocksome, Brocksome and Associates, representing Republic Services, requested that **S 1420** be sent to the 14th Order for possible amendment. There had been concerns raised by smaller districts and others. The intent of this legislation was to clearly define the situation that happened between the public and private sector and entities within the private sector. The private sector operated under permits issued by the county who was often a competitor. That created a conflict of interest. They had seen government monopolies rise in other states. They requested additional time to work toward an agreement between the involved parties.

MOTION: **Senator Just** moved to send **S 1420** to the 14th Order for possible amendment. **Senator Schroeder** seconded the motion.

TESTIMONY: **Jonathan Harms**, IRWS, testified in opposition to **S 1420**. He argued that flow control existed currently with contracts and agreements. This bill removed the voluntary agreement between the people through their representatives to contract with a landfill and left that to the sole discretion of the waste hauler. This prevented local governments from entering into contracts with waste disposers if they employed a third party hauler. There was one third party hauler in Idaho. This bill gave them unilateral control over waste disposal. This violated the commerce clause and 14th Amendment to the U.S. Constitution.

Steve Freiberg, Idaho Solid Waste Association Legislative Committee, was uncertain the specific conflicts they saw in this bill and other health and safety issues could be addressed in the 14th Order.

Herb Cantu, Director, Ada County Landfill, agreed that more time was required to assess the impact of **S 1420**. This bill required a competitive bidding which could be a significant risk to local governments when awarding the contract to the lowest bidder. He recommended that the process for entering a waste disposal contract be similar to the process for contracting for an essential service under Title 67, Chapter 28 Idaho Code, which would allow local governments to contract with the most qualified provider. **S 1420** prevented local governments from implementing flow control to their own facility or facilities in conflict with a U.S. Supreme Court ruling between United Haulers Associated, Incorporated and Solid Waste Management Authority. **Mr. Cantu** expressed a willingness to work to ensure that a responsible policy was developed.

Senator Den Hartog gave her closing remarks. She reiterated her commitment to reach consensus.

DISCUSSION: **Senator Bernt** stated that he felt this was an important issue and supported sending **S 1420** to the 14th Order for possible amendment.

Chairman Ricks was concerned about whether consensus could be reached in the 14th Order. He noted that those who had signed up to testify were against the bill. He urged the Committee to hold the bill in Committee.

SUBSTITUTE MOTION: **Senator Adams** made a substitute motion to hold **S 1420** in Committee. **Senator Trakel** seconded the motion.

DISCUSSION: **Senator Bernt** noted there was a strong commitment to handle the bill in the 14th Order and he supported the original motion.

Vice Chairman Schroeder felt an agreement could be reached in the 14th Order and supported the original motion.

Senator Rabe noted that consensus would take a lot of feedback from stakeholders. She wanted the stakeholders to continue to work together. She was conflicted on which motion she supported.

Chairman Ricks argued that it was uncertain whether bills sent to the 14th Order at this point of the session would continue forward. He also wanted to give time for stakeholders to continue to work toward an agreement.

ROLL CALL VOTE: **Chairman Ricks** called for a roll call vote on the substitute motion to hold **S 1420** in Committee. **Chairman Ricks** and **Senators Adams, Trakel, and Rabe** voted aye. **Vice Chairman Schroeder** and **Senators Grow, Bernt, and Just** voted nay. The motion failed.

ORIGINAL MOTION: The original motion to send **S 1420** to the 14th Order for possible amendment passed by **voice vote**.

PRESENTATION: Page Graduation - Kate Paine. Chairman Ricks moved this item up the agenda. **Chairman Ricks** asked Miss Paine to share about her experience as a page and her plans for the future.

Miss Paine said this experience, "took the cake," for the best experience she ever had. It had been a pleasure to work with the Committee.

Chairman Ricks asked Miss Paine about the dance she was invited to by a young man in the Senate gallery. **Miss Paine** explained she had been asked to prom and thanked Senator Bernt for helping arrange that. It was a complete surprise.

Senator Bernt thanked Miss Paine for her service.

Vice Chairman Schroeder also thanked Miss Paine for her service and said she had done a wonderful job.

The Committee then presented Miss Paine with a letter of reference from Chairman Ricks, a letter from the Committee, and several gifts.

MINUTES APPROVAL: March 7, 2024. **Senator Adams** moved to approve the Minutes of March 7, 2024. **Senator Trakel** seconded the motion. The motion carried by **voice vote**.

MINUTES APPROVAL: March 12, 2024. **Vice Chairman Schroeder** moved to approve the Minutes of March 12, 2024. **Senator Just** seconded the motion. The motion carried by **voice vote**.

MINUTES APPROVAL: March 14, 2024. **Senator Just** moved to approve the Minutes of March 14, 2024. **Senator Trakel** seconded the motion. The motion carried by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:17 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary