MINUTES

# SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

**DATE:** Wednesday, March 12, 2025

**TIME:** 2:00 P.M.

**PLACE:** Room WW53

**MEMBERS PRESENT:** Chairman Ricks, Vice Chairman Adams, Senators Grow, Anthon, Bernt, Den Hartog, Toews, Goodrich (Rabe), and Taylor

**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 2:03 p.m.

**H 282** **PROPERTY- Amends existing law to revise provisions regarding homestead property. Representative Clow** presented **H 282**. He explained that currently two unmarried individuals who owned a property together were each entitled to a homestead exemption of $175,000 to protect the equity in the property in the case of an involuntary lien. However, married couples were only entitled to one joint homestead exemption of $175,000. Section one of **H 282** allowed each spouse to claim a homestead exemption. Section two of **H 282** addressed a bankruptcy issue which Alexandra Caval, a bankruptcy attorney, would discuss. **Representative Clow** asked that this bill be sent to the 14th Order of Business for possible amendment.

**Alexandra Caval** explained that the first part of **H 282** amended Idaho Code §55 -1002 to allow the homestead exemption to be claimed on an individual basis by each spouse. The second part of the bill was a change to Idaho Code §55 -1008. **Ms. Caval** stated that now, outside of bankruptcy, if a judgment creditor forced the sale of a house, the creditor had to pay the homestead exemption. The individual then had one year to reinvest the proceeds into another homestead or lose the homestead protection on those proceeds. Outside of bankruptcy, the homestead exemption was protected for one year and a creditor couldn't collect the amount of the homestead exemption. A Ninth Circuit court decision, McAllister v. Wells, represented a deviation from what traditionally had been done inside of bankruptcy. Inside of bankruptcy, the court takes a snapshot of the exemptions .on the day of filing. That decision ruled that if an action, such as the sale of a house, happened after the date of filing, the reinvestment requirement applied. Historically, if that reinvestment requirement wasn't triggered on the date of filing of the bankruptcy case, it never applied because of the snapshot rule. The McAllister v. Wells decision meant that creditors could claim the amount of proceeds from the sale that would have otherwise been exempt. This created a difficulty for individuals trying to purchase a new home. Most conventional lenders required that an individual be four years removed from bankruptcy. In addition, the individual did not have the proceeds from the sale of their previous home to use for the purchase of a new home. This bill provided that, in cases filed under 11 USC, United States Code, the Bankruptcy Code, the reinvestment requirement didn't apply.

**DISCUSSION:** **Chairman Ricks** asked Representative Clow to clarify why he was asking the Committee to send **H 282** to the 14th Order for possible amendment. **Representative Clow** responded that he wanted to delete section two relating to the bankruptcy issue to provide a cleaner bill limited to the individual homestead exemptions for a married couple.

**MOTION:** **Vice Chairman Adams** moved to send **H 282** to the 14th Order for possible amendment. **Senator Bernt** seconded the motion. The motion carried by **voice vote**.

**H 329** **TAXATION- Amends and adds to existing law to provide certain property tax exemptions for certain utilities and to provide for a tax on rate-regulated electric companies and gas companies.** **Representative Ehlers** presented **H 329**. He explained that in 1976 Congress passed the Four R Act to protect the railroad industry from states that gave favorable property tax treatment to commercial properties. That legislation provided that if the commercial value was 95 percent or less than the actual market value, the Idaho State Tax Commission (ISTC) either needed to raise that commercial property up or give the railroads a break on their property taxes. Several utility companies in Idaho filed suit arguing that the Four R Act applied to them and, therefore, their property tax appraisal by the ISTC should be lowered. The utility companies won. **H 329** was the result of the parties coming together and reaching an agreement. This bill replaced the property tax on electric utilities with a tax based on kilowatt hours. In addition, it replaced the property tax on gas companies with a tax based on therms sold.

**DISCUSSION:** **Vice Chairman Adams** noted that the fiscal note for **H 329** indicated that the fiscal impact should be revenue neutral and questioned whether that was certain. **Representative Ehlers** explained that they had looked at historical usage to arrive at an average usage, but they couldn't be absolutely certain as usage could fluctuate. He further stated that the Legislature could review this in five years.

**MOTION:** **Senator Bernt** moved to send **H 329** to the floor with a **do pass** recommendation. **Senator Anthon** seconded the motion. The motion carried by **voice vote**.

**H 208** **FIRE PROTECTION DISTRICTS - Amends existing law to revise provisions regarding the consolidation of fire protection districts.** **Senator Woodward** presented **H 208**. He stated that under current law, when fire districts consolidated, their budgets weren't combined for budget growth. This was a deterrent to fire districts consolidating. When other taxing districts consolidated, their budgets were combined.

**Representative Sauter** presented next. He explained that **H 208** provided that fire districts budgets were combined and a new levy amount was determined when they consolidated.

**DISCUSSION:** **Senator Taylor** commented that this bill required the fire districts to have contiguous boundaries in order to consolidate. **Representative Sauter** conceded that and suggested that could be addressed next session.

**Chairman Ricks** asked how the levies were determined when fire districts consolidated. **Greg Timinsky**, Star and Middleton Fire Chief, outlined the process. First, the county combined the two budgets. Then the county determined the new land mass of the combined districts. Finally, the county calculated the average across the new district and determined the levy amount..

**MOTION:** **Senator Grow** moved to send **H 208** to the floor with a **do pass** recommendation. **Senator Taylor** seconded the motion. The motion carried by **voice vote**.

**MINUTES APPROVAL** **February 27, 2025.** **Senator Bernt** moved to approve the Minutes of February 27, 2025. **Vice Chairman Adams** seconded the motion. The motion carried by **voice vote**.

**ADJOURNED:** There being no further business at this time, **Chairman Ricks** adjourned the meeting of the Committee at 2:26 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary