

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 648

BY REVENUE AND TAXATION COMMITTEE

AN ACT

1 RELATING TO TAX RELIEF; AMENDING SECTION 57-811, IDAHO CODE, REGARDING THE
2 TAX RELIEF FUND, TO PROVIDE FOR ITS USES, TO PROVIDE AN EXCEPTION AND
3 TO MAKE TECHNICAL CORRECTIONS; REPEALING SECTION 57-814, IDAHO CODE, AS
4 ENACTED BY SECTION 9, CHAPTER 341, LAWS OF 2015, RELATING TO THE BUDGET
5 STABILIZATION FUND; AMENDING CHAPTER 8, TITLE 57, IDAHO CODE, BY THE AD-
6 DITION OF A NEW SECTION 57-814, IDAHO CODE, RELATING TO THE BUDGET STA-
7 BILIZATION FUND, PROVIDING FOR THE TRANSFER OF GENERAL FUND MONEYS TO
8 THE BUDGET STABILIZATION FUND, PROVIDING FOR TRANSFERS FROM THE BUDGET
9 STABILIZATION FUND TO THE TAX RELIEF FUND AND PROVIDING FOR EXCEPTIONS
10 AND LIMITATIONS; AMENDING CHAPTER 4, TITLE 67, IDAHO CODE, BY THE ADDI-
11 TION OF A NEW SECTION 67-465, IDAHO CODE, TO AUTHORIZE LEGISLATIVE RE-
12 VIEW OF SALES AND INCOME TAX DEDUCTIONS, EXEMPTIONS AND CREDITS AND TO
13 FURTHER PROVIDE FOR TRANSFERS OF MONEYS TO THE TAX RELIEF FUND; AND PRO-
14 VIDING AN EFFECTIVE DATE.
15

16 Be It Enacted by the Legislature of the State of Idaho:

17 SECTION 1. That Section 57-811, Idaho Code, be, and the same is hereby
18 amended to read as follows:

19 57-811. TAX RELIEF FUND. (1) There is hereby created in the state
20 treasury, the tax relief fund to which shall be credited all moneys remitted
21 from under sections 57-814, 63-3638(14) and 67-465, Idaho Code, as well as
22 moneys from federal grants, donations or moneys from any other source. Mon-
23 eys in the fund are intended to fund future tax relief statutes enacted by the
24 legislature and may be expended pursuant to appropriation law. All interest
25 earned on the investment of idle moneys in the fund shall be returned to the
26 fund.

27 (2) When the balance in the tax relief fund is equivalent to or exceeds
28 the value of one-tenth of one percent (0.1%) of the current year's revenues
29 from the sum of the highest and lowest income tax brackets set forth in sec-
30 tion 63-3024, Idaho Code, the income tax rate established for the highest and
31 the lowest taxable income brackets shall be reduced by one-tenth of one per-
32 cent (0.1%) for the following tax year. The state tax commission shall pub-
33 lish the reduced tax rates in the administrative bulletin, in its print pub-
34 lications and online forms and shall notify the legislature when it next con-
35 venes so that the rates in section 63-3024, Idaho Code, may be updated. The
36 rate shall be effective for the following tax year, or for such period of time
37 as the legislature shall decide. The moneys shall be retained in the tax re-
38 lief fund for a minimum of one (1) full fiscal year following the effective
39 date of the tax rate reduction in order to ensure that revenues meet projec-
40 tions.

41 (3) The tax rate reduction required by subsection (2) of this section
42 shall not take place if the governor issues an executive order directing the

1 state tax commission that the tax rates in section 63-3024, Idaho Code, shall
2 remain unchanged for the following tax year, and a majority of the membership
3 of each house of the legislature, when it next convenes, adopts a concurrent
4 resolution concurring with the action of the governor.

5 (4) The funds in the tax relief fund may be used to meet general fund
6 revenue shortfalls before recourse is made to expend moneys in the budget
7 stabilization fund for the same purpose. Any money remaining in the tax re-
8 lief fund may be retained in the tax relief fund or the legislature may, but
9 is not required to, transfer those funds as a one (1) time appropriation to
10 the general fund.

11 SECTION 2. That Section 57-814, Idaho Code, as enacted by Section 9,
12 Chapter 341, Laws of 2015, be, and the same is hereby repealed.

13 SECTION 3. That Chapter 8, Title 57, Idaho Code, be, and the same is
14 hereby amended by the addition thereto of a NEW SECTION, to be known and des-
15 ignated as Section 57-814, Idaho Code, and to read as follows:

16 57-814. BUDGET STABILIZATION FUND. (1) There is hereby created in the
17 state treasury the budget stabilization fund for the purpose of meeting gen-
18 eral fund revenue shortfalls and to meet expenses incurred as the result of
19 a major disaster declared by the governor. All moneys in the budget reserve
20 account at the date of approval of this act shall be transferred to the budget
21 stabilization fund. Interest earnings from the investment of moneys in this
22 fund by the state treasurer shall be credited to the permanent building ac-
23 count subject to the provisions of section 67-1210, Idaho Code.

24 (2) Subject to the requirements of section 63-3203, Idaho Code, the
25 state controller shall annually transfer moneys from the general fund to the
26 budget stabilization fund subject to the following criteria:

27 (a) If the state controller certifies that the receipts to the general
28 fund for the fiscal year just ending have exceeded the receipts of the
29 previous fiscal year by more than four percent (4%), then the state
30 controller shall transfer all general fund collections in excess of the
31 four percent (4%) increase to the budget stabilization fund, up to a
32 maximum of one percent (1%) of the actual general fund collections for
33 the fiscal year just ending. The state controller shall make the trans-
34 fer upon the financial close of the current fiscal year. Any increase
35 in excess of five percent (5%) shall be transferred directly to the tax
36 relief fund, up to a maximum of one percent (1%) of the actual general
37 fund collections for the fiscal year just ending.

38 (b) The total amount of moneys in the budget stabilization fund shall
39 not exceed ten percent (10%) of the actual general fund receipts for the
40 fiscal year just ending. The state controller shall transfer any moneys
41 in the budget stabilization fund that exceed the ten percent (10%) cap
42 to the tax relief fund unless and until the tax relief fund's one percent
43 (1%) annual transfer limit in paragraph (a) of this subsection has been
44 reached.

45 (3) If a majority of the membership of each house of the legislature
46 adopts a concurrent resolution requesting the amount of the transfers spec-
47 ified in subsection (2) (a) of this section be reduced, the state controller
48 shall reduce the amount of the transfer.

1 (4) Appropriations of moneys from the budget stabilization fund in
2 any year shall be limited to fifty percent (50%) after the fund balance has
3 reached ten percent (10%).

4 SECTION 4. That Chapter 4, Title 67, Idaho Code, be, and the same is
5 hereby amended by the addition thereto of a NEW SECTION, to be known and des-
6 ignated as Section 67-465, Idaho Code, and to read as follows:

7 67-465. LEGISLATIVE REVIEW OF TAX EXEMPTIONS AND CREDITS. (1) The
8 legislature shall be responsible for conducting a critical review of each
9 section of Idaho Code that provides a sales tax exemption or an income tax
10 credit or deduction. Each year, the state tax commission shall report to the
11 governor, to the local government and taxation committee of the senate and
12 to the revenue and taxation committee of the house of representatives, by no
13 later than the end of the first week of each legislative session, on approxi-
14 mately twenty percent (20%) of such Idaho Code sections in the chronological
15 order of original enactment. Twenty percent (20%) of the oldest code sec-
16 tions providing exemptions shall be analyzed the first year; the next oldest
17 twenty percent (20%) of exemptions shall be reviewed the following year, and
18 so on, until all of the exemptions have been reviewed over the course of five
19 (5) years, with the most recently enacted exemptions being reviewed in the
20 final year.

21 (2) The report from the state tax commission shall include the public
22 purpose intended or gained by the original enactment of the tax exemption and
23 the amount of money the tax exemption represents.

24 (3) Each year, upon receipt of the report from the state tax commission,
25 the local government and taxation committee of the senate and the revenue and
26 taxation committee of the house of representatives shall review the report,
27 hold public hearings if desired, and submit recommendations to the legisla-
28 ture with respect to the modification of any tax exemption. For each tax ex-
29 emption, the legislature shall decide whether to:

- 30 (a) Extend the tax exemption for five (5) years;
31 (b) Extend the tax exemption for ten (10) years;
32 (c) Extend the tax exemption indefinitely; or
33 (d) Repeal the tax exemption.

34 (4) As used in this section, "tax exemption" means a sales tax exemp-
35 tion, an income tax credit, or an income tax deduction.

36 (5) In the event that the legislature repeals or modifies a tax exemp-
37 tion under this section that results in an increase to the general fund, an
38 amount equal to seventy-five percent (75%) of the savings estimated by the
39 state tax commission with respect to an income tax deduction, and an amount
40 equal to one hundred percent (100%) of the savings estimated by the state tax
41 commission with respect to a sales tax exemption, shall be transferred to the
42 tax relief fund established under section 57-811, Idaho Code.

43 SECTION 5. This act shall be in full force and effect on and after May
44 31, 2017.