

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

- DATE:** Wednesday, February 03, 2016
- TIME:** 3:00 P.M.
- PLACE:** Room WW53
- MEMBERS PRESENT:** Chairman Siddoway, Vice Chairman Guthrie, Senators Johnson, Rice, Vick, Bayer, Stennett and Burgoyne
- ABSENT/ EXCUSED:** Senator McKenzie
- 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 Siddoway** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:04 p.m. and asked the secretary to take a silent roll.
- H 344** **Chairman Siddoway** welcomed Alan Dornfest, Property Tax Policy Bureau Chief, Idaho State Tax Commission (Commission), to the podium.
- Mr. Dornfest** presented **H 344**, which changes the filing date to apply for a hardship exemption for relief from personal and real property taxes. The application deadline in current law is June 20; all other applications to the Board of Equalization must be filed by the fourth Monday in June. This legislation changes the deadline for the hardship exemption to the fourth Monday in June, aligning application filing dates. Mr. Dornfest indicated that the change also provides the taxpayer with a few more days to file applications.
- MOTION:** **Senator Johnson** moved to approve **H 344** with a **do pass** recommendation. **Vice Chairman Guthrie** seconded the motion. The motion carried by **voice vote**.
- H 345** **Mr. Dornfest** presented **H 345**, which provides an appeals process for taxpayers relating to forestland designation. Taxpayers choose a tax designation for timberland property, either as productive land (which precludes severance tax at time of harvest), or as bare land (which assigns a 3 percent tax on the value of timber at time of harvest). Taxpayers may defer this tax for a maximum of ten years. **Mr. Dornfest** specified that the bill addresses problems associated only with the bare land and yield tax option, should a county assessor determine a loss of designation as timberland. Under current law, property taxes are due at the time of redetermination and there is no appeals process in place. This legislation establishes an appeals process that provides notice to the taxpayer and time to file an appeal prior to billing, and is consistent with other property tax law.
- MOTION:** **Senator Burgoyne** moved to approve **H 345** with a **do pass** recommendation. **Senator Vick** seconded the motion. The motion carried by **voice vote**.
- H 347** **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **H 347**. This legislation repeals language relating to hand tools costing \$100 or less, making these items exempt from sales tax when used in the production of radio/television broadcasts, production of certain free newspapers, agricultural irrigation and logging. **Mr. Chakarun** indicated these changes were made consistent with 2015 HB 39, which removed the hand tools under \$100 exclusion from the production exemption.

**MOTION:** **Senator Vick** moved to approve **H 347** with a **do pass** recommendation. **Senator Bayer** seconded the motion. The motion carried by **voice vote**.

**H 352** **Tom Shaner**, Income Tax Policy Specialist, Idaho State Tax Commission, presented **H 352**. This legislation changes the due date for employers to file employee income and withholding information with the Commission from the last day of the second month to the last day of the first month. **Mr. Shaner** indicated the change was made as a safeguard against identity theft and fraud and helps reduce delays in requests for physical copies of W-2s for refund requests reviewed by the Commission. He noted that the change is consistent with requirements in many other states and also adds a five-business-day period for employers to correct electronic filing errors. **Mr. Shaner** indicated the Commission received favorable feedback from the Idaho Society of Certified Public Accountants and a local payroll processing company. He then stood for questions.

**Senator Rice** asked if there was a process for extending the filing date for W-2s. **Mr. Shaner** replied that he is unaware of a mechanism for a formal extension, but if an individual requested an extension within the filing deadline, the Commission may consider delaying a penalty; he stated he would report back with a definitive answer. **Senator Rice** remarked that the federal government does provide opportunity for a 30-day filing extension under certain circumstances and has a corresponding form. He then asked how corrections are made on W-2s that are not submitted electronically and if the taxpayer is penalized for taking such action. **Mr. Shaner** replied that there is a process in place to receive subsequent corrected W-2s, similar to an amended tax return. He pointed out that the bill adds five business days to correct electronic filing errors, included at the request of industry groups. **Senator Rice** asked for further clarification from the Commission regarding extension procedures.

**Senator Burgoyne** asked if any state employers expressed opposition to this legislation, to which **Mr. Shaner** responded that he is not aware of any opposition, pointing out that these filing procedures are considered best-practice ideas within the tax industry to help combat identity theft.

**MOTION:** **Chairman Siddoway** asked for unanimous consent that **HB 352** be held in Committee while awaiting clarification from the Commission regarding filing extension procedures. There were no objections.

**H 425** **Ken Roberts**, Chairman, Idaho State Tax Commission, presented **H 425**, the annual tax conformity bill. **Mr. Roberts** stated that **H 425** conforms Idaho income tax statute to the Internal Revenue Code (IRC) effective January 1, 2016, and is necessary because Idaho uses federal tax code as a base for determining taxable income. He pointed out that conformity also relieves the Legislature from creating and maintaining stand-alone tax code, simplifies tax preparation and facilitates tax administration. The passage of this bill is essential for taxpayers and tax professionals to begin processing and filing tax returns. **Mr. Roberts** explained the fiscal impact, outlining the \$17.2 million General Fund revenue deduction for fiscal year (FY) 2016 and \$28.7 million for FY 2017. He highlighted section 179, a federal deduction that allows taxpayers to deduct the cost of qualifying property in the year the asset is placed in service, rather than depreciating the asset over its tax depreciation life. He pointed out that passage of the bill prevents the \$500,000 cap from resetting back to \$25,000. **Mr. Roberts** then described additional changes in language regarding the definition of marriage for the purpose of the Idaho Income Tax Act. He indicated that the original language in subsection (c) was kept in the bill and subsection (d) was added in accordance with a Supreme Court ruling. He then stood for questions.

**Senator Rice** commented on the nature of the fiscal note, questioning the timing and sequence of lawmaking regarding the extension of federal deductions in relation to the state budgetary process.

**Senator Burgoyne** remarked that the conformity bill is necessary legislation but expressed a sense of disappointment that the language in subsection (c) was not stricken from Idaho code. He commented on the fiscal note and the impact of the 179 deduction in the current economic environment at the state and national level.

**Chairman Siddoway** expressed disappointment that a resolution was not reached by the Legislature regarding the issue of marriage in this circumstance, noting that a conflict exists between state and national primacy over certain issues. He stated that conformity is necessary, regardless of the conflicts pertaining to the definition of marriage.

**Senator Rice** commented that the bill acknowledges federal court rulings pertaining to the definition of marriage but does not change the result.

**MOTION:**

**Senator Rice** moved to approve **H 425** with a **do pass** recommendation. **Senator Johnson** seconded the motion.

**Vice Chairman Guthrie** commented that while he will supports the legislation, he feels subsections (c) and (d) are in conflict with one another. He also expressed concern regarding the sovereignty of the states relating to federal court rulings.

The motion carried by **voice vote**.

**ADJOURNED:**

There being no further business, **Chairman Siddoway** adjourned the meeting at 3:50 p.m.

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Senator Siddoway  
Chair

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Jennifer Carr  
Secretary