

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 15, 2020

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Stevenson, Representatives Moyle, Anderst, Chaney, Gestrin, Addis, Dixon, Furniss, Giddings, Nichols, Ricks, Kiska, Ellis, Mason, Necochea

**ABSENT/
EXCUSED:** Representative(s) Nichols, Chaney

GUESTS: Cindy Pollock, BTA; Steve Wallace, BTA; Tom Shaner, Idaho State Tax Commission (ISTC); Kathlynn Ireland, ISTC; Cynthia Adrian, ISTC; Brian Stender, Canyon County Assessor; Dennis Stevenson, DFM; and Ray Moore.

Chairman Collins called the meeting to order at 9:01 a.m.

DOCKET NO. 36-0101-1900F: **Steve Wallace**, Director, Idaho Board of Tax Appeals, said obsolete, redundant or poorly written rules were cleaned up as part of the reauthorization process. They consolidated one chapter of the rules; reduced the rules by 16%; eliminated thirty-six restrictive terms and rules not used in twenty years; and removed archaic, extraneous or redundant language. He then gave specific cite references to the changes made to the rules.

In response to committee questions, **Director Wallace** said Rule 101 was removed because it was never used and tax payers still have access to process. He said the whole board meets twice a year as a legal standard and every week, but not as the whole board. He further replied to questions about tax appeals in Bannock County by saying they hear about 300 appeals a year, but Bannock County had 150 appeals this year at the state level and 3,100 at the local level. Appeals in the rest of the state are completed, but there are about nine weeks remaining to hear all the Bannock County appeals. Director Wallace discussed Rule 101 further with the committee members, as well as taxpayer representation before the Idaho Board of Tax Appeals.

MOTION: **Rep. Ellis** made a motion to approve **Docket No. 36-0101-1900F**. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1903: **Tom Shaner**, ISTC, presented **Docket No. 35-0102-1903**, based on **H 86**, which is a tax exemption for labor on a vehicle when an auto dealer adds accessories. Rule 43 is the definition of the sales purchase price, and Rule 46 has to do with the coding of tangible personal property regarding spray-on bed liners for trucks. Subsection 46.06 says the material and labor are to be separately stated. If there is no separation, the entire transaction is taxable. It is an operative phrase in the rule.

In response to committee questions regarding whether the vehicle labor and part separation are on an invoice, vehicle jacket or window sticker, **Mr. Shaner** replied it is on the invoice to the customer, and the window sticker on the vehicle is in answer to other rules and regulations. He further said if the ISTC is conducting an audit, it would be of the dealership and their records, and the consumer record or invoice is not a part of that. In response to committee comments that the real record of what is done on a vehicle is in the service jacket so a dealer can provide themselves with internal documentation in case of audit, Mr. Shaner said it needs to be clear to the consumer at the time of the transaction upon what the tax was charged. Mr. Shaner indicated that the rule changes were to provide consistency with the Sales and Use Tax Act.

Committee members said the problem with the rule is the part that says the additional parts and labor on a vehicle after purchase need to be on a customer's billing statement when they need to be kept track of by the dealer, not the customer. The intent of **H 86** was to not charge taxes on labor, but how that is to be implemented in the real world needs work. **Mr. Shaner** responded that it is to the customer's benefit to be shown where they paid their tax, and it is the dealer's responsibility to collect and remit tax. It is an aspect of Rule 46 that runs through out the sales tax code and rules.

ORIGINAL MOTION:

Rep. Stevenson made a motion to approve **Docket No. 35-0102-1903** with the exception of Rule 46, subsection 06.

SUBSTITUTE MOTION:

Rep. Necochea made a substitute motion to approve **Docket No. 35-0102-1903**.

VOTE ON SUBSTITUTE MOTION:

Roll call vote was requested. **Motion failed by a vote of 7 AYE, 7 NAY, 2 Absent/Excused. Voting in favor** of the motion: **Reps. Anderst, Gestrin, Giddings, Ricks, Ellis, Mason and Necochea. Voting in opposition** to the motion: **Chairman Collins, Vice-Chairman Stevenson, Reps. Moyle, Addis, Dixon, Furniss, and Kiska Reps. Chaney and Nichols were absent/excused.**

VOTE ON ORIGINAL MOTION:

Motion carried by voice vote.

DOCKET NO. 35-0103-1901:

Kathlynn Ireland, Property Tax Policy Specialist, ISTC, informed the committee **Docket No. 35-0103-1901** has two rules. Rule 006 and Rule 411 were amended to delete references to the Official Railway Equipment Register, which is considered out of date by operating property appraisers who use other sources today.

MOTION:

Rep. Anderst made a motion to approve **Docket No. 35-0103-1901. Motion carried by voice vote.**

DOCKET NO. 35-0103-1902:

Ms. Ireland said **Docket No. 35-0103-1902** is a two-rule docket, Rules 130 and 131, which describe primary categories considered for use in equalization for compliance testing and added agricultural language categories to the list of categories.

In response to committee questions, **Ms. Ireland** replied the amendments to Rules 130 and 131 provide more transparency and notify counties concerning how their assessment levels compare to statutory requirements.

MOTION:

Rep. Stevenson made a motion to approve **Docket No. 35-0103-1902. Motion carried by voice vote.**

DOCKET NO. 35-0103-1903: **Ms. Ireland** said **Docket No. 35-0103-1903** amends Rule 225 regarding documentation for newly organized or altered taxing districts for revenue allocation areas under the jurisdiction of urban renewal agencies. Rule 225 was amended to conform to legislative changes to Idaho Code § 63-215 by modifying the timing of the notification to taxing districts and urban renewal agencies if there are any problems with the legal descriptions or boundaries closing.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0103-1903. Motion carried by voice vote.**

DOCKET NO. 35-0103-1904: **Ms. Ireland** said the proposed rule amends Rules 317 and 804 to clarify the allocation of occupancy tax and part-year property tax revenues to urban renewal agencies during the first year when the initial base value is established. In the year of formation of the urban renewal agency or in the annexation from occupancy tax, payments do not go to the urban renewal agencies. The amendment is to help in formulating the tax payment area and when the payments are made. Rule 804 is a companion rule regarding the tax levy certification to the urban renewal district, which was amended to more clearly define the base and increment value allocation for newly constructed improvements listed on the occupancy tax role and receiving part year assessments in the year of formation and annexation.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0103-1904. Motion carried by voice vote.**

DOCKET NO. 35-0103-1905 **Ms. Ireland** indicated **Docket No. 35-0103-1905** repeals Rules 613 and 614 and replaces them with new Rule 617 to provide guidance regarding the procedure by which the speculative portion of the value of agricultural land is assessed. Examples in the rules were moved to the ISTC website to reduce the voluminous nature of the rules and to provide guidance to assessors enabling them to simply calculate agricultural value for assessed purposes. The emphasis is to collect localized data and use actual data from the farmers in the jurisdiction.

Mr. Ray Moore, farmer in southern Idaho, spoke **in support** of **Docket No. 35-0103-1905** saying it is a much broader and better rule to actually use the value of a farm, which will go up and down, so that assessors can be more uniform in its use.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0103-1905. Motion carried by voice vote.**

DOCKET NO. 35-0103-1906: **Ms. Ireland** stated the proposed rule rewrites Rule 717, regarding procedures following approval of a property tax reduction claim or an occupancy tax reduction claim resulting from the passage of **H 62** in 2019 which created occupancy tax relief akin to property tax relief. Rule 717 allows potential claimants to apply for property tax reduction benefits outside the time frame with regards to occupancy tax.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0103-1906. Motion carried by voice vote.**

35-0201-1901: **Cynthia Adrian**, Income Tax Policy Specialist, ISTC, presented **Docket No. 35-0201-1901** by saying it is an interest rate rule that is a statutorily required computation made every year. For the 2020 calendar year, the interest rate is 4%.

MOTION: **Rep. Stevenson** made a motion to approve **Docket No. 35-0201-1901. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 11:00 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary