

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Tuesday, January 13, 2015

SUBJECT	DESCRIPTION	PRESENTER
	Organizational Meeting - Rules Review	Chairman Collins

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Vice Chairman Trujillo
Rep Moyle
Rep Raybould
Rep Anderson
Rep Anderst

Rep Dayley
Rep Hartgen
Rep Kauffman
Rep Chaney
Rep Nate
Rep Scott

Rep Thompson
Rep Erpelding
Rep Nye
Rep Rudolph

COMMITTEE SECRETARY

Bev Bean
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 13, 2015
TIME: 9:30 A.M.
PLACE: Room EW42
MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representative(s) Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph
**ABSENT/
EXCUSED:** Representative(s) Moyle
GUESTS: None

Chairman Collins called the meeting to order at 9:30 A.M.
Chairman Collins welcomed the committee back and introduced Page **Dustin Cheney** and Secretary **Beverly Bean**.
Chairman Collins distributed copies of the Report to the Governor stating the Findings of The Idaho Tax Commission Study Task Force (See Attachment 1). This matter will be more fully discussed at a future meeting.
Chairman Collins reported that the full committee will consider all proposed Administrative Rules. He asked members to review them prior to the next meeting.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:40 A.M.

Representative Collins
Chair

Bev Bean
Secretary

Report to Governor C.L. "Butch" Otter

FINDINGS OF THE IDAHO TAX COMMISSION STUDY TASK FORCE

EXECUTIVE ORDER NO. 2014-06

Executive summary:

1. The Tax Commission Study Task Force finds that present state law is adequate to provide direction to the Tax Commission and other state agencies on the conduct of "Negotiated Rule Making".
2. The Task Force concludes that to accomplish "Best Management Practices" the Tax Commission should appoint a "Director of Revenue" to administer the day to day operation of the Department of Revenue and Taxation.
3. The Task Force believes that with a person relieving the tax commissioners of their administrative duties they will have the time to function as the Board of Tax Appeals which the Task Force finds aligns with the commission's constitutional mandate.
4. The Task Force recommends that the Department of Revenue and their audit and collection staff have their own legal representation. The Tax Commission should have separate legal council.

Discussion:

1. Negotiated Rule Making. The Task Force expressed consensus that creating clarification on processes and addressing expectations and interpretations would improve the rule making process. It appears that the name implies that any party can "negotiate" to alter the final product of the rule making process. The reality is that anyone that signs up to participate in the rule making process may offer input to the rule but the executive branch has the sole responsible for the content of a proposed rule.

The Tax Commission has put tremendous effort into becoming user friendly regarding the negotiated rule making process. The Task Force recommends that the commission refine its communications with affected industry prior to rule making and advocates that the commission maintain a record of negotiation comments for public and legislative information.

The Task Force reviewed a flow chart of the negotiated rule making process and concluded that if followed, everyone involved may not be happy at the end of the process but they will know that they have been given the opportunity to participate.

2. Administrative realignment. The present Tax Commission has been diligent in restructuring the operations of the Department. The Task Force heard testimony from the revenue departments of South Carolina, Arizona and Utah. In addition we surveyed Wyoming, Washington, Oregon,

New Mexico, Nevada, Montana, Colorado and California. All states surveyed use a "Director" to administer the personnel and daily operations of their respective departments of revenue. In fact the Task Force is not aware of any state using a commission or board to manage their revenue department.

There are a variety of ways that the "Director" is appointed. The Task Force agrees that for Idaho, the "Director" should be a professional appointed by the Tax Commission with the consent of the Governor. This is the Utah model. The "Director" is the central authority for the operation of the department. The Task Force discussed the nature of the appointment for the director without coming to a firm recommendation. The director could only be removed from the position for just cause.

Experience from other states has demonstrated that when the director is a direct appointment from the Governor, the Governor may attempt to influence the action of the department. This may be acceptable in some state agencies but in the realm of taxation, it is not.

The Tax Commission continues as the constitutional politically appointed body charged with overseeing the work of the director, hearing appeals, and interfacing with the legislature and Governor on tax policy including rules proposed by the commission.

3. Board of Tax Appeals. The Board of Tax Appeals was created in 1969 to provide an independent body to hear tax appeals, primarily about property taxes. At the time it was argued that a taxpayer had to go before the same body that had originally denied their claim when they filed an appeal.

By creating an administrative position to direct the operation of the Department of Revenue, it takes away that argument and frees the Tax Commissioners to exercise their constitutional responsibility to act as a quasi-judicial body to resolve contested issues between the taxpayer and the Department. This eliminates the need for the Board of Tax Appeals.

The Task Force understands that this change may be a political hard sell and in reality can only take place after the administrative function of day to day operation of the Department has been removed from the tax commissioners.

4. Council to the Tax Commission and Director of the Department of Revenue and Taxation. The task Force finds an inherent conflict when the same council that advises the Department's audit and collection staff also advises the Tax Commission when they sit as a hearing board on tax appeals. We strongly recommend that separate council be provided to the administrative function of the Department of Revenue and Taxation and the Tax Commission.

Due to time constraints, the Task Force did not examine the financial implications of the proposed changes. However, the savings gained by eliminating the Board of Tax Appeals should go along ways in offsetting the additional costs of a Director for the Department.

Dennis M. Lake, Chairman
Idaho Tax Commission Study Task Force

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Thursday, January 15, 2015

SUBJECT	DESCRIPTION	PRESENTER
Docket Nos.	Review of Rules - Idaho State Tax Commission	
<u>35-0101-1401</u>	Income Tax Administrative Rules	Cynthia Adrian, Idaho State Tax Commission
<u>35-0101-1402</u>	Income Tax Administrative Rules	Cynthia Adrian, Idaho State Tax Commission
<u>35-0101-1403</u>	Income Tax Administrative Rules	Cynthia Adrian, Idaho State Tax Commission
<u>35-0201-1401</u>	Tax Commission Administration and Enforcement Rules	Cynthia Adrian, Idaho State Tax Commission
<u>35-0102-1402</u>	Idaho Sales & Use Tax Administrative Rules	McLean Russell, Idaho State Tax Commission
<u>35-0102-1403</u>	Idaho Sales & Use Tax Administrative Rules	McLean Russell, Idaho State Tax Commission
<u>35-0102-1404</u>	Idaho Sales & Use Tax Administrative Rules	McLean Russell, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
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Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 15, 2015

TIME: 9:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Mike Chakarun, McLean Russell, Cynthia Adrian, Idaho State Tax Commission; Ben Davenport, Associated Taxpayers of Idaho; Matt Warnick, DFM; Jack Lyman, Idaho Mining Association; Dennis Stevenson, State of Idaho Rules Coordinator

Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Raybould** made a motion to approve the minutes of the January 13, 2015 meeting. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1401: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0101-1401**, Income Tax Administrative Rules, which was a part of the negotiated rule process. Rule 560 dealing with allocation and apportionment provisions is amended to conform with the Idaho Supreme Court's interpretation and applications of the statute. The word "shall" has been changed to "will" throughout the rule for consistency purposes. Rule 750 dealing with the broadband equipment tax credit provides additional guidance and clarifies the allowable 14 year carry-over period.

MOTION: **Rep. Dayley** made a motion to accept **Docket No. 35-0101-1401** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1402: **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0101-1402**, Income Tax Administrative Rules, which contains two rules which were both part of the negotiated rule process. Rule 268 provides guidance on how a nonresident or part-year resident can deduct suspended losses. Rule 275 adds an example showing how to calculate non-excludable income from a multi-state investment partnership.

MOTION: **Rep. Kauffman** made a motion to accept **Docket No. 35-0101-1402** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1403: **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0101-1403**, Income Tax Administrative Rules, which was not a part of the negotiated rule process but mandated by legislation or existing statute. Rule 075 is amended annually and adds tax brackets for calendar year 2014 and removes brackets for the year 2009, thereby retaining 5 years of historical data. Rule 190 deals with Idaho Medical Savings Accounts and increases the maximum amount deductible to conform to **HB 595aa**. Rule 263 is amended annually and updates the amount of guaranteed payments that is sourced as compensation for services. Rule 771 is being amended to add tax year 2014 and the applicable grocery credit amounts. Rule 872 changes from monthly to semi-monthly the reporting and paying of state income tax withholding to match current documentation.

MOTION: **Rep. Thompson** made a motion to accept **Docket No. 35-0101-1403** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0201-1401: **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0201-1401**, Administration and Enforcement Rules. Rule 310 is updated annually and adds the interest rate for 2015 applicable to delinquent taxes. Rule 501 reflects the change of name of the Field Services Bureau to the Collection Division.

MOTION: **Rep. Erpelding** made a motion to accept **Docket No. 35-0201-1401** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1402: **McLean Russell**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0102-1402**, Idaho Sales & Use Tax Administrative Rules, which deals with taxation on drop shipment transactions. This is not a substantive change but clarifies the responsibilities of manufacturers, retailers and customers with regard to sales and use taxes. In response to a question, Mr. Russell stated this rule was a part of the negotiated rule process and no concerns were expressed.

MOTION: **Rep. Anderst** made a motion to accept **Docket No. 35-0102-1402** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1403: **McLean Russell**, Idaho State Tax Commission, presented **Docket No. 35-0102-1403**, Sales & Use Tax Administrative Rules. Rule 012 clarifies what is covered by the out-of-state contract exemption for contractors improving real property. No substantive change was made to the rule but adds language to make it clear the exemption applies only to materials.

Rule 024 is amended due to a taxpayer concern dealing with how the different types of rentals and leases of personal property are taxed. The proposed rule change more clearly explains the original intent of only one lease type applying to a particular lease contract.

Rule 102 is being amended to clarify that materials and equipment used on a tree farm for a purpose other than harvesting can qualify under the production exemption but not the logging exemption. In response to a question, **Mr. Russell** noted that this rule was part of the negotiated rule process and two public meetings were held as well as outreach to several logging contractors. No concerns were expressed. Mr. Russell noted that this amendment conforms the rule to the statute with no substantive changes and should not affect anyone negatively.

Rule 128 is being amended to require exempt organizations to use a specific form for claiming an exemption on purchases of lodging accommodations when a qualifying credit card is used. This amendment would require additional documentation be collected by lodging establishments to insure the exemption is properly claimed. Responding to questions, **Mr. Russell** stated this rule was part of the negotiated rule process and further clarified that it only deals with credit card payments of qualifying employers and that the exemption is not available if the lodging is paid for in cash or a personal credit card. Responding to a question as to why both a credit card number and an EIN # is required on the form, he stated he would bring that to the attention of staff for future consideration.

Rep. Anderst expressed concern about Rule 102 relating to logging exemptions as well as Rule 128 which places additional requirements on lodging establishments due to the lack of participation by the industries affected and he would like to see more outreach on behalf of both rules.

ORIGINAL MOTION: **Rep. Anderst** made a motion to reject **Docket No. 35-0102-1403**.

SUBSTITUTE MOTION: **Rep. Raybould** made a substitute motion to **HOLD Docket No. 35-0102-1403** in Committee at the discretion of the Chair. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:35 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Friday, January 16, 2015

SUBJECT	DESCRIPTION	PRESENTER
Docket Nos.	Review of Rules - Idaho State Tax Commission	
35-0103-1401	Property Tax Administrative Rules	Alan Dornfest, Idaho State Tax Commission
35-0103-1403	Property Tax Administrative Rules	Alan Dornfest, Idaho State Tax Commission
35-0103-1404	Property Tax Administrative Rules	Alan Dornfest, Idaho State Tax Commission
35-0103-1405	Property Tax Administrative Rules	Alan Dornfest, Idaho State Tax Commission
35-0103-1406	Property Tax Administrative Rules	Alan Dornfest, Idaho State Tax Commission
35-0103-1501	Property Tax Administrative Rules	

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, January 16, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representative(s) Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Moyle

GUESTS: Alan Dornfest and Mike Chakarun - Idaho State Tax Commission; Brad Hunt, O.A.R.C.; Ben Davenport, Associated Taxpayers; Brody Aston, Lobby Idaho; Jonathan Parker, Internet Truck Stop.

Chairman Collins called the meeting to order at 8:30 A.M.

DOCKET NO. 35-0103-1401: **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1401**, Property Tax Administrative Rules, which was part of the negotiated rule process. Rule 120 is amended to define the subject matter of written complaints and provides a timeline. Rule 609 provides that the assessor may remove a property's homestead exemption if, by April 15 of the tax year, the taxpayer owns a different homestead and requests that the exemption be transferred to the second homestead. Responding to a question, Mr. Dornfest stated that county assessors participated actively in the rule process and there was broad support for both of these rules. Rule 988 deletes the reference to filing an annual affidavit which was repealed by **H 441aa**.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0103-1401** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1403: **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1403**, Property Tax Administrative Rules. Rule 126 changes the method of gaining the required number of courses for appraisal certification by providing an opportunity to challenge one of the two required courses by passing a test. Rule 128 is a companion rule which allows the same opportunity for cadastral certification by allowing candidates to challenge one of the two required courses by passing a test. This amendment was done at the request of appraisers and assessors.

MOTION: **Rep. Anderst** made a motion to approve **Docket No. 35-0103-1403** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1404: **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1404**, Property Tax Administrative Rules. Rule 205 deletes language inconsistent with **H 441aa** regarding the three factor test which is used to determine if an item of property is a fixture and therefore real property. Rule 315 deletes the specific statute references to the various property tax exemptions, and adds the words "property exempt from property tax". Rule 508 is stricken in its entirety because reporting is no longer necessary due to statutory changes. Rule 509 dealing with abstracts deletes sections to conform to statutory changes. Rule 512 is amended to delete the word "fixture" from the headline as this category is used for personal property and fixtures are statutorily defined as real property. Rule 626 dealing with personal property exemptions is amended to clarify that personal property declarations need not be filed every 5th year and replacement funds which have been established as of 2013 may need to be adjusted if errors are discovered. Due to its length,

this rule was broken into two rules and Rule 627 now contains the taxpayer ownership examples that transferred from Rule 626. This rule also deals with rail car fleet assessments and notification procedures. In response to a question, Mr. Dornfest stated that rail car fleet owners were not comfortable with the prior rule and preferred this change which puts everyone on a level playing field. Rule 645 changes the existing language from "requires net income when selling livestock" to "requires gross income when selling livestock" to be consistent with statute. Rule 803 requires the amount of personal property replacement funds received by the taxing districts to be subtracted before levies are computed in conformance with **H 441aa**. Rule 805 provides a procedure for disallowing certain budget increases in accordance with **H 560** when entities do not comply with reporting requirements.

MOTION: **Rep. Trujillo** made a motion to approve **Docket No. 35-0103-1404** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1405: **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1405**, Property Tax Administrative Rules. Rule 804T adds the state-authorized plant facility fund to the list of those funds excluded from generating property tax to be allocated to urban renewal agencies. Rule 995T requires the amount of the 2013 personal property tax exemption be included in the market value for assessment purpose for the computation of the amount of sales tax to be distributed to cities which conforms to **H 560**.

MOTION: **Rep. Thompson** made a motion to approve **Docket No. 35-0103-1405** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1501: **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1501**, Property Tax Administrative Rules which incorporates by reference appropriate and current editions of guides and professional technical standards used to determine values of certain property and to measure assessment level and uniformity.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0103-1501** as presented. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:32 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Monday, January 19, 2015

SUBJECT	DESCRIPTION	PRESENTER
Docket Nos.	Review of Rules - Idaho State Tax Commission	
35-0102-1401	Idaho Sales & Use Tax Administrative Rules	McLean Russell, Idaho State Tax Commission
35-0102-1403	Idaho Sales & Use Tax Administrative Rules	McLean Russell, Idaho State Tax Commission
35-0102-1404	Idaho Sales & Use Tax Administrative Rules	McLean Russell, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Vice Chairman Trujillo
Rep Moyle
Rep Raybould
Rep Anderson
Rep Anderst

Rep Dayley
Rep Hartgen
Rep Kauffman
Rep Chaney
Rep Nate
Rep Scott

Rep Thompson
Rep Erpelding
Rep Nye
Rep Rudolph

COMMITTEE SECRETARY

Bev Bean
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 19, 2015

TIME: 9:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Rep. Moyle

GUESTS: Ben Davenport, Associated Taxpayers of Idaho; McLean Russell, Idaho State Tax Commission; Jakub Bollant, self; Ron Williams, ICTA (Cable TV); John Eaton, Realtors; Matt Warnick, DFM

Chairman Collins called the meeting to order at 9:33 A.M.

DOCKET NO. 35-0102-1401: **McLean Russell**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0102-1401**, Idaho Sales & Use Tax Administrative Rules. Rule 27 is amended in response to **H 598** to clarify that software accessed remotely (i.e., cloud based software) is not tangible personal property. In addition, software delivered electronically or by the load and leave method will no longer be tangible personal property. This rule also makes clear that digital books, games, music and movies are tangible personal property regardless of how they are transferred to the user.

As part of the negotiated rule process several public meetings were held with a wide spectrum of participants resulting in two major areas of unresolved concern. First, digital videos remain taxable with the exception of live broadcast cable. Participants disagreed with the determination that live broadcast cable was not considered digital recordings and therefore not taxed. The Commission chose to remain silent on that issue in the rule. Satellite and cable companies have submitted public comments on this issue and there will be some clarifying language coming forward. Secondly, almost all online libraries and digital music are not taxable. The Commission supported the rule but moved forward knowing there was disagreement.

Responding to questions, **Mr. Russell** explained the difference between how online video subscriptions and other video products are taxed. He also indicated that participants in this rulemaking process were generally pleased with the final rule except for the two concerns mentioned earlier.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0102-1401** as presented. **Motion carried by voice vote.** **Rep. Scott** and **Rep. Chaney** requested to be recorded as voting **NAY**.

**UNANIMOUS
CONSENT
REQUEST:** **Chairman Collins** made a unanimous consent request to **HOLD Docket No. 35-0102-1403** in Committee at the call of the Chair. There being no objection, the request was granted.

DOCKET NO. 35-0102-1404: **McLean Russell**, Idaho State Tax Commission, presented **Docket No. 35-0102-1404**, Idaho Sales & Use Tax Administrative Rules. The three rules contained in this Docket were not part of the negotiated rulemaking process as they are simple in nature and no public comments were received. Rule 010 replaces the obsolete terms of "speculative contractor" and "spec contractor" with "speculative builder". Rule 105 is updated to clarify that a single payment may be made to cover liabilities from multiple tax types and reflects the current practice. Rule 107 is amended due to legislative changes related to the use tax exemption for new residents and military personnel so that it aligns more closely with the statutory exemption. It clarifies the timing under which goods are purchased to be eligible for the sales tax exemption.

MOTION: **Rep. Chaney** made a motion to approve **Docket No. 35-0102-1404** as presented. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:53 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Tuesday, January 20, 2015

SUBJECT	DESCRIPTION	PRESENTER
<u>RS23194</u>	Printing, publishing of Income Tax Act	Michael Chakarun, Idaho State Tax Commission
<u>RS23195</u>	Technical Changes to Sales Tax Act	Michael Chakarun, Idaho State Tax Commission
<u>RS23256</u>	Tax Clarification for Utility Type Vehicles (UTV's)	Michael Chakarun, Idaho State Tax Commission
<u>RS23238</u>	Tax Clarification on refundable credit	Michael Chakarun, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen

Rep Kauffman

Rep Chaney

Rep Nate

Rep Scott

Rep Thompson

Rep Erpelding

Rep Nye

Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

- DATE:** Tuesday, January 20, 2015
- TIME:** 9:30 A.M.
- PLACE:** Room EW42
- MEMBERS:** Chairman Collins, Vice Chairman Trujillo, Representative(s) Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph
- ABSENT/
EXCUSED:** Representative(s) Moyle
- GUESTS:** Benjamin Davenport, Associated Taxpayers of Idaho; Mike Chakarun, Idaho State Tax Commission; Tom Shaner, Idaho State Tax Commission; Andrew Mitzel, Idaho Association of Realtors; Cynthia Adrian, ISTC; Jonathan Parker, Internet Truck Stop
- Chairman Collins** called the meeting to order at 9:30 A.M.
- RS 23194:** **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **RS 23194** related to the printing and publishing of the Income Tax Act and rules in pamphlet form. Mr. Chakarun stated that the Tax Act and rules are posted on the internet and are available to the public at no charge. The Commission has not printed in pamphlet form or on paper for many years. This proposed legislation would amend the statute to reflect current practice. In response to a question, he stated the Commission continues to print the tax forms and instructions on paper and that there are subscription services that provide hardbound copies for tax preparers.
- MOTION:** **Rep. Anderson** made a motion to introduce **RS 23194**. **Motion carried by voice vote.**
- RS 23195:** **Michael Chakarun**, Idaho State Tax Commission, presented **RS 23195**. This proposed legislation makes technical changes to the Sales Tax Act. This act provides an exemption from tax for sales of meals by programs that provide nutritional meals for the aging. The reference to Title VII of the Older American Act, Public Law 93-19 is no longer valid as the act was reauthorized and recodified by Congress. That reference is now changed to Title III of the Older American Act, Public Law 109-365 to conform to statute.
- MOTION:** **Rep. Erpelding** made a motion to introduce **RS 23195**. **Motion carried by voice vote.**
- RS 23256:** **Michael Chakarun**, Idaho State Tax Commission, presented **RS 23256**. Under current law, most vehicles may be sold to non residents exempt from sales tax for use outside of Idaho. This exemption does not cover utility type vehicles (UTVs) or specialty off-highway vehicles (SOHVs) making them subject to sales tax even though used outside of the state. This places Idaho sellers at a competitive disadvantage to some out-of-state vendors. In addition, Idaho sellers have consistently expressed confusion and difficulty in administering the exception for these types of vehicles and the vendor becomes liable if no tax is collected. This proposed legislation adds these vehicles to the list of vehicles that may be sold to non residents exempt from the sales tax.
- MOTION:** **Rep. Trujillo** made a motion to introduce **RS 23256**. **Motion carried by voice vote.**

RS 23238: **Michael Chakarun**, Idaho State Tax Commission, presented **RS 23238**. Under the claim of right doctrine, a taxpayer may report income and pay income tax on that income even though they might be required to repay the funds in a future taxable year. If, in a subsequent year, the taxpayer repays the income item that was previously taxed, a deduction is allowed for the repaid amount. However, in some cases, the taxpayer may not have enough income to absorb that deduction thereby effectively paying tax on income they had fully repaid. This proposal allows a refundable credit for the difference between the Idaho state income tax liability for the year the income was included in taxable income and the Idaho state income tax that would have been paid had the income not been included in taxable income. Responding to a question, Mr. Chakarun noted that federal income tax rules allow this refundable credit

MOTION: **Rep. Kauffman** made a motion to introduce **RS 23238**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:46 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Wednesday, January 21, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23193	Recreation Districts	Alan Dornfest, Idaho State Tax Commission
RS23254	Levy and apportionment of taxes	Alan Dornfest, Idaho State Tax Commission
RS23277	Tax exemptions/personal property	Alan Dornfest, Idaho State Tax Commission

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COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 21, 2015

TIME: 9:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representative(s) Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Moyle

GUESTS: Alan Dornfest, ISTC; Georgia Plischke, Washington County Assessor; Andrew Mitzel, Realtors; Benn Brocksome, Kestrel West; Katrina Basy, Idaho Power; Benjamin Davenport, Associated Taxpayers of Idaho

Chairman Collins called the meeting to order at 9:30 A.M.

MOTION: **Rep. Erpelding** made a motion to approve the minutes of January 16, 2015. **Motion carried by voice vote.**

RS 23193: **Alan Dornfest**, Idaho State Tax Commission, presented **RS 23193**. Currently, recreation districts are excluded from the January 1 deadline that other districts must follow to organize and be allowed to levy property tax in a particular year. Recreation districts have been allowed to organize up to June 1. This conflicts with Idaho Code which requires tax code areas be finalized earlier in the year so that operating property values can be correctly assigned to the various taxing districts. This legislation would require that recreation districts comply with the same formation and levy laws as other taxing districts. In response to questions, Mr. Dornfest said this has been a problem for several years and does not know why recreation districts were allowed the later establishment date. This amendment would put recreation districts on a level playing field with other taxing districts.

MOTION: **Rep. Raybould** made a motion to introduce **RS 23193**. **Motion carried by voice vote.**

RS 23254: **Alan Dornfest**, Idaho State Tax Commission, presented **RS 23254** which deals with levying and apportionment of taxes. When maximum property taxes are computed for school districts, the computation includes a component that takes the new construction roll value and multiplies it by a "Hypothetical Levy Rate". This rate is calculated by adding the tort fund property tax and agricultural equipment replacement dollars. Personal property exemption reimbursement funds are not added, but are subtracted from the tort fund. That means that the hypothetical levy rate will not compensate for this subtraction and, in most cases, there will be no new construction related budget capacity addition for school districts. This is inconsistent with the goal of the personal property reimbursement, which was to keep taxing districts whole. This amendment will correct the problem by treating personal property replacement money the same as agricultural equipment replacement dollars. This will give school districts slightly increased tort fund budget capacity.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 23254**. **Motion carried by voice vote.**

RS 23277: **Alan Dornfest**, Idaho State Tax Commission, presented **RS 23277** which proposes three technical corrections to the Idaho Code section relating to certain personal property tax exemptions. First, this amendment changes the term "taxpayer" to "person" which is more inclusive. It also provides a comprehensive list of relationships that will constitute a taxpayer for purposes of receiving the exemption and replaces the reference to section 267 which was confusing and resulted in inconsistent usage.

The second proposed change deals with replacement money and refunds on improperly claimed exemptions. When taxes related to improperly claimed personal property exemptions are refunded to counties, the money is distributed to the taxing districts who then subtract these amounts from the maximum amount that can be levied. The State, however, is required to continue to make replacement money payments to the districts without regard to this restitution or to the improperly claimed exemption. This change would require refunded amounts to be paid to the state and require the state to reduce future payments to the taxing districts. This change has no adverse tax effects to the state, counties or taxing districts.

The last change proposed relates to operating property and the \$100,000 per county exemption. Idaho Code allows each taxpayer \$100,000 in personal property tax exemption per county. Because of the way operating property is apportioned, this is difficult to administer given software limitations. This change would permit operating companies to receive \$100,000 in personal property exemption for each county in which the company has any apportioned value. It would limit the total amount of the exemption to the lesser of this amount or the total amount of personal property identified. This change is taxpayer and resource friendly and would result in a slight increase of approximately 19¢ per \$100,000 value in the amount of personal property exemptions.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 23277**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:54 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Thursday, January 22, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23310	Administrative Procedure Act	Senator Burgoyne
RS23278	Electronic Filing of Income Tax Returns	Michael Chakarun, Idaho State Tax Commission
RS23258	Income Tax Deductions	Michael Chakarun, Idaho State Tax Commission
RS23279	Income Tax, Charitable Contributions	Michael Chakarun, Idaho State Tax Commission
RS23271	Income Tax, Net Operating Loss Deduction	Michael Chakarun, Idaho State Tax Commission
RS23266	Production Exemption	Michael Chakarun, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
Room: EW54
Phone: 332-1125
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 22, 2015

TIME: 9:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Suzanne Budge, SBS Assoc., LLC; Jonathan Parker, Internet Truck Stop; Benjamin Davenport, Associate Taxpayers; Cynthia Adrian, ISTC; Mike Chakarun, ISTC; Tom Shaner, ISTC; McLean Russell, ISTC; Brad Hunt, O.A.R.C

Chairman Collins called the meeting to order at 9:30 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of January 19, 2015. **Motion carried by voice vote.**

RS 23310: **Senator Burgoyne** presented **RS 23310** dealing with the Administrative Procedures Act. **H 202** was passed in 2013 which added a requirement that the Tax Commission include in its proposed rule making notices a description of positive fiscal impacts of more than \$10,000 to the general fund and other funds during the fiscal year when a rule was to take effect. Idaho law had required for some time that the Tax Commission include in its notices of proposed rule making a description of negative fiscal impacts. The purpose of **H 202** was to know if a proposed rule had the effect of raising more than \$10,000 in additional revenue. At the time the bill was enacted, the Tax Commission requested a two-year sunset clause. Now that the Tax Commission has had experience with this bill, it does not object to the removal of the sunset clause and this bill's sole provision is to repeal it.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 23310** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Collins** will sponsor the bill on the floor.

RS 23278: **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **RS 23278** which would require electronic filing of income tax returns by paid tax preparers, large partnerships and large corporations once they meet a filing threshold. He explained that although 80% of personal returns are filed electronically, only 20% of returns from paid tax preparers and large corporations/partnerships are received in this manner. This proposal requires tax preparers who have more than 25 individual and business tax returns in a calendar year to file electronically. Corporations with more than \$10,000,000 in assets and partnerships and S corporations with more than 100 partners or 100 shareholders must also file their returns electronically. Mr. Chakarun stated that this legislation has the support of CPA's and other practitioners.

In response to a question, **Ms. Doreen Warren**, Administrator of Revenue Operations, Idaho State Tax Commission, said her office works closely with tax preparers and software developers to insure their tax preparation software complies with the State's rules, forms and instructions. **Mr. Chakarun** noted that individuals preparing their own returns would not be subject to this requirement to file electronically, only tax preparers who do this for a living and that the anticipated \$25,000 in savings this proposal will generate will be used to improve the State Tax Commission business processes and improve efficiencies.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 23278**. **Motion carried by voice vote.**

RS 23258: **Michael Chakarun**, Idaho State Tax Commission, presented **RS 23258** dealing with the retirement benefits deduction. This proposal would expand the retirement benefits deduction to include certain foreign service workers covered under the Foreign Service Retirement and Disability System (FSRDS). Certain federal employees who retired under the Civil Service Retirement System are allowed to claim the retirement benefits deduction because they did not contribute into social security. Retirees who retired under the FSRDS also did not contribute into social security but have been excluded from claiming the retirement benefits deduction, making benefits received from this program taxable. This deduction puts these retirees on the same footing as individuals who receive social security benefits and are able to take an Idaho deduction for those benefits. This legislation also clarifies that retirees under the Federal Employees Retirement System (FERS) do not qualify for this deduction because they are covered under social security and are entitled to deduct those Social Security benefits from Idaho taxable income.

MOTION: **Rep. Moyle** made a motion to introduce **RS 23258**. **Motion carried by voice vote.**

RS 23279: **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission, presented **RS 23279** regarding charitable contributions and net operating loss. For some taxpayers who report a net operating loss (NOL), the deduction for charitable contributions can result in a permanent loss of part of the charitable contribution on the Idaho tax return. This legislation would allow a deduction for the amount of the charitable contribution lost. An emergency clause is included in the proposal so taxpayers can use it in the current filing season.

MOTION: **Rep. Moyle** made a motion to introduce **RS 23279**. **Motion carried by voice vote.**

RS 23271: **Michael Chakarun**, Idaho State Tax Commission, presented **RS 23271** dealing with the domestic production activity deduction. This deduction was designed to encourage domestic manufacturing by allowing a manufacturer to claim a deduction of up to 9% of their net income on their federal return which then flows through to their Idaho return. When this deduction was adopted, the regulations did not address the fact that it cannot be used to increase or cause a net operating loss. This proposal modifies the Idaho Income Tax Act to require the add-back of the domestic production activity deduction when computing an Idaho net operating loss.

MOTION: **Rep. Kauffman** made a motion to introduce **RS 23271**. **Motion carried by voice vote.**

RS 23266: **Michael Chakarun**, Idaho State Tax Commission, presented **RS 23266**. The production exemption in the Sales Tax Act allows an exemption from sales and use tax for certain tangible personal property used in the production process. However, an exception exists for hand tools that cost \$100 or less, making these items subject to tax regardless of how they are used. This \$100 exception has been in place and fixed at that amount since the inception of the Sales Tax Act in 1965 and no longer meets the policy goals it was designed to address. The hand tool exception is difficult for taxpayers to understand and comply with and for the Tax Commission to administer. To simplify the Sales Tax Act, this proposal would repeal the hand tool exception.

MOTION: **Rep. Thompson** made a motion to introduce **RS 23266**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:03 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, January 26, 2015

SUBJECT	DESCRIPTION	PRESENTER
DOCKET NO. 35-0102-1403:	Idaho Sales & Use Tax Administrative Rules	McLean Russell, Idaho State Tax Commission
<u>H 0027:</u>	Recreation Districts	Alan Dornfest, Idaho State Tax Commission
<u>H 0028:</u>	Levy and Apportionment of Taxes	Alan Dornfest, Idaho State Tax Commission
<u>H 0029:</u>	Tax Exemptions/Personal Property	Alan Dornfest, Idaho State Tax Commission
	Board of Tax Appeals Presentation	Steve Wallace, Board of Tax Appeals

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 26, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Steve Wallace, Lee Heinrich & Travis Van Lith, Board of Tax Appeals; Brock Martinson, CTA; Jonathan Parker, Internet Truck Stop; Brent Davis, City of Boise; Amanda Myers, ICCU; Matt Wolff, St. Lukes Health System; Beth Coonts, Hawley, Troxell; Jennifer Howard, Kount; Kyle Carpenter, Idaho State; Jonathan Medalie, BCI; Joey Perry, WTB; Alex McLaughlin, Givens Pursley; Caroline Moore, Bright Star; Meg Boyer, Idaho Statesman; Brody Aston, Lobby Idaho; Alan Dornfest, ISTC; Mike Chakarun, ISTC; Dennis Stevenson, Rules Coordinator

Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Vice Chairman Trujillo** made a motion to approve the minutes of January 20, 2015. **Motion carried by voice vote.**

MOTION: **Rep. Anderst** made a motion to approve the minutes of January 21, 2015. **Motion carried by voice vote.**

DOCKET NO. 35-0102-1403: **Chairman Collins** explained that this Pending Administrative Rule Docket was before the Committee at a prior meeting for discussion and held with no action taken. It is before the Committee now for consideration.

MOTION: **Rep. Trujillo** made a motion to approve **Docket No. 35-0102-1403** with the exception of Rule 102 and Rule 128 which will be rejected. **Motion carried by voice vote. Rep. Erpelding** requested he be recorded as voting **NAY**.

H 27: **Alan Dornfest**, Idaho State Tax Commission, presented **H 27**. This legislation deletes a provision in the Tax Code that excepted recreation districts from the provision in law that requires taxing districts to organize by January 1st in order to levy property tax in that year. Recreation districts are allowed to organize up to June 1st. All other taxing districts are required to adhere to the January 1st deadline so that operating property values can be correctly assigned to the various taxing districts. This proposal would make recreation districts conform to the same formation and levy laws as other taxing districts. If passed, this law would take effect on July 1 so any district formed in the May election would still fall under existing law and not create a hardship for a district in the process of formation.

MOTION: **Rep. Nate** made a motion to send **H 27** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Nate** will sponsor the bill on the floor.

H 28: **Alan, Dornfest**, Idaho State Tax Commission, presented **H 28** relating to levy and apportionment of taxes. Under current law, when maximum property taxes are computed for school districts, it uses a "Hypothetical Levy Rate" which is calculated by adding the tort fund property tax and agricultural equipment replacement dollars. Personal property exemption reimbursement funds are not added, but are subtracted from the tort fund. That means that the hypothetical levy rate will not compensate for the subtraction which is inconsistent with the goal of the personal property reimbursement which was to keep taxing districts whole. In fact, in most cases, there will be no new construction related budget capacity. This legislation will correct the problem by treating personal property replacement money the same as agricultural equipment replacement dollars and raise their tax capacity to pay liability insurance premiums.

Responding to a question, **Mr. Dornfest** clarified that this only affects the tort fund which pays liability insurance premiums and the amount levied cannot exceed the actual cost of those premiums.

MOTION: **Rep. Trujillo** made a motion to send **H 28** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nate** and **Rep. Scott** requested that they be recorded as voting **NAY.** **Rep. Trujillo** will sponsor the bill on the floor.

H 29: **Alan Dornfest**, Idaho State Tax Commission, presented **H 29** which proposes three technical corrections to the Idaho Code section relating to certain personal property tax exemptions. First, this amendment changes the term "taxpayer" to "person" which is more inclusive. It also provides a comprehensive list of relationships that will constitute a taxpayer for purposes of receiving the exemption and replaces the reference to section 267 which was confusing and resulted in inconsistent usage.

The second proposed change deals with replacement money and refunds on improperly claimed exemptions. When taxes related to improperly claimed personal property exemptions are refunded to counties, the money is distributed to the taxing districts who then subtract these amounts from the maximum amount that can be levied. The State, however, is required to continue to make replacement money payments to the districts without regard to this restitution or to the improperly claimed exemption. This change would require refunded amounts to be paid to the state and require the state to reduce future payments to the taxing districts. This change has no adverse tax effects to the state, counties or taxing districts.

The last change proposed relates to operating property and the \$100,000 per county exemption. Idaho Code allows each taxpayer \$100,000 in personal property tax exemption per county. Because of the way operating property is apportioned, this is difficult to administer given software limitations. This change would permit operating companies to receive \$100,000 in personal property exemption for each county in which the company has any apportioned value. It would limit the total amount of the exemption to the lesser of this amount or the total amount of personal property identified. This change is taxpayer and resource friendly and would result in a slight increase of approximately 19¢ per \$100,000 value in the amount of personal property exemptions.

Responding to a question about upgrading the computer system to resolve the administration issue related to the personal property tax exemption, **Mr. Dornfest** indicated that even if there were no software limitations, this change to the personal property tax exemption would still be recommended.

MOTION: **Rep. Chaney** made a motion to send **H 29** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Chaney** will sponsor the bill on the floor.

Steve Wallace, Director, Board of Tax Appeals, gave a presentation on the Board of Tax Appeals, its function and an overview of its decisions for the past several years. The sole purpose of the Board is to be a fair and impartial tribunal to hear and decide cases. Most cases involve local property tax assessments but other cases regularly include income tax, sales and use tax and circuit breaker benefit cases. The Board is comprised of **Chairman David Kinghorn, Linda Pike** and **Lee Heinrich**. Mr. Wallace responded to questions from Committee members on various aspects of the Board's function and gave a breakdown of case decisions over the past several years.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:15 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 27, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23280	Income Tax Credits/Charitable Contributions	Blake Youde, State Board of Education
H 10	Printing, Publishing of Income Tax Act	Michael Chakarun, Idaho State Tax Commission
H 11	Technical Changes to Sales Tax Act	Michael Chakarun, Idaho State Tax Commission
H 12	Tax Clarifications for Utility Type Vehicles (UTV's)	Michael Chakarun, Idaho State Tax Commission
H 13	Tax Clarifications on Refundable Credits	Michael Chakarun, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 27, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Cynthia Adrian, ISTC; Blake Youde, State Bd. of Education; Brent Olmstead, MPI; Mike Chakarun, ISTC; Ben Davenport, ATI; Jess Harrison, ISBA; Tyler Mallard, Risch Pisca; N. L. Clayville, DFM

Chairman Collins called the meeting to order at 9:00 A.M.

RS 23280: **Blake Youde**, Chief Communications & Legislative Affairs Officer, State Board of Education, presented **RS 23280**. In 2010, **H 630** temporarily increased the income tax credit for donations to certain organizations under the oversight of the State Board of Education, the Idaho State Historical Society and Idaho libraries and museums. It also added several state commissions and councils that would be eligible for the tax credit. The tax credit was increased to equal 50% of the aggregate amount of charitable contributions, up to 50% of an individual taxpayer's total Idaho income tax liability and a maximum annual amount of \$500 (\$1,000 on a jointly filed return).

These increases sunset January 1, 2016. If allowed to sunset, the tax credits would remain equal to 50% of the contribution, but be limited to 20% of the taxpayer's total Idaho income tax liability and the maximum annual amount of the credit would decrease to \$100 (\$500 on a jointly filed return). For a corporate taxpayer, the amount would remain limited to 10% of the corporation's total Idaho income tax liability but the maximum annual credit would be reduced to \$1,000 rather than the current \$5,000 limit.

This credit has provided important benefits for these agencies and foundations. This proposal would remove the sunset clause and allow these increased tax credits to continue. If allowed to sunset, those state commissions, councils and foundations added in 2010 would no longer qualify for the credit.

MOTION: **Rep. Thompson** made a motion to introduce **RS 23280**.

Responding to a question, **Mr. Youde** gave examples of some of the organizations who become eligible for this tax credit in 2010 i.e., Council for the Deaf & Hard of Hearing, Commission for the Blind, Commission on Spanish Affairs and the Independent living Council.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion. **Motion carried by voice vote.**

H 10: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission, presented **H 10** dealing with the printing and publishing of the Income Tax Act. Ms. Adrian explained that current Idaho Code requires the Tax Commission to print and publish the Income Tax Act in pamphlet form. The Tax Commission has not published the Tax Act in paper form for many years since it is available on the internet at no cost. The requirement to publish paper documents is no longer necessary and this proposal would amend the statute to reflect current practice.

MOTION:

Rep. Raybould made a motion to send **H 10** to the floor with a **DO PASS** recommendation.

In response to a question, **Ms. Adrian** explained that there are no cost savings associated with this legislation since the Tax Commission has not done a paper printing of the Tax Act for many years. She also noted that if a taxpayer would request a paper copy, the Commission would print the first 100 pages at no charge.

VOTE ON MOTION:

Chairman Collins called for a vote on the motion. **Motion carried by voice vote.** **Rep. Dayley** will sponsor the bill on the floor.

H 11: **Michael Chakarun**, Tax Policy Mgr., Idaho State Tax Commission presented **H 11** which would make a technical correction to the Sales Tax Act. This act provides an exemption from tax for sales of meals by programs that provide nutritional meals for the ageing under Title VII of the Older Americans Act and cites Public Law 93-29. This reference is no longer valid as Public Law 93-29 was reauthorized and recodified by Congress. This legislation will correct that reference to cite Public Law 109-365 to conform to the statute. Mr. Chakarun pointed out that this was a technical correction only and there is no change to the underlying programs.

MOTION:

Rep. Raybould made a motion to send **H 11** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Rudolph** will sponsor the bill on the floor.

H 12: **Michael Chakarun**, Idaho State Tax Commission, presented **H 12** which proposes to add utility type vehicles (UTV's) and specialty off-highway vehicles (SOHV's) to the list of vehicles that may be sold to non-residents exempt from tax. Under current law, most vehicles may be sold to non-residents exempt from sales tax for use outside of Idaho. This exemption does not cover UTV's or SOHV's, making them subject to sales tax even though used outside of the state. This places Idaho sellers at a competitive disadvantage to some out-of-state vendors. He stated that this was an irregularity in the Sales Tax Act and there was no reason that these types of vehicles should be treated differently than other vehicles exempt from sales tax sold to non-residents. Idaho sellers have also consistently expressed confusion and difficulty in administering the exception for these types of vehicles.

MOTION:

Rep. Anderson made a motion to send **H 12** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderson** will sponsor the bill on the floor.

H 13: **Cynthia Adrian**, Idaho State Tax Commission, presented **H 13**. This proposed legislation would provide a benefit to taxpayers by allowing a refundable credit on repaid income that was previously taxed. If a taxpayer repays income that was previously reported and paid tax on, such as disability benefit payments, a deduction is allowed for the repaid amount. However, in some situations, a taxpayer may not receive a benefit from the deduction thereby effectively paying tax on income they had fully repaid. This proposal allows a refundable credit for the difference between the state income tax liability and the state income tax that would have been paid had the income not been included in taxable income.

MOTION: **Rep. Erpelding** made a motion to send **H 13** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nye** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:20 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 28, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 36	Income Tax Deductions	Michael Chakarun, Idaho State Tax Commission
H 37	Income Tax, Charitable Contributions	Michael Chakarun, Idaho State Tax Commission
H 38	Income Tax, Net Operating Loss Deduction	Michael Chakarun, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
Room: EW54
Phone: 332-1125
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, January 28, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Tawnya Nyman, ISCPA; Benjamin Davenport, ATI; Matthew P. Grow, ISCPA; Cynthia Adrian, Steve Wynn and Tom Shaner, ISTC; Andrew Mitzel, Realtors

Chairman Collins called the meeting to order at 9:00 A.M.

**UNANIMOUS
CONSENT
REQUEST:** **Chairman Collins** made a unanimous consent request to **HOLD H 38** in Committee. There being no objection, the request was granted.

H 36: **Cynthia Adrian**, Idaho State Tax Commission, presented **H 36** pertaining to retirement benefits deductions. This proposal would expand the retirement benefits deduction to include certain foreign service workers covered under the Foreign Service Retirement and Disability System (FSRDS). Certain federal employees who retired under the Civil Service Retirement System are allowed to claim the retirement benefits deduction because they did not contribute into social security. Retirees who retired under the FSRDS also did not contribute into social security but have been excluded from claiming the retirement benefits deduction, making benefits received from this program taxable. This deduction puts these retirees on the same footing as individuals who receive social security benefits and are able to take an Idaho deduction for those benefits. This legislation also clarifies that retirees under the Federal Employees Retirement System (FERS) do not qualify for this deduction because they are covered under social security and are entitled to deduct those Social Security benefits from Idaho taxable income, but they are not allowed a deduction for the federal retirement benefits they receive.

MOTION: **Rep. Erpelding** made a motion to send **H 36** to the floor with a **DO PASS** recommendation.

Rep. Trujillo related that she had received an objection to this legislation on the basis that it would take away a deduction for FERS employees. She explained to the individual that it does not remove a deduction for these retirees because they receive the deduction for their social security benefits.

**VOTE ON
MOTION:** **Chairman Collins** called for a vote on the motion. **Motion carried by voice vote.** **Rep. Erpelding** will sponsor the bill on the floor.

H 37: **Tom Shaner**, Tax Policy Specialist, Idaho State Tax Commission presented **H 37** regarding charitable contributions and net operating loss. For some taxpayers who report a net operating loss (NOL), the deduction for charitable contributions can result in a permanent loss of part of the charitable contribution on the Idaho tax return. This legislation corrects the inequity some taxpayers find themselves and would allow a deduction for the amount of the charitable contribution lost. The fiscal impact of the proposal is estimated to be a decrease of \$25,000 in General Fund revenue. An emergency clause is included in the proposal so taxpayers can use it in the current filing season.

MOTION: **Rep. Trujillo** made a motion to send **H 37** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:10 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 29, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 35	Electronic Filing of Income Tax Returns	Michael Chakarun, Idaho State Tax Commission
	Western Aircraft Presentation	Russell Westerberg, Westerber & Associates

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, January 29, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Jeff Mihalic, Peter Woodko and Russell Westerburg, Western Aircraft; Mike Chakarun and Doreen Warren, Idaho Tax Commission; Ben Davenport, ATI

Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Dayley** made a motion to approve the minutes of January 22, 2015. **Motion carried by voice vote.**

H 35: **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **H 35** which would require electronic filing of income tax returns by paid tax preparers, large partnerships and large corporations once they meet a filing threshold. He explained that although 80% of personal returns are filed electronically, only 20% of returns from paid tax preparers and large corporations/partnerships are received in this manner. This proposal requires tax preparers who have more than 25 individual and business tax returns in a calendar year to file electronically. Corporations with more than \$10,000,000 in assets and partnerships and S corporations with more than 100 partners or 100 shareholders must also file their returns electronically.

The benefits of e-filing from the preparer's perspective are (1) obtain refunds much quicker, (2) receive acknowledgement of receipt of tax return, (3) less math errors and (4) cost savings related to paper and postage. Mr. Chakarun pointed out that this legislation does not pertain to individuals filing tax returns only paid tax preparers who do this for a living. January 2016 is the proposed effective date and the estimated \$25,000 savings in processing costs would be used to improve fraud and identity theft programs and increase efficiencies.

Processing tax returns filed on paper takes considerably longer and uses much more resources for the Idaho State Tax Commission. Attempts to increase the percentage of returns filed by paid tax preparers and large companies has been largely unsuccessful. Software developers are reluctant to convert their format which they already have done for federal returns until Idaho has an e-filing mandate. This legislation provides the impetus for these software developers to provide Idaho e-filing capabilities in their software.

MOTION: **Rep. Thompson** made a motion to send **H 35** to the floor with a **DO PASS** recommendation.

In response to a question asking if this was the most effective way to get software developers to provide e-filing capabilities, **Mr. Chakarun** noted that 60 developers already provide e-filing and the 10 vendors who do not will probably make the conversion in their software only after Idaho has a mandate. He also did not think there was significant cost involved as the infrastructure is already there.

Doreen Warren, Administrator of Revenue Operations, Idaho State Tax Commission, was called upon to address the question of the January 2016 effective date and if it would give developers an adequate amount of time to accomplish the software changes. She indicated that her department works closely with software developers and this would give them 9 months within which to make the software conversion and would not be an undue burden.

In response to a question, **Commissioner Ken Roberts**, Idaho State Tax Commission, indicated that if there were significant savings resulting from this legislation, the Tax Commission would be willing to revert dollars back to the General Fund.

Chairman Collins reported that no one had signed up to testify on this proposal either for or against.

VOTE ON MOTION:

Chairman Collins called for a vote on the motion. **Motion carried by voice vote.** **Reps. Scott, Dayley, Anderst** and **Nate** requested to be recorded as voting **NAY.** **Rep. Thompson** will sponsor the bill on the floor.

Russell Westerberg, Westerberg & Associates, introduced **Jeff Mihalic**, President of Western Aircraft. In 2012, **H 417** was enacted which created a sales tax exemption for parts installed in connection with the repair and maintenance of aircraft. The intention of this legislation was to create new jobs and eliminate the disadvantage Idaho businesses have competing with similar businesses located in states that do not impose taxes on parts. Mr. Mihalic came to the Committee to report on this legislation's affect on the growth of his company and that of Idaho's economy. Over the past 4 years, the company attracted 58 new customers resulting in \$14 million of new sales which drove the addition of 16 more technicians on their payroll. Two new facilities have been constructed on their site representing an investment of over \$2 million. Although their staffing commitments have fallen somewhat short of targets, it is expected to improve as they strengthen their competitive advantage. Without this sales tax exemption, his company would not have achieved the growth they have today which is 5 times the industry standard.

Mr. Mihalic responded to questions regarding the current competitive climate and how the company faces challenges due to its geographical location which is less of an obstacle with the sales tax exemption. He also briefed the Committee on the challenges of attracting and keeping qualified workforce employees. The company currently partners with ISU on training courses, scholarships and the donation of a cockpit trainer. They have created an internship program and have received interest from CWI on training and classes related to their industry. **Rep. Moyle** thanked Mr. Mihalic for the update and appreciated the company's commitment to Idaho and its economy.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 10:02 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, February 03, 2015

SUBJECT	DESCRIPTION	PRESENTER
<u>RS23398</u>	Sales Tax, Glasses, Contacts	Kris Ellis, Idaho Optometric Physicians
<u>RS23415</u>	Emergency School Levies	Rep. Kauffman
<u>RS23225</u>	Internal Revenue Code	Michael Chakarun, Idaho State Tax Commission
<u>H 38</u>	Income Tax, Net Operating Loss Deduction	Michael Chakarun, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
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Phone: 332-1125
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 03, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Mike Chakarun, Idaho State Tax Commission; Ben Davenport, Associated Taxpayers of Idaho; Kris Ellis & Tony Smith, Idaho Optometric Association; Clark Corbin, Idaho Education News; Phil Homer, Idaho Association of School Administrators; Donna Yule, Idaho Public Employees Association; Andrew Mitzel, Realtors; Jess Harrison, Idaho School Boards Association

Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Chaney** made a motion to approve the minutes of the January 26, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the January 27, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the January 28, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Dayley** made a motion to approve the minutes of the January 29, 2015 meeting. **Motion carried by voice vote.**

**UNANIMOUS
CONSENT
REQUEST:** **Chairman Collins** asked for unanimous consent to **HOLD H 38** in Committee at the call of the chair. There being no objections, the request was granted.

RS 23398: **Kris Ellis**, Idaho Optometric Physicians, presented **RS 23398** relating to sales tax on prescription glasses and contacts. The purpose of this proposed legislation is to exempt prescription eyeglasses and contacts from sales tax which aligns with the treatment of all other prescriptions and medical devices. Taxes on prescription eyeglasses would be eliminated in the first year with taxes on prescription contacts eliminated in the second year. The resulting fiscal impact would be \$1.6 million in fiscal year 2016 and \$1.6 million in fiscal year 2017. This legislation would pertain only to prescription eyeglasses, contacts and their replacements parts while readers, sun glasses and safety glasses that do not have a prescription and other accessories associated with glasses would remain taxable.

MOTION: **Rep. Chaney** made a motion to introduce **RS 23398**. **Motion carried by voice vote.** **Rep. Rudolph** requested to be recorded as voting **NAY**.

RS 23415: **Rep. Kauffman** presented **RS 23415**. This proposal would allow emergency school levies to be assessed on the current equalized valuation of such taxable property instead of the base assessment roll. Property tax paid for school emergency levies would then go to the school district instead of the urban renewal agencies. This only affects 10 schools in Idaho who have an Urban Renewal District in their district. There is no fiscal impact to the state, but would have provided an increase of \$374,000 in 2014 to the 10 affected school districts.

MOTION: Rep. Dayley made a motion to introduce **RS 23415. Motion carried by voice vote. Rep. Nye** requested to be recorded as voting **NAY.**

RS 23225: **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **RS 23225** which is the annual bill that updates references to the Internal Revenue Code in the Idaho income tax code to conform with tax changes made on the federal level that affect taxable years beginning during 2014. Mr. Chakarun pointed out the \$17.7 million reduction in general fund revenue spread over two years is due to the extension of the Section 179 deduction and bonus depreciation. Responding to a question, he explained the 179 deduction allows small businesses to deduct up to \$500,000 of eligible capital equipment cost from taxable income in the year the property is placed into service. This allows businesses to get the entire depreciation deduction in a single year.

MOTION: Rep. Thompson made a motion to introduce **RS 23225.**

In response to a request from **Chairman Collins**, Mr. Chakarun clarified that Section (c) in the statute defines marriage for the purpose of Idaho income tax under Idaho's constitution and does not conform to the federal rule permitting joint tax filing for same sex couples. There is currently an appeal before the Supreme Court on the constitutionality of Idaho's same sex marriage ban. This section could be revised in the future depending on the ruling by the Supreme Court.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to introduce **RS 23225. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:17 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, February 04, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23442	Administrative Rules, Rule Rejection	Rep. Collins
RS23457	Income Tax, Real Property Definition	Robert Aldridge, Trust & Estate Professionals of Idaho
RS23458	Income Tax, Capital Gains Deduction	Robert Aldridge, Trust & Estate Professionals of Idaho
RS23459	Income Tax, Composite Return	Robert Aldridge, Trust & Estate Professionals of Idaho
H 77	Internal Revenue Code	Michael Chakarun, Idaho State Tax Commission

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 04, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Michael Chakarun & McLean Russell, Idaho State Tax Commission; Bob Aldridge, Trust & Estate Professionals of Idaho, Inc.; Andrew Mitzel, Realtors; Dennis Stevenson, Rules Coordinator; Benjamin Davenport, Associated Taxpayers of Idaho; Ken McClure, Idaho Association of Certified Public Accountants; Jonathan Parker, Holland & Hart

Chairman Collins called the meeting to order at 9:00 A.M.

RS 23442: **Chairman Collins** presented **RS 23442** which is a Concurrent Resolution rejecting Section 102 and Section 128 of the Idaho Sales & Use Tax Administrative Rules contained in **Docket No. 35-0102-1403**. Rule 102 deals with sales tax for logging operations and Rule 128 pertains to lodging sales tax.

MOTION: **Rep. Raybould** made a motion to introduce **RS 23442** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Chairman Collins** will sponsor the bill on the floor.

RS 23457: **Robert Aldridge**, Trust & Estate Professionals of Idaho, Inc., described the composition of his organization and the involvement of a broad-based group of individuals along with the State Tax Commission who participated in the drafting of this legislative proposal.

He presented **RS 23457** dealing with the definitions of "real property" and "personal property" as it relates to the deduction of Capital Gains. "Real property" was defined as "land and other tangible property permanently affixed to the land" which was subject to varying interpretations and did not match federal law. This proposed legislation will clarify the definition of "real property" by including the following: (1) qualified conservation easements, (2) grazing permits or leases if it is transferred at the same time as transfer of the base property and (3) any other property conveyed in perpetuity as defined in "Section 1250 Property" of the Internal Revenue Code. That section of the code also requires that transfers of property must be conveyed in writing. **Mr. Aldridge** stated this will have little or no fiscal impact. It is requested that this proposal be made retroactive for all tax years beginning on or after January 1, 2010 in order to remove the need for, and costs of, such audits or appeals on existing open tax returns.

Rep. Raybould questioned the deletion on page 2 of "means the land and other tangible property permanently upon or affixed to the land" stating this deletion leaves a void and should be retained. He further noted he had no objections to any of the other additions to this proposal, just this one deletion. Responding to a question regarding the involvement of cattle industry landowners in these changes, **Mr. Aldridge** noted that one of the CPA's who participated in the drafting of this legislation represented the interest of many families with grazing rights and permits. Mr. Aldridge also explained the reasoning for making this retroactive to 2010 was at the request of the Tax Commission in order to settle relevant tax cases going through the appeals process.

MOTION: **Rep. Nye** made a motion to introduce **RS 23457**.

Rep. Raybould stated that although the intent of this proposal is good, he will be voting in opposition because of his earlier expressed concern that the deletion of the definition of real property on page 2 does not serve to make this an effective piece of legislation despite its good intentions.

ROLL CALL VOTE: **Chairman Collins** requested a roll call vote on **RS 23457**. **Motion carried by a vote of 10 AYE and 6 NAYE. Voting in favor of the motion: Reps. Collins, Trujillo, Anderson, Anderst, Kauffman, Chaney, Scott, Thompson, Nye and Rudolph. Voting in opposition to the motion: Reps. Moyle, Raybould, Dayley, Hartgen, Nate and Erpelding.**

RS 23458: **Robert Aldridge**, Trust & Estate Professionals of Idaho, Inc., presented **RS 23458** related to the capital gains deduction when a partnership distributes property to another partner. Current Idaho Code creates a distinction between distributions to a partner who continues in the partnership versus a partner who is cutting ties and leaving the partnership. Under Idaho Code, an individual must hold real property for 12 months in order to qualify for the capital gain deduction. A continuing partner receiving a distribution, can "tack on" the amount of time the partnership held the property to determine if he has satisfied the 12-month holding requirement. On the other hand, a terminating partner who receives a distribution and leaves the partnership is not allowed to "tack on" the partnership holding period when calculating the same 12-month holding requirement. This proposal removes any distinction between distributions to an on-going partner versus a liquidating partner. In either case, the individual would be allowed to "tack on" the amount of time the partnership held the property for the purpose of satisfying the 12-month holding period.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 23458**. **Motion carried by voice vote.**

RS 23459: **Robert Aldridge**, Trust & Estate Professionals of Idaho, Inc., presented **RS 23459** dealing with pass through entities and composite returns. One of the issues being addressed is if a non-resident is included in the composite return of an Idaho pass through entity, does that inclusion satisfy the requirement that the individual file an Idaho individual tax return. A number of stakeholders, including the Trust & Estate Professional of Idaho, the CPA society and others, have been effectively working with the State Commission on similar issues through negotiated rules. These stakeholders feel that the determination of this issue can be accomplished more easily through the rulemaking process rather than legislation and this proposal provides for the State Tax Commission to create such rules. **Rep. Moyle** commented he does not like to see the legislature cede its legislative authority.

MOTION: **Rep. Moyle** made a motion to return **RS 23459** to the sponsor.

Mr. Aldridge stated in response to a question, that using the rulemaking process allows temporary rules to be issued after input from all stakeholders. The rule is then ultimately put before the legislature who can reject or accept accordingly. **Rep. Nate** also expressed concern about relinquishing legislative jurisdiction over these matters.

VOTE ON MOTION:

Chairman Collins called for a vote on the motion. **Motion carried by voice vote.**

H 77:

Michael Chakarun, Tax Policy Manager, Idaho State Tax Commission, presented **H 77** which is the annual bill to conform Idaho's income tax code to changes made to the federal Internal Revenue Code. This allows Idaho tax filers to use their federal return as a starting point for taxable income on their Idaho tax return. This legislation has a negative fiscal impact of \$17.7 million split between fiscal years 2015 and 2016 due to the extension of the Section 179 deduction and bonus depreciation.

Ken McClure, Idaho Society of Certified Public Accountants, spoke regarding the efforts of the ISCPA to find an alternative to this annual legislation. Unfortunately, a solution to the necessity of conforming the tax code each and every year did not come to fruition this session.

MOTION:

Rep. Thompson made a motion to send **H 77** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Thompson** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 9:44 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Friday, February 06, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23449	Sales Tax, Road Materials	Senator Rice

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Dayley
Vice Chairman Trujillo Rep Hartgen
Rep Moyle Rep Kauffman
Rep Raybould Rep Chaney
Rep Anderson Rep Nate
Rep Anderst Rep Scott

Rep Thompson
Rep Erpelding
Rep Nye
Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 06, 2015

TIME: 9:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representative(s) Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Moyle

GUESTS: Mike Chakarun, Idaho State Tax Commission; Robyn Lockett, Legislative Services Office
Chairman Collins Called the meeting to order at 9:00 A.M.

MOTION: **Rep. Raybould** made a motion to approve the minutes of the February 3, 2015 meeting.
Motion carried by voice vote.

**UNANIMOUS
CONSENT
REQUEST:** **Chairman Collins** asked for unanimous consent to accept the testimony and vote tally presented on **H 77**, the annual conformity bill which updates references to the Internal Revenue Code, at the meeting on Wednesday, February 4, 2015 which approved sending this bill to the floor with a **DO PASS** recommendation. There being no objections, the request was granted.

RS 23449: **Senator Rice** presented **RS 23449** regarding sales tax on road materials. Last year, when dealing with road sign issues, it came to the attention of several senate committees, that all the materials used to construct and build our roads are subject to the State's sales tax. This increases the cost of our highway projects and transfers dollars for roads into the General Fund. It is estimated that approximately \$15-20 million a year is paid in sales tax which is then not available to build and maintain our roads. This proposed legislation would exempt road materials used to construct, improve and maintain our public roads from the sales/use tax.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 23449**.
Rep. Hartgen asked why shouldn't materials utilized to build public water systems, sewer systems and other infrastructure projects be exempted from sales tax in the same way. **Senator Rice** agreed that this should apply to everything the State, counties, school systems and governments build but feels a measured approach is needed due to the impact on the General Fund. Roads are very much in need right now and a good place to start. We will need to gradually address sales tax exemptions on all other government and public building projects in the future. In response to a question, Sen. Rice explained that a road being built in a subdivision by a private developer does not qualify for this exemption even though a county, city or state will own the road once the subdivision has been completed. Materials used by a private entity to develop any part of a public road that has not yet been dedicated to the public are specifically excluded from this exemption in Subpart 2b of the proposed legislation.

**VOTE ON
MOTION:** **Chairman Collins** called for a vote on the motion to introduce **RS 23449**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:45 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, February 10, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 84	Income Tax, Real Property Definition	Robert Aldridge, Trust & Estate Professionals of Idaho
RS23457C1	Income Tax, Real Property Definition	Robert Aldridge, Trust & Estate Professionals of Idaho
H 85	Income Tax, Capital Gains Deduction	Robert Aldridge, Trust & Estate Professionals of Idaho
H 76	Taxes, Base Assessment Roll	Rep. Kauffman

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 10, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Bob Aldridge and John McGown, Tax & Estate Professionals of Idaho; Phil Homer, Idaho Association of School Administrators; Brody Asten, Lobby Idaho; Andrew Mitzel, Realtors

Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the February 4, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the February 6, 2015 meeting. **Motion carried by voice vote.**

**UNANIMOUS
CONSENT
REQUEST:** **Chairman Collins** asked for unanimous consent to **HOLD H 84** in Committee. There being no objections, the request was granted.

RS 23457C1: **Robert Aldridge**, Trust and Estate Professionals of Idaho, presented **RS 23457C1** dealing with the definitions of "real property" and "personal property" as it relates to the deduction of capital gains. This is a revision of **H 84** which was earlier withdrawn and has now been revised to include some additional definitional language.

This proposed legislation will clarify the definition of "real property" by including the following: (1) qualified conservation easements, (2) grazing permits or leases if it is transferred at the same time as transfer of the base property and (3) any other property conveyed in perpetuity as defined in "Section 1250 Property" of the Internal Revenue Code. That section of the code also requires that transfers of property must be conveyed in writing. Mr. Aldridge stated this will have little or no fiscal impact. At the request of the Tax Commission, this proposal was made retroactive for all tax years beginning on or after January 1, 2010 in order to remove the need for, and costs of, such audits or appeals on existing open tax returns.

MOTION: **Rep. Raybould** made a motion to introduce **RS 23457C1**. **Motion carried by voice vote.**

H 85: **Robert Aldridge**, Trust & Estate Professionals of Idaho, Inc., presented **H 85** related to the capital gains deduction when a partnership distributes property to another partner. This legislation addresses a discrepancy in how holding periods are calculated to qualify for capital gains deduction when transferring property. Current Idaho Code creates a distinction between distributions to a partner who continues in the partnership versus a partner who is cutting ties and leaving the partnership.

Under Idaho Code, an individual must hold real property for 12 months in order to qualify for the capital gain deduction. A continuing partner receiving a distribution, can "tack on" the amount of time the partnership held the property to determine if he has satisfied the 12-month holding requirement. On the other hand, a terminating partner who receives a distribution and leaves the partnership is not allowed to "tack on" the partnership holding period when calculating the same 12-month holding requirement. This proposal removes any distinction between distributions to an on-going partner versus a liquidating partner. In either case, the individual would be allowed to "tack on" the amount of time the partnership held the property for the purpose of satisfying the 12-month holding period.

John McGown, Hawley, Troxell, spoke in favor of **H 85** as it would eliminate a disparity which his clients face when dealing with property transfers. In response to a question, Mr. McGown stated he did not know the State Tax Commission's position on this proposal but believes they are neutral, although he cannot speak for them.

MOTION: **Rep. Rudolph** made a motion to send **H 85** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Rudolph** will sponsor the bill on the floor.

H 76: **Rep. Kauffman** presented **H 76**. This proposal would allow emergency school levies to be assessed on the current equalized valuation of such taxable property instead of the base assessment roll. Property tax paid for school emergency levies would then go to the school district instead of the urban renewal agencies. This only affects 10 schools in Idaho who have an Urban Renewal District in their district. There is no fiscal impact to the state, but it would have provided an increase of \$374,000 in 2014 to the 10 affected school districts. In response to a question, Rep. Kauffman confirmed this would not result in a decrease to urban renewal agency budgets but it does give school districts the ability to levy taxes based on the full incremental property value.

Phil Homer, representing the Idaho Association of School Administrators, urged the Committee to pass this bill as it closes a gap in school funding.

MOTION: **Rep. Erpelding** made a motion to send **H 76** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:25 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, February 12, 2015

SUBJECT	DESCRIPTION	PRESENTER
<u>H 39</u>	Sales Tax, Production Exemption, Hand Tools	McLean Russell, Idaho State Tax Commission
<u>H 75</u>	Sales Tax, Glasses, Contacts	Kris Ellis, Idaho Optometric Physicians

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen

Rep Kauffman

Rep Chaney

Rep Nate

Rep Scott

Rep Thompson

Rep Erpelding

Rep Nye

Rep Rudolph

COMMITTEE SECRETARY

Bev Bean

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 12, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Steve Wallace, Board of Tax Appeals; Kris Ellis, Tony Smith, Jennifer Holman, Randy Andregg, and James Dean, Idaho Optometric Association; Mike Chakarun and McLean Russell, Idaho State Tax Commission; Roger Batt, Pacific Northwest Hardware & Implement Association; Benjamin Kelly, Mitch Royer and Jim Lowe, Food Producers of Idaho; Dan Blocksom, Idaho Association of Counties; Brent Olmstead, Milk Producers of Idaho; Pam Eaton, Idaho Retailers Association; Alex LaBeau, Idaho Association of Commerce & Industry; Ben Davenport, Associated Taxpayers of Idaho.

Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the February 10, 2015 meeting. **Motion carried by voice vote.**

H 39: **McLean Russell**, Tax Policy Specialist, Idaho State Tax Commission presented **H 39** regarding sales tax on hand tools used in the production process which affects mainly farming, mining and manufacturing industries. The Sales Tax Act allows an exemption from sales and use tax for certain personal property used in the production process. However, since its inception in 1965, the Sales Tax Act has had an exception for hand tools that cost \$100 or less, making these items subject to tax regardless of how they are used. This \$100 exception has existed at that fixed amount for almost 50 years and it no longer meets the policy goals the exception was designed to address. It is difficult for taxpayers to understand what tools qualify, for retailers to comply with and for the Tax Commission to administer. This legislation would repeal the hand tool exception, thereby making these hand tools tax exempt. Responding to a question, Mr. Russell affirmed the Tax Commission's intent to inform and educate retailers about this change if it is passed into law.

MOTION: **Rep. Chaney** made a motion to send **H 39** to the floor with a **DO PASS** recommendation.

Reps. Raybould, Moyle and Anderson invoked Rule 38 stating a possible conflict of interest but they would be voting on the legislation.

**VOTE ON
MOTION:** **Chairman Collins** called for a vote on the motion. **Motion carried by voice vote.** **Rep. Chaney** will sponsor the bill on the floor.

H 75: **Kris Ellis**, representing the Idaho Optometric Association, presented **H 75** dealing with sales tax on prescription eyeglasses, contacts and their components. She explained the purpose of this legislation is to exempt prescription eyeglasses and contacts from sales tax which aligns with the treatment of all other prescriptions and durable medical devices. Taxes on prescription eyeglasses would be eliminated in the first year with taxes on prescription contacts eliminated in the second year. The resulting fiscal impact would be \$1.42 million in fiscal year 2016 and an additional \$1.42 million in fiscal year 2017 for a total of \$2.84 million on going. This legislation would pertain only to prescription eyeglasses, contacts and their replacement parts while readers, sun glasses and safety glasses that do not have a prescription and other accessories associated with glasses would remain taxable.

Jennifer Holman and **James Dean**, both optometrists, spoke **in support** of this legislation citing the need to treat eyeglasses and contacts like all other durable medical devices since they are necessary medical equipment. They also cited the complexity of determining what is taxable between patient portion, co-pays, deductibles and insurance company discounts which are not available until months after the sale. **Pam Eaton**, President & CEO of Idaho Retailers Association, also spoke **in support** of this bill.

McLean Russell, Idaho State Tax Commission, responding to questions, clarified under current law the tax owing would be on the total amount of the lens and glasses, no matter who pays. This bill would exempt the sales tax on both the lenses and frames that are delivered under a prescription. He gave the analogy of buying ibuprofen over-the-counter or from a pharmacy with a doctor's prescription. The first is taxed, the second is not. It would be the same for glasses and contacts. If prescribed by your doctor, you would not pay sales tax. If you buy glasses or contacts without a prescription, you would pay the tax.

MOTION: **Rep. Thompson** made a motion to send **H 75** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Thompson** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:42 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Friday, February 13, 2015

SUBJECT	DESCRIPTION	PRESENTER
<u>RS23512</u>	Income Tax, Livestock Deduction	Sen. Brent Hill, President Pro Tempore
<u>RS23363C1</u>	Taxation, Solar Energy	Ron Williams, Williams Bradbury, P.C.
<u>H 109</u>	Income Tax, Capital Gains Deduction, Real Property Definition	Robert Aldridge, Trust & Estate Professionals of Idaho

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen

Rep Kauffman

Rep Chaney

Rep Nate

Rep Scott

Rep Thompson

Rep Erpelding

Rep Nye

Rep Rudolph

COMMITTEE SECRETARY

Bev Bean

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, February 13, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Bob Aldridge, Trust & Estate Professionals of Idaho; J. Terry Dodds, Dodds & Associates; Melissa Nelson, Idaho Society of CPA's; Ron Williams, Grandview Solar; Benjamin Davenport, Associated Taxpayers of Idaho; Benn Brocksome, Kestrel West; Scott Turlington, IEP; Dan Blocksom, Idaho Association of Counties; Neil Colwell, Avista Corp.; John Eaton, Realtors

Chairman Collins called the meeting to order at 9:00 A.M.

RS 23512: **Senator Brent Hill**, President Pro Tempore of the Senate, presented **RS 23512** dealing with the capital gains tax deduction as it relates to livestock and pass-through entities. Idaho allows a 60% tax deduction for capital gains derived from the sale or disposition of tangible personal property used in a business and held for at least 12 months. Cattle or horses held for breeding, draft, dairy or sporting purposes for at least 24 months and other livestock used for breeding for at least 12 months also qualify for the deduction if more than one-half of the taxpayer's gross income is from farming or ranching in Idaho. Capital gains generated by pass through entities that meet the farming or ranching requirement also qualify for this capital gains deduction.

This legislation clarifies that if the farming or ranching requirement is met at the pass through entity level, the qualifying capital gains will qualify for the deduction by the individual owners, regardless of whether or not more than one-half of their personal income is derived from farming or ranching. This results in consistent treatment of all qualifying capital gains including livestock.

MOTION: **Rep. Moyle** made a motion to introduce **RS 23512** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Trujillo** will sponsor the bill on the floor.

RS 23363C1: **Ron Williams**, representing Grandview Solar, presented **RS 23363C1** relating to taxation of solar energy producers. This proposed legislation would subject solar electric producers to a 3% gross receipts tax on the production of electricity in lieu of a property tax. This is identical to the way producers of wind and geothermal energy are taxed under Idaho Code. It also clarifies that the 3% production tax only applies to facilities capable of producing more than one megawatt of electricity. This minimum was put in place so as not to affect rooftop and small commercial solar installations.

Responding to a question regarding the affect of low energy prices on solar production and the resulting local government revenues, **Mr. Williams** stated these solar contracts have prices locked in so there is every incentive for them to produce the energy or go into default.

Rep. Anderst asked how much revenue would be generated through property taxes the first year versus the projected \$320,000 in gross receipts production taxes. Although he did not know the dollar values, **Mr. Williams** explained property taxes produce more revenue in the early years but would depreciate over time. The production tax approach generates less revenue in the early years and increases with time.

In response to a question about whether counties support this proposal, **Mr. Williams** stated they had not yet taken a position but he thought they were generally satisfied. He mentioned they supported the legislation in 2007 which replaced the property tax for wind and geothermal energy to the gross receipts production method.

MOTION: **Rep. Dayley** made a motion to introduce **RS 23363C1. Motion carried by voice vote. Rep. Anderst** requested to be recorded as voting **NAY**.

H 109: **Robert Aldridge**, Trust & Estate Professional of Idaho, presented **H 109** dealing with the definition of "real property" and "personal property" as it relates to capital gains. There has been confusion in Idaho on how to treat certain assets and if they were classified as "real property" or "personal property." The existing definition in Idaho Code was subject to varying interpretations and did not match federal law.

This legislation will clarify the definition of "real property" by including the following: (1) qualified conservation easements, (2) grazing permits or leases if it is transferred at the same time as transfer of the base property and (3) any other property conveyed in perpetuity as defined in "Section 1250 Property" of the Internal Revenue Code. That section of the code also requires that transfers of property must be conveyed in writing. This legislation brings Idaho income tax law into compliance with existing federal income tax law and will simplify application of the statute.

Mr. Aldridge stated this will have little or no fiscal impact. At the request of the Tax Commission, this legislation was made retroactive for all tax years beginning on or after January 1, 2010 in order to remove the need for, and costs of, such audits or appeals on existing open tax returns.

MOTION: **Rep. Chaney** made a motion to **HOLD H 109** in committee citing concern this allows an additional capital gains tax deduction.

Mr. Aldridge explained this legislation does not give any additional tax relief but clarifies the definition of real property in Idaho Code to coincide with federal law as it relates to capital gains and conforms to current practice.

J. Terry Dodds, Dodds & Associates, testifying **in support** stated this clears up an incongruity between Idaho Code and federal law which has caused confusion for the CPA community when dealing with capital gains issues.

SUBSTITUTE MOTION: **Rep. Erpelding** made a substitute motion to send **H 109** to the floor with a **DO PASS** recommendation.

Rep. Trujillo and **Rep. Kauffman** spoke **in support** of the substitute motion.

**VOTE ON
SUBSTITUTE
MOTION:**

Chairman Collins called for a vote on the substitute motion to send **H 109** to the floor with a **DO PASS** recommendation. **Rep. Anderson** invoked Rule 38 stating a possible conflict of interest and he would not be voting on the motion. **Motion carried by voice vote. Rep. Erpelding** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 10:10 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, February 16, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 95	Sales Tax, Road Materials	Senator Jim Rice

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen

Rep Kauffman

Rep Chaney

Rep Nate

Rep Scott

Rep Thompson

Rep Erpelding

Rep Nye

Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 16, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Anderson, Kauffman

GUESTS: Wayne Hammon, Idaho Associate General Contractors; Andrew Mitzel, Realtors; Derek Santos, Division of Financial Management; Benjamin Davenport, Associated Taxpayers of Idaho; Jonathan Parker, Idaho Association of Highway Districts; Dan Blocksom, Idaho Association of Counties; McLean Russell & Mike Chakarun, Idaho State Tax Commission; Jane Wittmeyer, Associated Builders and Contractors Inc.

Chairman Collins called the meeting to order at 9:00 A.M.

H 95: **Senator Jim Rice** presented **H 95** which would exempt road materials used to construct, improve and maintain public roads from the sales/use tax. Currently, all the materials used to construct and build our roads are subject to the State's sales tax. This increases the cost of our highway projects and transfers dollars for roads into the General Fund. It is estimated that approximately \$15-20 million a year is paid in sales tax for these projects which is then not available to build and maintain our roads. This legislation would exempt all materials used in conjunction with right-of-way construction and maintenance but would not include materials that become a part of a water or sewer system or are not intended to become a part of the public road.

Rep. Raybould asked what guarantee do we have that bids will go down once the sales tax is removed. **Senator Rice** explained that even though sales tax is not a separate line item but included in the cost of materials, the bidding process for these road projects is so competitive and the difference between bids so narrow, there is no incentive for the contractor to retain the sales tax margin in the bid.

Mr. Wayne Hammond, CEO of Idaho Associated General Contractors, spoke **in support** of this bill. He felt the Idaho State Tax Commission may need to promulgate rules to clarify exactly what materials are tax exempt when bidding for these road projects. He confirmed that the competitive nature of the bidding process would preclude bidders from not passing on the tax exemption savings in their bids and this legislation should produce the estimated increase in road funding.

MOTION: **Rep. Chaney** made a motion to send **H 95** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Chaney** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:17 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Thursday, February 19, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23203	Reimbursement Incentive Act	Jeff Sayer, Idaho Department of Commerce
RS23650C1	New Construction Property Tax Roll; Public School Funding	Rep. Moyle, Majority Leader, House of Representatives

If you have written testimony, please provide a copy of it to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Dayley
Vice Chairman Trujillo Rep Hartgen
Rep Moyle Rep Kauffman
Rep Raybould Rep Chaney
Rep Anderson Rep Nate
Rep Anderst Rep Scott

Rep Thompson
Rep Erpelding
Rep Nye
Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 19, 2015

TIME: 9:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

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

GUESTS: Jeff Sayer and Megan Hill, Idaho Department of Commerce; Linda Clark, West Side School District; Crystal Yokom, Payette, Idaho; Saidy Castellanos and Adriana Neri, Caldwell, Idaho; Eileen Stachowski, Kirstin Mann, Rebecca Maguire and Kathy Gardner, Idaho Hunger Relief Task Force; Samantha Breach, Payette, Idaho; Andrew Mitzel, Realtors; Jane Wittmeyer, self; Benjamin Davenport, Associated Taxpayers of Idaho; Pam Eaton, Idaho Retailers Association; Holly Cook, City of Caldwell; Amber Pence, City of Boise; Elizabeth Criner, Northwest Food Processors Association/Winco; Marilyn Whitney, Governor's Office

Chairman Collins called the meeting to order at 9:30 A.M.

MOTION: **Rep. Raybould** made a motion to approve the minutes of the February 12, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Dayley** made a motion to approve the minutes of the February 13, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Dayley** made a motion to approve the minutes of the February 16, 2015 meeting. **Motion carried by voice vote.**

RS 23203: **Jeff Sayer**, Director, Idaho Department of Commerce, presented a brief summary of the Tax Reimbursement Incentive Program that was passed by the Legislature last year. This program is a performance-based economic development tool that provides a tax credit up to 30% for up to 15 years on new corporate income tax, sales tax and payroll taxes paid as a result of a company's expansion project in the State. Available to both existing and new companies, the tax credit percentage and length of time the credit can be applied would be negotiated based upon the quality of jobs created, regional economic impact and return on investment for Idaho.

In its first year, 9 projects have been approved - 5 with new companies and 4 with existing companies. These projects brought to Idaho 1,710 new jobs, \$317 million in capital investment and \$75 million in new State revenue.

Mr. Sayer explained that after a year's experience with this program, certain technical changes are needed to provide clarity to the statute. The definition of new jobs created to qualify for the program has been revised by adding the words "collectively" to insure that the average wages of the entire project met or exceeded the average county wages. Additionally, those wages were specified to be of the county with jurisdiction over the local government providing the applicant's community match. In response to a question posed by **Rep. Erpelding**, Mr. Sayer realized that members of the Committee did not have the correct draft of this proposed legislation. After distributing copies of **RS 23203C1** he explained the other minor technical changes contained in the proposed legislation.

Responding to a question about why "average" wages were used in the qualifying process rather than "mean" or "median", he explained that a standard which was published on a regular basis and easy to understand was necessary. The Department of Labor publishes "average" wages of Idaho counties on a regular basis and using a "mean" or "median" wage would have placed an additional reporting burden on the Department of Labor.

MOTION: **Rep. Kauffman** made a motion to introduce **RS 23203C1** with an amended Statement of Purpose.

Rep. Nate indicated that he would vote in favor of having the bill printed for consideration, but he has serious concerns about fairness to existing businesses who are competing in the market without the benefit of a 30% tax reduction.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to introduce **RS 23203C1** with an amended Statement of Purpose. **Motion carried by voice vote.**

RS 23650C1: **Rep. Moyle** presented **RS 23650C1** proposing that 50% of a taxing district's annual new construction budget increase be allocated to schools within that taxing district to be used for bond repayment, building improvements and safety needs. He pointed out that Idaho Code allows for county assessors to create an annual new construction roll in addition to the base property roll. This new construction roll includes the amount of taxable market value added that is directly the result of new construction. This proposed legislation would allocate 50% of a taxing district's annual new construction budget to public and charter schools based on the previous year's daily average attendance. The schools would then be allowed to use this allocation for bond repayment, building improvements and safety needs. Once the newly completed buildings are on the tax rolls, local taxing districts would then apply this tax revenue to their subsequent years budgets. This is a way for new construction to contribute directly to the schools that are impacted by growth in their district.

In response to a question, **Rep. Moyle** explained that this budget allocation only applies to the new construction added each year and would vary each year depending entirely on growth within the district. The second year, that new construction value is added to the base property roll and cities/counties would budget accordingly.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 23650C1**.

Rep. Anderson asked how the monies in this proposal would be apportioned between public and charter schools. **Rep. Moyle** stated allocations would be based on "average daily attendance" which would give more funds to those schools with more students from increased growth. He also noted that currently schools who are impacted by new construction do not get any benefit without a levy or bond election and this approach is fair in that taxing districts do not budget this money until the following year when it is placed on the base property roll.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to introduce **RS 23650C1**. **Motion carried by voice vote.**

Chairman Collins noted that **Page Dustin Cheney**, would be returning to school and thanked him for his excellent service during the time he has been serving the Committee.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:38 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Tuesday, February 24, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 172	Reimbursement Incentive Act	Jeff Sayer, Idaho Department of Commerce
RS23686	Sales Tax, Lottery Tickets	Rep. Monks
RS23378	Tax Exemption, Wildlife Costs	John Watts, Veritas Advisors

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen

Rep Kauffman

Rep Chaney

Rep Nate

Rep Scott

Rep Thompson

Rep Erpelding

Rep Nye

Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, February 24, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Thompson

GUESTS: Sharon Kiefer and Anna Owsiak, Idaho Fish & Game; Mike Chakarun, Idaho State Tax Commission; Jeremy Chou, Givens Pursley; Megan Hill and Jeff Sayer, Idaho Department of Commerce; Zeke Chemodurow, Intralot USA Inc.; Jeremy Pisca, Jobs for Idaho; Benjamin Davenport, Associated Taxpayers of Idaho

Chairman Collins called the meeting to order at 8:30 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the February 19, 2015 meeting. **Motion carried by voice vote.**

Chairman Collins introduced **Page Olivia DeMordaunt** who has been assigned to the Committee for the remainder of the legislative session.

RS 23686: **Rep. Monks** presented **RS 23686** regarding sales tax on lottery tickets. This proposed legislation would remove the sales tax exemption from the sale of lottery tickets. If enacted, the tax on the sale of lottery tickets would generate approximately \$20 million in revenue each year. This revenue would be distributed to the state highway distribution account to fund road and highway construction and maintenance projects.

In an effort to find ways to fund much needed road projects and maintenance, he felt this approach would generate funds without reducing revenue from other sources or budgets. However, **Rep. Monks** conceded that after this proposed legislation had been drafted, he discovered several problems with it as written. He indicated he would like to make the necessary changes to **RS 23686** and bring it back to the committee for consideration after those changes have been made.

MOTION: **Rep. Hartgen** made a motion to return **RS 23686** to the sponsor. **Motion carried by voice vote.**

H 172: **Jeff Sayer**, Director, Idaho Department of Commerce, presented **H 172** dealing with the Reimbursement Incentive Program designed to encourage economic development. This program is a performance-based economic development tool that provides a tax credit up to 30% for up to 15 years on new corporate income tax, sales tax and payroll taxes paid as a result of a company's expansion project in the State. Available to both existing and new companies, the tax credit percentage and length of time the credit can be applied would be negotiated based upon the quality of jobs created, regional economic impact and return on investment for Idaho.

As a result of the past year's experience in administering the program, **Mr. Sayer** outlined the recommended changes which would provide clarity to the statute. The definition of new jobs created to qualify for the program has been revised by adding the words "collectively" to insure that the average wages of the entire project met or exceeded the average county wages. Additionally, those wages were specified to be of the county with jurisdiction over the local government providing the applicant's community match. He also enumerated other minor technical changes contained in the legislation.

MOTION: **Rep. Trujillo** made a motion to send **H 172** to the floor with a **DO PASS** recommendation.

Rep. Hartgen inquired if any thought had been given to reducing or eliminating the requirement for "minimum new jobs" for rural projects in order to encourage more applicants. **Mr. Sayer** noted they are particularly looking at the lower job minimums as it relates to rural projects. If a project would add 20 jobs in 2 to 3 years, they would enter into a contract with them but the project would not qualify for the credit until the jobs were actually added. This program was intended to reward substantial investment and a minimum is needed so it doesn't lose the impact of being an incentive for development.

In response to a question about negative impacts to the community and the competitive environment, **Mr. Sayer** remarked that contacts with like businesses in the project areas revealed that competitors considered these projects good for the entire community. Competitors did not view these projects as a threat, but were in fact considering an application of their own on future development.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to send **H 172** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Trujillo** will sponsor the bill on the floor.

RS 23378: **John Watts**, representing the Flying B Ranch, presented **RS 23378** regarding the production exemption on sales tax. This RS deals specifically with hunting and fishing activities when packaged and sold at retail as an all inclusive product. He explained the purpose of this proposal is to clarify within the existing production exemption statute, a sales tax is to be assessed only on a final product and not on the components that make up that end product. He stated that the Idaho State Tax Commission needs guidance on how to apply the existing statute to hunting and fishing operations and ensure the end user isn't being double taxed.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 23378. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:08 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Thursday, February 26, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 45	Income Tax Credits, Charitable Contributions	Blake Youde, State Board of Education
RS23707	Income Tax Credits, Charitable Contributions	Blake Youde, State Board of Education

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Dayley
Vice Chairman Trujillo Rep Hartgen
Rep Moyle Rep Kauffman
Rep Raybould Rep Chaney
Rep Anderson Rep Nate
Rep Anderst Rep Scott

Rep Thompson
Rep Erpelding
Rep Nye
Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 26, 2015

TIME: 9:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Erpelding

GUESTS: Blake Youde, State Board of Education; Jess Harrison, Idaho School Boards Association; Jennie Williams, Veritas; Mike Chakarun, Idaho State Tax Commission; Suzanne Budge, SBS Associates; Ben Davenport, Associated Taxpayers of Idaho

Chairman Collins called the meeting to order at 9:30 A.M.

H 45: **Chairman Collins** explained that certain stakeholders in this legislation dealing with the income tax credit for charitable donations have proposed revisions to the bill. Those requested revisions have now been incorporated into a new piece of proposed legislation which will be considered at today's meeting. For that reason, he is asking the committee to hold **H 45** in committee.

**UNANIMOUS
CONSENT
REQUEST:** **Chairman Collins** asked for unanimous consent to **HOLD H 45** in committee. There being no objections, the request was granted.

RS 23707: **Blake Youde**, Chief Communications and Legislative Affairs Officer, State Board of Education, presented **RS 23707** which replaces **House Bill 45**. As background, he related the history of this legislation. In 2010, **H 630** temporarily increased the income tax credit for donations to certain organizations under the oversight of the State Board of Education, the Idaho State Historical Society and Idaho libraries and museums. It also added several state commissions and councils that would be eligible for the tax credit. These increases sunset January 1, 2016. If allowed to sunset, the tax credits would remain but would be decreased to the 2010 level. Additionally, those state commissions, councils and foundations added in 2010 would no longer qualify for the credit.

This proposal would remove the sunset clause and allow these increased tax credits to continue. It would also maintain the eligibility of donations to those commissions, councils and foundations that were added in 2010 for this tax credit. The State Board of Education has formally endorsed deleting the sunset clause. The proposed legislation also clarifies the relationship between independent foundations and the elementary and secondary education institutions they financially support and places a new 5-year sunset on eligibility of "independent education foundations."

MOTION: **Rep. Trujillo** made a motion to introduce **RS 23707**.

In response to questions dealing with foundations and their support of schools, financial management of funds and political involvement, **Mr. Youde** indicated he would have more detailed information related to those issues when the bill comes back to the committee for full consideration.

**VOTE ON
MOTION:**

Chairman Collins called for a vote on the motion to introduce **RS 23707. Motion carried by voice vote.**

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 9:40 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, March 02, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23644	Property Tax Relief, "Claimant"	Sen. Burgoyne
RS23710	Tax, Property Definition	Jason Kreizenbeck, Lobby Idaho

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Dayley
Vice Chairman Trujillo Rep Hartgen
Rep Moyle Rep Kauffman
Rep Raybould Rep Chaney
Rep Anderson Rep Nate
Rep Anderst Rep Scott

Rep Thompson
Rep Erpelding
Rep Nye
Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 02, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative Moyle, Representative(s) Scott

GUESTS: Jason Kreizenbeck and Skip Smyser, Lobby Idaho; Alan Dornfest, Michael Chakarun and McLean Russell, Idaho State Tax Commission; Andrew Mitzel, Realtors; Benjamin Davenport, Associated Taxpayers; Dan Blocksom, Idaho Association of Counties

Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the February 24, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Dayley** made a motion to approve the minutes of the February 26, 2015 meeting. **Motion carried by voice vote.**

RS 23644: **Sen. Burgoyne** presented **RS 23644** regarding property tax relief for disabled persons. Under current law, those who had employment covered by Social Security, Federal Railroad and Federal Civil Service disability programs, and who are recognized as disabled by those programs, are entitled to a circuit breaker reduction of their property taxes. He stated there was an apparent oversight in the law in that some workers, primarily in public safety, are not covered by any of these disability programs. There are some public safety employees who have elected not to participate in Social Security and are therefore not eligible for the circuit breaker tax relief if they become disabled. Sen. Burgoyne believes this tax relief was meant to be all inclusive and not just for disabled individuals who are covered by Social Security, Railroad Retirement or Federal Civil Service programs. This proposed legislation would correct that omission by including those recognized as disabled by public employee disability programs as eligible for this circuit breaker tax reduction.

The fiscal impact is estimated to be \$60,000 which represents 100 property owners becoming eligible at an average of \$600 each. The class of people who will actually be affected is quite small. That is because not everyone who is disabled is eligible. If the disabled person is above the income guidelines or has a spouse who works, they will not be eligible. Or if they are age 65 or older, they already receive the circuit breaker tax reduction.

Rep. Raybould pointed out an error on the fiscal note contained in the Statement of Purpose. The fiscal note mentions 100 property owners at an estimated \$6,000 each for a total of \$60,000. That fiscal note should read 100 property owners at \$600 each for a total of \$60,000.

MOTION: **Rep. Raybould** made a motion to introduce **RS 23644** with an amended Statement of Purpose. **Motion carried by voice vote.**

RS 23710: **Jason Kreizenbeck**, representing Satellite Broadcasting and Communications Association, DISH Network LLC and DIRECTV LLC, presented **RS 23710** regarding taxation of computer software and cloud services. The purpose of this proposal is to amend Idaho Code to revise the definition of "Tangible Personal Property" to clarify that the purchaser of digital music, digital books, digital games or digital videos must be granted a "permanent right to use" in order to be subject to the Idaho Sales and Use Tax, regardless of the method of delivery. It clarifies that if the right to use these digital books, music, games or videos is conditioned upon continued payment from the purchaser, then it is a subscription to a service and is not a "permanent right to use" and is therefore not subject to the Idaho Sales and Use Tax. If an end user is granted a "permanent right to use" digital content, regardless of the method of delivery, then it is subject to the Sales and Use Tax and fits under the description of tangible personal property.

This proposed legislation also removes the definition of "digital videos" in an effort to clarify that broadcast television services, regardless of method of delivery, is also not subject to the Idaho Sales and Use Tax.

The fiscal impact is estimated to be \$375,000 to the General Fund in FY 2015 and could have an annual estimated impact of as high as \$1.5 million. This fiscal impact number of \$1.5 million annually is based mainly on the levying of a tax that some would argue the Tax Commission was not granted legislative authority to levy. Additionally, this proposed legislation does not order a refund of the estimated \$1.125 million that may have been collected under this section so far.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 23710**.

McLean Russell, Idaho State Tax Commission, was called upon to answer a question from the committee as to if this proposed legislation would also apply to on-line delivered information services such as tax updates and newspaper subscriptions, or is it limited to entertainment delivered services. Mr. Russell confirmed that it deals only with entertainment software since digital newspapers and other documents are already excluded and therefore not subject to sales and use tax.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to introduce **RS 23710**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:20 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, March 03, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 199	Income Tax Credit, Charitable Contributions	Blake Youde, State Board of Education
RS23727	Public Works Law Provisions Revised	Rep. Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 03, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Anderst

GUESTS: Colby Cameron, Sullivan & Reberger; Suzanne Budge, SBS Associates; Julie Hart, Westerberg & Associates; Andrew Mitzel, Realtors; Cindy Schreiner, Council for the Deaf; Benjamin Davenport, Associated Taxpayers of Idaho; Jim Owens, Garden City Public Library; Trent Clark, Monsanto; Jess Harrison, Idaho School Boards; Phil Homer, Idaho Association of School Administrators; John Watts, Idaho Library Association; Jeff Tucker, Idaho PTV; Dax Chizum, Idaho State Historical Society; Mike Chakarun, Idaho State Tax Commission

Chairman Collins called the meeting to order at 9:00 A.M.

H 199: **Chairman Collins** explained that **H 199** dealing with income tax credits and charitable contributions requires a few technical changes. These changes do not change the substance or intent of the original legislation but it was decided to bring a new RS to the committee tomorrow for consideration. He apologized to those who came to testify and indicated anyone not able to attend the RS hearing tomorrow is welcome to make a statement at the meeting today.

**UNANIMOUS
CONSENT
REQUEST:** **Chairman Collins** asked for unanimous consent to **HOLD H 199** in Committee. There being no objections, the request was granted.

Chairman Collins asked if anyone wished to testify today on **H 199**. **Jim Owens**, Chairman of the Board of Trustees of the Garden City Library testified **in support** of the legislation. He cited the many projects and programs that have only been possible with private donations and these tax credits are important incentives to encourage these donors to give.

RS 23727: **Rep. Moyle** presented **RS 23727** dealing with public works projects. Current law requires that plans, specifications and estimates for any public works projects are prepared by, and the construction reviewed by, a professional engineer. This proposed legislation clarifies that an exemption to this requirement would apply when the project work is performed by employees of the public entity according to professional engineer-certified standards and specifications developed by the public entity involved. The Idaho Water Users Association have put forth this proposed legislation to allow them to install headgates and other small projects without the expense of hiring a professional engineer as long as they adhere to engineer-certified standards. He asked the committee to introduce and print this legislation which then would be referred to the appropriate committee for full consideration.

MOTION: Rep. Raybould made a motion to introduce **RS 23727. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:12 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Wednesday, March 04, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23765	Income Tax Credit - Charitable Contributions	Blake Youde, State Board of Education
RS23736	Tax Exemption, Wildlife Costs	John Watts, Veritas Advisors

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, March 04, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Blake Youde, State Board of Education; Trent Clark, Monsanto; Phil Homer, Idaho Association of School Administrators; Benjamin Davenport, Associated Taxpayers of Idaho; Andrew Mitzel, Realtors; Roger Brown, Boise State University; Suzanne Budge, SBS Associates

Chairman Collins called the meeting to order at 8:30 A.M.

RS 23765: **Mr. Blake Youde**, Chief Communications and Legislative Affairs Officer, State Board of Education, presented **RS 23765** which replaces **H 199** and deals with income tax credits to certain charitable organizations. The only change that was made to this proposed legislation was a technical correction that clarifies the relationship between schools (public and private) and the foundations that support them.

In 2010, **H 630** temporarily increased the income tax credit for donations to certain organizations under the oversight of the State Board of Education, the Idaho State Historical Society and Idaho libraries and museums. It also added several state commissions and councils that would be eligible for the tax credit. The tax credit was increased to equal 50% of the aggregate amount of charitable contributions, up to 50% of an individual taxpayer's total Idaho income tax liability and a maximum annual amount of \$500 (\$1,000 on a jointly filed return). These increases sunset January 1, 2016.

If allowed to sunset, the tax credits would remain equal to 50% of the contribution, but be limited to 20% of the taxpayer's total Idaho income tax liability and the maximum annual amount of the credit would decrease to \$100 (\$500 on a jointly filed return). For a corporate taxpayer, the amount would remain limited to 10% of the corporation's total Idaho income tax liability but the maximum annual credit would be reduced to \$1,000 rather than the current \$5,000 limit.

This credit has provided important benefits for these agencies and foundations. This proposal would remove the sunset clause and allow these increased tax credits to continue. If allowed to sunset, those state commissions, councils and foundations added in 2010 would no longer qualify for the credit.

In response to a question relating to the fiscal impact, **Mr. Youde** stated that the actual decrease in income tax receipts since FY 2012 was approximately \$2.8 million cumulatively. This impact is ongoing and is expected to grow over time as the economy improves. The 50% contribution cap was intended to encourage contributions without unduly eroding state income tax revenues.

Rep. Nye invoked Rule 38 stating a possible conflict of interest as he is on the Board of the Idaho Community Foundation and does legal work for the Idaho State University Foundation but that he would be voting on the legislation.

Responding to a question regarding the recipient 501(c)3 organizations receiving these donations and their standards of conduct in managing and disseminating these funds, **Mr. Youde** explained they are subject to the standards of care imposed under Idaho Code Section 33-5003, The Uniform Prudent Management of Institutional Funds Act. This act has requirements as to administrative costs, management of funds and contracting and working with investment advisors.

Trent Clark, representing Monsanto, spoke **in support** of this tax credit which helps Monsanto recruit and attract high end employees in oftentimes very rural areas. Through an employee's donation, Monsanto's matching donation and Idaho's generous tax credits for education, employees are able to tailor the education they need in their local schools. He cited astronomy, stainless steel welding and physics as examples of some of the classes that had been added through Monsanto employee involvement and school donation programs. **Phil Homer**, representing the Idaho Association of School Administrators, indicated his organization also **supports** this legislation.

MOTION: **Rep. Nye** made a motion to introduce **RS 23765** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Rep. Scott** and **Rep. Collins** will sponsor the bill on the floor.

RS 23736: **John Watts**, representing the Flying B Ranch, presented **RS 23736** regarding the production exemption on sales tax. This RS deals specifically with hunting and fishing activities when packaged and sold at retail as an all inclusive product. He explained the purpose of this proposal is to clarify, within the existing production exemption statute, that a sales tax is to be assessed only on a final product and not on the components that make up that end product. Clarification to the statute includes certain wildlife costs associated with an overall hunting and fishing activity when packaged and sold at retail as an all inclusive product. The intent is to avoid taxing the end user twice.

Mr. Watts indicated he requested the State Tax Commission to review the proposed legislation and he had received several comments from them. **H 186** which was introduced last week has been rewritten to address those concerns received from the Idaho State Tax Commission.

MOTION: **Rep. Chaney** made a motion to introduce **RS 23736.** **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:55 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Thursday, March 05, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 208	Property Tax Relief, "Claimant"	Sen. Burgoyne
H 209	Tax, Property Definition	Jason Kreizenbeck, Lobby Idaho
RS23269C2	Property Exempt from Taxation	Jeff Sayer, Idaho Department of Commerce

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Vice Chairman Trujillo
Rep Moyle
Rep Raybould
Rep Anderson
Rep Anderst

Rep Dayley
Rep Hartgen
Rep Kauffman
Rep Chaney
Rep Nate
Rep Scott

Rep Thompson
Rep Erpelding
Rep Nye
Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 05, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Andrew Mitzel, Realtors; Megan Ronk and Jeff Sayer, Idaho Department of Commerce; Jason Kreizenbeck, Lobby Idaho, LLC; Benjamin Davenport, Associated Taxpayers of Idaho; McLean Russell and Mike Chakarun, Idaho State Tax Commission; Dan Blocksom, Idaho Association of Counties; Jonathan Parker, Internet Truck Stop

Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the March 2, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Raybould** made a motion to approve the minutes of the March 3, 2015 meeting. **Motion carried by voice vote.**

H 208: **Sen. Burgoyne** presented **H 208** related to circuit breaker property tax relief for disabled persons. This legislation is designed to include those disabled individuals who, because they were not covered by Social Security during their career, are not eligible for property tax relief under the circuit breaker program. Under current law, those who had employment covered by Social Security, Federal Railroad and Federal Civil Service disability programs, and who are recognized as disabled by those programs, are entitled to a circuit breaker reduction of their property taxes. This includes most everyone who is disabled, but not all. Some workers, primarily in public safety, are not covered by these programs. If they become disabled, they cannot get recognition of their disability by these programs and, therefore, are not eligible for circuit breaker property tax relief. This legislation corrects that omission by including those recognized as disabled by public employee disability programs as also eligible for this important tax relief.

Sen. Burgoyne responded to several questions related to the circuit breaker program including what income is included for determining eligibility and what levels of disability are required to qualify. He noted the fiscal impact is quite low at an estimated \$60,000 decrease in General Fund revenues due to the fact that this legislation will add approximately 100 property owners at \$600 each to the program. That is because only a subset of those newly qualifying under this legislation will be eligible due to income restrictions or if they are 65 or older and already participate.

MOTION: **Rep. Trujillo** made a motion to send **H 208** to the floor with a **DO PASS** recommendation.

Rep Trujillo spoke in support of this legislation. She stated this bill corrects an oversight in the law and she has seen first hand how beneficial it is to those truly in need.

VOTE ON MOTION:

Chairman Collins called for a vote on the motion to send **H 208** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Rudolph** will sponsor the bill on the floor.

H 209:

Mr. Jason Kreizenbeck, representing Satellite Broadcasting and Communications Association, DISH Network LLC and DIRECTV LLC, presented **H 209** regarding taxation of computer software and cloud services. The purpose of this proposal is to amend Idaho Code to revise the definition of "Tangible Personal Property" to clarify that the purchaser of digital music, digital books, digital games or digital videos must be granted a "permanent right to use" in order to be subject to the Idaho Sales and Use Tax, regardless of the method of delivery. This change is necessary to clarify that on-line based subscription services do not allow the end user to keep, copy or permanently use content and is therefore not subject to the Idaho Sales and Use Tax. This proposed legislation also removes the definition of "digital videos" in an effort to clarify that broadcast television services, regardless of method of delivery, is also not subject to the Idaho Sales and Use Tax.

Mr. Kreizenbeck referred to a letter from the State Tax Commission which explains how the Commission interprets **H 209** and how they would apply it if approved by the legislature. He asked that this letter be attached and made a part of the minutes of this meeting. (See Attachment 1.) Referring to the fiscal impact, he also pointed out that the estimates were based on the levying of a tax that some would argue the Tax Commission was not granted legislative authority to do so. Additionally, he commented this legislation does not order a refund of an estimated \$1.125 million that may have been collected under this section so far.

MOTION:

Rep. Thompson made a motion to send **H 209** to the floor with a **DO PASS** recommendation.

Rep. Erpelding and **Rep. Rudolph** expressed concerns related to giving some companies a competitive advantage over others. **Mr. Kreizenbeck** explained this legislation is a clarification of provisions already in the statute.

VOTE ON MOTION:

Chairman Collins called for a vote on the motion to send **H 209** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Erpelding** and **Rep. Rudolph** requested to be recorded as voting **NAY. Rep. Moyle** will sponsor the bill on the floor.

RS 23269C2:

Jeff Sayer, Director, Idaho Department of Commerce, presented **RS 23269C2** related to property tax exemption for business expansion. Allowing property tax exemption for qualified projects is one of the few economic development tools available to county governments to support and encourage business expansion opportunities. County Commissioners have suggested that the limited scope of this property tax exemption has been restrictive in supporting businesses that would have provided a boost to the local economy. Namely, it requires \$3 million in capital investment and can only be used to support manufacturing projects. This proposed legislation would enhance the project eligibility beyond manufacturing and create a lower threshold for investment – \$2 million for urban counties and \$500,000 for rural counties. County Commissioners would retain sole discretion on whether to extend this exemption to an eligible project. The County would also be required to notify local taxing and urban renewal districts when considering a property tax exemption.

In response to a question, **Mr. Sayer** indicated this exemption would only apply to non-retail commercial or industrial facilities. **Rep. Moyle** commented he would prefer the investment threshold to be the same for both small and large counties. Perhaps \$1 million threshold for all counties since more projects are the goal of this incentive. **Rep. Moyle** also has concerns about requiring notice to taxing and urban renewal districts as this is unforeseen bonus money that is not anticipated by any of the taxing districts and does not affect them if the project goes forward.

MOTION: Rep. Erpelding made a motion to introduce **RS 23269C2. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:17 A.M.

Representative Collins
Chair

Bev Bean
Secretary

March 4, 2015

Ronald L. Williams
Idaho Cable Telecommunications Association
c/o Williams Bradbury, P.C.
1015 W. Hays St.
Boise, ID 83702

Jason Kreizenbeck
Satellite Broadcasting & Communications Association
c/o Lobby Idaho, LLC
134 S. 5th St.
Boise, ID 83702

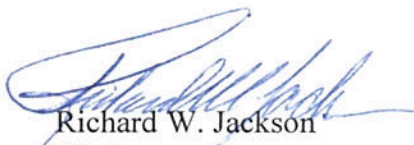
Dear Ron and Jason,

The Tax Commission does not set tax policy or declare legislative intent. That authority, of course, lies with the legislature. Consequently, this letter is only intended to explain the Tax Commission's understanding of H 209 as it would apply to certain transactions beginning on April 1, 2015. This letter affirms that the video products and services currently offered by your clients will not be subject to Idaho sales and use tax under H 209.

More specifically, the "permanent right of use" language in H 209, coupled with the "conditioned upon continued payment" language, ensures that the cable and satellite video products and services currently offered will not be taxable under H 209. In addition, the "continued payment" language in H 209 includes the subscription-based nature of your video business models and the ongoing relationship cable and satellite companies have with their respective customers. Of course, in the event that video products and services with a "permanent right of use" are sold by cable and satellite providers, these transactions will be taxable like they would be if sold by any another retailer.

Thank you for this opportunity to clarify these issues and to state more clearly the Commission's understanding of H 209's impact on cable and satellite providers in Idaho.

Regards,



Richard W. Jackson
Chairman

mjc/vjd

cc: The Honorable Gary E. Collins, Chairman, House Revenue & Taxation Committee

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Friday, March 06, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23768	Tax - Food, Beverage for Employee	Pam Eaton, Idaho Retailers Association
RS23763	Food Tax Credit, Information	Rep. Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 06, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Anderson

GUESTS: Pam Eaton, Idaho Retailers Association and ILRA; Andrew Mitzel, Realtors; Bill von Tagen, Deputy Attorney General - Tax; Benjamin Davenport, Associated Taxpayers of Idaho; Mike Chakarun and McLean Russell, Idaho State Tax Commission; Jonathan Parker, Internet Truck Stop

Chairman Collins called the meeting to order at 8:30 A.M.

MOTION: **Rep. Anderst** made a motion to approve the minutes of the March 4, 2015 meeting. **Motion carried by voice vote.**

RS 23768: **Pam Eaton**, Idaho Retailers Association, presented **RS 23768** regarding tax on food and beverages for employees. The most common practice today for restaurants and grocery store deli's who sell prepared food is to allow their employees to buy meals at a discount. Sales tax is paid on those meals. This proposed legislation pertains to establishments who allow their employees to have a free meal while on shift. Recently, several of these establishments have been audited and the State Tax Commission is requiring they pay use tax on the free meals they provide their employees.

This proposal would mandate that use taxes shall not apply to a retailer supplying prepared food or beverages free of charge to its employee when that retailer sells prepared food or beverages in its normal course of business. She explained that unless it is exempted, use tax is owed on tangible property. This proposal is meant to clarify that no use tax is owed on these free meals where it is so difficult to track and value.

MOTION: **Rep. Kauffman** made a motion to introduce **RS 23768**.

In response to a question, **Ms. Eaton** stated these restaurants/deli's are being required to go back 3 years and calculate the value of these meals and pay use tax on them. That is what has prompted this proposed legislation since it is difficult to track and estimate the value of those meals when oftentimes they are comprised of food that would have been thrown out at the end of the day. She reiterated this applies only to free meals being supplied to employees as sales tax is collected on discounted meals. These free meals are not part of an employee's benefit package and they do not receive an IRS 1099 form for their value.

**VOTE ON
MOTION:** **Chairman Collins** called for a vote on the motion to introduce **RS 23768**. **Motion carried by voice vote.**

RS 23763: **William von Tagen**, Deputy Attorney General, presented **RS 23763** regarding the fraudulent claiming of the Idaho food tax credit. He explained that most citizens qualify for the food tax credit with a couple of exceptions. Individuals who receive food stamps and those in prison who receive their meals for free are not eligible. This proposed legislation deals with those exceptions and provides for a means to discover those fraudulently claiming this food tax credit. It would authorize the Tax Commission to exchange information with both the Idaho Department of Correction and the Department of Health and Welfare in order to verify whether any incarcerated individuals or food stamp recipients erroneously claimed the food tax credit on their tax returns.

Replying to a question, **Mr. von Tagen** indicated that if, in the course of exchanging information about the grocery tax credit, a crime was discovered such as tax fraud or identify theft, the Tax Commission would notify the prosecutor's office and/or the Department of Correction to follow up with appropriate action. He did comment that if an individual such as a student on food stamps mistakenly took the food tax credit, they would be contacted by the Tax Commission and would not be prosecuted but just denied the credit.

MOTION: **Rep. Anderst** made a motion to introduce **RS 23763**.

Mr. von Tagen responded to a question regarding individuals who receive food stamps for only a portion of the year and if they qualify for any of the food tax credit. He explained they would receive a pro-rata share. For instance, if they received food stamps for 4 months, they would be eligible for 3/4 of the food tax credit. **Rep. Erpelding** remarked that he was fairly certain that food stamps did not cover all of a person's monthly grocery expense and would like to know what percentage of that food cost do food stamps represent. Mr. von Tagen indicated he would attempt to obtain that information from the Department of Health and Welfare.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to introduce **RS 23763**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:50 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Tuesday, March 10, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 221	Tax Exemption, Wildlife Costs	John Watts, Veritas Advisors
RS23753C1	Tax Exemption , Vehicle Sales	Rep. Luker

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

Bev Bean
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 10, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: John Watts, Veritas Advisors/Flying B Ranch; Joseph Peterson, Flying B Ranch; Rick Smith, Hawley Troxell; Ben Davenport, Associated Taxpayers of Idaho; Mike Chakarun and McLean Russell, Idaho State Tax Commission; Jonathan Parker, Holland and Hart; Skip Smyser, Lobby Idaho

Chairman Collins called the meeting to order at 8:30 A.M.

MOTION: **Rep. Dayley** made a motion to approve the minutes of the March 5, 2015 meeting. **Motion carried by voice vote.**

RS 23753C1: **Rep. Luker** presented **RS 23753C1** dealing with sales tax exemptions on certain vehicle sales. This proposed legislation would limit the sales tax exemption to non-residents who are from states not having a sales and use tax. Currently, a non-resident who purchases a vehicle in Idaho for use in another state, does not pay any sales tax. When they title the vehicle in the state they live in, they will pay that state's sales tax but be given a credit for any sales tax they paid in the state of purchase. This proposed legislation would keep the sales tax paid in Idaho rather than a neighboring state without double taxing the purchaser.

Those vehicles affected are motor vehicles, vessels, ATVs, off road motorcycles, snowmobiles and trailers. This proposal would retain the exemption for those same products if manufactured in the state of Idaho and sold directly by the manufacturer to an non-resident purchaser for use out of state. Additionally, this proposal provides for \$10 million of additional revenue generated by this proposal to be allocated to the State Highway Account for construction and maintenance of state highways.

Rep. Kauffman commented he would like to see the funds generated by this legislation to be allocated to the Local Highway Distribution Account (fund 701) so that local entities would receive a portion of these monies rather than putting it all into the State Highway Fund (fund 702).

Rep. Hartgen expressed concern with Section 15 dealing with the allocation of \$10 million to the State Highway Fund indicating this should not be included in this legislation but dealt with separately.

MOTION: **Rep. Hartgen** made a motion to return **RS 23753C1** to the sponsor.

**SUBSTITUTE
MOTION:** **Rep. Moyle** made a motion to introduce **RS 23753C1**.

**VOTE ON
SUBSTITUTE
MOTION:** **Chairman Collins** called for a vote on the substitute motion to introduce **RS 23753C1**. **Motion carried by voice vote.** **Rep. Rudolph** and **Rep. Hartgen** requested they be recorded as voting **NAY**.

H 221: **John Watts**, Veritas Advisors, representing the Flying B Ranch, presented **H 221** regarding sales tax on wildlife hunting and fishing activities. The purpose of this bill is to avoid taxing the end user twice by clarifying within the existing production exemption statutes that a sales tax is to be assessed only on a final product. Clarification includes certain costs associated with an overall wildlife hunting and fishing activity when packaged and sold at retail as an all inclusive product. This language would further explain that intermediate purchases of inputs (birds, feed, ammunition and other bird raising costs) used in a final retail output product (birds, shooting the birds) are exempt from being taxed twice with a sales tax and should be taxed only once at the retail sale.

Testifying **in support** of this bill, **Joseph Peterson** stated he has worked for the Flying B Ranch for 20 years and as manager for the past 12 years. The Tax Commission is finalizing a 4-year audit and has determined the ranch should be paying sales tax on the game birds and ammunition they purchase at wholesale. It also determined the ranch should charge a second sales tax to the end-user hunter/customer for the same game bird and shells sold at retail as part of an all-inclusive price. He noted that the Flying B is a destination experience where customers pay a price that is all inclusive - airport pickup, food, drink, housing, ammunition, targets, hunting & fishing licenses, and packaging and shipping of their game. That differs from other outfitters who charge an access fee to the property and so much per bird release. The assessment from this audit could be as high as \$68,000 for this 4-year period and \$15,000 - \$20,000 a year thereafter in additional taxes.

Rick Smith, Hawley Troxell, testified **in support** stating that the entire price of the hunting and fishing activity is fully taxed, so the intermediate components that go into that product should not be taxed. This legislation would clarify that concept as it relates to wildlife hunting and fishing activities. In response to a question, Mr. Smith stated the Flying B Ranch was audited in 1997 and was not assessed sales tax on the wholesale components that make up the wildlife hunting and fishing package. When asked, **Mike Chakarun**, Idaho State Tax Commission, did not know why the two audits differed in this regard.

MOTION: **Rep. Trujillo** made a motion to send **H 221** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** and **Rep. Erpelding** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:12 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Thursday, March 12, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23701C1	Health Care Deduction	Rep. Nielsen
H 236	Food Tax Credit, Fraudulent Claim	William von Tagen, Deputy Attorney General
H 237	Tax, Food & Beverage for Employee	Pam Eaton, Idaho Retailers Association

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen

Rep Kauffman

Rep Chaney

Rep Nate

Rep Scott

Rep Thompson

Rep Erpelding

Rep Nye

Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 12, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representative(s) Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Moyle, Thompson

GUESTS: Darcy James, Idaho Interfaith Roundtable Against Hunger; Kirstin Mann, student; Rebecca Maguire, student; Mike Chakarun and McLean Russell, Idaho State Tax Commission; Bill von Tagen, Attorney General for Tax; Carl G. VanSlyke, self; Jonathan Parker, Holland & Hart; Toni Lawson, Idaho Hospital Association; Christine Tiddens, Catholic Charities

Chairman Collins called the meeting to order at 8:30 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the March 6, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Dayley** made a motion to approve the minutes of the March 10, 2015 meeting. **Motion carried by voice vote.**

RS 23701C1: **Rep. Nielsen** presented **RS 23701C1** dealing with health care deductions. This proposal would amend Idaho Code to allow individuals to deduct the amount paid for specific, non-reimbursed health care expenses as an adjustment to taxable income. In the computation of Idaho taxable income, an individual would be able to itemize and thereby exclude from their net income amounts paid for prescription drugs or products, doctor visits, hospital stays, co-pays, deductibles, chiropractic services and other physician prescribed services. These health care deductions would be phased in over a three year period. One third of these expenses would be deductible for the 2016 tax year, 2/3 in 2017 and 100% by 2018.

MOTION: **Rep. Nate** made a motion to introduce **RS 23701C1**.

Chairman Collins noted that he agreed to have this RS considered for introduction but the bill would not have a hearing this session if it is printed.

In response to a question, **Rep. Nielsen** confirmed that over-the-counter drugs and therapeutic treatments not prescribed by a physician are not included as deductible expenses. Expenses that are already deductible or are reimbursed by a health plan also are not eligible for this deduction.

**VOTE ON
MOTION:** **Chairman Collins** called for a vote on the motion to introduce **RS 23701C1**. **Motion carried by voice vote.**

H 236: **William von Tagen**, Deputy Attorney General, presented **H 236** regarding fraudulent claiming of the Idaho food tax credit. This legislation creates two new Code sections that would authorize the Tax Commission to exchange

information with both the Idaho Department of Correction and the Department of Health and Welfare in order to verify whether any incarcerated individuals or food stamp recipients erroneously claimed the food tax credit on their tax returns. He explained that most citizens qualify for the food tax credit with a couple of exceptions. Individuals who receive food stamps and those in prison who receive their meals for free are not eligible. This legislation deals with these two exceptions and provides for a means to discover those fraudulently claiming this food tax credit.

Darcy James, Vice Chair of The Idaho Interfaith Roundtable Against Hunger Conveners, spoke **in opposition** to this legislation and asked that it be held in committee for further study and input on alternative solutions. She expressed concern with the fiscal note and is of the opinion that the actual costs to administer this process will exceed the amount of fraudulent tax credits recovered.

MOTION: **Rep. Anderst** made a motion to send **H 236** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Erpelding, Rep. Nate** and **Rep. Scott** requested they be recorded as voting **NAY. Rep. Moyle** will sponsor the bill on the floor.

H 237: **Pam Eaton**, President & CEO, Idaho Retailers Association, presented **H 237** regarding taxation of food and beverages for employees. This proposal would mandate that use taxes shall not apply to food or beverages that are supplied by an employer free of charge to their employees when that retailer sells prepared food or beverages in its normal course of business. Today, the practice of providing free meals to employees by a restaurant or a deli is pretty rare. Most of these establishments provide discounted meals to their employees on which sales tax is paid. This proposal only applies to those few establishments who provide meals free of charge.

She explained that unless it is exempted, use tax is owed on tangible property. Recently, several of these establishments have been audited and the State Tax Commission is requiring they pay use tax on the free meals they provide their employees. That is what has prompted this legislation. This bill will clarify that no use tax is owed on these free meals. Oftentimes those meals are comprised of food that would have been thrown out at the end of the day, incorrect orders or expired food dates and is therefore difficult to track and calculate. Last year, the legislature clarified that use tax was not owed on food or beverages that are given to a non-profit organizations. This legislation would extend that exemption to food and beverages provided free of charge to employees by retailers who sell prepared food or beverages in the normal course of business.

Rep. Nye invoked Rule 38 stating a possible conflict of interest but that he would be voting on the legislation.

MOTION: **Rep. Chaney** made a motion to send **H 237** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Rep. Chaney** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:06 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Friday, March 13, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 252	Tax Exemption, Vehicle Sales	Rep. Luker
RS23822	Oil, Gas Tax Collection	Sen. Lee

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen

Rep Kauffman

Rep Chaney

Rep Nate

Rep Scott

Rep Thompson

Rep Erpelding

Rep Nye

Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 13, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Thompson

GUESTS: Skip Smyser, Idaho Trucking Association; Kevin Hanigan, Idaho Automobile Dealers Association; Ben Davenport, Associated Taxpayers of Idaho; Kate Haas, Kestrel West; Suzanne Budge, SBS Associates; Elizabeth Criner, J. R. Simplot Co.; Mike Chakarun, Idaho State Tax Commission; Dan Blocksom, Idaho Association of Counties

Chairman Collins called the meeting to order at 8:30 A.M.

H 252: **Rep. Luker** presented **H 252** dealing with sales tax exemptions on certain vehicle sales. Currently, a non-resident who purchases a vehicle in Idaho for use in another state, does not pay any sales tax. When they title the vehicle in the state they live in, they will pay that state's sales tax but be given a credit for any sales tax they paid in the state of purchase. This legislation would limit the sales tax exemption to non-residents who are from states not having a sales and use tax. Purchasers from states with a sales tax, will pay Idaho's sales tax and when they title their vehicle in their home state, they will receive credit for the tax paid in Idaho. This would keep the sales tax paid in Idaho rather than a neighboring state without double taxing the purchaser. This bill would retain the exemption for vehicles manufactured in the state of Idaho and sold directly by the manufacturer to a non-resident purchaser for use out of state. This additional sales tax money that is now being collected by other states would allow a \$10 million dedicated allocation each year to the State Highway Fund.

Rep. Kauffman questioned why the money raised through this sales tax is allocated to the State Highway Fund rather than the Highway Distribution Fund which would distribute a portion to local entities. **Rep. Luker** responded that major focus was on main transportation corridors, state highways and bridges.

Responding to a question, **Rep. Luker** agreed that a competitive disadvantage is created for those Idaho dealerships who border states with a lower sales tax as they would be paying higher taxes in Idaho on the purchase but only get credit for the lower amount of their home state. The only bordering states with a lower sales tax is Wyoming and he suggested a carve out for Wyoming residents could improve this bill. He cited Arizona policy of charging sales tax on non-resident purchases only up to the amount of their home state sales tax rate.

Kevin Hanigan, Idaho Auto Dealers Association, indicated that although there are some issues with this legislation, his organization will not be opposed to the bill. He would like to see a carve out for purchasers who come from Wyoming with a lower sales tax. He also stated that education of both the dealers and customers would be key to successful implementation of this sales tax program.

Rep. Erpelding asked if he had talked to auto dealers in the part of the state next to Wyoming and if they were supportive of this legislation. Mr. Hanigan indicated he had not, but would surmise they would not be in support of this since it puts them at a competitive disadvantage.

MOTION: **Rep. Hartgen** made a motion to **HOLD H 252** in committee.

Rep. Hartgen stated he was concerned this bill would hurt auto dealers in areas where neighboring states have a lower sales tax. He felt maybe this bill should be rewritten to provide a carve out provision for Wyoming and any other state with a lower sales tax which would eliminate the competitive disadvantage for auto dealers in proximity to those states.

SUBSTITUTE MOTION: **Rep. Trujillo** made a substitute motion to send **H 252** to General Orders.

Rep. Trujillo commented that this is a good piece of legislation but a few revisions could make it better and would address the concerns expressed today. **Rep. Chaney** spoke in support of the **original motion** to hold in committee stating the perception will be that Idaho is imposing a sales tax on non-resident vehicle purchasers despite the offset credits available in their home state.

Reps. Nate, Kauffman and Moyle spoke in support of the **substitute motion** to send to **General Orders** They were of the opinion this is a good way to collect money without raising taxes although areas of concern relating to states with lower sales tax and how the money is distributed to highway needs can be addressed with a couple of revisions to this bill.

ROLL CALL VOTE: **Chairman Collins** requested a **roll call vote** on the substitute motion to send **H 252** to General Orders. **Motion carried** by a vote of **9 AYE, 6 NAY** and **1 ABSENT/EXCUSED**. **Voting in favor** of the motion: **Rep. Trujillo, Rep. Moyle, Rep. Raybould, Rep. Anderst, Rep. Dayley, Rep. Kauffman, Rep. Nate, Rep. Erpelding** and **Chairman Collins**. **Voting in opposition** to the motion: **Rep. Anderson, Rep. Hartgen, Rep. Chaney, Rep. Scott, Rep. Nye** and **Rep. Rudolph**. **Rep. Thompson** was absent/excused. **Rep. Trujillo** will sponsor the bill on the floor.

RS 23822: **Senator Lee** presented **RS 23822** regarding oil and gas tax collection. She explained that current Idaho code for taxing natural gas and oil production does not align with industry practices. This proposed legislation would clarify the code to allow for uniform tax assessment for oil and gas produced in Idaho. The 2.5% tax collected would be based on gross income received by the producer. If the parties to the sale are related parties and the sales price is lower than the price for which that oil or gas could otherwise have been sold, there is an important provision. In those instances, this proposal requires the gross income to be determined by reference to comparable arms-length sales of like kind, quality and quantity in the same field or area. This will ensure Idaho captures the equitable tax if the producer is selling his commodity to a subsidiary at a lower price in order to pay less taxes.

In response to a question, **Senator Lee** noted the recent passage of **H 125** which included "condensate" in the definition of the term "gas". Condensate refers to condensed natural gas which is natural gas in its liquid form and is taxable as outlined in this section of the code.

MOTION: Rep. Anderson made a motion to introduce **RS 23822. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:35 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Tuesday, March 17, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 257	Property Tax, Park Model Vehicles	Rep. Moyle
RS23781	Streamlined Sales Tax	Rep. Clow

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen

Rep Kauffman

Rep Chaney

Rep Nate

Rep Scott

Rep Thompson

Rep Erpelding

Rep Nye

Rep Rudolph

COMMITTEE SECRETARY

Bev Bean

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 17, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Thompson

GUESTS: Jack Lyman, Idaho Housing Alliance

Chairman Collins called the meeting to order at 8:30 A.M.

MOTION: **Rep. Raybould** made a motion to approve the minutes of the March 12, 2015 meeting. **Motion carried by voice vote.**

H 257: **Jack Lyman**, representing the Idaho Housing Alliance, presented **H 257** relating to the property tax assessment of park model homes. He defined a park model home as being a vehicular type unit with a floor area of 400 square feet or less, primarily designed for permanent or semi-permanent installation and is used as a residence. This legislation specifies that the assessment on park model vehicles/homes will be based on the National Automobile Dealers Association (NADA) standard for recreational vehicles classified as park model homes.

Due to recent activities where these park model homes were being assessed as manufactured housing, it became necessary to clarify how they differ from manufactured homes and to establish a fair standard for their assessment. Manufactured homes are built to meet HUD standards. Once they are permanently affixed they are considered real property and become an appreciating asset. Park model homes are not built to HUD standards and do not appreciate. They are actually a depreciating asset and not classified as real property. By using NADA values, counties can attribute a fair assessment that will go on the property roll.

Rep. Nye invoked Rule 38 stating a possible conflict of interest in that his firm has done work for the manufactured housing industry but that he would be voting on the legislation.

Mr. Lyman responded to questions relating to practices in other states, minimal fiscal impact and how improvements are valued. He also confirmed that even though NADA values will be used in assessing these vehicle/homes, this legislation will keep those values on the county property roll as opposed to being registered as a vehicle with accompanying fees going to the state.

MOTION: **Rep. Nye** made a motion to send **H 257** to the floor with a **DO PASS** recommendation.

Rep. Trujillo and **Rep. Moyle** spoke in support of the motion saying this is a fair way to address this issue.

**VOTE ON
MOTION:** **Chairman Collins** called for a vote on the motion to send **H 257** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

RS 23781: **Rep. Clow** presented **RS 23781** dealing with the collection of Idaho sales and use taxes from remote vendors. This proposed legislation, the Streamlined Sales Tax Simplification Act, will modify the sales/use tax statutes in order to join the Streamlined Sales Tax Governing Board. The Governing Board provides member states model language and procedures to bring uniformity to the way sales and use taxes would be applied to interstate commerce. This proposal will align definitions in the Idaho Code with those of the other member states (currently 24 states are members).

These changes do not create new taxes nor do they create new exemptions. However, they establish a simplified system for remote vendors to voluntarily collect and remit sales and use taxes that are due from remote sales. In *Quill Corp. v. North Dakota*, the Supreme Court ruled that a business must have a physical presence in a state for that state to require it to collect sales taxes. However, some retailers/vendors are voluntarily collecting and remitting sales/use taxes to the Governing Board for distribution to the 24 member states. By joining the Governing Board, Idaho would be able to collect sales taxes from registered sellers who voluntarily collect sales/use tax on Idaho remote sales.

Rep. Clow responded to questions regarding why tax code changes are needed and fees that may be paid to the service providers collecting the taxes. **Rep. Trujillo** asked if this was the appropriate time to act given that Congress needs to pass the Market Fairness Act in order for Idaho to compel vendors to collect and remit sales/use taxes. **Rep. Clow** responded that by joining the Streamlined Sales Tax Governing Board, it is estimated we would receive \$1 - \$3 million in fiscal year 2017 from Voluntary Remote Seller Tax Collections. If Congress passes the Market Fairness Act of 2015, estimates of revenue range from \$30 - \$50 million.

MOTION: **Rep. Anderson** made a motion to introduce **RS 23781**.

Rep. Hartgen noted that the Attorney General had given an opinion that Idaho cannot compel another state to collect and remit sales tax from Idaho residents absent a physical nexus in Idaho or a change in federal law. He asked why would a voluntary seller without a nexus in Idaho make a payment to us if we pass this statute. In response, **Rep. Clow** said he did not know but that vendors in 24 states are currently doing just that.

Rep. Moyle spoke **in opposition** to the motion stating that until the federal government changes the law or the Supreme Court rules differently, joining an out-of-state organization won't allow us to collect sales tax on remote sales.

ROLL CALL VOTE: **Chairman Collins** requested a **roll call vote** on the motion to introduce **RS 23781. Motion carried by a vote of 9 AYE, 6 NAY and 1 ABSENT/EXCUSED.** **Voting in favor** of the motion: **Reps. Anderson, Anderst, Hartgen, Kauffman, Chaney, Scott, Erpelding, Nye and Rudolph.** **Voting in opposition** to the motion: **Reps. Trujillo, Moyle, Raybould, Dayley, Nate and Collins.** **Rep. Thompson** was **absent/excused**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:41 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Wednesday, March 18, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23862	Property Exempt from Taxation, Economic Development	Jeff Sayer, Department of Commerce
H 269	Oil, Gas Taxation and Collection	Sen. Lee

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins Rep Dayley
Vice Chairman Trujillo Rep Hartgen
Rep Moyle Rep Kauffman
Rep Raybould Rep Chaney
Rep Anderson Rep Nate
Rep Anderst Rep Scott

Rep Thompson
Rep Erpelding
Rep Nye
Rep Rudolph

COMMITTEE SECRETARY

Bev Bean
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, March 18, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

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

GUESTS: None.

Chairman Collins called the meeting to order at 8:33 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the March 13, 2015 meeting. **Motion carried by voice vote.**

RS 23862: **Jeff Sayer**, Director, Idaho Department of Commerce, presented **RS 23862** regarding property tax exemption for economic development. One of the few economic development tools available to county governments to support and encourage business expansion opportunities is the ability to abate or exempt property taxes on investments in new facilities and equipment. County governments have found that the current statute which requires \$3 million in capital investment and can only be used to support manufacturing projects has been a limiting factor in supporting businesses that would have provided a boost to the local economy. This proposed legislation enhances the project eligibility beyond manufacturing to include non-retail commercial or industrial projects and creates a lower threshold for capital investment of not less than \$500,000. County commissioners would retain sole discretion on whether to extend this exemption to an eligible project and would have the ability to annually establish a higher threshold. They would also be required to notify local taxing districts when considering a property tax exemption.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 23862**. **Motion carried by voice vote.**

H 269: **Senator Lee** presented **H 269** dealing with oil and gas taxation and collection. She noted that this legislation was jointly proposed by herself, **Rep. Boyle** and **Rep. Kerby** from District 9 as District 9 is the epicenter for oil and gas production in the state of Idaho. She explained this follows the recent passage of **H 125** which added "condensate" to the definition of the term "gas". Condensate refers to condensed natural gas which is natural gas in its liquid form and is taxable as outlined in this section of the code.

Sen. Lee noted that current Idaho code for taxing natural gas and oil production does not align with industry practices. This legislation would clarify the code to allow for uniform tax assessment for oil and gas produced in Idaho. The 2.5% tax collected would be based on gross income received by the producer. If the parties to the sale are related parties and the sales price is lower than the price for which that oil or gas could otherwise have been sold, an important provision is included in the statute. In those instances, this legislation would require the gross income to be determined by reference to comparable arms-length sales of like kind, quality and quantity in the same field or area. This will ensure Idaho captures the equitable tax if the producer is selling his commodity to a subsidiary at a lower price in order to pay less taxes.

MOTION: Rep. Trujillo made a motion to send H 269 to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** Rep. Boyle will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:40 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Thursday, March 19, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23874	Tax Commission, Appeals Board	Dennis Lake, Chairman, Idaho Task Commission Study Task Force

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen

Rep Kauffman

Rep Chaney

Rep Nate

Rep Scott

Rep Thompson

Rep Erpelding

Rep Nye

Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, March 19, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representative(s) Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Moyle, Erpelding

GUESTS: Dan Blocksom, Idaho Association of Counties; Benjamin Davenport, Associated Taxpayers of Idaho

Chairman Collins called the meeting to order at 8:30 A.M.

RS 23874: **Dennis Lake**, Chairman of the Idaho Tax Commission Study Tax Force, presented **RS 23874** regarding reorganization of the Idaho Tax Commission and the Board of Tax Appeals. This proposed legislation is the result of recommendations made by a Tax Commission Study Task Force who were authorized by the Governor to examine the structure of the Tax Commission and the Board of Tax Appeals. This Task Force was comprised of the following individuals: two from the Tax Commission; one from the Idaho Association of Commerce & Industry, one from the Associated Taxpayers of Idaho, one from the Albertsons Foundation and one retired employee from the Tax Commission.

This proposed legislation would consolidate the Board of Tax Appeals and the Tax Commission, with the existing Tax Commissioners performing the tax appeals function. A Director would be appointed over the Department of Revenue and Taxation to oversee the administrative functions of the agency. This allows the Commissioners to focus on their quasi-judicial function of tax appeals rather than managing day-to-day operations of the agency and aligns with the Commission's constitutional mandate.

Mr. Lake explained the Task Force surveyed 11 states and all of them use a "Director" to administer the personnel and daily operations of their respective departments of revenue. In fact they were not able to identify any state using a commission or board to manage their revenue department. The Director would be a professional appointed by the Tax Commission and not a political appointment.

Mr. Lake commented this was an early draft of legislation to address the findings of the Tax Commission Study Tax Force which outlines the concepts of their recommendations. More work needs to be done on the final product and he appreciated feedback and discussion from Committee members. **Chairman Collins** remarked that he agreed to have this RS considered for introduction but the bill would not have a hearing this session if it is printed. **Mr. Lake** responded to questions relating to the role of the hearing officer, volume of tax appeals heard each year and fiscal impact.

MOTION: **Rep. Raybould** made a motion to introduce **RS 23874**.

Responding to questions, **Mr. Lake** stated that under the Constitution, the Tax Commission is responsible for tax appeals and is currently doing a good portion of the appeals with the Board of Tax Appeals doing a portion also. With the appointment of a Director who will handle the administrative function, the Tax Commission will then be able to manage the responsibility for all tax appeals.

**VOTE ON
MOTION:**

Chairman Collins called for a vote on the motion to introduce **RS 23874. Motion carried by voice vote. Rep. Scott** requested she be recorded as voting **NAY**.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 9:00 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Monday, March 23, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 286	Property Tax Exemption, Economic Development	Jeff Sayer, Director, Idaho Department of Commerce
RS23903	Income Tax, Sales Tax on Food, Grocery Tax Credit	Rep. Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen

Rep Kauffman

Rep Chaney

Rep Nate

Rep Scott

Rep Thompson

Rep Erpelding

Rep Nye

Rep Rudolph

COMMITTEE SECRETARY

Bev Bean

Room: EW54

Phone: 332-1125

email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, March 23, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** Representative(s) Dayley, Hartgen, Chaney

GUESTS: Megan Ronk, Idaho Department of Commerce; Donna Yule, Idaho Public Employees Association; Ryan Armbruster, Redevelopment Association of Idaho, Inc.; Tony Poinelli, Idaho Association of Counties; John Watts, Idaho Chamber Alliance

Chairman Collins called the meeting to order at 8:30 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the March 17, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the March 18, 2015 meeting. **Motion carried by voice vote.**

H 286: **Megan Ronk**, Chief Operating Officer, Idaho Department of Commerce, presented **H 286** regarding property tax exemption for economic development. She noted that the Association of Idaho Cities and Idaho Association of Counties were actively engaged in the drafting of this legislation.

This bill makes several changes to the existing program designed to encourage business expansion through the abatement of property taxes on investments in new facilities and equipment. County governments have found that the current statute which requires \$3 million in capital investment and can only be used to support manufacturing projects has been a limiting factor in supporting businesses that would have provided a boost to the local economy. This legislation would enhance the project eligibility beyond manufacturing to include non-retail commercial and industrial and creates a lower threshold for capital investment of not less than \$500,000. County Commissioners would retain sole discretion on whether to extend this exemption to an eligible project and would have the ability to annually establish a higher threshold. It also requires notice be given to taxing districts before the County grants a property tax exemption.

Ms. Ronk noted that retail was not included since they have not seen the demand for this tool in the retail market and retail tends to follow economic growth rather than drive it. This program is intended to drive economic investment and expansion.

Ryan Armbruster, Elam and Burke, representing the Redevelopment Association of Idaho, Inc., stated his organization generally **supports** this bill but objects that notification of a project's application is only required to local taxing districts and not required to urban renewal agencies. He would like to see urban renewal agencies included in the notification requirement along with a specific time period within which notification is to be made. He remarked this was an important tool for local governments to encourage economic development in their region.

Tony Poinelli, Idaho Association of Counties, testified **in support**. He stated this was a good bill and that at least 12 counties have participated in the past - some multiple times. He addressed the question of whether this program is shifting taxes so that other taxpayers have to pick up the tab. He commented that the property tax exemption relates to investment in new property and only for a maximum of 5 years so there is no tax shift. **Rep. Moyle** pointed out the section which states "property exempted under this section shall not be included on any new construction roll prepared by the county assessor . . . until the exemption ceases". Once the exemption ceases, all of the new property taxes flow through.

MOTION: **Rep. Nye** made a motion to send **H 286** to the floor with a **DO PASS** recommendation.

John Watts, Veritas Advisors, representing the Chamber Alliance, spoke **in support** of the bill. The lower threshold for qualifying projects, new business creation and putting decision making in the hands of local government are reasons why the Chambers of Commerce alliance is in support of this legislation.

Rep. Nate and **Rep. Scott** spoke **in opposition** questioning the fairness of different tax treatments for different taxpayers.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to send **H 286** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nate** and **Rep. Scott** requested to be recorded as voting **NAY**. **Rep. Moyle** and **Rep. Nye** will sponsor the bill on the floor.

RS 23903: **Chairman Collins** announced that **RS 23903** will not be heard in today's meeting.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:18 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, March 25, 2015

SUBJECT	DESCRIPTION	PRESENTER
RS23910	Taxation policy on motor fuel, income tax, and sales tax on food	Rep. Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins
Vice Chairman Trujillo
Rep Moyle
Rep Raybould
Rep Anderson
Rep Anderst

Rep Dayley
Rep Hartgen
Rep Kauffman
Rep Chaney
Rep Nate
Rep Scott

Rep Thompson
Rep Erpelding
Rep Nye
Rep Rudolph

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, March 25, 2015

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Robin Nettinga, Idaho Education Association

Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Raybould** made a motion to approve the minutes of the March 19, 2015 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the March 23, 2015 meeting. **Motion carried by voice vote.**

RS 23910: **Rep. Moyle** presented **RS 23910** regarding taxation policy on motor fuel, income tax and sales tax on food. He explained this proposal will remove sales tax from groceries, increase transportation funding and reduce the individual income tax rates.

To increase transportation funding, the proposal will raise the motor fuel tax (gasoline and diesel) by 7¢ per gallon. Licensed distributors of motor fuels will pay the difference between the old rate and the new rate on the motor fuel in inventory on the last day of the old rate. Revenue generated by this additional 7¢ tax will be allocated as follows: 60% to the State Highway Fund and 40% to the Local Highway Distribution Account.

This proposed legislation will remove the sales tax on food (except restaurant food sales) as defined under the Federal Supplemental Nutrition Assistance Program (SNAP). It would also repeal the Food Tax Credit. To offset the repeal of the Food Tax Credit, a one-time distribution from the State Refund Account will be made in the amount of \$3 million to the State Highway Fund and \$2 million to the Local Highway Distribution Account.

To protect local cities and counties from the loss of tax revenues received from the sale of food, a floor is established for revenue sharing which guarantees these local entities will not experience a decline of revenue from sales tax for the next 3 years.

This proposal will move toward a flat income tax by consolidating the upper tax brackets and reducing them to a rate of 6.7%. Those taxpayers who fall in the lower income tax brackets will continue to pay at their current rate. Taxpayers with taxable incomes of \$5,860 or higher, as adjusted for inflation, will have all income taxed at the 6.7% rate.

Effective dates for the repeal of the grocery tax and increase of the fuel tax is October 1, 2015. The repeal of the grocery tax credit will be effective January 1, 2015.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 23910**.

Rep. Moyle responded to questions related to emergency clause effective dates, fiscal note calculations, distribution of revenue generated and justification for arriving at 6.7% flat income tax rate.

VOTE ON MOTION:

Chairman Collins called for a vote on the motion to introduce **RS 23910**. **Motion carried by voice vote**. **Rep. Rudolph** and **Rep. Nye** requested they be recorded as voting **NAY**.

Chairman Collins thanked Page **Olivia DeMordaunt** for her excellent service during the time she has been serving the Committee and wished her well in her future endeavors as she returns to school.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 9:30 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Friday, March 27, 2015

SUBJECT	DESCRIPTION	PRESENTER
H 311	Taxation Policy on Motor Fuel, Income Tax and Sales Tax on Food	Rep. Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 27, 2015

TIME: 8:30 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph

**ABSENT/
EXCUSED:** None

GUESTS: Darcy James, Idaho Interfaith Roundtable Against Hunger; Bob Neugebauer, Gem State Patriot; Wayne Hoffman, Idaho Freedom Foundation; Roger Seiber, Ada County Highway District; Lauren Necochea, Idaho Center for Fiscal Policy; Christine Tiddens and Douglas Alles, Catholic Charities of Idaho; Donna Yule, Idaho Public Employees Association; Andrew Mitzel, Realtors; Pam Eaton, Idaho Retailers Association and Idaho Lodging & Restaurant Association; Karen Vauk, Idaho Foodbank; Marya Bruning, IIRAH; Suzanne Budge, SBS Associates

Chairman Collins called the meeting to order at 8:30 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the March 25, 2015 meeting. **Motion carried by voice vote.**

H 311: **Rep. Moyle** presented **H 311** regarding taxation policy on motor fuel, income tax and sales tax on food. He explained this proposal will remove sales tax from groceries, repeal the Food Tax Credit, raise the motor fuel tax (gasoline and diesel) by 7¢ per gallon, increase transportation funding and reduce individual income tax rates.

To increase transportation funding, the proposal will raise the motor fuel tax (gasoline and diesel) by 7¢ per gallon. Licensed distributors of motor fuels will pay the difference between the old rate and the new rate on the motor fuel in inventory on the last day of the old rate. This 7¢ tax increase will be distributed 60% to the State Highway Account and 40% to the Highway Distribution Account. A one-time distribution from the State Refund Account will be made in the amount of \$3 million to the State Highway Fund and \$2 million to the Local Highway Distribution Account.

It will remove the sales tax on food (except restaurant food sales) as defined under the Federal Supplemental Nutrition Assistance Program (SNAP). It will also repeal the Food Tax Credit to offset the reduction in General Fund revenue. To protect local cities and counties from the loss of tax revenues received from the sale of food, a floor is established for revenue sharing which guarantees these local entities will not experience a decline of revenue from sales tax for the next 3 years.

This bill will move toward a flat income tax by consolidating the upper tax brackets and reducing them to a rate of 6.7%. Those taxpayers who fall in the lower income tax brackets will continue to pay at their current rate. Taxpayers with taxable incomes of \$5,860 or higher, as adjusted for inflation, will have all income taxed at the 6.7% rate.

Effective dates for the repeal of the grocery tax and increase of the fuel tax is October 1, 2015. The repeal of the grocery tax credit will be effective January 1, 2015.

Rep. Moyle answered questions related to revenue sharing protection for local governments, timing of the bill and effect on the General Fund.

Darcy James, Idaho Interfaith Roundtable on Hunger, **Kristine Tiddens**, Catholic Charities of Idaho, **Donna Yule**, Idaho Public Employees Association spoke **in opposition** to this legislation. They believe this is a tax shift inordinately affecting the lower income population and it creates unsustainable cuts to the General Fund while not providing adequate funding for roads and bridges.

Bob Neugebauer, Gem State Patriot Publisher and **Wayne Hoffman**, Idaho Freedom Foundation, testified **in support** of the bill. They share the opinion this will increase Idaho's competitive stature with bordering states, attract new business, grow the economy and provide a tax decrease for most Idahoans.

Pam Eaton, Idaho Retailers Association, although neither supporting or opposing, expressed concern with implementation of the repeal of the sales tax on food citing the need for adequate rules from the Tax Commission to limit liability for retailers when collecting sales taxes. **Lauren Necochea**, Idaho Center for Fiscal Policy, felt this bill would result in a tax increase on the lower income taxpayers while reducing General Fund dollars which is the major source of education funding.

Rep. Bedke, Speaker of the House, shared his strategic goals for this session of the Legislature which were educational funding, investment in infrastructure of roads and bridges, and growing the state's economy. He stated this bill puts Idaho in a net better position to better compete and grow our economy while benefiting Idaho residents as a whole.

MOTION: **Rep. Trujillo** made a motion to send **H 311** to the floor with a **DO PASS** recommendation.

Reps. Nate, Hartgen and **Anderst** spoke **in support** of the bill saying it will strengthen Idaho's economy and roads infrastructure, create incentive for more investment in the state, increase Idaho's competitiveness while reducing taxes.

Rep. Nye spoke **in opposition** stating it does not provide the revenue needed for the state's roads and bridges.

Reps. Chaney, Nate, Hartgen and **Anderst** spoke **in support** of the bill stating it will make Idaho more economically competitive, provide additional funding for roads and bridges and provide tax relief for Idaho residents.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to send **H 311** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nye** and **Rep. Erpelding** requested to be recorded as voting **NAY**. **Rep. Moyle** and **Rep. Bedke** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:08 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Thursday, April 09, 2015

SUBJECT	DESCRIPTION	PRESENTER
<u>RS23961C1</u>	Food Tax Credit	Rep. Moyle

If you have written testimony, please provide a copy of it along with the name of the person or organization responsible to the committee secretary to ensure accuracy of records.

COMMITTEE MEMBERS

Chairman Collins	Rep Dayley	Rep Thompson
Vice Chairman Trujillo	Rep Hartgen	Rep Erpelding
Rep Moyle	Rep Kauffman	Rep Nye
Rep Raybould	Rep Chaney	Rep Rudolph
Rep Anderson	Rep Nate	
Rep Anderst	Rep Scott	

COMMITTEE SECRETARY

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, April 09, 2015
TIME: 9:30 A.M.
PLACE: Room EW42
MEMBERS: Chairman Collins, Vice Chairman Trujillo, Representatives Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Nate, Scott, Thompson, Erpelding, Nye, Rudolph
**ABSENT/
EXCUSED:** Vice Chairman Trujillo, Erpelding
GUESTS: None
Chairman Collins called the meeting to order at 9:30 AM.
RS 23961C1: **Rep. Moyle** presented **RS 23961C1**. This proposed legislation would increase the food tax credit by \$10 per eligible citizen.
MOTION: **Rep. Chaney** made a motion to introduce **RS 23961C1**. **Motion carried by voice vote.**
ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:33 AM.

Representative Collins
Chair

Katie Butcher
Secretary