

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 13, 2016

SUBJECT	DESCRIPTION	PRESENTER
	Organizational Meeting - Rules Review	Chairman Collins

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: Wednesday, January 13, 2016
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: Benjamin Davenport, Associated Taxpayers of Idaho; Anna Morehead, Intern

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

Chairman Collins welcomed the Committee to the start of another legislative session. He introduced Page **Olivia Andrew** and Intern **Annamarie Morehead** who will be assisting the Committee this session.

Chairman Collins asked members to review the proposed Administrative Rules from the Tax Commission which will be considered by the full Committee at subsequent meetings. These proposed rules are available on the Idaho Legislature website.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:07 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, January 14, 2016

SUBJECT	DESCRIPTION	PRESENTER
Docket Nos.	Review of Rules - Idaho State Tax Commission	
35-0101-1501	Income Tax Administrative Rule - real property	Cynthia Adrian, Idaho State Tax Commission
35-0101-1502	Income Tax Administrative Rule - deductions	Cynthia Adrian, Idaho State Tax Commission
35-0103-1503	Property Tax Administrative Rule - budget certification & urban renewal districts	Alan Dornfest, Idaho State Tax Commission
35-0103-1504	Property Tax Administrative Rule - personal property exemption	Alan Dornfest, Idaho State Tax Commission
35-0103-1505	Property Tax Administrative Rule - technical	Alan Dornfest, Idaho State Tax Commission

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, January 14, 2016

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) Erpelding

GUESTS: Alan Dornfest, Cynthia Adrian, Mike Chakarun, Steve Fiscus, Idaho State Tax Commission; Steve Wallace, Idaho Board of Tax Appeals; Ben Davenport, Associated Taxpayers of Idaho; J. Shaw, self; Jonathan Parker, Holland and Hart; Melissa Nelson, ISCPA; John Foster, Jack Foster, Kestrel West

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

DOCKET NO. 35-0101-1501: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0101-1501**, Income Tax Administrative Rules, which contains three rules. Rule 016 will provide guidance regarding the definition of Idaho gross income and how it is calculated. Rule 171 modifies the definition of real property, the list of nonqualifying property for the Idaho capital gains deduction and the procedure to follow when property is distributed by an S corporation or partnership. Rule 291 provides guidance regarding items allowed as a deduction to owners of an interest in a pass-through entity when the tax is paid by the entity. All of these rules were part of the negotiated rule process and received no negative comments from those involved.

MOTION: **Rep. Trujillo** made a motion to approve **Docket No. 35-0101-1501** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0101-1502: **Cynthia Adrian**, Idaho State Tax Commission, presented **Docket No. 35-0101-1502**, Income Tax Administrative Rules, which contains eight rules. Rule 075 is amended annually and adds tax brackets for the calendar year 2015. Rule 130 conforms to **H 36** passed last year dealing with the Retirement Benefits Deduction. Rule 173 changes who must meet the gross income limitations for the Idaho capital gains deduction when the gain is passed through from an S corporation, partnership, trust or estate to conform with **H 133** passed in 2015. Rule 201 clarifies the procedure for adjustments to a net operating loss. Rule 252 remedies the distortional percentage that occurs when the ratio of Idaho total income is used to allow certain deductions for part-year or nonresidents. This happens when a federal Net Operating Loss (NOL) carryover wipes out income for federal purposes. Rule 263 updates the amount of guaranteed payments that are sourced as compensation for services for S Corporation and partnership income when determining taxable amount of distributive share of income. Rule 771 adds the tax year 2015 and the applicable grocery credit amounts to the existing table. A technical change removing a reference no longer applicable is being made to Rule 855 in order to conform to a statutory change made in 2012 but missed when updating the rules.

MOTION: **Rep. Anderst** made a motion to approve **Docket No. 35-0101-1502** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1503: **Alan Dornfest**, Property Tax Bureau Chief, Idaho State Tax Commission, presented **Docket No. 35-0103-1503** dealing with levies and the apportionment of taxes. Rule 803 relates to budget certification by taxing districts and requires that personal property replacement revenue is added back to the tort budget when computing the school district hypothetical new construction levy. Secondly, when taxes related to improperly claimed personal property exemptions are refunded to counties, the money is distributed to the taxing districts which are then required to subtract amounts received from maximum amounts that may be levied. This change would require refunded amounts to be paid to the state and require the state to reduce future payments to the taxing districts. These changes were mandated by **H 28** and **H 29** passed during the 2015 Legislative Session.

Rule 804 was changed in accordance with **H 76** passed last year and allows the emergency school levy to be assessed on the current equalized valuation of taxable property instead of the base assessment roll. This allows property tax paid for school emergency levies to go to the school district instead of the urban renewal agencies.

MOTION: **Rep. Anderson** made a motion to approve **Docket No. 35-0103-1503** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1504: **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1504** containing two rules, both of which went through the negotiated rule process. Rule 315 pertains only to the Boise School District which has authority to conduct a maintenance operation levy. This rule provides guidance so that at the termination of a revenue allocation area (RAA), the Boise School District will know how to handle the increment value. The increment value of a terminating RAA will be included in the taxable value and if a ratio study indicates that an adjustment should be made, the adjustment will be applied to the actual value including the increment value.

Rule 626 provides guidance on the reporting and apportionment procedures of the personal property exemption for operating properties in order to conform to **H 29** passed last year. The term "taxpayer" is changed 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. Operating properties that operate in multiple counties are entitled to an exemption equal to the lesser of the amount (1) computed by multiplying the number of counties where operating property operates times \$100,000, or (2) the value of personal property reported by the company. For private rail car companies, the taxable value of the company determines the apportionment of value and allocation of the tax collected from rail car companies. The taxable value is determined after deducting the exemption from the Idaho value prior to apportionment.

MOTION: **Rep. Thompson** made a motion to approve **Docket No. 35-0103-1504** as presented. **Motion carried by voice vote.**

DOCKET NO. 35-0103-1505: **Alan Dornfest**, Idaho State Tax Commission, presented **Docket No. 35-0103-1505** dealing with property tax Administrative Rules. Rule 627, Rule 632 and Rule 645 make technical corrections to conform to **H 29** passed by the legislature in 2015. Rule 802 adds a new provision requiring qualifying new construction which is valued by the Idaho State Tax Commission to be reported to the county assessor by October 1 and be listed on the immediate next new construction roll.

MOTION: Rep. Thompson made a motion to approve Docket No. 35-0103-1505 as presented. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:07 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, January 18, 2016

SUBJECT	DESCRIPTION	PRESENTER
Docket Nos.	Review of Rules - Idaho State Tax Commission	
35-0201-1501	Tax Commission Administration and Enforcement Rules	Cynthia Adrian, Idaho State Tax Commission
35-0102-1501	Idaho Sales and Use Tax Administrative Rule	Randy Tilley, Idaho State Tax Commission
35-0102-1502	Idaho Sales and Use Tax Administrative Rule	Randy Tilley, Idaho State Tax Commission
35-0102-1504	Idaho Sales and Use Tax Administrative Rule	Randy Tilley, Idaho State Tax Commission

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: Monday, January 18, 2016

TIME: 9:00 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:** None

GUESTS: Mike Chakarun, Mark Stones, Randy Tilley, Cynthia Adrian, Idaho State Tax Commission; Steve Wallace, Idaho Board of Tax Appeals; Ben Davenport, Associated Taxpayers of Idaho; Jack Lyman, Idaho Mining Association
Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of the January 13, 2016 meeting. **Motion carried by voice vote.**

**DOCKET NO.:
35-0201-1501:** **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission, presented **Docket No. 35-0201-1501**, Tax Administration and Enforcement Rules, containing three rules. Rule 310 is being amended to add the interest rate applicable to delinquent or unpaid taxes for succeeding calendar years (2016) and is updated annually. Rule 400 clarifies the penalty computation for substantial understatement. Rule 704 is being amended to be consistent with **H 236** passed in 2015 to allow the Tax Commission to exchange information with the Department of Correction and the Department of Health and Welfare regarding incarcerated persons and food stamp recipients claiming the food tax credit.

MOTION: **Rep. Kauffman** made a motion to approve **Docket No. 35-0201-1501** as presented. **Motion carried by voice vote.**

**DOCKET NO.:
35-0102-1501:** **Randy Tilley**, Audit Division Manager, Idaho State Tax Commission, presented **Docket No. 35-0102-1501**, Idaho Sales and Use Tax. In accordance with **H 209** passed last year, Rule 027 amends the definition of tangible personal property clarifying that digital videos, digital music, digital books, and digital games are tangible personal property only when the purchaser has a permanent right to use the digital product. Other technical changes include removing conflicts with the new law and bringing the rule into line with legislative changes from previous years (**H 598** from the 2014 session). Rule 056 has been updated to address taxability of digital photographs in accordance with **H 598**. That law removed digital photographs from the definition of tangible personal property unless the photographs are delivered on disc. As a result, where a photographer primarily sells digital photographs delivered electronically, they no longer qualify for the production exemption on their purchases. Rule 107 is being amended due to the passage of **H 12** last year which added utility-type vehicles (UTVs) and specialty off-highway vehicles to the exemption available to nonresidents purchasing certain vehicles and boats in Idaho.

MOTION: **Rep. Trujillo** made a motion to approve **Docket No. 35-0102-1501** as presented. **Motion carried by voice vote.**

DOCKET NO.: 35-0102-1502: **Randy Tilley**, Idaho State Tax Commission, presented **Docket No. 35-0102-1502**, Idaho Sales and Use Tax. Last year, the passage of **H 237** exempted food and beverages given to employees free of charge if the retailer is in the business of selling prepared food and beverage. As part of the negotiated rulemaking process, input was received from many interested parties including grocery stores. Subsequently, a new subsection has been added to Rule 041 to define prepared food and prepared beverage for clarification purposes. The passage of **H 39** last year allowed hand tools with a unit cost of less than one hundred dollars (\$100) to qualify for the production exemption. Rules 050, 079, 083 and 103 have been amended to remove language relating to hand tools that is in conflict with the new law. Rule 128 relating to certificates for resale and other exemption claims, changes several descriptions of exemption certificates that have been updated to reflect the current version of the form. In addition, several changes have been made to remove hand tool language due to the passage of **H 39** in 2015.

MOTION: **Rep. Erpelding** made a motion to approve **Docket No. 35-0102-1502** as presented. **Motion carried by voice vote.**

DOCKET NO.: 35-0102-1504: **Randy Tilley**, Idaho State Tax Commission, presented **Docket No. 35-0102-1504**, Idaho Sales and Use Tax. The passage of **H 39** during the 2015 Idaho Legislative Session allowed hand tools with a unit cost of less than one hundred dollars (\$100) to qualify for the production exemption where they did not qualify previously. Rule 81 has been changed to remove the language that is in conflict with the new law and shows how the production exemption applies to the underground mining industry. Rules 099 and Rule 110 have been amended to change references to an exemption certificate to reflect the current version of the form.

MOTION: **Rep. Anderson** made a motion to approve **Docket No. 35-0102-1504** as presented. **Motion carried by voice vote.**

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

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 19, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24035	Tax Hardship Application Deadline	Alan Dornfest, Idaho State Tax Commission
RS24036	Forest Land Designation Appeals	Alan Dornfest, Idaho State Tax Commission
RS24037	Alcoholic Beverages, Income Tax Act	Michael Chakarun, Idaho State Tax Commission
RS24038	Sales & Use Tax, Hand Tools	Michael Chakarun, Idaho State Tax Commission
RS24039	Sales & Use Tax, paddleboards	Michael Chakarun, Idaho State Tax Commission

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:** Tuesday, January 19, 2016
- 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, Alan Dornfest, Mike Chakarun, Steve Fiscus, Idaho State Tax Commission; Skip Smyser, Lobby Idaho; Melissa Nelson, Idaho Society of CPA's; Phil Homer, Idaho Association of School Administrators; Matt Warnick, Division of Financial Management; Russell Westerberg, Westerberg Associates; Jonathan Parker, Holland & Hart; Ben Davenport, Associated Taxpayers of Idaho; Dan Blocksom, Idaho Association of Counties
- Chairman Collins** called the meeting to order at 9:07 A.M.
- MOTION:** **Rep. Dayley** made a motion to approve the minutes of January 14, 2016. **Motion carried by voice vote.**
- RS 24035:** **Alan Dornfest**, Property Tax Bureau Chief, Idaho State Tax Commission, presented **RS 24035** dealing with the hardship exemption from personal and real property taxes. Currently, the application for a hardship exemption for relief from personal and real property taxes must be made to the board of equalization by June 20 each year. Other applications to the Board of Equalization must be made by the fourth Monday in June. To provide consistency in application dates, the legislative change would conform this application date to the fourth Monday in June. This will allow taxpayers a few extra days to file and provide consistency with filing dates. Mr. Dornfest noted he had reviewed this proposed deadline date change with County Commissioners and was not aware of any objections.
- MOTION:** **Rep. Anderst** made a motion to introduce **RS 24035**. **Motion carried by voice vote.**
- RS 24036:** **Alan Dornfest**, Idaho State Tax Commission, presented **RS 24036** regarding forest land designation appeals. Taxpayers who own timberland or forest acreage in excess of 5 acres must designate how they want to pay their property taxes: (1) as productive land, pay full taxes year by year with no severance tax at time of harvest or (2) taxes can be deferred for up to 10 years by paying taxes on just the bare land until year 10 at which time they pay a 3% levy. That deferral designation can be lost during the ten-year period (i.e., sale of land) at which time all taxes are immediately due and no appeals process is currently available in those instances. The purpose of this proposed legislation is to protect taxpayers by establishing an appeals procedure should a county assessor believe a change to use or ownership has resulted in the loss of designation as timber land. Only after the appeals process has been completed would the amount be due and payable at which time the County Assessor would provide the deferred tax amount to the County Treasurer.
- MOTION:** **Rep. Dayley** made a motion to introduce **RS 24036**. **Motion carried by voice vote.**

- RS 24037:** **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **RS 24037** related to investigation of applications for an alcoholic beverage license. This proposed legislation will correct a reference error in Section 23-907, Idaho Code, changing "Idaho Property Relief Act of 1931" to "Idaho Income Tax Act".
- MOTION:** **Rep. Thompson** made a motion to introduce **RS 24037**. **Motion carried by voice vote.**
- RS 24038:** **Michael Chakarun**, Idaho State Tax Commission, presented **RS 24038** regarding sales tax on hand tools used in the production process. The Sales Tax Act allows an exemption from sales and use tax for certain tools used in the production process but has an exception for hand tools that cost \$100 or less, making these items subject to tax regardless of how they are used. Last year, the Legislature passed **H 39** which repealed language in the act relating to hand tools costing \$100 or less, making these items exempt from sales tax. This proposed legislation amends several sales tax exemptions to be consistent with **H 39**. It repeals this same language thereby making hand tools costing \$100 or less tax exempt from sales tax when directly used in the production of radio and television broadcasts, production of certain free newspapers, agricultural irrigation and logging.
- MOTION:** **Rep. Chaney** made a motion to introduce **RS 24038**. **Motion carried by voice vote.**
- RS 24039:** **Michael Chakarun**, Idaho State Tax Commission, presented **RS 24039** which will add paddleboards and similar vessels to the list of watercraft that are subject to sales tax when purchased by nonresidents who are from states not having a sales and use tax. This proposed legislation provides consistency with how sales tax is applied to other non-motorized vessels.
- MOTION:** **Rep. Anderson** made a motion to introduce **RS 24039**. **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
Wednesday, January 20, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24041	Income Tax, Employer Reports	Tom Shaner, Idaho State Tax Commission
RS24042	Income Tax Withholding, Employers	Cynthia Adrian, Idaho State Tax Commission
RS24045	Internal Revenue Code, Conformity	Ken Roberts, Idaho State Tax Commission

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, January 20, 2016
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: Tom Shaner, Cynthia Adrian, Idaho State Tax Commission; Russell Westerberg, Western Aircraft; Melissa Nelson, Idaho Society of CPA's; Ben Davenport, Associated Taxpayers of Idaho; Jack Lyman, Idaho Mining Association

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

RS 24041: **Tom Shaner**, Income Tax Policy Specialist, Idaho State Tax Commission, presented **RS 24041** which changes the due date for employers to annually transmit W-2 information to the State. Currently, employers are required to transmit employee wage and withholding (W-2) information to the Idaho State Tax Commission before the last day of the second month of the year. This proposed legislation will change that deadline to the last day of the first month of the year which will provide a time period for the correction of errors for W-2's submitted electronically. Submission of W-2 information to the State Tax Commission one month earlier should not create a hardship for employers as they must submit this information to the Federal Government on this date and it is a relatively easy process.

MOTION: **Rep. Dayley** made a motion to introduce **RS 24041**. **Motion carried by voice vote.**

RS 24042: **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission, presented **RS 24042** regarding income tax withholding. This proposed legislation will allow certain employers that only pay employees once a month to file and remit withholding on a monthly filing schedule instead of twice a month under current law.

MOTION: **Rep. Thompson** made a motion to introduce **RS 24042**. **Motion carried by voice vote.**

RS 24045: **Ken Roberts**, Commissioner, Idaho State Tax Commission, presented **RS 24045** which is the annual bill that updates 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 proposed legislation has a negative fiscal impact of \$17.2 million in fiscal year 2016 and \$28.7 million in fiscal year 2017 due to the extension of the Section 179 deduction. 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.

In addition, this proposed bill deletes subsection (c) which defined marriage for the purposes of the Idaho Income Tax Act in accordance with a recent Supreme Court ruling which makes this section legally inoperative.

MOTION: **Rep. Moyle** made a motion to introduce **RS 24045**. **Motion carried by voice vote.**

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
9:00 A.M.
Room EW42
Thursday, January 21, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24070	STEM Action Center, Income Tax Credit	Senator Nonini
RS24060	Tax Commission, Technical Corrections	Alan Dornfest, Idaho State Tax Commission
RS24064	Operating Property, Taxable Value	Alan Dornfest, Idaho State Tax Commission
RS24065	Taxing Districts, Date Requirement	Alan Dornfest, Idaho State Tax Commission
RS24164C1	Sales and Use Tax - Aviation Related Business	Representative 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, January 21, 2016

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) Thompson

GUESTS: Russell Westerberg, Western Aircraft; Caitlin Rusche, Idaho Association of Counties; Greg Casey, Veritas Advisors; Alan Dornfest, Idaho State Tax Commission; Phil Homer, Idaho Association of School Administrators; Jonathan Parker, Holland & Hart; Jason Kreizenbeck, Lobby Idaho, LLC; Marilyn Whitney, Governor's Office

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

MOTION: **Rep. Trujillo** made a motion to approve the minutes of January 18, 2016. **Motion carried by voice vote.**

RS 24070: **Senator Nonini** presented **RS 24070** which would add the STEM Education Fund to the educational entities for which a taxpayer would qualify for the existing tax credit for charitable contributions to education-related funds.

MOTION: **Rep. Scott** made a motion to introduce **RS 24070**. **Motion carried by voice vote.**

RS 24060: **Alan Dornfest**, Property Tax Bureau Chief, Idaho State Tax Commission, presented **RS 24060** which would make two technical corrections to Idaho's revenue and taxation statutes. The Tax Commission has been required by statute to provide an annual report of the taxable property situated within each school district for the preceding taxable year. The State Board of Education and the Department of Education, the two agencies who receive this report each year, indicated they have no use for this information and that requirement has been deleted from the statute. The second correction corrects a reference error relating to the sales tax distribution formula.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 24060**. **Motion carried by voice vote.**

RS 24064: **Alan Dornfest**, Idaho State Tax Commission, presented **RS 24064** regarding the taxable value of operating property. Mr. Dornfest explained that most taxing districts levy against all property - both real property and operating property. But, a few small taxing districts only levy on real property. This proposed legislation will clarify that operating property is not apportioned to flood control, community infrastructure, watershed improvement, herd and levee districts. These taxing districts only levy on real property. This is for clarification only and does not change how these districts levy taxes.

MOTION: **Rep. Raybould** made a motion to introduce **RS 24064**. **Motion carried by voice vote.**

RS 24065: **Alan Dornfest**, Idaho State Tax Commission, presented **RS 24065** setting a deadline date for formation of taxing districts. With this proposed legislation, new taxing districts must be formed by January 1 in order to levy taxes in the following year. This brings all taxing districts into conformity and will reduce the likelihood of levy calculation errors and mapping and tax code area inconsistencies.

MOTION: Rep. Kauffman made a motion to introduce **RS 24065**. **Motion carried by voice vote.**

RS 24164C1: Rep. Moyle presented **RS 24164C1** regarding the sales tax exemption on aircraft used to provide passenger or freight service and aircraft parts installed as components on such aircraft. This proposed legislation would remove the sunset clause in the statute. This would prevent its expiration and continue the sales tax exemption. He indicated that if the Committee approved this RS for introduction, he would bring information and testimony before the Committee as to how this sales tax exemption has created jobs and stimulated Idaho's economy.

MOTION: Rep. Anderson made a motion to introduce **RS 24164C1**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:27 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, January 25, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24040	Cigarette Tax, Wholesaler Bonding	Michael Chakarun, Idaho State Tax Commission
H 344	Tax Hardship Application Deadline	Alan Dornfest, Idaho State Tax Commission
H 345	Forest Land Designation Appeals	Alan Dornfest, Idaho State Tax Commission
H 346	Alcoholic Beverages, License Investigattion	Michael Chakarun, Idaho State Tax Commission
H 354	Internal Revenue Code, Conformity	Ken Roberts, Idaho State Tax Commission

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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, January 25, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Jonathan Parker, Holland & Hart; Trent Clark, Monsanto; Dan Blocksom, Idaho Association of Counties; Annamarie Morehead, Intern; Scott Johnson, Idaho Department of Juvenile Correction; Greg Casey, Veritas Advisers; Alan Dornfest, Make Chakarun, Idaho State Tax Commission; Ken McClure, Melissa Nelson, Idaho Society of CPA's; Phil Skinner, Attorney General's Office; Jason Kreizenbeck, Lobby Idaho, LLC; Alan Littlejohn, self

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

MOTION: **Rep. Dayley** made a motion to approve the minutes of January 19, 2016. **Motion carried by voice vote.**

MOTION: **Rep. Trujillo** made a motion to approve the minutes of January 20, 2016. **Motion carried by voice vote.**

RS 24040: **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **RS 24040** to update bonding requirements for a person applying for a permit to become a cigarette wholesaler. This proposed legislation would require a bond amount to be (a) the greater of twice the estimated average tax liability for the reporting period, or (b) the value of stamps in the wholesaler's inventory including the value of stamps ordered but not received. A wholesaler would have the option to pay the full value of the stamps in lieu of a bond. The requirement for a minimum \$1,000 bond is also deleted.

MOTION: **Rep. Thompson** made a motion to introduce **RS 24040**. **Motion carried by voice vote.**

H 344: **Alan Dornfest**, Property Tax Bureau Chief, Idaho State Tax Commission, presented **H 344** regarding the deadline for applying for a hardship exemption for relief from personal and real property taxes. Currently, application for hardship exemption from personal and real property taxes must be made by June 20th each year. All other applications to the Board of Equalization must be made by the fourth Monday in June. This bill will change the hardship exemption application deadline to the fourth Monday in June to provide consistency in application dates.

MOTION: **Rep. Raybould** made a motion to send **H 344** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Raybould** will sponsor the bill on the floor.

H 345: **Alan Dornfest**, Idaho State Tax Commission, presented **H 345** regarding property designated as timberland and setting up an appeals procedure. The purpose of this legislation is to establish an appeals procedure should a county assessor believe a change to use or ownership has resulted in the loss of designation as

timber land. If the property loses its designation as timberland, property taxes are due immediately and there is no mechanism in place to appeal. This bill sets up the procedure for the taxpayer to file an appeal. Once the appeal is heard and notice provided, the deferred tax would then be due.

H 346: Michael Chakarun, Tax Policy Manager, Idaho State Tax Commission, presented H 346 dealing with investigation of applications for an Alcoholic Beverage License. This legislation merely corrects a reference error changing the "Idaho Property Relief Act of 1931" to the "Idaho Income Tax Act."

MOTION: **Rep. Thompson** made a motion to send **H 346** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Thompson** will sponsor the bill on the floor.

MOTION: **Rep. Dayley** made a motion to send **H 345** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Dayley** will sponsor the bill on the floor.

H 354: **Ken Roberts**, Idaho State Tax Commissioner, presented **H 354** which is the annual bill to update 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. In addition, this proposed bill deletes subsection (c) which defined marriage for the purposes of the Idaho Income Tax Act in accordance with a recent Supreme Court ruling which makes this section legally inoperative.

Mr. Roberts responded to several questions related to the analysis used to determine the effect of this conformity bill on General Fund revenue. In response to a question from **Rep. Nye**, he also noted the Tax Commission had considered doing a rolling conformity bill rather than bringing this up before the committee every year. Unfortunately, the Attorney General's Office determined that a rolling conformity bill would likely violate Idaho's Constitution which establishes legislative power in the House and Senate which cannot be delegated.

In response to a question from **Rep. Scott** as to whether this legislation is in conflict with the Idaho Constitution, **Mr. Phil Skinner**, Idaho Attorney General's Office, stated the U.S. Supreme Court issued a decision which enjoins the State of Idaho from enforcing that part of the Constitution to the extent that it denies rights to same sex couples that opposite sex couples are granted.

ORIGINAL MOTION: **Rep. Erpelding** made a motion to send **H 354** to the floor with a **DO PASS** recommendation.

Ken McClure, Idaho Society of CPA's, spoke **in support** of this legislation and urged the committee to pass this bill.

SUBSTITUTE MOTION: **Rep. Scott** made a substitute motion to send **H 354** to General Orders for an amendment to re-insert subsection (c) in Section 63-2004.

ROLL CALL VOTE ON SUBSTITUTE MOTION: **Chairman Collins** requested a roll call vote on the substitute motion to send **H 354** to General Orders. **Motion failed by a vote of 3 AYE and 13 NAY.** **Voting in favor** of the motion: **Reps. Scott, Nate** and **Chaney.** **Voting in opposition** to the motion: **Reps. Collins, Trujillo, Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Thompson, Erpelding, Nye,** and **Rudolph.**

VOTE ON ORIGINAL MOTION: **Chairman Collins** called for a vote on the original motion to send **H 354** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Scott, Nate** and **Chaney** requested to be recorded as voting **NAY.** **Rep. Trujillo** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:25 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, January 26, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24212C1	Income Taxes, Grocery Tax Credit	Rep. Moyle
H 347	Sales & Use Tax, Hand Tools	Michael Chakarun, Idaho State Tax Commission
H 352	Income Tax, Employer Reports	Tom Shaner, Idaho State Tax Commission
H 353	Income Tax Withholding, Employers	Cynthia Adrian, Idaho State Tax Commission
H 358	Tax Commission, Requirement Removed	Alan Dornfest, Idaho State Tax Commission

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(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, January 26, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Greg Casey, Veritas Advisors; Cynthia Adrian, Doreen Warren, Mike Chakarun, Tom Shaner, Alan Dornfest, Idaho State Tax Commission; Jess Harrison, Idaho School Boards Association; Phil Homer, Idaho Association of School Administrators; Ken McClure, Idaho Society of CPA's; Amber Pence, City of Boise; 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 January 21, 2016. **Motion carried by voice vote.**

RS 24212C1: **Rep. Moyle** presented **RS 24212C1** dealing with income tax rates and the grocery tax credit. This proposed legislation is to reduce the top individual income tax bracket from 7.4% to 7.3%, reduce the next individual income tax bracket from 7.1% to 7% and reduce the corporate income tax rate from 7.4% to 7.3%. It also increases the grocery tax credit for the bottom five individual income tax brackets and for qualifying residents that have no filing requirement by \$10 per exemption.

MOTION: **Rep. Raybould** made a motion to introduce **RS 24212C1**.

Rep. Nye asked if the Idaho job market would see gains or losses as a result of this legislation. **Rep. Moyle** noted that all surrounding states but one have lower income tax rates. Oregon has a higher income tax, but it does not have a sales tax. This legislation will make Idaho more competitive with surrounding states. He explained that lowering the individual income tax rate affects about 80% of small businesses in Idaho which should translate into more jobs. **Rep. Nye** commented that under the "single subject" rule, income tax rates and the grocery tax credit should be separate pieces of legislation rather than combined.

SUBSTITUTE MOTION: **Rep. Nye** made a substitute motion to return **RS 24212C1** to the sponsor. **Motion failed by voice vote.**

VOTE ON ORIGINAL MOTION: **Chairman Collins** called for a vote on the original motion to introduce **RS 24212C1**. **Motion carried by voice vote.** **Rep. Erpelding** requested to be recorded as voting **NAY**.

H 347: **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **H 347** regarding sales tax on hand tools used in the production process. Last year, with the passage of **H 39**, certain businesses were allowed to purchase hand tools used in the production process without paying sales tax. Unfortunately, certain industries were not included. To be consistent with **H 39**, this legislation will make the purchase of hand tools costing \$100 or less exempt from sales tax when directly used in the production of radio and television broadcasts, production of certain free newspapers, agricultural irrigation and logging.

- MOTION:** **Rep. Nye** made a motion to send **H 347** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nye** will sponsor the bill on the floor.
- H 352:** **Tom Shaner**, Income Tax Policy Specialist, Idaho State Tax Commission, presented **H 352** which changes the employers' deadline for reporting employee wage and withholding (W-2) information to the Idaho State Tax Commission. The purpose of this legislation is to move the deadline for employers to transmit employee wage and withholding (W-2) information to the Idaho State Tax Commission from the last day of the second month of the year to the last day of the first month of the year and provide a time period for the correction of errors for W-2s submitted electronically. This is consistent with requirements in most other states and will assist in the prevention of fraud and identity theft by moving the date closer to when the employee receives his W-2.
- MOTION:** **Rep. Nye** made a motion to send **H 352** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.
- H 353:** **Cynthia Adrian**, Tax Policy Specialist, State Tax Commission, presented **H 353** regarding employers income tax withholding. The purpose of this legislation is to allow certain employers that only pay employees once a month to file and remit withholding on a monthly filing schedule instead of twice a month under current law.
- MOTION:** **Rep. Thompson** made a motion to send **H 353** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Thompson** will sponsor the bill on the floor.
- H 358:** **Alan Dornfest**, Property Tax Bureau Chief, presented **H 358** which removes a required report by the Tax Commission. The purpose of this legislation is to make two technical corrections to Idaho's revenue and taxation statutes. The first eliminates the requirement for the Tax Commission to provide valuation information to two state agencies that no longer have use for these reports. Secondly, it corrects a reference error relating to the sales tax distribution formula.
- MOTION:** **Rep. Dayley** made a motion to send **H 358** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Dayley** will sponsor the bill on the floor.
- ADJOURN:** There being no further business to come before the committee, the meeting was adjourned at 9:38 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, January 27, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24230	Production Exemption, Terminology Added	Rep. Chaney
H 361	Sales & Use Tax, Aircraft	Rep. Moyle Russ Westerberg, Westerberg Associates
H 348	Sales & Use Tax, Paddleboards	Michael Chakarun, Idaho State Tax Commission

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(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, January 27, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Russell Westerberg, Western Aircraft; Jesse Taylor, Jackson Jet Center; Jeff Jackson, Jackson Jet Center; Mike Chakarun, Idaho State Tax Commission; Ben Davenport, Associated Taxpayers of Idaho.

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

RS 24230: **Rep. Chaney** presented **RS 24230** which adds terminology to the sales tax production exemption. The statute clearly exempts equipment from sales tax that is used reasonably and necessarily for agriculture but not transportation. Where farming equipment becomes transportation equipment is sometimes not always clear. This legislation amends the production exemption for farming operations to include the term "removal from storage" of agricultural commodities which will help further clarify where the total farming business ends and other activities begin that do not qualify for this exemption. This statute exempts equipment from sales tax which is "reasonably necessary to the operation of the total farming business."

MOTION: **Rep. Nate** made a motion to introduce **RS 24230**. **Motion carried by voice vote.**

H 361: **Rep. Moyle** presented **H 361** which proposes to eliminate the June 30, 2016 expiration of the 1988 sales tax exemption on aircraft parts installed on airplanes used to provide passenger or freight service. This legislation has incentivized the location of commercial aircraft repair and maintenance in Idaho. By allowing this legislation to continue and not expire, it will protect and continue the good paying jobs created when this statute eliminated the disadvantage Idaho businesses have competing with similar businesses located in states that do not impose taxes on parts installed on private aircraft owned by non-residents.

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

Russ Westerberg, Westerberg Associates, spoke **in support** of this legislation citing numerous economic successes which were a direct result of this legislation. **Austin Shontz**, General Manager, Western Aircraft, also spoke **in support** and outlined Western Aircraft's expansion and new job growth made possible because of this sales tax exemption. This exemption has created a level playing field for Idaho aviation services companies when competing with larger companies.

MOTION: **Rep. Erpelding** made a motion to send **H 361** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

H 348: **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **H 348** regarding sales and use taxes on paddleboards. This proposed legislation adds paddleboards and similar vessels to the list of watercraft that are subject to sales tax when purchased by non-residents and is consistent with how other non-motorized vessels are treated.

MOTION: **Rep. Anderson** made a motion to send **H 348** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderson** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:31 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Friday, January 29, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24331	Internal Revenue Code, Conformity	Rep. Trujillo
H 376	Cigarette Tax, Wholesaler Bonding	Michael Chakarun, Idaho State Tax Commission
H 359	Operating Property, Taxable Value	Alan Dornfest, Idaho State Tax Commission
H 360	Taxing District Date Requirement	Alan Dornfest, Idaho State Tax Commission

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(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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email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, January 29, 2016

TIME: 8:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Alan Dornfest, Mike Chakarun, Idaho State Tax Commission; Julie Lynde, Cornerstone Family Council; Jonathan Parker, Holland and Hart

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

MOTION: **Rep. Kauffman** made a motion to approve the minutes of January 25, 2016.
Motion carried by voice vote.

RS 24331: **Rep. Trujillo** presented **RS 24331** which is the annual bill to update Idaho's income tax code to changes made to the federal Internal Revenue Code. In addition, she explained a new section had been added stating "Notwithstanding subsection (c) of this section, marriages recognized and permitted by the United States Supreme Court and the Ninth Circuit Court of Appeals shall also be recognized for purposes of the Idaho Income Tax Act."

Ken Roberts, Commissioner, Idaho State Tax Commission, spoke **in support** of this legislation which is necessary to provide a basis for Idaho income tax calculation so filing can proceed for taxpayers. **Rep. Chaney** also expressed his **support**. In response to a question, **Mr. Roberts** indicated the Attorney General's Office has been actively involved in the drafting of this legislation.

MOTION: **Rep. Raybould** made a motion to introduce **RS 24331** and recommend it be sent directly to the Second Reading Calendar.

Rep. Nye indicated he would be voting **in opposition** to what he believes to be an unconstitutional matter.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to introduce **RS 24331** and recommend it be sent directly to the Second Reading Calendar. **Motion carried by voice vote.** **Reps. Nye, Nate** and **Scott** requested to be recorded as voting **NAY**. **Rep. Trujillo** will sponsor the bill on the floor.

H 376: **Michael Chakarun**, Tax Policy Manager, Idaho State Tax Commission, presented **H 376** dealing with bonding requirements for cigarette wholesalers. The purpose of this legislation is to modernize and update bonding requirements for a person applying for a permit to become a cigarette wholesaler. The new requirements would require a bond amount to be the greater of twice the estimate average tax liability for the reporting period or the value of stamps in the wholesaler's inventory including the value of stamps ordered but not received. In lieu of bond, the wholesaler would have the option to pay the full value of the stamps in advance.

MOTION: **Rep. Thompson** made a motion to send **H 376** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Thompson** will sponsor the bill on the floor.

H 359: **Alan Dornfest**, Property Tax Bureau Chief, Idaho State Tax Commission, presented **H 359** regarding operating property taxable value. The purpose of this legislation is to clarify that operating property is not apportioned to flood control, community infrastructure, watershed improvement, herd, and levy districts. These taxing districts only levy on real property. This bill continues current practice.

MOTION: **Rep. Trujillo** made a motion to send **H 359** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Chaney** will sponsor the bill on the floor.

H 360: **Alan Dornfest**, Idaho State Tax Commission, presented **H 360** regarding filing deadline for formation of taxing districts. This legislation is to reduce the likelihood of levy calculation errors and mapping and tax code area inconsistencies. Taxing districts would be required to be formed by January 1 to levy property tax in the subsequent year. This will help insure taxes are billed correctly and maps are accurate in each of the taxing districts.

MOTION: **Rep. Anderst** made a motion to send **H 360** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderst** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:29 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, February 01, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24300	Taxation, Exempt Property	Representative Trujillo
H 380	Income Taxes, Grocery Tax Credit	Representative 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(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: Monday, February 01, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

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

GUESTS: Elinor Chehey, League of Women Voters of Idaho; Harley D. Brown, self; John Eaton, Andrew Mitzel, Idaho Association of Realtors; Ben Davenport, Associated Taxpayers of Idaho; Russell Westerberg, PacificCorp; John Watts, Idaho Chamber Alliance; Brody Aston, IAB; Darcy James, Idaho Interfaith Roundtable Against Hunger; Donna Yule, Idaho Public Employees Association; Jim Munkres, Idaho Center for Fiscal Policy; Jess Harrison, Idaho School Boards Association; Jonathan Parker, Holland & Hart; Mike Chakarun, Idaho State Tax Commission

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

RS 24300: **Rep. Trujillo** presented **RS 24300** regarding the Idaho Homestead exemption. This proposed legislation would remove the annual adjustment index on the Idaho homestead exemption and place the exemption value at \$100,000 or 50 percent of assessed value, whichever is less. She pointed out this annual adjustment was inherently unstable and in some years when property values went down, homeowners were paying more property taxes. This is being proposed to provide a stable and predictive tax policy.

MOTION: **Rep. Anderson** made a motion to introduce **RS 24300**. **Motion carried by voice vote.**

H 380: **Rep. Moyle** presented **H 380** dealing with income tax rates and grocery tax credits. He explained Idaho is not competitive with neighboring states in attracting business because our income tax rate has become a limiting factor. This legislation is an attempt to bring Idaho's income tax rate down as well as providing some tax relief to the lowest wage earners through an increased grocery tax credit. This bill will reduce the top individual income tax bracket from 7.4% to 7.3%, reduce the next individual income tax bracket from 7.1% to 7% and reduce the corporate income tax rate from 7.4% to 7.3%. It will also increase the grocery tax credit for the bottom five individual income tax brackets and for qualifying residents that have no filing requirement by \$10 per exemption.

ORIGINAL MOTION: **Rep. Trujillo** made a motion to send **H 380** to the floor with a **DO PASS** recommendation.

Elinor Chehey representing the League of Women Voters, **Darcy James** representing the Idaho Interfaith Roundtable Against Hunger and **Donna Yule** representing the Idaho Public Employees Association all spoke **in opposition** indicating this tax cut reduces the general fund with no identified sources of replacement income. Other needs such as education, mental health and infrastructure have a higher priority.

John Watts representing the Idaho Chamber Alliance, spoke **in support** of this bill. The Chamber Alliance supports reducing income tax rates to make Idaho more competitive with surrounding states when trying to attract new business and jobs. **Harley Brown** testified he **supports** any legislation that reduces taxes.

Rep. Rudolph expressed concern due to the lack of data which would support the need for tax cuts. He does not necessarily oppose this bill, but cannot strongly support it without statistics and data that show Idaho is lagging when it comes to attracting business and supporting start up businesses.

SUBSTITUTE MOTION:

Rep. Rudolph made a substitute motion to send **H 380** to the floor with no recommendation.

AMENDED SUBSTITUTE MOTION:

Rep. Nye made an amended substitute motion to send **H 380** to General Orders with an amendment that would include a 5-year Sunset Clause.

Rep. Erpelding spoke **in opposition** to all motions on the table for this legislation. He is disappointed that income tax cuts are being considered while educational funding requirements still have not been resolved. He feels we should explore all options and other forms of tax relief that may be more beneficial.

Rep. Anderst spoke in opposition to the substitute motion and the amended substitute motion. He is **in support** of this bill because in recent years priorities have targeted education, transportation and health and welfare with the taxpayers being left out. He supports this bill because it would give about 75% of Idaho taxpayers some form of tax relief.

VOTE ON AMENDED SUBSTITUTE MOTION:

Chairman Collins called for a vote on the amended substitute motion to send **H 380** to General Orders. **Motion failed by voice vote.**

VOTE ON SUBSTITUTE MOTION:

Chairman Collins called for a vote on the substitute motion to send **H 380** to the floor with no recommendation. **Motion failed by voice vote.**

ROLL CALL VOTE ON ORIGINAL MOTION:

Chairman Collins requested a roll call vote on the original motion to send **H 380** to the floor with a **DO PASS** recommendation. **Motion carried by a vote of 13 AYE, 2 NAY and 1 Absent/excused.** Voting in favor of the motion: **Rep. Collins, Trujillo, Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Nate, Scott, Thompson and Rudolph.** Voting in opposition to the motion: **Reps. Erpelding and Nye.** **Rep. Chaney** was absent. **Rep. Moyle** will sponsor the bill on the floor.

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
9:00 A.M.
Room EW42
Wednesday, February 03, 2016

SUBJECT	DESCRIPTION	PRESENTER
H 386	Production Exemption, Terminology	Representative Chaney
H 391	Market Value Report, Requirement Eliminated	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(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: Wednesday, February 03, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Blake Youde, State Board of Education; Sean Ellis, Capital Press; Phil Homer, Idaho Association of School Administrators; Mike Chakarun, Ken Roberts, Idaho State Tax Commission; Russ Hendricks, Farm Bureau Federation; Julie Hart, Westerberg Associates; Ben Davenport, Associated Taxpayers of Idaho; Jonathan Parker, Holland & Hart

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

MOTION: **Rep. Trujillo** made a motion to approve the minutes of January 26, 2016. **Motion carried by voice vote.**

MOTION: **Rep. Kauffman** made a motion to approve the minutes of January 27, 2016. **Motion carried by voice vote.**

MOTION: **Rep. Raybould** made a motion to approve the minutes of January 29, 2016. **Motion carried by voice vote.**

**UNANIMOUS
CONSENT
REQUEST:** **Chairman Collins** asked for unanimous consent to accept the testimony and vote tally presented on **H 346** at the meeting on January 25, 2016 which approved sending this bill to the floor with a **DO PASS** recommendation. There being no objections, the request was granted.

H 386: **Rep. Chaney** presented **H 386** dealing with the production exemption for farming operations. Since 1991, equipment which is "reasonably necessary to the operation of the total farming business" is exempt from sales tax. Some equipment falls into a gray area. Is it a part of the farming business which is exempt from sales tax or is it used for another activity which is not. This legislation amends the production exemption for farming operations to include the term "removal from storage" of agricultural commodities. This will more clearly delineate the point at which farming activities begin.

Ken Roberts, Commissioner, Idaho State Tax Commission, stated that several cases in the past few years have indicated the need for more clarification. The term "initial storage" in the statute can be interpreted several different ways. By adding the term "removal from storage" will more clearly define the breakpoint between farming operations which are sales tax exempt and other activities which are not.

MOTION: **Rep. Anderst** made a motion to send **H 386** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Chaney** will sponsor the bill on the floor.

H 391: **Blake Youde**, State Board of Education, presented **H 391** which eliminates a requirement for the Tax Commission to provide certain information to the Department of Education. This legislation will remove the requirement that the Tax Commission provide to the Department of Education certain reports of adjusted market value and assessment ratios regarding property valuations. These reports are not used by the Department of Education and are unnecessary.

MOTION: **Rep. Thompson** made a motion to send **H 391** 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 9:12 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Thursday, February 04, 2016

SUBJECT	DESCRIPTION	PRESENTER
H 431	Taxation, Exempt Property	Representative Trujillo
H 357	STEM Action Center/Income Tax Credit	Senator Nonini

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(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, February 04, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** Representative Erpelding

GUESTS: Andrew Mitzel, John Eaton, Idaho Association of Realtors; Cynthia Adrian, Idaho State Tax Commission; Zach Hauge, Idaho Association of Commerce & Industry; Ben Davenport, Associated Taxpayers of Idaho; Erica Compton, Angela Hemmingway, STEM Action Center; Russ Hendricks, Farm Bureau Federation; Jonathan Parker, Holland & Hart; Jayson Ronk, Micron

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

H 431: **Rep. Trujillo** presented **H 431** dealing with the homestead exemption. This legislation removes the index on the Idaho homestead exemption and places the exemption value at \$100,000 or 50 percent of assessed value, whichever is less. In 2006, the index was added to annually adjust the value based upon the housing price index. Unfortunately, during the recession, property values dropped and property taxes went up. It is the intent of this legislation to provide a stable and predictable tax policy so taxpayers can adequately plan for their tax burdens.

John Eaton, Idaho Association of Realtors, **Ben Davenport**, Associated Taxpayers of Idaho and **Russ Hendricks** on behalf of the Farm Bureau Foundation spoke **in support** of the bill which is a more stable and predictable tax policy. **Bob VanArnem** expressed concern with setting the exemption at a finite amount. He would prefer to see the exemption established as a percentage of assessed value.

MOTION: **Rep. Raybould** made a motion to send **H 431** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Rudolph** and **Nate** requested to be recorded as voting **NAY**. **Rep. Trujillo** will sponsor the bill on the floor.

H 357: **Rep. Nonini** introduced **Chris Widener**, former President Pro Tem of the Ohio State Senate, **David Burns** STEM Innovation Director for Battelle Ohio and **Terry Ryan**, CEO of Bluum and the Idaho Charter School Network who have been visiting the STEM Action Center. **Rep. Nonini** presented **H 357** which would add the STEM Education Fund to the educational entities for which a taxpayer would qualify for the existing income tax credit for charitable contributions to education-related funds. The STEM Action Center was established last year using State dollars with the goal of ongoing private participation by large corporations, charitable foundations and private citizens. The reason for this legislation is to help incentivize individual and corporate donations to support the work of the Idaho STEM Action Center.

In response to a question from **Rep. Scott**, **Senator Nonini** explained that the STEM Action Center was created by the Legislature in 2015 with the goal of promoting and creating the workforce pipeline of the future. The STEM Action Center works closely with State government, industry partners and economic development organizations to address the serious shortage of qualified applicants in jobs that require higher level skills and education in science, technology, engineering and mathematics.

Jayson Ronk, Micron Government Affairs and **Rep. DeMordaunt** spoke in **support** of this legislation citing the STEM Action Center's importance to Idaho's labor force and economy.

Senator Nonini responded to questions from **Rep. Nye** and **Rep. Thompson** relating to the sunset clause contained in the legislation .

MOTION: **Rep. Anderst** made a motion to send **H 357** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. DeMordaunt** will sponsor the bill on the floor.

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

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Monday, February 08, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24384	Taxing District Budgets, Notice	Representative Moyle
RS24382	Girl Scout/Boy Scout/Tax Exempt Sales	Representative Trujillo

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(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: Monday, February 08, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Sonna Lynn Fernandez, Maureen O'Toole, Girl Scouts of Silver Sage; Benjamin Davenport, Associated Taxpayers of Idaho; Amber Pence, City of Boise; Jonathan Parker, Holland & Hart

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

MOTION: **Rep. Trujillo** made a motion to approve the minutes of February 1, 2016. **Motion carried by voice vote.**

MOTION: **Rep. Kauffman** made a motion to approve the minutes of February 3, 2016. **Motion carried by voice vote.**

RS 24384: **Rep. Moyle** presented **RS 24384** which deals with foregone property taxes. Idaho cities and counties are allowed to hike taxes by up to 3 percent each year. If a county or a city only hikes property taxes by 1 percent, the 2 percent left behind accrue into perpetuity with no limits. The city or county can go back and collect those property tax increases at any time. With the intent of providing more transparency into this process, The purpose of this proposed legislation is to require non-school taxing districts that elect to take a foregone property tax increase to hold a hearing in conjunction with their annual budget hearing. These districts will certify by resolution their (1) intent to take a foregone property tax increase, (2) the amount of the increase to be taken, and (3) the purpose for which the increase is being budgeted.

Responding to a question from **Rep. Erpelding**, **Rep. Moyle** explained he has had discussions with the Association of Idaho Cities and County representatives during the drafting of this proposed legislation and he knows of no concerns.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 24384**. **Motion carried by voice vote.**

RS 24382: **Rep. Trujillo** presented **RS 24382** dealing with tax exempt sales by Girl Scouts and Boy Scouts. The purpose of this proposed legislation is to allow the sale of food products by Girl Scout and Boy Scout organizations to be exempt from sales tax. She noted both of these organizations play a significant role in keeping youth active in extra curricular activities and this sales tax exemption will help continue their after- and in-school programs.

MOTION: **Rep. Raybould** made a motion to introduce **RS 24382**. **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
9:00 A.M.
Room EW42
Thursday, February 11, 2016

SUBJECT	DESCRIPTION	PRESENTER
<u>RS24476</u>	Taxing District Budgets, Foregone Tax	Representative Moyle
<u>RS24413</u>	Sales Tax, Public Highway/Street	Representative Chaney

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(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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email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 11, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** Representative(s) Scott, Thompson, Nye

GUESTS: Cynthia Adrian, Alan Dornfest, Idaho State Tax Commission; 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 February 3, 2016. **Motion carried by voice vote.**

MOTION: **Rep. Kauffman** made a motion to approve the minutes of February 8, 2016. **Motion carried by voice vote.**

RS 24476: **Rep. Moyle** presented **RS 24476** dealing with forgone property tax increases. This proposed legislation will require non-school taxing districts that elect to take a forgone property tax increase to hold a hearing before a taxing district may budget a forgone tax increase. These districts will certify by resolution their (1) intent to take a forgone property tax increase, (2) the amount of the forgone property tax increase to be taken and (3) the purpose for which the forgone property tax increase is being budgeted. This proposed legislation was heard as an RS by this Committee recently and it was approved for introduction. After that hearing, it was discovered that some taxing districts such as community colleges do not hold annual budget hearings so a new RS was drafted which still requires notice, public hearing and a resolution but not necessarily held in conjunction with annual budget hearings.

MOTION: **Rep. Raybould** made a motion to introduce **RS 24476**. **Motion carried by voice vote.**

RS 24413: **Rep. Chaney** presented **RS 24413** which would exempt road materials used to construct, improve and maintain our public roads from 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. The competitive nature of the bidding process for these road projects will preclude bidders from not passing on the tax exemption savings in their bids and this legislation should produce an estimated increase in road funding.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 24413**.

Rep. Kauffman stated that he would **support** this legislation but he is skeptical it will result in an increase in road funding and he fears the tax savings will end up in the contractor's pocket instead. **Rep. Rudolph** indicated he had the same concerns and is having difficulty supporting this.

**VOTE ON
MOTION:** **Chairman Collins** called for a vote on the motion to introduce **RS 24413**. **Motion carried by voice vote.** **Reps. Rudolph** and **Erpelding** requested to be recorded as voting **NAY**.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:07 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Monday, February 15, 2016

SUBJECT	DESCRIPTION	PRESENTER
H 449	Girl Scouts/Boy Scouts, Tax Exempt Sales	Rep. Trujillo
H 474	Taxing District Budgets, Foregone Tax Notice	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(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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email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, February 15, 2016

TIME: 8:30 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** Representative(s) Anderson, Thompson, Erpelding

GUESTS: Elaine Leedy, Holli Woodings, Marty O'Toole, Mallory O'Toole, Maureen O'Toole, Joan Burke, Maggie Williams, Jeanmarie Pattan, Teresa Barnes, Samantha Barnes, Amy Dempsey, Nick Veldhouse, David Kuck, Steve Matthews, Jane Matthews, Girls Scouts; Clarke Farrer, Boy Scouts; Maria Jeans, Idaho Association of Commerce & Industry; Jack Lyman, Idaho Mining Association; Jonathan Parker, Holland and Hart

Chairman Collins called the meeting to order at 8:32 A.M.

H 449: **Rep. Trujillo** presented **H 449** which would provide for a sales tax exemption on the sale of food products by Girl Scout and Boy Scout organizations. She gave statistics on the community services provided by these organizations to show the benefits received by the community which is far greater than this sales tax exemption. Idaho and Hawaii are the only two states which do not provide this sales tax exemption.

Maureen O'Toole, CEO of the Silver Sage Girl Scouts and **Clark Farr**, Scout Executive for the Grand Teton Council spoke **in support** of this legislation which would help these organizations continue and further their community programs.

Responding to questions from **Rep. Chaney** and **Rep. Scott** about why this legislation isn't written more broadly, **Rep. Trujillo** explained these organizations have a proven track record and other organizations are welcome to appear before this body and present their case. **Rep. Moyle** explained the efforts several years ago to broaden this exemption to include more non-profits but the cost became too prohibitive and how to define the groups became too problematic. These exemptions are now looked at on an individual basis.

MOTION: **Rep. Moyle** made a motion to send **H 449** to the floor with a **DO PASS** recommendation.

Rep. Nate also voiced concern about the narrow nature of this legislation which leads to special interest considerations when these groups are looked at on an individual basis. **Rep. Moyle** detailed some of the difficulties encountered when trying to more broadly define just who would be eligible. He welcomed **Rep. Nate's** collaboration in drafting legislation for next session which would broaden the groups eligible for this exemption and would preclude the need to make decisions on an individual organization's merits to qualify for the exemption.

Reps. Chaney, Hartgen and **Anderst** spoke **in support** of this bill although they would like to see legislation which is more broad in nature as opposed to individually approving groups for these exemptions.

**VOTE ON
MOTION:** **Chairman Collins** called for a vote on the motion to send **H 449** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Scott** and **Nate** requested to be recorded as voting **NAY**. **Rep. Trujillo** will sponsor the bill on the floor.

H 474: **Rep. Moyle** presented **H 474** dealing with forgone property tax increases. This bill would require non-school taxing districts to give notice and hold a public hearing before they may budget a forgone tax increase. The district will also certify by resolution their (1) intent to take a forgone property tax increase, (2) the amount of the forgone property tax increase and (3) the purpose for which the forgone property tax increase is being budgeted. **Rep. Moyle** indicated he had worked with various taxing districts in the drafting of this bill and it does not change or limit the taxing districts' from accumulating this tax or the districts from taking it. It only provides for a hearing to provide transparency when this forgone tax is budgeted.

MOTION: **Rep. Trujillo** made a motion to send **H 474** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:59 A.M.

Representative Collins
Chair

Bev Bean
Secretary

JOINT
HOUSE REVENUE & TAXATION COMMITTEE
AND
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
9:00 A.M.
House Majority Caucus Room
Tuesday, February 16, 2016

SUBJECT	DESCRIPTION	PRESENTER
	Working Tax Group Progress Report	Eric Milstead, Legislative Services Office
	Discussion on Forming an Interim Tax Committee	

COMMITTEE MEMBERS

Chairman Collins

Vice Chairman Trujillo

Rep Moyle

Rep Raybould

Rep Anderson

Rep Anderst

Rep Dayley

Rep Hartgen(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
JOINT MEETING
HOUSE REVENUE & TAXATION COMMITTEE
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 16, 2016

TIME: 9:00 A.M.

PLACE: House Majority Caucus Room

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

Chairman Siddoway, Vice Chairman Guthrie, Senators McKenzie, Johnson, Rice, Vick, Bayer, Stennett, Burgoyne

**ABSENT/
EXCUSED:** Vice Chairman Trujillo, Representative(s) Chaney

GUESTS: John Watts, Chamber Alliance

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

Chairman Collins explained the purpose of this meeting is to recap and discuss results of the Tax Working Group which has been meeting in an effort to identify ways to revise our tax system and policies. **Senator Siddoway** thanked the members of the Tax Working Group and acknowledged **Senators Den Hartog** and **Abby Lee** who were also part of this Work Group. This meeting is intended for discussion purposes and the Committee will not be voting or taking testimony. **Senator Siddoway** introduced **Eric Milstead**, Director, Legislative Services Office, who will give a recap of this Interim Committee's work.

Eric Milstead summarized the goals of this group as (1) to address and discuss Idaho Tax policy in a broad sense and (2) develop approaches to tax reform and avoid "late in the session" issues. Both long and short term issues were explored with a focus on income tax, sales tax, personal property tax and exemptions. Members of the Committee met with State of Utah officials about how they approached a systematic review of tax policy and income tax reform.

Senator Siddoway enumerated topics of discussion for the meeting. (1) Identify a target number for corporate/individual income tax, (2) Review deductions as way to get to the targeted rate, (3) Discuss reducing sales tax and reducing exemptions and (4) identify which issues should be targeted.

Rep. Moyle feels that tax rates are too high and harm Idaho's competitiveness although he disagrees that taxes must be raised somewhere in order to cut taxes. As the economy grows each year, he feels we can offset some of these issues with that revenue growth. Comparing Idaho to surrounding states, he doesn't believe we should be raising taxes.

Senator Burgoyne stated the issue of tax rates is also a marketing challenge. We want to bring tax rates down but continue to generate revenue at the same effective rate. **Senator McKenzie** noted Idaho has high apparent tax rates but a lower effective tax rate. He believes it would be worthwhile to look at our effective tax rate which should be transparent, predictable and broad. If our rates appear high because we have a lot of exemptions perhaps we want lower rates across the board with less deductions. He stressed that whatever direction the Committee decides to go, we will need strong public involvement and marketing to get it to work.

Rep. Raybould expressed concern the Interim Committee was not able to identify or give direction as to how we should revise our tax policy although many areas were explored. **Senator Bayer** noted that growing budgets slower than economic growth doesn't work and we would be better served with a plan that gives a glide path rather than growing and waning with the economy.

Rep. Nye stated his conditional support for continuation of the Committee in order to develop a long range, five-year plan with goals and measurement. He noted we currently operate under a one-year plan which involves cutting taxes and not filling needs.

Senator Rice felt the Workin Group was hindered somewhat by political agendas and therefore was not able to address the issues and was even counterproductive to some degree. He feels we are substituting the Tax Working Group for the discussions we ought to be having in session with our committees, our counterparts and our constituents.

Rep. Anderst stated that if the Committee does decide to continue the Interim Committee, it should first focus on budget needs, then budge stabilization which would be paid for by growth. **Rep. Rudolph** and **Senator Vick** both would like to see more focus with the development of a multiple year plan and vision for our future tax policy. Once a long range plan is developed, evaluation of whether or not to cut taxes or to add services will be greatly enhanced.

Rep. Erpelding thinks a working group should include more stakeholders, JFAC, cities and counties. He is disappointed the group devolved into discussing what was going to be done next session rather than looking at both short and long term goals. He believes revenue needs to be balanced between the discussions on tax relief.

Senator Guthrie believes the total tax package needs to be reviewed before decisions are made on particulars. We will need to look at exemptions, deductions, spending and compare to other states. We also need to do a more effective job of marketing. Our messages are negative when we have a lot of positives to talk about.

Senator Burgoyne noted there is a need for more professional help to gather and analyze data during the session in order to formulate policy goals and make more intelligent decisions.

Senator Siddoway summed up the meeting noting what an enormous task lay ahead. He said that discussions have started on an internet sales tax which could be used to reduce our tax rate if enacted. As to continuation of the Committee, he will yield to the judgment of the two committees and Leadership. If the decision is made to move forward establishing this Interim Committee, we will have a joint resolution in our committees to discuss and vote on.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:19 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
10:00 A.M.
Room EW42
Friday, February 19, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24562	House Concurrent Resolution honoring Idaho Power Company	Rep. Anderst

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(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 19, 2016

TIME: 10:00 A.M.

PLACE: Room EW42

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

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

GUESTS: None

Chairman Collins called the meeting to order at 10:00 A.M.

MOTION: **Rep. Trujillo** made a motion to approve the minutes of February 11, 2016. **Motion carried by voice vote.**

MOTION: **Rep. Trujillo** made a motion to approve the minutes of February 15, 2016. **Motion carried by voice vote.**

RS 24562: **Rep. Anderst** presented **RS 24562** which is a proposed House Concurrent Resolution honoring Idaho Power Company for its 100 years of service in Idaho. Idaho Power, locally operated since 1916, is an electric utility that employs more than 2,000 people who serve about 520,000 customers throughout a 24,000-square mile area in southern Idaho and eastern Oregon. He noted Idaho Power's residential, business and agricultural customers pay among the nation's lowest rates for electricity, while the company maintains one of the smallest carbon footprints in the nation. Idaho Power has been a great corporate citizen in Idaho through employee volunteerism and community sponsorships. This proposed resolution recognizes the value Idaho Power has brought to the State of Idaho.

MOTION: **Rep. Thompson** made a motion to introduce **RS 24562**. **Motion carried by voice vote.**

Chairman Collins extended a thank you to outgoing page **Olivia Andrew** for her service and work for the committee during her assignment.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:06 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, February 24, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24590C1	Solar Energy Tax	Rep. Moyle
RS24565C1	Income Tax, Capital Gains Deduction, Cattle	Senator Hill

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(Hartgen)
Rep Moyle Rep Kauffman
Rep Raybould Rep Chaney
Rep Anderson(Carter) Rep Nate
Rep Anderst Rep Scott

Rep Thompson
Rep Erpelding(Lachiondo)
Rep Nye
Rep Rudolph

COMMITTEE SECRETARY

Bev Bean
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 24, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Ben Davenport, Associated Taxpayers of Idaho; Jonathan Parker, Holland & Hart
Chairman Collins called the meeting to order at 9:00 A.M.

MOTION: **Rep. Dayley** made a motion to approve the minutes of February 16, 2016. **Motion carried by voice vote.**

MOTION: **Rep. Raybould** made a motion to approve the minutes of February 19, 2016. **Motion carried by voice vote.**

RS 24590C1: **Rep. Moyle** presented **RS 24590C1** which deals with solar power energy producing plants. The purpose of this proposed legislation is to levy a tax of three and one-half percent (3.5%) on gross earnings and to exempt the operating property of solar energy electricity producers from property tax. This will make it clear that solar energy plants are not taxed as real property but on 3.5% gross receipts. It defines which properties are exempt and how they qualify. An annual report of gross earnings is required and provides for notice to and apportionment of tax owed by the solar energy electricity producers.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 24590C1**.

In response to a question from **Rep. Nate**, **Rep. Trujillo** explained there have been two different ways for operating property to be taxed, one is centrally assessed and taxed on the assessment. The other is taxed on gross receipts.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to introduce **RS 24590C1**. **Motion carried by voice vote.**

RS 24565C1: **Senator Brent Hill** presented **RS 24565C1** dealing with capital gains deductions for certain livestock. Current Idaho law requires that in order for gains on the sale of certain livestock to be classified as capital gains, more than one-half of the taxpayer's gross income must come from farming or ranching. This requirement is not in the federal statute and last year Idaho eliminated that income requirement. If the entity qualifies, then individual partners will automatically qualify. This proposed legislation will conform Idaho's capital gains law with federal law by removing the gross income requirement. It does not change required holding periods for the livestock and makes Idaho consistent with federal statute. He noted this proposed legislation has little or no fiscal impact.

MOTION: **Rep. Thompson** made a motion to introduce **RS 24565C1**. **Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:15 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #2
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Friday, February 26, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24584C1	Recreational Park Trailers	Rep. Mike Moyle
RS24530	Tax Exemptions, Aircraft	Rep. Anderst
RS24600	Purchasing Laws, Local Government Exclusion	Rep. Erpelding

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(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: Friday, February 26, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

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

GUESTS: Bob Perkins, Russell Westerberg, John Blakley, AvCenter; Jack Lyman, Idaho Housing Alliance; Ben Davenport, Associated Taxpayers of Idaho; Jonathan Parker, Holland & Hart

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

MOTION: **Rep. Trujillo** made a motion to approve the minutes of February 24, 2016. **Motion carried by voice vote.**

RS 24584C1: **Rep. Moyle** presented **RS 24584C1** which deals with how park model homes are taxed, titled and registered. A similar bill was introduced during last session but was unable to pass in the Senate. During the summer, counties and other stakeholders attempted to draft new legislation but were unable to agree. Rep. Moyle would like to introduce this proposed legislation and let those stakeholders work on refining and coming to agreement over the coming summer. This proposed legislation defines "recreational park trailer" in Idaho Code consistent with federal regulations and industry standards and practices. Recreational park trailers, also known as park models or park model recreational vehicles, are temporary quarters intended for recreational, camping, travel or seasonal use. This proposed legislation provides for the titling and registration of these units as recreational vehicles and clarifies how sales tax will be applied. It also provides for the taxation of recreational park trailers as personal property in some instances.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 24584C1**. **Motion carried by voice vote.**

RS 24530: **Rep. Anderst** presented **RS 24530** which proposes granting a sales tax exemption for the sale, lease or purchase of fixed-winged aircraft used under contract with a governmental entity for wildfire activity. He explained this issue was brought to his attention by a constituent who operates a charter flight service and contracts with the state and federal government to fly tactical group supervisors over active wildfires. He was recently contacted by the Idaho State Tax Commission notifying him that he does not qualify for a sales tax exemption on his aircraft. Rep. Anderst requested this proposed legislation be introduced so that this constituent can testify as to why he believes this exemption should be clarified in Idaho Code and is needed to eliminate the disadvantage Idaho aviation businesses encounter when competing with non-residents for these government contracts.

Rep. Nye invoked Rule 38 stating a possible conflict of interest but that he would not be voting on the legislation.

MOTION: **Rep. Anderson** made a motion to introduce **RS 24530**. **Motion carried by voice vote.**

RS 24600: **Rep. Erpelding** presented **RS 24600** related to local governments ability to piggy back onto competitively bid contracts entered into by the state. Current Idaho Code allows local government to participate in and piggy back onto contracts that were competitively bid by the State of Idaho. The National Association of State Procurement Officers competitively bids contracts in which the State of Idaho participates. These contracts have not been accessible to local governments as they were not competitively bid directly to the State but rather to the National Association of State Procurement Officers. This proposed amendment to Idaho Code would outline that any contract let by the Division of Purchasing, competitively bid or not, would be available for use by local governments and political subdivisions. Rep. Erpelding noted this proposed legislation has been discussed with the State Department of Administration and various county commissioners for their concurrence.

MOTION: **Rep. Raybould** made a motion to introduce **RS 24600**. **Motion carried by voice vote.**

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
Monday, February 29, 2016

SUBJECT	DESCRIPTION	PRESENTER
H 535	Income Tax, Capital Gains Deduction, Cattle	Sen. Brent Hill
H 534	Energy Tax, Solar Energy	Rep. Mike 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(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: Monday, February 29, 2016

TIME: 9:00 A.M.

PLACE: Room EW42

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

**ABSENT/
EXCUSED:** None

GUESTS: Ken Miller, Snake River Alliance; Scott Turlington, Origin Energy; Ron Williams, Cleaneva Energy; Russell Westerberg, PacificCorp; Neil Colwell, Avista Corp., Jonathan Parker, Holland & Hart

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

H 535: **Senator Brent Hill** presented **H 535** which deals with the capital gain deduction for certain livestock. Current Idaho law requires that more than one-half of the taxpayers gross income must come from farming or ranching in order for gains on the sale of certain livestock to be classified as capital gains thus qualifying for the capital gain deduction. The purpose of this legislation is to conform Idaho's capital gains law with federal law by removing the gross income requirement. This pertains only to dairy cattle, horse and breeding livestock.

Responding to a committee question, Senator Hill explained it is not necessary to make the bulk of your income in Idaho in order to qualify for this capital gains deduction but that it is available on any qualified reportable Idaho income.

MOTION: **Rep. Nye** made a motion to send **H 535** to the floor with a **DO PASS** recommendation.

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

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to send **H 535** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Scott** requested to be recorded as voting **NAY.** **Rep. Thompson** will sponsor the bill on the floor.

H 534: **Rep. Moyle** presented **H 534** related to taxation of solar energy electricity producers. This proposed legislation will change the way solar energy electricity producers are taxed. Currently, they are taxed based upon property tax. This will exempt the operating property of solar energy electricity producers from property tax and instead levy a tax of three and one-half percent (3.5%) on gross solar energy earnings. The 3.5% gross receipts percentage was based on what would have been collected if they were assessed a property tax.

Rep. Nate noted this proposal is revenue neutral and asked how property tax revenue would compare to gross receipts revenue over time. **Rep. Moyle** explained that property on the tax rolls today depreciates over time shifting the burden to other taxpayers. As for gross receipts, he assumes these plants will produce more electricity over time and would generate less gross receipts on the front end. He also mentioned the 3.5% gross receipts percentage was arrived at after much negotiation and discussion and was meant to be in line with what property tax would have been collected.

Answering a committee question, **Rep. Moyle** stated that geothermal and wind electricity producers are currently taxed at 3.0% on gross receipts and he anticipates future consideration of raising these rates to 3.5%.

MOTION:

Rep. Thompson made a motion to send **H 534** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor.

ADJOURN

There being no further business to come before the committee, the meeting was adjourned at 9:15 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Wednesday, March 02, 2016

SUBJECT	DESCRIPTION	PRESENTER
H 540	Sales Tax Exemption, Aircraft, Wildfire Activities	Rep. Anderst

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 02, 2016

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) Chaney

GUESTS: Russell Westerberg, John Blakely, AvCenter

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

MOTION: **Rep. Dayley** made a motion to approve the minutes of February 26, 2016. **Motion carried by voice vote.**

MOTION: **Rep. Anderson** made a motion to approve the minutes of February 29, 2016. **Motion carried by voice vote.**

H 540: **Rep. Anderst** introduced **Russell Westerberg**, representing AvCenter, who presented **H 540** regarding a sales tax exemption for aircraft involved in fire suppression activities. This proposed legislation would provide a sales tax exemption for the sale, lease, purchase or use of fixed wing aircraft used under contract with a government entity for wildfire activity.

Mr. Westerberg explained it has been the long-held understanding that sales tax did not apply to aircraft leased or purchased by licensed aircraft charters and was relied upon when preparing bids to provide air tactical platforms for agencies of the Federal government for wildfire suppression activities. A recent routine audit of the AvCenter by the Tax Commission determined that because fixed-wing flights under contract with the Federal Government for wildfire suppression took off and landed at the same airport, they were excluded from the sales tax exemption. Competing for these government contracts is very competitive and Idaho companies will be at an immediate 6% disadvantage if this proposed exemption is not approved. Idaho companies are competing with companies from other states who are exempt in Idaho because they are usually in the state less than 90 days.

Rep. Nye invoked Rule 38 stating a possible conflict of interest and that he would not be voting on the legislation.

In response to questions about helicopters and drones being included in the scope of this exemption, **Mr. Westerberg** stated this legislation was narrowly drafted to minimize its impact and to clarify that tactical services by fixed-wing aircraft qualify for this exemption. Drones and helicopters do not normally provide these tactical services. He also noted that helicopters and drones are not confined to an airport and unlike fixed wing aircraft can take off anywhere. This legislation is being proposed due to a technicality in the statute language which excluded aircraft that took off and landed from the same airport. Statute language requires fixed wing aircraft to go from point A to point B in order to be eligible for this exemption.

Russell Westerberg introduced **John Blakely**, also with AvCenter. **Mr. Blakely** briefly described his company which employs approximately 45 people with an annual payroll of \$1,450,000 and operations in Pocatello, Nampa and Idaho Falls. They provide aircraft charter flying services and all of their air charter services that go from point A to point B are currently exempted from sales tax. A significant portion of their services (20-30%) of annual sales consist of wildfire activities for the Federal government using fixed wing aircraft on tactical missions. Because fixed wing aircraft take off and land at the same airport when flying these tactical missions, the State Tax Commission is requiring they pay 6% sales tax on the lease payments between their operating company and their holding company for these services. He asked for favorable consideration of this legislation to eliminate the 6% advantage out-of-state competitors enjoy when bidding against Idaho companies for federal fire fighting contracts.

MOTION: **Rep. Thompson** made a motion to send **H 540** to the floor with a **DO PASS** recommendation.

Responding to a committee question, **Mr. Blakely** explained that aircraft they purchase is already tax exempt because it is a charter service. In his case, a holding company leases the aircraft to an operating company. This tax exemption would apply to the lease payment between the companies and not the revenue from the government contract. The AvCenter case before the Tax Commission is disputing \$109,000 in sales tax on these lease payments for a 3-year period.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to send **H 540** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Anderst** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:21 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Friday, March 04, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24650	Urban Renewal	Rep. Youngblood

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: Friday, March 04, 2016

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) Scott, Nate & Erpelding

GUESTS: Russell Westerberg, Capital City Development Corporation; Kelli D. Brassfield, Idaho Association of Counties; Amber Pence, City of Boise; Jonathan Parker, Holland & Hart

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

RS 24650: **Rep. Youngblood** presented **RS 24650** related to urban renewal. This proposed legislation comes from the Urban Renewal Interim Committee created by **HCR 17** in 2015. The Committee studied state statutes and laws dealing with urban renewal. Testimony was solicited from the public, experts in urban renewal law and members of urban renewal agencies. Extensive outreach provided opportunities for all interested parties and stakeholders to participate.

The Committee produced five key recommendations: (1) Urban renewal board members will be appointed unless the local governing body adopts an ordinance allowing them to be elected. (2) Urban renewal plans may be modified however certain modifications will result in a reset of the base assessment. (3) Any changes to urban renewal plans will be approved in an open public meeting held with proper notice to interested stakeholders. (4) Expenditures for public buildings consisting of 51% or more than the entire project cost shall be approved in an election by 60% of the voters voting. (5) Urban renewal agencies shall register on a newly created registry at the State Tax Commission for Urban Renewal Plans or modification to those plans.

MOTION: **Rep. Anderst** made a motion to introduce **RS 24650. Motion carried by voice vote.**

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 8:37 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:00 A.M.
Room EW42
Tuesday, March 08, 2016

SUBJECT	DESCRIPTION	PRESENTER
<u>RS24636</u>	Sales and Use Tax, Definition Revised	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 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
Room: EW54
Phone: 332-1125
email: hrev@house.idaho.gov

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, March 08, 2016

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: Roger Seiber, Jerry Decignero, Capitol West; Pam Eaton, Idaho Retailers Association

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

MOTION: **Rep. Dayley** made a motion to approve the minutes of March 2, 2016. **Motion carried by voice vote.**

MOTION: **Rep. Trujillo** made a motion to approve the minutes of March 4, 2016. **Motion carried by voice vote.**

RS 24636: **Rep. Clow** presented **RS 24636** regarding sales tax. This proposed legislation redefines what is considered a retailer and when a retailer is engaged in business in Idaho. It will modernize Idaho's Code to facilitate the collection of taxes through all retailers engaged in business in Idaho.

Rep. Clow noted that 26 states have enacted similar legislation to what is being introduced today and five more states have legislation pending. He explained that in 2016, the 10th Circuit Court upheld similar legislation passed by Colorado and ruled these laws were enforceable.

This proposal has been reviewed by the Tax Commission and is in alignment with the Tax Code. With regard to the fiscal note, **Rep. Clow** advised that it was difficult to estimate but it is expected to result in an increase in the collection and remittance of sales taxes that are owed but not being reported and remitted. It does not create any new requirements for the State Tax Commission other than the expected issuance of additional sales and use tax permits.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 24636**. **Motion carried by voice vote.**

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

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
8:00 A.M.
Room EW42
Friday, March 11, 2016

PLEASE NOTE MEETING TIME IS CHANGED TO 8:00 A.M.

SUBJECT	DESCRIPTION	PRESENTER
H 581	Sales & Use Tax, Definition Revised	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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Phone: 332-1125
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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Friday, March 11, 2016

TIME: 8:00 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:** Vice Chairman Trujillo

GUESTS: Jonathan Parker, Holland & Hart; Liz Hatter, Idaho Chamber Alliance; Ben Davenport, Associated Taxpayers of Idaho; Russ Hendricks, Farm Bureau; Pam Eaton, Idaho Retailers Association

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

H 581: **Rep. Clow** presented **H 581** dealing with sales and use tax. This legislation will redefine who is considered a retailer and when a retailer is engaged in business in Idaho. In 1992, the Supreme Court decision in Quill vs. No. Dakota, established that unless you have a nexus in the state, a remote retailer could not be required to collect sales tax. In 2015, the 10th Circuit Court took the position that Colorado could require a remote retailer to collect and report sales tax. Currently, 26 states have enacted legislation requiring remote retailers to report and collect sales tax for purchases made in their state and 5 states have similar legislation pending.

This legislation changes the definition of "retailer" and whoever meets that definition must follow the same rules as all other brick and mortar companies. This is not a new tax and sales tax on online sales has always been due with the taxpayer self-reporting on their annual tax return. This bill will require the retailer to collect and remit the sales tax. Many online retailers are currently voluntarily collecting and reporting Idaho sales tax to the Idaho State Tax Commission. **Rep. Clow** noted that since a large portion of these online sales taxes are currently voluntarily collected and remitted by online retailers, it is difficult to estimate the fiscal impact.

Responding to Committee questions, **Rep. Clow** explained this legislation does not change what is being taxed but defines if someone is engaged in business and subject to the Idaho sales tax. Since the online retailer will now collect and remit the tax which has previously been self-reported by the taxpayer, concern was expressed about double paying the sales tax. Although he didn't think this was going to be problem since most people know when they have paid tax on a purchase, Rep. Clow stated there is a refund mechanism in place for taxpayers to obtain a refund for overpayment of taxes.

Rep. Moyle stated he would be in favor of this legislation if it were amended to include some sort of tax relief and he thinks it could generate as much as \$20 - 30 million in additional revenue.

Liz Hatter, Idaho Chamber Alliance, spoke **in support** of the bill saying she views this as a fairness issue which will require all sellers of goods to comply with Idaho sales tax obligations. The Idaho Chamber Alliance does not view this as a new or increased tax. It is a tax that has always been due and it will level the playing field for Idaho retailers.

Russ Hendricks, representing the Idaho Farm Bureau, spoke **in opposition** to the bill noting concerns with online retailers who may not be equipped to handle tax exempt sales. He indicated they would prefer to see any additional revenue collected by these retailers to be targeted toward tax relief. He asked the committee to hold this legislation in committee to provide more time for analysis of the proposal.

Pam Eaton, President & CEO, Idaho Retailers Association, spoke **in support**. She stated that current law disadvantages Idaho retailers when out-of-state retailers are not required to collect and remit sales tax the same as they do. Since this legislation would require the majority of on-line retailers to collect and remit the sales tax, this will actually help Idaho citizens abide by the law. Currently, taxpayers are required to self-report these purchases on their annual income tax form and pay the sales tax. Many taxpayers comply but the majority do not. She also mentioned that software is currently available to retailers and easy to install which will collect and remit these taxes as required.

Rep. Chaney stated there was a lot he liked about this bill and thinks it will help bring economic stimulus to the state by giving equal footing to all retailers and provide funds for tax relief. But he spoke **in opposition** stating there was no assurance that this increased revenue will be used for anything but increased spending.

Although he felt the objectives of fairness and equity were good, **Rep. Hartgen** spoke **in opposition** to the bill citing concern with usage of this on-line sales data base that could be used by the Tax Commission and it appears to tax advertising services which has had an exemption in the past.

MOTION: **Rep. Hartgen** made a motion to **HOLD H 581** in committee.

SUBSTITUTE MOTION: **Rep. Kauffman** made a substitute motion to send **H 581** to the floor with a **DO PASS** recommendation and spoke to the motion. He considers this a fairness issue and its purpose is to collect taxes that are owed. He is not opposed to including some form of tax relief but since we do not know how much additional revenue this will generate, next year we will have a better idea of revenue and can address that issue then.

Rep. Rudolph spoke **in support** of the substitute motion stating it was the moral thing to do and it closes the loophole that allowed people to do business in Idaho and not collect sales tax.

AMENDED SUBSTITUTE MOTION: **Rep. Moyle** made an amended substitute motion to send **H 581** to **General Orders**. He spoke to the motion stating the legislation should include a mechanism, if one is not already available, for taxpayers to request a refund if they pay the sales tax twice. And, he feels strongly about including some form of tax relief with the additional revenue this bill will provide.

Rep. Nate spoke **in support** of the original motion, **in opposition** to the substitute motion and **in support** of the amended substitute motion. He opposes this proposed legislation on constitutional grounds. In the interests of leveling the playing field for Idaho retailers, we either look to raising regulations or raising taxes. He feels we should take a look at lowering taxes which would enhance Idaho's competitive economic stance.

Rep. Anderst spoke **in support** of the amended substitute motion with the caveat that any new revenue generated should be used to reduce income or sales taxes. He thinks this legislation will clarify issues related to sales tax collection and reporting by on-line retailers as well as brick and mortar stores.

Rep. Raybould spoke **in support** of the amended substitute motion if it contains a mechanism for taxpayers to obtain refunds of any overpayment or double payment of sales tax.

**ROLL CALL
VOTE ON
AMENDED
SUBSTITUTE
MOTION:**

Chairman Collins requested a roll call vote on the amended substitute motion to send H 581 to **General Orders. Motion carried by a vote of 11 AYE, 4 NAY and 1 ABSENT. Voting in favor** of the motion: **Reps. Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Scott, Thompson, Rudolph and Collins. Voting in opposition** to the motion: **Reps. Anderson, Kauffman, Erpelding and Nye. Representative Trujillo** was absent. Rep. Clow 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
8:30 A.M.
Room EW42
Tuesday, March 15, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24102C2	Income Tax, Health Insurance	Rep. Nielsen
RS24564C1	Tax Deduction, Health Care, Medical	Rep. Nielsen
RS24735	Urban Renewal	Rep. Youngblood

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 15, 2016

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: Jonathan Parker, Holland & Hart; Ryan Armbruster, Redevelopment Association

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

MOTION: **Rep. Kauffman** made a motion to approve the minutes of March 8, 2016. **Motion carried by voice vote.**

RS 24102C2: **Rep. Nielsen** presented **RS 24102C2** regarding an income tax deduction for health insurance premiums. He stated the purpose of this proposed legislation is to help and encourage Idaho citizens to purchase health insurance by eliminating income taxes on the individual or family share of the premium. Currently, health insurance premiums are deductible only if you itemize your deductions. This proposed legislation would make those health insurance premiums tax deductible whether you itemized or not by subtracting it from taxable income. He noted that everyone is required to purchase health insurance so those premiums should be tax deductible.

Responding to a Committee question about medical savings accounts which use tax free dollars to pay for medical expenses and whether these tax deductions are duplications, **Rep. Nielsen** explained you could not take these deductions if you used a medical savings account to pay your health insurance premiums.

MOTION: **Rep. Nate** made a motion to introduce **RS 24102C2**. **Motion carried by voice vote.** **Reps. Nye** and **Erpelding** requested they be recorded as voting **NAY**.

RS 24564C1: **Rep. Nielsen** presented **RS 24564C1** related to health care and medical tax deductions. The purpose of this legislation is to help and encourage Idaho citizens to seek out and utilize health care providers by eliminating income taxes on those services. This proposed legislation would make tax deductible all out-of-pocket expenses which are for medical or health related needs. It would not include over-the-counter medications. He pointed out that this would be phased in over a three-year period starting in 2017 so that it would become fully deductible after the 3rd year.

MOTION: **Rep. Nate** made a motion to introduce **RS 24564C1**. **Motion carried by voice vote.** **Reps. Nye** and **Erpelding** requested they be recorded as voting **NAY**.

RS 24735: **Rep. Youngblood** presented **RS 24735** dealing with urban renewal. He explained that this is the second version of proposed legislation which is the result of many months of study by the Urban Renewal Interim Committee. He noted that the earlier legislation heard by this committee needed several corrections.

This proposed legislation will allow governing boards of urban renewal agencies to be elected if the local government body adopts an ordinance to do so. And, when an urban renewal plan is modified, the base value for the year immediately following shall include the current year's equalized assessed value of the taxable property in a revenue allocation area. It will also provide for an election when a project financed by economic development funds will not be subject to property taxation. Finally, it will establish a repository at the Idaho State Tax Commission for Urban Renewal Plans or modification to those plans as there is not currently a centralized repository.

MOTION: **Rep. Anderst** made a motion to introduce **RS 24735. Motion carried by voice vote. Rep. Nye** requested he be recorded as voting **NAY**.

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
Wednesday, March 16, 2016

SUBJECT	DESCRIPTION	PRESENTER
S 1347aa	Tax Deed Sales, State Treasurer	Kelli Brassfield, Idaho Association of Counties
RS24726C1	Property Taxes, Tribal Lands	Rep. Caroline Troy

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 16, 2016

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: Kelli Brassfield, Donna D. Peterson, Idaho Association of Counties

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

S 1347aa: **Kelli Brassfield**, representing the Idaho Association of Counties, presented **S 1347aa** regarding tax deed sales. Under current law, a county will auction off real property if the landowner has been delinquent in paying property taxes for three years. The county will use the auction proceeds to pay off the delinquent taxes and notify all parties of interest of the amount of leftover funds. If no owners of record come forward the county puts the remaining funds in an interest-bearing trust for three years, After three years with no claimants, the funds go into the county indigent fund.

This process absorbs a great deal of county resources to determine the priority and legitimacy of each of these claims without the time or expertise to make accurate determinations which can be challenged with litigation as well. This legislation will allow counties to either process excess proceeds if the parties are clearly known, or transfer the excess proceeds to the Unclaimed Property division at the State Treasurer's office. There is no fiscal impact and this legislation has the support of the State Treasurer's Office Unclaimed Property Division and the Twin Falls County Treasurer.

MOTION: **Rep. Scott** made a motion to send **S 1347aa** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Kauffman** will sponsor the bill on the floor.

RS 24726C2: **Rep. Troy** presented **RS 24726C2** related to tribal lands property taxes. This proposed legislation will correct unintended consequences to county budgets from exempting property taxation of lands belonging to federally recognized Indian tribes. When legislation was passed in 2013 to exempt tribal lands from property taxes, it impacted some of the smallest and most rural of Idaho counties. This will provide counties income stabilization and replace the revenue they lost when property taxes were exempted on tribal lands. She worked closely with the State Tax Commission on this proposal

MOTION: **Rep. Chaney** made a motion to introduce **RS 24726C2**.

**SUBSTITUTE
MOTION:** **Rep. Trujillo** made a motion to return **RS 24726C2** to the sponsor. Speaking to the motion, she explained that when tribal lands were granted an exemption from property taxes, the affect on counties was analyzed and taken into consideration. She does not feel this is good tax policy.

Rep. Chaney spoke in **opposition** to the substitute motion noting this legislation will help correct a loss of tax revenue that is not proportional and he will vote in favor of the original motion.

**VOTE ON
SUBSTITUTE
MOTION:**

Chairman Collins called for a vote on the substitute motion to **return RS 24726C2** to the sponsor. **Motion failed by voice vote.**

**VOTE ON
MOTION:**

Chairman Collins called for a vote on the motion to introduce **RS 24726C2**. **Motion carried by voice vote. Reps. Rudolph, Erpelding and Trujillo** requested to be recorded as voting **NAY**.

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 17, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24757	Highway Funding, Apportionment, Exception	Rep. Palmer
H 606	Urban Renewal	Rep. Youngblood

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, March 17, 2016

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: Ryan Armbruster, Elam Burke/Redevelopment Association; Max Vaughn, Minidoka County; Jonathan Parker, Holland & Hart; Caroline Merritt, Boise Metro Chamber of Commerce; Russell Westerberg, Capital City Development Corporation

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

RS 24757: **Rep. Palmer** presented **RS 24757** dealing with highway funding apportionment and the hybrid vehicle fee. Currently, 5% of the fuel tax is apportioned to a law enforcement account for the State Police. This proposed legislation will transition the apportionment of that 5% fuel tax from the law enforcement account into the highway distribution account over 5 years at the rate of 1% a year beginning in 2017.

It will also remove the \$75 hybrid vehicle fee which was enacted last year to replace fuel tax revenue lost by the usage of these vehicles. This hybrid vehicle fee affected many more vehicles that was intended including neighborhood electric vehicles and golf carts.

MOTION: **Rep. Trujillo** made a motion to introduce **RS 24757. Motion carried by voice vote.**

H 606: **Rep. Youngblood** presented **H 606** regarding urban renewal. He thanked the Interim Committee for all the hard work that went into this piece of legislation. It will allow governing boards of urban renewal agencies to be elected if the local government body adopts an ordinance to do so. It provides that when an urban renewal plan is modified, the base value for the year immediately following shall be reset to include the current year's equalized assessed value of the taxable property. It also requires an election when a project financed by economic development funds will not be subject to property taxation and it establishes a repository at the Idaho State Tax Commission for Urban Renewal Plans or modification to those plans as there is not currently a centralized repository.

Rep. Youngblood reported that this legislation represents the best efforts of the committee to create legislation that will provide transparency and accountability to the urban renewal process which is one of the best tools our communities have for economic and community development. In response to committee questions, Rep. Youngblood reiterated that everything in this bill takes effect on July 1, 2016 and it does not affect any plans currently in place until such time as they are modified.

Ryan Armbruster, representing the Redevelopment Association of Idaho and a number of individual urban renewal plans, spoke **in opposition** to this legislation due to concerns that it will affect currently approved urban renewal plans and have a negative effect on financing and growth opportunities.

Max Vaughn, Minidoka County Assessor, spoke **in support** of this legislation stating even though he has a few concerns, it is a good bill. **Caroline Merritt**, representing the Boise Metro Chamber of Commerce, spoke **in opposition** stating that the addition of a grandfather clause to protect urban renewal plans that have already been approved is needed. She also expressed concern about any modification to a plan that would trigger a base reset and affect a community's flexibility to attract new development.

MOTION: **Rep. Kauffman** made a motion to send **H 606** to the floor with a **DO PASS** recommendation and stating this legislation will provide clarity, accountability and transparency to the urban renewal process.

Rep. Anderst is **in support** of the motion and, as a member of the Interim Committee on Urban Renewal, said this legislation provides a good tool for community development and will minimize opportunities for misuse.

SUBSTITUTE MOTION: **Rep. Erpelding** made a substitute motion to **HOLD H 606** in committee. In speaking to the motion, he noted the opposition from local Chambers of Commerce and others. He would like to see this legislation held in committee so that a bi-partisan solution can be negotiated next session.

AMENDED SUBSTITUTE MOTION: **Rep. Trujillo** made an amended substitute motion to send **H 606** to **General Orders** to provide for a grandfather clause to clarify this will apply to newly adopted plans and modifications and not those currently in place.

Reps. Thompson and **Moyle** stated their **support** of the amended substitute motion. **Rep. Chaney** spoke **in support** of the original motion and **in opposition** to the amended substitute motion stating he did not see the need for a grandfather clause.

ROLL CALL VOTE ON AMENDED SUBSTITUTE MOTION: **Chairman Collins** requested a roll call vote on the amended substitute motion to send **H 606** to **General Orders**. **Motion carried by a vote of 9 AYE and 7 NAY**. **Voting in favor** of the motion: **Reps. Trujillo, Moyle, Raybould, Anderson, Dayley, Nate, Thompson, Nye** and **Rudolph**. **Voting in opposition** to the motion: **Reps. Anderst, Hartgen, Kauffman Chaney, Scott, Erpelding** and **Collins**. **Rep. Trujillo** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 10:00 A.M.

Representative Collins
Chair

Bev Bean
Secretary

AGENDA
HOUSE REVENUE & TAXATION COMMITTEE
8:30 A.M.
Room EW42
Monday, March 21, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24777	Tax Policy, Income Tax, Sales Tax	Rep. Moyle
RS24783	Municipal Detachment, Agricultural Lands	Rep. Moyle
RS24774	Tax Credits, Charitable, Medical Residency	Rep. Wintrow
RS24780	Homeowner's Exemption, Effective Date Change	Dan Blocksom, Idaho Association of Counties

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 21, 2016

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) Erpelding

GUESTS: Dan Blocksom, Idaho Association of Counties; Jonathan Parker, Holland & Hart
Chairman Collins called the meeting to order at 8:30 A.M.

RS 24777: **Rep. Moyle** presented **RS 24777** which deals with income and sales tax policy. This proposed legislation does two things: (1) Reduces each of the individual income tax rate brackets by 0.1 percentage point; (2) Modernizes the definition of a retailer doing business in Idaho to impose a sales/use tax collection responsibility on retailers that sell into Idaho but do not currently have a physical presence in the state.

MOTION: **Rep. Thompson** made a motion to introduce **RS 24777** and recommend it be sent directly to the Second Reading Calendar.

Rep. Clow took the podium to answer questions from the committee related to the sales tax portion of this proposed legislation. He explained the redefinition of a retailer will result in additional revenue but it is not a tax increase. It is a tax that is already owed and this will provide for the collection of these taxes. He noted that 26 states have already passed similar or more stringent legislation. He knows of no pending lawsuits against any of this legislation and the 10th Circuit Court has upheld Colorado's law.

Ken Roberts, Idaho State Tax Commissioner, was called upon to answer questions from the committee. He explained that the Idaho Tax Commission has authority to send letters of deficiency to out-of-state retailers who do not collect the sales tax. Asked if the Tax Commission has authority to access database of customers of a retailer in an attempt to collect this sales tax, he noted the Tax Commission has never done that since the responsibility for collection lies with the retailer.

Rep. Nate, speaking in opposition, has concerns about this proposal's constitutionality as well as the State's ability to enforce these requirements with on-line retailers.

Rep. Chaney spoke in support stating this was good policy and technological changes in how we do business today justifies moving forward with this proposed legislation. **Rep. Hartgen** also voiced his support because of the tax reduction component although he has concerns about other parts of this proposal.

**ROLL CALL
VOTE:** **Chairman Collins** requested a roll call vote on **RS 24777**. **Motion carried by a vote of 12 AYE, 3 NAY, 1 absent/excused.** Voting in favor of the motion: **Reps. Trujillo, Moyle, Raybould, Anderson, Anderst, Dayley, Hartgen, Kauffman, Chaney, Thompson, Rudolph and Collins.** Voting in opposition to the motion: **Reps. Nate, Scott and Nye.** **Rep. Erpelding** was absent/excused. **Rep. Moyle** will sponsor the bill on the floor.

RS 24783: **Rep. Moyle** presented **RS 24783** related to de-annexation of agricultural lands. This legislation would permit a landowner to petition the city council to be de-annexed if it is determined that his or her property is greater than five acres and is used exclusively for agricultural purposes. Its purpose is to allow agricultural lands to remain agricultural in the face of forced annexation. He noted that some cities have used road right-of-ways to surround agricultural parcels for the purposes of annexation and that was not the intent.

Responding to a committee question, **Rep. Moyle** clarified that the exclusive agricultural use does not need to pre-date an annexation in order to request de-annexation from a city under this provision.

MOTION: **Rep. Anderst** made a motion to introduce **RS 24783**. **Motion carried by voice vote.**

RS 24774: **Rep. Wintrow** presented **RS 24774** dealing with charitable tax credits for medical residency placement organizations. This proposed legislation provides an income tax credit for charitable contributions made to Idaho-based medical residency placement organizations. Medical professional who serve their residency in Idaho have a tendency to remain in Idaho to establish their practice. These residency placement programs enhance programs like the University of Washington Medical School Regional Training Program by encouraging doctors to stay in the state of Idaho.

MOTION: **Rep. Nye** made a motion to introduce **RS 24774** and recommend it be sent directly to the Second Reading Calendar.

In response to a committee question about the fiscal note, **Rep. Wintrow** indicated the \$25,000 estimated impact to the General Fund was based upon the fact that these residency programs last year raised approximately \$80,000.

SUBSTITUTE MOTION: **Rep. Anderson** made a substitute motion to introduce **RS 24774**. **Motion carried by voice vote.**

RS 24780: **Dan Blocksom**, Association of Idaho Cities, presented **RS 24780** regarding the Homeowners Exemption. **H 431** was passed earlier this session which removed the index on the Idaho homestead exemption and set the exemption value at \$100,000 or 50 percent of assessed value, whichever is less. It becomes effective on July 1, 2016. This proposed legislation changes the effective date to January 1, 2017. By changing the effective date to January 1st, it will avoid having to calculate two different exemption formulas for each property assessment which is done on a calendar year basis.

MOTION: **Rep. Kauffman** made a motion to introduce **RS 24780** 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.

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

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
Upon Adjournment and After the Judiciary and Rules Committee
Room EW 42
Wednesday, March 23, 2016

SUBJECT	DESCRIPTION	PRESENTER
H 624	Highway Funding Apportionment, Exception	Rep. Palmer

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

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MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

- DATE:** Wednesday, March 23, 2016
- TIME:** Upon Adjournment and After the Judiciary and Rules Committee
- PLACE:** Room EW 42
- 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) Scott
- GUESTS:** Col. Ralph Powell, Idaho State Police; Rep. Pat McDonald, Rep. Rich Wills, Idaho House of Representatives; Ken Burgess, COMPASS
- Chairman Collins** called the meeting to order at 4:30 P.M.
- MOTION:** **Rep. Dayley** made a motion to approve the minutes of March 11, 2016. **Motion carried by voice vote.**
- MOTION:** **Rep. Kauffman** made a motion to approve the minutes of March 15, 2016. **Motion carried by voice vote.**
- MOTION:** **Rep. Trujillo** made a motion to approve the minutes of March 16, 2016. **Motion carried by voice vote.**
- MOTION:** **Rep. Trujillo** made a motion to approve the minutes of March 17, 2016. **Motion carried by voice vote.**
- H 624:** **Rep. Palmer** presented **H 624** dealing with highway funding apportionment and the hybrid vehicle fee. Currently, 5% of the funds in the Highway Distribution Account is apportioned to a law enforcement account for the State Police. This proposed legislation will transition the apportionment of that 5% distribution from the law enforcement account into the highway distribution account over 5 years at the rate of 1% a year beginning in 2017. It will also remove the \$75 hybrid vehicle fee which was enacted last year to replace fuel tax revenue lost by the usage of these vehicles. This hybrid vehicle fee affected many more vehicles than was intended including neighborhood electric vehicles and golf carts.
- Rep. Wills** and **Rep. McDonald** spoke **in opposition** to the bill. They had concerns for the effect this approximate \$3.5 million per year reduction will have on the State Police budget and their ability to provide good service. **Ken Burgess** representing the Community Planning Association of Southwest Idaho (COMPASS) spoke **in support** of the bill because it increases and diversifies transportation funding. Mr. Burgess noted that although he supports the bill, he has concerns with eliminating the hybrid fee. As fuel efficiency increases, he would like to see potential solutions to replacing this lost fuel tax revenue such as a mileage based fuel tax or registration fees based on a vehicle's fuel efficiency.
- MOTION:** **Rep. Chaney** made a motion to send **H 624** to the floor with a **DO PASS** recommendation.
- SUBSTITUTE MOTION:** **Rep. Hartgen** made a substitute motion to **HOLD H 624** in committee.

Speaking to his substitute motion, **Rep. Hartgen** voiced serious concerns about removing the hybrid fee since they are paying so little in fuel tax now. He would also like to see this subject come back next year with a much broader discussion in conjunction with the Transportation Committee.

Rep. Erpelding spoke in **opposition** to the substitute motion saying he doesn't support pulling ISP dollars from the Highway Distribution Account and he will support the original motion.

Rep. Kauffman spoke in **support** of the substitute motion stating he would like this matter to be considered next year when there is more time for discussion.

Rep. Nye made an amended substitute motion to send **H 624** to General Orders.

**AMENDED
SUBSTITUTE
MOTION:**

Chairman Collins called for a vote on the amended substitute motion to send **H 624** to General Orders. **Motion failed by voice vote.**

**VOTE ON
AMENDED
SUBSTITUTE
MOTION:**

**ROLL CALL
VOTE ON
SUBSTITUTE
MOTION:**

Chairman Collins called for a roll call vote on the substitute motion to **HOLD H 624** in committee. **Motion failed by a vote of 4 AYE, 11 NAY, 1 Absent/Excused.** **Voting in favor** of the motion: **Reps. Anderson, Anderst, Hartgen and Kauffman.** **Voting in opposition** to the motion: **Reps. Trujillo, Moyle, Raybould, Dayley, Chyaney, Nate, Thompson, Erpelding, Nye, Rudolph, and Collins.** **Rep. Scott was absent/excused.**

**VOTE ON
ORIGINAL
MOTION:**

Chairman Collins called for a vote on the original motion to send **H 624** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Palmer** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 5:05 P.M.

Representative Collins
Chair

Bev Bean
Secretary

AMENDED AGENDA #1
HOUSE REVENUE & TAXATION COMMITTEE
9:30 A.M.
Room EW42
Thursday, March 24, 2016

SUBJECT	DESCRIPTION	PRESENTER
RS24800	Tax Relief Fund, Uses, Exceptions	John Watts, Idaho Chamber Alliance

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, March 24, 2016

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: Tom Shaner, Idaho State Tax Commission; Jess Harrison, Idaho School Boards Association

Chairman Collins called the meeting to order at 9:32 A.M.

RS 24800: **John Watts**, representing the Idaho Chamber Alliance, presented **RS 24800** which pertains to the tax relief fund. This proposed legislation establishes a system to (a) sustain funding for Idaho state government services, (b) save money into the economic stabilization account to avert revenue shortfalls, and (c) set aside funding into a dedicated account to buy down income tax rates. It also establishes a process to review income and sales tax exemptions. He pointed out the purpose of this proposal is to stabilize revenues and protect our savings but to also reduce tax rates. This proposal, in its most basic form, pays for government services, saves for our future and buys down the tax rate, if we can afford it.

Responding to questions from the committee related to review of tax exemptions, **Mr. Watts** explained that in order to broaden the tax base a comprehensive review of all tax exemptions was necessary. This proposal would do that by reviewing all tax exemptions on the books today, oldest ones first. After review, a determination would be made for each exemption to: (a) extend for 5 years (b) extend for 10 years (c) extend indefinitely or (d) repeal. If a tax exemption were repealed, those funds would flow back into the General Fund.

MOTION: **Rep. Raybould** made a motion to introduce **RS 24800**. Speaking to the motion, he recommended this be referred to an Interim Committee on Tax Reform if one is authorized and created.

Rep. Anderson spoke in support of the motion and echoed **Rep. Raybould's** recommendation this be referred to an Interim Tax Study Committee.

VOTE ON MOTION: **Chairman Collins** called for a vote on the motion to introduce **RS 24800**. **Motion carried by voice vote.**

Chairman Collins thanked **Aspen Greaves**, a student from Mountain View High School, who has been serving as page for the committee.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 9:56 A.M.

Representative Collins
Chair

Bev Bean
Secretary