

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

**DATE:** Tuesday, January 17, 2017

**TIME:** 3:00 P.M.

**PLACE:** Room WW53

**MEMBERS PRESENT:** Chairman Johnson, Vice Chairman Bayer, Senators Hill, Siddoway, Rice, Vick, Patrick, Burgoyne, and Nye

**ABSENT/ EXCUSED:** None

**NOTE:** The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

**CONVENED:** **Chairman Johnson** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:00 p.m.

**PASSED THE GAVEL:** Chairman Johnson passed the gavel to Vice Chairman Bayer.

**DOCKET NO. 35-0103-1606** **Alan Dornfest**, Property Tax Policy Bureau Chief with the Idaho State Tax Commission (Commission), presented **Docket No. 35-0103-1606**.

Rule 995 pertains to the certification of sales tax distributions. **Mr. Dornfest** explained that for the past two years, taxing districts have been required to provide certain information to the Legislative Services Office (LSO) for review and subsequent distribution to the Commission. Taxing districts that do not comply with reporting requirements are penalized by having sales tax distributions withheld; however, previously withheld distributions are restored once taxing districts became compliant. **Mr. Dornfest** indicated that the rule change provides a consistent time frame for the distribution of previously withheld funds by the Commission on a quarterly basis after taxing districts fall into compliance with reporting requirements.

**Senator Patrick** asked for an example of non-compliance by a taxing district. **Mr. Dornfest** explained that although the Commission does not administer compliance requirements, taxing districts are required to annually submit certain financial information to LSO; in turn, LSO reports non-compliance to the Commission.

**MOTION:** **Senator Burgoyne** moved to approve **Docket No. 35-0103-1606**. **Senator Hill** seconded the motion. The motion carried by **voice vote**.

**DOCKET NO. 35-0103-1601** **Mr. Dornfest** presented **Docket No. 35-0103-1601**.

Rule 625 pertains to the homeowner's exemption as it applies to the occupancy tax, eliminating a requirement for homeowners to file more than one application to receive the exemption. **Mr. Dornfest** reported that historically, homeowners were required to file more than one application if ownership and occupancy of a primary residence occurred at different times during the year. He further indicated that many counties support the rule change because they do not require homeowners to file more than one application under these circumstances.

**Senator Hill** spoke in support of the rule and acknowledged the Commission's work with county assessors to facilitate the change in applicancy requirements.

**Mr. Dornfest** presented Rule 631 which provides guidance to counties regarding

the tax exemption for investment in new land and facilities. He reported that there have been inconsistencies in the application of this exemption in the past, and that the Commission worked with county commissioners and the Idaho Department of Commerce (DOC) to clarify this provision. **Mr. Dornfest** explained that clarifying examples were provided to demonstrate that the exemption applies only to new land and facilities, and the examples are identical to those listed in the Users Guide for Idaho Code § 63-602NN, developed by the DOC.

**Senator Hill** spoke in support of the rule and recognized the Commission's work to provide clarifying language.

**MOTION:**

**Senator Hill** moved to approve **Docket No. 35-0103-1601**. **Senator Burgoyne** seconded the motion. The motion carried by **voice vote**.

**DOCKET NO.  
35-0103-1602**

**Mr. Dornfest** presented **Docket No. 35-0103-1602**.

Rule 114, pertaining to the homeowner's exemption, changes the upper limits of residential property values from \$250,000 to \$450,000. **Mr. Dornfest** explained that the Commission uses data provided by county assessors to provide analysis to the Legislature. As home values have increased, there has been a subsequent need to increase the cap to avoid precluding certain data regarding the homeowner's exemption. **Mr. Dornfest** noted that counties were in support of the rule change.

Rule 317, amended consistent with 2016 HB 431, pertains to the occupancy tax. **Mr. Dornfest** reported that language was updated to ensure that examples regarding the occupancy tax conform with the provisions of 2016 HB 431, which capped the maximum homeowner's exemption at \$100,000.

Rule 609, amended consistent with 2016 HB 431, removes reference to the House Price Index and changes the language to reflect the maximum homeowner's exemption of \$100,000.

Rule 802, amended consistent with 2016 HB 606aa, instructs taxing districts how to compute new construction amounts to generate additional budget capacity within urban renewal revenue allocation areas. **Mr. Dornfest** explained that when new construction occurs within a revenue allocation area, taxing districts do not receive additional budget capacity until dissolution or de-annexation of the property. He pointed out that 2016 HB 606aa provides provisions on the recapture of increment value within the revenue allocation area in instances of de-annexation or when urban renewal plans are changed, and that the rule recognizes this statutory change. **Mr. Dornfest** indicated that operating property within the revenue allocation area, such as public utilities and railroads, is not valued by parcel; thus, a proportional procedure was necessary to calculate what portion of the increment value that is represented by operating property may be recaptured.

**Chairman Johnson** expressed appreciation for the work of the Commission on these rules.

**Senator Siddoway** noted his involvement with the passage of 2016 HB 606aa and felt the rules were consistent with that legislation.

**Mr. Dornfest** presented Rule 803, which provides guidance and reporting procedures for how taxing districts certify their budgets from property tax. He pointed out that there were several pieces of legislation in 2016 that influenced the budget setting capacity for taxing districts and provided examples.

**Senator Hill** asked for clarification regarding Idaho Code §31-808. **Mr. Dornfest**

explained that code section referred to how counties process excess proceeds from tax deed sales as outlined in 2016 S 1347.

**Mr. Dornfest** presented Rule 804, amended consistent with 2016 HB 606aa, which provides a process for urban renewal agencies to report to the Commission if plan modifications have occurred. He pointed out that language is included to clarify reporting dates and penalties resulting from plan modifications, with exceptions for indebtedness and bond payments. **Mr. Dornfest** explained that statute requires every new urban renewal agency and revenue allocation area formed after July 1, 2016, attest to either having or not having a modification plan from the prior year. He pointed out that statute only provides two options, to report either having or not having a modification plan, and does not allow for consideration of failure to report at all. **Mr. Dornfest** stated that the Commission has interpreted failure to report as a plan modification.

**Senator Burgoyne** asked if consideration was given by the Commission to failure of an urban renewal agency to attest to plan modification, specifically if notice is given to such agency when they fail to report. **Mr. Dornfest** replied that the Commission is subject to notification requirements and provides a series of notifications to urban renewal agencies that fail to file a report.

**Senator Siddoway** asked what notifications are provided if an increase is required to pay off an existing bond, to which **Mr. Dornfest** responded that if there is indebtedness, the increment value would be left intact until the conclusion of the payment of the bond. **Senator Siddoway** then asked what is required of a taxing district if there is indebtedness and the urban renewal agency is unable to generate funds to pay off an existing bond. **Mr. Dornfest** responded that the Commission is not involved in this process.

**Mr. Dornfest** presented Rule 805, amended consistent with 2016 HB 606aa, which describes the methods of compliance with requirements to submit an urban renewal plan modification and explains subsequent action by the Commission if such plans are not received. **Mr. Dornfest** stated that every urban renewal agency is required to submit a plan annually to the Commission, and the penalty for non-compliance is the withholding of funds in any amount greater than the urban renewal agency received the previous year, as required by Idaho Code § 50-2913. If funds remain after the base reset, those funds are given to the taxing districts. **Mr. Dornfest** noted that urban renewal agencies do have the option to report no plan changes from the previous year.

**MOTION:**

**Senator Siddoway** moved to approve **Docket No. 35-0103-1602**. **Senator Hill** seconded the motion.

**Chairman Johnson** expressed appreciation for the work of the Commission on these rules.

The motion carried by **voice vote**.

**DOCKET NO.  
35-0103-1603**

**Mr. Dornfest** presented **Docket No. 35-0103-1603**. Rule 020 deletes the Van/Truck Conversion and Limousine Appraisal Guide of the National Automobile Dealers Association (NADA), which is no longer published. **Mr. Dornfest** explained that assessors rely on professionally accepted procedures and guidelines in their practice.

**Senator Hill** inquired if there are other resources available to assessors, to which **Mr. Dornfest** replied there do exist resources that assessors can use to supplement the best practices and professional judgment in their line of work.

**Senator Burgoyne** asked for clarification regarding the utilization of sales price or market value in assessor valuations, and **Mr. Dornfest** explained that it is dependent upon whether the assessor believes the sales price is an accurate indicator of market value, and that assessors have leeway in their practice in this regard.

**MOTION:**

**Senator Burgoyne** moved to approve **Docket No. 35-0103-1603**. **Senator Siddoway** seconded the motion. The motion carried by **voice vote**.

**DOCKET NO.  
35-0103-1605**

**Mr. Dornfest** presented **Docket No. 35-0103-1605**.

Rule 006 pertains to incorporation by reference and is updated annually to ensure current references to publications and reference materials. **Mr. Dornfest** indicated that the Commission was asked by the Idaho Department of Administration to delete the effective dates subsection which is duplicitous.

Rule 809, amended consistent with 2015 HB 25, pertains to corrections of erroneous levies. **Mr. Dornfest** noted that administrative errors do occur, and correction of those errors may only be made if discovered prior to February 15.

**MOTION:**

**Chairman Johnson** moved to approve **Docket No. 35-0103-1605**. **Senator Rice** seconded the motion. The motion carried by **voice vote**.

**PASSED THE  
GAVEL:**

Vice Chairman Bayer passed the gavel to Chairman Johnson.

**ADJOURNED:**

There being no further business at this time, **Chairman Johnson** adjourned the meeting at 3:54 p.m.

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Senator Johnson  
Chair

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Jennifer Carr  
Secretary