

MINUTES  
**SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE**

**DATE:** Wednesday, March 15, 2017

**TIME:** 2:00 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** convened the meeting of the Local Government and Taxation Committee (Committee) to order at 2:03 p.m.

**PAGE GRADUATION:** **Chairman Johnson** thanked Senate Page Brigham Cardon for his service, recognizing his hard work and dedication to the Committee.

**H 67** **Relating to Income Tax Rates.** **Representative Moyle** presented **H 67**, which eliminates the tax on the first \$750 of individual income and reduces the rate on the highest individual bracket to 7.2% and the corporate income tax rate to 7.2%. **Representative Moyle** explained that high income tax rates, relative to surrounding states, is a limiting factor to attracting new industry to the Idaho. There are no definitive solutions to this issue, but this bill offers a compromise by exempting the first \$750 of income from all taxpayers and reducing the top individual and corporate tax rates.

**Senator Patrick** asked if most small businesses fall in the upper tax bracket. **Representative Moyle** replied that most small businesses in Idaho are subject to individual tax rates; if they make more than \$10,905 they fall in the upper tax bracket.

**Senator Nye** asked why a tax cut is necessary when Idaho has recently experienced a period of high growth and employment. **Representative Moyle** responded that Idaho must be able to attract industry and well-paying jobs; reducing income tax rates will make the State more attractive to new businesses. **Senator Nye** then asked why a tax cut is necessary when the employment rate is high. **Representative Moyle** responded that tax rates need to be competitive in order for growth to continue.

**TESTIMONY:** **Fred Birnbaum**, representing the Idaho Freedom Foundation, spoke in support of **H 67**. He provided comparative tax rates from surrounding states, noting the effective tax paid by Idaho taxpayers as a percentage of income is regionally higher. **Mr. Birnbaum** also commented that Idaho lags behind surrounding states in terms of tax competitiveness.

**John Watts**, representing the Idaho Chamber Alliance, spoke in support of **H 67**. **Mr. Watts** commented that business recruitment is an important issue for Idaho Chambers of Commerce; in that regard, income tax rates impact the potential to attract skilled workers to the State.

**Representative Moyle** commented that Idaho needs to be competitive in order to experience continued growth and that all taxpayers will benefit from this legislation.

**Senator Hill** commented that tax relief should be addressed during this Legislative Session and thanked Representative Moyle for his continued efforts in that regard.

**MOTION:**

**Senator Hill** moved to send **H 67** to the 14th Order for possible amendment.

**Senator Siddoway** seconded the motion.

**Senator Hill** stated that he intends to introduce an amendment to decrease all income tax brackets by 0.1 percentage points, which precludes the need to eliminate tax on the first \$750 of individual income. The total fiscal impact to the General Fund is \$27.9 million per year, of which \$25 million is for individual and \$2.9 million for corporate rate reductions. **Senator Hill** also indicated a potential reduction in unemployment tax rates.

**Senator Rice** commented that there are a number of tax policy options to consider. He stated that he will support the motion but noted that eliminating tax on groceries is a significant policy change that needs to be addressed in the future.

**Senator Patrick** commented on tax policy in general, referencing the multiplier effect in regard to possible tax relief.

**Senator Vick** provided that a flat tax system or a system with fewer tax brackets similar to language in **H 67**, is a better approach; however, he will support the motion.

**Vice Chairman Bayer** noted that optimal sequencing is important when making changes to tax policy and hoped that tax relief will be considered during this Legislative Session.

**Senator Siddoway** stated that he will support the motion. He spoke to the importance of adequately funding education as a priority before implementing tax relief.

**Chairman Johnson** commented that while he does not support the bill in its current form, he will support the motion and continued discussions regarding tax policy and tax relief.

The motion carried by **voice vote**. **Senator Nye** requested that he be recorded as voting nay.

**ADJOURNED:**

There being no further business at this time, **Chairman Johnson** adjourned the meeting at 2:40 p.m.

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Senator Johnson  
Chair

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Jennifer Carr  
Secretary