

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, January 24, 2018

TIME: 3:00 P.M.

PLACE: Room WW53

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

ABSENT/ EXCUSED: Senator Hill

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 3:01 p.m.

RS 25873 **Relating to Delinquent Property Taxes. Kelli Brassfield**, Idaho Association of Counties, presented **RS 25873**. Idaho Code § 63-1002(2) states that delinquent tax payments may be paid and accepted upon the oldest delinquency. **Ms. Brassfield** noted that some counties have interpreted the statute to say the taxpayer can decide in which year of delinquency to apply payment. This legislation would replace "may" with "shall" to require delinquent tax payments be paid upon the oldest delinquency.

MOTION: **Senator Siddoway** moved to print **RS 25873**. **Senator Rice** seconded the motion. The motion carried by **voice vote**.

RS 25874 **Relating to Delinquent Property Taxes. Ms. Brassfield** presented **RS 25874**. **Ms. Brassfield** stated current statute is unclear as to when late charges and interest are applied to missed and supplemental property rolls. This legislation will specify that interest for supplemental and missed property taxes will be applied from January 1 of the current year.

MOTION: **Senator Burgoyne** moved to print **RS 25874**. **Vice Chairman Bayer** seconded the motion. The motion carried by **voice vote**.

S 1220 **Relating to the Distribution of Sales Tax Revenue. Tom Shaner**, Tax Policy Manager, Idaho State Tax Commission (Commission), presented **S 1220**. Idaho Code § 63-3638 governs the distribution of sales tax revenues. **Mr. Shaner** explained that the passage of legislation over the years has made this code section difficult to read. **S 1220** will clarify the established process for distributing sales tax revenues. There are no substantive changes to the statute and no fiscal impact on state revenue.

MOTION: **Senator Siddoway** moved to send **S 1220** to the floor with a **do pass** recommendation. **Senator Burgoyne** seconded the motion. The motion carried by **voice vote**.

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

DOCKET NO. 35-0103-1704 **Property Tax Administrative Rules. Alan Dornfest**, Property Tax Policy Bureau Chief with the Commission, presented this pending rule docket.

The proposed changes to Section 314 will grant county assessors additional flexibility to use aerial maps and other digital imaging technology tools to supplement, but not replace, physical site inspections. **Mr. Dornfest** stated national standards outlined in the International Association of Assessing Officers (IAAO) Standard on Mass Appraisal of Real Property suggests the use of such technology when available and practical. Idaho Code § 21-213 prohibits a person, entity, or state agency from using a drone or other unmanned aircraft systems to photograph or electronically record specifically targeted private property without a warrant. **Mr. Dornfest** stated that county assessors are not permitted to use drones when conducting site inspections.

Senator Vick asked Mr. Dornfest to explain the catalyst for changes to Section 314. **Mr. Dornfest** stated digital imagery is meant to supplement, rather than replace, standard appraisal methodology. The Commission's intent is to provide general guidance for assessors using this technology.

The proposed change to Section 404 pertains to reports submitted to the Commission annually by operating properties. The proposed change will extend the filing date for the portion of the operator's statement that is specific to tax code area information. **Mr. Dornfest** stated that companies will no longer be granted automatic extensions of the April 30 deadline for the entire operator's statement if the Commission fails to submit changes in tax code area boundary lines by March 1. The extension will apply only to geographic information and excludes all other sections unaffected by map changes. **Mr. Dornfest** reported that positive feedback was received from public utility companies during negotiated rulemaking.

Senator Patrick asked for clarification regarding annual reporting requirements. **Mr. Dornfest** explained how the value of operating property is apportioned. He provided the example that as the boundaries of taxing districts change due to annexation, the amount of operating property within that taxing district may also change. The Commission must identify how much operating property exists within a taxing district and apportion the value appropriately.

Mr. Dornfest stated Section 612 is being amended consistent with 2017 HB 156. Criteria will be added for assessors to utilize when determining if a park model recreational vehicle is subject to property tax. **Mr. Dornfest** explained that if the determination is made that a park model is permanently attached to a foundation, has an attached building addition, or has been substantially modified, the vehicle is subject to property tax and cannot be licensed. Additionally, he indicated that associated property may be taxable, and subject to the homeowner's exemption, regardless of whether the vehicle is exempt from property tax. **Mr. Dornfest** noted that the Commission received favorable input from the Idaho Housing Alliance and various counties during negotiated rulemaking.

Section 631 is being amended consistent with 2017 HB 235, which lowered the qualifying investment threshold from \$3 million to \$500,000 at the discretion of county commissions. **Mr. Dornfest** stated that examples will be updated to reflect changes to Idaho Code § 63-602NN to explain the base value - the value during the year immediately preceding the first year of the exemption. Ordinance procedures will also be updated to reflect the lowered qualifying investment threshold. **Mr. Dornfest** reported that the Commission worked with county commissioners and assessors during negotiated rulemaking.

There are two proposed changes to Section 803. The first change will allow taxing districts to disclaim forgone balances for the previous year only. **Mr. Dornfest** reported that examples will be included to provide clarity for taxing districts and counties on how to determine the maximum forgone amount they may disclaim for 2018. The second change will remove requirements related to county property tax relief related to local sales tax. **Mr. Dornfest** explained that the local sales tax option program has expired and counties no longer collect these funds.

MOTION: **Senator Burgoyne** moved to approve **Docket No. 35-0103-1704**. **Chairman Johnson** seconded the motion. The motion carried by **voice vote**.

ADJOURNED: There being no further business at this time, **Vice Chairman Bayer** adjourned the meeting at 3:38 p.m.

Senator Johnson
Chair

Jennifer Carr
Secretary