

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Tuesday, January 30, 2018

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon

**ABSENT/
EXCUSED:**

GUESTS: Fred Birnbaum, Idaho Freedom Foundation; Russell Westerberg

Chairman Collins called the meeting to order at 9:00 a.m.

RS 25830: **Rep. Giddings** presented **RS 25830** which provides a special property tax reduction of \$1,320 to veterans who have a 100% service-connected disability. The proposed reduction is separate from the circuit breaker deduction and is independent income. The Idaho Tax Commission estimates there could be 960 new veteran claims receiving approximately \$900 each, and 700 current veteran claims that are part of the circuit breaker program who would each receive an additional \$285 benefit. If an additional staff person is needed, added to the claimed reduction costs, the estimated fiscal assessment is \$1.1 million. The combined property tax reduction cannot exceed the amount of a 100% of the disabled veteran's property and can pass to a surviving spouse, but not to children or grandchildren. Idaho Code Section 63-705A is new section of code.

In response to committee questions about how the tax reduction process would work, **Rep. Giddings** responded that each spring, veterans initiate the process which may be by filling out a form with the county assessor or by filing out a section added to the circuit breaker form. Once the special property tax reduction has been initiated, reminders will be sent to applying veterans in the following years. County assessors will send the forms to the state who will credit it out of the general fund. **Rep. Giddings's** response to committee questions on proportional property ownership and spousal transfers of the tax reduction was that the reduction would apply only to a veterans portion of the taxable property, and a surviving spouse retains the credit until the spouse no longer has tax levied on the homestead. **Rep. Giddings** agreed that the tax year of 2018 printed in Section 63-705A conflicts with its effective date of July 1, 2018.

MOTION: **Rep. Nate** made a motion to introduce **RS 25830** with the following change: on Page 1, Line 38, Section 63-705A, change the year from 2018 to 2019.

Rep. Giddings replied to committee questions advising tax relief would come from the general fund.

**VOTE ON
MOTION:** **Motion carried by voice vote.**

RS 25939: **Rep. Kauffman** presented **RS 25939** that addresses the way large tracts of forest lands of over 5,000 acres or more are taxed utilizing a formula developed by the Committee of Forestland Taxation Methodology (CFTM) that takes into consideration the time of growing and harvesting of trees, amortizing the process. One of the formula variables is the value on the market of timber which dropped in price during the recession and drove timberland values down dramatically so that in 2012, the CFTM set a floor and ceiling agreement on the values for 10 years at Idaho Code 63-1705(3)(a). In that agreement, landholders agreed they would artificially hold their land values to not less than 2011 levels for taxation purposes for 10 years even if the real values declined further, which they did. In exchange for the landholder agreement, it was agreed that when the economy recovered, landholders tax values for taxation purposes would not increase by more than 30% above the 2011 levels with the values not increasing or decreasing by more than 5% in a given year. Another variable in the formula divided the state into 4 regions with each parcel of timberland being further divided into poor, medium or good classifications. After the recession ended, the process county assessors needed to go through to change a parcel's productivity classification was unclear, and some assessors unilateral changed classifications for parcels and even ignored the floor and ceiling agreement. Landowners were not notified that tests or investigations would be conducted on their property and were surprised when their assessed land values took a jump. To resolve the situation, CFTM will develop a process where county assessors can change a parcel's productivity classification and which involves notifications to landowners, outlines qualifications of those performing the field tests and requires county assessors to keep field test notes. In the meantime, productivity classifications will revert to the 2016 levels until an agreement is reached and set forth in Tax Commission rules.

MOTION: **Rep. Troy** made a motion to introduce **RS 25939**. **Motion carried by voice vote.**

RS 25996: **Rep. Moyle** presented **RS 25996** as the tax reduction conformity bill of 2018 that conforms the Idaho income tax code to changes made to the Internal Revenue Code for the 2018 taxable year. He informed the committee that Idaho is going to gain approximate revenue of \$118/119 million dollars. The amount the corporations receive is reduced, the total impact is a positive \$97.4 million, and this legislation turns around and gives back \$201 million for a net effect on the General Fund of \$104.5 million. **RS 25996** conforms to new federal tax deduction, allows net operating losses to be carried forward, sets out seven individual rate income tax reductions with bands reduced by 0.475%, reduces corporate taxes 0.475%, creates a new child tax credit of \$130, and aligns Idaho's education savings tax with changes made to the 529 federal education savings tax that now allows it be used for Kindergarten through Twelfth Grade students. The federal 529 is a \$10,000 tax credit and Idaho's is \$6,000. Rep. Moyle advised that in 2000, high-end income was \$7,500, and in 2000 it was adjusted for inflation and raised to \$11,043. The proposed legislation's effective date is January 1, 2018.

In response to committee questions, **Rep. Moyle** replied that it is not uncommon to have a conformity bill when the federal changes are this big, and he stated it is wise to generate it now because new education is required, its a lot to digest, and it generates income for the tax cut going forward. Rep. Moyle advised the committee that this conformity bill does not address all the federal changes and exemptions, just to the child tax code.

MOTION: **Rep. Raybould** made a motion to introduce **RS 25996**. **Motion carried by voice vote.** **Reps. Erpelding and Gannon** requested to be recorded as voting **NAY**.

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

Representative Collins
Chair

Lorrie Byerly
Secretary