

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Wednesday, February 07, 2018

TIME: 8:30 A.M.

PLACE: Room EW40

MEMBERS: Chairman Collins, Acting Vice Chairman Kauffman, Representatives Moyle, Raybould, Anderst, Dayley, Hartgen, Chaney, Nate, Thompson, Gestrin, Stevenson, Troy, Gibbs, Erpelding, Gannon(17)

**ABSENT/
EXCUSED:** None

GUESTS: Jonathan Parker, IAHD

Chairman Collins called the meeting to order at 8:30 a.m.

RS 26025C1: **Christine Stoll**, Idaho College Savings Program, presented **RS 26025C1** stating this legislation amends Idaho Code section 63-3022 to tax the earnings portions only of a non-qualified withdrawal from the Ideal- Idaho 529 College Savings Program. The federal 529 law stipulates that all college savings contributions are deposited post-tax. This is observed in Idaho as well. Currently, federal and Idaho 529 laws treat non-qualified withdrawals differently. The federal law states that non-qualified withdrawals are taxed on the earnings portion only as the principle has been previously taxed. Idaho Code 63-3022 requires that a non-qualified withdrawal from the Idaho College Savings Program be taxed on the entire amount withdrawn. This legislation changes Idaho code to tax the earnings portion only of non-qualified withdrawals. This alleviates a double tax on principle contributions. It also ensures that the treatment of non-qualified withdrawals are consistent in federal and state laws and compare equally with all other 529 counterparts nationally. The Federal Tax Cuts and Jobs Act of 2017 included text to allow for rollovers from a state qualified tuition program (Idaho's College Savings Program) to a qualified Achieving a Better Life Experience (ABLE) program account. This legislation adds a recapture provision for a two-year period for contributions previously deducted through the Idaho College Savings Program ensuring that the treatment of rollovers to other programs are consistent. Idaho does not have an Achieving a Better Life Experience (ABLE) program. Data is not available in Idaho or from the social security administration indicating how many Idahoans possibly have an ABLE account in another state.

MOTION: **Rep. Chaney** made a motion to introduce **RS 26025C1**. **Motion carried by voice vote.**

RS 26059: **Rep. Kauffman** presented **RS 26059** stating this legislation serves as a pilot project that supports the adoption of alternative fuel vehicles in the State of Idaho. Expanding the adoption of Natural Gas, propane or electrically propelled and other alternative fuel vehicles allows Idahoans to consume Idaho-produced fuels, helping to reduce Idaho's current reliance on imported transportation fuels. This legislation may also encourage automobile manufacturers to deliver more vehicles to Idaho to be sold by Idaho dealers, in turn spurring the Idaho economy. This legislation also seeks to mitigate the issues surrounding non-attainment for air quality standards throughout Idaho. Alternatively fueled vehicles produce less particulates and nitrogen oxides that are a leading cause of Idaho's air quality challenges. This proposed legislation accomplishes all of this by adding a new section of code that allows purchasers of new vehicles, propelled by alternative fuels (compressed

natural gas, liquid natural gas, propane or plug in electric) to pay 50% less sales tax, if the vehicle is originally registered in Idaho.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 26059**. **Motion carried by voice vote.**

RS 26068: **Brody Aston**, Westerberg & Associates, presented **RS 26068** stating this legislation protects the private property rights of Idaho vehicle owners by ensuring the right to rent their vehicle is maintained. The legislation further requires vehicle rental marketplaces, that contract with Idaho vehicle owners, to collect and remit all applicable taxes to the state and local governments which are currently due. Mr. Aston reiterated there's a lot more taxes that are liable in the lodging environment and in the rental marketplace there is only sales or local option tax that is due. He stated it's unclear who is liable for collecting the tax and believes it is not currently being collected. Mr. Aston confirmed other states have rental car acts and Idaho does not, therefore a sales tax is the best approach for Idaho.

MOTION: **Rep. Thompson** made a motion to introduce **RS 26068**. **Motion carried by voice vote.**

RS 26016: **Kenneth McClure**, Idaho Society of CPA's, presented **RS 26016** stating this Legislation aligns Idaho treatment of capital gains with the treatment afforded by the Internal Revenue Code. The IRC allows capital gains treatment for sale of a real estate partnership interest. Idaho does not. In order to qualify for capital gains treatment under current Idaho law a taxpayer needs to have the partnership distribute the property to its partners as tenants in common who then sell the TIC interests. This is an unnecessary step and can catch taxpayers unaware, making this a tax almost exclusively on the unwary who assume that Idaho law is the same as federal law. Mr. McClure confirmed this is historic and has been here for a long time.

MOTION: **Rep. Anderst** made a motion to introduce **RS 26016**. **Motion carried by voice vote.**

H 452: **Rep. Nate** presented **H 452** stating this legislation amends section 67-6539, of Idaho Code, to align the law with the original intent of H 216 (2017 Session). The word "throughout" and the phrasing of what regulation is allowable, with limitations, left ambiguity about whether some prohibitions on short-term rentals were legal. This legislation revises the language to eliminate the ambiguity. Rep. Nate confirmed that because of the word "throughout" was used, they said this could prohibit them in some neighborhoods.

MOTION: **Rep. Anderst** made a motion to send **H 452** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Nate** will sponsor the bill on the floor.

H 453: **Rep. Moyle** presented **H 453** stating this legislation will raise the amount of legal fees, medical expenses and other costs that adoptive parents may deduct from their taxable income. If this legislation passes, adoptive parents will be able to deduct \$10,000 rather than \$3,000. Rep. Moyle reiterated that actual expenses up to \$10,000 can be deducted and the typical costs of an adoption is an unknown being that they are all different. Rep. Moyle deferred to **Cynthia Adrian**, Tax Policy Specialist, Idaho State Tax Commission. She confirmed the federal tax law did not change anything on the adoption, and it would still be an itemized deduction on the federal return. This is a line item for the 39R for the state return. This only changes the amount from \$3,000 to \$10,000. Rep. Moyle stated legal fees and medical expenses related to the adoption of a child qualify for this deduction.

Jonathon Parker, IAHD, spoke **in support** of **H 453**. Mr. Parker said he and his wife have gone through the adoption process and agree it's emotional and very expensive. He stated he is very appreciative of this effort.

MOTION: Rep. Gibbs made a motion to send H 453 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 9:01 a.m.

Representative Collins
Chair

Susan Steed
Secretary