

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Thursday, February 15, 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:** Representative(s) Thompson

GUESTS: Dave Jones, Canyon Highway District #4; Ryan Armbruster, Elam Burke; Nick Veldhouse, IAHD; Savannah Renslow, IAHD; Russell Westerberg, RMP; Amber Pence, City of Boise; Chad Houck, Idaho Secretary of State's Office; Phil McGrane, Ada County Clerks' Office; Austin Baldwin, Gooding County Assessor; Brian Stutzman; Larry Lyon; Kelli D. Brassfield, IAC; Johathan Parker, IAHD

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

MOTION: **Rep. Gannon** made a motion to approve the minutes of January 15, 2018. **Motion carried by voice vote.**

MOTION: **Rep. Moyle** made a motion to **HOLD H 556** for time certain at the discretion of the chair. **Motion carried by voice vote.**

H 559: **Rep. Moyle** said **H 559** involves new construction on buildings constructed for non-tax or tax exempt purposes such as a school, church or hospital. As the building is constructed over time, some counties levy property taxes on it until it is completed and the owners procure a tax exemption. If a building is tax exempt, because it has been accessed property tax over time, those taxes go on the new construction roll and create a tax increase to the homeowners and other businesses within the taxing district where the building has been exempted. **H 559** makes it clear when an owner of a building gets their building permit for property that is going to be tax exempt, taxing districts are prevented from taxing that building during construction and subsequently shifting the tax to other district property owners upon completion.

In response to committee questions, **Rep. Moyle** explained the January 1, 2016 retroactive effective date avoids affecting an Idaho Supreme Court case still to be decided regarding accessed property taxes during construction on the planned tax-exempt Jump building. Also, when the intended tax exempt purposes are not kept, the bill has a section that recaptures a portion or all of the property tax in such instances.

MOTION: **Rep. Chaney** made a motion to send **H 559** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Moyle** will sponsor the bill on the floor

H 560:

Rep. Nate stated last year he proposed legislation allowing tax payers to know the exact cost to them of a successful bond. Counties stood against the legislation citing difficulties in separating bonds on notices, in changing forms and doing exact calculations for each property owner. **H 560** provides a solution for the counties, taxpayers and bonding districts. When taxing districts propose bond elections, a disclosure statement will be included on the ballot indicating the term of the bond and the anticipated average annual tax increase per \$100,000 of property value, which will be based on the amount of the bond, net interest costs, the term of the bond, and the most recent valuation of taxable property in the taxing district. Provided with this information, county clerks will make the calculations and include the financial information on the disclosure statements on the bond ballots. When a district asks voters for funds, it should provide full disclosure and not use expiring loans as an offset in order to say the loan funds they are seeking will cost taxpayers nothing. Disclosure is simply transparency.

In response to committee concerns about differences between the county and district in calculation results, **Rep. Nate** replied **H 560** has an example problem with four elements for that reason and the county only adds the taxable property in the district. The county as a third party gives voters confidence. Rep. Nate further replied the bond information is included in newspaper publications except for the breakdown of the cost to a taxpayer's property tax bill.

Brian Stutzman, taxpayer; **Larry Lyon**, Idaho Falls spoke **in support** of **H 560** because it helps solve a problem of disclosing costs of proposed bonds in a way taxpayers can understand, avoids inflated growth projections, needs to comply with Truth-in-Lending Act disclosures, and adds an element of consumer protection currently lacking.

Chad Houck, Deputy Secretary of State and **Phil McGrane**, Chief Deputy, Ada County Clerks' Office, spoke **in opposition** to **H 560** because the proposed location of the disclosure on the ballot makes it longer by adding another paragraph to already lengthy federally-required bond language on ballots, ballots are not intending to educate, would impact counties' general funds if extra page required in printing longer ballots, add to voting time, would not add clarity to voters and there are other opportunities to inform voters of this information, including tax notices. Mr. McGrane suggested the disclosure be integrated into the existing bond language on ballots.

In response to committee questions, **Mr. McGrane** said that they could not put disclosure language in the legally required bond language established by the bond counsel. Mr. McGrane opined that committee suggestions that the disclosure be reformatted and presented on the ballot consistent with the format of the smaller Truth In Lending statements is palatable and can be done.

Rep. Nate closed by reiterating that it is important for voters to know the costs to themselves, and this is the lowest cost way to achieve transparency. Last year the counties were against putting it on tax notices, and the Idaho Association of Counties has not taken an official position on the disclosure.

MOTION:

Rep. Hartgen made a motion to send **H 560** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Kauffman, Dayley, Erpelding,** and **Gannon** requested to be recorded as voting **NAY.** **Rep. Nate** will sponsor the bill on the floor.

H 561: **Rep. Monks** informed the committee **H 561** is a tax reduction plan that comes into play when the state can afford it and not in 2018 since the effective date is 2019. If Idaho has revenue growth year over year in excess of 6%, it will take 0.1% off across all brackets in the individual tax rate and the corporate tax rate. When the Legislature decides it does not want that reduction to happen in a given year, it can pass a resolution, signed by the Governor, and it would not happen for that particular year. Six percent growth equals about \$204 million currently. A 0.1% tax reduction in the corporate rate is about \$3.5 million, and 0.1% tax reduction on all individual income tax brackets is about \$33 million, for a total reduction of about \$36.5 million, which is a positive to the general fund of about \$165 million if the state received more than \$200 million revenue for a given year.

Rep. Monks answered committee questions regarding the definition of 'year' in the legislation, and stated that a 6% increase in growth was the figure selected because a 2 to 3% increase in growth provides maintenance and a 4 to 5% increase in growth goes into budget stabilization.

MOTION: **Rep. Anderst** made a motion to send **H 561** to the floor with a **DO PASS** recommendation.

In response to committee questions, **Rep. Monks** stated that the surplus eliminator is a sweep account and has nothing to do with Idaho's revenue growth rate. Sweep accounts are one-time fees or monies that can help out, not funds to be used for a building plan or a one-time fix for roads. Also, any revenue up to a 5% increase in growth goes into budget stabilization to help keep transportation whole.

SUBSTITUTE MOTION: **Rep. Hartgen** made a substitute motion to **HOLD H 561** for time certain at the discretion of the chair.

MOTION WITHDRAWN: **Rep. Hartgen** withdrew his substitute motion to **HOLD H 561** for time certain at the discretion of the chair.

VOTE ON ORIGINAL MOTION: **Motion carried by voice vote. Reps. Erpelding and Gannon** requested to be recorded as voting **NAY**. **Rep. Monks** will sponsor the bill on the floor.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 10:16 a.m.

Representative Collins
Chair

Lorrie Byerly
Secretary