

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, January 29, 2019

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Vice Chairman Grow, Senators Cheatham, Anthon, Lakey, Hill, Vick, 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 Rice** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:00 p.m.

GUBERNATORIAL APPOINTMENT VOTE: Leland Heinrich, Cascade, Idaho, was re-appointed to the Board of Tax Appeals to serve a term commencing June 30, 2018, expiring June 30, 2021.

Senator Hill moved to send the Gubernatorial appointment of Leland Heinrich to the Board of Tax Appeals to the Senate floor with the recommendation he be confirmed. **Vice Chairman Grow** seconded the motion. The motion carried by **voice vote**.

H 14 **Relating to Income Taxes - Amends Existing Law to Revise the Method of Computing a Taxpayer's Net Operating Loss. Tom Shaner**, Tax Policy Manager, Idaho State Tax Commission (Commission), presented **H 14**. This bill will make slight corrections to the tax reform measures of 2018. He noted the legislature has already conformed to both items addressed in the bill. With the passage of H 463 (2018), these edits make it easier to understand and administer. There is no fiscal note since it was formed last year. The first item is in Idaho Code § 63-3021, which pertains to the net operating loss statute. They conformed to the limits set in Internal Revenue Service (IRS) Code 461. He said the IRS adds that to the federal net operating loss, and since Idaho does not conform to that net operating loss, it is in **H 14** as an "add back". He stated it would be easier to understand, and more efficient, if it were in Idaho Code § 63-3022. This would allow people to subtract any amount disallowed that was part of their operating loss and carry forward for federal income tax purposes. A discussion ensued between **Mr. Shaner** and **Senator Hill** regarding IRS Code 461.

MOTION: **Vice Chairman Grow** moved to send **H 14** to the floor with a **do pass** recommendation. **Senator Anthon** seconded the motion. The motion carried by **voice vote**.

H 15 **Relating to Sales and Use Tax - Amends Existing Law to Provide an Exemption from the Sales or Use Tax for any Fees Associated with Public Records Requests. Tom Shaner**, Tax Policy Manager, Idaho State Tax Commission (Commission), presented **H 15**. Idaho Code § 63-3622 exempts official documents from sales tax, while giving some qualifying guidelines for when a fee would be charged. He explained an issue came up when people were asking for photocopies of documents and were

charged sales tax on them. **Mr. Shaner** said in the interest of open government and transparency, it was brought to the Commission's attention, and they suggest a sentence be added for a tax exemption on photo copies. **Chairman Rice** stated he wanted to make it clear there is not a legal violation or tax evasion as long as the sales tax is paid correctly on the transaction. **Mr. Shaner** replied it must be explicitly advertised to the customer what the price is and the amount of tax, although it could be in small print. **Senator Hill** and **Senator Burgoyne** voiced their opinions regarding the exemption on sales tax.

MOTION: **Senator Cheatham** moved to send **H 15** to the floor with a **do pass** recommendation. **Senator Lakey** seconded the motion. The motion carried by **voice vote**.

H 16 **Relating to Income Tax - Amends Existing Law to Update Terminology Regarding Employee Withholding Allowances and Withholding Allowance Certificates.** **Tom Shaner**, Tax Policy Manager, Idaho State Tax Commission (Commission), presented **H 16**. It replaces the word "exemption" in Idaho Code § 63-3035 with the word "allowance". The tax reform measures passed last year that Idaho conform to H 463 (2018) made exemptions worth zero. The legislature created the child tax credit to partially mitigate the loss of the exemptions. The number of allowances are now used to represent the child tax credits. This bill will not change the withholding process. He stated there is no fiscal impact and it simply allows the Commission to deal with the withholding based on the W-4 that an employee prepares.

MOTION: **Senator Burgoyne** moved to send **H 16** to the floor with a **do pass** recommendation. **Senator Hill** seconded the motion. The motion carried by **voice vote**.

H 17 **Relating to Grocery Tax Credit - Amends Existing Law to Revise and Update References to the Terminology used in the Internal Revenue Code Regarding Dependent Deductions.** **Tom Shaner**, Tax Policy Manager, Idaho State Tax Commission (Commission), presented **H 17**. He explained they deleted obsolete language in the number of allowances to represent the child tax credits. There is no fiscal impact. **Chairman Rice** asked for clarification regarding Section 152 of the IRS code that defines dependents, and if it is based on providing over 50 percent of the support for individual children, elderly parents, or something else. **Mr. Shaner** explained Section 151 was dealing with personal exemptions and it refers to Section 152, where the dependents are defined; they are eliminating IRS Section 151 and going directly to IRS Section 152, since it has remained the same.

MOTION: **Senator Burgoyne** moved to send **H 17** to the floor with a **do pass** recommendation. **Senator Vick** seconded the motion. The motion carried by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:30 p.m.

Senator Rice
Chair

Carol Waldrip
Secretary