

MINUTES
HOUSE REVENUE & TAXATION COMMITTEE

DATE: Monday, January 25, 2021

TIME: 9:00 A.M.

PLACE: Room EW42

MEMBERS: Chairman Harris, Vice Chairman Addis, Representatives Moyle, Chaney, Gestrin, Dixon, Nichols, Kauffman, Adams, Cannon, Hartgen, Manwaring, Okuniewicz, von Ehlinger, Weber, Necochea, Ruchti

**ABSENT/
EXCUSED:** Representative(s) Moyle

GUESTS: Tom Shaner, Idaho State Tax Commission (ISTC); and Brody Aston, Westerberg & Associates.

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

MOTION: **Rep. Weber** made a motion to approve the minutes of the January 21, 2021 meeting. **Motion carried by voice vote.**

MOTION: **Rep. Weber** made a motion to approve the minutes of the January 22, 2021 meeting. **Motion carried by voice vote.**

Tom Shaner, Tax Research Manger, ISTC, said Idaho is aligned with the Internal Revenue Code (IRC) as of January 1, 2020, and proposed legislation moves the date forward to January 1, 2021. He provided citations and a brief description of Idaho tax statutes that affect conformity with the IRC, including Idaho Code §63-3002 which declares the intent of the legislature to make the provisions of the Idaho Tax Act identical to the IRC. He said it is important to note the Idaho tax code is based upon starting with the federal taxable income, and the only thing Idaho conforms to is the calculation of federal taxable income. Idaho taxable income is federal taxable income adjusted by Idaho law, which avoids duplication and saves tax preparers a lot of work and expense. Idaho still opts not to conform with specific federal laws.

Mr. Shaner informed the committee the fiscal impact this year is large because the federal CARES Act and the December 2020 Stimulus Bill had some large tax cuts. ISTC staff, Idaho Division of Financial Management staff, and some members of the Idaho Society of CPAs formed a committee to review the federal bills and formulate Idaho's costs of conformity to be approximately \$59 million for FY2021. He shared with the committee their fiscal notations regarding a temporary waiver of the minimum distribution and construction of rules for IRAs, changes to charitable contribution rules, the relaxation of the non-corporate loss limitation imposed by the Tax Cuts and Job Act of 2017, the relaxation of the deduction limit on business operating interests, and the CARES Act expansion of the definition of qualified medical expenses for nonprescription medical products.

In response to committee questions on whether the conformity costs to Idaho would be permanent, **Mr. Shaner** indicated it would be hard to know with absolute certainty, and he discussed changes and estimates that could have an impact. He further responded that tightening up tax reforms and the energizing of the federal economy by relaxing tax restrictions created in 2017 were responsible for the changes in 2021, and he would provide citations to the appropriate federal codes.

Mr. Shaner reviewed tax laws that were changed or extended by the federal December 2020 Stimulus Bill, including a permanent lower threshold for claiming medical expenses on Schedule A, an extension allowing employers to deduct payments for employees' student loans, the allowance of a shorter depreciable life for nonresidential real estate, expansion of the deduction for business meals, and the extension of the expanded charitable contributions deduction in the CARES Act. He reviewed fiscal notes for the proposed 2021 conformity legislation.

Mr. Shaner responded to committee questions regarding deductions for business meals, application of an extra depreciation expense allowed for motor sports facilities to multipurpose facilities, permissibility of offsetting lost revenue, the range and final estimates of Idaho's conformity costs for 2021 and 2022, and the costs to Idaho of conformity by year. Mr. Shaner advised that it would be a tremendous costs to Idaho businesses if there is no conformity.

Committee members discussed with **Mr. Shaner** the possibility and issues involved in preparation of an analysis regarding who benefits from the approximate \$59 million dollar costs of conforming and whether the changes target individuals or corporations.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 9:51 a.m.

Representative Harris
Chair

Lorrie Byerly
Secretary