

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 09, 2022

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Vice Chairman Grow, Senators Vick, Lakey, Souza, Bayer, Ricks, Nye, and Semmelroth

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** convened the meeting at 3 pm.

MINUTES APPROVAL: The approval of the minutes was postponed until a future meeting.

S 1301 Having heard testimony previously, no further testimony was taken.

MOTION: **Vice Chairman Grow** moved to send **S 1301** to the floor with a **do pass** recommendation. **Senator Bayer** seconded the motion. The motion passed by **voice vote**. Vice Chairman Grow will carry the bill on the floor.

H 637 **Representative Green** presented **H 637**. She explained that there were two changes to Community Improvement Districts (CID) in this bill. The first change related to what property can be included in the CID. The second change related to membership of the CID board. **H 637** required that a CID shall not exclude from the district any land that is completely surrounded by property in the district. **Representative Green** noted that there was a lot of friction as a result of neighbors who were enjoying the same infrastructure, but were being taxed at different rates depending on whether they were included in the CID. Second, the bill required that the membership of a CID board, in the event that a county or city has redrawn its county commissioner boundaries or has changed from at large city council elections to city council district elections, include one homeowner residing in the district, to be appointed by the city council; one city council member whose new city council district or one county commissioner whose new county commissioner district included the CID, to be appointed by the district board; and one additional city council member, to be appointed by the CID board. She explained that currently the CID board of Harris Ranch was comprised of 3 city council members who do not reside within the CID. Finally, **Representative Green** stated that developers of Avimor and Harris Ranch had been consulted and that they were neutral regarding this bill.

DISCUSSION: **Vice Chairman Grow** asked whether the provisions of this were retroactive or would only apply to new CIDs. **Representative Green** responded that the bill would not be applied retroactively, only to future CIDs.

Senator Souza expressed a concern for existing homes within an area being proposed for a CID being forced to be part of the CID and pay increased taxes. **Representative Green** stated that existing law already required a 2/3 vote of the existing residents to create a CID. She noted that this could result in someone who voted against the formation of a CID to, nevertheless, have to pay the additional taxes. **Chairman Rice** further clarified that Idaho Code § 50-3103 required that a CID be initiated by a petition signed by not less than 2/3 of the district residents or, in the case of bare land, all of the owners of property located within the district.

Senator Souza next asked for clarification on the changes regarding membership of the CID board. **Representative Green** referenced her earlier discussion regarding the board requirements.

Senator Vick asked whether one property owner could object to the formation of the CID and later develop the land and enjoy the infrastructure. **Chairman Rice** stated that his interpretation of **H 637** was that they could not form a CID that surrounded that property, but they could form a CID that was next to the property.

MOTION: **Senator Semmelroth** moved to send **H 637** to the floor with a **do pass** recommendation. **Vice Chairman** seconded the motion.

Senator Souza made a substitute motion to hold **H 637** in committee. **Senator Vick** seconded the motion. The motion to hold the bill in committee failed.

Senator Lakey stated that he would vote to send the bill to the floor with a **do pass** recommendation, but that he reserved his right to vote in opposition to the bill on the floor. The original motion to send **H 637** to the floor with a **do pass** recommendation passed by **voice vote**. **Senators Vick, Souza and Bayer** asked to be recorded as voting no. Senator Ward-Engleking will carry the bill on the floor.

PASS THE GAVEL:

Chairman Rice passed the gavel to Vice Chairman Grow.

H 678

Chairman Rice presented **H 678**. He explained that **H 678** was a tax incentive that was critical to our national security and our economy. He further explained that most chips were manufactured outside of the United States in increasingly unstable countries such as Taiwan and that **H 678** provided tax incentives to encourage domestic production and manufacturing of semiconductor chips.

TESTIMONY:

Tom Kealey, Director, Idaho Department of Commerce, first provided some background on semiconductor manufacturing.. He stated that domestic semiconductor manufacturing had declined from 37% of the world's semiconductor chips in 1930 to 12% today and was forecasted to decline to 10% by 2030. He explained that in 2021 the U.S Senate passed the United States Innovation and Competition Act that included \$52 billion aimed at increasing domestic chip manufacturing, research and design which they hoped to finalize and submit for congressional and presidential approval. **Mr. Kealey** further explained that, once funded, this federal legislation would create fierce competition for this money. He noted that the Semiconductor Association estimated that this federal investment would add approximately \$148 billion in economic success and add 1.1 million permanent jobs. He stated that Idaho currently ranked sixth in the nation for semiconductor workforce with 12,300 employed and that Idaho represented 4% of the total semiconductor employment in the United States. In addition, the average wage in the semiconductor industry was \$135,000 annually and the

industry provided \$2.5 billion in GDP for Idaho. He further stated that Idaho had approximately 50 semiconductor facilities in Idaho.

Mr. Kealey next explained the details of **H 678**, the Idaho Semiconductors for America Act or Idaho Act. **H 678** exempts sales tax on the purchase or use of construction and building materials to construct, expand or modernize a semiconductor facility in Idaho by any new or existing business. In order to qualify for the exemption, however, a semiconductor business would also have to qualify for the new federal incentives by the end of December 2026. If no federal incentive were enacted before December 31, 2026, no entity would qualify for the exemption. The sales tax exemption lasted until construction was completed. All construction must be completed by December 31, 2040.

DISCUSSION: **Senator Vick** asked why it was important that the companies who applied for the exemption to first qualify for the federal exemption. **Mr. Kealey** responded that they used the criteria for the federal program rather than create separate criteria for the Idaho exemption. A business may never see any federal money.

Senator Semmelroth inquired about what special skills or education were required for the semiconductor industry and whether there had been any discussions with universities to ensure the education would be available. **Mr. Kealey** responded that they have had discussions with the universities. While they offer many courses for the industry, they may need to expand that.

MOTION: **Senator Nye** moved to send **H 678** to the floor with a **do pass** recommendation. **Chairman Rice** seconded the motion. The motion passed by **voice vote**. **Chairman Rice** will carry the bill on the floor.

ADJOURNMENT: There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:50 pm.

Senator Rice
Chair

Meg Lawless
Secretary