

AMENDED AGENDA #1
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Tuesday, January 17, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
INTRODUCTION:	Introduction of Committee Members	Senator Ricks
DISCUSSION:	Discussion regarding Administrative Rules review and timeline for consideration.	Senator Schroeder Senator Ricks
PRESENTATION:	Introduction of Page Josiah Knapp	Senator Ricks

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, January 17, 2023
TIME: 3:00 P.M.
PLACE: Room WW53
MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just
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 Ricks** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 3 p.m.
INTRODUCTION: **Chairman Ricks** invited each member of the Committee to introduce himself or herself.
DISCUSSION: **Chairman Ricks** stated that he would next like to have a discussion regarding the administrative rules review process and some possible changes coming and to address a few concerns regarding the pending rules of the Idaho Tax Commission (Commission).

Senator Grow informed the Committee that there was a discussion about whether to change the current rules review process to require both the Senate and House to approve an agency's rules. Currently, only one body must approve the rules. For that reason, he recommended postponing the rules review until later in the session.

Senator Rabe asked Senator Grow to further explain the reason for postponing the rules review. **Senator Grow** clarified that Representative Monks, House Revenue and Taxation Committee Chairman was slowing down the process of administrative rules review. He expressed a desire to work with Chairman Monks and be consistent in rules review.

Senator Just asked what was the effect of one house failing to approve the rules. **Chairman Ricks** responded that if one house approved the rules, they are approved, even if the other house rejected the rule. He noted that there was a discussion about requiring both houses to approve pending rules before they would take effect.

Vice Chairman Schroeder inquired whether tax preparers were waiting for the administrative rules to be approved before they could prepare 2022 income tax returns. **Cynthia Adrian**, Tax Research Specialist with the Idaho Tax Commission (Commission), responded that there was no reason for the administrative rules to be approved quickly. She explained that the current rules would remain in place.

Chairman Ricks noted that there were a number of examples in the current rules that would be moved to the Commission's website with links included in the rules. He asked Ms. Adrian whether by approving the pending rules, the Committee was approving the examples in the links. In addition, could those links be changed by the Tax Commission at will? **Ms. Adrian** responded that by approving the pending

rules, the links would also be approved. She further explained that those examples were for guidance and would go through a rules committee which would seek input from stakeholders before any change occurred. **Chairman Ricks** inquired whether examples changed on the Commission's website after the rules were approved would be deemed approved by the legislature. **Ms. Adrian** answered that the examples subsequently changed on their website would not be deemed as having been approved by the legislature.

Senator Grow shared that tax professionals were concerned about removing the examples from the rules without review by this Committee.

Chairman Ricks asked Josh Scholer, Bureau Chief for the Regulatory and Legislative Affairs Division of the Division of Financial Management, to respond to some of the concerns expressed during this discussion. **Mr. Scholer** stated that neither he nor the Division of Financial Management had an opinion regarding the postponement of the rules review, but noted that historically the review had been early in the legislative session. **Mr. Scholer** further stated that he felt that the examples did not belong in the rules since they did not provide a gap filler to statute which is the normal purpose of a rule. He also expressed a concern about requiring a change in examples in the rules every time the tax laws changed. He also stated that the examples were more accessible to people online. Finally, **Mr. Scholer** explained that it was the opinion of his office that the rules and examples do not have the full force and effect of law. A statute would trump a rule or example.

Senator Cook inquired about any legal effect of a CPA following an example. **Tom Shaner**, Tax Research Manager with the Commission, explained that statutes took precedence over rules. He further noted that the Commission could not come up with of an example being critical in a tax appeal.

Senator Rabe asked about the effect of legislation being passed prior to approval of a rule, thereby making the rule outdated. **Mr. Shaner** explained that the legislature had the authority to edit a rule by deletion, but would not have the authority to add new language. Typically, the rules would be amended and submitted for approval during the next legislative session.

Chairman Ricks concluded the discussion and stated that the Committee would pause the rules review.

PRESENTATION: **Chairman Ricks** asked the Committee's page, Josiah Knapp, to introduce himself to the Committee. **Mr. Knapp** shared that he was from Hagerman and he hoped to pursue a degree in Agricultural Communications from the University of Idaho and thereafter pursue a law degree and practice agricultural and natural resources law. **Chairman Ricks** thanked him for his service and his engagement in civic and state government.

ADJOURNED: There being no further business, **Chairman Ricks** adjourned the meeting of the Committee at 3:42 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Tuesday, January 24, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>35-0101-2201</u>	Income Tax Administrative Rules (ZBR Chapter Rewrite) - Proposed Rule	Cynthia Adrian, Idaho Tax Commission TaxResearch Specialist Specialist

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, January 24, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 3:00 p.m.

MINUTES APPROVAL: **Senator Grow** moved to approve the minutes of January 17, 2023. Senator Bernt seconded the motion. The motion passed by **voice vote**.

PASSED THE GAVEL: Chairman Ricks passed the gavel to Vice Chairman Schroeder.

DOCKET NO. 35-0101-2201 **Cynthia Adrian**, Tax Research Specialist with the Idaho Tax Commission (Commission), presented the docket. **Ms. Adrian** stated that these rules had been reviewed in accordance with Governor Little's Zero Based Regulation (ZBR) guidelines. She explained that some of the changes were global and applied to all executive agencies. Other changes removed rules that were also in statute. Finally, some examples that were viewed as guidance were moved from the rules and put on the Commission's website.

DISCUSSION: **Vice Chairman Schroeder** asked Ms. Adrian to provide a high level view of the proposed changes. **Ms. Adrian** cited an example where the proposed rules deleted a rule that was duplicative of statute. The definition of "employee" was deleted because **Idaho Code § 63-3018** contained that definition.

Senator Cook asked whether there was any legal defense for a tax preparer or taxpayer who relied on the examples. **Ms. Adrian** replied that the Commission's Deputy Attorney General stated that it would be a possible legal defense, however, he was not aware of any instances where the defense had been raised. In addition, the Deputy Attorney General did not think that issue would set up the Commission for a lawsuit.

Senator Bernt asked whether any concerns regarding removal of examples were expressed during the negotiated rule-making process. **Ms. Adrian** responded that there were, but she believed those individuals who had concerns worked with the Governor's office and developed a solution to put links in the rules to the examples on the Commission's website.

Senator Rabe asked whether removal of the examples from the rules constituted a substantive change. **Ms. Adrian** confirmed that there were no substantive changes.

TESTIMONY: **Tom Shaner**, Tax Research Manager for the Commission, clarified that the proposed addition to the rules of section 35.01.01.256 relating to non-resident and part-year resident individuals was the result of a ruling of the Commission.

- DISCUSSION:** **Chairman Ricks** expressed a concern regarding lack of oversight by the Committee if the examples were removed from the rules. **Mr. Shaner** explained that in past years the Commission did non-negotiated rulemaking to add tax tables and other information already included in statute. They received comments at public hearings, but there was no way for the Commission to address concerns without amending the statute. Removing tax tables and such from the rules was to avoid this process.
- TESTIMONY:** **John Eaton**, Vice President of the Idaho Association of Commerce and Industry (IACI), spoke opposing the proposed rules. He cited concerns by IACI after a review by an attorney at Lamb West which were cited in a letter to the Commission, Attachment 1. They felt that many of the proposed changes removing examples and cross-referencing were not user friendly to tax preparers and taxpayers. The Association asked the Committee to reject the proposed rules in this docket.
- TESTIMONY:** **John Legarreeta**, President of the Associated Taxpayers of Idaho also spoke in opposition to the proposed rules. They were representative of taxpayers, chief financial officers and others. He expressed concern regarding the removal of examples and cross-referencing to statute. Removing examples made it more difficult for tax preparers and taxpayers to track changes in guidance.
- DISCUSSION:** **Vice Chairman Schroeder** questioned whether the removal from the rules of section 35.01.01.190 relating to medical savings accounts was an example of removal of guidance and whether that guidance was in statute. **Mr. Legarreeta** replied that would potentially be an example. **Ms. Adrian** clarified that section of rules was in statute.
- Senator Rabe** asked Ms. Adrian whether removing examples was a standard practice under ZBR. **Ms. Adrian** affirmed that, in consultation with the Governor's office and the Division of Financial Management (DFM), it was standard practice among the executive agencies. She further stated that most tax preparers and taxpayers sought guidance on the Commission's website rather than in rules.
- TESTIMONY:** **Josh Scholer**, Bureau Chief for the Division of Regulatory and Legislative Affairs at DFM, testified that when rules were removed it was with the intent to make the information more accessible and getting rid of rules that were superfluous or unnecessary.
- DISCUSSION:** **Senator Grow** noted that concerns about removing examples from the rules had been expressed by a number of tax professionals. He expressed concern about the legislature losing oversight if examples were removed from the rules.
- MOTION:** **Senator Grow** moved that the Committee reject the changes in these rules, specifically sections 1-299 and 700-999. **Senator Cook** seconded the motion.
- DISCUSSION:** **Chairman Ricks, Senators Bernt, Cook, and Just** each stated that they would support the motion.
- SUBSTITUTE MOTION:** **Senator Grow**, in order to clarify the motion, offered a substitute motion to reject **Docket No. 35-0101-2201**. **Senator Cook** seconded the motion.
- DISCUSSION:** **Vice Chairman Schroeder** expressed his legal opinion that a statement by a party opponent was just as useful whether the example resided in rules or on a website. He further expressed a concern about lack of accountability if the examples that provided guidance were removed.
- VOICE VOTE:** The motion to reject **Docket No. 35-0101-2201** passed by **voice vote**.
- PASSED THE GAVEL:** Vice Chairman Schroeder passed the gavel back to Chairman Ricks.
- ADJOURNED:** There being no further business at this time, **Chairman Ricks** adjourned the meeting of the Committee at 3:50 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

August 31, 2022



Via email: kimberlee.stratton@tax.idaho.gov

Kimberlee Stratton
Administrative Rules Coordinator
Idaho State Tax Commission

Re: Income Tax: Docket 35.01.01

Dear Ms. Stratton:

Idaho Association of Commerce & Industry ("IACI") appreciates the opportunity to provide further comments on the Tax Commission's negotiated rulemaking regarding Zero-Based Rulemaking for Income Taxes, Docket 35.01.01.

These comments are specific to the Zero-based rulemaking in Sections 001-299 and 700-999.

As a general comment IACI members believe definitions and examples should remain in the rule. This belief remains even when a definition is defined elsewhere in statute or federal code. In the case of complicated income tax rules, removing definitions that can be found elsewhere actually makes the rule more difficult for Idaho businesses and citizens to comply with. Likewise, there are very good reasons for the examples to be codified in the rule to protect taxpayers and make the rules easier to comply with.

Generally, we have categorized our comments into two areas:

- Category A: Change does not necessarily impact application of statute; however content is helpful to taxpayer (references to related sections of rules, clearer communication, etc.).
- Category B: Disagree with change because impacts interpretation/application of statute. (Includes all examples).

An example of a Category A item is as follows: Some of the proposed rule's changes could cause increased confusion for taxpayers, best illustrated by Rule 105, at pdf page 15. The intro to the section says "the following" shall be added back in computing Idaho taxable income. Then, of the list of six items that are to be added back pursuant to the statute, four have been stricken. Without going back to the statute to compare to the new rule, one would think there are only two things to be added back, not six.

Obviously, this type of change makes it more difficult for the taxpayer to comply with the law, which does not seem to be the intent of the rulemaking. To the extent that this type of change occurs within the proposed rule IACI would ask that the original language be retained for the sake of clarity.

Additional comments for both Category A and B items are outlined below. We have also noted some open questions that may need further discussion.

Sections 000-129

Idaho Rules Page 13, Section 010.02

Keep this content, as it is helpful to the taxpayer.

Idaho Rules Page 13, Section 010.03

Keep this content, as it is helpful to the taxpayer.

Idaho Rules Page 14, Section 016.05.a-f

Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 16, Section 030.01. a-c

Keep this content, as it is helpful to the taxpayer.

Idaho Rules Page 16, Section 030.03

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 16, Section 031.01

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 16, Section 031.02.a-c

Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute

Idaho Rules Page 18, Section 032.03.d

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 19, Section 033.01.b

Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute

Idaho Rules Page 19, Section 034.02, Sentence 2

Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute.

Idaho Rules Page 20, Section 040.01.b

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 20, Section 040.03.a-b

Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 32, Section 121.03.a – pro-rating guidance

OPEN: No code section is referenced in the ISTC comments, so unable to confirm inclusion in statutes.

Idaho Rules Page 32, Section 121.03.b

OPEN: No code section is referenced in the ISTC comments, so unable to confirm inclusion in statutes.

b. ~~If an itemized deduction allowable for federal income tax purposes is reduced for the mortgage interest credit or the foreign tax credit, the amount that would have been allowed if the federal credit had not been claimed is allowed as an itemized deduction.~~ (7-1-09)

Idaho Rules Page 32, Section 121.04.a-b

Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. No reference by ISTC to statute. Only reference is to Instructions.

Idaho Rules Page 34, Section 122.02.a

Keep this content, as the date is not included in the statute content and therefore may impact interpretation/application of the statute. No reference by ISTC to statute so unable to verify that dates deduction is allowable is duplicative of statute.

Idaho Rules Page 34, Section 125.01

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 40, Section 165.02.c

Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. No reference by ISTC to statute. Only reference is to Instructions.

See guidance in previous item for qualifying individual.

Idaho Rules Page 41, Section 170.01

Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. Section 63-3022H does not include a reference to IRC 1222(9).

Idaho Rules Page 41, Section 170.02.b

Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 41, Section 170.03.a-b

Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. No reference by ISTC to statute. Only reference is to Guidance. Assuming the expectation is to include this content in guidance published online. 63-3022H does not reference the IRC sections.

Idaho Rules Page 41, Section 170.03.c

Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 41, Section 170.06.a-b

Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 43, Section 171.06.d

Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 43, Section 171.08

Keep this content, as it is more straightforward than the statute and therefore may impact interpretation/application of the statute

Idaho Rules Page 43, Section 172.01

Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. Inclusion of the word "only" narrows the scope and is not included in the statute. This change seems to widen the scope.

Idaho Rules Page 44, Section 172.04.a-c

Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 44, Section 173.03.a

Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 45, Section 173.03.b-e

Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 45, Section 180.03.a

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 47, Section 190.05 Sentences 4-7
Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 47, Section 193.01 Sentence 2
Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. No reference by ISTC to statute.

OPEN: Is this being deleted because it relates to tax years outside of the statute of limitations?

Idaho Rules Page 47, Section 193.02
Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 48, Section 193.03 -05
Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. No reference by ISTC to statute. Only reference is to Instructions, which do not have the same authority.

Idaho Rules Page 48, Section 193.06
Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. No reference by ISTC to statute. Only reference is to Guidance, which does not have the same authority.

Idaho Rules Page 48, Section 194.01
Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. No reference by ISTC to statute. Only reference is to Instructions, which do not have the same authority.

Idaho Rules Page 49, Section 194.02
Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 50, Section 194.03
Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 51, Section 194.04
Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 52, Section 194.05
Keep examples, as they impact interpretation and ability to enforce.

Idaho Rules Page 52, Section 194.06
Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. No percentages listed in 63-3022P or 63-3022Q.
No reference by ISTC to statute. Only reference is to Guidance, which does not have the same authority.

Idaho Rules Page 52, Section 195.01
Keep this content, as the guidance is not a duplication of the statute content and therefore may impact interpretation/application of the statute. 63-3022R does not include, "to the extent recovery is included in federal taxable income of the current year."

Idaho Rules Page 61, Section 253.01.b

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 62, Section 254.03.a, Last Sentence

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 62, Section 254.03.b, date removed

Keep this content, as it is helpful to the taxpayer

Idaho Rules Page 62, Section 254.03.c, Last Sentence

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 62, Section 254.04, Last Sentence

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 62, Section 254.05, Last Sentence

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 63, Section 254.16, Last Sentence

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

Idaho Rules Page 64, Section 254.17, Last Sentence

Keep this content, as it is helpful to the taxpayer – reference to related sections of rules

These summarize our current comments regarding Sections 001-299 and 700-999. IACI will submit separate comments for Sections 300-699.

We appreciate the Commission's willingness to consider retaining several of the definitions and examples in the existing rule. Thank you for the opportunity to comment on this rulemaking.

Sincerely,



Alex LaBeau
President

cc: Mark Wynn, Chair, IACI Tax Committee
Cynthia Adrian, Chair, ITC Income Tax Rules Committee
Bobbi-Jo Meuleman, Deputy Chief of Staff, Governor Little

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Wednesday, January 25, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>35-0101-2202</u>	Income Tax Administrative Rules (ZBR Chapter Rewrite) - Proposed Rule	Cynthia Adrian, Idaho State Tax Commission Tax Research Specialist Phil Skinner, Idaho State Tax CommissionLead Deputy Attorney General
MINUTES APPROVAL:	Approval of Minutes of 1-17-2023	Senator Grow

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, January 25, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:00 p.m.

PASSED THE GAVEL: **Chairman Ricks** passed the gavel to **Vice Chairman Schroeder**.

DOCKET NO. 35-0101-2202 **Cynthia Adrian**, Tax Research Specialist with the Idaho Tax Commission (Commission) presented the docket. She stated that these rules had been reviewed in accordance with Governor Little's Zero-Based Regulation guidelines. Public meetings were conducted on April 28, 2022; July 14, 2022 and September 1, 2022 with attendance by the Idaho Association of Commerce and Industry (IACI), Associated Taxpayers of Idaho (Association), the Idaho Society of CPAs and the Idaho Bankers Association. **Ms. Adrian** explained that the changes in this docket were the result of **H 563** passed by the legislature last session. **H 563** changed the calculation of the Idaho tax apportionment percentage from a three-factor method that included property, payroll and double-weighted sales to a single-sales factor method. In addition, **H 563** changed the way sales revenue was assigned from the cost-of-performance method to market-based sourcing. Under the cost-of-performance method as sales revenue from intangible goods and services was assigned to a location having the greater proportion of services performed. Under the market-based sourcing sales revenue was assigned to the location receiving or benefitting from the services.

DISCUSSION: **Senator Grow** repeated that these rules were the result of H 563 passed by the legislature last session. Idaho was one of the few states using the old method. It could be a problem in interstate commerce in that businesses could be overtaxed in one state and undertaxed in another.

TESTIMONY: **John Eaton**, Vice President of IACI, testified in support of the rules. He stated that the rules benefitted all companies, large and small. He noted that the fiscal analysis showed no additional impact.

Tom Shaner, Tax Research Manager at the Commission, stood before the Committee to answer any questions. There were none.

DISCUSSION: **Chairman Ricks** reiterated that these rules were the result of H 563 passed by the legislature last session. He further stated that he felt these rules were needed.

MOTION: **Senator Grow** moved to approve **Docket No. 35-0101-2202**. **Senator Adams** seconded the motion. The motion passed by **voice vote**.

PASSED THE GAVEL: Vice Chairman Schroeder passed the gavel back to Chairman Ricks.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting of the Committee at 3:12 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Wednesday, February 01, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of Minutes of 01-24-2023	Senator Bernt Senator Cook
MINUTES APPROVAL:	Approval of Minutes of 01-25-2023	Senator Just Senator Trakel
<u>RS 30058</u>	RELATING TO CITY ANNEXATIONS	Senator Okuniewicz
<u>RS 30153</u>	RELATING TO COUNTY TREASURER INVESTMENTS	Senator Ricks Annette Dygert, Owyhee County Treasurer
<u>RS 30147</u>	RELATING TO NATURAL GAS PIPELINES	Senator Schroeder Rep. Cheatum Kate Haas, Kestrel West
<u>H 21</u>	TAXATION - Amends existing law to revise the definition of "Internal Revenue Code."	Rep. Ehlers Senator Grow

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks	Sen Bernt
Vice Chairman Schroeder	Sen Trakel
Sen Grow	Sen Rabe
Sen Cook	Sen Just
Sen Adams	

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, February 01, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Bernt, Trakel, Rabe, and Just

ABSENT/ EXCUSED: Senators Cook and Adams

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:01 p.m.

MINUTES APPROVAL: **Senator Bernt** moved to approve the minutes of January 24, 2023. **Vice Chairman Schroeder** seconded the motion. The motion to approve the minutes of January 24, 2023 passed by **voice vote**.

MINUTES APPROVAL: **Senator Just** moved to approve the minutes of January 25, 2023. **Vice Chairman Schroeder** seconded the motion. The motion to approve the minutes of January 25, 2023 passed by **voice vote**.

PASSED THE GAVEL: Chairman Ricks passed the gavel to Vice Chairman Schroeder.

RS 30058 **Relating to City Annexations. Senator Okuniewicz** presented **RS 30058**. He stated that this legislation clarified the rights of private landowners who wished to be annexed by a city when the property was contiguous to more than one city's area of impact. **Senator Okuniewicz** further stated that this legislation gave the property owner in a voluntary annexation situation the ability to choose which city he or she would be annexed to.

MOTION: **Senator Bernt** moved to send **RS 30058** to print. **Vice Chairman Schroeder** seconded the motion. The motion to send **RS 30058** to print passed by **voice vote**.

RS 30153 **Relating to County Treasurer Investments. Annette Dygert**, Owyhee County Treasurer, presented **RS 30153**. She stated that this bill added Idaho Code §31-2127 that outlined the county treasurer's authority regarding investment of surplus or idle funds.

MOTION: **Vice Chairman Schroeder** moved to send **RS 30153** to print. **Senator Bernt** seconded the motion. The motion to send **RS 30153** to print passed by **voice vote**.

RS 30147 **Relating to Natural Gas Pipelines.**

MOTION: **Vice Chairman Schroeder** moved to return **RS 30147** to the sponsor. **Senator Grow** seconded the motion. The motion to return **RS 30147** to the sponsor passed by **voice vote**.

PASSED THE GAVEL: Vice Chairman Schroeder passed the gavel back to Chairman Ricks.

H 21

Taxation - Amends existing law to revise the definition of "Internal Revenue Code." Representative Ehlers presented **H 21**. He explained that this was the annual tax conformity bill. It adopted changes to the Internal Revenue Code (IRC) so that there was uniformity. This made it easier for individuals filing both federal and state tax returns. **Representative Ehlers** further explained that the changes made to the IRC in 2022 were small changes to retirement. There were 12 items that decreased revenue and seven that increased revenue. Therefore, the fiscal impact to the State of Idaho was neutral.

MOTION:

Senator Grow moved to send **H 21** to the floor with a **do pass** recommendation. **Senator Rabe** seconded the motion. The motion to send **H 21** to the floor with a **do pass** recommendation passed by **voice vote**.

ADJOURNED:

There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:13 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Thursday, February 02, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>35-0109-2201</u>	Idaho Beer and Wine Taxes Administrative Rules (ZBR Chapter Rewrite) - Proposed Rule	Tom Shaner, Tax Research Manager Idaho State Tax Commission
<u>35-0201-2201</u>	Tax Commission Administration and Enforcement Rules - Proposed Rule	Cynthia Adrian, Tax Research Specialist Idaho State Tax Commission
<u>36-0101-2200</u>	Idaho State Board of Tax Appeals - Notice of Omnibus – Temporary and Proposed Rule	Travis VanLith, Idaho Board of Tax Appeals
PRESENTATION:	Property Tax Basics	Kolby Reddish, Legal Counsel, Legislative Services Office

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, February 02, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Bernt, Trakel, Rabe, and Just

ABSENT/ EXCUSED: Senator Adams

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:01 p.m.

DOCKET NO. 35-0109-2201 **Idaho Beer and Wine Administrative Rules. Tom Shaner** Tax Research Manager at the Idaho State Tax Commission (ISTC), presented **Docket No. 35-0109-2201**. **Mr. Shaner** explained that these rules combined the rules for beer and wine distributors which had previously had separate rules. In addition, the deleted rules were in statute or adequately covered in statute. For example, the rule regarding a petition to waive a security requirement was included in the Administrative Procedures Act. **Mr. Shaner** stated that there were no substantive changes.

DISCUSSION: **Senator Cook** inquired whether there was a fee to open a tax account. **Mr. Shaner** responded that there was no fee for opening a tax account.

MOTION: **Senator Cook** moved to adopt **Docket No. 35-0109-2201**. **Senator Rabe** seconded the motion. The motion to adopt **Docket No. 35-0109-2201** passed by **voice vote**.

DOCKET NO. 35-0201-2201 **Tax Commission Administrative and Enforcement Rules. Cynthia Adrian**, Tax Research Specialist at ISTC, presented **Docket No. 35-0201-2201**. **Ms. Adrian** stated that the only change in this rule was that the deadline previously in this rule was reverted to statute. She further explained that there were no public hearings because the rulemaking aligned the rule with statute.

DISCUSSION: **Senator Grow** asked whether the 60 day deadline for filing an amended return in the rule was inconsistent with statute. **Ms. Adrian** affirmed that the statute had a 120 day deadline.

MOTION: **Senator Grow** moved to adopt **Docket No. 35-0201-2201**. **Chairman Ricks** seconded the motion. The motion to adopt **Docket No. 35-0201-2201** passed by **voice vote**.

DOCKET NO. 36-0101-2200 **Idaho State Board of Tax Appeals - Notice of Omnibus - Temporary and Proposed Rules. Travis VanLith** with the Idaho State Board of Tax Appeals (ISBTA) presented **Docket No. 36-0101-2200**. **Mr. Van Lith** stated that this rule was to bring the rules into conformity with a 2021 statute that enacted Idaho Code § 63-3810A. That statute removed the restriction against non-attorneys representing an individual before ISBTA.

DISCUSSION: **Senator Grow** requested clarification regarding whether "taxpayer" included only a natural individual or whether it included a corporation, limited liability company, partnership, joint venture and other entities. **Mr. VanLith** replied that "taxpayer" was defined more broadly to include corporations and other entities.

MOTION: **Senator Bernt** moved to adopt **Docket No. 36-0101-2200**. **Senator Grow** seconded the motion. The motion to adopt **Docket No. 36-0101-2200** passed by **voice vote**

PRESENTATION: Property Tax Basics. **Kolby Reddish**, Legal Counsel for the Legislative Services Office, gave a presentation on Property Tax Basics. He discussed the history of property taxes in Idaho. **Mr. Reddish** outlined the legal authority. The primary sources of authority are Article VII of the Idaho Constitution and Idaho Code Title 63.

Mr. Reddish explained that Idaho was a budget-based property tax system. Each entity set its own budget annually to determine a levy rate charged for each property. **Mr. Reddish** further explained that there were three main components to determining an individual's property taxes: the district's budget, the district's total taxable value and the individual taxable value.

Mr. Reddish stated that Idaho's property taxes were known as an ad valorem tax, based proportionately on the value of property. Valuation of each property for purposes of assessing taxes under **Idaho Code § 63-201** was based on the market value of each property on January 1 of each year. The County Assessor was responsible for assessing each property annually pursuant to **Idaho Code § 63-314**.

Article VII, Section 5 of the Idaho Constitution required that all taxes be uniform within the same class of subjects within the authority levying the tax provided, that the legislature may allow such exemptions from taxation as shall seem necessary and just. Idaho's uniformity protection required that taxpayers' property taxes were based upon the same levy rate.

Idaho's Constitution gave power to the legislature to grant exemptions which may be whole or partial. An exemption resulted in a reduction in taxable value.

DISCUSSION: **Senator Trakel** asked what would be required to change from a budget based property tax system to a revenue based system where cities and counties have to base their budget on anticipated revenue. **Mr. Reddish** replied that it would take a significant revision to Idaho Code. **Chairman Ricks** asked whether that would also require a constitutional amendment. **Mr. Reddish** responded that before he could answer that he would have to review case law.

Vice Chairman Schroeder requested clarification of the concept of uniformity within the same class of subjects. **Mr. Reddish** explained that there were three defined property class: personal, operating, and real property. He further explained that the Idaho Supreme Court had held that uniformity required not solely uniformity within a class, but also uniformity between classes.

Senator Rabe requested additional information regarding exemptions. **Mr. Reddish** stated that he would provide that.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:48 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Tuesday, February 07, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>S 1031</u>	PROPERTY EXEMPT FROM TAXATION - Amends existing law to provide that certain water rights and property of irrigation and canal companies exempt from taxation do not require certain approval.	Senator Burtenshaw
<u>S 1041</u>	COUNTY TREASURER AND TAX COLLECTOR - Adds to existing law to authorize a county treasurer to make certain investments.	Annette Dygert, Owyhee County Treasurer
<u>RS 30260</u>	Regarding Voter Approved School Bond Repayments	Senator Ricks
PRESENTATION:	Revenue Distribution Dashboard	Erin Phipps, Revenue Analyst Legislative Services Office

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 07, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:02 p.m.

S 1031: **Property Exempt from Taxation. Senator Burtenshaw** presented **S 1031**. He explained that currently irrigation districts have to apply annually for their property tax exemption. The exemption covers canals, ditches, pipelines, flumes, aqueducts, reservoirs, dams and any other necessary facility used primarily for the conveyance and storage or providing of water for irrigation of land. This legislation removed the requirement to apply for the exemption annually.

MOTION: **Senator Grow** moved to send **S 1031** to the floor with a **do pass** recommendation. **Vice Chairman Schroeder** seconded the motion. The motion passed by **voice vote**.

S 1041: **County Treasurer and Tax Collector. Annette Dygert**, Owyhee County Treasurer, presented **S 1041**. **Ms. Dygert** explained that this bill added **Idaho Code § 31-2127** that set forth the various statutes relating to the authority of the county treasurer to invest surplus or idle funds. She further stated that this would be helpful to a new county clerk.

Johanna Defoort, Valley County Treasurer, testified that this bill provided good guidance to new county treasurers such as herself.

MOTION: **Senator Bernt** moved to send **S 1041** to the floor with a **do pass** recommendation. **Senator Cook** seconded the motion. The motion passed by **voice vote**.

PASS THE GAVEL: Chairman Ricks passed the gavel to Vice Chairman Schroeder.

RS 30260 **Regarding Voter Approved School Board Bond repayments. Chairman Ricks** presented **RS 30260**. He explained that currently, school board trustees can levy between 12 and 21 months for annual bond payments from taxpayers. This legislation adjusted those parameters and reduced the maximum amount of payments that could be levied in one year was between 12 and 14 months. This had the effect of lowering the amount of bond payment on an annual basis.

MOTION: **Senator Grow** moved to send **RS 30260** to print. **Senator Trakel** seconded the motion. The motion to send **RS 30260** to print passed by **voice vote**.

PRESENTATION: Revenue Distribution Dashboard. Erin Phipps, revenue analyst for the Legislative Services Office, gave a presentation on the Revenue Distribution Dashboard on legislature.idaho.gov. She explained that under the Fiscal Dashboards menu there were 4 fiscal dashboards: fiscal details, revenue details, economic indicators, and budget information. Ms. Phipps focused her presentation on the revenue details dashboard. **Ms. Phipps** explained that the first page, or 101 page, of the revenue details dashboard contained an overview of revenue data relating to the 3 legged stool of revenue: sales tax, individual income tax and property tax. You could scroll down to obtain specific information relating to each of the major types of taxes. Clicking on any of the three buttons took you to a 201 page with more detailed information regarding collection and distribution of the 3 types of taxes. This page included a history of collections as well as a description of that revenue source. Scrolling down revenue category button took you to the 301 page which provided details about each specific area of sales tax distribution.

DISCUSSION: **Vice Chairman Schroeder** asked whether the dashboard contained specific information about additional sales tax collected by resort cities. **Ms. Phipps** explained that was included in the local option category.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:36 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AMENDED AGENDA #2
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Wednesday, February 08, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>RS 30191</u>	Cities, annexation	Rep. Young
<u>RS 30147C1</u>	Natural gas, petroleum pipelines	Senator Schroeder Kate Haas, Kestrel West
<u>RS 29965C2</u>	Relating to Development Impact Fees	Senator Schroeder Rep. Crane (12)
PRESENTATION:	County Budgeting 101	Seth Grigg, Director, Idaho Association of Counties
MINUTES APPROVAL:	Approval of Minutes of 2-2-23	Senator Grow Senator Rabe

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks	Sen Bernt
Vice Chairman Schroeder	Sen Trakel
Sen Grow	Sen Rabe
Sen Cook	Sen Just
Sen Adams	

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, February 08, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 3:00 p.m.

Chairman Ricks adjusted the agenda to hear the approval of the minutes of 2-2-23 first.

MINUTES APPROVAL: **Approval of Minutes of 2-2-23. Senator Rabe** moved to approve the minutes of February 2, 2023. **Senator Grow** seconded the motion. The motion to approve the minutes of February 2, 2023 passed by **voice vote**.

MINUTES ADJUSTMENT: The minutes of February 1, 2023 were approved as minutes of February 2, 2023. The actual minutes reviewed and approved were February 1, 2023 per Chairman Ricks.

RS 30191 **Cities, Annexation. Representative Young** presented **RS 30191**. She explained that this proposed legislation clarified, simplified, and reformatted the existing annexation statute. The bill included definitions of fundamental terms such as "landowner." In addition, **RS 30191** required the city to provide notice to each landowner and the board of county commissioners of its intent to annex land. The bill further required the city to comply with the notice and hearing procedures governing a zoning district boundary change. Finally, the bill provided flexibility for small municipalities.

DISCUSSION: **Senator Grow** noted that Senator Lakey had done some work on annexation this past summer and asked whether Representative Young had discussed **RS 30191** with him. **Representative Young** replied that this was a separate issue and that the two issues were complementary.

MOTION: **Senator Adams** moved to send **RS 30191** to print. **Vice Chairman Schroeder** seconded the motion. The motion to send **RS 30191** to print passed by **voice vote**.

RS 30147C1 **Natural Gas, Petroleum Pipelines. Vice Chairman Schroeder** explained that the purpose of this bill was to provide notification to a natural gas or interstate petroleum company when there was a proposed development within 1000 feet of the pipeline. This added the natural gas or petroleum pipeline company as a party required to be notified under **Idaho Code § 67-6519**. To receive notice, the natural gas or petroleum pipeline company were required to register with each county they wished to receive notice from.

DISCUSSION: **Senator Cook** asked whether there was any current notice requirement. **Vice Chairman Schroeder** responded that there was not.

- MOTION:** **Senator Cook** moved to send **RS 30147C1** to print. **Senator Adams** seconded the motion. The motion to send **RS 30147C1** to print passed by **voice vote**.
- RS 29965C2** **Relating to Development Impact Fees.** **Vice Chairman Schroeder** presented **RS 29965C2**. He stated that the first purpose of this bill was to add school facilities to the list of facilities that were eligible for development impact fees. In addition, **RS 29965C2** added school districts to the list of entities that were eligible to enter into intergovernmental agreements. **Vice Chairman Schroeder** further stated that Idaho Code Title 80, Chapter 82 contemplated impact fees.
- Senator Trakel** stated that he had a conflict of interest pursuant to Senate Rule 39(H), but intended to vote.
- MOTION:** **Senator Just** moved to send **RS 29965C2** to print. **Senator Adams** seconded the motion. The motion to send **RS 29965C2** to print passed by **voice vote**.
- PRESENTATION: County Budgeting 101.** **Seth Grigg**, Executive Director of the Idaho Association of Counties, gave a presentation on county budgeting (Attachment 1). He provided an overview of the statutory and constitutional authority of county government. He explained that counties had an October to September fiscal year whereas the state had a July to June fiscal year. **Mr. Grigg** outlined the county budget process. He explained that there were 4 main sources of revenue: fees for services, intergovernmental revenues, property taxes and fund balance or cash reserves. Because there was a 3 month gap between the beginning of the county fiscal year in October and December 20 when property taxes were due, most counties operated with 5 quarters of revenue and held at least 3 months of reserve. He informed the Committee about the state controller's website at transparent.idaho.gov that provided information regarding revenue and expenses of each county.
- Mr. Grigg** explained that about 52 percent of a county's revenue came from property taxes. Because counties didn't have water or sewer systems that was not a source of revenue for them. Counties received money from sales tax distribution for programs such as the Circuit Breaker program. Another key source of intergovernmental revenue for counties was state transportation revenue. State liquor funds also provided revenue to counties. In addition, counties received a payment in lieu of taxes through the federal government Payment in Lieu of Taxes (PILT) program. PILT was intended to compensate counties for the impact of tax exempt federal land on county budgets.
- Next, **Mr. Grigg** discussed county expenditures. Those expenditures included public safety, highways and roads and so forth. He explained that public safety, which included the magistrate and district court system, was the largest county expenditure. Property taxes was the largest source of revenue for public safety, but counties also collected certain fees.
- Mr. Grigg** outlined the history of legislative property tax reform including the property tax exemption. He explained the impact of inflation on county budgets. He shared data relating to state tax collections and allocation of property taxes. **Mr. Grigg** also explained market valuation and the property tax assessment procedures.
- Mr. Grigg** provided information regarding the difference in the appraisal value of residential property and commercial property. He explained budget caps and caps on levies.
- DISCUSSION:** **Senator Trakel** asked whether the graph of school levies in 2006 took into account the effect property taxes had on school levies. **Mr. Grigg** explained that in 2005 and 2006 as the amount of property taxes levied decreased, there was at the same time a recession. This caused the state to decrease the funds distributed to school districts.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 4:05 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

County Budgeting 101

Seth Grigg

Executive Director

www.idcounties.org



About IAC

IAC was incorporated in 1976 by counties as a 501(c)(4) nonprofit corporation to coordinate with county officials in improving county government

IAC is governed by a 28 member board of directors comprised of county elected officials from around the state



IAC's Mission

Promote county interests

Encourage ethical behavior

Advocate for good public policy on behalf of Idaho counties

Support best practices in county government

Provide education & training to assist Idaho county officials in performance of public service



About Counties

- 44 counties
- 396 county elected officials
- All counties provide identical services (regardless of population and tax base)
- County authority is prescribed in Idaho Constitution and Idaho Code
- Counties are the administrative arm of the state
- Every Idahoan lives in a county

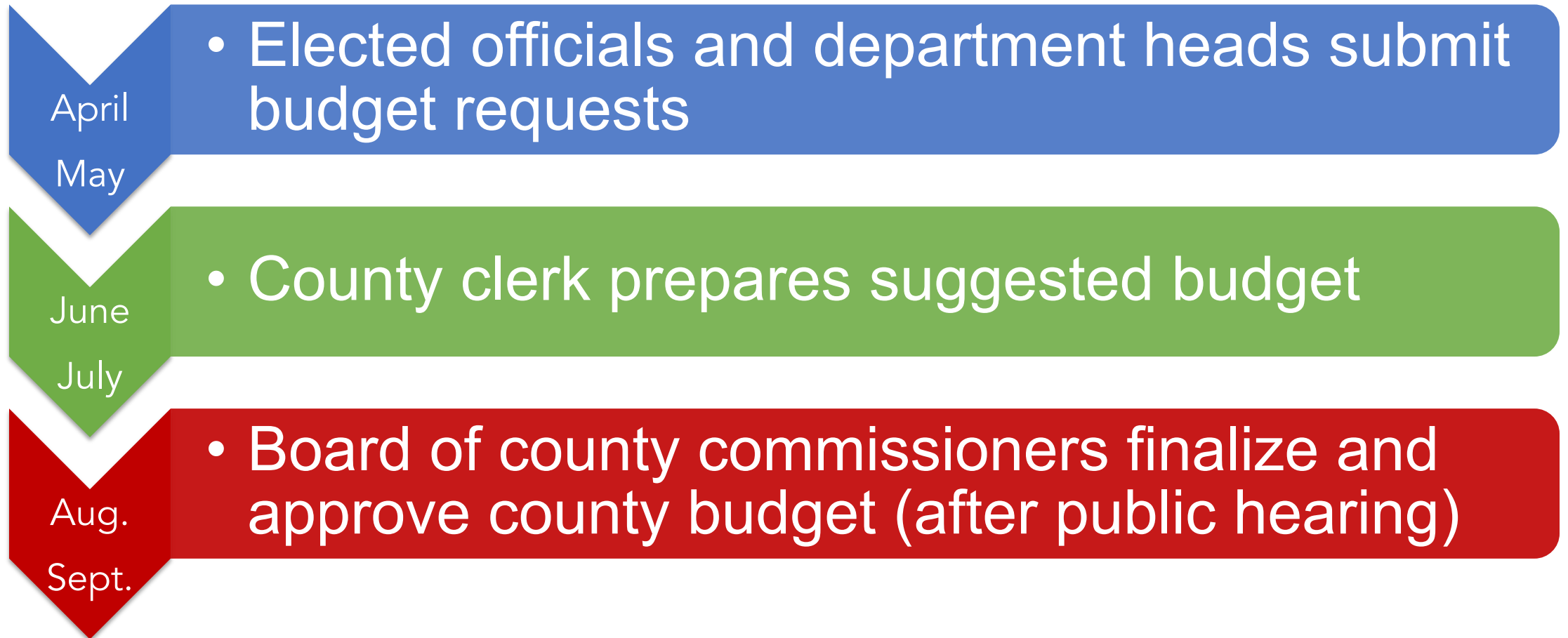


Fiscal Years

- State: July – June
- Federal: October – September
- County: October – September



County Budget Development Timeline



Primary County Revenue Sources

Fees for Services

- District Court Fees
- Computerized Mapping Fees
- Recording Fees
- Solid Waste Fees
- Etc.

Intergovernmental Revenues

- Sales Tax Revenues Sharing
- Liquor Fund Revenue Sharing
- Highway User Revenue Sharing
- Payment in Lieu of Taxes
- Grants

Property Taxes

- Current Expense Levy
- Justice Levy
- District Court Levy
- Road and Bridge Levy
- Etc.

Fund Balance/Cash Reserves

- Unassigned Reserves
- Court Facilities Fund
- Justice Fund
- Dedicated Reserves for Projects

County Revenues by Type (CFY2022)

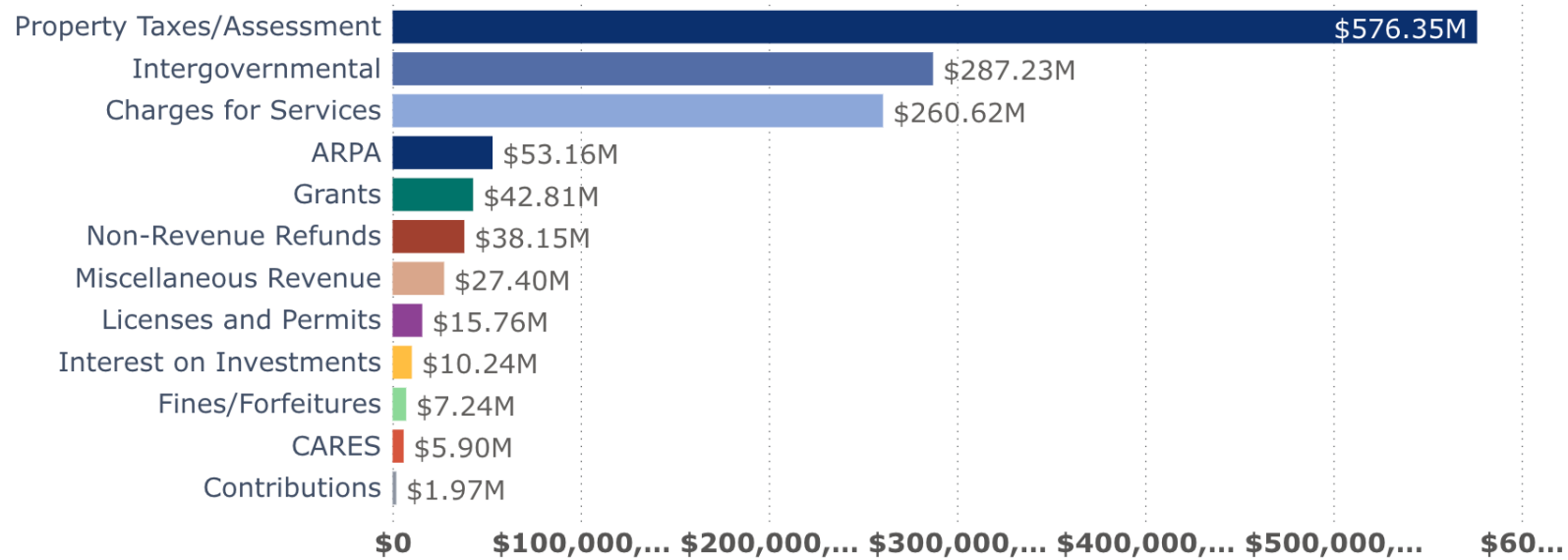
Fiscal Year: 2022
County: All

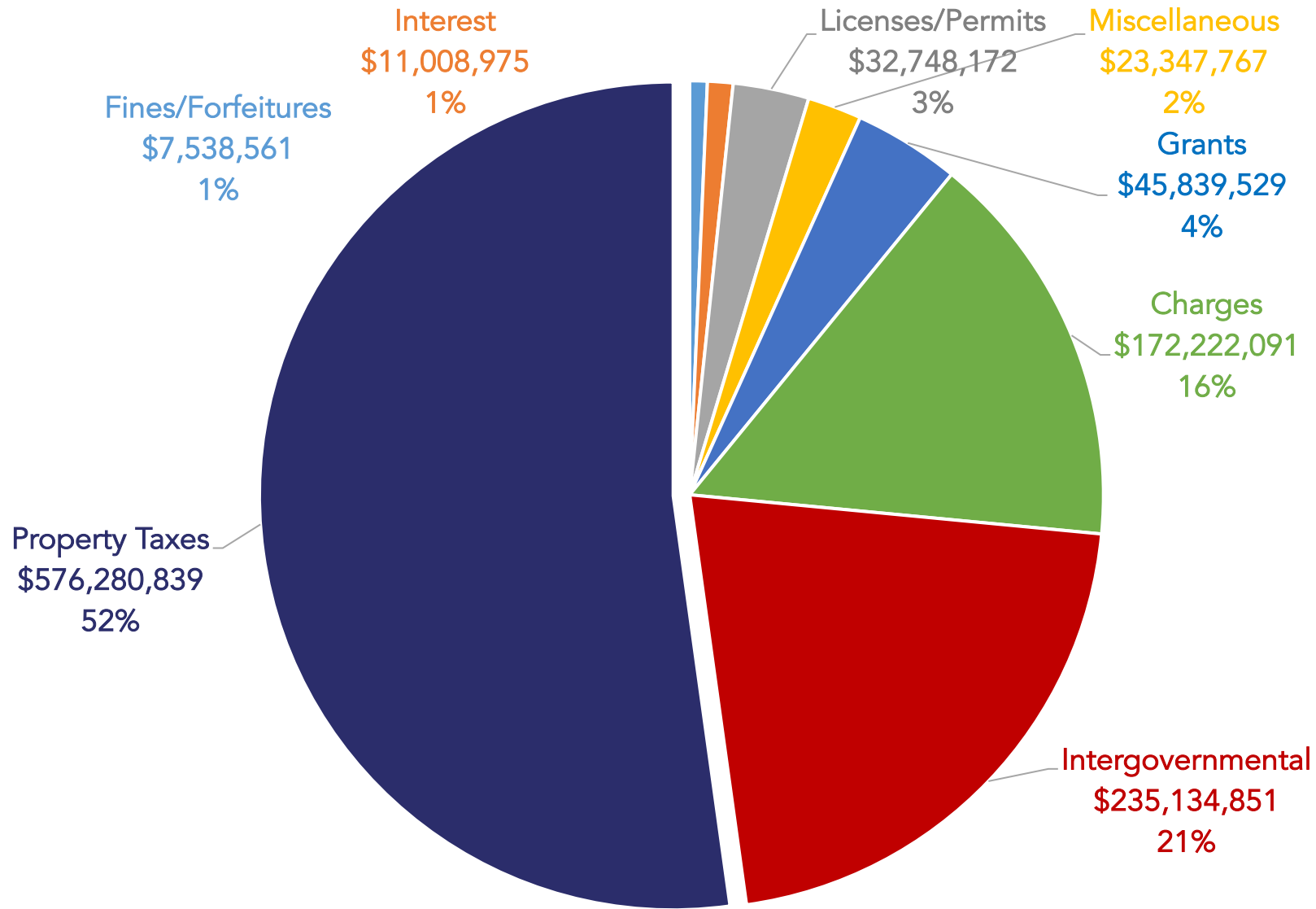


View: Total

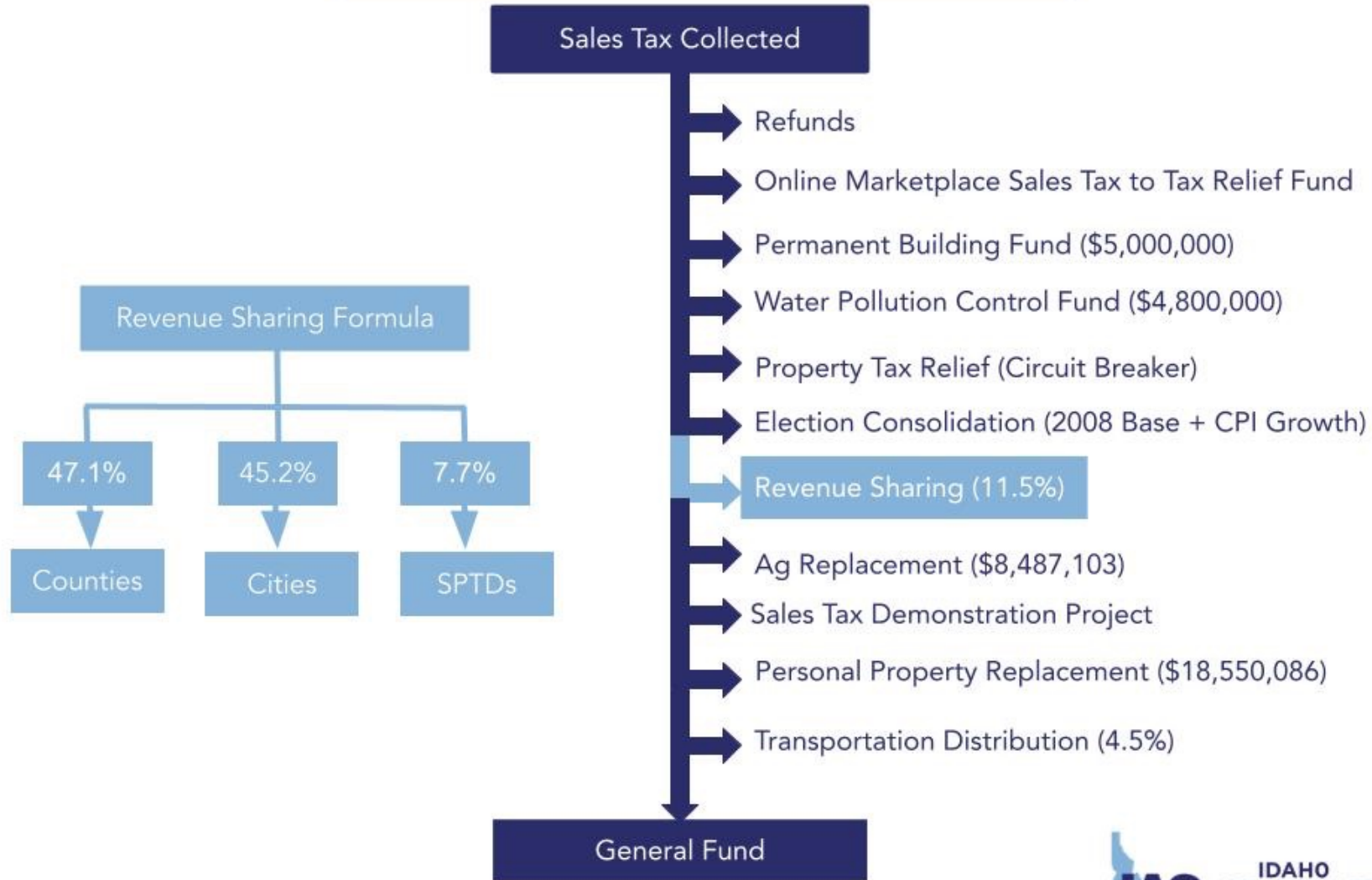


All Counties

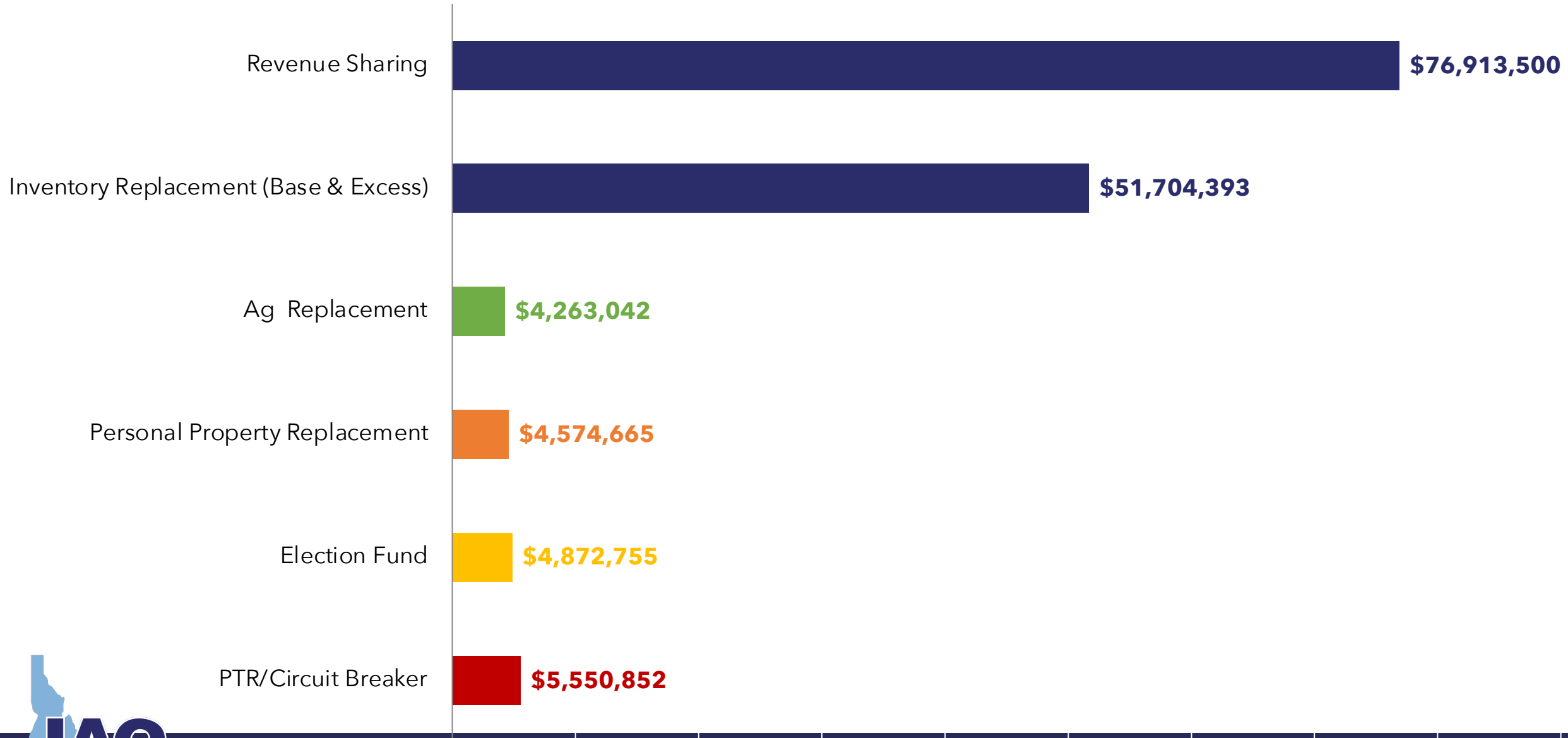




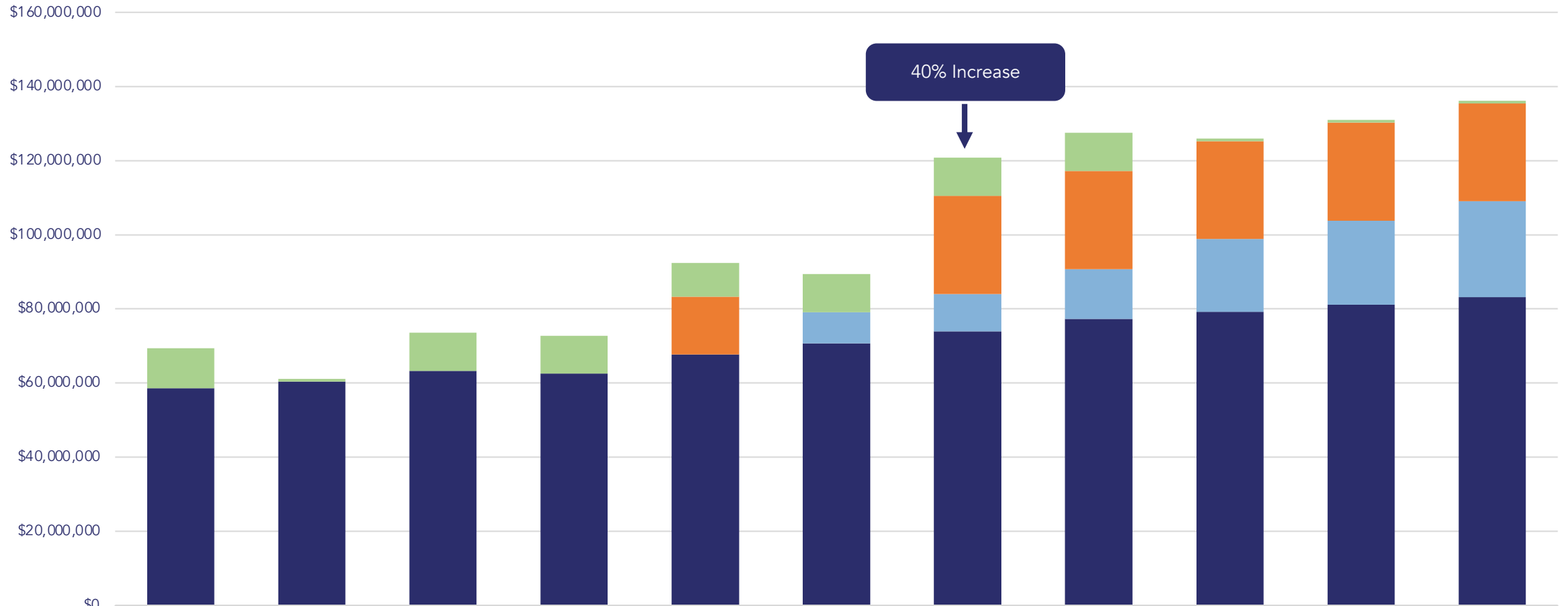
Sales Tax Distribution Flow Chart



Sales Tax Distribution to Counties, 2021



State and Federal Transportation Revenues to Counties, 2017-2027 (Est)

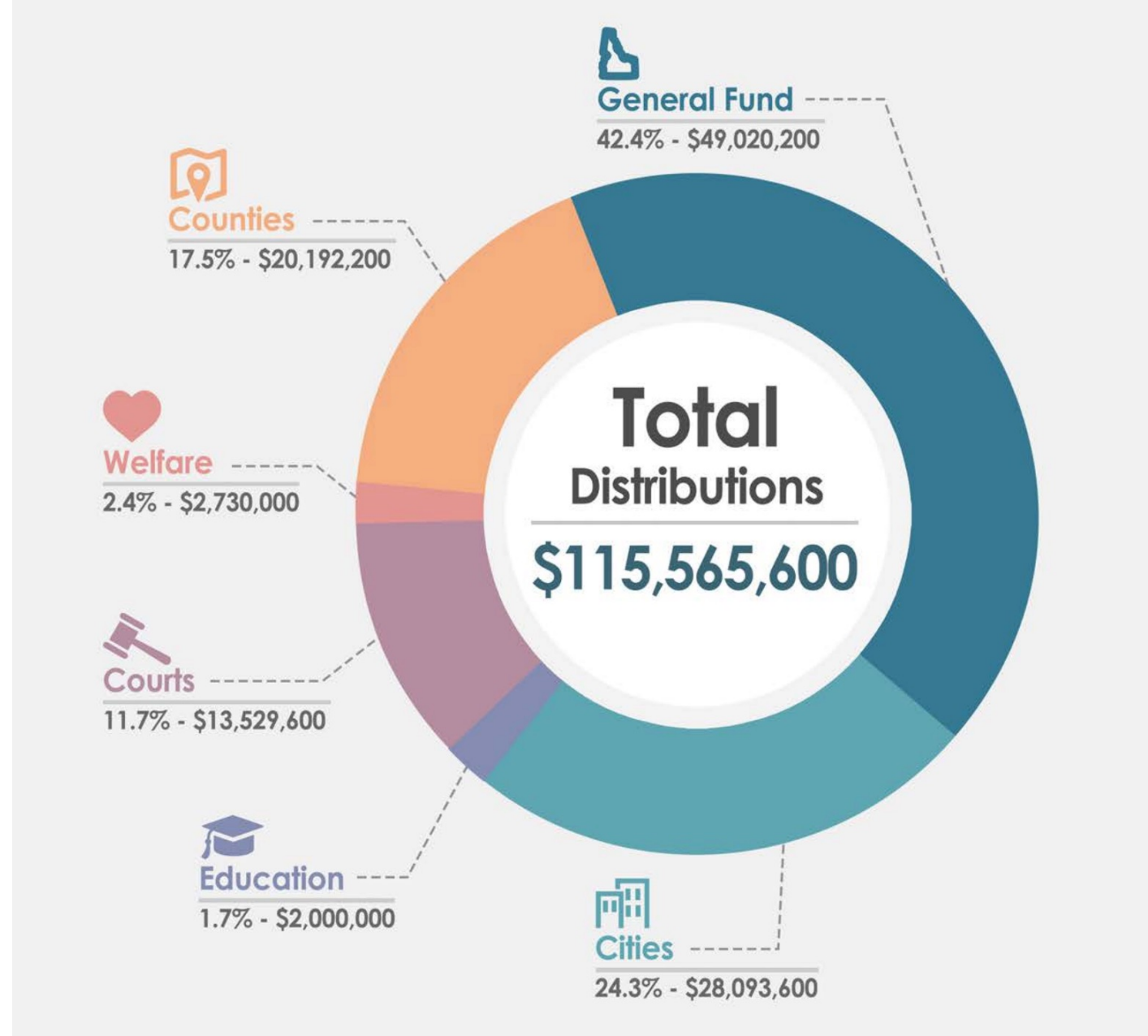


	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Secure Rural Schools Title I	\$10,809,603	\$745,879	\$10,320,793	\$10,149,961	\$9,096,066	\$10,320,793	\$10,320,793	\$10,320,793	\$745,879	\$745,879	\$745,879
General Fund	\$0	\$0	\$0	\$0	\$15,558,550	\$0	\$26,400,000	\$26,400,000	\$26,400,000	\$26,400,000	\$26,400,000
TECM (4.5% of Sales Tax)	\$0	\$0	\$0	\$0	\$0	\$8,402,239	\$10,139,590	\$13,519,102	\$19,679,259	\$22,674,411	\$25,864,248
Highway Distribution Account	\$58,587,095	\$60,417,613	\$63,212,771	\$62,530,455	\$67,680,326	\$70,725,941	\$73,908,608	\$77,234,496	\$79,165,358	\$81,144,492	\$83,173,104

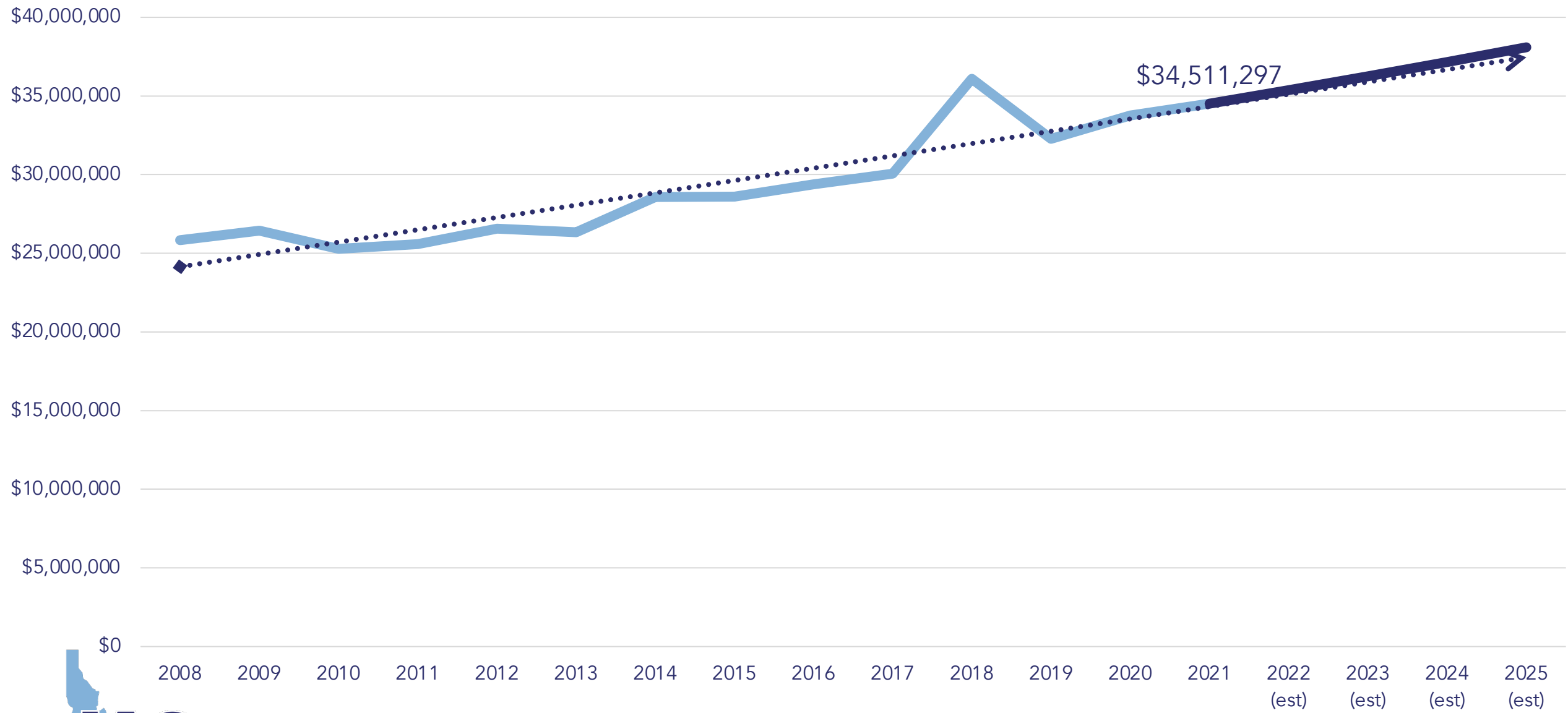


State Liquor Fund

- In 2022 counties received \$20.2 million in distributions from the state liquor fund

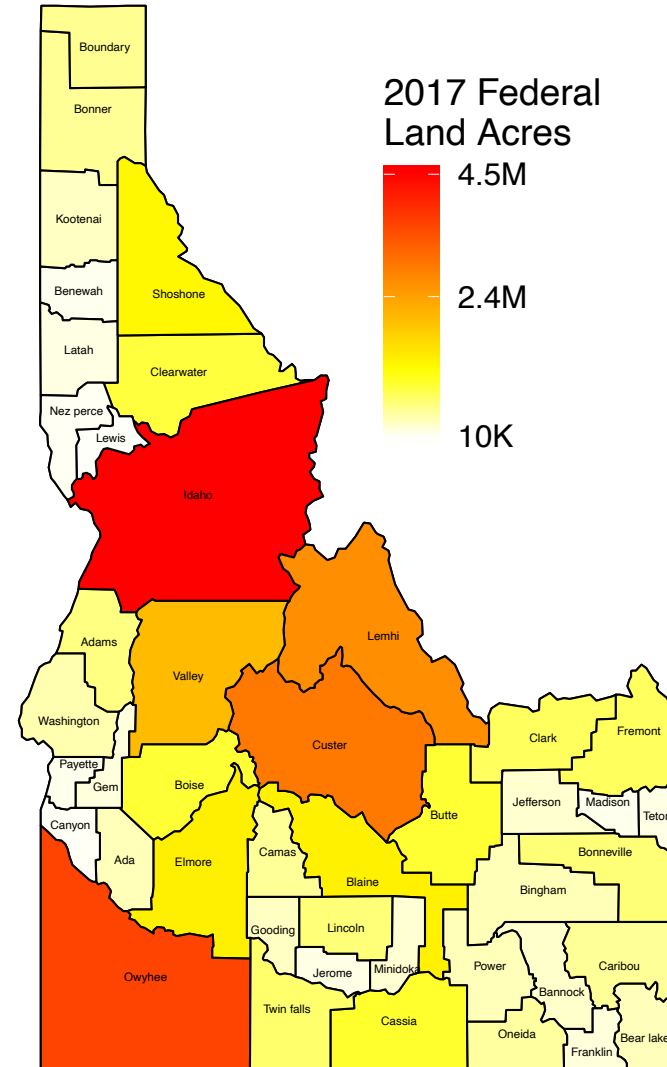


PILT Payments to Idaho Counties, 2008-2025 (Est)



Why PILT?

- 63% of land in counties is is federally managed and tax exempt
- 97% of Custer County is federally managed



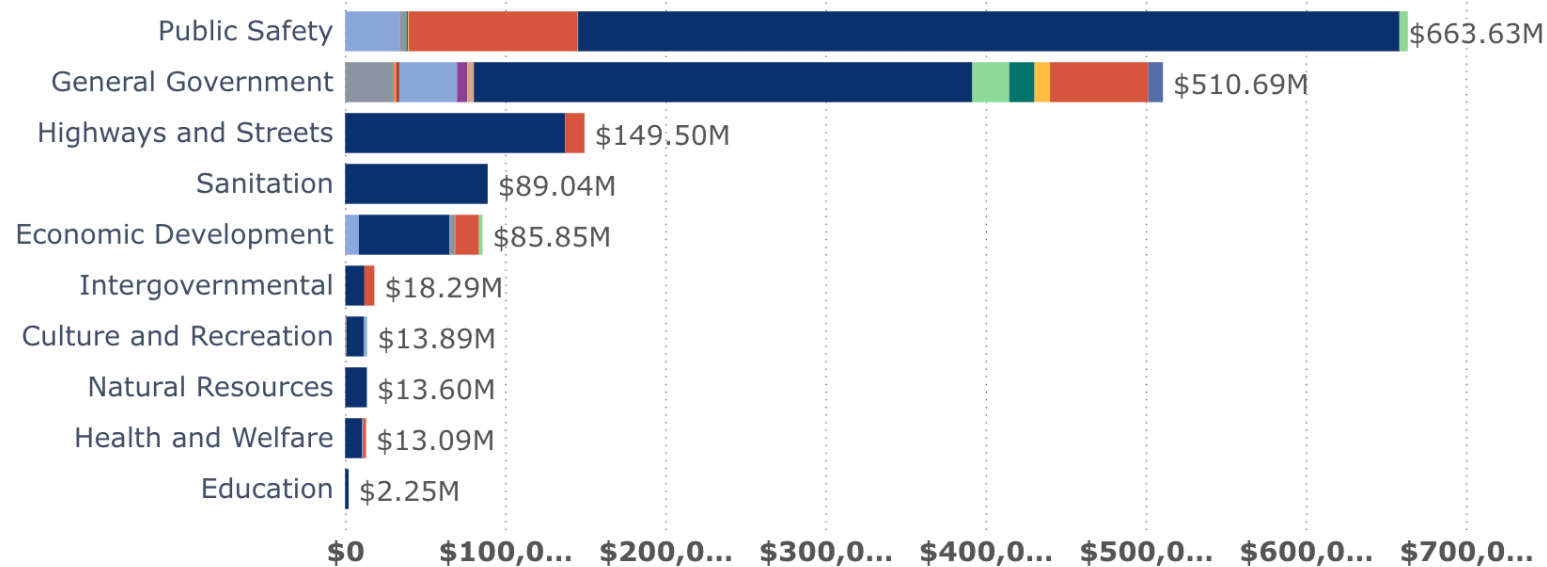
County Expenditures

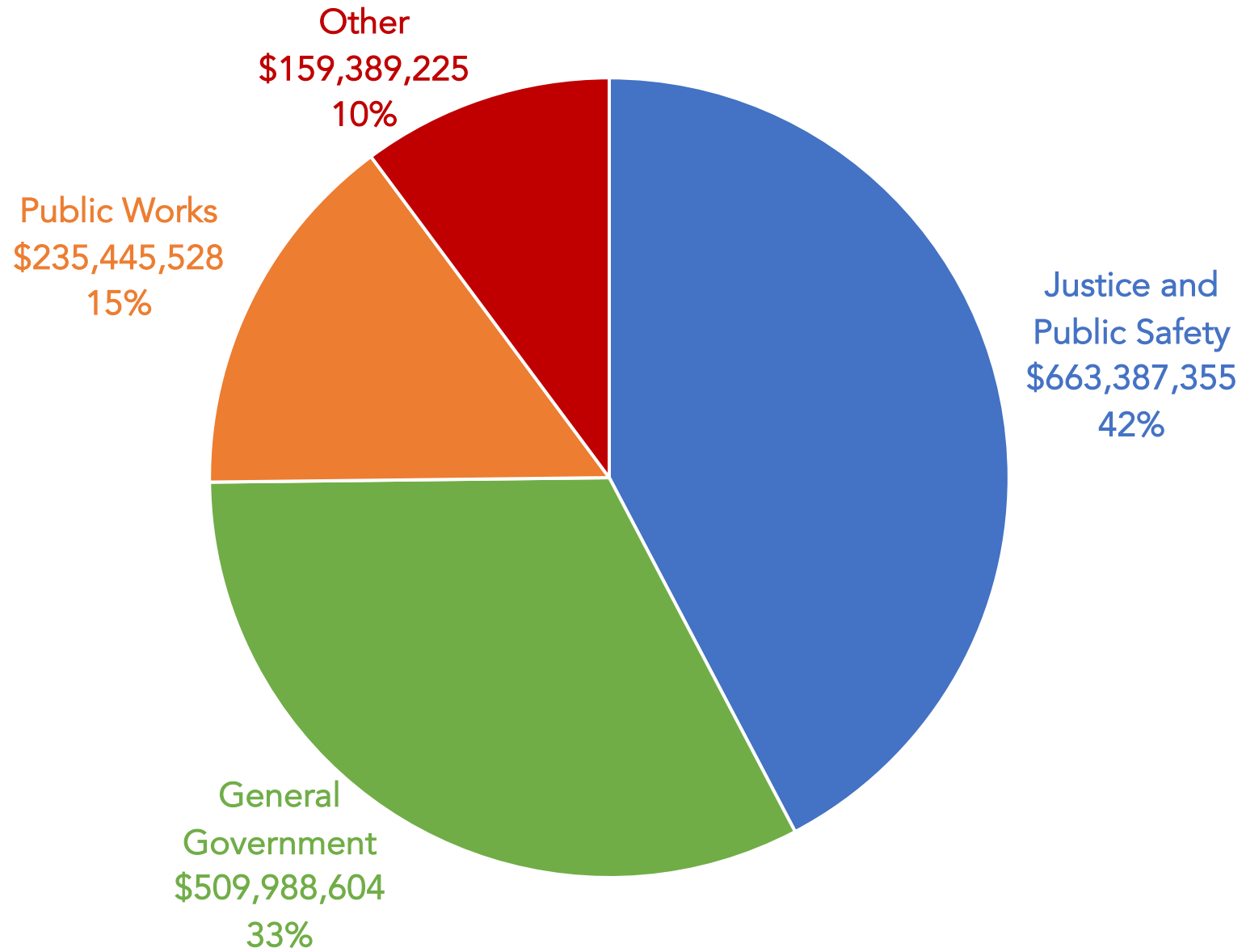
Fiscal Year: 2022
County: All

View: Total (selected), Percent

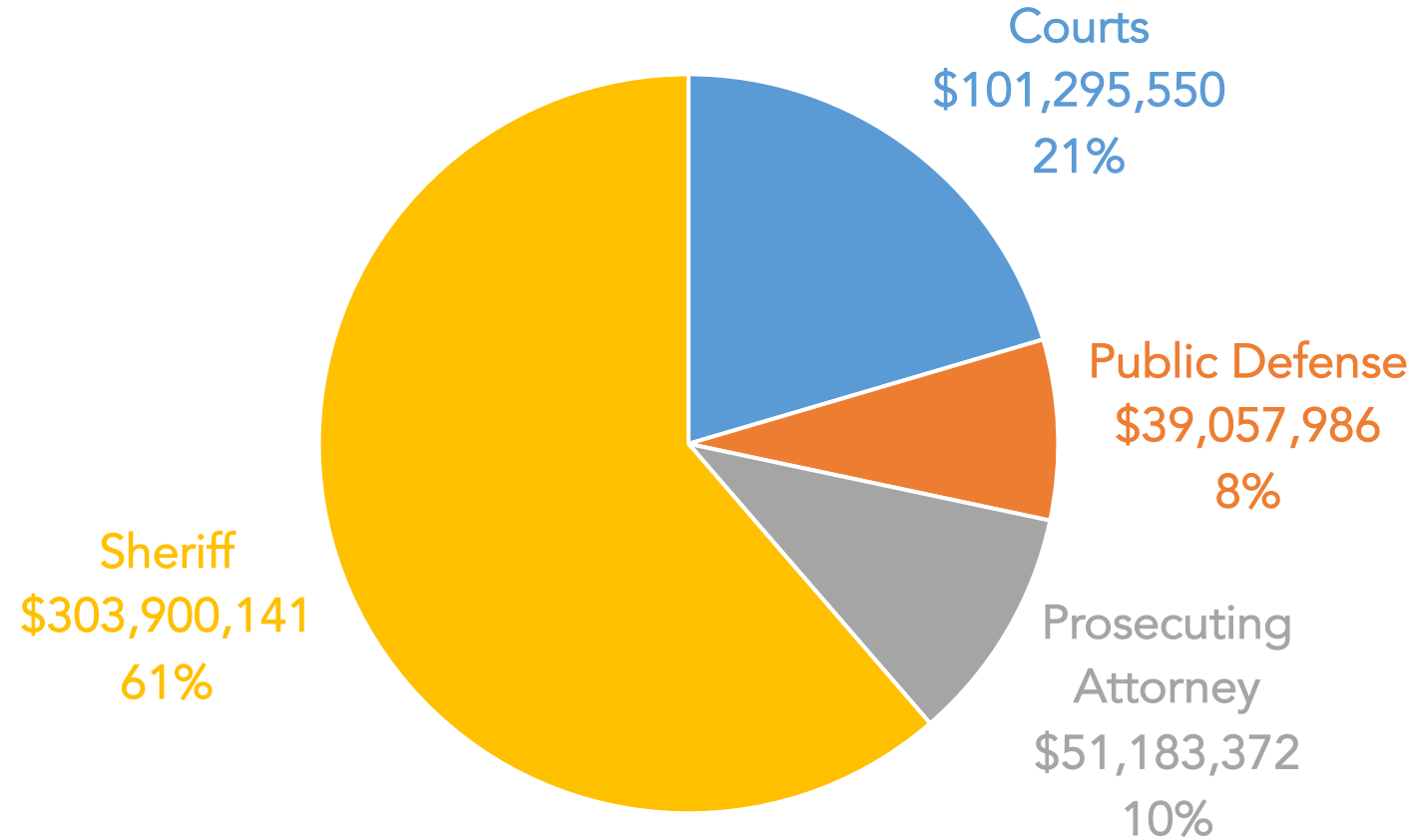


All Counties

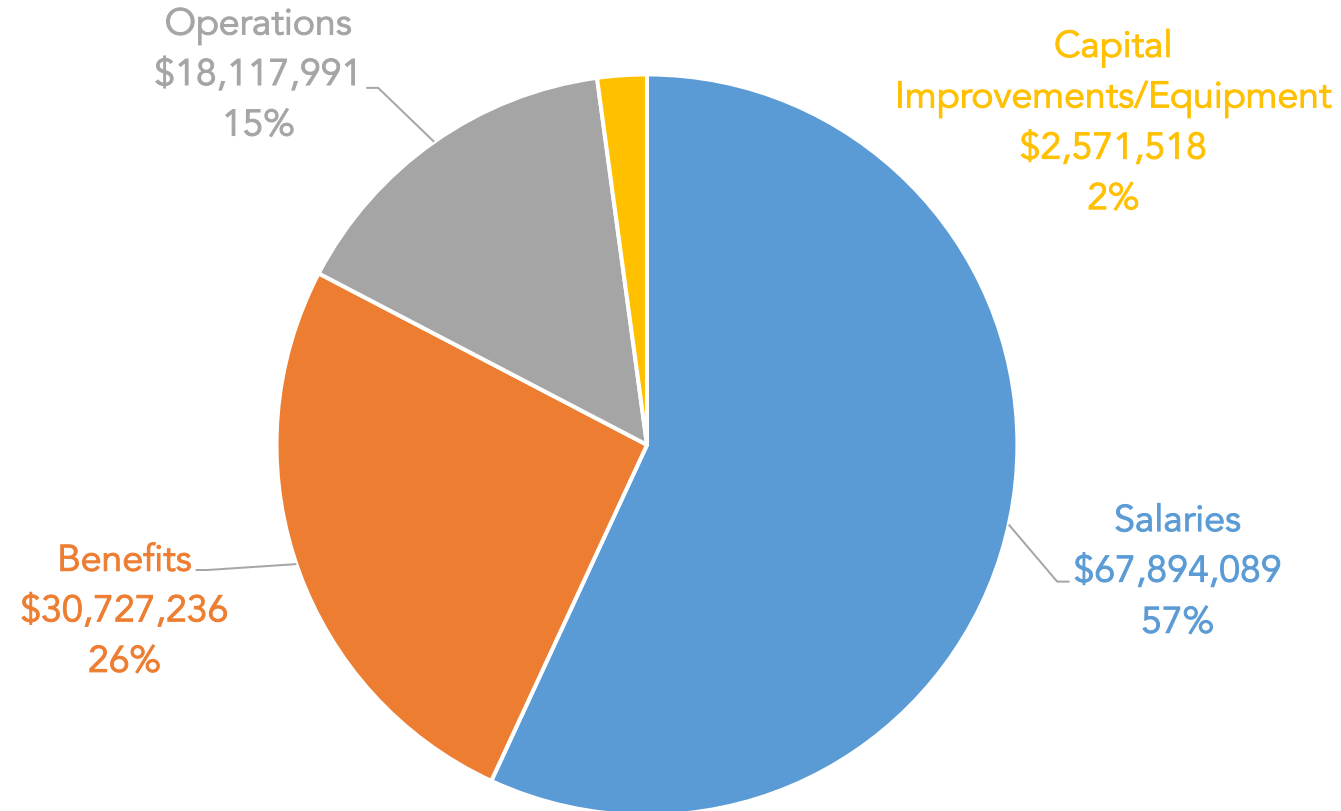




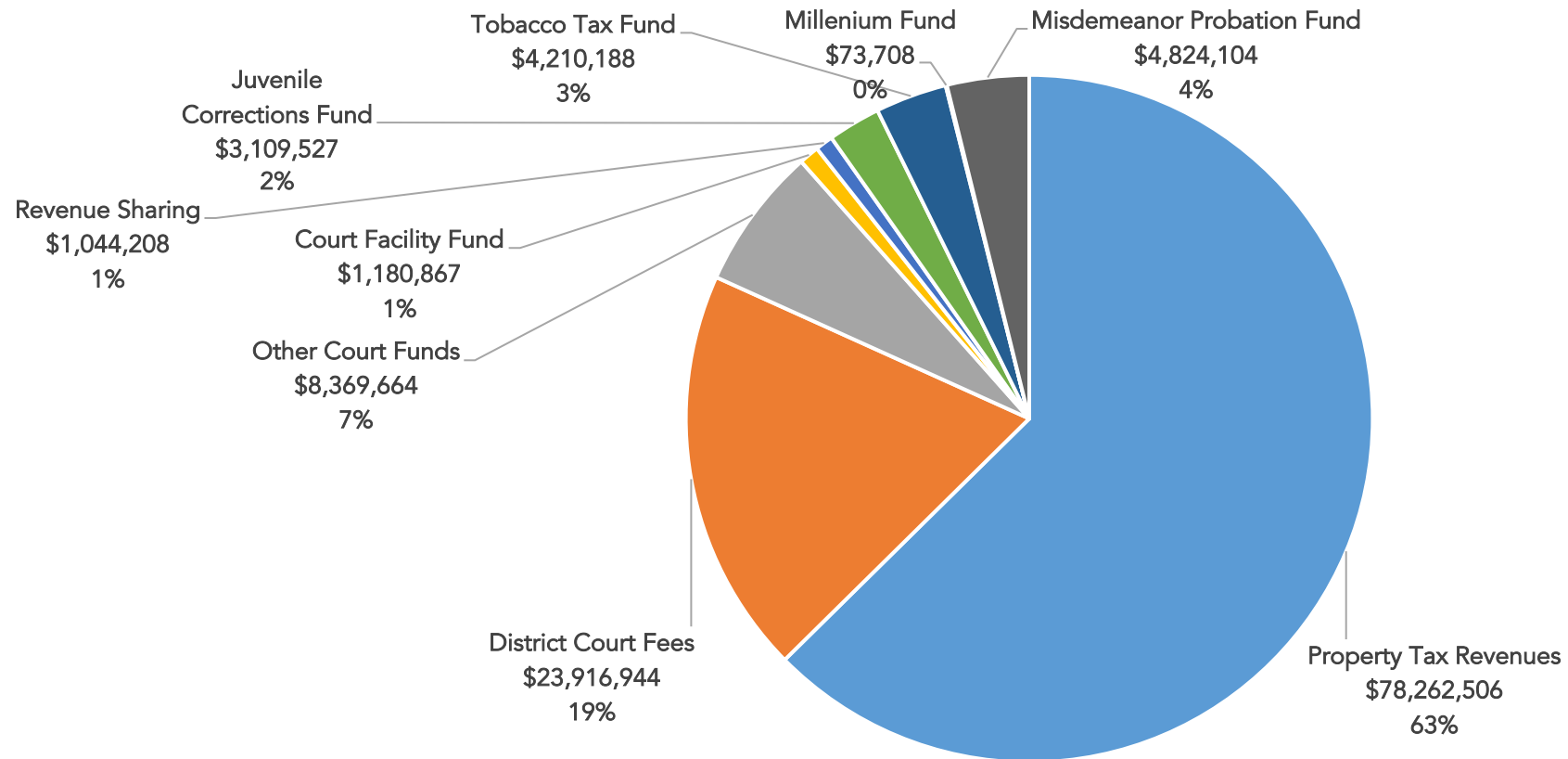
County Criminal Justice Expenses (2019)

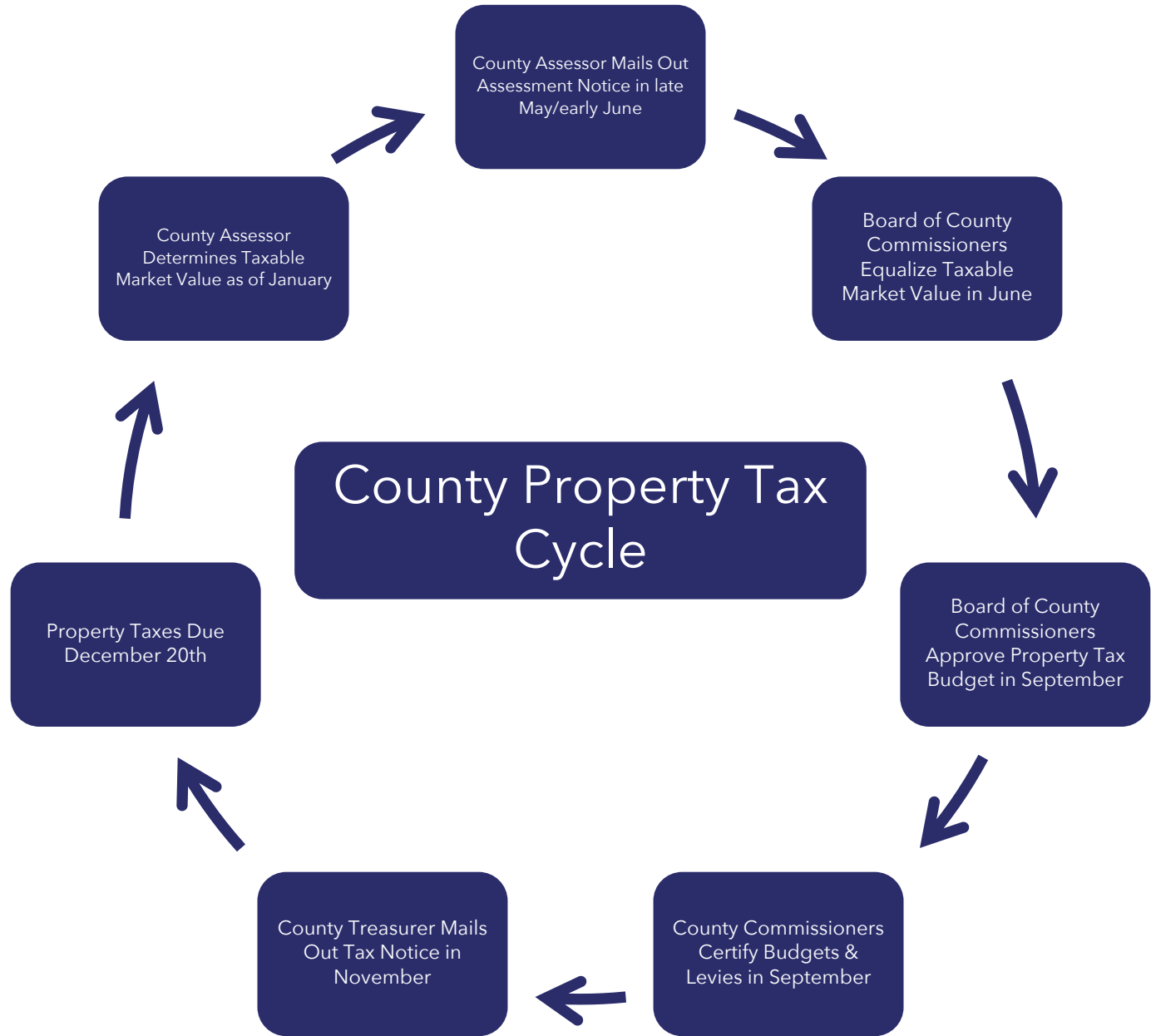


District Court Expenses (2021)

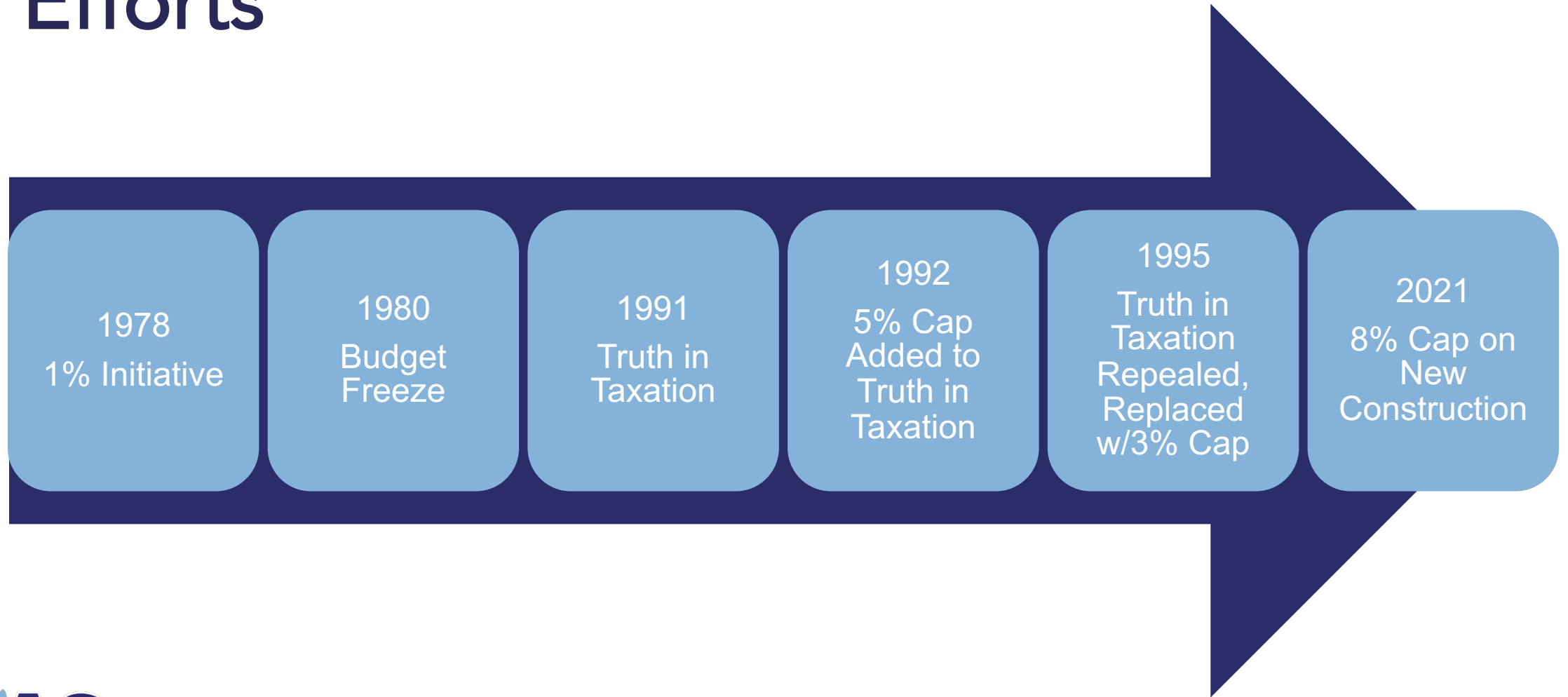


District Court Revenues (2021)





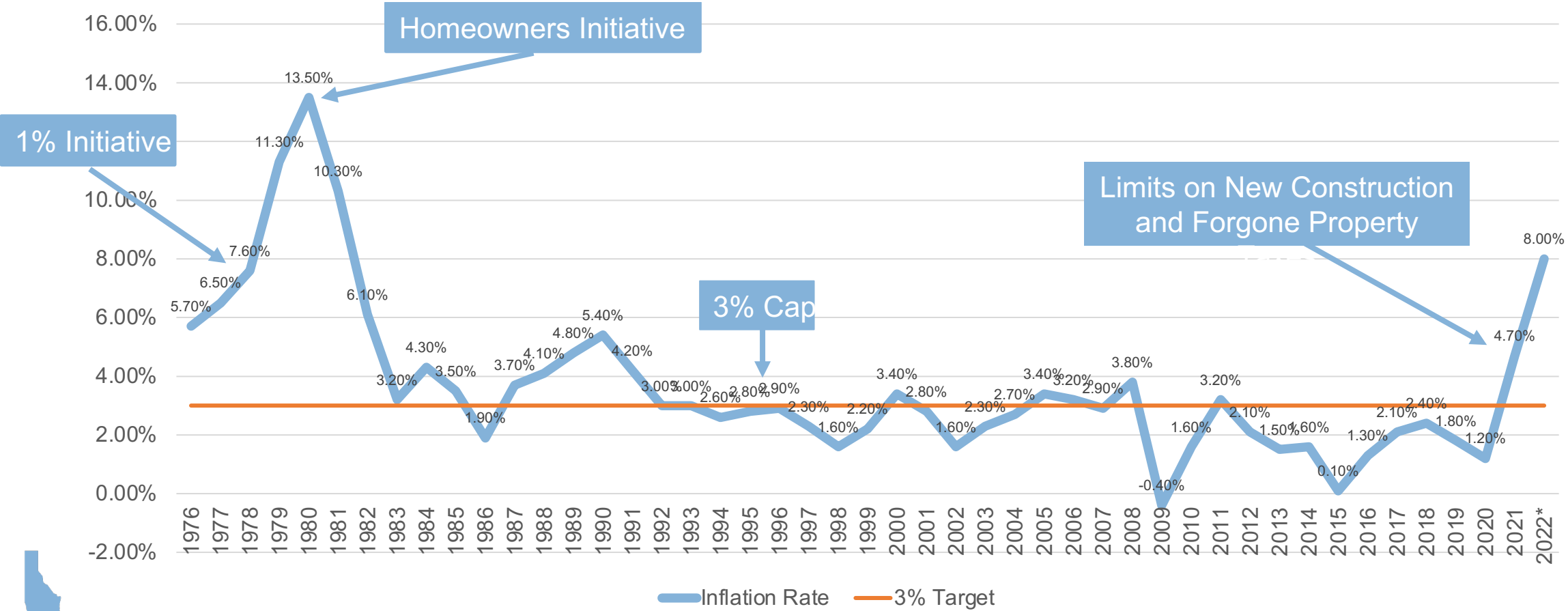
Major Legislative Property Tax Reform Efforts



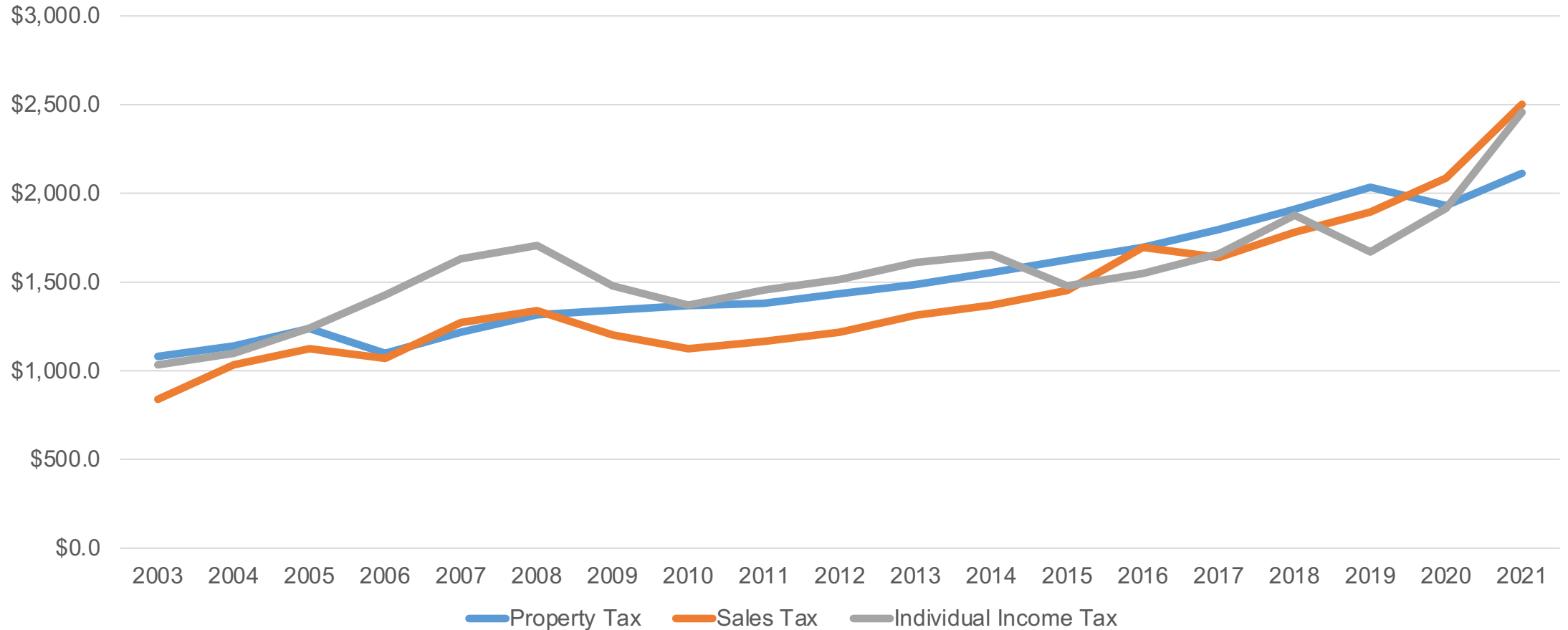
Homeowners Exemption History

- Established by voter initiative in 1980 (50% of property value up to \$50,000)
- 2006: Legislature increased the exemption to 50% of property value up to \$75,000 and indexed annually
- 2016: Legislature increased the exemption to 50% of property value up to \$100,000 and removed the annual index
- 2020: Legislature increased the exemption to 50% of property value up to \$125,000 (without indexing)

Annual Inflation (CPI), 1976-2022

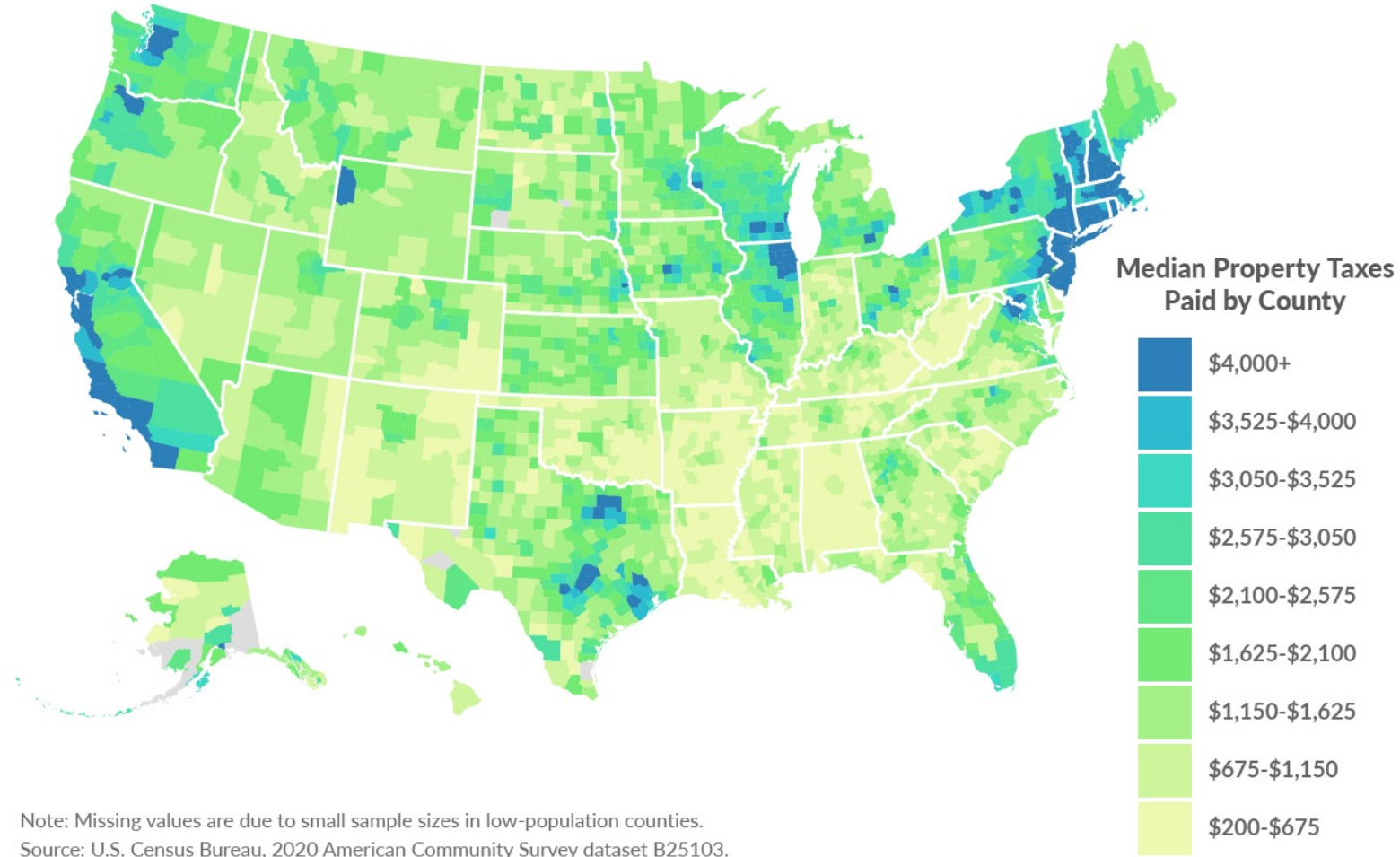


State and Local Tax Collections, 2003-2021



Where Do People Pay the Most in Property Taxes?

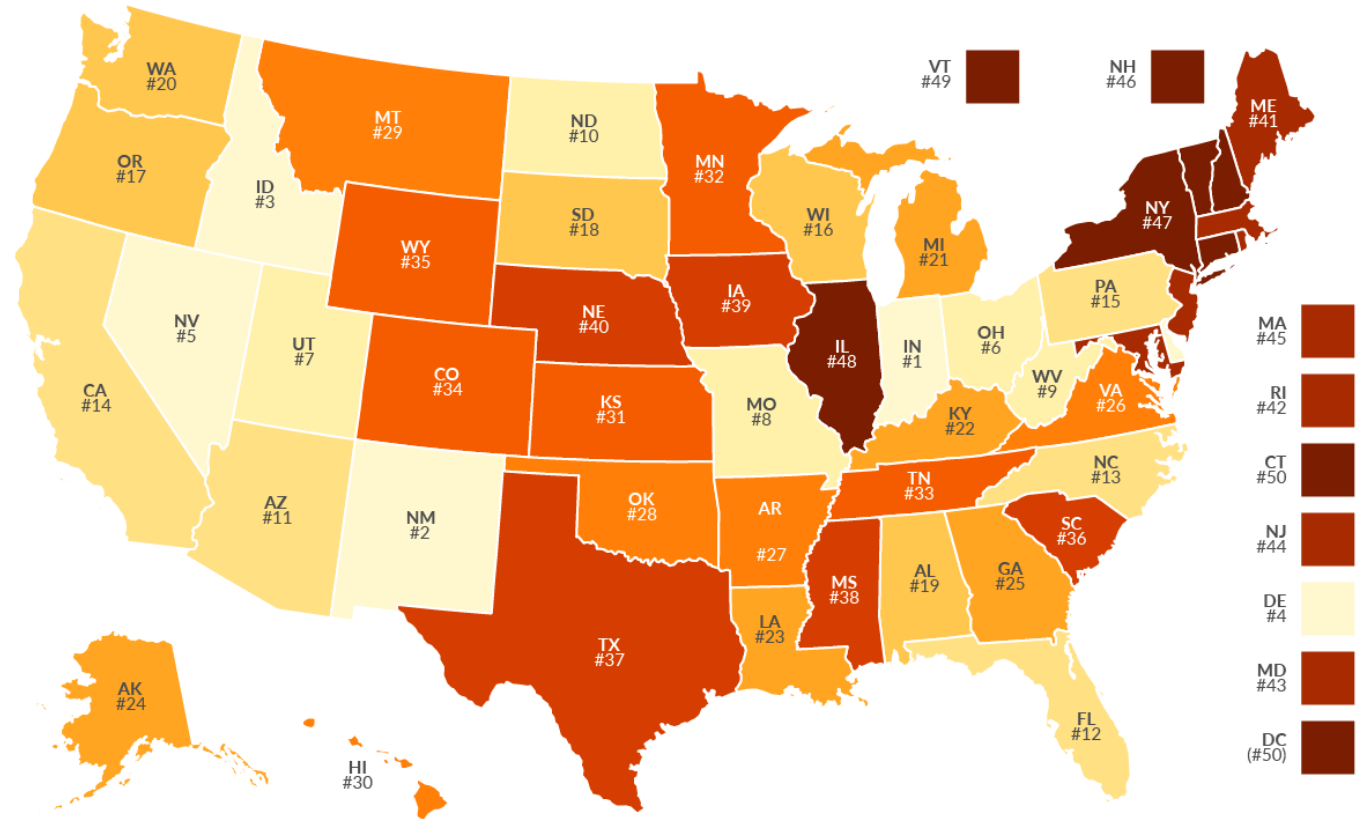
Median Property Taxes Paid by County, 2020 (5-year Estimate)



Note: Missing values are due to small sample sizes in low-population counties.
Source: U.S. Census Bureau, 2020 American Community Survey dataset B25103.

How Does Your State Rank on Property Taxes?

Property Tax Component Rankings, 2022 State Business Tax Climate Index



Note: A rank of 1 is best, 50 is worst. D.C.'s score and rank do not affect other states. The report shows tax systems as of July 1, 2021 (the beginning of Fiscal Year 2022). Source: Tax Foundation, 2022 State Business Tax Climate Index.

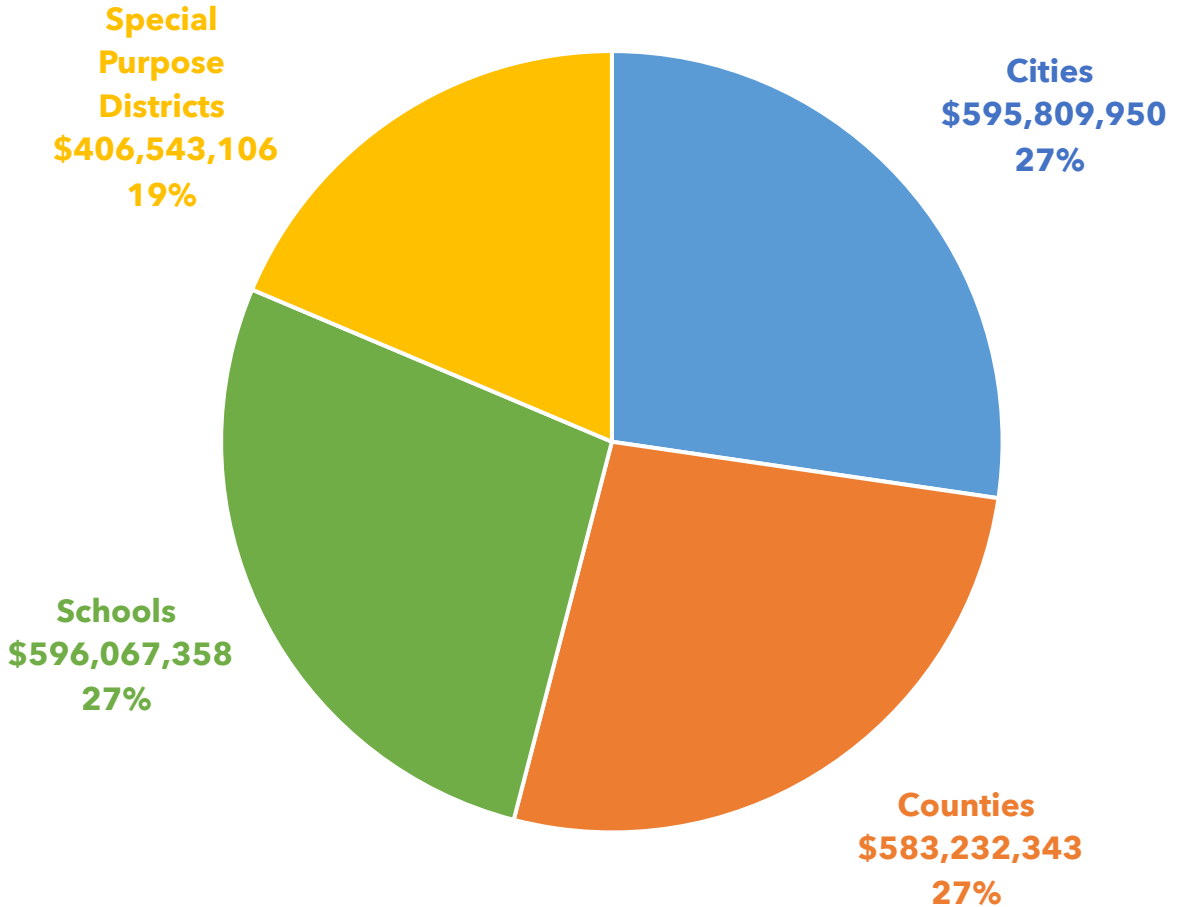


TAX FOUNDATION

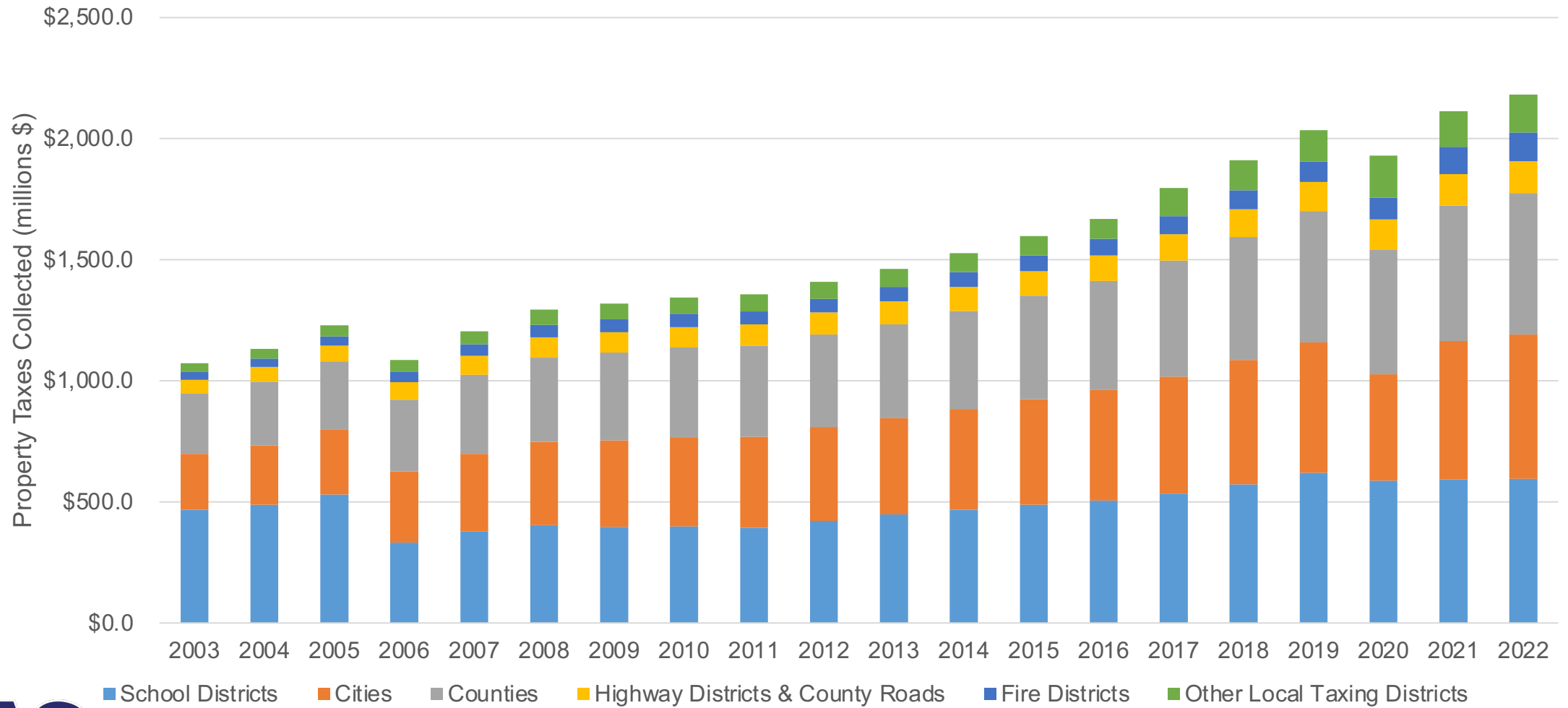
@TaxFoundation

IDAHO
ASSOCIATION OF
COUNTIES

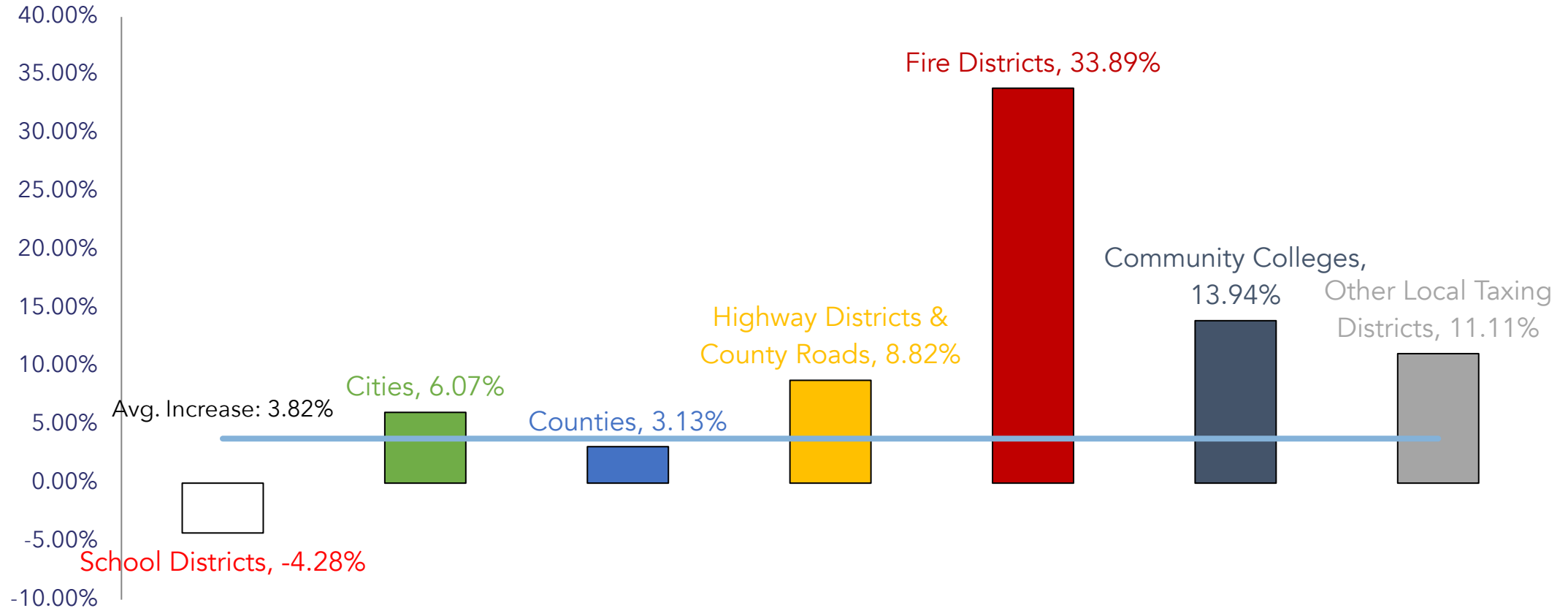
Allocation of Property Taxes (2022)



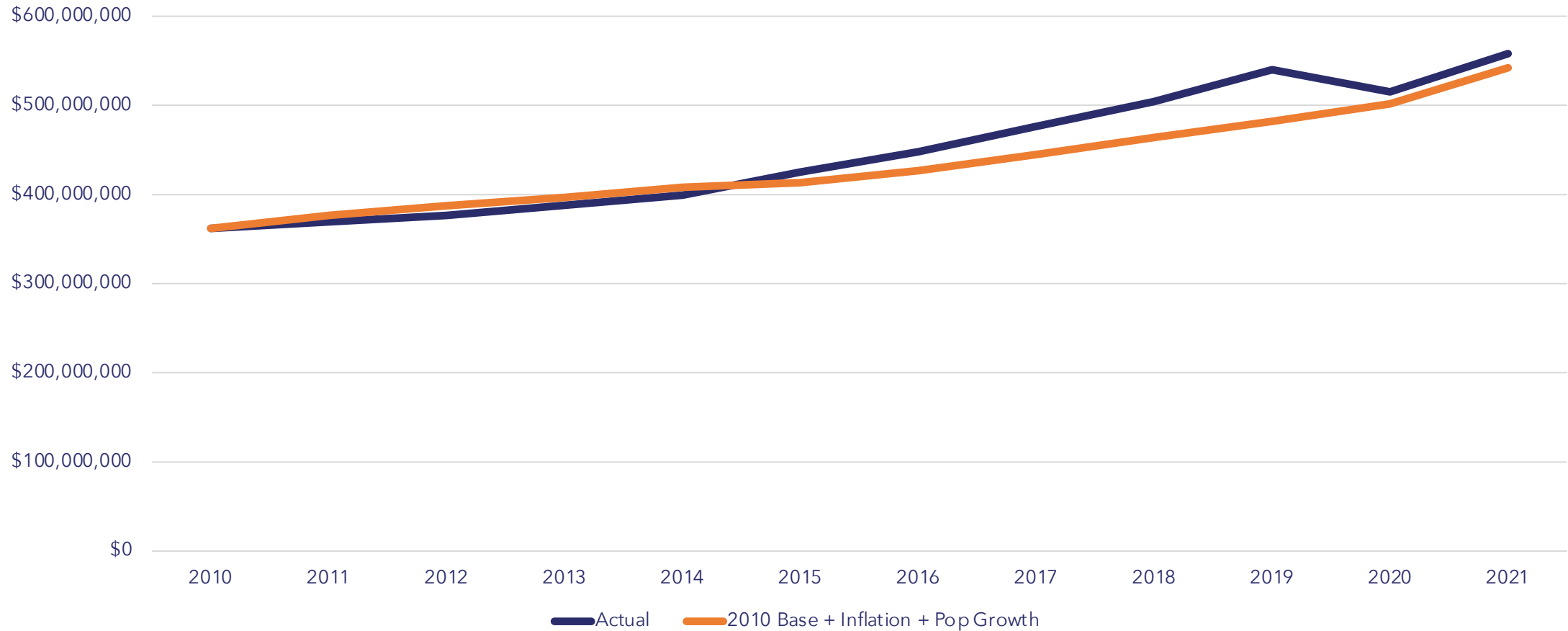
Statewide Property Taxes Collected (2003-2022)



Property Tax Budget Growth, 2019-2021



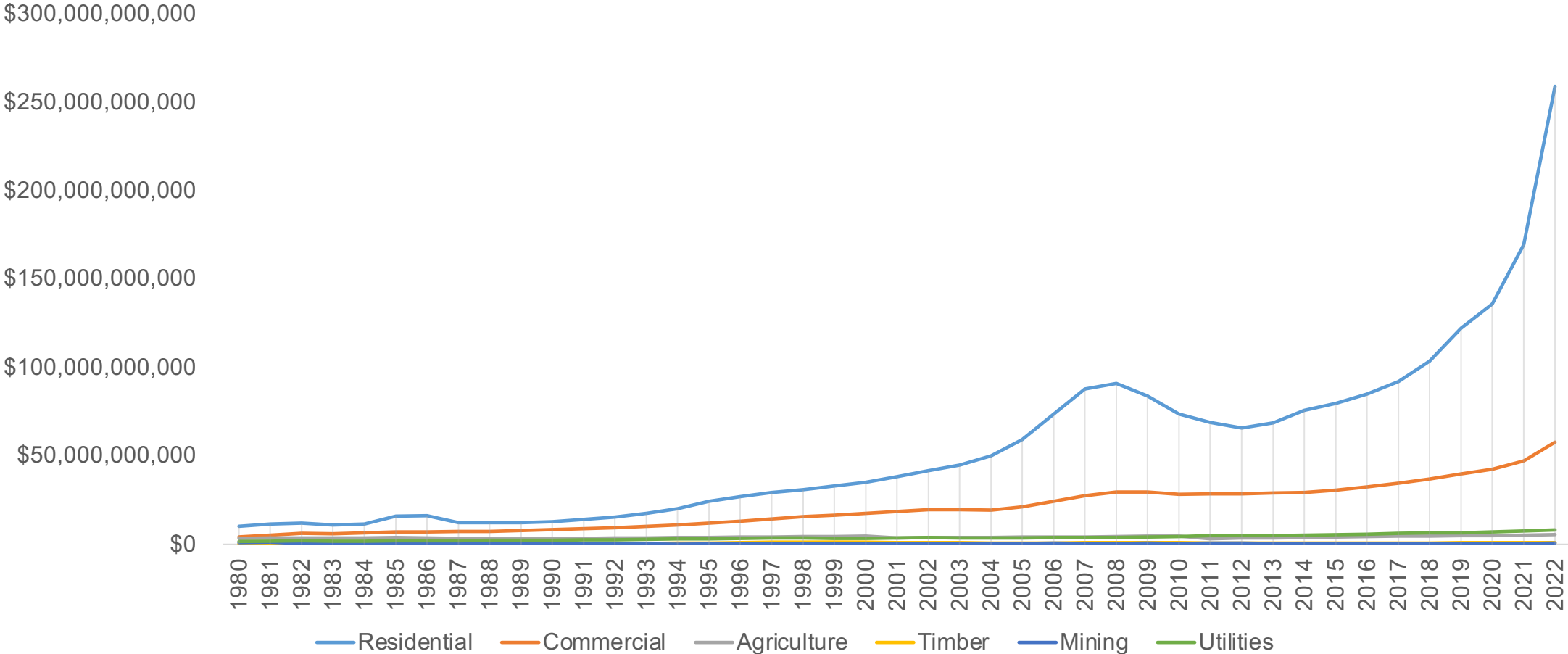
County Property Tax Budget Growth vs Inflation + Population Growth



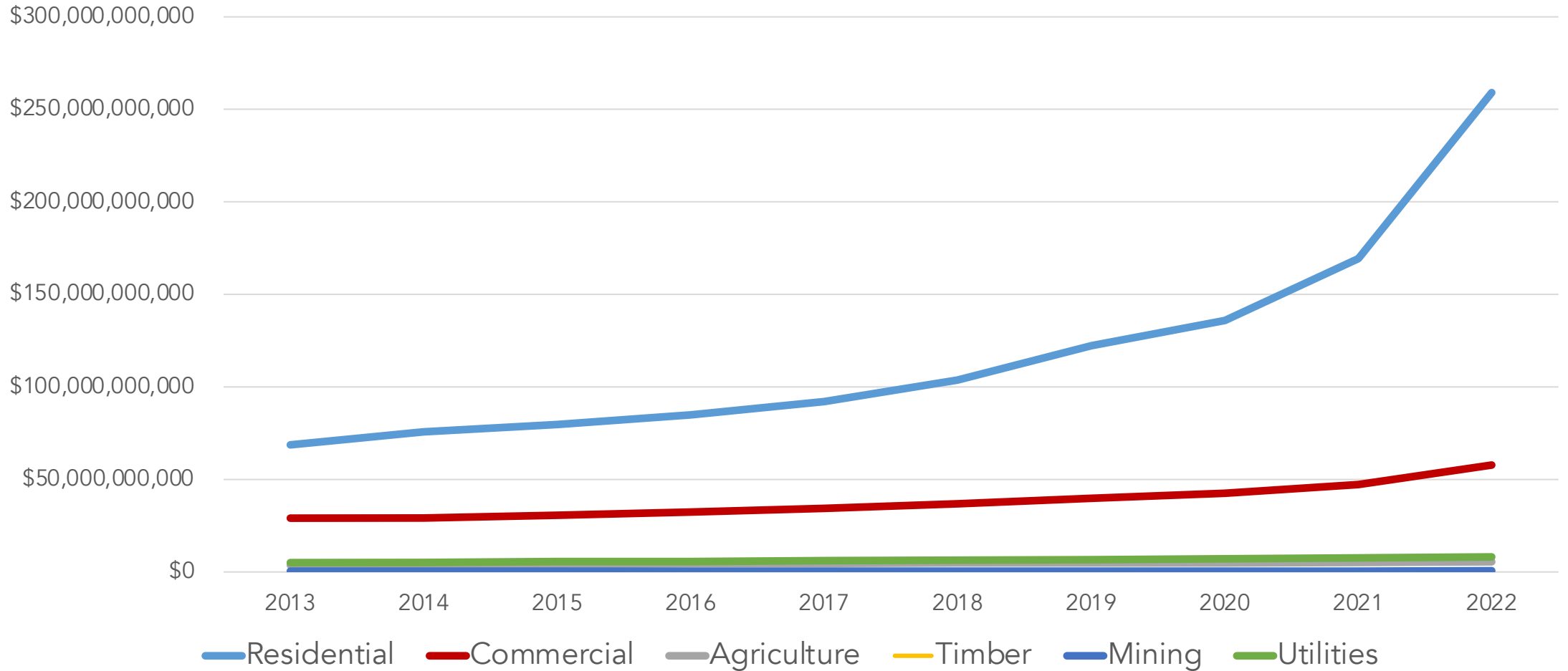
Assessment process

- Taxes to be uniform
- Market value state
- Annual ratio studies
- Alternative methodologies are used for some classes of property (indexes, cost approach, income approach, sales approach, etc.)

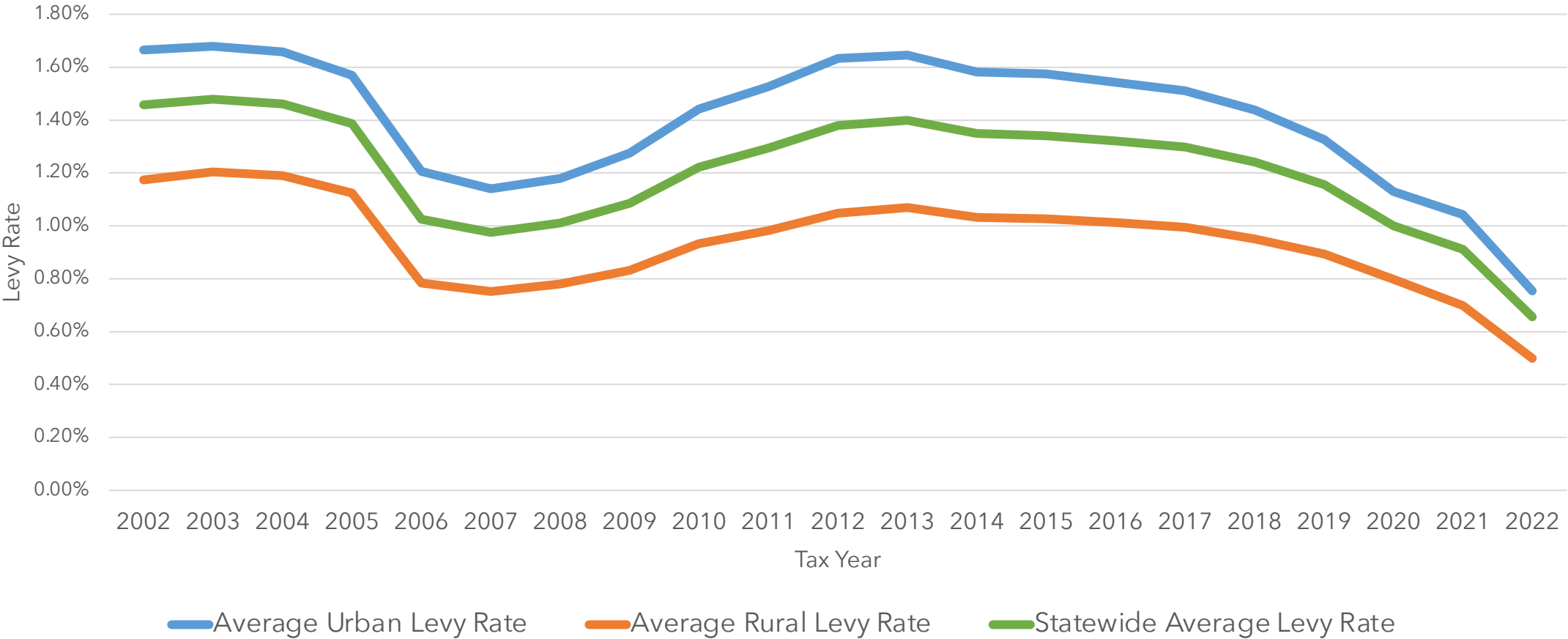
Taxable Market Valuation (1980-2022)



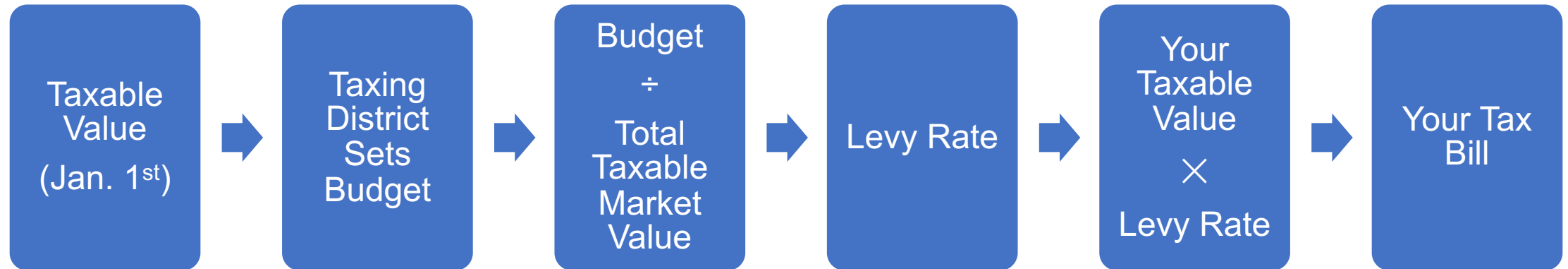
Market Valuation (2013-2022)



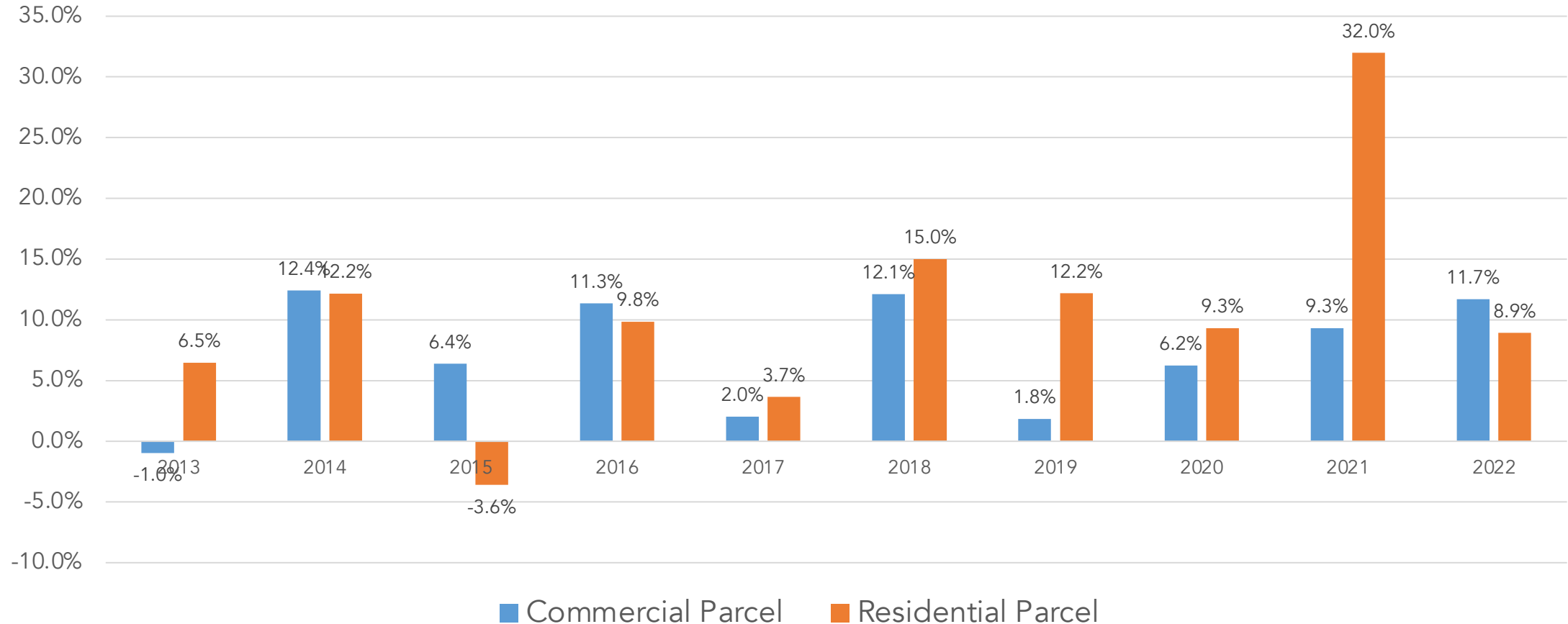
Average Levy Rates (2002-2022)



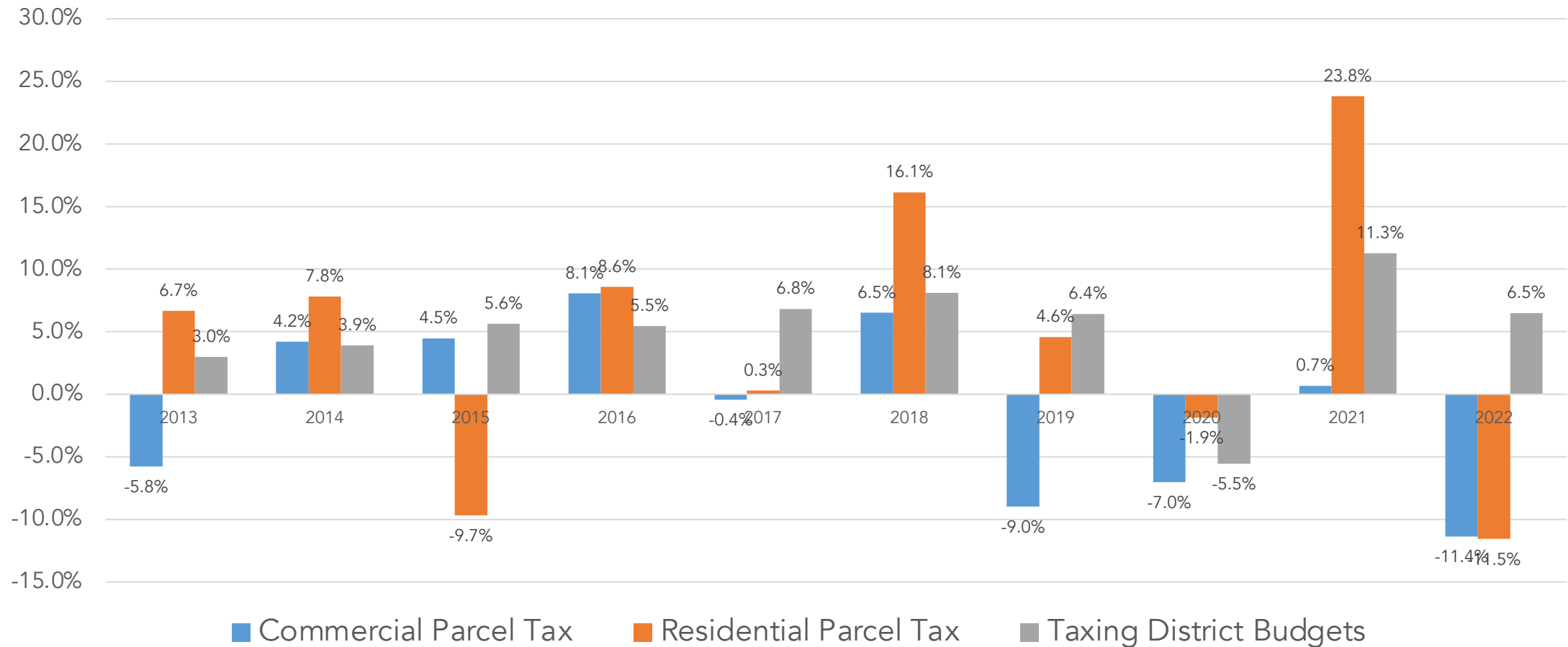
How Your Tax Bill is Calculated



Comparing Change in Market Value of One Commercial Parcel and One Residential Parcel



Comparing Taxes Paid of One Residential Parcel and One Commercial Parcel in Ada County



The 3% Cap

- A taxing districts base budget may increase by up to 3% of the highest property tax budget from the prior three years

Example

- 2020 Property Tax Budget = \$98
- 2021 Property Tax Budget = \$100
- 2022 Property Tax Budget = \$99

- What is the 2023 3% max budget?
- Answer: \$103

New Construction

- **New Construction**: Taxing district budget capacity in excess of 3% cap due to new development
- **Preliminary Levy Rate**: Estimated levy rate for ensuing tax year
- **To Calculate**:
 - Step 1: Multiply new construction value by 90%
 - Step 2: Multiply 90% of new construction value by the preliminary levy rate
 - Step 3: Product is added to a taxing districts base budget capacity

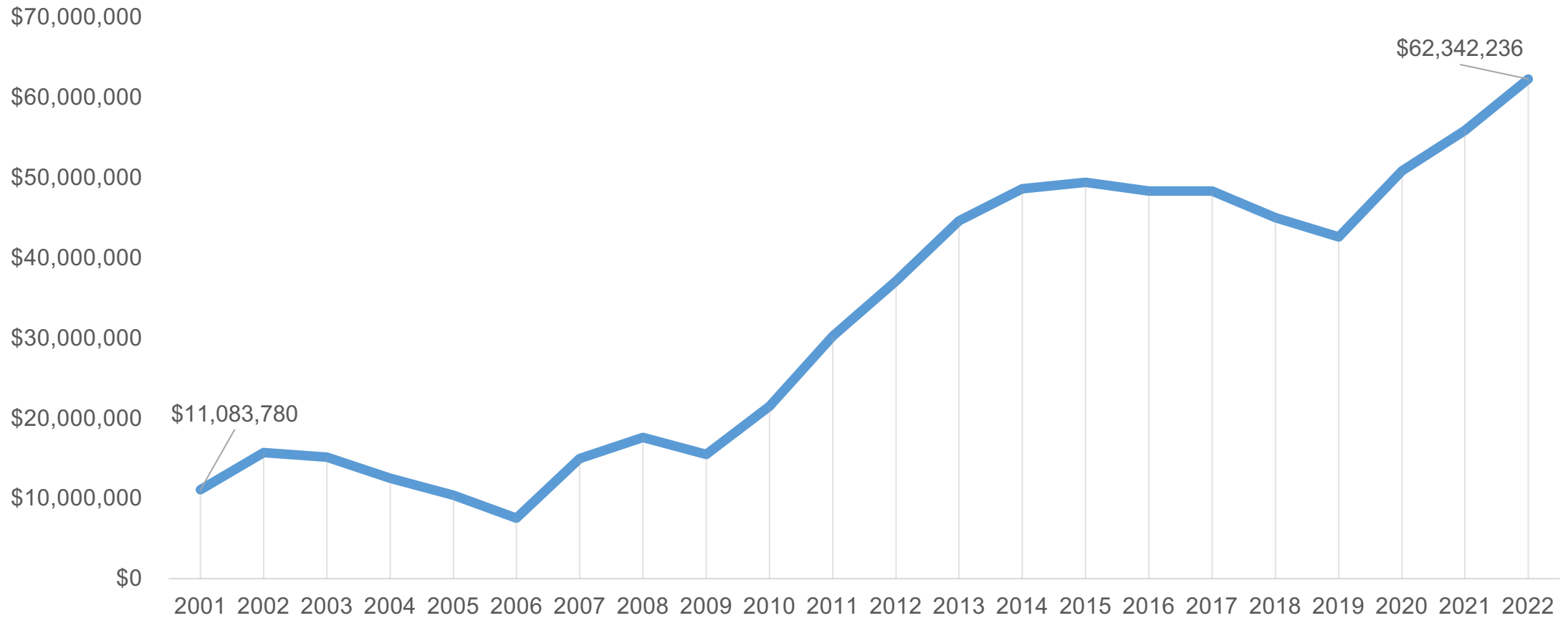
The 8% Cap

- A taxing district's budget may not increase by more than 8% including new construction

Forgone Property Taxes

- Property taxes that are not levied may be reserved for future budget purposes
- A taxing district may not increase its base property tax budget by no more than 1% per year from previously forgone property taxes

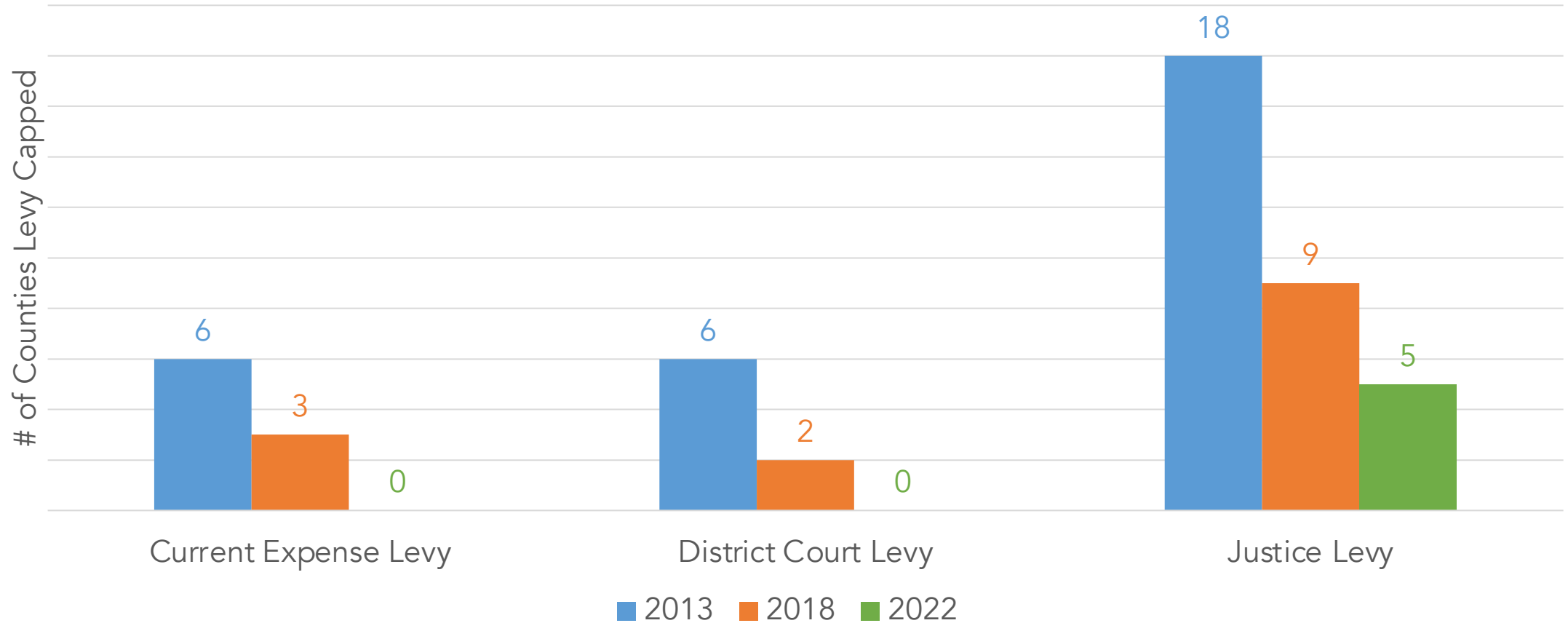
County Forgone Property Taxes (2001-2022)



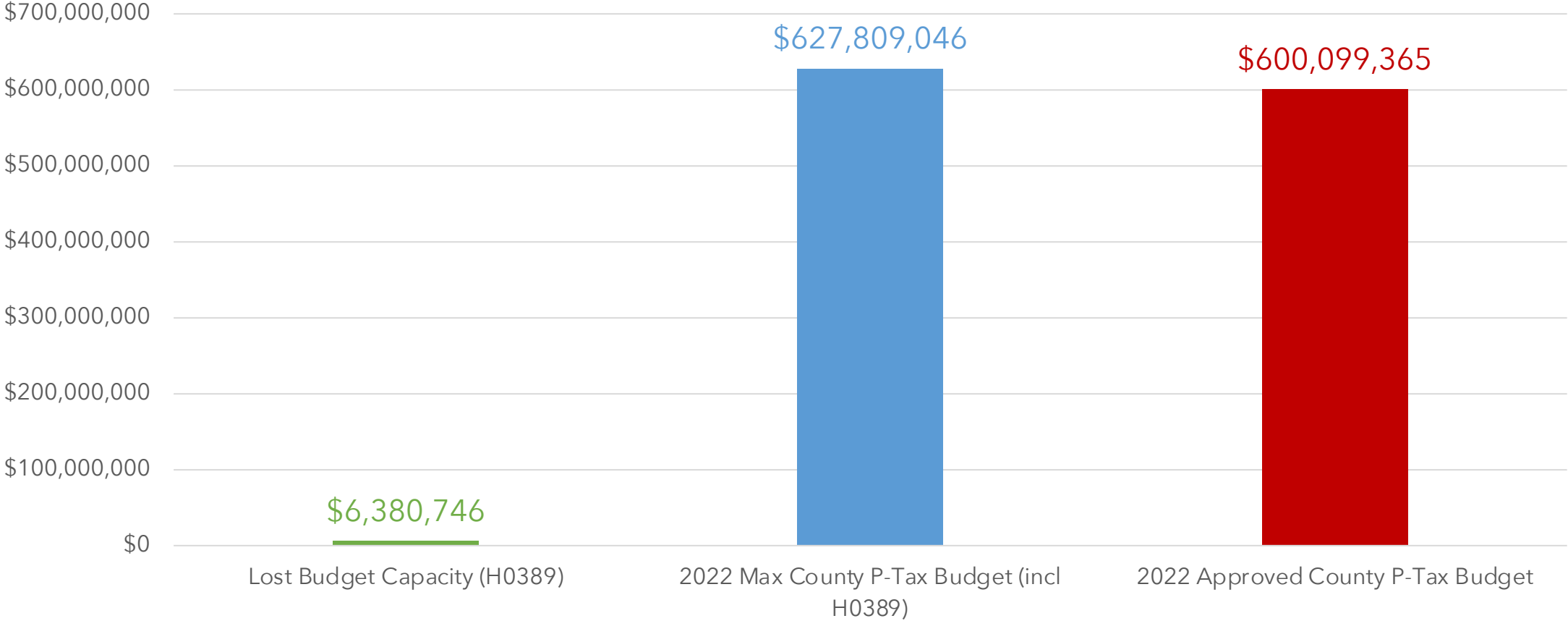
Levy Caps

- Most property tax levies have levy caps
- Levy caps are separate from budget caps
- A taxing district may never exceed statutory levy caps

Impact of Levy Caps on Counties



2022 Max County Property Tax Budgets vs Actual Budgets



County Average Annual Property Tax Growth Rates

- 20 Year Average: 5.0%
- 10 Year Average: 4.5%
- 5 Year Average: 4.2%
- 3 Year Average: 2.7%

Sources

- State Tax Commission
 - <https://tax.idaho.gov/governance/reports-and-statistics/>
- Idaho Transportation Department
 - <https://itd.idaho.gov/funding/?target=advisory-boards>
- State Controller
 - <https://localtransparency.idaho.gov/>
- Department of the Interior
 - <https://www.doi.gov/pilt>
- Legislative Services Office
 - <https://legislature.idaho.gov/fiscal-dashboards/>

AMENDED AGENDA #1
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Thursday, February 09, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>RS 30305C1</u>	Relating to Aviation	Senator Okuniewicz
<u>RS 30276</u>	Relating to Homeowner Property Tax Relief	Senator Grow
<u>RS 30121C1</u>	Relating to Income Taxation	Senator Foreman
<u>RS 30265</u>	Relating to Impact Areas and Annexations	Senator Lakey
<u>RS 30301</u>	Relating to Political Subdivisions	Senator Okuniewicz

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, February 09, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:00 p.m.

Chairman Ricks requested unanimous consent to rearrange the agenda. 1. **RS 30265**, 2. **RS 30276**, 3. **RS 30305C1**, 4. **RS 30301**, and 5. **RS 30121C1**.

RS 30265 **Relating to Impact Areas and Annexations.** **Senator Lakey** presented **RS 30265**. He stated that this bill was the result of meetings with cities, counties, contractors, realtors, commissioners, mayors and other legislators. **Senator Lakey** explained that this legislation noted that areas of impact were legislative actions and that the county had jurisdiction in making decisions relating to areas of impact. The legislation acknowledged that cities may adopt a comprehensive plan and conduct infrastructure, capital improvement, and other planning activities that extended beyond its area of impact. The legislation required counties and cities to review their area of impact boundaries at least every 5 years. **RS 30265** contained a one mile limitation on extension of areas of impact, however, there was graduated compliance where cities had areas of impact beyond 2 miles. The legislation prohibited annexation across an abutting area of impact and overlapping of areas of impact. An area of impact was valid for 5 years and, if not renewed, could be crossed by a property owner on one side or the other with the consent of the city which corresponded with their area of impact. If the city wished to annex the property, they were required to seek a boundary adjustment from the applicable county. In addition, **RS 30265** provided for an expedited process by the district court.

MOTION **Senator Grow** moved to send **RS 30265** to print. **Vice Chairman Schroeder** seconded the motion. The motion to send **RS 30265** to print passed by **voice vote**.

RS 30276 **Relating to Homeowner Property Tax Relief.** **Senator Grow** presented **RS 30276**. He stated that the purpose of this legislation was to provide property tax relief to Idaho homeowners for their primary home. The bill dedicated 4.5 percent of annual sales tax revenue to provide a reduction in the homeowner's property tax bill. **Senator Grow** explained that there was no adverse affect to counties, cities or local taxing districts as the state would reimburse them for the reduction in property tax revenue.

DISCUSSION: **Senator Rabe** asked why this bill began in this committee rather than in the House. **Senator Grow** explained that **RS 30276** did not appropriate funds, but rather allocated funds and, therefore, was not required to begin in the House,

MOTION: **Vice Chairman** moved to send **RS 30276** to print. **Senator Trakel** seconded the motion. The motion to send **RS 30276** to print passed by **voice vote**.

- RS 30305C1** **Relating to Aviation.** **Senator Okuniewicz** presented **RS 30305C1**. He explained that **RS 30305C1** required a public entity that wanted to enter into a long term lease agreement of more than 5 years was required to hold a public auction.
- MOTION:** **Vice Chairman Schroeder** moved to send **RS 30305C1** to print. **Senator Bernt** seconded the motion. The motion to send **RS 30305C1** to print passed by **voice vote**.
- RS 30301** **Relating to Political Subdivisions.** **Senator Okuniewicz** presented **RS 30301**. He stated that this bill required any subdivision of government that wanted to enter into a lease agreement with a private sector entity where the lease agreement contemplated revenue sharing to go through public auction. This bill was intended to prevent a lease agreement between a public and private entity at below market value. **Senator Okuniewicz** further stated that he received guidance from the Attorney General's office. They opined that a court would likely require a public auction for a lease longer than 5 years.
- DISCUSSION:** **Vice Chairman Schroeder** asked whether this bill applied only to airports. **Senator Okuniewicz** responded that he believed the bill applied to other political subdivisions as well.
- MOTION:** **Senator Cook** moved to send **RS 30301** to print. **Senator Adams** seconded the motion. The motion to send **RS 30301** to print passed by **voice vote**.
- RS 30121C1** **Relating to Income Taxation.** **Senator Foreman** presented **RS 30121C1**. He stated that this legislation added Idaho Code § 63-3029N to Chapter 30, Title 63 Idaho Code. **RS 30121C1** established an income tax credit for private school tuition for qualified dependent children of a taxpayer in the amount of \$2000 per family. A qualified dependent child was defined as a child or stepchild of an individual taxpayer, a child for whom the taxpayer had been appointed as guardian, or a descendant of a child of the taxpayer. In order to receive the full tax credit, the child must have resided in Idaho for at least 270 days. If the child resided in Idaho for at least 180 days, but less than 270 days, the taxpayer would be allowed a partial credit on a pro rata basis pursuant to rules established by the Idaho State Tax Commission. **Senator Foreman** then proceeded to read a portion of an article from U.S. News and World Report and a recent report from the National Assessment of Educational Progress both of which cited the benefits and contributions of private schools to society. He also cited several court cases regarding the constitutionality of tax credits for private school tuition.
- DISCUSSION:** **Senator Bernt** expressed a concern that the Education Committee was hearing several pieces of legislation relating to private school tuition and that the Committee should wait to see what they did. **Chairman Ricks** stated that he had agreed to hear this bill, but if it went to print he was going to wait several weeks before he brought it back before the Committee.
- MOTION:** **Senator Adams** moved to send **RS 30121C1** to print.
- DISCUSSION:** **Senator Rabe** also expressed concern that the Education Committee had several pieces of legislation before it addressing similar issues and that the Committee should wait to see what they did. She was also concerned about the fiscal impact of this bill. **Vice Chairman Schroeder** and **Senator Cook** also expressed concern regarding the fiscal impact in that this money would come out before JFAC made any decisions regarding appropriations.

Senator Rabe asked how this legislation may contradict the U.S. Constitution's prohibition of using funds for parochial schools. **Senator Foreman** responded that according to a past opinion by the Deputy Attorney General, it didn't conflict. **Senator Rabe** asked whether Senator Foreman had talked to any of the stakeholders regarding the fiscal impact, where the 14 to 17 million annual allocation would come from in the state budget. **Senator Foreman** replied that he had talked to some people within the education community in his district. He noted that the state had a \$1.5 million surplus. He further explained that providing aid to private schools does not have to impact public schools.

Senator Cook asked for the definition of private school. **Senator Foreman** responded that private schools were defined as a school that was accredited, but not publicly funded. **Senator Cook** then asked whether this legislation applied to home schoolers. **Senator Foreman** responded that it did not apply to home schoolers.

Senator Adams asked whether a qualified dependent child included grandchildren. **Senator Foreman** responded that it did. **Senator Adams** then asked whether a parent and grandparent could both claim this tax credit. **Senator Foreman** stated that **RS 30121C1** set a \$2000 limit per family

MOTION: The previous motion remained incomplete. **Senator Trakel** moved to send **RS 30121C1**. to print. **Senator Trakel** seconded the motion. The motion to send **RS 30121C1** to print passed by **voice vote**. Senators Rabe and Just were recorded as voting no.

ADJOURNED: With no further business at this time, **Chairman Ricks** adjourned the Committee at 4:00 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Tuesday, February 14, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of the Minutes of 2-2-2023	Senator Bernt Senator Cook
S 1074	AVIATION - Amends existing law to provide that specified law shall not apply to certain provisions regarding aviation.	Senator Okuniewicz
S 1077	LOCAL GOVERNMENT - Amends existing law to require certain political subdivisions to use a public bidding process before entering into any lease or lease-purchase agreement containing a profit-sharing agreement.	Senator Okuniewicz

Public Testimony Will Be Taken by Registering Through the Following Link:
[***Register to Testify***](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks	Sen Bernt
Vice Chairman Schroeder	Sen Trakel
Sen Grow	Sen Rabe
Sen Cook	Sen Just
Sen Adams	

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 14, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Cook, Adams, Bernt, Trakel, and Rabe

ABSENT/ EXCUSED: Senators Grow and Just

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 Ricks** called to order the Senate Local Government and Taxation Committee (Committee) at 3:01 p.m.

MINUTES APPROVAL: **Approval of Minutes of February 2, 2023.** **Senator Bernt** moved to approve the minutes of February 2, 2023. **Senator Cook** seconded the motion. The motion to approve the minutes of February 2, 2023 passed by **voice vote**.

S 1074 **Aviation.** **Senator Okuniewicz** presented **S 1074**. He stated that this bill clarified that all long term leases in all airports were not subject to the public auction requirement for leases in excess of five years.

DISCUSSION: **Senator Cook** requested that Senator Okuniewicz go into more detail regarding the interaction between Idaho Code §§ 21-401 and 31-836(1). **Senator Okuniewicz** explained that he had received guidance from the Attorney General's office that the interaction was ambiguous and the exemption of airports from the requirement to hold public auction for leases exceeding 5 years needed to be clarified.

Senator Rabe asked whether airports and cities supported this bill. **Senator Okuniewicz** replied that Kootenai County asked him to help with this bill and supported it.

Chairman Ricks requested that Senator Okuniewicz provide an explanation of the current procedures regarding long term leases. **Senator Okuniewicz** explained that airports typically entered into long term leases for as long as 99 years after negotiations with the lessor. Airports were exempt from the public auction requirement for long term leases. Non aviation leases required a public auction. **Vice Chairman Schroeder** explained that Idaho Code § 31-836 pertained to counties and was a restriction on the ability of counties to lease county property. Both airport statutes authorized counties, highway districts and cities to operate and maintain airport facilities. Cities did not have the same restrictions regarding long term leases as counties did. Therefore, if cities and counties jointly ran an airport, they would not be subject to the public auction requirement for long term leases. **Vice Chairman Schroeder** further explained that this bill provided that counties were exempt from the public auction requirement for long term leases as cities were.

MOTION: **Senator Cook** moved to send **S 1074** to the floor with a **do pass** recommendation. **Vice Chairman Schroeder** seconded the motion. The motion to send **S 1074** to the floor with a **do pass** recommendation passed by **voice vote**.

TESTIMONY: **Chairman Ricks** failed to notice that there was someone who had signed up to testify on **S 1074** and asked that Ms Hupp be permitted to testify.

Rebecca Hupp, Director of the Boise Airport stated that although they had not had a chance to review this bill, she did not think they objected to it. She requested the opportunity to review the bill and provide more feedback.

S 1077

Local Government. Senator Okuniewicz presented **S 1077**. He explained that he received guidance from the Attorney General's office that a long term lease agreement that contemplated profit sharing between the county, city, highway district or airport and a private entity probably required a public auction. **Senator Okuniewicz** stated that **S 1077** required a public auction in that situation.

DISCUSSION:

Senator Rabe asked whether this bill dictated how or under what terms the lessor chose or who the lessor chose as lessee during the bidding process, or whether **S 1077** created that process. **Senator Okuniewicz** responded that the bill referenced the notice and bidding procedures under Idaho Code § 31-808.

Senator Schroeder requested clarification on the difference between a straight lease and a lease with profit sharing. **Senator Okuniewicz** explained that a profit sharing arrangement was more risky in that you did not know how much revenue the business would generate. The barrier was lower and the lease was lower. A straight lease was based on market rate and was a flat amount. A profit sharing lease arrangement was based on a percentage of profit. **Vice Chairman Schroeder** asked whether it was the intent of this bill to not require a public auction in a lease based on a flat market rate or some other rate. **Senator Okuniewicz** stated that the bill only contemplated a public auction if there was profit sharing. **Vice Chairman Schroeder** asked Senator Okuniewicz whether he had spoken with the Idaho Association of Cities or other interested parties. **Senator Okuniewicz** replied that he had spoken with his county and a couple of other counties.

TESTIMONY:

Rebecca Hupp, Director of the Boise Airport, spoke in opposition to **S 1077**. She had concerns regarding the use of the terms "bids" and "auctions" interchangeably and the use of the term "profit sharing" rather than "revenue sharing." **Ms. Hupp** stated that they were not required to do a Request for Proposal (RFP) or bids for airline service. She felt that this bill had unintended consequences. For example, they would not be able to do a trial lease without a public auction. In addition, a flat rate lease would have resulted in lower revenue.

DISCUSSION:

Senator Cook asked why they wouldn't be able to do a trial lease. **Ms. Hupp** explained that if the lease was for more than 30 days they had to do a Request for Proposal (RFP) and comply with bid procedures. Revenue was not the only consideration in doing a trial lease. They considered the service provided. They might consider doing a pilot program with someone with disabilities. They wouldn't consider these trial leases if they had to go through the bid procedures. **Senator Cook** then asked how they handled a situation where more than one person wanted to lease a particular location. **Ms. Hupp** stated that they based their decision on market share.

Vice Chairman Schroeder sought clarification on whether this legislation prohibited them from leasing more than storage sheds. Would they be required to go through the bidding process for every lease which might preclude them from bringing in new airlines. **Ms. Hupp** replied that it would be problematic.

Senator Rabe asked Ms. Hupp to provide more information regarding why this legislation would preclude them from doing a trial lease. **Ms. Hupp** explained that in order to bring in a vendor during the holidays or a trial with a vending service such as a kiosk for food, CVS pharmacy, or iTunes Best Buy they would have to do a RFP. **Senator Rabe** also asked Ms. Hupp to further discuss the fiscal impact of this legislation on them. **Ms. Hupp** explained that, although it would be hard to quantify the fiscal impact, passenger numbers have increased 72 percent in the last ten years and using a flat rate rather than a percentage of revenue would have resulted in less revenue.

TESTIMONY: **Kelley Packer**, Executive Director of the Association of Idaho Counties, did not state a formal position on **S 1077** yet, but expressed some concerns regarding the bill. First, she was concerned that stakeholders were not involved in the discussion. She also felt that the language was too broad and would impact all city leases, not just revenue sharing leases. In addition, there would be increased costs associated with the RFP process required for small leases such as their \$3000 wastewater management lease. **Ms. Packer** stated that she would recommend opposing this bill.

DISCUSSION: **Vice Chairman Schroeder** clarified that **S 1077** pertained to an agreement between the city and a lessee to lease property belonging to the city. The city was not acquiring property by lease.

Vice Chairman Schroeder and Senators Bernt and Rabe expressed a desire to examine this bill more closely and perhaps have a discussion with stakeholders.

MOTION: **Senator Bernt** moved that **S 1077** be held in committee subject to the call of the chair. **Vice Chairman Schroeder** seconded the motion. The motion to hold **S 1077** in committee subject to the call of the chair passed by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:55 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Wednesday, February 15, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of Minutes of February 7, 2023	Senator Schroeder Senator Trakel
PRESENTATION:	Property Taxes and Assessments	Kathlynn Ireland, Property Tax Policy Specialist
PRESENTATION:	Graduation of Page Josiah Knapp	Senator Ricks

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

- DATE:** Wednesday, February 15, 2023
- TIME:** 3:00 P.M.
- PLACE:** Room WW53
- MEMBERS PRESENT:** Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just
- 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 Ricks** called to order the Senate Local Government and Taxation Committee (Committee) at 3:02 p.m.
- MINUTES APPROVAL:** **Vice Chairman Schroeder** moved to approve the minutes of February 7, 2023. **Senator Trakel** seconded the motion. The motion to approve the minutes of February 7, 2023 was approved by **voice vote**.
- PRESENTATION: Property Taxes and Assessments.** **Kathlynn Ireland**, Property Tax Policy Specialist, Idaho State Tax Commission, gave a presentation relating to property taxes and assessments (Attachment 1). Her presentation addressed the following topics: 1. the property tax assessment process, 2. who paid how much, 3. how property taxes were determined, 4. who spent property tax, 5. what were the recent trends, and 6. how we provided property tax relief.
- The first step in the property assessment process was the assessment of all taxable real and personal property. This was done by county assessors with the exception of utility, telecom and railroad properties that the Idaho State Tax Commission (ISTC) appraised. Idaho Code § 63-205 required all taxable property to be assessed annually. Idaho was a market value state. Therefore, assessors were required to assess properties at 100 percent of market value. Because of the large volume of parcels within each county, Idaho Code § 63-314 required each parcel to be physically inspected once every five years. Appraisers used market data, market trends and statistical testing to index to market value parcels that were not physically inspected. January 1 of each year was the lien date of assessment of current market value. Slide four of Attachment 1 showed the total assessed values from 2005 to 2006, 2021 and 2022. Slide five of Attachment 1 showed the taxable property of each major category of property over the last 14 years. **Ms. Ireland** noted the difference between the residential and commercial sectors. ISTC conducted statistical testing on every assessor's office every year through the use of statistical studies to ensure that all parcels were at market value. If the market values were not accurate, counties were required to take corrective action prior to assessments going out in June. **Ms. Ireland** stated that due to Idaho's nondisclosure law, she was not confident that we were getting accurate data regarding commercial properties.
- Slide six of Attachment 1 discussed various myths and facts related to who paid, who spent, how significant property tax revenue was, and what happened when existing values increased. **Ms. Ireland** stated that increases in the value of property did not precipitate additional budget capacity for a taxing district.

DISCUSSION: **Senator Grow** asked whether Ms. Ireland had stated that local budgets were not what caused a tax increase. **Ms. Ireland** explained that taxing districts had several avenues by which they could increase their revenue. Budgets could, by statute, only increase by three percent over and above the highest of the previous three years. This percentage was based on an integer that would represent the new construction in a district, some annexation, any allowance for dissolving urban renewal Revenue Allocation Areas (RAA), and any foregone they had reserved. Foregone was the unrealized budget capacity that was legally available to each taxing district, but the district chose to take less than the eight percent cap and reserve the remainder. If parcels were assessed at a higher rate one year over the previous year, that did not provide budget capacity to the taxing districts.

Senator Bernt asked Ms. Ireland to define "budget capacity." **Ms. Ireland** defined "budget capacity" as the difference between the base budget and the ability to increase the budget.

Senator Cook asked whether it was backwards that counties created a budget and then determined how much money they had. **Ms. Ireland** explained that counties established an annual budget, then subtracted available revenue in order to determine the amount to levy. This was separate from value.

PRESENTATION: **Ms. Ireland** discussed slide eight of Attachment 1 relating to value and payments for all residential property and that portion that was for primary residential or owner occupied. Slide nine of Attachment 1 showed the value of existing primary residential property and the rate of change in existing residential taxes from 2011 until 2022. She noted that the decrease in taxes in 2020 was due to the Cares Act which provided money for Covid-19 relief. The ISTC put out an annual Market Value and Property Tax Report each year that provided similar data regarding value and taxes. Slide ten of Attachment 1 showed the property tax calculation formula. Slide 11 of Attachment 1 illustrated the effects of changes in value on levy rates. If the taxable value increased, the levy amount decreased. An increase in taxable value did not increase the budgetary capacity.

DISCUSSION: **Senator Trakel** asked how an exemption would affect the levy rate. **Ms. Ireland** explained that an exemption lowered the total taxable value within that taxing district. Those with an exemption paid less while others paid more.

PRESENTATION: **Ms. Ireland** discussed limits on taxing districts to increase their budgets in slide 12 of Attachment 1. She defined a "non-exempt fund" as one that was not exempt from statutory limits. She explained that non-exempt funds were general operations funds of taxing districts and were limited to an increase of up to three percent over the highest of the previous three years. New construction value and annexation value increased budget capacity. H 389 passed in 2021 set a limit on budgetary increases related to those items of eight percent. In addition, there was an allowance for RAA within urban renewal districts. Once the urban renewal district terminated that RAA could be converted to budget capacity. Previously accrued foregone of up to one percent plus three percent for capital projects increased tax budget limits. Many taxing districts also had statutory limits to the actual levy rate.

Slide 13 of Attachment 1 illustrated property tax budgets for 2021 through 2022 based on the factors discussed for increasing budget capacity. Slide 14 of Attachment 1 graphed the percentage of property tax revenue allocated in 2022 to cities, school districts, highway districts, counties, fire districts, community college districts, cemetery districts and other areas.

Slide 15 of Attachment 1 provided detail regarding the changes in value of primary residential property, other residential property and commercial and residential property for 2021 through 2022. Slide 16 of Attachment 1 illustrated the overall property tax growth from 2004 through 2022 in counties, cities, school districts, highway districts and other areas. **Ms. Ireland** explained that this included both exempt and non-exempt funds. She noted that there was a dramatic drop in 2006 in property taxes levied by schools as a result of school maintenance and operations having been taken out of levies and replaced by one percent of the sales. And the amounts levied by cities and counties decreased in 2020 as a result of the Cares Act.

Slide 17 of Attachment 1 showed the non-exempt property tax funds from 2004 through 2022. **Ms. Ireland** explained that schools were no longer at the top because most school funds were voter approved. Slide 18 of Attachment 1 showed exempt funds from schools and exempt funds from other taxing districts from 2005 through 2022. **Ms. Ireland** explained that school funds were exempt because they were voter approved.

DISCUSSION: **Vice Chairman Schroeder** asked whether the non-school exempt funds included revenue bonds. **Ms. Ireland** asked Alan Dornfest, Idaho State Tax Commission (ITSC) Bureau Chief to respond. **Alan Dornfest** stated that if the revenue bonds were not paid with property taxes, they were not included.

PRESENTATION: **Ms. Ireland** explained that slide 19 of Attachment 1 included graphs of supplemental levy amounts from 1996 through 2022 and the number of counties levying supplementals. Slide 20 of Attachment 1 demonstrated the quantity of exempt and non-exempt tax levied by every taxing authority during 2021 and 2022. Slide 21 of Attachment 1 demonstrated who was collecting and reserving foregone statewide.

DISCUSSION: **Chairman Ricks** asked whether there was a cap to the amount of foregone they could reserve. **Ms. Ireland** responded that there was no cap, however, there was a limit to the amount of foregone that could be used in a given year of one percent plus three percent attributable to a capital project.

PRESENTATION: **Ms. Ireland** explained that slide 22 of Attachment 1 illustrated the amount of property taxes collected in Idaho in comparison to neighboring states. Slide 23 of Attachment 1 was a comparison of the property tax in Idaho in comparison to the United States.

Ms. Ireland discussed our property tax relief programs outlined on slide 24 of Attachment 1. The circuit breaker program provided a property tax credit of up to \$1,500 for those who were over the age of 65, disabled and had income below \$32,230 for the 2022 program. Next, there was the 100 percent service connected disabled veterans credit of \$1,500 with no income limit. Finally, there was the tax deferral program described on slide 25 of Attachment 1.

DISCUSSION: **Senator Rabe** asked Ms. Ireland to put together additional information regarding how much of the increase in primary residential property taxes on slide 15 of Attachment 1 was attributable to a shift from commercial to residential property, new construction, school bonds and levies and other factors. **Ms. Ireland** said she would be happy to provide that information. She noted that the property tax pie only increased by three percent which was very small. It was residential that captured the majority of the denominator calculation. Therefore, the levy rate being applied to residential property created the variance in property tax burden.

Chairman Ricks asked Brad Smith, Chief Deputy of Ada County Assessor's Office, if he would discuss how he calculated value and the relationship between the different calculations by the various counties. **Mr. Smith** explained that by law the value had to be market value. Twenty percent of properties had to be physically appraised each year. They used analytical information to determine market value for those properties not physically appraised that year. Smaller counties had less sales data that made the determination of market value more difficult. Idaho's non-disclosure law also made that determination more difficult. Each county obtained their own data and used the market value in their area.

PRESENTATION: Graduation of Page Josiah Knapp. **Chairman Ricks** asked Mr. Knapp to share about his experience as a Senate page and his plans for the future. **Mr. Knapp** shared that he appreciated seeing government up close and personal and building relationships with the Committee and others. He appreciated the opportunity to work in the Senate.

DISCUSSION: Vice Chairman Schroeder asked Mr. Knapp what his favorite song was. **Mr. Knapp** replied that it was previously anything by George Strait, but he had turned the corner.

Senator Cook asked Mr. Knapp what his plans for the future were. **Mr. Knapp** stated that he planned to attend the University of Idaho and ultimately practice law in the agricultural area.

Senator Bernt told Mr. Knapp that he showed a desire and gift for public service.

Chairman Ricks presented Mr. Knapp with a letter of recommendation from him, a letter from the Committee, and a couple of gifts in show of appreciation for Mr. Knapp's service.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the Committee at 4:20 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary



Idaho State Tax Commission

Kathlynn Ireland

Property Tax Division

Idaho State Tax Commission

Benefit the people of Idaho with courteous customer service and education by providing fair, efficient, and effective revenue and tax administration.



Idaho's Property Tax

- How is property assessed?
- Who pays how much?
- How are property taxes determined?
- Who spends property tax?
- What are the recent trends?
- How do we provide property tax relief?



Assessment of Property

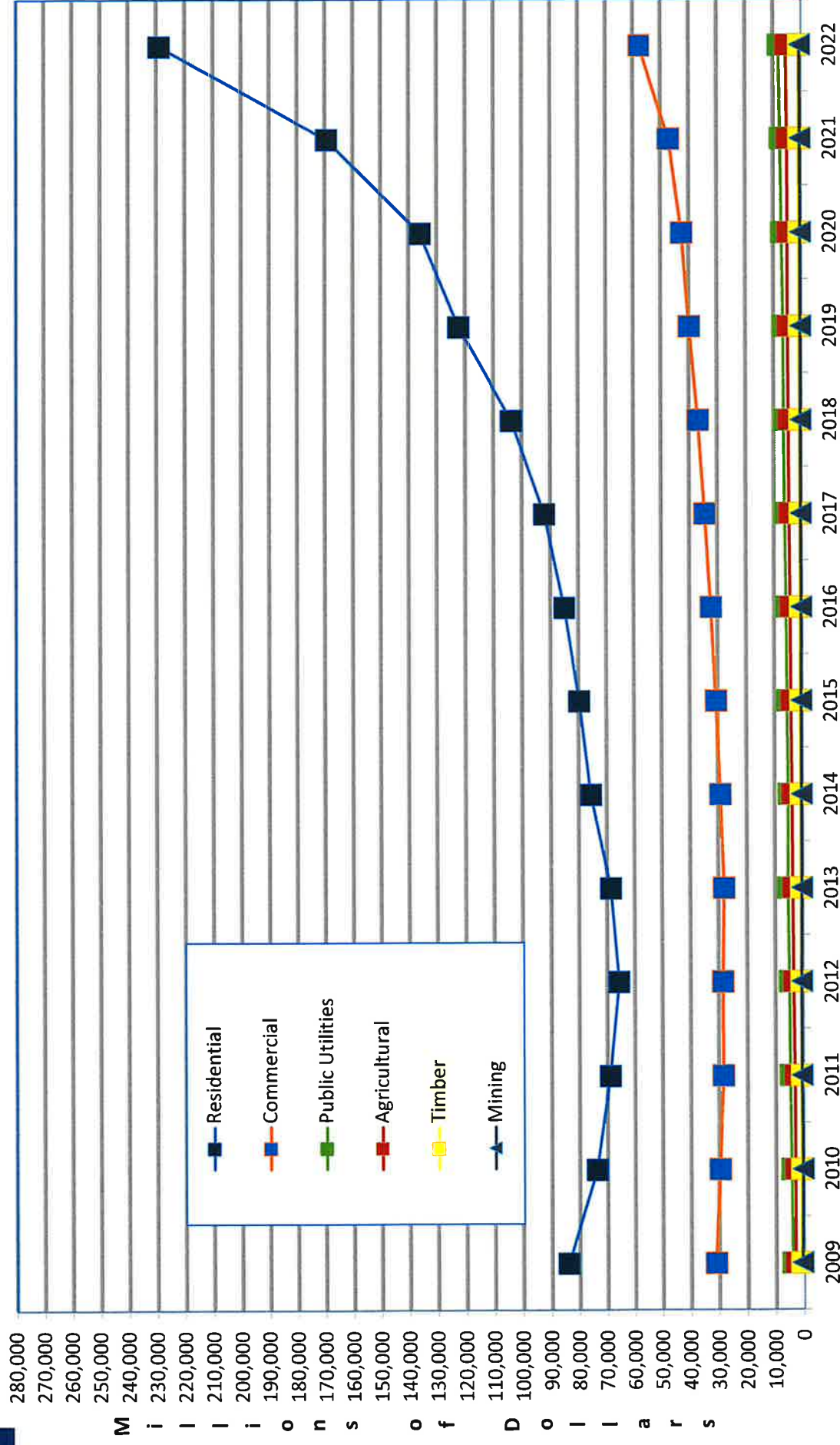
- **Section 63-205, Idaho Code**
- Property subject to property taxation must be assessed annually
 - County assesses real and personal property
 - STC assesses operating property (utilities and railroads)
- **Section 63-314, Idaho Code**
- Taxable property appraised or indexed annually
 - Appraisal includes field inspection (required at least every 5 years).
 - Property not appraised in given year must be indexed to current market value.



Idaho Property Tax Essentials

- January 1, 2023
 - Lien Date of assessment of current market value
- 2022 Assessed Value **\$332.1 Billion**
 - 43.7% Increase over 2021
- 2021 Assessed Value **\$230.7 Billion**
 - 20.2% increase over 2020
- 2005 – 2006
 - 19.8% increase in assessed value

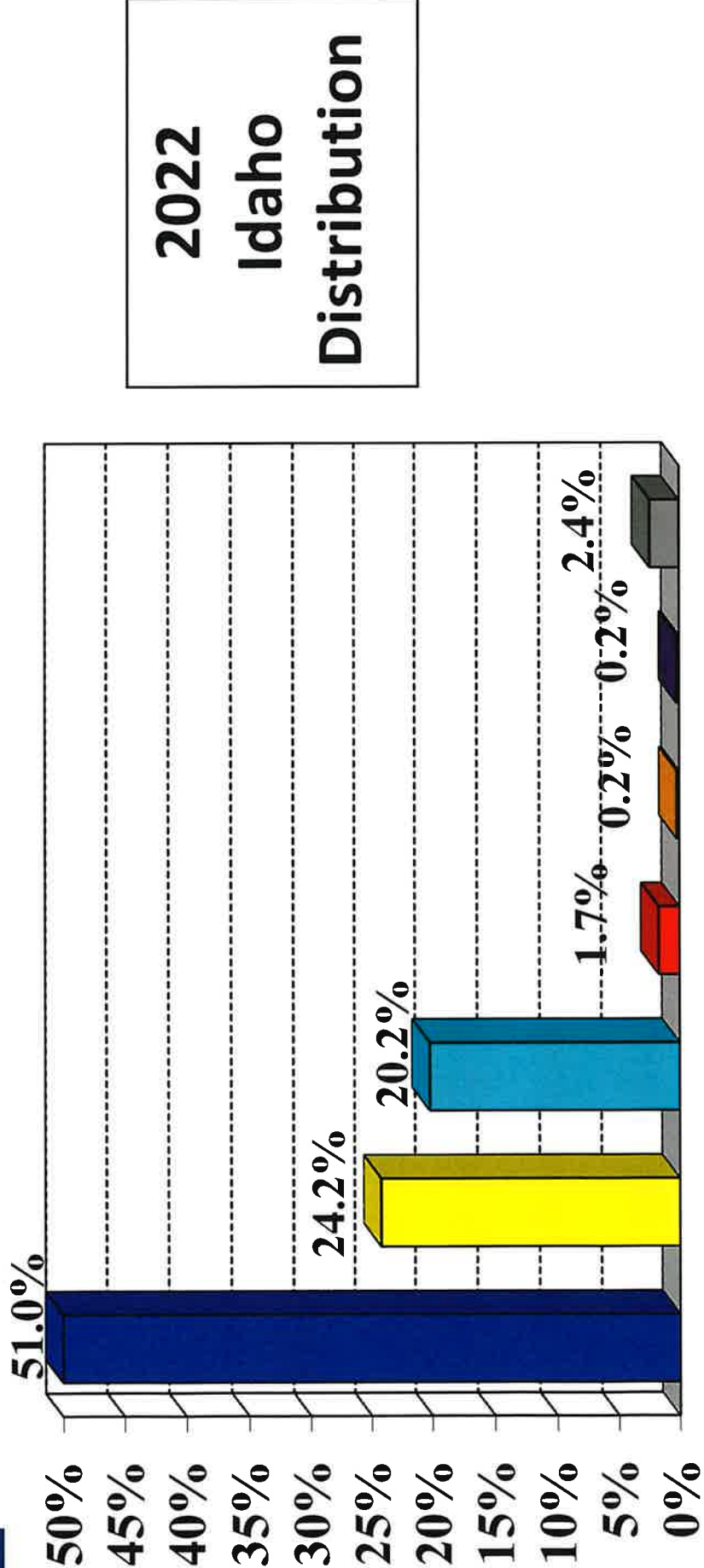
14 Year Chart of Taxable Value Changes by Major Property Category



Property Tax Myths v. Facts

Topic	Myth	Fact
Who pays?	Only homes pay property tax!	2022 Primary residences - 51% <i>All residential</i> - 75.4%
Who spends?	It's all schools (<i>conversely, schools = \$0</i>)	Schools = 27.3% (2022)
How significant is property tax revenue?	It's the only source of revenue for local governments	Overall in FY 2020* it represented 27.5% of local government general revenue; 92.9% of tax revenue
What happens when existing property value increases?	My assessment went up because the government wants more money	Total property tax revenue unchanged, burden shifts

Who Pays the Property Tax?



- Owner occupied residential
- Non-owner occupied residential
- Commercial / Industrial
- Agricultural
- Timber
- Mining
- Operating (Utilities)



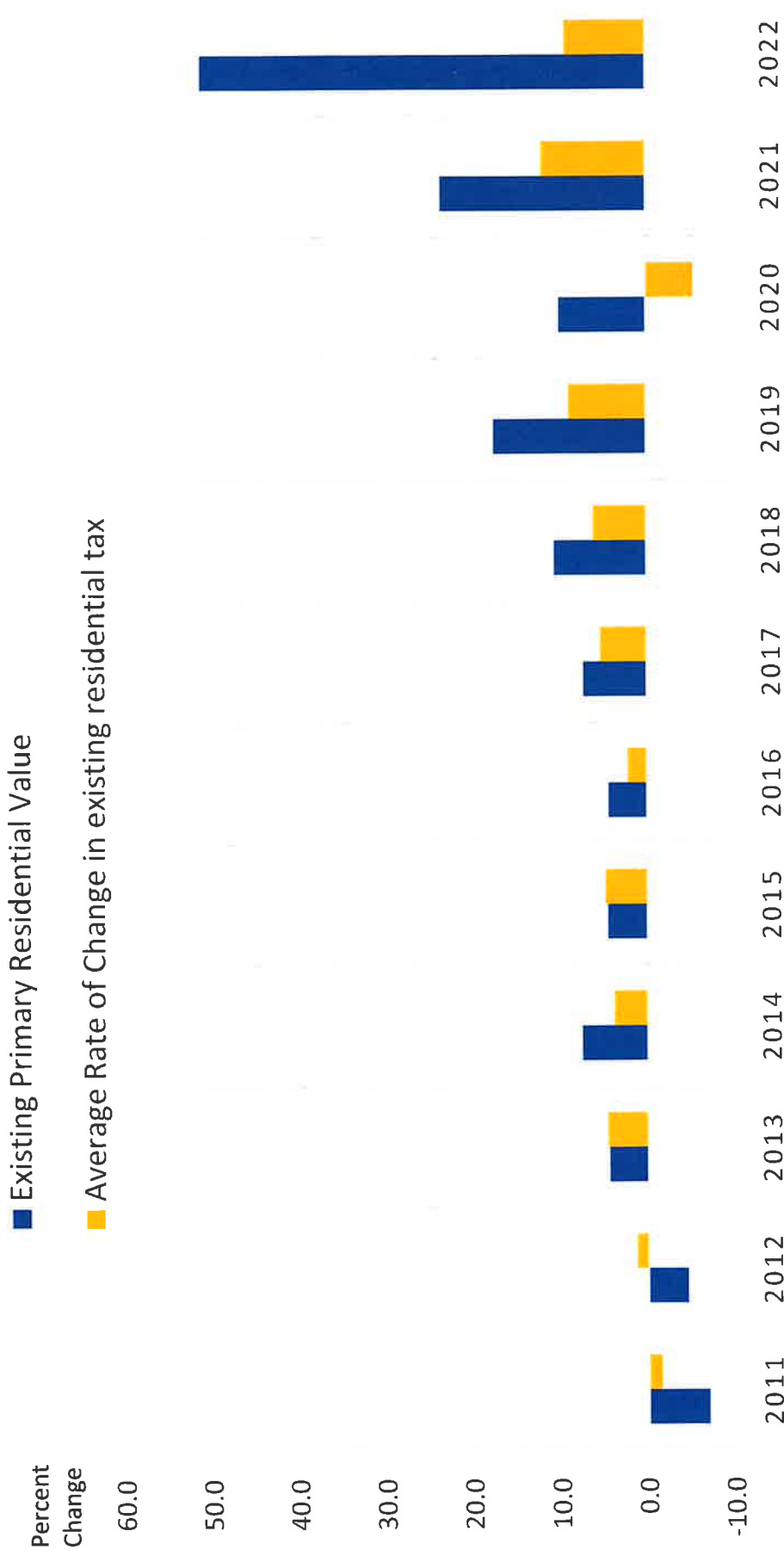
All Residential v. Primary Residential

- **All Residential**
 - Includes rental properties up to 4-plexes
 - Entire residential class
 - 78.1% of all taxable value
 - 75.4% of all property tax
- **Primary residential (owner-occupied)**
 - Has the largest separate share of property value
 - 49.8% in 2022
 - Pays the largest separate share of property tax
 - 51.1% in 2022



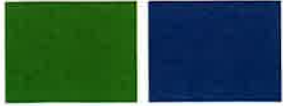
Value Changes v. Tax Changes

PERCENT CHANGE YEAR OVER YEAR



Basic Property Tax

- **Budget** - Total budget of taxing district
 - non-property tax revenues
 - = **property tax budget**
- **Levy Rate** – computed by dividing the property tax budget by the net taxable value of the district
$$\frac{\$100,000 \text{ P-tax Budget}}{\$100,000,000 \text{ Net Taxable Value}} = 0.001$$
- **Net taxable value of the district:** Market value of all parcels, minus any exemptions, within the taxing district's boundaries.



Effects of Value Changes on Levies

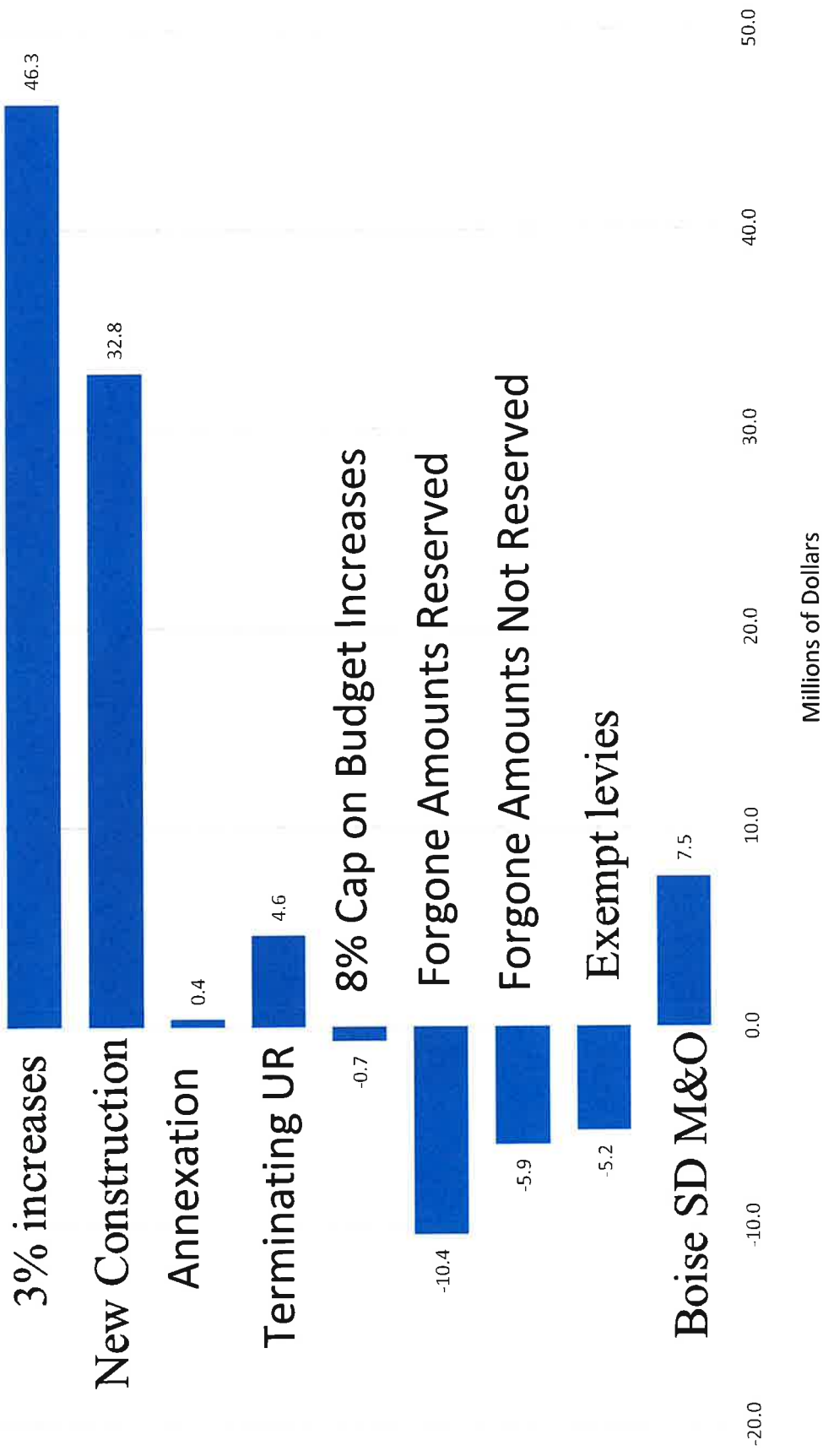
- Assuming that the budget remains constant: the higher the taxable market value, the lower the levy rate

P-Tax Budget	Taxable Value	Levy Rate
55,000	137,500,000	0.0004
55,000	140,000,000	0.000392857
55,000	175,000,000	0.000314286

How do Property Tax Budget Limits Work?

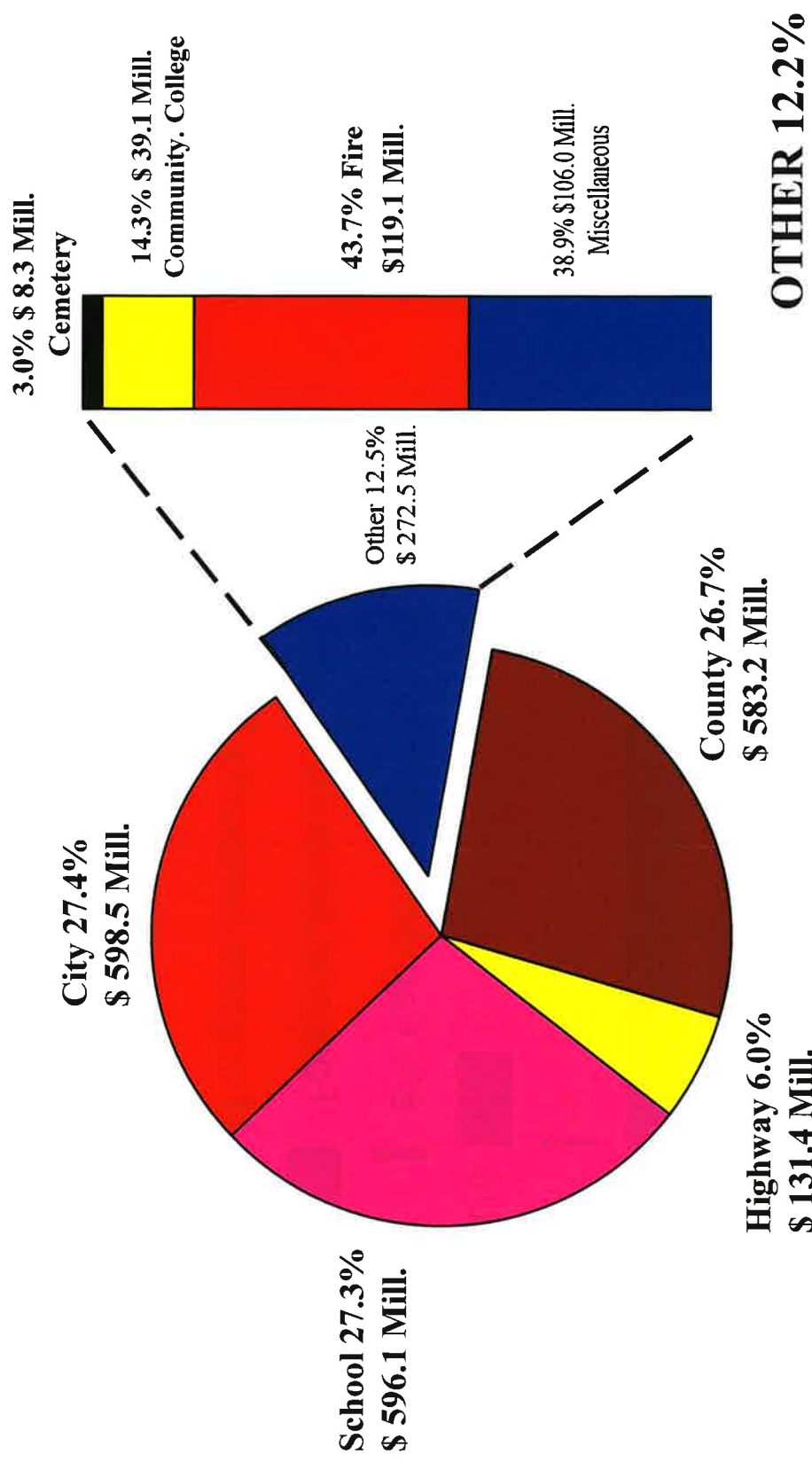
- Non-exempt funds
 - Mostly general operations
- Increases in property tax
 - Up to 3% over highest of last three years
 - Plus 90% of new construction value X prelim levy rate
 - Plus 90% of annexation value X 2nd prelim levy rate
 - The sum of the above items cannot exceed an 8% increase
 - Plus an allowance for dissolving urban renewal revenue allocation areas
 - Plus some previously accrued forgone amount
 - may increase budget up to 1%
 - plus 3% for capital projects
- Allowed only if result does not create levy rate that exceeds statutory limit

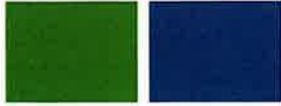
2021 – 2022 Property Tax Budgets





2022 Property Tax Use





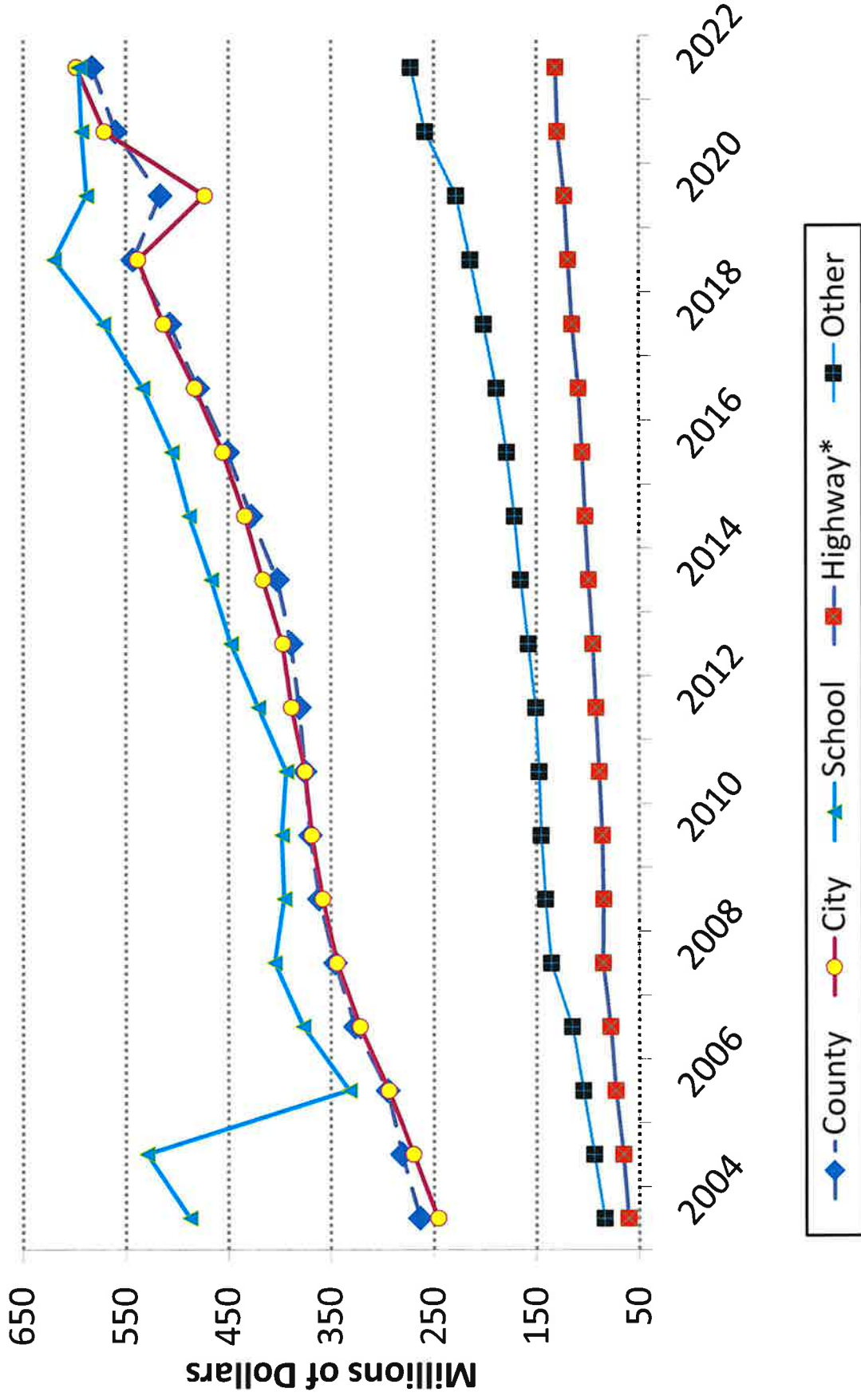
New Construction v. Changes in Existing Property Values & Taxes: 2021 – 2022

<u>Category of Property</u>	<u>Overall Percent change in Value (21 – 22)</u>	<u>Existing Property Value % Change (21 – 22)</u>	<u>Existing Property Tax % Change (21 – 22)</u>
Primary Residential (eligible for homeowner's exemption)	+ 54.4%	+ 51.3%	+ 9.3%
Other Residential	+ 50.4%	+ 47.7%	+ 3.4%
Commercial and industrial	+ 21.5%	+ 18.1%	- 13.5%

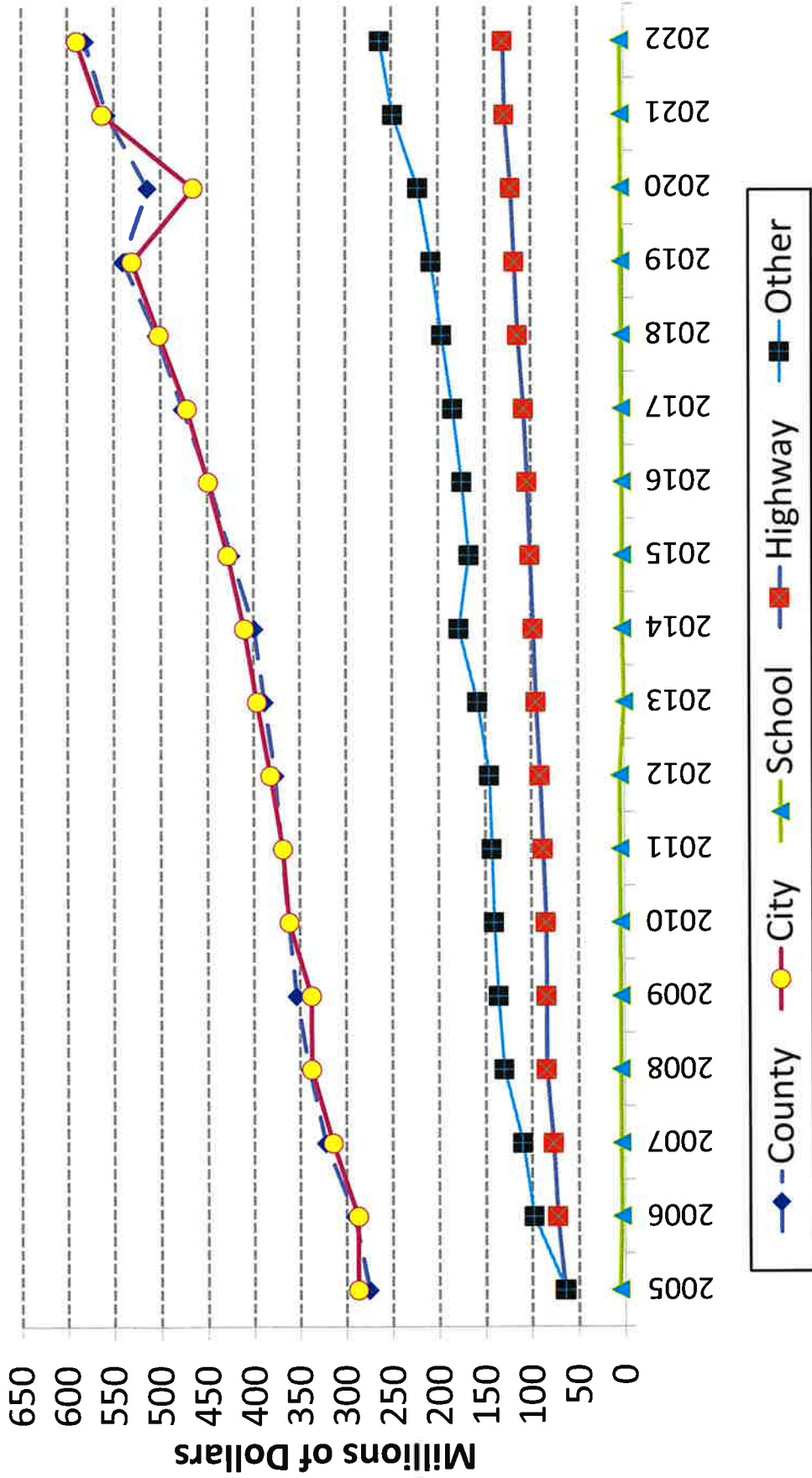
Commercial shown after expanded pp exemption



Property Tax Growth

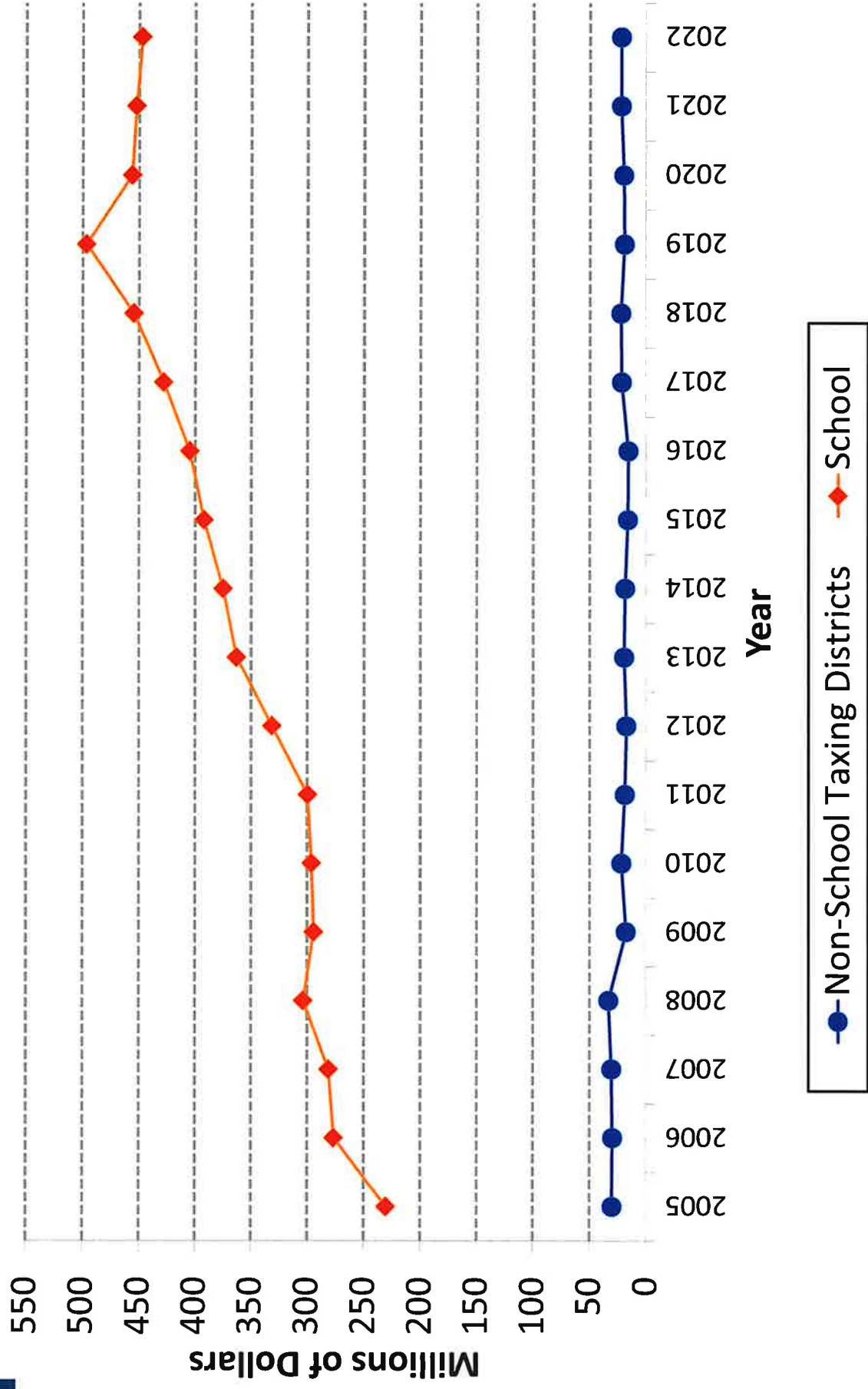


Non-Exempt Property Tax Funds





Exempt Funds

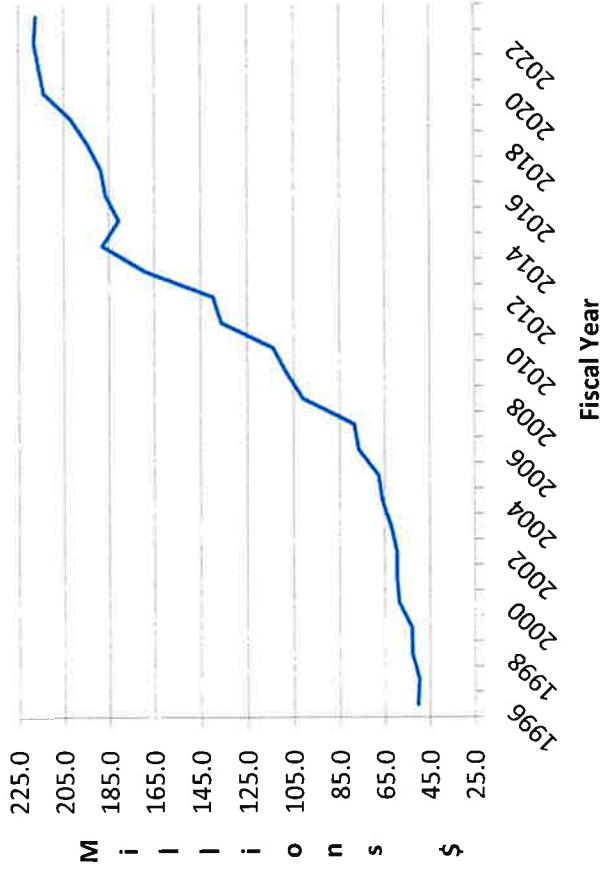




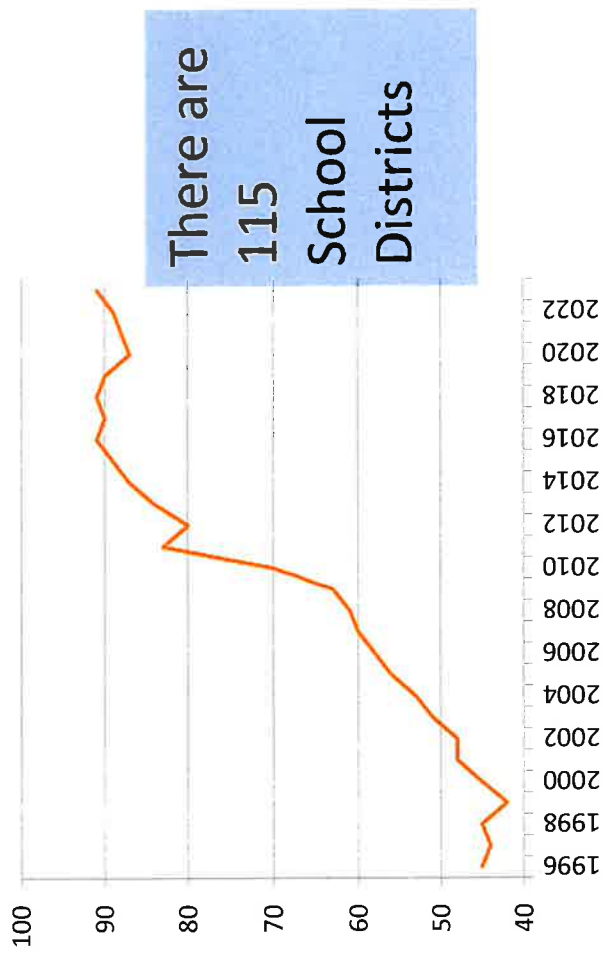
School Supplemental Levies

- Most voter approved for 1 – 2 years
 - May be longer for charter school districts
 - Permanent for some school districts

Supplemental Levy Amounts



Count of School Districts Levying Supplementals

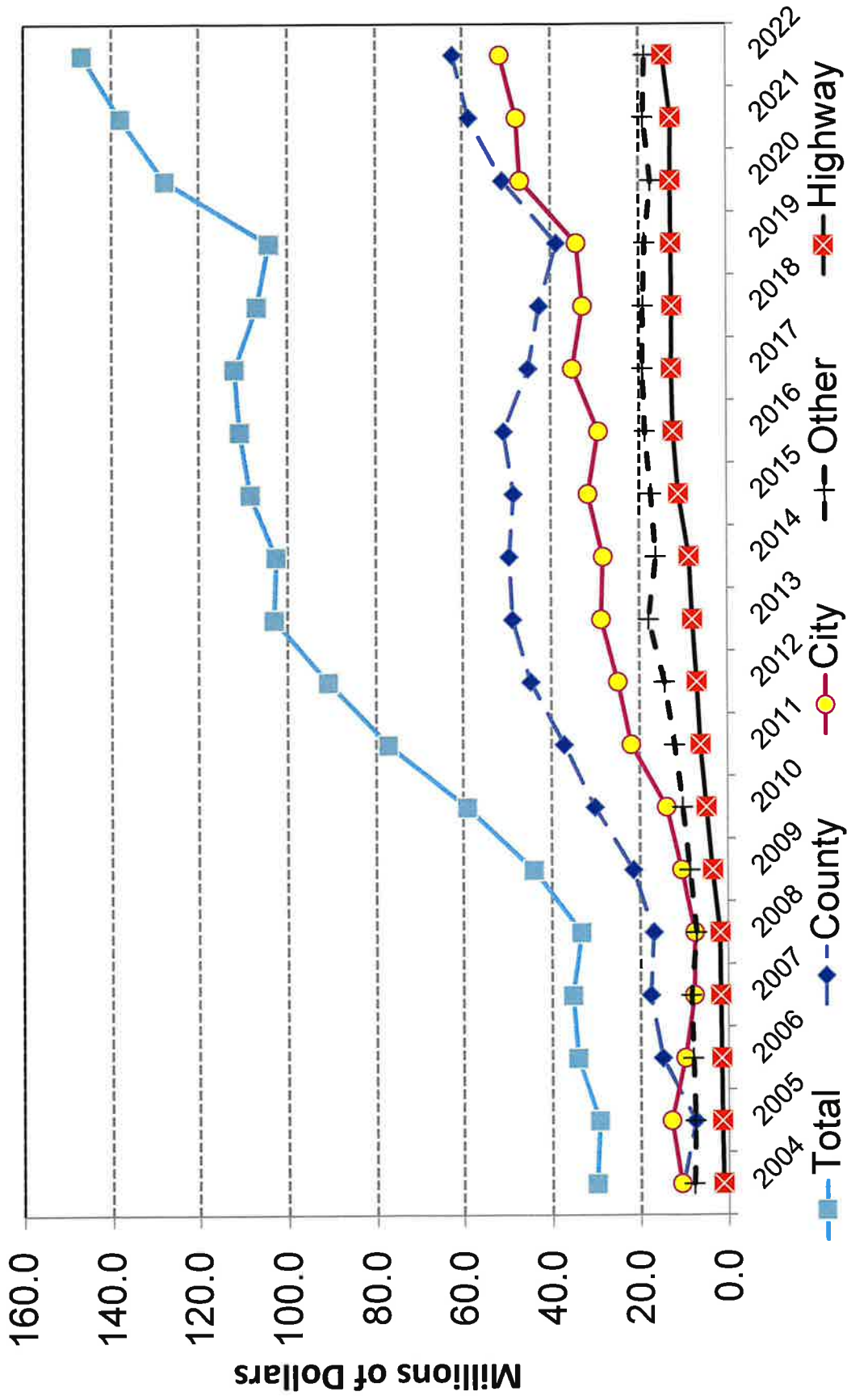




How has Property Tax use changed?

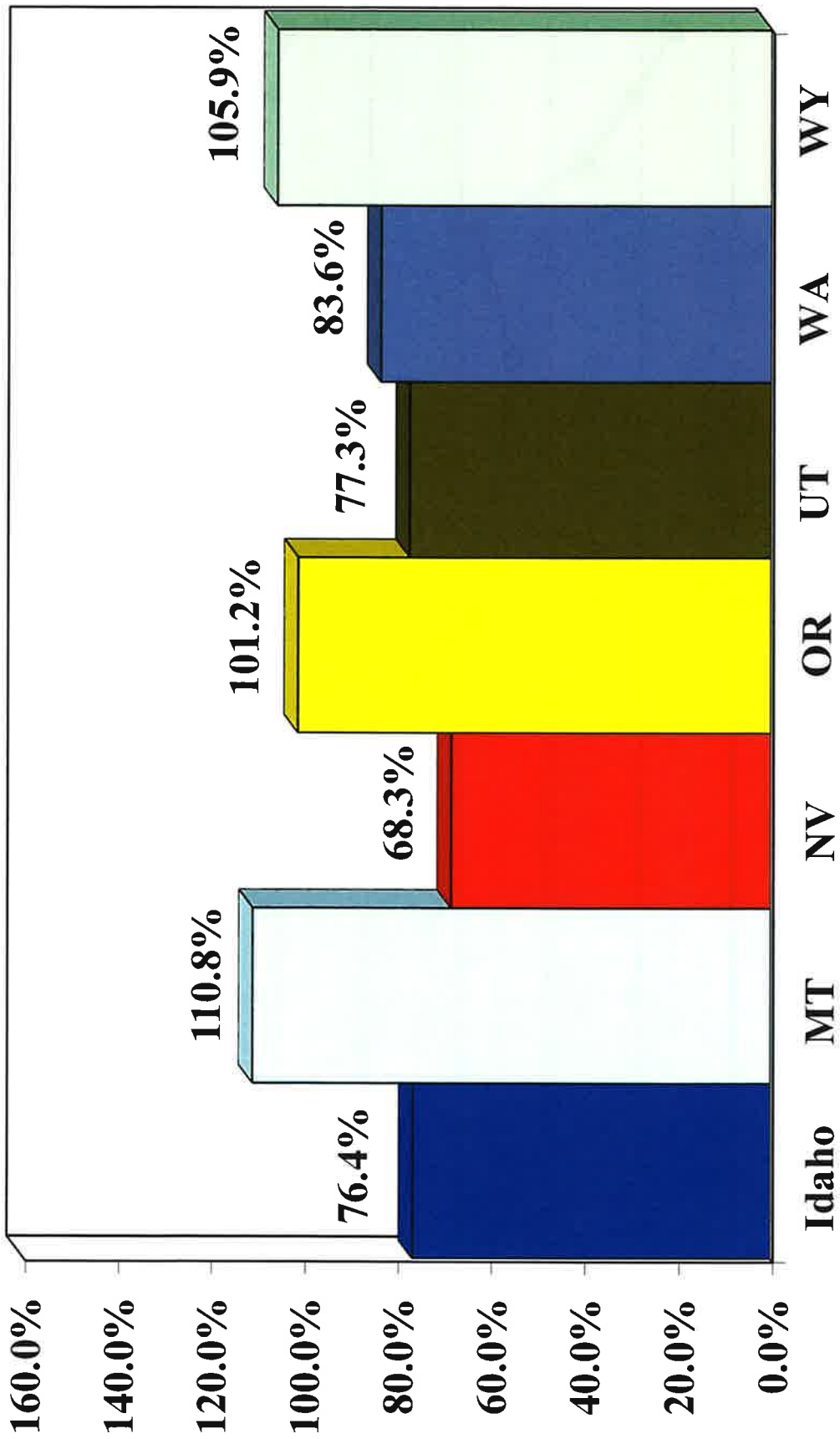
District Category	2021	2022	% Change
Ambulance	\$33,122,488	\$34,981,880	5.6%
Auditorium	17,786	\$19,927	12.0%
Cemetery	7,903,138	\$8,328,054	5.4%
City	571,220,393	\$598,481,538	4.8%
Community Infra.	1,461,475	\$2,153,835	47.4%
County	560,115,518	\$583,232,343	4.1%
Extermination	1,155,459	\$1,199,386	3.8%
Fire	113,002,016	\$119,256,747	5.4%
Flood Control	889,067	\$940,662	5.8%
Hospital	10,006,705	\$10,443,692	4.4%
Junior College	37,632,310	\$39,066,225	3.8%
Library	32,859,949	\$34,358,573	4.6%
Mosquito Abatement	9,034,683	\$9,931,641	9.9%
Port	405,000	\$405,000	0%
Recreation	6,996,276	\$7,118,699	1.7%
Roads & Highways	129,525,419	\$131,362,245	1.4%
School	593,294,026	\$596,067,358	0.5%
Sewer & Water	3,224,293	\$3,493,375	8.3%
Sewer, incl. rec. sewer	546,532	\$565,853	3.5%
Water	190,248	\$221,416	16.4%
Watershed	130,000	\$132,000	1.5%
Total	\$2,112,732,781	\$2,181,760,449	3.3%

Forgone Amounts



Idaho vs. Neighbor States FY 2020

Based on taxes per \$ of income.



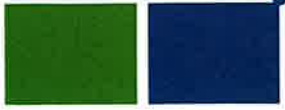


Property Tax Burden Idaho vs US

- FY 2020
- Based on \$ of income
 - Idaho property tax – **38th**
 - **23%** below national average
- Per Capita
 - Idaho property tax – **40th**
 - **37.5%** below national average

Circuit Breaker

- Up to \$1,500 credit for eligible homeowners
 - Over age 65, disabled, widows and widowers
 - Income up to \$32,230 for 2022 program
- \$1,500 for 100% disabled veterans
 - No income test
- Must apply annually with county assessor by **April 15th**
- 2022 claims
 - **26,677** approved (includes disabled vets. qualifiers)
 - **\$ 881** tax relief per claim average
 - **\$ 23.49 Million** paid by state to counties and taxing districts
- State funded, so **no** loss of revenue to any taxing district.
- **Not** an exemption, so no property tax shifted to other property taxpayers.
- **Not** subject to repayment



Property Tax Deferral

2006

- Requires equity in the property.
- \$50,650 income limit to qualify
- Deferral can last as long as the taxpayers continue to live in the home
- Property Tax must be paid back (plus interest but no penalty) after sale, etc.
 - Interest is 3% for 2022
- 2021 – 2022
 - 4 households approved in 2021
 - \$11,631 in total benefits paid in 2021
 - 16 households approved in 2022
 - \$47,245 in total benefits to be paid in 2022 -estimated



Idaho State Tax Commission

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Property Tax Specialist
(208) 332-6624
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Alan Dornfest
Property Tax Bureau Chief
(208) 334-7742
Alan.Dornfest@tax.idaho.gov

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Thursday, February 16, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>H 22</u>	SALES AND USE TAX - Adds to existing law to provide for the withholding of sales and use tax from city and county governments in certain instances.	Rep. Skaug
MINUTES APPROVAL:	Approval of Minutes of 2-08-2023	Senator Just Senator Cook
MINUTES APPROVAL:	Approval of Minutes of 2-9-2023	Senator Bernt Senator Rabe

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks	Sen Bernt
Vice Chairman Schroeder	Sen Trakel
Sen Grow	Sen Rabe
Sen Cook	Sen Just
Sen Adams	

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, February 16, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Bernt, Trakel, Rabe, and Just

ABSENT/ EXCUSED: Senator Adams

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 Ricks** convened the meeting of the Senate Local Government and Tax Committee (Committee) at 3:03 p.m.

H 22 **Sales and Use Tax. Senator Toews** presented **H 22**. He stated that this bill withheld sales and use tax revenue distributions to city or county governments that took such actions as proclamations to refuse to enforce any felony listed in the criminal code. He further stated that there was no adverse fiscal impact as the resources were already in place for enforcement. Furthermore, it could result in increased money for the general fund if the cities or counties did not comply. In addition, the bill provided for 180 days to repeal applicable orders. The bill pertained solely to enforcement of state felony laws and not city, county, local or federal laws.

DISCUSSION: **Vice Chairman Schroeder** expressed concern regarding the language, "or similar official directive." He felt that **H 22** would potentially affect the prioritization of felonies, or an intergovernmental agreement between a city and county for enforcement of specific felonies. **Senator Toews** responded that he had discussed that change with Representative Skaug and they were willing to delete that language.

Senator Rabe expressed concern regarding reconciling the concepts of carving out situations where Idaho was not required to enforce federal law and sanctuary cities. She felt we should not do one thing when interacting with the federal government and another when interacting with our local governments. **Senator Toews** responded that **H 22** was not meant to deal with federal law, only state law. **Senator Rabe** expressed concern regarding taking away local control and restricting their ability to respond to local safety needs. **Senator Toews** stated that the bill was meant to address the situation where a city undermined state law.

Senator Grow also expressed concern about a city inadvertently violating this bill. He felt that deleting the language, "or similar official directive" would help prevent that. He asked for clarification regarding the process for repealing the decision within 180 days. Who determined that it was a bad proclamation? Once that determination was made, who did the city go to for remedy?

MOTION: **Vice Chairman Schroeder** moved to send **H 22** to the 14th Order of Business for possible amendment. **Senator Grow** seconded the motion.

DISCUSSION: **Senator Rabe** indicated that she would not vote for this bill unless there were significant changes. She was concerned that it was too heavy handed with local governments and dictating public safety needs.

VOICE VOTE: The motion to send **H 22** to the 14th order passed by **voice vote**.

**MINUTES
APPROVAL:**

Approval of Minutes of February 8, 2023. Senator Just moved to approve the minutes of February 8, 2023. **Senator Bernt** seconded the motion. The motion to approve the minutes of February 8, 2023 passed by **voice vote**.

**MINUTES
APPROVAL:**

Approval of Minutes of February 9, 2023. Senator Bernt moved to approve the minutes of February 9, 2023. **Senator Rabe** seconded the motion. The motion to approve the minutes of February 9, 2023 passed by **voice vote**.

ADJOURNED:

There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:20 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Tuesday, February 21, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of Minutes of February 14, 2023.	Senator Adams Senator Schroeder
GUBERNATORIAL APPOINTMENT:	Appointment of Doug Wallis to the Board of Tax Appeals	Doug Wallis, Board of Tax Appeals
PRESENTATION:	Annexation of Property	Chris Meyer, Givens Pursley
PRESENTATION:	Introduction of Senate Page Hannah Price	Senator Ricks

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks	Sen Bernt
Vice Chairman Schroeder	Sen Trakel
Sen Grow	Sen Rabe
Sen Cook	Sen Just
Sen Adams	

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 21, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** called the meeting of the Senate Local Government and Taxation Committee (Committee) to order at 3:05 p.m.

MINUTES APPROVAL: **Senator Adams** moved to approve the minutes of February 14, 2023. **Vice Chairman Schroeder** seconded the motion. The motion to approve the minutes of February 14, 2023 passed by **voice vote**.

GUBERNATORIAL APPOINTMENT: **Appointment of Doug Wallis to the Board of Tax Appeals. Mr. Wallis** introduced himself and shared his background and experience. He expressed gratitude to the governor for the appointment to the Board of Tax Appeals (BTA). His most recent experience was as Franklin County Tax Assessor. He appreciated spending time with individuals who appealed their tax assessment values. **Mr. Wallis** shared that he had also been a certified residential appraiser. He had appreciated his time on the BTA and realized that not every county assessor operated in the same manner regarding assessments. He appreciated having served as administrative judge in that it provided a simple and inexpensive process to appeal tax assessments.

DISCUSSION: **Chairman Ricks** asked approximately how many tax appeals the BTA heard in a given time. **Mr. Wallis** deferred to Cindy Pollock, Director of the BTA, to answer that question. She responded that while the numbers varied, the average number of appeals per year was approximately 500 per year.

DISCUSSION: **Senator Cook** asked what had been his biggest challenge as a member of the BTA. **Mr. Wallis** replied that there had been a learning curve as a hearing officer. **Senator Cook** then asked how many people said after the hearing that it wasn't fair. **Mr. Wallis** explained that during the hearing they gathered information and rendered a decision in writing later.

DISCUSSION: **Senator Adams** asked when he graduated. **Mr. Wallis** stated that he had graduated from BYU Provo in 1986. **Senator Adams** then asked what Mr. Wallis had done between 1986 and 2008. **Mr. Wallis** explained that he spent some years working with his brothers who were contractors. He had also spent time in telecommunications as a corporate trainer.

DISCUSSION: **Chairman Ricks** explained that the Committee would vote on his appointment at a future meeting and thanked Mr. Wallis for being there.

PRESENTATION: **Annexation of Property.** Chris Meyer gave a presentation on current annexation law and three pieces of proposed legislation relating to annexation of property: **S 1040, S 1062, and S 1073.**

Mr. Meyer first discussed **S 1062**. That bill replaced Idaho Code § 50-222 which set up a complex system of three categories of annexation as illustrated on page 82 of the Land Use Handbook (Attachment 1). **S 1062** seemed to be aimed at eliminating involuntary annexation. Involuntary annexation was constitutional, but was rarely used. Under **S 1062** there would only be involuntary annexation upon written consent of landowners representing two thirds of the parcels and at least 50 percent of the area to be annexed. There was an exception for residential enclaves of 30 or fewer residential parcels that could be annexed involuntarily. Under current Idaho Code § 50-222, an enclave of fewer than 100 residential parcels could be involuntarily annexed by the city. **Mr. Meyer** described "enclave" as where perhaps there was a parcel in the middle of annexed property. He cited a concern that under **S 1062** you could not do a simple involuntary annexation of an enclave of non-residential property, only residential. Studies and so forth would be required. Under existing law the city couldn't do a category A annexation of non-residential property, but could do a category B or C annexation.

DISCUSSION: **Vice Chairman Schroeder** asked whether implied consent was retained in **S 1062**. **Mr. Meyer** replied that implied consent had not been retained. Written consent was required. He explained that existing legislation defined consent in 2 ways. Under category A annexation, voluntary annexation, consent meant written consent of the landowner. If the landowner recorded the written consent, it was binding on future owners. Under categories B and C in existing law there was implied consent, for example, if the landowner requested city water or sewer.

PRESENTATION: **Mr. Meyer** stated that **S 1062** did not address or change existing law regarding overlapping Areas of Impact (AOI) or answer the question of whether one city could annex not just into its own AOI, but into another city's AOI under a voluntary annexation. **S 1073** sought to find a compromise to that question. **S 1062** did not address that question. That bill eliminated categories A, B, and C and stated that it was permissible for a city to voluntarily annex beyond its area of impact.

S 1073 required cities to analyze their AOIs and bring them to within two miles of their geographical boundaries by July 1, 2024. Within five years a city was required to trim its AOI to within one mile beyond its geographical borders. Thereafter, a city was required to reevaluate its AOI at least once every five years. If a city failed to evaluate its AOI within five years, another city could take that AOI. A city's AOI may not overlap with another's. Under **S 1073** the county was responsible for the process and resolved any conflict between cities. It eliminated judicial review except where the county's decision was arbitrary and capricious and did not follow the notice and hearing requirements. In that case the court could remand the case to the county to comply with all requirements or the court could determine the AOI itself.

DISCUSSION: **Vice Chairman Schroeder** asked whether a city without competing infrastructure or growth on its periphery was still required to evaluate its AOI every five years. **Mr. Meyer** responded that they would be.

PRESENTATION: **Mr. Meyer** next discussed **S 1040**. That bill added to existing language in Idaho Code § 50-222. "Where all landowners have consented, may extend beyond the city AOI" additional language, "into and." **Mr. Meyer** stated that what he felt the sponsor had intended to say was that a city could extend into another city's AOI, however, he did not feel that was what it stated.

DISCUSSION: **Vice Chairman Schroeder** asked **Mr. Meyer** to discuss **S 1062** and Idaho Code § 50-222(6) and whether, if a landowner requested a voluntary annexation and had met the requirements specified under subsections (3), (5)(a) or (5)(b), the city was required to annex that property. **Mr. Meyer** explained that because of the language, "and the city agrees," the city retained its discretion.

Chairman Ricks asked whether, if the Committee passed **S 1073** or **S 1040** and **S 1062**, that would create a conflict. **Mr. Meyer** responded that one approach was to pass **S 1073** and proceed slowly with **S 1062** which did address important concepts such as implied consent. He expressed concern, however, regarding eliminating Idaho Code § 50-222.

Vice Chairman Schroeder inquired about whether the county or city controlled zoning and so forth. **Mr. Meyer** replied that under existing law there was negotiation between the city and county. Under **S 1073** the county had control.

PRESENTATION: **Introduction of Senate Page Hannah Price.** **Chairman Ricks** welcomed Ms. Price and asked her to introduce herself and tell the Committee about herself. **Ms. Price** stated that she was from Boise and attended Capital High School. After graduation she planned to go on an LDS mission and then pursue a degree in pre-law, philosophy, and religion at Idaho State University.

Senator Cook asked what made her interested in being a Senate Page. **Ms. Price** explained that she had four older brothers who were a Page and her parents encouraged her to do it.

Chairman Ricks asked whether she had any expectations based on her brothers' experiences as a Page. **Ms. Price** replied that she wanted to learn as much as possible about how government worked.

Chairman Ricks thanked Ms. Price for her willingness to serve.

ADJOURNED: There being no further business, **Chairman Ricks** adjourned the meeting at 4:29 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

Attachment 1



BRAD LITTLE
GOVERNOR

February 9, 2023

The Honorable Scott Bedke
President of the Senate
Idaho State Senate
Statehouse Mail

Dear Mr. President,

I have the honor to inform you that Doug Wallis of Preston, ID was appointed to the Board of Tax Appeals to serve a term commencing July 20, 2022 and expiring June 30, 2025.

This appointment is subject to confirmation by the Senate, and notice of appointment is hereby given.

Sincerely,

A handwritten signature in blue ink, appearing to read "Brad Little".

Brad Little
Governor

BL/tf

OFFICE OF THE GOVERNOR

(Send To: Office of the Governor, P.O. Box 83720, Boise, ID 83720)

BOARD MEMBER DATA SHEET

Name: Doug Wallis Term From: 7/20/2022 To: 6/30/2025

Appointed To: Board of Tax Appeals

Established By I.C. 63-3801 Succeeding: David Kinghorn

PERSONAL INFORMATION

Gender: Female Male Date of Birth: 4/23/1963

Political Affiliation Required: Yes No Political Affiliation: Republican

Marital Status: Single Married Spouse's Name: Jennifer Wallis

Address: 5537 E Sugar Creek Rd

Email: dwallis41@yahoo.com

City: Preston State: ID Zip: 83263 County: Franklin

Phone: 208-852-2347 Fax: _____ Cell Phone: 435-232-1297

EMPLOYMENT INFORMATION

Employer: Franklin County Occupation: County Assessor

Address: 51 W Oneida

City: Preston State: ID Zip: 83263

Phone: 208-852-1091 Fax: _____ County: Franklin

Are you presently employed by the State of Idaho? Yes No

If yes, Agency name: _____ Original date of employment: 7/20/17

Important Note: Official Conduct. It is your responsibility to familiarize yourself with the applicable statutes and regulations governing official conduct generally and the duties and responsibilities of your particular office. It is unlawful to use public office for private gain, and to enter into contracts or otherwise to do business in an individual capacity with state agencies that you govern. Some restrictions also apply to doing business with agencies other than your own. You must avoid actual conflicts of interest in carrying out your official duties, and should also avoid creating even an appearance of such a conflict. If you have any questions in this regard, please contact your agency personnel or the Office of the Governor.

I have read and agree to abide by the above rules for Official Conduct.

Signed: Doug Wallis Date: 7/21/22

OFFICIAL OATH

I do solemnly swear (or affirm, as the case may be) that I will support the Constitution of the United States, and the Constitution of the State of Idaho, and that I will faithfully discharge the duties of (insert office) _____

Board of Tax Appeals

_____ according to the best of my ability.

Long Walker

Subscribed and sworn to before me this 21 day of July, 2022.



Melanie Olsen

Notary Public for the State of Idaho

10-4-2022

Commission Expires



Application for Appointment

Return all information to:

E-MAIL PREFERRED

E-mail completed application and materials to: Tamera.Felter@gov.idaho.gov

To mail, send to: Office of the Governor
Attn: Boards & Commissions
P.O. Box 83720
Boise, ID 83720

Personal Information

Title	First	Middle	Last	<input checked="" type="checkbox"/> Male <input type="checkbox"/> Female	
	Doug	M	Wallis	E-mail Address dwallis41@yahoo.com	
Street	City	State	Zip	Phone	(208) 852-2347
5537 E Sugar Creek RD	Preston	ID	83263	Mobile	(435) 232-1297

Are you a current resident of the State of Idaho? Yes No

Interests

On which Department or Agency would you like to serve? Idaho Board of Tax Appeals	Political Party (If Required) Republican
---	--

What position would you like to apply for, and why would you like to serve in this capacity?
Board member

Are you a current State Employee? Yes No

If so, what is your job position?

How many years have you worked for the State of Idaho? (If applicable)

How did you learn of this position?

Cindy Pollock contacted me and invited me to apply. Kathlynn Ireland, who is associated with the Idaho State Tax Commission, recommended me to her for the position.

List all past boards, commissions, and councils on which you have served, as well as political appointments you have received.

Chair, Education Committee, Idaho Association of County Assessors
President, Rotary Club of Preston, Idaho
Franklin County Assessor

Please list your last three employers and dates worked, if not included on attached resume.

The information set forth above in my application is true to the best of my knowledge. False statements on this application shall be sufficient cause for non-consideration or dismissal after appointment.

Doug Wallis
Signature

06/14/2022

Date

Except for your name, this application will only be released in response to a public records request upon your written consent.



Authorization for Background Check

Public positions and appointments require a higher degree of scrutiny, so a background check may be required for your appointment by the Governor. The information provided will be confidential pursuant to state and federal law.

Personal			Sex
Title	First	Middle	Last
	Doug	M	Wallis
			<input checked="" type="checkbox"/> Male <input type="checkbox"/> Female

Alias Names (include maiden and married names)	Date of Birth
	04/23/1963

Board Applied For	Driver's License Number	Other ID
Idaho Board of Tax Appeals	UG263503E	

Address (please include previous 5 years)			
Current Address	City	State	Zip
5537 E Sugar Creek RD	Preston	ID	83263
Alternate Address	City	State	Zip
Previous Address	City	State	Zip

Conflicts of Interest
 Please list ANY possible conflicts – perceived or actual – that you have related to this position. That includes any business relationship, dealing or financial transaction that may create an appearance of impropriety or conflict of interest with the position for which you were nominated, whether your own or through a client or relative. It also includes situations in which a family member or client has any direct or indirect financial or personal interest – except as a consumer – in a business, investment, property holding or employment that could have dealings with the position you are seeking. **Please provide details.**

I am currently serving as county assessor. My term will end in January 2023.

Criminal		
Please list ANY criminal offenses, including felonies, misdemeanors, or infractions for which you have been convicted, pled guilty, or received a withheld judgment within your lifetime.		
Approximate Date	City, State	Offense or Violation

The information set forth above in my application is true to the best of my knowledge. False statements or omitting any information on this application shall be sufficient cause for non-consideration or dismissal after appointment.

I hereby authorize investigation, without liability, of the information supplied by me in this application and other information, including but not limited to: academic / educational records, occupational history, criminal history, credit records, and government records.

	06/14/2022
Signature	Date

Except for your name, this application will only be released in response to a public records request upon your written consent.

**GUBERNATORIAL APPOINTMENT
CONFIRMATION INFORMATION FORM
IDAHO SENATE**

Confirmation is a process by which the Idaho Senate reviews and consents to the Governor's nominations of certain appointed executive offices. The Idaho Senate's authority to conduct confirmations is found in Article IV, section 6 of the Constitution of the State of Idaho and in state code. This constitutional and statutory joint action of the executive and the legislative branches functions as an essential part of the "checks and balances" system of our tripartite, republican form of government. In furtherance of the Senate's responsibility in consenting to executive appointments, and so that the Senators can fairly and consistently conduct a review of proposed appointments, please provide responses to the following and return the completed form to the committee. You are strongly encouraged to attach a current resume or biography.

Governor Little desires the best possible candidates for boards and commissions. Disclosing a conflict or potential conflict is important. Having a conflict will not necessarily eliminate you from consideration. Failure to disclose a conflict or potential conflict can result in a rescission of your appointment or preclude consideration of your nomination by the Idaho Senate. Acknowledging a conflict does not waive any future requirement to state a conflict.

Name of Nominee: Doug Wallis
Position Nominated for: Board of Tax Appeals

GENERAL

1. Have you ever been elected or appointed to any office in this state? If yes, state the office, title, date of election or appointment, and level of government:

Yes. Assessor, July 2017, Franklin County

2. If this is a re-appointment to a board, commission or other position on which you currently serve:

- a. How frequently were meetings scheduled?

- b. To the extent you are able, list any regularly scheduled meeting that you missed during the last two years and the reason(s) for your absence(s):

**GUBERNATORIAL APPOINTMENT
CONFIRMATION INFORMATION FORM
IDAHO SENATE**

QUALIFICATIONS

3. Although it may or may not be required for this appointment, describe:

a. Any degree, professional certification, or designation you have received related to the subject matter of this appointment:

Real Estate License, Washington State 1984
B.A. International Relations, BYU 1986
Certified Appraiser 2018

b. Any work or personal experience you have in the subject area of concern to the position to which you have been nominated:

County Assessor 2017 to Present
Program Manager, Northeastern Services 2008-2016
Corporate Trainer, Sprint PCS project 1999-2005

BACKGROUND

4. Has any court, administrative agency, regulatory body, professional association, disciplinary committee, or other professional group found that you committed a breach of ethics, participated in unlawful discrimination, or participated in any unprofessional conduct? If yes, please explain.

No

5. Have you ever been found guilty of, pled guilty to, or received a withheld judgment for a felony violation of any federal or state law? If yes, please state the details and dates.

No

6. Within the last five (5) years, have you been found guilty of, pled guilty to, or received a withheld judgment for a misdemeanor violation of any federal, state, county, or local law, regulation, or ordinance resulting in a jail sentence (actual or suspended) or fine in excess of \$500? If yes, please state the details and dates.

No

7. Are you now under charges for any violation of law? If yes, please state the details.

No

**GUBERNATORIAL APPOINTMENT
CONFIRMATION INFORMATION FORM
IDAHO SENATE**

CONFLICTS OF INTEREST

8. Are you, or have you been, a registered lobbyist in the state of Idaho? If yes, please state details and date.

No

9. In the last five years, have you had any business relationship, dealing or financial transaction, whether for yourself or on behalf of a client or family member, which you believe may constitute an appearance of impropriety or conflict of interest with the position to which you have been nominated? If yes, please explain.

No

10. Do you, a family member or a client have any direct or indirect financial or personal interest (such as business or financial investments, property holdings, or employment), except as a consumer, in the subject area of concern to the position to which you have been nominated? If the answer is "yes", please state the details and explain how do you expect to handle it when (and if) those conflicts arise?

No

POLITICAL AFFILIATION

11. If it is a statutory precondition of this appointment, please identify any political party that you are now or have been affiliated with.

Republican

Doug Wallis
Signature

7/21/22
Date

5937 E. SUGAR CREEK RD
PRESTON ID 83203
(435) 232-1297
dwallis41@yahoo.com

DOUG WALLIS

SKILLS

Certified Appraiser. Corporate Trainer.

EXPERIENCE

Franklin County, Preston, ID – *County Assessor*

July 2017 - PRESENT

- Responsible for the valuation of all real property and personal property for tax purposes.
- Oversee titling and registration in the Department of Motor Vehicles.
- Administered Property Tax Reduction for senior citizens, veterans and people with disabilities.
- Defend accuracy of assessments when challenged.

Educational Testing Services – *Scoring Leader*

March 2016 - July 2017

- Scored SAT essays for college-bound students.
- Led a remote team of raters in scoring SAT essays.

North Eastern Services, Logan, UT – *Program Specialist*

February 2008 - February 2016

- Managed a staff of house managers in the care of adults and children with developmental and behavioral disabilities.
- Responsible for the medical and psychiatric care of our clients.

EDUCATION

Brigham Young University, Provo, UT – *B.A. International Relations*

Took courses in pre-law, languages and business. Graduated in three years.

COMMUNITY SERVICE

President of Rotary Club of Preston, Boy Scout leader for 7 years.

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Wednesday, February 22, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>S 1055</u>	EDUCATION - Amends existing law to revise provisions regarding levies.	Brian Stutzman
<u>H 89</u>	CITY COUNCILS - Amends existing law to revise provisions regarding the filling of a vacancy on a council and to provide for the filling of a vacancy in certain instances.	Rep. Cheatum
<u>H 99</u>	SALES TAX - Amends existing law to revise a provision regarding the distribution of sales tax to certain special purpose taxing districts.	Rep. Durrant
<u>H 106</u>	PROHIBITIONS ON UTILITY CONNECTIONS - Adds to existing law to prohibit any type of local government entity from restricting certain types of utility connections.	Rep. Dixon (1)

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, February 22, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:04 p.m.

PASSED THE GAVEL: Chairman Ricks passed the gavel to Vice Chairman Schroeder.

S 1055 **Education.** **Chairman Ricks** explained that this bill reduced the maximum amount of school bond payments a school board could levy in one year from 21 months to 14 months. He further stated that allowing 21 months of payments in one year resulted in 75 percent more income than was necessary for an annual bond payment and reduced that to 16.7 percent. He yielded his time to Brian Stutzman.

TESTIMONY: **Brian Stutzman** expressed concern that under current Idaho law school districts could collect up to 21 months of property tax payments toward a levy in 12 months. This resulted in school districts collecting more than was required to make bond payments. He explained that **S 1055** reduced that to 14 months and reduced property taxes. Page one of (Attachment 1) illustrated the levy amount of \$3 million required to make the minimum of 12 payments in one year and the levy amount of \$14 million required to make the maximum of 21 payments in a year. Page two of Attachment 1 showed the levy amount of .0018 percent with the minimum of 12 months of payments in one year and .0036 percent with the maximum of 21 months of payments in one year as permitted under current law.

DISCUSSION: **Senator Cook** asked Mr. Stutzman to further explain the purpose of **S 1055** and what it did. **Mr. Stutzman** explained that current law allowed school districts to charge taxpayers based on a minimum of 12 months of bond payments up to 21 months of payments in one year, more than needed to make bond payments. The Idaho Falls School District 91 collected over \$8 million above what was required to make annual bond payments. The school district put the excess funds in a separate bank account (Attachment 2).

Senator Bernt asked what this separate bank account was used for. **Mr. Stutzman** explained that the school board voted and the money was put in a bond savings account. That account could only be used to redeem bonds early when terms allowed.

TESTIMONY: **Angela Pendlebury**, CFO for Idaho Falls School District 91, stated that the levy rate was set by statute and only included payments due, so there was no way to over collect. The levy rate was calculated based on the payments coming due within the next year, in the next 21 month cycle. The levy amount was based on a projection of the tax base which was based on the value of homes for the next 21 months. The district might decide to refinance a debt if interest rates dropped and pay off a bond early. The Idaho Falls school district saved \$6.7 million by refinancing their debt.

DISCUSSION: **Senator Cook** asked whether they could have saved that amount under **S 1055**. **Ms. Pendlebury** responded that it probably would not have affected their lowering the interest rate because they would still be permitted to do that. Her concern was that shortening the length of time would decrease their ability to show that they could pay their debt and, thereby, decrease their credit rating resulting in higher interest rates.

Senator Grow asked Ms. Pendlebury to explain the adverse affects of reducing the number of bond payments they could levy in one year from 21 to 14. **Ms. Pendlebury** explained that, first, it would decrease their credit rating. Second, it would make it more difficult to make projections and ensure their ability to make payments during the ups and downs in the economy.

TESTIMONY: **Blake Snedaker**, business manager for the Madison School District, spoke in opposition to **S 1055**. He expressed concern with the fact that the fiscal year began on July 1, but the district didn't begin receiving property tax payments until December. **S 1055** reduced the amount of months of payments due they could collect in one year and made it more difficult for them to make bond payments due before December.

TESTIMONY: **Andy Grover**, Director of the Idaho Association of School Administrators, spoke in opposition to **S 1055**. He explained that if there were excess funds at the end of the year the school board could opt for a short term reduction of property taxes or do a defeasance that resulted in less short term reduction in property taxes, but an increase in total property tax reduction spread out over a longer term.

DISCUSSION: **Senator Cook** asked Mr. Grover to explain the difference between a redemption and defeasance. **Mr. Grover** explained that a redemption was payment of a bond during the last year. Under defeasance the money was put in an escrow account to pay off the bond at year 20 because you couldn't pay it off early under the terms of the bond.

Senator Grow asked whether his understanding was correct that a school district could accumulate funds and keep the levy rate the same rather than reduce the levy rate even though there was population growth that further increased their funds. **Mr. Grover** affirmed that Senator Grow's understanding was correct. **Senator Grow** asked Kelley Packer to discuss how cities determined the levy rate.

TESTIMONY: **Kelley Packer**, Director of the Idaho Association of Cities, explained that cities set their budgets, determined values and then determined the levy rate.

TESTIMONY: **Mr. Grover** stated that the choice for a school board was whether to reduce property taxes for the short term or whether to have a smaller amount of property tax relief each year, but more over an extended period of time.

TESTIMONY: **Nick Miller** of Hawley Troxell law firm explained that the use of reserve funds, as discussed by Ms. Pendlebury, to enhance your bond rating was common. **S 1055** eliminated the school's discretion and dictated that they could only collect up to 14 months of bond payments in one year. He also noted the difference in fiscal years as discussed by Mr. Snedaker. The effect of **S 1055** on the Shelley School District had it been in effect in 2022 would have been prevention from certifying bond payments in June 2022 because they had sufficient funds to make payments for the next 12 months. However, the next year, when the September 2023 payment came due, they would not have had sufficient funds to make the bond payment and would have had to borrow from the general fund and levy more the following year to repay the general fund. That could decrease their ratings with bond agencies (Attachment 3).

Mr. Miller also noted the disconnect between thinking of this issue in terms of percentages, the percentage of total debt service a school district could have in reserve, and the number of months of payment due a district could collect in one year under **S 1055**.

DISCUSSION: **Senator Grow** asked whether districts would be adversely affected under **S 1055** during that first year of reducing the amount of payments they could collect from 21 to 14, and whether the effect would be flat the second year. **Mr. Miller** responded that he wasn't certain. The district would have to forecast the levy amount in June, more than 14 months before the September payment of the following year was due. In addition, the district would be required to subtract any amount of bond funds from what they certified. The district would have certified 21 months the previous year.

Vice Chairman Schroeder asked what number of months of payments due districts could collect in one year he would suggest. **Mr. Miller** responded that 16 months would, "do no harm," but stated that would not address the policy issue of whether school districts should have a reserve of 16 months.

TESTIMONY: **Chairman Ricks** stated that Idaho gave more flexibility to school districts with respect to levies than most states. He expressed concern that no one was providing oversight regarding how much school districts were collecting. **S 1055** reduced the amount of reserve the school districts could collect in one year to 16.7 percent. The difference in fiscal years should not be a concern after the first year. In response to concerns regarding increased rates, **Chairman Ricks** noted that the bond levy equalization fund paid some of the interest on bonds.

DISCUSSION: **Senator Grow** asked what the savings to taxpayers would be under **S 1055**. Would the savings occur during the first year and then the levy amount be level thereafter. **Chairman Ricks** confirmed that was correct.

Senator Rabe asked for clarification on her understanding that under **S 1055** school districts could create a short term savings for taxpayers, but would not have the flexibility to provide more savings over the 20-year period of the bond. **Chairman Ricks** stated that was correct. **Senator Rabe** noted that she had heard testimony that under current law allowing school districts to charge 21 months of bond payments in one year they had saved \$28 million. She asked whether the school districts would lose that ability under **S 1055**. **Chairman Ricks** explained that the state bond levy equalization fund paid a portion of the interest so they were not saving the local governments interest. In addition, the school district could refinance if interest rates went down, go out for a new bond or utilize other options to save money. **Senator Rabe** stated that it was her understanding that a bond could only be refinanced once and asked whether that affected Chairman Ricks' calculations. **Chairman Ricks** replied that it did not.

Senator Cook asked whether he would consider an 18 month limit on the number of payments the school district could levy in one year. **Chairman Ricks** responded that he felt that 18 months was too long and stated that other states without this flexibility continued to obtain bonds and maintained good bond ratings. He explained that the defeasance process did not pay off the bond. The bond was sold and the school district continued to service that debt for the remainder of the term.

Senator Rabe suggested they step back, spend a year and track the movement of property tax funds. **Chairman Ricks** responded that he felt this legislation was needed now and that he was not aware of any school district defaulting on a bond.

Senator Trakel asked whether **S 1055** provided tax relief. **Chairman Ricks** replied that it provided tax relief as soon as next year.

Senator Grow suggested increasing the number of months from 14 to 15 or 16 might be a middle of the road approach.

MOTION: **Senator Trakel** moved to send **S 1055** to the floor without recommendation.

SUBSTITUTE MOTION: **Senator Grow** made a substitute motion to send **S 1055** to the 14th order of business for possible amendment. **Senator Cook** seconded the motion. The motion to send **S 1055** to the 14th order of business for possible amendment passed by **voice vote**.

PASSED THE GAVEL: Vice Chairman Schroeder passed the gavel back to Chairman Ricks.

H 89 **City Councils. Representative Cheatum** presented **H 89**. He explained that this bill was in response to a situation in Pocatello where three city council members resigned leaving them without a quorum to confirm the mayor's appointments of replacements. This left Pocatello without the ability to pay bills or do other city business. Pursuant to Idaho Code § 59-912, the mayor nominated replacements and they were appointed by the governor. **H 89** established a process whereby the mayor nominated a candidate. If the position of mayor was vacant, the city council president nominated the candidate. If both the mayor and city council president positions were vacant, the most senior city council member nominated a replacement. The nomination was then confirmed by the council. Finally, if there was not a quorum of the city council, the ranking elected official in order of the mayor, council president, senior member of the council, would nominate a candidate or candidates sufficient to establish a quorum for appointment by the governor.

DISCUSSION: **Chairman Ricks** asked for clarification that this bill only addressed city council vacancies. **Representative Cheatum** replied that was correct.

Senator Rabe asked whether the cities supported this bill. **Representative Cheatum** stated that they did.

MOTION: **Senator Cook** moved to send **H 89** to the floor with a **do pass** recommendation. **Vice Chairman Schroeder** seconded the motion. The motion to send **H 89** to the floor with a **do pass** recommendation passed by **voice vote**.

H 99 **Sales Tax. Representative Durrant** presented **H 99**. **Representative Durrant** stated that **H 99** pertained solely to revenue sharing with special purpose taxing districts and did not affect revenue sharing with cities or counties. She explained that currently property tax information was gathered on the fourth Monday in October and the sales tax distribution was calculated on October 31 of each year. This resulted in errors in calculation of foregone and other errors. **H 99** extended the date for calculation of sales tax distribution to January 31 of the following year. The distribution on October 31 would be based on the previous year's information.

DISCUSSION: **Senator Grow** asked whether the Idaho State Tax Commission had been consulted on this bill. **Senator Durrant** responded that this was an agency bill.

MOTION: **Vice Chairman Schroeder** moved to send **H 99** to the floor with a **do pass** recommendation. **Senator Rabe** seconded the motion. The motion to send **H 99** to the floor with a **do pass** recommendation passed by **voice vote**.

H 106 **Prohibitions on Utility Connections.** **Chairman Ricks** postponed consideration of **H 106** to a date to be determined.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 4:50 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

Attachment 1

Boards Can Charge A Range Of Taxes

**FY 2023 Bond Levy Calculation in millions of
— dollars (rounded)**

	12 months (minimum)	21 months (maximum)
Principal & Interest due	\$11	\$22
Cash on Hand	\$8	\$8
Difference (Levy amount)	\$3	\$14

Idaho State Statute gives school districts the authority to decide how much to levy for bonds between the minimum and maximum amounts

Law allows up to double the tax rate

D93 Tax Levy Summary FY 2023 (in millions)

	FY 2022 Actual Amount	Minimum Levy Amount	Maximum Levy Amount
Supplemental Levy	\$5.8	\$5.8	\$5.8
Plant Facility Levy	\$2.8	\$2.8	\$2.8
Emergency Levy	\$0	\$0	\$1
Bond Levy	\$10	\$3	\$14
Total Amount	\$18.6	\$11.6	\$23.6
Estimated Rate	.0041	.0018	.0036

add a column 2

Idaho School Bond Defeasance & Redemption Activity (2013-2022)
Compiled 2/8/2023

District	Year	Action	Amount from Bond Fund to Defeasance and/or Redeem Bonds Early	Amount of Principal & Interest Pre-paid	Property Tax Reduction (Savings)	Savings as percent of amount transferred to defeasance/redeem
136 (Melba)	2013	Defeasance	\$475,093	\$527,350	\$52,257	11%
414 (Kimberly)	2014	Defeasance	\$556,473	\$653,375	\$96,902	17%
91 (Idaho Falls)	2017	Defeasance	\$1,403,591	\$1,644,800	\$241,209	17%
412 (Buhl)	2017	Defeasance	\$400,352	\$449,100	\$48,748	12%
132 (Caldwell)	2018	Redemption	\$2,001,146	\$2,619,781	\$618,635	31%
133 (Wildier)	2018	Defeasance	\$296,234	\$355,000	\$58,766	20%
136 (Melba)	2018	Defeasance	\$570,217	\$828,188	\$257,970	45%
271 (Coeur d'Alene)	2018	Defeasance	\$2,495,447	\$2,850,700	\$355,253	14%
411 (Twin Falls)	2018	Defeasance	\$7,227,184	\$12,946,106	\$5,718,922	79%
413 (Filer)	2018	Defeasance	\$746,843	\$846,375	\$99,532	13%
3 (Kuna)	2019	Redemption	\$2,000,000	\$2,117,000	\$117,000	6%
151 (Cassia)	2019	Defeasance	\$1,001,327	\$1,396,088	\$394,760	39%
215 (Freemont)	2019	Defeasance	\$2,057,019	\$2,192,900	\$135,881	7%
91 (Idaho Falls)	2019	Defeasance	\$3,207,313	\$4,420,844	\$1,213,531	38%
132 (Caldwell)	2019	Redemption	\$1,445,000	\$1,843,105	\$398,105	28%
136 (Melba)	2019	Defeasance	\$394,277	\$522,275	\$127,998	32%
261 (Jerome)	2019	Defeasance	\$1,994,236	\$3,306,031	\$1,311,796	66%
272 (Lakeland)	2019	Defeasance	\$999,086	\$1,097,400	\$98,314	10%
413 (Filer)	2019	Defeasance	\$1,272,480	\$1,441,400	\$168,920	13%
3 (Kuna)	2020	Defeasance	\$3,882,287	\$5,573,613	\$1,691,325	44%
93 (Bonneville)	2020	Defeasance	\$5,309,559	\$5,936,875	\$627,316	12%
136 (Melba)	2020	Defeasance	\$447,291	\$552,900	\$105,609	24%
363 (Marsing)	2020	Defeasance	\$945,805	\$1,298,600	\$352,795	37%
412 (Buhl)	2020	Defeasance	\$339,644	\$353,981	\$14,337	4%
3 (Kuna)	2021	Defeasance	\$6,194,054	\$8,478,750	\$2,284,696	37%
251 (Jefferson)	2021	Defeasance	\$3,324,937	\$4,790,625	\$1,465,688	44%
321 (Madison)	2021	Defeasance	\$4,494,900	\$6,350,900	\$1,856,000	41%
132 (Caldwell)	2021	Redemption	\$1,817,290	\$2,036,250	\$218,960	12%
136 (Melba)	2021	Defeasance	\$400,826	\$499,100	\$98,274	25%
3 (Kuna)	2022	Defeasance	\$3,994,407	\$5,676,750	\$1,635,500	41%
151 (Cassia)	2022	Defeasance	\$1,502,925	\$2,142,488	\$639,563	43%
91 (Idaho Falls)	2022	Defeasance	\$5,609,865	\$6,465,925	\$856,060	15%
132 (Caldwell)	2022	Redemption	\$2,477,497	\$2,514,550	\$37,053	1%
136 (Melba)	2022	Defeasance	\$665,000	\$880,800	\$215,800	32%
139 (Vallivue)	2022	Defeasance	\$7,998,983	\$12,122,500	\$4,123,517	52%
271 (Coeur d'Alene)	2022	Redemption	\$2,030,000	\$2,273,600	\$243,600	12%
413 (Filer)	2022	Defeasance	\$1,197,805	\$1,314,750	\$116,945	10%
Totals			\$83,176,391	\$111,320,774	\$28,097,538	34%

Attachment 3



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February 22, 2023

To: Senate Local Government
Re: *SB 1055*

Presentation Items

- 1) Tax Calculation
- 2) Other State Statutes
- 3) HB 79

	SB 1055 as written	what is needed
START	7/1/2022	7/1/2022
	9/15/2022	9/15/2022
	1,888,088	1,888,088
	3/15/2023	3/15/2023
	199,988	199,988
END	8/30/2023	8/30/2023
		9/15/2023
		1,999,988
	Total	4,088,063
		(1,829,774)
Less Bond Fund (6/30/2022 audit)		(1,829,774)
Less BLEP (received 9/1/2022)		(756,851)
		(756,851)
Max Levy under SB 1055	(498,550)	1,501,438

Bond Levy Reserve Provisions in Other States

Nevada

- NRS 350.020 (5)

At the time of issuance of bonds authorized pursuant to subsection 4, the board of trustees shall establish a reserve account in its debt service fund for payment of the outstanding bonds of the school district. The reserve account must be established and maintained in an amount at least equal to the lesser of:

- (a) For a school district located in a county whose population is 100,000 or more, 25 percent; and
- (b) For a school district located in a county whose population is less than 100,000, 50 percent, of the amount of principal and interest payments due on all of the outstanding bonds of the school district in the next fiscal year or 10 percent of the outstanding principal amount of the outstanding bonds of the school district.

Colorado

Colo. Rev. Stat. § 22-42-117

- (2) The board of education has authority to include in each amount certified for said bond redemption **fund an amount to create a reserve for the redemption of bonds in future years prior to their maturities, for the payment of bonds in future years either prior to or at their maturities**, or for purchasing at a discount and cancellation any bond on which the interest is being paid for the current district debt service mill levy; but said reserve shall be restricted to the subsidiary account in the bond redemption fund for which said tax levy was made.

AMENDED AGENDA #1
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Thursday, February 23, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>H 80</u>	INCOME TAX - Amends existing law to revise provisions regarding evidence of a taxpayer's expenditures.	Rep. Manwaring
GUBERNATORIAL APPOINTMENT VOTE:	Gubernatorial Appointment of Doug Wallis to the Board of Tax Appeals	Senator Ricks

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, February 23, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Bernt, Rabe, and Just

ABSENT/ EXCUSED: Senators Adams and Trakel

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:02 p.m.

H 80 **Representative Manwaring** presented **H 80**. He stated that this bill dealt with evidence of taxpayer expenditures. It was to clean up H 217 passed two years ago. H 217 established a presumption that a taxpayer could use a bank or credit card statement as evidence of an expenditure for purposes of a deduction or credit on his or her income taxes. **H 80** provided that, absent clear and convincing evidence of fraud, a bank or credit card statement was conclusive evidence of an expenditure for purposes of a tax deduction or tax credit.

DISCUSSION: **Chairman Ricks** asked for clarification as to whether the original plan was the same, but merely reworded. **Representative Manwaring** explained that **H 80** changed the legal burden of proof. A bank or credit card statement was presumed to be evidence of an expenditure for purposes of a tax deduction or credit, absent clear and convincing evidence of fraud.

Vice Chairman Schroeder asked Representative Manwaring to discuss whether an itemization on your credit card or bank statement would be required. **Representative Manwaring** responded that without an itemization, the credit or deduction could be subject to challenge.

MOTION: **Senator Grow** moved to send **H 80** to the floor with a **do pass** recommendation. **Senator Schroeder** seconded the motion. The motion to send **H 80** to the floor with a **do pass** recommendation passed by **voice vote**.

GUBERNATORIAL APPOINTMENT VOTE: **Gubernatorial Appointment of Doug Wallis to the Board of Tax Appeals.** **Senator Cook** moved to send the gubernatorial appointment of Doug Wallis to the Board of Tax Appeals to the floor with a recommendation that he be confirmed by the Senate. **Senator Rabe** seconded the motion. The motion to send the gubernatorial appointment of Doug Wallis to the Board of Tax Appeals to the floor with a recommendation that he be confirmed by the Senate passed by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:15 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Tuesday, February 28, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	Approval of Minutes of February 15, 2023	Senator Trakel Senator Just
MINUTES APPROVAL:	Approval of Minutes of February 16, 2023	Senator Cook Senator Bernt
<u>H 59</u>	INCOME TAXES - Amends existing law to revise a provision regarding the income tax credit for capital investment.	Rep. Ehlers
<u>H 51</u>	PROPERTY VALUATION NOTICES - Amends existing law to require that certain information be provided on all property valuation assessment notices.	Rep. Blanksma Senator Bernt
<u>H 135</u>	PROPERTY TAXES - Amends House Bill 51 to provide an effective date of January 1, 2024.	Rep. Blanksma Senator Bernt
<u>S 1114</u>	DEVELOPMENT IMPACT FEES - Amends existing law to revise provisions regarding a development impact fee advisory committee and to provide for a development impact fee advisory committee for Intergovernmental agreements between governmental entities and certain districts.	Senator Schroeder Sarah Bettweiser

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks	Sen Bernt
Vice Chairman Schroeder	Sen Trakel
Sen Grow	Sen Rabe
Sen Cook	Sen Just
Sen Adams	

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, February 28, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Cook, Adams, Bernt, Trakel, Rabe, and Just

ABSENT/ EXCUSED: Senator Grow

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:17 p.m.

MINUTES APPROVAL: **Approval of Minutes of February 15, 2023. Senator Trakel** moved to approve the minutes of February 15, 2023. **Senator Just** seconded the motion. The motion to approve the minutes of February 15, 2023 passed by **voice vote**.

MINUTES APPROVAL: **Approval of Minutes of February 16, 2023. Senator Cook** moved to approve the minutes of February 16, 2023. **Senator Bernt** seconded the motion. The motion to approve the minutes of February 16, 2023 passed by **voice vote**.

H 59 **Income Taxes. Representative Ehlers** presented **H 59**. **Representative Ehlers** explained that the Idaho Investment Tax Credit (ITC) was a tax credit for new properties that businesses purchased. Some of the equipment purchased was mobile property which he defined as property used both inside and outside of Idaho. The tax credit was pro-rated since mobile property was not used in Idaho 100 percent of the time. **Representative Ehlers** further explained that there were two ways to calculate the pro-rated tax credit. Under the pro-rated method a pro-rated tax credit was allowed if the property was placed in service within the last 90 days prior to year end. This was based on number of miles driven, hours used or other use during the first 90 days of service, even if that extended into the following year. The property factor method allowed the full tax credit if the property was placed in service within the last 90 days of the year. **H 59** made the pro-rated calculation consistent between the two methods by adding the 90 day provision to the property factor method.

DISCUSSION: **Senator Just** asked how this provision compared to other states and whether there were any concerns regarding double dipping. **Representative Ehlers** responded that he was not familiar with the tax policies of other states and suggested that the Committee consider what was best for Idaho.

Chairman Ricks asked whether the Idaho State Tax Commission (ISTC) was concerned. **Representative Ehlers** explained that ISTC brought this to his attention and provided their data for the fiscal note.

MOTION: **Vice Chairman Schroeder** moved to send **H 59** to the floor with a **do pass** recommendation. **Senator Trakel** seconded the motion. The motion to send **H 59** to the floor with a **do pass** recommendation passed by **voice vote**.

H 51 **Property Valuation Notices.** **Senator Bernt** presented **H 51**. He explained that this bill required the ISTC to create a universal tax assessment notice that county assessors sent to taxpayers. The notice included market value of the taxpayer's property, an itemization of property taxes by each taxing district, percentage of increase or decrease over the previous two years, the date of each taxing district's budget hearing or the date by which the hearing must be held if no date had been set, and a telephone number for each taxing district or unit. This was an effort to be transparent. This did not prevent county assessors from including additional information on the tax assessment notice.

DISCUSSION: **Senator Adams** noted that the fiscal note stated that the cost of generating this uniform tax notice was absorbed in the ISTC's budget and asked whether **Senator Bernt** had any information on the actual cost. **Senator Bernt** replied that he did not, but he felt it would be miniscule.

Chairman Ricks asked whether there had been any consideration of the cost for modifications to the counties' software. **Senator Bernt** stated that he was not aware of any. **Chairman Ricks** asked if Sarah Westbrook with the Idaho Association of Counties (IAC) would respond to that question.

TESTIMONY: **Sarah Westbrook** explained that there would be some reprogramming necessary, but most of that would be done by ISTC. She stated that IAC was originally opposed to **H 51**, but the extension of the effective date in **H 135** alleviated their concerns.

DISCUSSION: **Senator Rabe** expressed concern regarding the ability of counties to field questions. **Senator Bernt** noted that the phone numbers of the individual taxing districts were included in the notice so they would receive a portion of those calls. **Vice Chairman Schroeder** added that by statute, the current tax assessment notices already included the phone numbers of the taxing districts and the date of the next public hearing of each district.

MOTION: **Senator Cook** moved to send **H 51** to the floor with a **do pass** recommendation. **Vice Chairman Schroeder** seconded the motion. The motion to send **H 51** to the floor with a **do pass** recommendation passed by **voice vote**.

H 135 **Property Taxes.** **Senator Bernt** presented **H 135**. He explained that this bill extended the effective date of **H 51** until January 1, 2024 and provided more time for counties to comply with the tax assessment notice requirements under **H 51**.

DISCUSSION: **Senator Just** asked why the sponsor drafted a trailer bill rather than send **H 51** to the 14th order to amend. **Chairman Ricks** responded that a trailer bill was likely easier than sending the bill to the 14th order for amendment.

MOTION: **Vice Chairman Schroeder** moved to send **H 135** to the floor with a **do pass** recommendation. The motion was seconded by **Senator Rabe**. The motion to send **H 135** to the floor with a **do pass** recommendation passed by **voice vote**.

S 1114 **Development Impact Fees.** **Vice Chairman Schroeder** presented **S 1114**. **Vice Chairman Schroeder** explained that Idaho Code § 67-8205 required a governmental entity that considered implementing a development impact fee as part of its capital improvement plan must, in addition to other requirements, establish a Development Impact Fee Advisory Committee (DIFAC) consisting of five members all of whom resided within the jurisdictional boundaries of the governmental entity. Only counties and cities had authority to establish a development impact fee ordinance. Therefore, other governmental entities without such authority, such as fire districts, who wanted to levy and collect development impact fees for capital improvements within their district entered into intergovernmental agreements with a city or county to enact a development impact fee ordinance. Small governmental entities often had difficulty finding five residents within their boundaries to serve on a DIFAC. **S 1114** provided that the a governmental entity entering into an intergovernmental agreement for a development impact fee ordinance may select

their committee members from within their service area and were not restricted to selecting them from within their jurisdictional boundaries.

Chairman Ricks asked who chose the members of the DIFAC. **Vice Chairman Schroeder** responded that the governing authority such mayor, city council, board of commissioners or entity specified in the intergovernmental agreement appointed them.

Chairman Ricks asked why the language on line 29 that required two or more members to be active in the business of development, building or real estate was struck. **Vice Chairman Schroeder** explained that language was already included in an earlier section.

TESTIMONY: **Mark Niemeyer**, on behalf of the Idaho Fire Chiefs Association, spoke in favor of **S 1114**. He felt it allowed a governmental entity such as the Star fire district that encompasses three cities and two counties to establish multiple DIFACs based on the jurisdictions that they covered.

William Gigray, an attorney who represented numerous fire districts and a highway district spoke in favor of **S 1114**. He stated H 124 that was passed two years ago failed to address committee staffing requirements to meet the need of intergovernmental agreements. **S 1114** provided flexibility with respect to that.

Kirk Carpenter, fire chief for the Nampa Fire Protection District, spoke in favor of **S 1114**. This bill allowed smaller governmental entities to expand their jurisdictional area to select members of a DIFAC.

MOTION: **Senator Cook** moved to send **S 1114** to the floor with a **do pass** recommendation. **Senator Just** seconded the motion. The motion to send **S 1114** to the floor with a **do pass** recommendation passed by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 4:05 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Wednesday, March 01, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>S 1111</u>	PROPERTY TAXES - Amends and adds to existing law to provide for homeowner property tax relief using state general and sales tax moneys.	Senator Grow
<u>S 1061</u>	PIPELINES - Amends and adds to existing law to provide that plats shall show certain pipelines, to require filing of certain information with counties, and to require certain notice regarding zoning ordinance changes and development proposals.	Senator Schroeder

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 01, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Bernt, Trakel, Rabe, and Just

ABSENT/ EXCUSED: Senators Cook and Adams

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 Ricks** convened the meeting of the Senate Local Government and Tax Committee (Committee) at 3:01 p.m.

S 1111 **Property Taxes. Senator Grow** presented **S 1111**. He stated that this bill provided property tax relief. First, it provided that 4.5 percent of sales taxes went into a property tax relief fund. This provided approximately a 20 percent reduction in property taxes. In addition, **S 1111** included a surplus eliminator which **Senator Grow** explained provided up to \$150 million of any surplus above what had been anticipated be placed in a property tax relief fund. This provided another approximately 20 percent reduction in property tax bills. These amounts would be deducted from the property owner's property tax bill on his or her primary property.

Senator Grow noted that **S 1111** made changes to the property tax reduction program, commonly referred to as the Circuit Breaker program. It increased the maximum value of a home that qualified from the greater of \$300,000 or 150 percent of the median assessed valuation for all homes in the county that received the homestead exemption to the greater of \$300,000 or 250 percent of the median assessed valuation for all homes in the county that received the homestead exemption. In addition, it raised the income limits for qualification from just under \$32,000 to \$37,000.

Senator Grow acknowledged that there had been concerns expressed that day regarding the bill's impact on urban renewal districts. He had agreed to send **S 1111** to the 14th order for possible amendment to address those concerns.

DISCUSSION: **Senator Rabe** asked Senator Grow to discuss what the 20 percent reduction would mean to the average homeowner and whether there was a cap. **Senator Grow** replied that there was no cap. He further explained that each homeowner received a 20 percent reduction in property taxes. As sales tax revenues continued to increase, the amount of property tax relief also increased.

Chairman Ricks asked Senator Grow how the relief money would be distributed. **Senator Grow** explained that the state distributed the money to the Idaho State Tax Commission (ISTC). ISTC then distributed the money to the counties based on a pro-rata share of homeowners. The counties then distributed the money to taxing districts. There was no adverse effect on the counties or taxing districts.

TESTIMONY: **Mary Ellen Nourse** spoke on behalf of herself and her husband in favor of **S 1111**. She explained that they were being taxed out of their home. As the value of their home increased, so did the property taxes.

Meghan Conrad of Elam Burke law firm representing the Redevelopment Association of Idaho (RAI) spoke in opposition to the bill. RAI included the majority of urban renewal agencies throughout Idaho. She expressed concern that under **S 1111** urban renewal revenue allocation areas, which were not taxing districts, would not receive any of the replacement funds provided to counties and taxing districts. This created a conflict under Idaho Code § 50-2908 which provided that agencies should be allocated the taxes levied on the taxable property located within that revenue allocation area.

Zach Wagoner, Canyon County Controller, expressed a concern with the bill's exclusion from the calculation of property tax relief of the amount of property taxes based on school levies. This resulted in homeowners with equal property tax bills owing different amounts based on school levies. He also expressed concern about any tax consequences related to the property tax relief. **Senator Grow** stated that there would likely not be any tax consequences since the homeowner did not receive money. He explained that amounts levied for school districts were voted on unlike amounts levied for other taxing districts.

Senator Bernt asked Senator Grow to further discuss the effect of school bonds on property tax relief under **S 1111**. **Senator Grow** explained that since homeowners had voted on school bonds and approved the levies, **S 1111** did not provide relief from that portion of the property tax bill.

Senator Just asked whether **S 1111** affected the homeowner's exemption. **Senator Grow** responded that this bill did not affect the homeowner's exemption and explained that an increase in the homeowner's exemption shifted the tax burden to others.

MOTION: **Senator Bernt** moved to send **S 1111** to the 14th order for possible amendment. **Senator Rabe** seconded the motion. The motion to send **S 1111** to the 14th order for possible amendment passed by **voice vote**.

S 1061 **Pipelines.** **Vice Chairman Schroeder** presented **S 1061**. He explained that section two of this bill required a company operating an interstate natural gas or petroleum pipeline to register with the state and the county or counties that the pipeline went through in order to receive notification from the governing authority regarding any hearing relating to a planned development or zoning ordinance. **Vice Chairman Schroeder** further explained that section one of **S 1061** required that notice of the location and direction of a pipeline be included in the plat of any property within 1000 feet of the pipeline.

TESTIMONY: **Kate Haas** of Kestrel West testified on behalf of TC Energy in favor of **S 1061**. She noted that when these pipelines were built no one anticipated the development around them. The notice requirements allowed pipeline companies to work with cities, counties, and developers during the planning process.

Ron Williams with Hawley Troxell law firm, represented Marathon Pipeline and testified in favor of **S 1061**. He stated that it was good land use planning and included notice in the plats.

DISCUSSION: **Chairman Ricks** asked Vice Chairman Schroeder whether homeowners received notice under this bill. **Vice Chairman Schroeder** replied that Idaho Code § 67-6511 already required homeowners within 300 feet of a proposed development to receive notice.

MOTION: **Senator Just** moved to send **S 1061** to the floor with a **do pass** recommendation. **Senator Bernt** seconded the motion. The motion to send **S 1061** to the floor with a **do pass** recommendation passed by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the committee at 3:55 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Thursday, March 02, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>S 1040</u>	CITIES - Amends existing law to provide that certain city annexations may extend into and beyond the city area of impact.	Senator Okuniewicz
<u>S 1062</u>	CITIES - Repeals and adds to existing law to establish provisions regarding annexation of land by cities.	Rep. Young Senator VanOrden
<u>S 1073</u>	PLANNING AND ZONING - Amends existing law to revise provisions regarding comprehensive plans and annexing an area of city impact.	Senator Lakey

Public Testimony Will Be Taken by Registering Through the Following Link:
[**Register to Testify**](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks	Sen Bernt
Vice Chairman Schroeder	Sen Trakel
Sen Grow	Sen Rabe
Sen Cook	Sen Just
Sen Adams	

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, March 02, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** called to order the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:00 p.m. He stated that the Committee would first hear testimony on each of the three annexation bills: **S 1040**, **S 1062**, and **S 1073**. At the conclusion of testimony each sponsor would be given an opportunity to make closing remarks. Following the closing remarks, the Committee would discuss and vote.

S 1040 **Cities. Senator Okuniewicz** presented **S 1040**. He stated that the bill addressed the situation where an individual had a piece of property in an unincorporated county abutting or within the area of impact of two or more cities. **S 1040** provided that in that situation, the property owner made the decision as to which city he or she wanted to be annexed into. **Senator Okuniewicz** noted that neither **S 1062** nor **S 1073** allowed the property owner to make the decision.

DISCUSSION: **Senator Grow** asked how **S 1040** resolved a situation where landowner Y wanted to be annexed into city A and landowner Z wanted to be annexed into city B. **Senator Okuniewicz** responded that you could not skip over unincorporated land. Each of those properties would have to be within or touching two areas of impact.

Vice Chairman Schroeder asked which city in Senator Grow's scenario the language, "may extend into or beyond the city area of impact," referred to. **Senator Okuniewicz** responded that the two areas of impact had to overlap. **Vice Chairman Schroeder** asked whether **S 1040** only addressed a situation where there were overlapping areas of impact and not where there were two abutting areas of impact and the landowner was in the middle. **Senator Okuniewicz** replied that the language referred to a situation where the property was partially within an area of impact, and partially beyond it or outside of the area of impact. **S 1040** addressed both the situation where the landowner was in the middle of two overlapping areas of impact and where the property was partially within one area of impact and extended beyond it.

Chairman Ricks stated that his understanding of the bill was that in a situation where there were two competing cities, the property owner had the choice of being annexed by either city. **Senator Okuniewicz** explained that the property owner had the choice only if his or her land touched both cities area of impact or city boundaries.

TESTIMONY: **Kelley Packer**, Executive Director of the Idaho Association of Cities, spoke in opposition to **S 1040**. She stated that Idaho law did not permit overlapping areas of impact. Idaho law required cities to negotiate an area of impact with the county commissioners. If the two cities could not reach an agreement, the law provided that either city could request recommendations from the county commissioners. If the city objected to the county commissioners' recommendations, the matter would go before the voters in the overlapping area in the next election to decide which city they wanted to be annexed to. The results of the election were binding and not appealable by either city. **Ms. Packer** further noted that there were already processes in statute that resolved these issues.

Travis Hunter, owner of Boise Hunter Homes, spoke in favor of **S 1040**. The bill addressed the situation where the property owner's only option under current law was to be annexed into city B, which he or she was adjacent to, and could not be annexed by city A although he or she was within city A's area of impact (Attachment 1).

DISCUSSION: **Senator Grow** asked Mr. Hunter what happened if the property owner wanted city services. **Mr. Hunter** answered that if the property did not touch either city A or B, the property owner could not be annexed by either city. **Senator Grow** then asked whether, if the property were touching one city, the property could be annexed by that city. **Mr. Hunter** responded that, although the only option was to be annexed by city B which was adjacent to the property, the property couldn't be annexed by city B because it was within city A's area of impact.

S 1062 **Cities. Representative Young** presented **S 1062**. She noted that this bill did not conflict with either **S 1040** or **S 1073** and stated she was willing to amend **S 1062** to incorporate aspects of those bills. **S 1062** eliminated category C in existing law regarding forced annexation. Category B in existing law was maintained, but incorporated a portion of current category C requirements. Current category A regarding voluntary annexations was included under exceptions in **S 1062**.

Representative Young provided an outline of **S 1062** and the changes that were made. First, this bill required written consent. She explained that utilities and other city services could obtain written consent when a request for services was made. Second, they amended the definition of an enclave which would permit an involuntary annexation. The number of parcels required for an enclave was reduced from 100 to 30. **S 1062** clarified that enclave was a collection of properties within the city's boundaries. The final substantive change required approval for a category B annexation of 50 percent of the geographic area in addition to two thirds of property owners.

DISCUSSION: **Senator Rabe** asked whether the definitions in this bill were consistent with other areas of statute. **Representative Young** explained that the definitions were consistent with those in the Land Use Handbook.

TESTIMONY: **Field Herrington**, Deputy City Attorney for the city of Post Falls, spoke in opposition to **S 1062**. He expressed a concern regarding the change from category A annexations to landowner initiated annexations which eliminated the ability of the city to initiate a voluntary annexation. The city would be forced to use the more stringent requirements normally associated with categories B and C annexations. In addition, the reduction of the number of parcels required for an enclave made it difficult to annex an enclave of parcels that were surrounded on all sides by the city and benefitted from city services. The definition of enclave was also unclear. Were cities prevented from annexing more than 30 parcels at a time from a larger enclave or did it allow annexations of smaller enclaves only where the entire enclave could be annexed at one time?

Jarom Wagoner, mayor of the city of Caldwell, testified in favor of **S 1062**. He felt current annexation law was confusing.

DISCUSSION: **Vice Chairman Schroeder** asked Mr. Wagoner whether Post Falls had any property outside the city limits that were receiving city services. **Mr. Wagoner** replied that they did. He further stated that he believed this bill still provided for annexation of such properties.

Chairman Ricks asked whether **S 1062** would have changed how Middleton and Star dealt with the overlap of areas of impact. **Mr. Wagoner** replied that he didn't think so.

TESTIMONY: **Kelley Packer**, Executive Director of the Idaho Association of Cities, testified in opposition to **S 1062**. She stated that current annexation law was drafted as a collaborative effort by cities, counties, builders, real estate developers and other stakeholders. The rewrite of annexation law would throw out years of experience and case law under existing law.

Representative Young responded to several of the opposing arguments. She stated that she would be happy to change the term "landowner initiated" to "consensual annexation." Regarding the question about whether an enclave of 30 parcels that was part of a larger enclave could be forcibly annexed, she clarified that **S 1062** did not permit that. An enclave had to be surrounded on all sides by the city.

S 1073

Planning and Zoning. Senator Lakey presented **S 1073**. He explained that **S 1073** emphasized the fact that the city had jurisdiction within the city limits and the counties had jurisdiction outside city limits and areas of impact which, by their nature, were outside city limits. **S 1073** established a process whereby cities and counties worked together to establish or modify an area of impact. The county commissioners conducted a public hearing on the proposed establishment or modification of an area of impact. These decisions were legislative. Current law provided criteria to be considered and evaluated when deciding on where to establish an area of impact. This bill added to that criteria and required consideration of where anticipated growth was to occur, geographic factors such as topography and rivers, transportation and infrastructure, and access to sewer and water. **S 1073** required cities to review an area of impact every five years. An area of impact could not extend more than one mile beyond city boundaries. The area of impact between different cities could not overlap. A city could annex outside its area of impact, but could not extend into an abutting city's area of impact with certain exceptions. If a city had not reviewed its area of impact within five years, it could be crossed by the adjacent city. A city could also cross another city's area of impact with consent of that city. If an individual property owner lived on one side of the area of impact and wanted to be annexed into another city on the other side of the boundary, they could request annexation by that city. If that city supported their desire to be annexed, the city could go to the county commissioners that are over that area of impact and apply to have a site specific modification. The annexation process was under county jurisdiction. The county ordinance and the County Comprehensive Land Use plan applied. However, **S 1073** also provided that the county could adopt specific ordinances and specific comprehensive plan provisions regarding an area of impact for a particular city. If a city disagreed with the county decision, they could ask the county commissioners for reconsideration. If the county commissioners declined to do that, this bill provided an opportunity for the city to go to district court and have a court review that decision. And if the county commissioners didn't follow requirements regarding notice and procedure, the court was required to remand it back to the county to redo their hearings. If the court found that the county acted arbitrarily or capriciously or abused their discretion, they could remand it back to the county to fix it, or they could establish the area of impact themselves. **S 1073** also provided that the prevailing party would be awarded their attorney's fees. The court process was expedited and mirrored

the existing process for annexation under Title 50, Chapter two. Finally, this bill required that areas of impact be brought into compliance by July 1, 2024. It also allowed for a staggered approach. If a city's area of impact extended beyond one mile, they could modify that impact area back to two miles until they had the next review. **Senator Lakey** proposed that **S 1073** be sent to the 14th order of business to amend the date for compliance with this bill to July 1, 2024.

DISCUSSION: **Senator Bernt** asked who made the decision regarding annexation. **Senator Lakey** responded that the decision regarding annexation, with the exception of abutting impact areas, was made by the city. **Senator Bernt** asked what happened if a city had invested in a sewer system that extended beyond the one or two mile limit. **Senator Lakey** explained that under those circumstances, the city likely met the criteria for including that in their area of impact.

Senator Adams asked Senator Lakey to further discuss how **S 1073** provided for individual property rights. **Senator Lakey** explained that there was a process for a property owner to ask to be annexed by a city, though the decision was the city's. **Senator Adams** asked whether **S 1073** prevented double annexation. **Senator Lakey** replied that a city could not annex across an area of impact.

Senator Just asked whether the one or two mile limit allowed parcels to be divided or geographic areas to be split. **Senator Lakey** replied that an area of impact could not divide a parcel and geographic features were part of the consideration when establishing an area of impact.

TESTIMONY: **Rodney Ashby**, Director of the Nampa Planning and Zoning Department, spoke in favor of **S 1073**. He stated that the bill strengthened the ability of cities to do land use planning. It prevented a city from annexing into another city's area of impact. **S 1073** encouraged collaboration between the cities and counties. It established a one mile limit for areas of impact while creating an alternative to that.

Morgan Treasure, Economic Director for the city of Kuna, testified in support of **S 1073**. The bill prevented conflicts between cities and counties. It clarified the process for annexation. And **S 1073** was the result of input from many stakeholders.

Seth Grigg, Director of the Idaho Association of Counties, spoke in support of **S 1073**. He felt it was a broader approach than either **S 1040** or **S 1062**. It was consistent with statute and case law with respect to jurisdiction of cities and counties. A city had jurisdiction within the city. A county had jurisdiction outside the city limits. Finally, **S 1073** gave to counties the authority regarding areas of impact.

John Beacham, Public Works Director for the city of Post Falls, testified in opposition to **S 1073**. He argued that the bill allowed a county Board of Commissioners to disregard a negotiated boundary and gave them the final authority over areas of impact. **S 1073** precluded judicial review of the county's decision except where there were abutting areas of impact. Finally, the bill negatively affected individual property rights and required an individual who wanted to be annexed to a city to make the request to the city who then went to the county to request modification of their area of impact on behalf of the individual.

DISCUSSION: **Vice Chairman Schroeder** asked Mr. Beacham whether he correctly understood him say that a county could unilaterally establish an area of impact 100 feet outside the city limits thus precluding annexations. He noted that Idaho Code § 50-222(1) stated that annexation may occur outside an established area of impact, but not within another city's area of impact. **Mr. Beacham** clarified that he referred to Idaho Code § 50-222(3)(c) which provided that a landowner who was outside an area of impact and wanted to be annexed could request a city to make a request to the county for annexation on behalf of the landowner.

Chairman Ricks noted that the Committee had received several letters from cities and asked Kelley Packer, Executive Director of the Idaho Association of Cities whether they were endorsing **S 1073**.

TESTIMONY: **Kelley Packer** stated that the Idaho Association of Cities decided to stay neutral on all three annexation bills.

Ken Burgess, with Veritas Advisors and representing the Idaho Home Builders Association, testified in support of **S 1073**. It addressed the broader issues regarding annexation. **S 1073** established a limit on an area of impact of one mile beyond the city limits and created an expectation of services within the five year period for review of the area of impact. It prohibited overlapping areas of impact and established a process for resolution when they did. Finally, **S 1073** established a process whereby a property owner could request annexation.

Mary Huff, Planning Director for Owyhee County, but representing herself, stated that she largely supported **S 1073**, but expressed several concerns. First, **S 1073** struck language in current law that required a subsequent hearing if the county Board of Commissioners made a substantive change to the area of impact. She appreciated that the bill required the initiating party to pay the expenses, but it wasn't clear whether a county or city could establish a fee for an individual landowner who requested annexation.

Joe Stear, mayor of Kuna, spoke in favor of **S 1073**. He appreciated the collaborative effort in drafting the bill.

DISCUSSION: **Vice Chairman Schroeder and Senators Bernt, Grow, Cook, Just, Rabe and Grow** expressed their support for **S 1073**. **Senator Adams** stated that he supported sending **S 1062** to the 14th order for amendment to include some of the provisions of **S 1073**. **S 1040** and **S 1062** were held in committee.

MOTION: **Vice Chairman Schroeder** moved to send **S 1073** to the **14th order of business** for possible amendment. **Senator Rabe** seconded the motion. The motion to send **S 1073** to the **14th order of business** for possible amendment passed by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 5:35 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
3:00 P.M.
Room WW53
Tuesday, March 07, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	February 22, 2023	Senator Adams Senator Cook
MINUTES APPROVAL:	February 23, 2023	Senator Just Senator Trakel
<u>H 60</u>	USE TAXES - Amends existing law to revise provisions regarding application of use taxes to articles acquired more than 90 days prior.	Rep. Pickett
<u>H 50</u>	SALES TAX - Amends existing law to clarify the uses that may be made of certain funds by special purpose taxing districts.	Rep. Palmer
<u>H 229</u>	TAXES - Amends existing law to revise the deadline for submitting sales tax and withholding tax returns.	Rep. Handy
<u>H 172</u>	INCOME TAXES - Amends Laws of 2022 to change the effective date for the new income tax rates to January 1, 2023.	Rep. Ehlers

Public Testimony Will Be Taken by Registering Through the Following Link:
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COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
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MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, March 07, 2023

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Bernt, Trakel, Rabe, and Just

ABSENT/ EXCUSED: Senator Adams

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: **Vice Chairman Schroeder** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 3:01 p.m.

MINUTES APPROVAL: **February 22, 2023. Senator Just** moved to approve the minutes of February 22, 2023. **Senator Rabe** seconded the motion. The motion to approve the minutes of February 22, 2023 passed by **voice vote**.

MINUTES APPROVAL: **February 23, 2023. Senator Just** moved to approve the minutes of February 23, 2023. **Senator Bernt** seconded the motion. The motion to approve the minutes of February 23, 2023 passed by **voice vote**.

H 60 **Use Taxes. Representative Pickett** presented **H 60**. He explained that under current law a use tax was charged if an individual purchased certain items out of state within 90 days of moving to Idaho. Because the number of days in a month varied, **H 60** amended that to three months.

MOTION: **Senator Bernt** moved to send **H 60** to the floor with a **do pass** recommendation. **Senator Grow** seconded the motion. The motion to send **H 60** to the floor with a **do pass** recommendation passed by **voice vote**.

H 50 **Sales Tax. Representative Palmer** presented **H 50**. He explained that this bill required more than 1000 special taxing districts to use funds received under Idaho Code § 63-3638(10)(c) for the purpose for which the special taxing district was formed.

DISCUSSION: **Senator Rabe** asked Representative Palmer whether a situation with a special taxing district brought this to his attention. **Representative Palmer** responded that a small highway district had transferred funds to the school district that were supposed to be used for roads. **Senator Rabe** asked whether there were any other special taxing districts that he was concerned about. **Representative Palmer** stated that with more than 1000 special taxing districts, there were likely others.

Senator Just and **Senator Rabe** each asked whether this bill prevented ACHD from using its funds for transit projects. **Representative Palmer** replied that he wasn't familiar with the ability of ACHD to accept state or federal transit funds and noted that ACHD had not testified against **H 50**.

Vice Chairman Schroeder asked for clarification on whether this bill specifically related to the use of sales tax distribution funds and not other funds. **Representative Palmer** replied that **H 50** was not specific to any funding and dealt primarily with the use of funds for the purpose for which the special taxing district was created. **Vice Chairman Schroeder** noted that the language, "use of funds received under the provisions of this subsection only," seemed to refer solely to use of sales tax distribution funds.

MOTION: **Senator Bernt** moved to send **H 50** to the floor with a **do pass** recommendation. **Senator Grow** seconded the motion.

DISCUSSION: **Senator Rabe** asked Representative Palmer to provide information regarding whether **H 50** prevented ACHD from using funds for transit projects prior to a vote on the floor .

VOICE VOTE: The motion to send **H 50** to the floor with a **do pass** recommendation passed by **voice vote**.

H 172 **Income Taxes.** **Representative Ehlers** presented **H 172**. He explained that the legislature enacted changes to income tax rates during the previous session. The effective date was January 3, 2023. This created a lot of confusion and taxpayers had to calculate their taxes at the old rate for two days and at the new rate for the remainder of the year. **H 172** amended the effective date to January 1, 2023.

TESTIMONY: **Laura Lantz**, Executive Director of the Idaho Society of CPAs, expressed her appreciation for this bill.

MOTION: **Senator Grow** moved to send **H 172** to the floor with a **do pass** recommendation. **Senator Trakel** seconded the motion. The motion to send **H 172** to the floor with a **do pass** recommendation passed by **voice vote**.

H 229 **Taxes.** **Representative Handy** presented **H 229**. He explained that **H 229** changed the date due for businesses to pay sales tax and withholding taxes from the 20th of each month until the end of each month. He noted that the Idaho State Tax Commission had reviewed this bill. The effective date was July 1, 2024.

PASSED THE GAVEL: Vice Chairman Schroeder passed the gavel back to Chairman Ricks.

MOTION: **Senator Just** moved to send **H 229** to the floor with a **do pass** recommendation. **Vice Chairman Schroeder** seconded the motion. The motion to send **H 229** to the floor with a **do pass** recommendation passed by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:25 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
2:00PM
Room WW53
Thursday, March 09, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	February 21, 2023	Senator Rabe Senator Schroeder
MINUTES APPROVAL:	March 1, 2023	Senator Rabe
<u>H 106</u>	PROHIBITIONS ON UTILITY CONNECTIONS - Adds to existing law to prohibit any type of local government entity from restricting certain types of utility connections.	Rep. Dixon (1)

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

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MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, March 09, 2023

TIME: 2:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 2:02 p.m.

MINUTES APPROVAL: **Vice Chairman Schroeder** moved to approve the minutes of February 21, 2023. **Senator Cook** seconded the motion. The motion to approve the minutes of February 21, 2023 passed by **voice vote**.

MINUTES APPROVAL: **Senator Just** moved to approve the minutes of March 1, 2023. **Vice Chairman Schroeder** seconded the motion. The motion to approve the minutes of March 1, 2023 passed by **voice vote**.

H 106 **Prohibitions on Utility Connections. Representative Dixon** presented **H 106**. He explained that **H 106** was designed to protect choice of energy. It prohibited counties and municipalities from enacting prohibitions or restrictions on energy utility connections. He noted that there were some concerns expressed by groups such as the Idaho Association of Cities and the Consumer Owned Utility Association that **H 106** prevented incentives for use of other forms of energy and that it forced cities to provide services they did not currently provide.

DISCUSSION: **Vice Chairman Schroeder** asked Representative Dixon to further discuss the concerns of the Consumer Owned Utility Association regarding limitations on or prohibition of connection with other electric utilities. **Representative Dixon** stated that he understood that the PUC had authority over new utility delivery and that **H 106** would not affect connecting with other electric utilities. He further stated that the Consumer Owned Utility Association was neutral on this bill.

Senator Just asked how **H 106** would affect a utility company's use of incentives to encourage individuals to change to a different form of energy. **Representative Dixon** replied that it would not prevent incentives.

Senator Grow asked what the rationale was for banning restrictions or prohibitions on utility connections. **Representative Dixon** replied that it was out of concern for climate change and use of unclean energy.

Senator Just asked whether **H 106** prohibited utilities from denying service outside of their jurisdiction. **Representative Dixon** responded that **H 106** did not require a utility company to provide service to someone they were not currently providing service to. That would be within the authority of the PUC.

TESTIMONY: **Jonathan Oppenheimer**, External Relations Director for the Idaho Conservation League, spoke in opposition to **H 106**. He argued that it was over broad and restricted local control of municipal and county planning regarding utility connections. It discouraged a municipality from investing in utility infrastructure which might only be in effect for several years. In addition, the fiscal note did not address some of the costs the municipalities and counties would incur for enforcement. Finally, **Mr. Oppenheimer** stated that they were supportive of the amendments proposed by the Idaho Association of Cities.

Lori Blattner, representing Intermountain Gas, spoke in support of **H 106**. She stated that consumer choice of energy was important. Access to all available sources of energy allowed for the greatest resilience in meeting the community's needs for energy.

Julie Hart, spoke on behalf of the Idaho Association of Cities. She stated that they supported the intent of **H 106**, but had some concerns. **Ms. Hart** explained that their legal team was concerned that this bill required a utility to provide service outside of their service area.

DISCUSSION: **Senator Bernt** asked Ms. Hart what the role of the PUC was in a situation where an individual living in one area wanted service from a utility company in a different municipality. **Ms. Hart** explained that the PUC only regulated investor owned utilities, not municipal or cooperative utilities.

Senator Cook asked what language in **H 106** required a utility to provide service outside of their jurisdiction. **Ms. Hart** cited the proposed language in Idaho Code § 50-346(1) that, "prohibits, or has the effect of prohibiting, the authorized connection or reconnection of an electric, natural gas, propane, or other energy utility service provided by a public utility, municipality, or cooperative utility." That language did not require that the individual requesting service had to reside within their jurisdiction.

Vice Chairman Schroeder noted that Ms. Hart had proposed an amendment to Idaho Code § 32-881 relating to counties, but had not proposed an amendment to Idaho Code § 50-346 relating to municipalities. He responded to Senator Cook's question and clarified that the ban only applied to municipalities and counties, not utilities. **Ms. Hart** stated that it was her intent to recommend the same amendment to Idaho Code § 50-346. **Vice Chairman Schroeder** asked Ms. Hart to clarify his understanding that the concern of their legal counsel was that **H 106** prohibited a utility company from restricting service to within their service area. **Ms. Hart** confirmed that was their concern.

TESTIMONY: **Kate Haas**, with Kestrel West and representing TC Energy, testified in support of **H 106**. It ensured that people had a choice of energy source. It allowed a free market without government interference. **Ms. Haas** further stated that the bill solely prevented a governmental entity from enacting or implementing a resolution, policy or ordinance banning a utility service.

DISCUSSION: **Senator Cook** noted that **H 106** prohibited a ban or restriction on utility connections, and asked whether it addressed a situation where a municipality or county currently had a ban or restriction in place. **Ms. Haas** explained that **H 106** prevented them from implementing a ban or restriction currently in place.

Vice Chairman Schroeder opined that a connection that was outside the service area may not be an authorized connection under the scope of this bill.

- TESTIMONY:** **Kathy Griesmyer**, Government Affairs Director for the city of Boise, spoke in opposition to **H 106**. She stated that the city's Climate Action Plan did not include any plan to ban a utility connection. Their Climate Action Plan was based on incentives to use clean energy and voluntary actions. She expressed a concern that **H 106** restricted incentives for the use of geothermal power or other sources of clean energy. She suggested an amendment to address their concerns regarding geothermal energy.
- DISCUSSION:** **Chairman Ricks** asked what the city's long term policy on geothermal energy was. **Ms. Griesmyer** stated that she did not think there was one and asked that Steve Hubble, Senior Manager of their Public Works Department, address that question.
- TESTIMONY:** **Mr. Hubble** stated that there was no intent to propose bans or restrictions on any kind of energy. Their approach was to allow a free market and allow consumers to make those decisions.
- Alex LaBeau**, President of the Idaho Association of Commerce and Industry, testified in favor of **H 106**. He stated that they were more concerned with industrial use of energy than residential. Choices in energy source were important to energy security and should be left to a free market.
- Representative Dixon** corrected his previous statement that the PUC had total jurisdiction over utilities under the Electrical Supplier Stabilization Act. That act solely governed municipal utilities and not consumer owned utilities or cooperatives.
- MOTION:** **Senator Rabe** moved to send **H 106** to the 14th Order of Business for possible amendment. **Senator Just** seconded the motion.
- SUBSTITUTE MOTION:** **Senator Bernt** moved to send **H 106** to the floor with a **do pass** recommendation. **Senator Adams** seconded the motion. The motion to send **H 106** to the floor with a **do pass** recommendation passed by **voice vote**.
- ADJOURNED:** There being no further business at this time, **Chairman Ricks** adjourned the meeting at 2:50 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AMENDED AGENDA #1
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
2:00 P.M.
Room WW53
Tuesday, March 14, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	February 28, 2023	Senator Schroeder Senator Bernt
MINUTES APPROVAL:	March 7, 2023	Senator Trakel Senator Just
<u>H 258</u>	PROPERTY TAXES - Amends existing law to revise provisions regarding property tax reduction for certain permanently disabled veterans.	Rep. Tanner
<u>H 245</u>	TAXATION - Amends existing law to increase the distribution of cigarette and tobacco product taxes to the Central Cancer Registry Fund.	Rep. Mickelsen
<u>RS 30628</u>	Unanimous Consent to send Senate Concurrent Resolution to a Privileged Committee	Senator Schroeder

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks	Sen Bernt
Vice Chairman Schroeder	Sen Trakel
Sen Grow	Sen Rabe
Sen Cook	Sen Just
Sen Adams	

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, March 14, 2023

TIME: 2:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 2:05 p.m.

MINUTES APPROVAL: **Vice Chairman Schroeder** moved to approve the minutes of February 28, 2023. **Senator Bernt** seconded the motion. The motion passed by **voice vote**.

MINUTES APPROVAL: **Senator Just** moved to approve the minutes of March 7, 2023. **Senator Cook** seconded the motion. The motion passed by **voice vote**.

H 258 **Representative Tanner** presented **H 258**. He explained that Idaho Code § 63-705A provided property tax or occupancy tax relief in the amount of \$1500 per year to a veteran with a 100 percent service-connected permanent and total disability. Under current law, a veteran had to reapply annually for this relief. **H 258** amended Idaho Code § 63-705A to allow a veteran to apply once for the relief which continued in subsequent years unless the veteran changed homesteads.

MOTION: **Senator Grow** moved to send **H 258** to the floor with a **do pass** recommendation. **Senator Bernt** seconded the motion. The motion to send **H 258** to the floor with a do pass recommendation passed by **voice vote**.

H 245 **Representative Mickelsen** presented **H 245**. She stated that this bill increased the distribution of monies from cigarette and tobacco taxes to the Cancer Data Registry of Idaho from \$120,000 to \$360,000 per year. **Representative Mickelsen** explained that the allocation of funds to the cancer registry had not been increased in 11 years. They were entering a new four year contract with the Idaho Hospital Association who operated the registry and required additional funds. The cancer registry helped to locate pockets of cancer and identify areas where screening needed to be increased.

DISCUSSION: **Senator Cook** inquired where the additional funding was coming from. **Representative Mickelsen** replied that cigarette and tobacco taxes were distributed based on an order of priority set forth in Idaho Code § 63-2520(b)(5). The lowest priority was the Transportation Expansion and Congestion Mitigation Fund who had agreed to a redistribution of their funds to the cancer registry.

- TESTIMONY:** **Elke Shaw-Tulloch**, Administrator of the Idaho Department of Health and Welfare Division of Public Health, spoke in support of **H 245**. She provided a history of the cancer registry. **Ms. Shaw-Tulloch** explained that the goals of the cancer registry were to determine the incidence of cancer in the state with respect to geographic, demographic and social characteristics; monitor the trends and patterns of cancer incidence over time; identify high risk populations; provide a database and serve as a resource to conduct investigative studies on cancer prevalence; and provide data to assist with effective cancer prevention, diagnosis, intervention, treatment, and care. She reiterated that **H 245** did not provide for additional taxes, but was a redistribution of current cigarette and tobacco taxes.
- DISCUSSION:** **Senator Cook** asked for clarification that the funds did not go to an individual, but were used to study the effects of cancer, maintain data, assist in cancer prevention and for other purposes. **Ms. Shaw-Tulloch** confirmed his understanding.
- TESTIMONY:** **Brian Whitlock**, President of the Idaho Hospital Association, testified in support of **H 245**. He further discussed the distribution of cigarette and tobacco tax funds under Idaho Code § 63-2520(b)(5).
- DISCUSSION:** **Chairman Ricks** asked whether there were any tax increases in **H 245**. **Mr. Whitlock** responded that there were not any tax increases. The funds were simply redistributed.
- Senator Bernt** asked what happened if there were no funds in the Transportation Expansion and Congestion Mitigation Fund in a given year. **Mr. Whitlock** explained that in previous years the legislature had allocated general funds to that fund.
- MOTION:** **Vice Chairman Schroeder** moved to send **H 245** to the floor with a **do pass** recommendation. **Senator Grow** seconded the motion. The motion passed by **voice vote**.
- RS 30628** **Vice Chairman Schroeder** asked for unanimous consent that **RS 30628**, a Concurrent Resolution rejecting IDAPA 35.01.01 relating to Income Tax Administrative Rules, Rules of the State Commission, adopted as a pending rule under Docket Number 35-0101-2201, be sent to a privileged committee for printing. There were no objections.
- ADJOURNED:** There being no further business at this time, **Chairman Ricks** adjourned the meeting at 2:26 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
2:00pm
Room WW53
Wednesday, March 15, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
<u>S 1152</u>	MULTISTATE TAX COMPACT - Amends existing law to revise a provision regarding appointments to the Multistate Tax Compact Advisory Committee.	Senator Winder

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks
Vice Chairman Schroeder
Sen Grow
Sen Cook
Sen Adams

Sen Bernt
Sen Trakel
Sen Rabe
Sen Just

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 15, 2023

TIME: 2:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Cook, Adams, Bernt, Trakel, Rabe, and Just

ABSENT/ EXCUSED: Senator Grow

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: **Vice Chairman Schroeder** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 2:03 p.m.

S 1152 **Multistate Tax Compact. Senator Winder** presented **S 1152. Senator Winder** explained that Idaho Code § 63-3706 established an Interstate Tax Compact Advisory Committee composed, in part, of two members of the Senate appointed by the Lieutenant Governor. **S 1152** provided that the President Pro Tempore of the Senate, rather than the Lieutenant Governor, appointed the two senate members of the Multistate Tax Compact Advisory Committee.

MOTION: **Senator Bernt** moved to send **S 1152** to the floor with a **do pass** recommendation. **Senator Trakel** seconded the motion. The motion to send **S 1152** to the floor with a **do pass** recommendation passed by **voice vote**.

ADJOURNED: There being no further business at this time, **Vice Chairman Schroeder** adjourned the meeting at 2:07 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
2:00 P.M.
Room WW53
Thursday, March 16, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	March 2, 2023	Senator Schroeder Senator Cook
<u>H 292</u>	PROPERTY TAXES - Amends, repeals, and adds to existing law to create property tax relief by creating the School District Facilities Fund and the Homeowner Property Tax Relief Account, both of which are funded by state moneys.	Senator Ricks
<u>H 230</u>	PROPERTY VALUATION FOR TAX PURPOSES - Amends existing law to provide for duties of assessors and to provide for the valuation of income-producing property.	Rep. Manwaring
<u>H 198</u>	TAXES - Amends existing law to revise provision regarding the accrual of interest on income and sales tax deficiencies.	Rep. Cannon

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks	Sen Bernt
Vice Chairman Schroeder	Sen Trakel
Sen Grow	Sen Rabe
Sen Cook	Sen Just
Sen Adams	

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Thursday, March 16, 2023

TIME: 2:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 2:01 p.m.

MINUTES APPROVAL: **Vice Chairman Schroeder** moved to approve the minutes of March 2, 2023. **Senator Cook** seconded the motion. The motion passed by **voice vote**.

PASSED THE GAVEL: Chairman Ricks passed the gavel to Vice Chairman Schroeder.

H 292 **Property Taxes. Chairman Ricks** presented **H 292**. He stated that this bill provided significant property tax relief which was in part funded by sales tax. Four and one half percent of sales tax revenues went toward property tax relief on an ongoing basis. Half of that went to school districts to pay off levies and bonds. The other half went primarily to homeowners.

Representative Monks discussed the school facilities funding aspect of **H 292**. He noted inequities in school facility funding throughout the state as a result of voters in certain districts not being willing to pass bonds and some districts having a small amount of private land subject to property taxes due to a large amount of federal or state owned land in those districts. **H 292** provided funding for school facilities based on average daily attendance rather than enrollment which can be inflated. Page two, line 24 set a priority of how the money was required to be spent. The money must first be used to pay toward school bonds. Next, the money was used to pay supplemental levies. School districts may then use the funds to save for future facility needs. Finally, the money could be used to secure and make payments on new facility bonds. This provided a guaranteed source of revenue for school facilities. A school district may not also collect property taxes to pay bonds and levies paid for with those funds which provided additional property tax relief.

Senator Grow discussed the property tax relief provided to homeowners in **H 292**. He stated that every homeowner received the same percentage of reduction in their property taxes. A deduction was not taken from the portion of the property tax bill attributed to school bonds and levies which were voted on. **Senator Grow** noted that with respect to school facility funding, smaller districts received a larger percentage of property tax relief since they were often unable to pass school bond levies. The sources for the property tax relief came from sales tax, the remaining \$130 million from last year's budget surplus, and an additional \$75 million that was added to that. **H 292** provided for a surplus eliminator which designated up to \$150 million in budget surplus, above that which was projected, toward property tax relief. Finally, **H 292** made changes to the circuit breaker program. It increased the income limit from \$31,900 to \$37,000. In addition, it increased the property

value criteria to the greater of \$400,000 or 200 percent of median home value in that district (Attachment 2).

DISCUSSION: **Senator Cook** asked for clarification that the surplus eliminator was the first \$150 million above the projected surplus. **Senator Grow** confirmed his understanding. That funding was only provided if revenues exceed the projections.

Senator Bernt asked what happened if there wasn't a revenue surplus. **Senator Grow** explained that there would be no funding from the surplus paid to taxpayers. The surplus eliminator funding was not guaranteed.

Senator Just asked how the elimination of the March date for bond elections related to property tax relief. **Representative Monks** replied that 30 to 50 percent of property taxes were for payment of school bonds and levies. **Senator Just** expressed a concern regarding eliminating the March date for bond elections. In addition, he stated that **H 292** potentially violated the single subject clause under the Constitution. **Representative Monks** cited *Boise City v. Baker* which held, "A single act may embrace many subjects and not be duplicated if they pertain to matters that are properly connected with the subject of the act." **Representative Monks** argued that inasmuch as a large percentage of property tax bills were related to school bonds and levies, the matters were connected. **Vice Chairman Schroeder** asked whether the Attorney General had issued an opinion on the issue. **Representative Monks** responded that he had not, but a Deputy Attorney General had reviewed the bill and indicated that they were in good standing.

Senator Rabe expressed concern for the elimination of the March election date for school bonds which made it difficult for schools and school districts to have adequate time to negotiate contracts with staff and prepare budgets in a timely manner. She also asked why property tax relief was extended to all types of property owners rather than targeted at homeowners. **Representative Monks** replied that 50 percent of property tax relief was going to homeowners and 50 percent to commercial and agricultural property owners. All of the relief which **Senator Grow** discussed was going to homeowners. Increasing the homestead exemption simply shifted the tax burden to renters. Furthermore, shifting the tax burden to other property owners created a problem in communities that were 95 percent residential. **Senator Rabe** noted that under **H 292** homeowners received a much larger amount of property tax relief in the first year than in successive years and commercial and other property owners received increasing amounts in successive years. She asked for an estimate of how much tax relief the average homeowner could expect in each of the next few years. **Representative Monks** stated that it was easier to project the amount of property in year one than in successive years. As residential values decreased and commercial values increased, there would be a shift in tax burden.

Senator Just asked Senator Grow whether JFAC would address the appropriations for **H 292** if it passed. **Senator Grow** said that JFAC had the responsibility of appropriating the funds for **H 292**.

TESTIMONY: **Quinn Perry**, Deputy Director for the Idaho School Boards Association, and also representing the Idaho Association of School Administrators, testified that they appreciated the meaningful property tax relief provided by **H 292**, but were concerned with the removal of the March date for school bond elections. She stated that eliminating the March date made it difficult to make a determination of budget requirements and whether a bond levy was necessary in time to complete contract negotiations with staff before the July date required by statute for submitting their budget.

Zach Wagoner, Canyon County Controller, provided information regarding the history of property taxes (Attachment 1). From 2007 - 2012 there was a shift in property tax burden from residential property to commercial property although commercial property values decreased by ten percent during that time while residential property values increased by 50 percent. Since 2012 the property tax burden had shifted to residential property. **Mr. Wagoner** also expressed a concern for the amount assessed for an urban renewal district and whether that was an eligible taxing district.

Seth Grigg, Executive Director of the Idaho Association of Counties, spoke in support of **H 292**. It provided property tax relief, most of which went to homeowners. There was some concern for dates within the bill and whether they presented administrative difficulties and might have to be adjusted the following year.

Miguel Legarreta, President of the Associated Taxpayers of Idaho, testified in support of **H 292**. The majority of the property tax relief went to homeowners. The amount of relief was clearly stated in their tax notice.

John Eaton, Vice President of the Idaho Association of Commerce and Industry, spoke in support of **H 292**. It did not create a shift from residential property owners to other property owners. In addition, it created a tool for school districts to finance school facilities.

Chairman Ricks stated that there would be a 15 - 20 percent reduction in property taxes during the first year. This amounted to between \$350 to \$800 per homeowner depending on whether there were assessments for school bonds or levies. Regarding the elimination of the March election date, he noted that the March election had the lowest voter turnout and a May election would be an option.

DISCUSSION: **Senator Rabe** again expressed concern for the elimination of the March date for school bond elections. In addition, she was concerned that **H 292** violated the single subject rule. **Chairman Ricks** responded that was part of negotiations with the House. There was a trade off with the additional funding for school districts. Furthermore, May elections still provided sufficient time for contract negotiations.

MOTION: **Senator Cook** moved to send **H 292** to the floor with a **do pass** recommendation. **Senator Bernt** seconded the motion.

SUBSTITUTE MOTION: **Senator Rabe** moved to send **H 292** to the 14th Order of Business for possible amendment. **Senator Just** seconded the motion. The motion failed.

ORIGINAL MOTION: The motion to send **H 292** to the floor with a **do pass** recommendation passed by **voice vote**.

PASSED THE GAVEL: Vice Chairman Schroeder passed the gavel back to Chairman Ricks.

H 230 **Property Valuation for Tax Purposes.** **Representative Manwaring** presented **H 230**. He explained that this bill established a consistent method for assessors to establish the value of income producing properties. Currently there were inconsistencies between assessors in terms of what class of property they valued the property at. **H 230** required that the market value not include contract rent related to the property and not capture intangible value.

MOTION: **Vice Chairman Schroeder** moved to send **H 230** to the floor with a **do pass** recommendation. **Senator Trakel** seconded the motion. The motion passed by **voice vote**.

H 198

Taxes. Representative Cannon presented **H 198**. This bill reduced the interest that accrued in an audit situation. Interest accrued up until the Idaho State Tax Commission (ISTC) issued a notice of audit. No interest accrued from the time of notice of audit until the ISTC issued a notice of deficiency. If there was an appeal, interest accrued until the time the appeal was perfected and filed. Once the appeal was perfected, interest would not accrue until the final determination by the ISTC.

MOTION:

Senator Adams moved to send **H 198** to the floor with a **do pass** recommendation. **Senator Rabe** seconded the motion. The motion passed by **voice vote**.

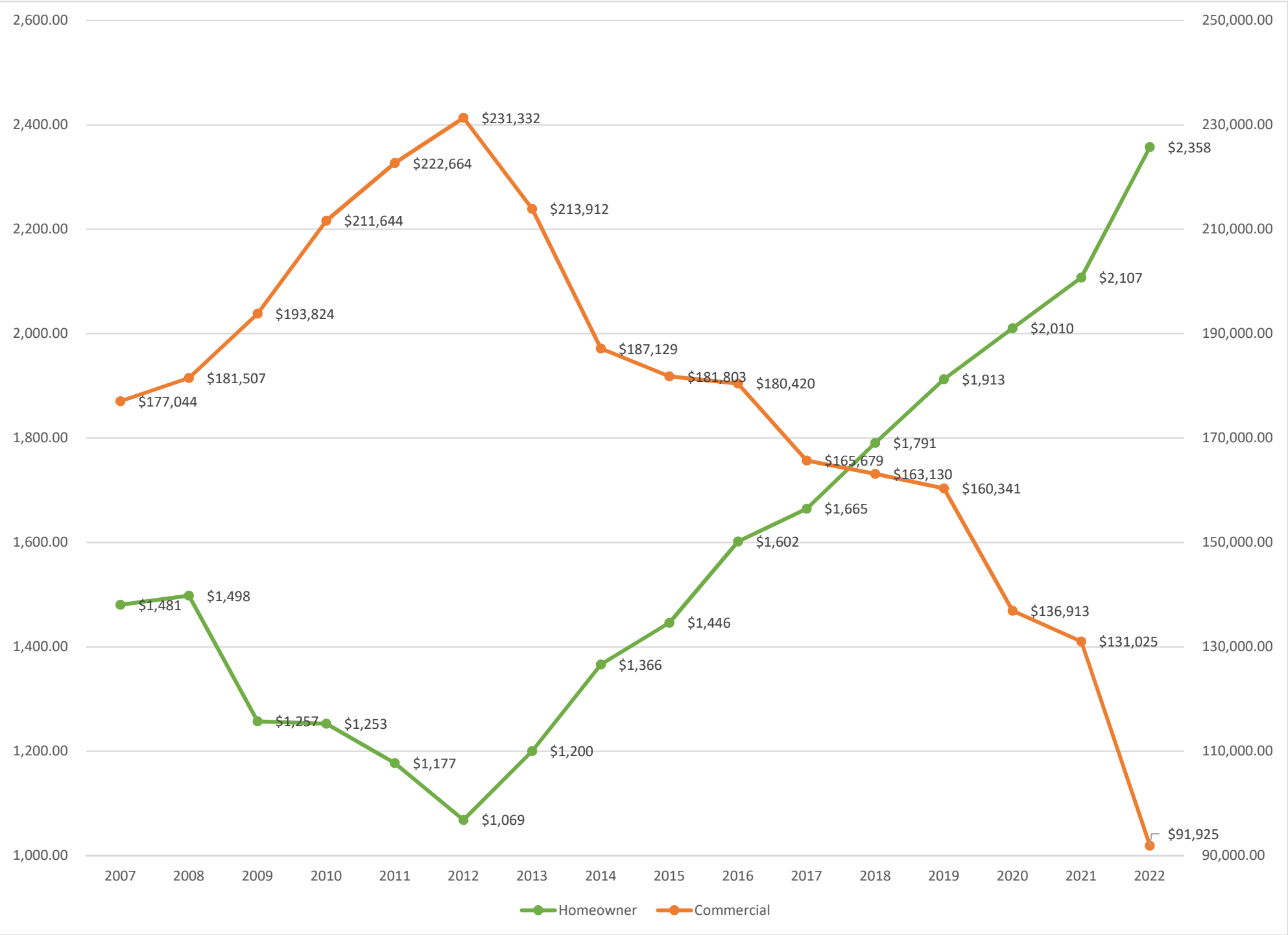
ADJOURNED:

There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:24 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

Property tax shifts 2007-2022



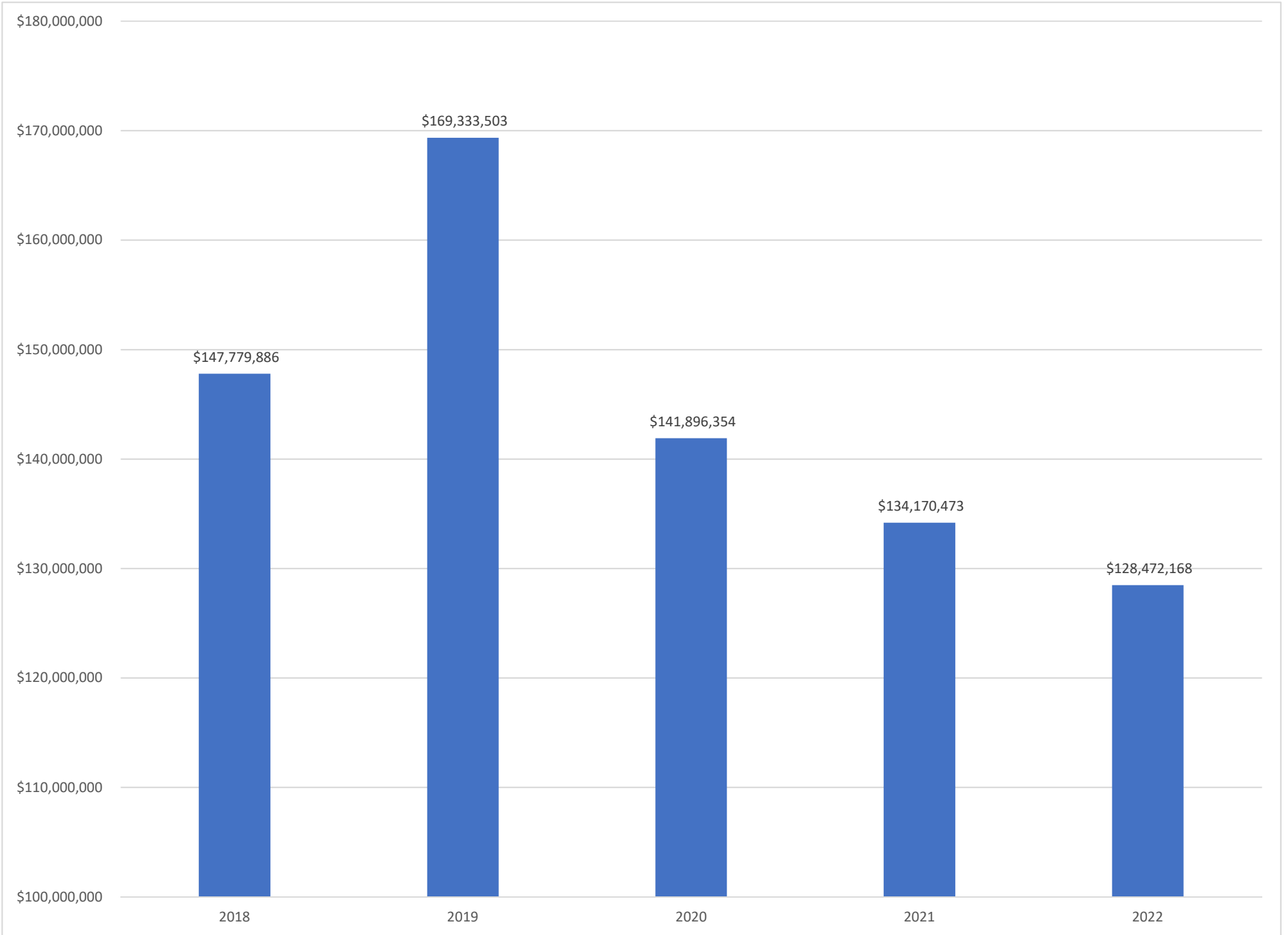
What are eligible property taxes?

Values	Amount	Exemptions and Credits	Amount	Exemptions and Credits	Amount
Land Value	226,880	Homeowners Exemption	125,000		
Improvement Value	414,400				
				Total Taxable	516,280

Taxing District	Phone	Rate	Total	Spec. Assessments	Phone	Rate	Total
Ambulance	208-795-6920	0.0001000170	\$2.00				
Canyon County	208-454-7507	0.0012270190	\$24.54				
City of Caldwell	208-455-3000	0.0039929640	\$83.97				
Canyon Hwy #4 in Caldwell	208-454-8135	0.0006514540	\$13.04				
Mosquito Abatement	208-461-8633	0.0000935770	\$1.87				
Vallivue School #139 Bond	208-454-0445	0.0014352700	\$425.49				
Vallivue School #139 Supplemen	208-454-0445	0.0004866420	\$251.24				
Vallivue School #139 Other	208-454-0445	0.0002241370	\$111.82				
College of Western Idaho	208-562-3295	0.0000786120	\$1.57				
				Urban Renewal	Phone	Rate	Total
				Caldwell East Urban Renewal	208-455-4638	0	3,364.26

Bill Summary	Prior Year	Current	Delinquent	Interest	Late Fee	Fees	Paid	Total Due
	\$4,223.00	\$4,279.80	\$0.00	\$0.00	\$0.00	\$0.00	\$2,139.90	\$2,139.90

School District property tax levies vary from year to year



Property Tax Hybrid Bill

General Provisions

~~Bill will not be AMENDED by either side~~

- Circuit Breaker
- No adjustment to homeowners exemption
- Removal of March election date

Source of funds

- 4.5% sales tax - \$122.5 million
- Wayfair = \$ 37 million
- Surplus eliminator = up to \$150 million
- Tax rebate fund = \$130 million
- One time transfers = \$ 75 million
- Cap TECM at \$80 million for State and \$60 million for locals

First year distribution

- \$130 Million from Tax Rebate Fund – Split 50% Grow/50% M&M
- \$75 Million One time transfer - Grow
- \$150 million Surplus eliminator - \$100 M Grow / \$50 M M&M

65	65
75	
100	50
<u>240</u>	<u>115</u>

Funds Directed towards “Grow’s” Bill (2nd & 3rd year)

- 2.25 % of sales taxes = \$61 million
- Surplus eliminator up to \$100 million
- Total = \$161 million Funds Directed towards All Homeowners

Funds Directed towards “M & M” Bill (2nd and 3rd year)

- 2.25% of sales taxes = \$61 million (year 2 & 3)
- Wayfair = \$37 million (Year 3)
- Surplus eliminator up to \$50 million (Year 2 & 3)
- Total = \$111 million (Year 2) \$148 million (Year 3) funds directed to all taxpayers

Year 2 Distribution

- HO Only: \$61 + \$50 + \$50 (1/2 of 100) = \$161 million
- All property owners: \$61 +50 (1/2 of \$100M) = \$111 million

Year 3 Distribution

- HO Only: \$67.9 + \$50 + \$50 (1/2 of 100) = \$167.9 million
- All property owners: \$67.9 + \$37+50 (1/2 of 100) = \$155.9 million

AGENDA
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE
2:00 P.M.
Room WW53
Tuesday, March 21, 2023

For members of the public to observe the meeting, please click on the following link:
<https://www.idahoptv.org/shows/idahoinsession/ww53/>

SUBJECT	DESCRIPTION	PRESENTER
MINUTES APPROVAL:	March 9, 2023	Senator Adams Senator Bernt
MINUTES APPROVAL:	March 14, 2023	Senator Schroeder Senator Rabe
MINUTES APPROVAL:	March 15, 2023	Senator Cook Senator Trakel
<u>H 288</u>	INCOME TAXES - Amends existing law to revise provisions regarding the income tax deduction for household and dependent care services.	Rep. Raybould
<u>H 328</u>	URBAN RENEWAL - Amends existing law to provide for the treatment of certain property located within a revenue allocation area.	Rep. Ehlers
PRESENTATION:	Page Appreciation Bradley Boyd	Senator Ricks

Public Testimony Will Be Taken by Registering Through the Following Link:
[Register to Testify](#)

If you have written testimony, please provide a copy to the committee secretary.

COMMITTEE MEMBERS

Chairman Ricks	Sen Bernt
Vice Chairman Schroeder	Sen Trakel
Sen Grow	Sen Rabe
Sen Cook	Sen Just
Sen Adams	

COMMITTEE SECRETARY

Meg Lawless
Room: WW50
Phone: 332-1315
Email: sloc@senate.idaho.gov

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Tuesday, March 21, 2023

TIME: 2:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Ricks, Vice Chairman Schroeder, Senators Grow, Cook, Adams, Bernt, Trakel, Rabe, and Just

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 Ricks** convened the meeting of the Senate Local Government and Taxation Committee (Committee) at 2:10 p.m.

MINUTES APPROVAL: **Vice Chairman Schroeder** moved to approve the minutes of March 9, 2023; March 14, 2023; and March 15, 2023. **Senator Trakel** seconded the motion. The motion passed by **voice vote**.

H 288 **Income Taxes. Representative Raybould** presented **H 288**. She explained that this bill increased the income tax deduction for qualifying expenses for dependent care from \$3000 for one child or \$6000 for 2 or more to \$12,000. A qualifying dependent, as defined in Internal Revenue Code § 21(b)(1), included a taxpayer's child under the age of 13, a dependent of a taxpayer with a physical or mental disability, and the spouse of a taxpayer with a physical or mental disability. Qualifying expenses were those defined in Internal Revenue Code § 21(b)(2). This was a deduction from gross income, not a credit or rebate. The estimated amount of tax savings for a household with 2 children were as follows:

\$27,000 - \$43,000 income, \$440

\$49,000 - \$83,000 income, \$336

\$83,000 - \$130,000, \$302

.

DISCUSSION: **Chairman Ricks** asked whether taxpayers would have to itemize deductions to take advantage of this deduction. **Representative Raybould** replied that this deduction was added as part of the standard deduction.

Senator Grow asked for clarification that this deduction was for dependents with physical and mental disabilities. **Representative Raybould** explained that there were 3 classes of dependents: children under the age of 13, children over the age of 13 with mental or physical disabilities, and spouses with mental or physical disabilities. **Senator Grow** asked how they determined the fiscal impact of \$4 million to \$5 million. **Representative Raybould** responded that they had consulted with the Idaho State Tax Commission and the Idaho Fiscal Policy Center. **Senator Grow** noted that the bill was retroactive to January 1, 2023 and asked how that would reduce revenues in fiscal year (FY) 24. **Representative Raybould** stated that she estimated they would see half of the \$4 million in reduced revenues in FY 24.

Vice Chairman Schroeder clarified that the standard deduction was on the front page of form 1040 and then other deductions were included on form 39R. A taxpayer was not required to itemize their deductions in order to take advantage of this one.

MOTION: **Vice Chairman Schroeder** moved to send **H 288** to the floor with a **do pass** recommendation. **Senator Rabe** seconded the motion. The motion passed by **voice vote**.

H 328 **Urban Renewal. Representative Ehlers** presented **H 328**. He stated that in 2020 this legislature passed H 521 which created an incentive to attract large data centers to Idaho. If they met certain criteria they would be exempt from sales tax. The Statement of Purpose for that bill stated that these data centers would significantly add to the property tax base. The increased tax base provided property tax relief for homeowners through reduced levies. In exchange, the data centers received a sales tax exemption. **Representative Ehlers** stated that **H 328** required that a data center that met those qualifications be kept on the property tax base and not be allocated into a revenue allocation area or an urban renewal district. This was a targeted bill and not broader urban renewal reform.

DISCUSSION: **Senator Grow** asked whether **H 328** circumvented H 521. **Representative Ehlers** explained that a data center had already agreed to locate in Idaho when H 521 was passed in 2020. Recently, however, a revenue allocation area was created around the data center which would have taken it off the property tax base. **Senator Grow** argued that **H 328** was in line with the original intent of H 521. That intent was to allow businesses five years within which to meet the criteria for a sales tax exemption after which it would revert to the taxpayer.

TESTIMONY: **Brent Tolman**, President of the Redevelopment Association of Idaho, testified in opposition to **H 328** and asked that it be held in Committee. He expressed concern that the rules that were in place when the data center that was the target of this legislation agreed to locate in Idaho were now being changed. He felt this had a negative effect on attracting other companies and providing economic growth and development. The Local Economic Development Act and Idaho Code Title 50, Chapter 29 allowed local communities to offer incentives for development. It was the city council that had authority to establish an urban renewal plan. **Mr. Tolman** was uncertain what would happen if the businesses were part of an urban renewal area initially and later met the criteria for a sales tax exemption (Attachment 2).

DISCUSSION: **Senator Trakel** asked whether they had established the urban renewal district around the data center. **Mr. Tolman** responded that he could not speak to the timing of the establishment of the revenue allocation area as he was not involved with that.

Vice Chairman Schroeder stated that it was his understanding that if you had an urban renewal area with a building or property that was part of the existing base and you overlaid a revenue allocation area over that, the incremental value of any improvements would go to the urban renewal district and not to the remainder of the tax base. **Mr. Tolman** confirmed Vice Chairman Schroeder's understanding. However, **H 328** was unclear as to whether the difference in value of a building within an existing urban renewal district that later became part of a revenue allocation area and was purchased by a data center that retrofit the building was incremental value which went to the urban renewal district or part of the base value. **Vice Chairman Schroeder** opined that if the revenue allocation area was adopted after H 521, **H 328** provided that value was part of the base and not part of the increment. However, they were not aware of the timing of the establishment of the revenue allocation area.

- TESTIMONY:** **Kelley Packer**, Executive Director of the Association of Idaho Cities, spoke in opposition to **H 328**. She asserted that this bill eliminated an important tool that local governments had for economic development. She clarified that data centers in urban renewal revenue allocation areas did pay property taxes. This economic development provided substantial infrastructure improvements. Changing the rules hurt future economic development.
- DISCUSSION:** **Vice Chairman Schroeder** noted that the main concern regarding **H 328** was confusion regarding whether any increase in value was part of the increment or base value. He asked whether there were other misrepresentations. **Ms. Packer** stated that the statement in Attachment 1 that the data centers would provide a huge increase in the property tax base and thereby provide property tax relief to taxpayers was correct whether now or in the future.
- TESTIMONY:** **David Lehman**, representing the Meridian Development Corporation, testified in opposition to **H 328**. He argued that the bill was part of a chipping away at the ability of urban renewal districts to facilitate local development and business recruitment. Urban renewal districts helped to provide infrastructure and created jobs and economic development.
- Neil Durrant**, a citizen of Kuna, spoke in support of **H 328**. He stated that it provided immediate property tax relief by adding the value of capital improvements by data centers to the property tax base.
- Morgan Treasure**, Economic Development Director for the city of Kuna and agency administrator for Kuna Urban Renewal, testified in opposition to **H 328**. The agreement with Meta made it financially feasible to expand infrastructure. This bill reduced their ability to expand infrastructure and eliminated a source of economic development. Taxpayers in Kuna would be forced to pay to operate and maintain the \$100 million of infrastructure provided by the agreement with Meta. If property tax relief was provided now by making the value of capital improvements by the data center part of the base, the long term benefit from economic development was reduced.
- DISCUSSION:** **Vice Chairman Schroeder** asked whether it was their intent to take the increment financing tax revenue and use it to operate the plant, or was it their intent to use the increment financing revenue to expand infrastructure. **Ms. Treasure** responded that it was their intent to expand the infrastructure to other users.
- Senator Trakel** asked whether they had intended to put an urban renewal district around the data center when H 521 was passed in 2020. **Ms. Treasure** replied that had been their intent.
- Senator Grow** asked Ms. Treasure to discuss what she felt this bill did. **Ms. Treasure** stated that **H 328** took the value of the data center and put it immediately on the tax base. If, however, they deferred the benefits it would allow them to further expand infrastructure and provide an increased amount of economic development.
- TESTIMONY:** **Representative Durrant** spoke in support of **H 328**. She explained that when the data center came in 2020 it was understood by most of the residents in Kuna that the data center would immediately become part of the property tax base and create property tax relief. She asserted that changing the game plan now would discourage other industry from locating in Idaho.
- Representative Ehlers** clarified that the revenue allocation area was adopted by the city of Kuna on November 1, 2022. **H 328** provided immediate property tax relief by keeping the data center on the tax base.
- MOTION:** **Senator Trakel** moved that **H 328** be sent to the floor with a **do pass** recommendation. **Senator Adams** seconded the motion.

SUBSTITUTE MOTION: **Senator Bernt** moved to hold **H 328** in Committee. **Senator Just** seconded the motion. The motion failed.

ORIGINAL MOTION: The motion to send **H 328** to the floor with a **do pass** recommendation passed by **voice vote**.

PRESENTATION: Page Appreciation Bradley Boyd. **Mr. Boyd** stated that he had enjoyed being a Page for the Agricultural Affairs Committee and filling in for the Local Government and Taxation Committee. He planned to attend Boise State University in August and major in English and Political Science. He would then like to attend law school and return to work in the Attorney General's office. The Committee thanked him for his service and presented him with a gift and letter of appreciation.

ADJOURNED: There being no further business at this time, **Chairman Ricks** adjourned the meeting at 3:26 p.m.

Senator Ricks
Chair

Meg Lawless
Secretary

2020 Statement of Purpose for HB 521 (Data Sales Tax Break) from Reps Ehlers & Gannon
and Page 2 of Rev and Tax minutes February 26, 2020

STATEMENT OF PURPOSE

RS27371C2 / H0521

The purpose of this legislation is to encourage the construction and location of large-scale data centers in Idaho. The landscape for attracting data centers is extremely competitive across the United States. At least 30 states offer a sales tax exemption for server equipment. It is highly unlikely that a large-scale data center will locate in Idaho – or any state – without a sales tax exemption. This legislation would allow a sales and use tax exemption to data centers that commit to a capital expenditure of not less than two hundred and fifty million dollars (\$250,000,000) within five (5) years of commencement of construction and will create no less than thirty (30) jobs within two (2) years of commencing operations. If a data center fails to meet these two requirements, any sales and use tax exempted shall be repaid. This legislation also clarifies that data center server equipment is not included in the definition of "new construction" for property tax purposes. Data centers significantly add to the property tax base wherever they are built, and create jobs paying above the average local wage.

FISCAL NOTE

Passage of this legislation will have a positive impact on the general fund. Though this bill allows a sales and use tax exemption, this legislation is prospective and is intended to attract business investment not already present in the state of Idaho. Business investment of two hundred and fifty million dollars (\$250,000,000) or more will create new jobs, not only to directly support the data centers, but also in construction jobs and indirect jobs.

Contact:

Representative Greg Chaney
(208) 332-1000
Senator Jim Rice
(208) 332-1315

DISCLAIMER: This statement of purpose and fiscal note are a mere attachment to this bill and prepared by a proponent of the bill. It is neither intended as an expression of legislative intent nor intended for any use outside of the legislative process, including judicial review (Joint Rule 18).

Those speaking of in support of H 521 were **Lisa Holland**, Economic Development Director, City of Kuna; **Clark Krause**, Executive Director, Boise Valley Economic Partnership; **Alex LaBeau**, President, Idaho Association of Commerce and Industry; **Sean Schupack**, Director, Post Falls Associated General Contractors; and **Carolyn Merritt**, Idaho Chamber Alliance, that is comprised of 22 chambers across Idaho, who said before data centers can qualify, they would need to spend \$250 million and create thirty direct jobs, which would be a lot of jobs for small communities and be an economic benefit; it would be a good opportunity for rural and metro Idaho; it will help the tech sector all over the state; the legislation would foster \$100 million in new construction, which would help many Idaho households and families; data center companies are looking for communities in which to invest, providing local education for children, outfitting school buses with WIFI, wanting to provide grants for more classrooms and providing communication devices for non-verbal students and other benefits.

Rick Smith, Hawley Troxell, representing Facebook, spoke in support of H 521. He stated he would answer questions about the terms of the legislation, and in response to committee questions said data centers will provide a huge increase in the property tax base which will reduce levies for taxpayers; the legislation clarifies that data center equipment is not considered a part of new construction; the new property will not go onto tax rolls for the purpose of increasing local government budgets; local governments can assess impact fees on infrastructure costs and any demand on local services would be provided by local utility companies; everything would go on the tax rolls but none of the sales tax exempted new construction would go on new construction rolls; Facebook is committed to being environmentally responsible; and property tax will be assessed at 100% of the value.

Rep. Chaney closed by saying data centers diversify Idaho's portfolio. The trend is storage of more and more data, including social and political data, such as with iCloud.

Rep. Chaney responded to committee questions by saying the typical investment in a data center that would be exempt from sale tax is \$500 million; any portion of the profits attributable to data center operations in the state would be subject to income tax; and income tax would be paid on employees salaries.

MOTION:

Rep. Anderst made a motion to send H 521 to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Reps. Giddings, Nichols, Kiska and Necochea** requested to be recorded as voting **NAY**. **Rep. Chaney** will sponsor the bill on the floor.

H 553:

Senator Jim Rice stated H 553 deals with forest land taxation problems regarding reclassifying forest land without meeting certain standards for reliability in assessing those lands. He said timber is not like other things because trees take a number of years to harvest. Statutorily a number of changes in forest land classification and treatment were reversed out by a group of owners of forest land, assessors and the Idaho State Tax Commission who agreed on legislation that included changes in statute and a set of rules. However, having rules that deal with tax assessment and changing classifications in assessments can be problematic because changes to rules can have a substantive impact on tax rates and the taxation of the land. An assessment change can have the same impact as a fee rule change. So H 553 rolls the rules into statute, encapsulating all the process within statute.

In response to committee questions, **Senator Rice** replied a legislative group made up of assessors, the ISTC, industry representatives and forest land owners collaborated for the last 15 years on the legislation.



March 20, 2023

VIA EMAIL

Senate Local Government & Taxation Committee
Attn: Hon. Doug Ricks, Chair
Idaho State Legislature
State Capitol Building
Room WW53
Boise, ID 83720-0038
dricks@senate.idaho.gov
sloc@senate.idaho.gov

Re: HB 328

Dear Honorable Senators:

The members of the Redevelopment Association of Idaho, Inc. (“RAI”) include a majority of the urban renewal/redevelopment agencies in the State. The RAI was formed for the purpose of, and is committed to, facilitation of communication between and among Idaho redevelopment practitioners, education, and encouragement of best practices in the redevelopment enterprise; facilitation of compliance with applicable state laws; and improvement of accountability and advancement of the effectiveness of the redevelopment tool for both urban/downtown revitalization and economic development as expressly permitted by Chapters 20 and 29, Title 50, Idaho Code. Since RAI’s incorporation in late 2010, RAI has regularly advised and updated its members as to all changes to the urban renewal laws and/or laws impacting urban renewal agencies. RAI works closely with representatives of the Association of Idaho Cities.

RAI strongly objects to the process that has occurred in introducing HB 328. HB 328 comes as a replacement for the previously introduced HB159 relating to data centers within urban renewal districts. On March 16, 2023, HB 328 was introduced with little to no explanation of the revisions to HB 328 from HB 159, and without any encouragement of dialogue related to its potential impacts. In addition, there was a recommendation to have HB 328 filed for second reading, avoiding a public hearing. RAI is very disappointed by the

lack of transparency in the process and the lack of an effort to have an informed discussion related to the unintended consequences of its language.

House Bill 328, in part, seeks to amend existing law to reallocate the property value of a data center located within an urban renewal revenue allocation area from the increment value to the base assessment roll value, as long as the revenue allocation area has not issued any bonds as of the date of introduction of this bill, March 16, 2023. For the reasons set forth below, RAI respectfully requests you **oppose HB 328**:

- This is targeted legislation and is bad public policy. HB 328 is aimed at one project, in one location, Kuna. The City of Kuna had no idea HB 328, or its previous versions, would be proposed this session and was unaware of its potential consequences when negotiating the locating of a data center to its community. Both the City of Kuna and the particular data center believed the current circumstances and law to afford one set of benefits and characteristics, and now it is being threatened to change.
- Allocating a data center's property tax value to the base assessment roll does not provide more revenue to the overlapping taxing districts; there is no corresponding increase to a taxing district's overall budget capacity. HB 328 provides no benefit to the cities, counties, or the State and merely eliminates the ability to capture increment value revenues for reinvestment in public infrastructure.
- HB 328 would make doing business in Idaho less stable. Without a grandfather exception, a business could relocate here under one set of laws, and then once committed, the rules change. This reactionary response does not support Idaho's long-term business development goals. These statutory changes impact a company's ability to make long-term planning decisions.
- The language of HB 328 creates a plethora of questions related to practical implications. For example, it attempts to back date HB 328's effective date to July 1, 2020, which could have unknown and perilous consequences for preexisting projects. Also, no explanation is given for the effective date of July 1, 2020. In addition, the language of HB 328 makes unclear how increases in property value while the project is being constructed would be treated. Will this be considered increment or base value? How will the \$250M in aggregate capital investment be calculated? What occurs if the threshold amount is not met within five (5) years? Is there a possibility the value will be considered increment initially and then moved to the base? These are administrative and practical concerns that must be addressed within the language of HB 328.
- Although targeted at one location and community, HB 328 will have impacts across the State as it will disproportionately hinder small, rural communities from attracting and incentivizing desired economic development projects. For

example, if the data center's property tax value is allocated to the base assessment roll, the combined base values of existing urban renewal/revenue allocation areas would exceed 10% of the total taxable value of the municipality, precluding the creation of new revenue allocation areas to support costly public infrastructure improvements necessary for targeted economic development projects. HB 328 unnecessarily ties local government's hands when the local government and the State are working together to bring high paying jobs, diverse economies, and taxable value to the State.

- Stakeholders impacted by HB 328, particularly urban renewal agencies and cities, were not aware of this bill prior to its introduction and had no opportunity to provide feedback to the bill sponsors or to address their concerns.
- Idaho Code Section 63-3622VV provides a sales tax exemption for the purchase or use of eligible server equipment as defined therein. Idaho Code Section 63-3622VV addresses sales tax only. Unless granted a property tax exemption, data centers pay property tax. Including a data center in an urban renewal revenue allocation area does not exempt the data center from paying property taxes. Further, being included in a revenue allocation area does not mean a data center receives a property tax benefit.
- A data center is not the type of development that uses significant city services such as police and fire services. In fact, as the circumstances are in the City of Kuna, data centers may bring or fund public city services by locating within the community.
- The Idaho Legislature, by adoption of Idaho Code Section 63-3622VV, has determined data centers are the types of commercial/industrial businesses the State would like to attract. In some instances, the location of a data center requires the construction and installation of significant public infrastructure improvements, i.e., water and sewer system improvements, improvements to rights-of-way, etc. These costs are significant. The local government should be able to use the tools available to decide how best to partner with a new business, including whether there should be a reimbursement of public infrastructure improvements based on the new taxable development or, alternatively, leverage the necessary improvements to support the broader community goals of supporting an industrial area that is located away from residential single family homes. In many instances, the improvements required of these new businesses will have a broader benefit to the community at large.
- This bill has unintended consequences such as continuing to chip away at one of the few local government economic development tools, the Urban Renewal Law , Chapter 20, Title 50, Idaho Code and the Local Economic Development Act, Chapter 29, Title 50, Idaho Code, which allows local communities to address how best to partner with potential new business brought to the state of Idaho.

- From a policy standpoint, there is no rationale for excluding the ability for a data center to work with both the State, through sales tax exemption, and local government, through using revenue allocation proceeds to potentially fund eligible public infrastructure improvements benefitting the broader community, particularly since the Idaho Legislature's goal was to incent data centers to locate in Idaho. Urban Renewal and the State's ability to exempt sales tax work in tandem to meet the desired goals.

The RAI members work hard to better their communities working within the statutory framework. The RAI respectfully requests you oppose this bill.

Sincerely,

Redevelopment Association of Idaho, Inc.

A handwritten signature in blue ink, appearing to read "Brent J. Tolman".

Brent J. Tolman, President

cc:

Hon. Geoff Schroeder, Vice Chair (gschroeder@senate.idaho.gov)

Hon. C. Scott Grow (sgrow@senate.idaho.gov)

Hon. Kevin Cook (kcook@senate.idaho.gov)

Hon. Ben Adams (badams@senate.idaho.gov)

Hon. Treg A. Bernt (tbernt@senate.idaho.gov)

Hon. Chris T. Trakel (ctrakel@senate.idaho.gov)

Hon. Alison Rabe (arabe@senate.idaho.gov)

Hon. James R. Just (rjust@senate.idaho.gov)