



IDAHO LEGISLATIVE REPORT TO MEMBERS

To: **All IPM&CSA Members**
From: Suzanne Budge, Executive Director
Date: April 29, 2013 FINAL LEGISLATIVE REPORT
Subject: Legislative Update & Member Communications

OVERVIEW OF 2013 LEGISLATIVE SESSION

Sine Die on the 88th Legislative Day

The Big Issues: The 2013 legislative session will be remembered primarily for two issues: the state health exchange and personal property tax relief, both hard fought battles that ultimately passed. But at Sine Die, many were left unsettled by the political climate. An influential freshman class altered the legislature's course and possibly changed political coalitions for years to come. Time will tell.

The Freshmen Matter: A record number of new legislators, 41 of the 105, brought with them to the Idaho Statehouse, new blood, new ideas, and a new dynamic in 2013. The large turnover, nearly 40%, resulted from a convergence of three political events – once-in-a-decade redistricting, closed GOP primaries, and an early filing period in 2012. This shifting political landscape shook up the Idaho legislature's organization, leadership and culture and will likely have a long-term impact. These freshmen made a real difference in the outcome of some of the key issues in 2013 and will again in the future.

Budget Count Down: The session ran 88 days, beginning on January 7th, and finally ending on April 4, tying 2013 with the 2011 session as the 7th-longest in history. A battle over the K-12 public education budget added an extra week when the Senate killed, by a single vote, the state general fund appropriation for public schools. Since the core objective of the legislature is to set a balanced budget, they could hardly adjourn without approving the single largest budget in the state. K-12 public schools account for 47% of the state general fund spending, totaling \$1.6 million when finally set for FY2014, an increase of 2.2% over the previous year.

Economic Outlook Improves: Finally, things seem to be looking up! This will be the third straight year of revenue growth, with a projected rate of 5.3% for FY 2014, over FY 2013's estimate of 2.7%. The legislature's final action on General Fund budgets reflected an overall spending increase of 2.9%, totaling \$2.78 billion. Public schools received a 2.2% increase, colleges and universities: 3.8%, Medicaid .7%, and corrections 7.1%.

Bills by the Numbers: Just as the new freshman class changed some political fundamentals, legislative statistics shifted in an interesting way as well: the fewest number of draft proposals introduced in over 40 years (777 vs. the more typical 800-1000), but many more of those became law. Close to 50% of proposed bills became law, the highest percentage ever recorded. The more common survival rate for draft bills is a much lower 33%.

Wrap Up: The 2013 legislative session will be remembered for two dominant issues: the Governor's health exchange and personal property tax relief. The health exchange H248, which was passed after a three-year battle, implements a key component of Obamacare in Idaho, and was done over the objections of a majority of the majority party, at least in the House and the State GOP party. Personal property tax relief has for years been a long simmering battle between the business community and local government. The final version, H315, was authored by the Idaho Association of Counties

and eliminates the tax for 85-90% of Idaho's businesses. H315 excludes first \$100,000 of value and will provide \$20 million in tax relief, but likely takes complete elimination of the tax off the table for years. A third big issue involved the legislature reinstating some of the education reforms that were passed by the 2011 legislature, only to be overturned by public ballot in November 2012. It was a strange session, with many legislators happy to decamp the Statehouse after a particularly divisive and unsettling year.

INDUSTRY ISSUES

IPM&CSA worked on a number of issues in the 2013 legislative session. Retail issues included lottery tickets, phone card fees and the cash law. Broader business issues included personal property taxation and workers compensation. Significant behind-the-scenes work for IPM&CSA involved transportation funding discussions with the two chairmen of the Senate and House Transportation committees. Fuel taxes are squarely on the table for 2013 in advance of the 2014 legislative session and it will be critical for IPM&CSA members to be talking directly to their legislators, particularly those who serve in leadership and on transportation committees.

Here are the bills of interest to our industry from the 2013 legislative session:

- **H120aa – Lottery Ticket Sales/Credit & Debit Card Prohibited (PASSED)** – H120 prohibited the use of credit and debit cards for the purchase of lottery tickets. H120 was amended in the House to allow debit cards, then amended again in the Senate to allow credit and debit for over the counter sales, but prohibit credit and debit cards for sales at unattended machines. The Idaho Lottery Commission opposed H120 as originally drafted, as did IPM&CSA and the Idaho Retailers Association. Although many retailers choose to require cash for lottery tickets, the government should not dictate the terms of a transaction between a retailer and a consumer, for the purchase of a legal product. *Bottom Line: No change to over the counter lottery ticket sales with the passage of H120aa. This is still a business decision that can be made by the marketer.*
- **H193a – 911 fee on Prepaid Wireless service (PASSED)** – H193a provides for collection of 911 fees from purchasers of prepaid wireless services at the point of sale. This bill requires that the federally mandated fee be collected by the seller at the point of sale and remitted to the Idaho Tax Commission. The 911 fee is set at 2.5% and there is a de minimus amount of five dollars. Retailers receive an administrative collection fee of 3%. This bill is a compromise with impacted parties and makes changes to accommodate retailers. It is also similar to legislation that has passed in several states, and thanks to our efforts, H193 incorporates many retailer-friendly elements. *Bottom Line: H193a will require collection of a point of sale fee for prepaid phone cards with exceptions for low value sales.*
- **H257 – Cash Law Clarified (PASSED)** – H257 eliminates ambiguous language that has resulted in formal complaints by beer & wine distributors to Alcohol Beverage Control (ABC) over the time allowed to process the transaction for the purchase of wine or beer by a retailer. H257 is a compromise between the beer and wine wholesalers, retailers, NW Grocers and IPM&CSA. Although we would prefer to eliminate the cash law entirely as outdated and unnecessary, beer and wine distributors are adamantly opposed making legislative changes unlikely in the near term. *Bottom Line: H257 will eliminate the threat of frivolous complaints against retailers if they pay within the five business days allowed.*
- **H315 Personal Property Tax (PASSED)** – H315 provides an exemption for the first \$100,000 in value for purposes of personal property tax assessment in a county. The bill also provides for an exemption for an individual purchase of \$3000 or less, and creates a uniform application process. In lieu of submitting an annual

affidavit, taxpayers with taxable personal property values less than \$100,000 will only be required to file every five years. Cities, counties and school districts will receive replacement funding through state sales tax funds for the \$20 million hit. All businesses will receive some tax relief, with 85-90% getting total relief from the personal property tax. More capitol intensive businesses will see some benefit, but will still bear the paperwork and financial burden of \$121 million. The total amount of personal property taxes assessed now comes to \$141 million statewide, which was the real reason this tax couldn't be completely eliminated. It was just too big of a hit to local government, and they mounted a very effective campaign to oppose H276 (IACIs bill) and ultimately to author H315, the bill that ultimately passed (with very little discussion or debate) the legislature. *Bottom Line: businesses will get personal property tax relief up to \$100,000 in valuation per county, saving businesses \$20 million. 85-90% of businesses will see the tax eliminated.*

- **S1064 & S1065 Heavy Trucks (PASSED)** – S1064 & S1065 provides for trucks heavier than 129,000 pounds to travel on more Idaho roads, subject to certain provisions. *Bottom Line: Supporters believe heavier trucks will help economic development in many parts of the state.*
- **Transportation Package H 337, 338, 339, 340, 341 (Introduced for Discussion over the Interim)** – This package of five bills would provide \$236.5 million to boost funding for transportation infrastructure including Idaho's roads, bridges and operations. Proposals include shifting sales taxes from sales of tires and automotive equipment to the highway fund, to phasing in a 10-cent increase in Idaho's gas tax and a 15-cent increase to diesel, to increasing the transfer fee by 4 cents. Other fees include raising registration fees for cars and semi-trucks, to imposing new fees on electric and hybrid vehicles and a new tax on rental cars. *Bottom Line: IPM&CSA will need to be constantly vigilant to ensure that proposals to increase transportation funding can be implemented without adding new regulatory burdens and costs on the industry. We are particularly opposed to sales tax on fuel and will work to prevent that proposal as part of the transportation-funding package.*

THE OUTLOOK FOR 2014

We expect two issues to dominate the legislative agenda in 2014: Transportation funding and Medicaid Expansion. IPM&CSA will be watching out for activity on these and other issues in the interim and report back on what lawmakers are talking about. IPM&CSA encourages our members to talk to their lawmakers and help them understand how our industry works, especially regarding fuel taxation and collection. Please tell lawmakers to work within Idaho's current tax collection systems and oppose any and all proposals to apply sales tax to fuel. IPM&CSA supports tax policy that is broad based, efficient, and fair. We will be in the thick of it when it comes to transportation funding during the interim and in 2014. Stay tuned for another interesting year!

Motor Fuel Taxes and Rules: The Tax Commission is engaging stakeholder groups in reviewing all the rules governing fuels, and IPM&CSA representatives are invited to participate. Meetings are scheduled on a regular basis. For more information, you can contact Sherry Cann at (208) 334-7544 or sherry.cann@tax.idaho.gov

HOLD THE DATE: SUN VALLEY CONVENTION JULY 31-AUGUST 1-2 REGISTER NOW!

Remember to reserve your room at the Sun Valley Lodge for our 2013 convention and trade show. You can register on-line now at www.wpma.com. Make sure to get your room early for the best rates. And just a reminder: room reservations are on your own, separate from convention registration.