

Capitol Reflections



2016 Legislative Session

In this issue

- Removal from Storage, pg. 1
- Financial Condition, Ag, pg. 1
- Property Tax Shift, pg. 2
- Minimum Wage, pg. 2
- Medicaid Expansion, pg. 3
- Water Resolutions, pg. 3
- Trustee Zones, pg. 4
- IFBF Conference, pg. 4

Removal From Storage Bill

This week, the House Revenue and Taxation Committee, Chaired by Rep Gary Collins (R-Nampa), approved a bill sponsored by Farm Bureau with a unanimous “do pass” recommendation. H386 addresses the Idaho Tax Commission’s recent efforts to tax farm equipment used primarily to remove farm crops from storage.

Rep Greg Chaney (R-Caldwell) presented the bill and did a great job of explaining its purpose which is to provide a more clear line of where farming activities end and where other activities begin.

The portion of the production exemption which applies to farming operations states that equipment is exempted from sales tax when it is “reasonably necessary to the operation of the total farming business.” The statute then goes on to provide some examples of farming activities such as planting, harvesting, and storage of crops. Unfortunately, since “removal from storage” was not included in the statute,

Financial Condition of the Agriculture Industry

The Senate and House Agriculture Affairs Committees heard a presentation from Dr. Garth Taylor on the financial condition of the agriculture industry in Idaho. Dr. Taylor emphasized a number of issues and challenges faced by the industry and producers. In 2015, total cash receipts were down 9 percent from the previous year, with major drops in both the milk and hay sectors. Though prices fell during the last part of the year, cash receipt from cattle and calving operations were still

up 8 percent. Dr. Taylor mentioned the extreme volatility of net farm income and the challenge that it presents to most producers. Profit margins are slim and commodity price low; however, these conditions pass major saving on to consumers, where on average only 7 – 8 percent of the American income is spent on food products.

While being the state’s largest industry, agribusiness is extremely important to Idaho’s overall economy and GDP. Dr. Taylor’s presentation also highlighted the fact that Idaho is the second largest agriculture producing state in the West. Agriculture commodity exports and foreign trade agreements are undeniably important in today’s global market. Dr. Taylor spoke of the Trans-Pacific Partnership (TPP) agreement and the major country participants. This agreement can have a major impact on Idaho agriculture. However, until trade agreements are finalized and economic conditions change, exports for agriculture commodities appear to be going down. In 2016, it is forecasted that agriculture exports will be down approximately 25 percent. This is mostly due to the strong U.S. dollar and very weak foreign economies. Though these forecasts are for the entire nation, their effects are also expected to be felt in Idaho.

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the Tax Commission has determined that equipment used primarily for removal of crops from storage did not qualify. The bill simply adds the term “removal from storage” to remedy this situation.

Idaho State Tax Commissioner Ken Roberts explained to the committee that the new language would provide a more clear line between tax-exempt farming related equipment and taxable, non-farming related equipment.

The Idaho Farm Bureau has worked with the Tax Commission over the summer and appreciates the commission’s efforts to help resolve this issue. H386 now moves to the House floor for consideration by the entire body. **IFBF supports H386.**



Idaho Farm Bureau's Governmental Affairs Report

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Issue 4
February 5, 2016

H431 Would Reduce Annual Property Tax Shifts

This week H431 was introduced and also given a hearing in the House Revenue and Taxation Committee, Chaired by Rep Gary Collins (R-Nampa). H431 would not change the Idaho Homeowner's Exemption of 50% of the home's value, but would remove the indexing feature that adjusts the maximum amount of the exemption each year. H431 would also raise the maximum exemption allowed from the current \$94,745 to \$100,000 beginning on January 1, 2017.

The homeowner's exemption began in 1982, and it originally provided an exemption of 50% of the home's value up to a maximum of \$50,000. Then in 2006, after 24 years, the cap was increased to \$75,000, but an index was added as a way to automatically adjust the cap. However, the index changed the cap far more each year than anyone thought would happen. Since 2006, it increased significantly each year until it reached a peak in 2009 at \$104,471. As the recession began and home prices declined, the cap fell each year until it hit \$81,000 in 2013. It has now begun climbing again and is expected to be just under \$100,000 next year.

Because local government property tax collections are budget driven, they always collect enough tax to cover their budget, no matter what the economy is doing or what happens with exemptions. Therefore, each time the exemption cap changes, it does not reduce or even affect the total amount of property tax collected. It does, however, shift the exempted amount of property taxes to other classes of property that do not receive the exemption. Each year for the past seven years there has been a shift of between \$153 and \$179 million dollars. That is a huge tax shift each year!

This was not a new issue to the committee as a nearly identical bill passed through the entire House two years ago but was not given a hearing in the Senate. This year the Senate has agreed to give the bill a hearing because it has become very apparent that the current system is not working as expected. Not only are commercial, industrial, agricultural and non-owner occupied residential landowners upset about the constant shifting of taxes, but residential property owners are upset as well. Homeowners got stuck with higher taxes during the recession as home prices declined. Most homeowners thought that lower home prices would mean lower taxes. However, since the indexed value of the exemption went down as well, and local government budgets did not decrease, this actually caused residential property taxes to increase as home values were decreasing. H431 would resolve these issues by removing the troublesome indexing feature and setting the exemption cap at a fixed amount of \$100,000.

The Committee sent H431 to the floor with a "do pass" recommendation after hearing a few organizations including the Idaho Realtor's Association and Idaho Farm Bureau testify in favor of the bill. Idaho Farm Bureau policy #116 supports removing indexing from the homeowner's exemption. **IFBF supports H431**

Minimum Wage Bill Introduced

H400, introduced by Rep Mat Erpelding (D-Boise), would raise the minimum wage in Idaho from the current \$7.25 per hour to \$8.25 per hour on July 1, 2016, and then to \$9.25 on July 1, 2017. There are also upward adjustments to tipped employee compensation schedules and for seasonal employees.

H400 is not likely to receive a hearing in committee. Similar bills have been introduced in the past and have not received hearings. This is one of several personal bills that were recently printed by members of the Democratic Caucus. Typically, if a sponsor does not think that a bill is likely to be supported enough to be introduced by a committee, it is then introduced as a personal bill so it can, at least, be printed and viewed by the public. The committee is unlikely to support H400 because it directly harms those that it purports to help, namely the working poor, and those who are just beginning in the job market.

The surest way for those who earn minimum wage to increase their wages is to become an employee that the business does not want to lose. Anyone who works for very long at minimum wage is either not doing the job as the employer wants it to be done or is in the wrong field for the skills and talents that they possess. Almost any employer you visit with will tell you that they do not pay minimum wage very long to employees who show up to work on time, get the job done correctly and efficiently, and who go above and beyond expectations. This behavior will earn you a raise much quicker than waiting for the state or federal government to mandate a raise in the minimum wage.

Increasing the minimum wage causes employers to closely assess their employees. Any employee whose labor is not worth what the employer must now pay under the new higher wage rate will likely be let go. Furthermore, any minimum wage is always worse than no minimum wage because it makes it illegal to hire anyone below a certain wage. This directly harms those with no experience. In the absence of a minimum wage, a beginning worker could work for an employer at a mutually agreeable low wage while they gain experience. As their abilities increase, they would earn raises in wages commensurate with their expanded skills and productivity so the employer will not lose them. If their employer does not pay them what their skills are worth, other employers will recognize that they can bid them away from the employer who is not paying enough to retain their skills. A minimum wage prevents many inexperienced workers from even getting a job.

The Idaho Farm Bureau policy # 112 opposes any effort to raise the minimum wage. **IFBF opposes H400**

Medicaid Expansion Bill S1204

S1204, introduced by Senator Dan Schmidt (D-Moscow), would expand Medicaid for able-bodied, working adults who earn less than 138 percent of the federal poverty level. These are the supposedly 78,000 Idahoans who fall into the “coverage gap” between current Medicaid eligibility and eligibility for subsidized health insurance on the Idaho Health Exchange. This bill would implement the action that President Obama wanted to force all states to take under his “Affordable Care Act”, which action the US Supreme Court ruled unconstitutional. Therefore, states have the option to take this step, or not. Idaho so far has wisely resisted this idea.

Medicaid is a severely flawed system that does not work well for those who currently use it. Doctors complain about it, patients complain about it. Why would Idaho want to expand this failed system and add even more people to it? There are some better ideas out there to assist with the medical needs of those who currently do not have medical insurance. One of the most promising is Direct Primary Care, where patients pay doctors directly rather than go through an insurance company. For a low monthly fee (around \$60 to \$80), an entire family can have all their primary health care issues covered. Insurance is then used to cover any unexpected, catastrophic health emergencies, which is what insurance is supposed to be used for in the first place. That allows such insurance to be priced much lower since it does not have to cover routine procedures and office visits.

The problems with health-care started, and have continued to be exacerbated, as government became more involved in health care. We cannot fix the system with even more government involvement. The best way to the improvement we all seek is to remove government from the equation. This will allow people to make their own choices as to what is right for their family and to reduce the massive costs associated with government regulations that do not improve either the amount or quality of care.

Idaho Farm Bureau policy # 170 opposes the expansion of Medicaid. **IFBF opposes S1204.**

Water Resolutions Presented in the Senate

Senator Bair of District 31 presented three pieces of water legislation to the Senate Resources & Environment Committee on Monday to be considered for hearing. The three proposed resolutions are based around the water settlement agreement of the Surface Water Coalition and Idaho Ground Water Appropriators in the Eastern Snake Plain, the establishment of state aquifer recharge goals in that area, and the stabilization of aquifers across the entire state. The Committee voted to print all three proposed resolutions and will be holding hearings shortly. The resolution numbers and statements of purpose follow:

SCR135 - The purpose of this resolution is to express legislative support for the June 15, 2015, settlement agreement between participating members of the Surface Water Coalition and participating members of the Idaho Ground Water Appropriators, Inc. This settlement will resolve the multiple water delivery calls that have led to protracted litigation and economic uncertainty for all water users in the Upper Snake River Basin. Under the terms of the settlement agreement, ground water users diverting from the Eastern Snake Plain Aquifer have committed to reduce their consumptive use in order to “stabilize and ultimately reverse the trend of declining ground water levels and return ground water levels to a level equal to the average of the aquifer levels from 1991-2001” by April 2026. The surface water users have agreed to provide participating ground water users safe-harbor from delivery calls as long as the ground water users are implementing the terms of the settlement. This resolution recognizes that the State supports the goal of the settlement agreement to stabilize and reverse the trend of declining ESPA water levels in the Eastern Snake Plain Aquifer.

SCR136 - The purpose of this Resolution is: 1) to establish an Eastern Snake Plain Aquifer managed recharge goal of 250,000 acre-feet on an average annual basis; 2) to direct the development of the capacity necessary to achieve the ESPA recharge goal on or before December 31, 2024; and 3) to provide Legislative approval to increase the ESPA CAMP Phase I managed recharge from 100,000 acre-feet to 250,000 acre-feet average annual managed recharge. As more fully described in the Resolution, these measures are necessary to address the declining ground water levels in the Eastern Snake Plain Aquifer. Since 1952 the total volume of water stored in the Eastern Snake Plain Aquifer have decreased by an average of 216,000 acre-feet and spring flow discharges in the Thousand Springs reach are nearing 1912 measured flows. In the absence of implementation of a managed recharge program across the Eastern Snake Plain Aquifer, there will be inadequate water supplies to provide a reasonably safe supply for all water users, which will lead to more protracted litigation and increasing economic harm to the State of Idaho. While managed recharge will not alone resolve the decline in the ground water levels, it is one of the measures that will be required to stabilize and enhance ground water levels in the Eastern Snake Plain Aquifer. IFBF policy #34 supports managed, basin-wide aquifer recharge with the state being involved with both financial support and implementation. **IFBF supports SCR136**

SCR137 - This Resolution requests the Idaho Water Resource Board to identify and implement stabilization and sustainability projects to stabilize and enhance ground water supplies throughout Idaho. As documented in the Resolution, groundwater supplies across Idaho have been declining. These declines in some areas have resulted in an inadequate supply of water to sustain surface and ground water uses and led to contentious, costly and time-consuming litigation. This Resolution encourages the Idaho Water Resource Board to undertake a proactive approach to reversing the declines in groundwater levels in aquifers throughout the State to prevent the economic impacts that will inevitably arise if groundwater levels continue to decline. The Resolution calls for specific actions in the Treasure Valley, Mountain Home, Big and Little Wood River Basins, and the Palouse Basin. IFBF policy #34 supports managed, basin-wide aquifer recharge. **IFBF supports SCR137**

H387 – Community College/Trustee Zones

On Monday, the House State Affairs Committee held a public hearing and passed H387, sponsored by Rep. Greg Chaney (R-Caldwell). Using the same processes for zoning and rezoning as exists in state code for school districts, H387 aims to ensure representation that is distributed evenly throughout a community college district. The bill proposes the following actions:

- Amend and add to existing law to provide for community college trustee zones and related provisions
- Revise provisions regarding the addition of territory to community college districts
- Revise provisions regarding trustees of community college districts
- Revise provisions regarding an appeal from an order of the State Board of Education

Idaho Farm Bureau supports this bill as it provides more fair and equal representation of rural residents in community college districts. Whereas many agriculture producers pay a disproportionate share of the property taxes that support these public institutions, their equal access to representation should be considered. We also believe that such changes will present a more diverse economic and academic perspective by trustee members, which would better serve the educational interest of all community members.

On Friday, the House debated H387 on the floor where it passed 55 to 15, and will now be sent to the Senate for consideration. **IFBF supports H387**

IFBF hosts Legislative/Commodity Conference and Strolling Buffet next week

Next week, Governor Butch Otter will kick off the Idaho Farm Bureau Federation's annual Legislative and Commodity Conference at the Riverside Hotel when he speaks at the opening luncheon, Tuesday-February 9.

The Conference program begins at 1:15 pm February 9 with Senate President Pro Tem, Brent Hill (R-Rexburg) and House Speaker, Scott Bedke (R-Oakley). Conference participants will also hear from Senate Resources Committee Chairman, Steve Bair (R-Blackfoot) and Senate Local Government and Taxation Chairman, Jeff Siddoway (R-Terreton).

Later on Tuesday afternoon, the Senate and House Agriculture Committee chairmen, Sen. Jim Rice (R-Caldwell) and Rep. Ken Andrus (R-Lava Hot Springs) will provide an update on agriculture issues in the 2016 legislature. The final speaker on Tuesday's program is Department of Environmental Quality Director, John Tippetts.

Idaho Farm Bureau will host its Strolling Buffet in the Riverside Hotel Ballroom Tuesday evening from 6:00 to 8:00 pm. Approximately 270 state and county Farm Bureau leaders, members, guests, and legislators will attend.

The Legislative Conference ends Wednesday morning, February 10, after a 7:00 am National Affairs Breakfast and Congressional Delegation Conference Call.

The Commodity Conference starts at 9:15 am, Wednesday-February 10 with a series of breakout sessions addressing commodities, sage grouse, veterinary feed directive and soil and water management. IDWR Director, Gary Spackman, will explain water modeling at the 11:30 General Session. The Commodity Conference ends Wednesday afternoon with meetings of IFBF's Commodity Committees.

"No principle is more familiar than this, that whilst a state has granted a portion of its sovereign power to the United States, it remains in the enjoyment of all the sovereignty which it has not voluntarily parted with . . . In the Constitution, what power is given to the United States over the subject we are now discussing? In a territory they are sovereign, but when a state is erected a change occurs. A new sovereign comes in." U.S. Supreme Court in *Pollard v Hagen* (44 U.S. 212 (1845)) as quoted in *Legal Analysis prepared for the Utah Commission for the Stewardship of Public Lands, December 9, 2015* <http://le.utah.gov/interim/2015/pdf/00005590.pdf>

IFBF Legislative Action Program

We want to remind our readers about our Legislative Action Program, the online advocacy program that allows interaction between legislators and Farm Bureau members. You can stay informed and if you choose, receive "Action Alerts" on issues or legislation that may need your voice.

To stay current on legislative issues and contact your legislators, visit www.idahofb.org and click on Legislative Activities, Legislative Action Program.