

STATEMENT OF PURPOSE

RS31882 / H0260

This legislation repeals the sales tax on food sold for human consumption, using the definition of food products provided under the Federal Supplemental Nutrition Assistance Program (SNAP), excluding prepared food. To offset the reduction in sales tax revenue sharing amount to local units of government, the bill increases the revenue sharing percentage to those government units by the amount to keep them whole.

FISCAL NOTE

For FY 2026, the net impact to the General Fund is a decrease of \$365 million. This included the reduction in general fund revenue from exempting sales tax collections on the food at \$406 million.

The bill increases the revenue sharing to local units of government, from 11.5 percent to 13.2 percent. The change in the revenue sharing percentage exactly offset the reduction in the base of total sales tax collections. Without changing the percentage, local government units would see a reduction of \$46.7 million in revenue sharing. Raising the percentage for revenue sharing to local units of government restores the revenue to those units by \$46.7 million. The local units of government are held harmless, and this is a wash for the general fund because the exact same dollar amount is shared with local units of government with or without passage of the bill.

Other distributions of sales tax collections are affected by grocery tax repeal because they are determined as a percentage of net sales tax collections. The transportation expansion and congestion mitigation fund (TECM), the school district facilities fund, and the homeowner property tax relief fund will see a combined reduction of \$40.6 million. Given the enormity of Idaho's state budget, these amounts could easily be restored through the appropriation process if the legislature so desires.

The total net effect to the general fund will be lower by approximately \$365 million.

Contact:

Representative David J. Leavitt
(208) 332-1000

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).